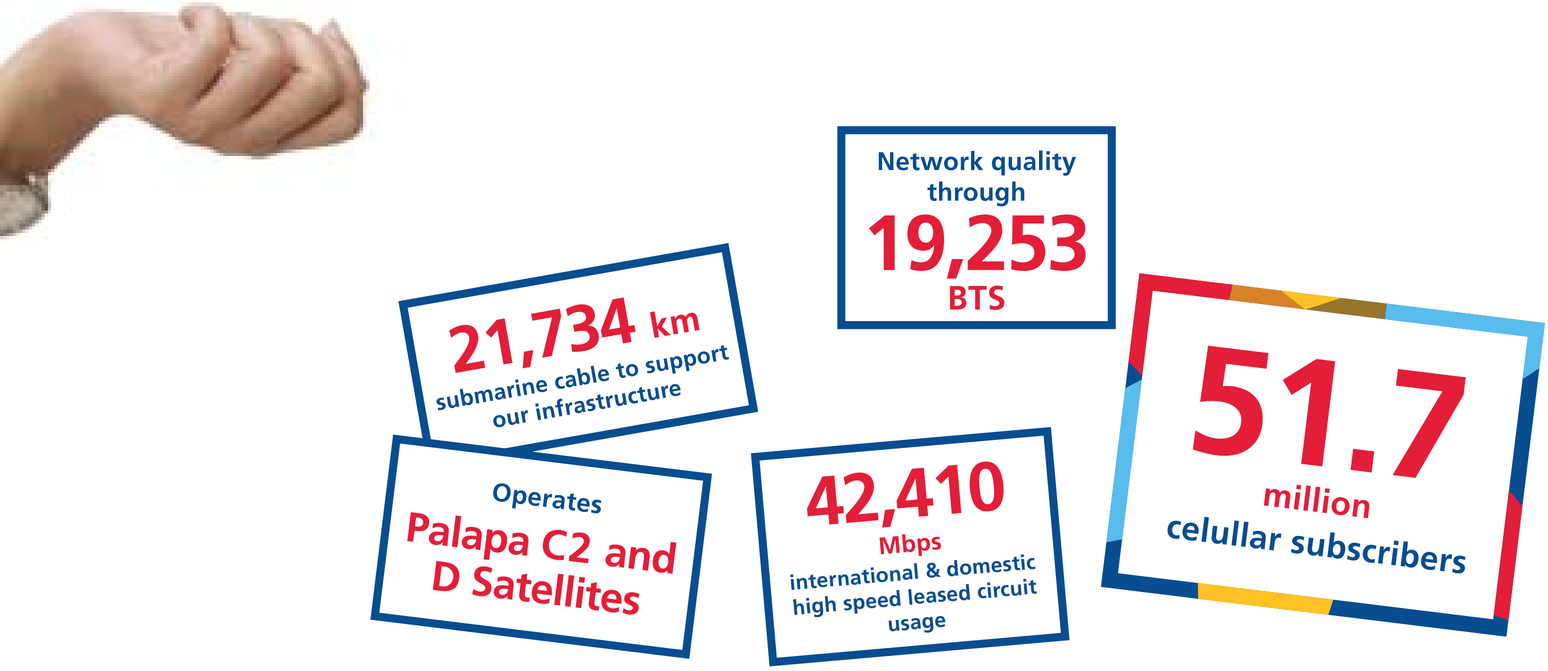
All About You

2011 Annual Report

We grew with our customers,

breaking new ground...

We focused on improving customers experience in every way, from offering more attractive products to improving our network quality and increasing standards of service.



We partnered with dealers

for improved synergies...

By adjusting their performance benchmarks in line with Indosat's goals for a win-win approach towards mutual success through dealer-operated Griya Indosat customer service centers and Kios Layanan Cepat (KILAT) by authorized outlets.

1,200
canvasser
received Best Practice training

289,180
total outlets

81
KILAT

88% electronic voucher
12% physical voucher

45
Griya Indosat


mentari
MUDAH ITU
IM3

We supported suppliers

for higher quality production...

Strong, partnership-oriented relationships and efficient e-procurement systems helped local suppliers to improve the quality of their products and services.

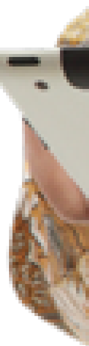
Rp6,092 billion
Capital expenditure

39.7%
level of domestic components

450+ suppliers
performing around 18,500 tasks

Supported **Green Environment** and GCG implementation for suppliers

20,000
supplier employees supported by Indosat



We contributed to the community

for long term sustainability...

Our ongoing Corporate Social Responsibility (CSR) programs delivered real benefits to the Indonesian people in public health, universal education, and disaster recovery readiness.

522,383+
health beneficiaries in 5 years
Indosat Mobile Clinic

1.5%
of 2010 net income
allocated to CSR programs

1,642
ideas
entered in the 1st to 6th Indosat Wireless Innovation Application Contest (IWIC)

153
Indosat Cyber Schools

1,264
science and math teachers
from 33 provinces attend our development workshop


indosat wireless
innovation application contest

and We leveraged our own people

for higher performance.

Employees were motivated by continued career guidance, development, training, competitive remuneration and benefits as well as an open and healthy environment.

Rp3.6 million
average training funds per employee

70%
university or post-graduate degree holders

384
training and development programs held

92%
increase in employee productivity

4,461
employees

The result?

Improved profitability, stability and growth on all fronts, as we attracted a record number of subscribers and solidly affirmed Indosat's position as Indonesia's #2 telecommunications provider.

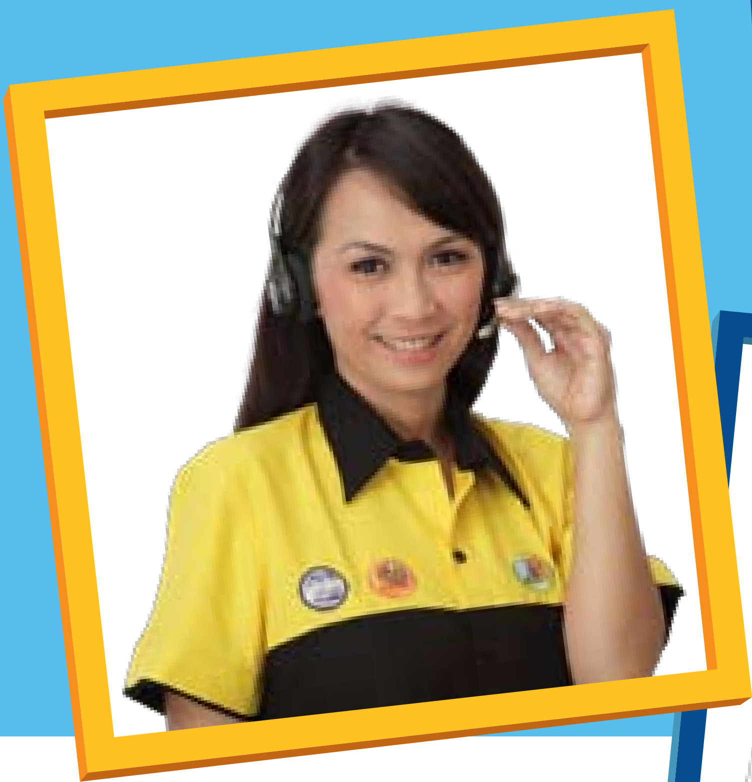
3.9% revenue growth

29.0% profit attributable to owners of the Company increase

16.7% subscriber growth

Rp9,410.9
billion
EBITDA

"Stable Outlook"
Corporate & Bond Rating Outlook



Financial Highlights

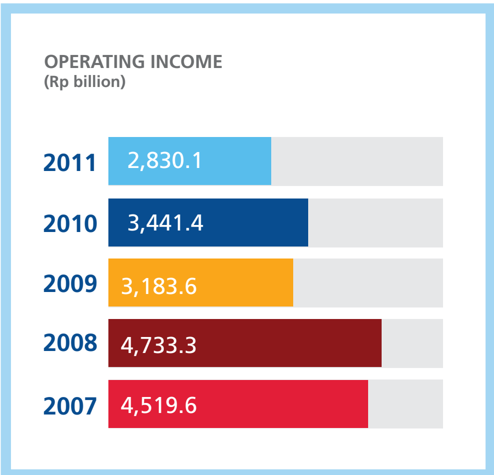
Net income showed significant increase of 29.0% over the year, reflecting Indosat's increased efficiency

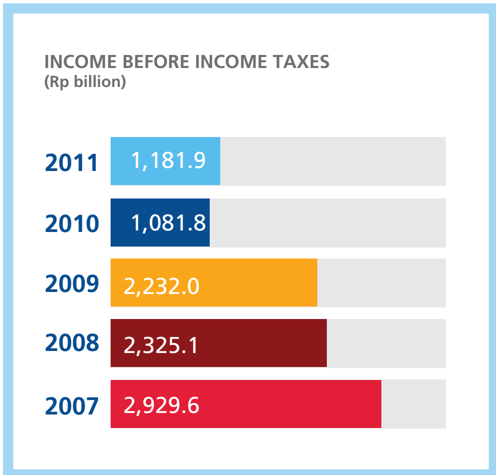
(in billion Rupiah)

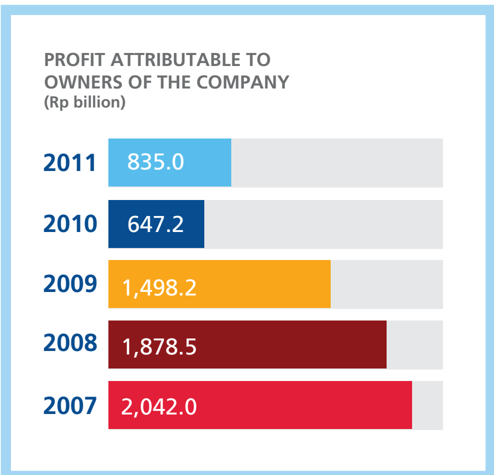
STATEMENT OF COMPREHENSIVE INCOME	2011	2010	2009	2008	2007
Operating Revenues	20,576.9	19,796.5	18,824.2	19,211.5	16,873.8
Operating Expenses	17,746.8	16,355.2	15,640.5	14,478.2	12,354.2
Operating Income	2,830.1	3,441.4	3,183.7	4,733.3	4,519.6
Other Expenses - Net	(1,648.2)	(2,359.5)	(951.7)	(2,408.2)	(1,590.0)
Income before Income Tax	1,181.9	1,081.8	2,232.0	2,325.1	2,929.6
Income Tax Expenses - Net	(249.4)	(357.8)	(677.3)	(419.8)	(859.5)
Profit for The Year Attributable to Owners of the Company and Non-controlling Interest (previously Income before Minority Interest in Net Income of Subsidiaries)	932.5	724.0	1,554.7	1,905.3	2,070.1
Profit for The Year Attributable to Non-controlling Interest (previously Minority Interest in Net Income of Subsidiaries)	(97.5)	(76.8)	(56.5)	(26.8)	(28.1)
Profit for The Year Attributable to Owners of the Company (previously net income)	835.0	647.2	1,498.2	1,878.5	2,042.0
Shares Outstanding (in million of shares)	5,433.9	5,433.9	5,433.9	5,433.9	5,433.9
Basic Earnings per Share Attributable to Owners of the Company (in Rp full amount)	153.7	119.1	275.7	345.7	375.8
EBITDA	9,410.9	9,593.3	8,745.1	9,321.2	8,714.8
STATEMENT OF FINANCIAL POSITION					
Total Assets	52,172.3	52,818.2	55,041.5	51,693.3	45,305.1
Property and Equipment - Net	42,573.4	43,571.0	44,428.8	38,394.1	30,572.8
Working Capital	(5,372.8)	(5,788.0)	(5,931.6)	(983.5)	(832.5)
Total Liabilities	33,356.3	34,581.7	36,753.2	33,994.8	28,463.0
Non-controlling Interest (previously minority interest)	453.5	385.8	330.6	288.9	297.4
Total Equity Attributable to Owners of The Company (previously total stockholders' equity)	18,362.4	17,850.6	17,957.7	17,409.6	16,544.7
OPERATING RATIO (%)					
Operating Income to Operating Revenues	13.75%	17.38%	16.91%	24.64%	26.78%
Operating Income to Stockholder's Equity	15.41%	19.28%	17.73%	27.19%	27.32%
Operating Income to Total Assets	5.42%	6.52%	5.78%	9.16%	9.98%
EBITDA Margin	45.74%	48.46%	46.47%	48.52%	51.65%
Net Profit Margin	4.06%	3.27%	7.96%	9.78%	12.10%
Return on Equity	4.55%	3.63%	8.34%	10.79%	12.34%
Return on Assets	1.60%	1.23%	2.72%	3.63%	4.51%
FINANCIAL RATIO (%)					
Current Ratio	55.05%	51.55%	54.62%	90.79%	92.86%
Debt to Equity Ratio	125.81%	133.79%	141.14%	124.69%	99.84%
Total Liabilities to Total Assets	63.93%	65.47%	66.77%	65.76%	62.83%
DIVIDEND PER SHARE (Rp)					
Final	59.55	137.86	172.85	187.90	129.75
Payment Date	8/5/2011	8/2/2010	7/22/2009	7/15/2008	7/13/2007

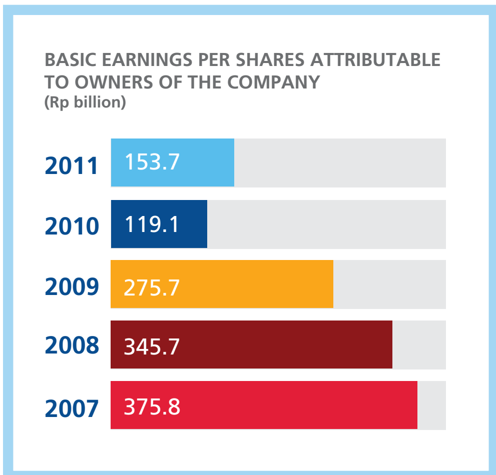

OPERATING REVENUES
(Rp billion)
2011 20,576.9
2010 19,796.5
2009 18,824.2
2008 19,211.5
2007 16,873.8


OPERATING EXPENSES
(Rp billion)
2011 17,746.8
2010 16,355.2
2009 15,640.5
2008 14,478.2
2007 12,354.2


OPERATING INCOME
(Rp billion)
2011 2,830.1
2010 3,441.4
2009 3,183.6
2008 4,733.3
2007 4,519.6


INCOME BEFORE INCOME TAXES
(Rp billion)
2011 1,181.9
2010 1,081.8
2009 2,232.0
2008 2,325.1
2007 2,929.6


PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(Rp billion)
2011 835.0
2010 647.2
2009 1,498.2
2008 1,878.5
2007 2,042.0

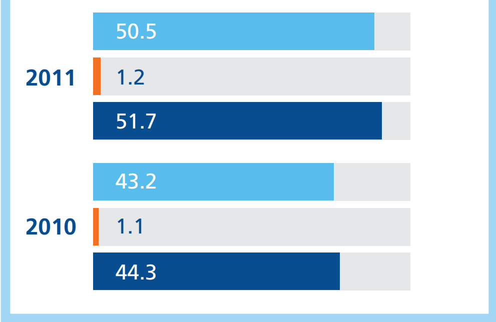

BASIC EARNINGS PER SHARES ATTRIBUTABLE TO OWNERS OF THE COMPANY
(Rp billion)
2011 153.7
2010 119.1
2009 275.7
2008 345.7
2007 375.8

Operational Highlights

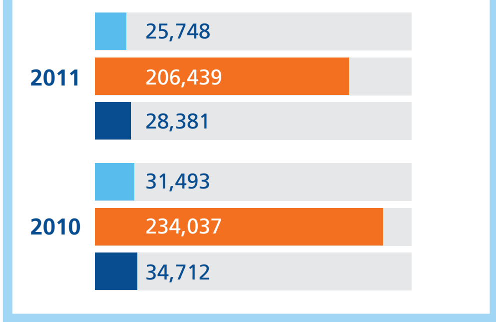
Overall, our operational results showed real gains in almost every aspect, reflecting the Company's transformation.

CELLULAR	Unit	2011	2010	Change (%)
Prepaid Subscribers	Million subscribers	50.5	43.2	16.9
Postpaid Subscribers	Million subscribers	1.2	1.1	9.1
Total Subscribers	**Million subscribers**	**51.7**	**44.3**	**16.7**
ARPU Prepaid	Rp	25,748	31,493	-18.2
ARPU Postpaid	Rp	206,439	234,037	-11.8
ARPU Blended	RP	28,381	34,712	-18.2
FIXED WIRELESS				
Prepaid Subscribers	Subscribers	175,779	489,007	-64.0
Postpaid Subscribers	Subscribers	53,105	61,123	-13.1
Total Subscribers	**Subscribers**	**228,884**	**550,130**	**-58.4**
ARPU Prepaid	Rp	37,888	14,719	157.4
ARPU Postpaid	Rp	24,055	45,613	-47.3
ARPU Blended	Rp	35,140	17,730	98.2
IDD				
Outgoing Traffic	(000) min	445,285	463,037	-3.8
Incoming Traffic	(000) min	1,841,732	1,678,690	9.7
Total Traffic	**(000) min**	**2,287,017**	**2,141,727**	**6.8**
Incoming/Outgoing Ratio	-	4.1	3.6	13.9
MIDI				
WHOLESALE				
International High Speed Leased Circuit	Mbps	23,453	13,614	72.3
Domestic High Speed Leased Circuit	Mbps	18,957	15,678	20.9
Transponder	Mhz	961	707	35.9
IPVPN	Mbps	2,128	1,396	52.4
Internet	Mbps	15,178	3,383	348.7
Frame Relay	Mbps	5	10	-50.0
LINTASARTA				
High Speed Leased Line SDL	64Kbps	1,383,456	718,957	92.4
Frame Relay	64Kbps	213,816	282,187	-24.2
VSAT	64Kbps	163,385	103,376	58.0
IPVPN	64Kbps	704,145	477,492	47.5
IM2				
Internet Dial Up	users	7,032	8,068	-12.8
Internet Dedicated	link	789	758	4.1
IPVPN	link	349	396	-11.9
Employees (permanent and non-permanent incl. subsidiaries' employees)	people	4,461	6,694	-33.4
Galeri Indosat	service center	150	169	-11.2
Griya Indosat	service center	45	60	-25.0
Kios Layanan & Penjualan Indosat (KILAT)	service center	81	13	523.1

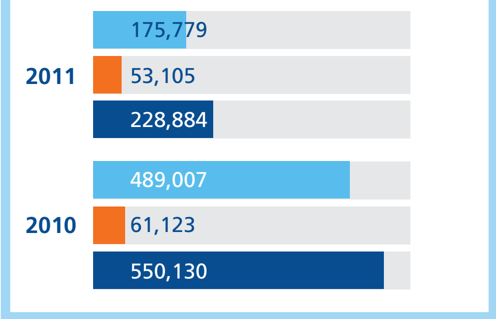
CELLULAR SUBSCRIBERS COMPOSITION (million)



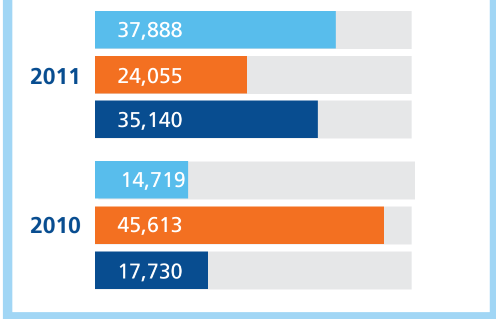
BLENDED ARPU CELLULAR (Rp)



FIXED WIRELESS SUBSCRIBERS COMPOSITION

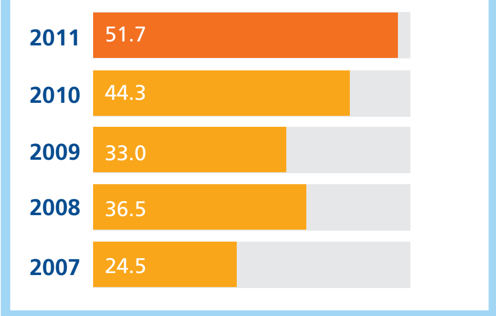


BLENDED ARPU FIXED WIRELESS (Rp)

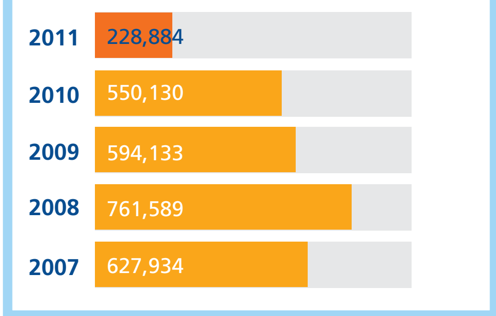


Prepaid
Postpaid
Total

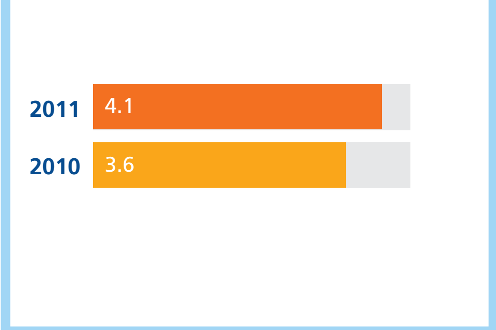
TOTAL CELLULAR SUBSCRIBERS (million)



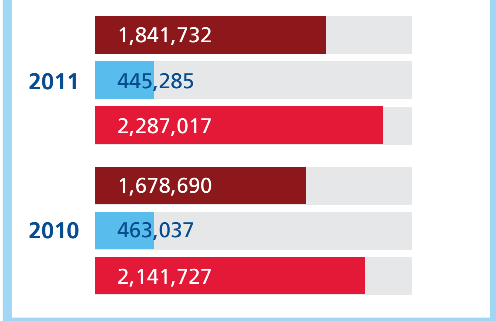
TOTAL FIXED WIRELESS SUBSCRIBERS



INCOMING/OUTGOING RATIO (Million)



IDD Traffic (Million minutes)



Incoming traffic
Outgoing traffic
Total traffic

Stock and Bond Highlights

STOCK HIGHLIGHTS

Stock Performance

	New York Stock Exchange (US$/ADR)		Indonesia Stock Exchange (Rp/Share)	
	2011	2010	2011	2010
Highest	34.43	35.58	6,000	6,300
Lowest	25.99	24.22	4,700	4,400
Year End	31.54	29,12	5,650	5,400
Basic Earnings per ADR/Share	0.85	0.66	153.57	119.10
Dividend per Share/ADR	-	0.35	-	59.55
Dividend Payout Ratio (%)	-	50	-	50
(%) Dividend Yield Dividend per ADR/Share Year-End ADR/Share Price	-	1.20	-	1.10
P/E Ratio Year-End ADR/Share Price Earnings per ADR/Share	37.22x	44.12x	36.76x	45.34x

Quarterly Stock Price on the NYSE (US$/ADR)

Period	2011		2010		Volume 2011 (ADS)	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
First Quarter	31.01	27.05	33.96	25.38	453,900	300
Second Quarter	31.24	29.61	34.19	25.97	135,000	0
Third Quarter	34.43	28.56	30.46	24.22	104,300	0
Fourth Quarter	31.68	25.99	35.58	28.01	53,200	300

Quarterly Stock Price on the IDX (Rp/ADR)

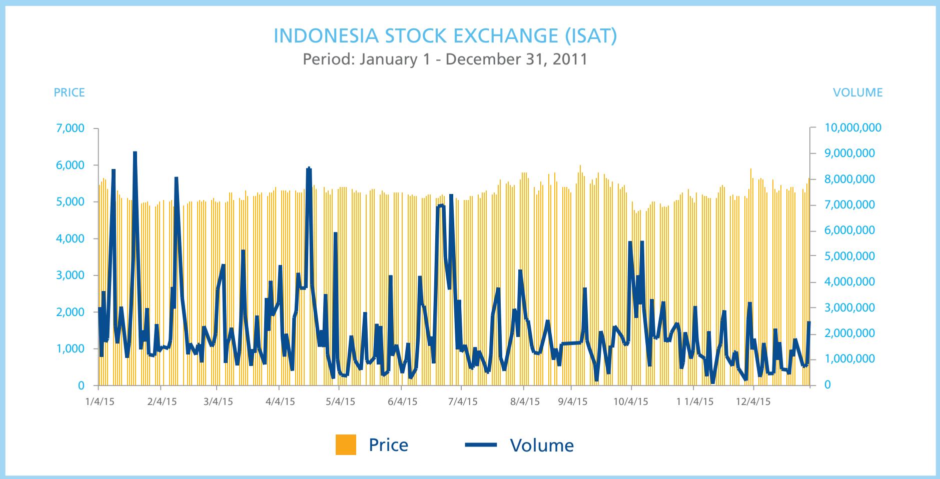
Period	2011		2010		Volume 2011 (LOT)	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
First Quarter	5,650	4,800	6,200	4,700	18,197	1,518
Second Quarter	5,450	5,050	6,150	4,775	16,894	508
Third Quarter	6,000	5,050	5,500	4,400	14,891	303
Fourth Quarter	5,900	4,700	6,300	5,100	11,237	108

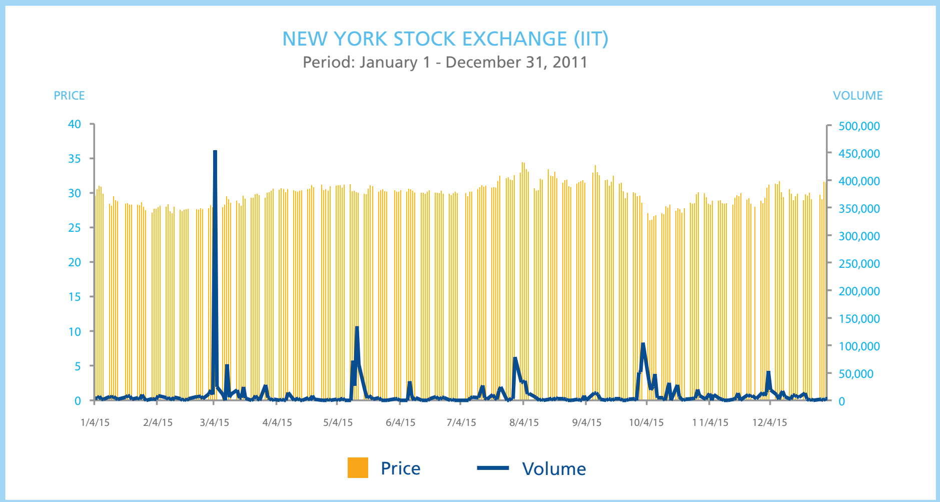
BOND HIGHLIGHTS

Description	Release Date	Stock Exchange	Total	Interest Rate	Maturity
Indosat Bond II	06-Nov-02	Surabaya Stock Exchange*	Series B : Rp200.0 billion	16.00% per annum	06-Nov-32
Indosat Bond IV	21-Jun-05	Surabaya Stock Exchange*	Rp815.0 billion	12.00% per annum	Paid, 21-Jun-11
Indosat Bond V	29-May-07	Surabaya Stock Exchange*	Series A: Rp1,230.0 billion	10.20% per annum	29-May-14
			Series B: Rp1,370.0 billion	10.65% per annum	29-May-17
Indosat Bond VI	09-Apr-08	Indonesia Stock Exchange	Series A: Rp760.0 billion	10.25% per annum	09-Apr-13
			Series B: Rp320.0 billion	10.80% per annum	09-Apr-15
Indosat Bond VII	08-Dec-09	Indonesia Stock Exchange	Series A: Rp700.0 billion	11.25% per annum	08-Dec-14
			Series B: Rp600.0 billion	11.75% per annum	08-Dec-16
Ijarah Indosat Bond II	29-May-07	Surabaya Stock Exchange*	Rp400.0 billion	Rp40.8 billion per annum	29-May-14
Sukuk Ijarah Indosat III	09-Apr-08	Indonesia Stock Exchange	Rp570.0 billion	Rp58.4 billion per annum	09-Apr-13
Sukuk Ijarah Indosat IV	08-Dec-09	Indonesia Stock Exchange	Series A: Rp28.0 billion	Ijarah Return Rp3.2 billion per annum	08-Dec-14
			Series B: Rp172.0 billion	Ijarah Return Rp20.2 billion per annum	08-Dec-16
Guaranteed Notes Maturity 2020	29-Jul-10	Singapore Exchange Securities Trading Limited	US$650.0 million	7.38% per annum	29-Jul-20

*on November 30, 2007, the Surabaya Stock Exchange and the Jakarta Stock Exchange merged to become Indonesia Stock Exchange.

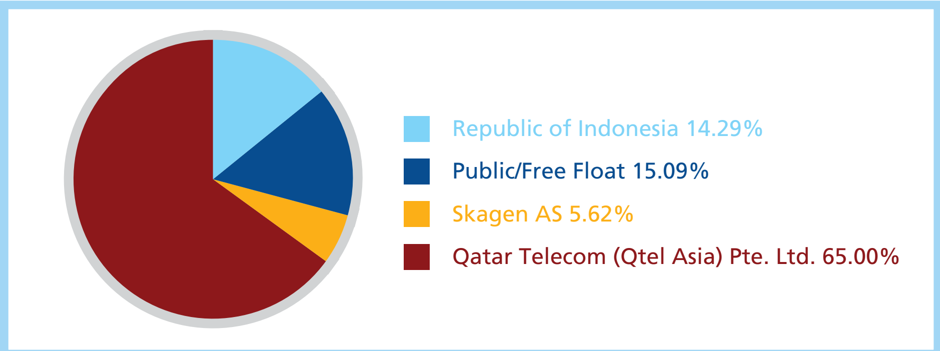
STOCK PERFORMANCE





SHAREHOLDER COMPOSITION

(AS PER DECEMBER 31, 2011)



Awards and Achievements

Indosat won 23 awards in 2011 in recognition of the quality of our products and services, our organization and our business practices.

PRODUCT EXCELLENCE

2011 FROST & SULLIVAN INDONESIA EXCELLENCE AWARD

- Telecom Service Provider of the Year
- Mobile Service Provider of the Year

INDONESIA BRAND CHAMPION AWARD

- Brand Equity Champion for GSM Operators (IM3)
- Brand Equity Champion for Mobile Internet Provider for GSM Operators

DIGITAL MARKETING AWARD 2011

- Great Performing Website, Telecommunication Provider category
- Great Performing Brand in Social Media
- Great Performing Digital Product in GSM SIM Card Category for IM3: The Best in Design

HOTGAME READER'S CHOICE AWARD 2010

- Favorite GSM

Frost & Sullivan Indonesia Excellence Awards 2011

Frost & Sullivan

CORPORATE

INSTITUTIONAL INVESTOR CORPORATE AWARDS 2011

- The Strongest Adherence to Corporate Governance in 2011

IICD 2011 CORPORATE GOVERNANCE AWARD

- Best Rights of Shareholders

INDONESIA GOOD CORPORATE GOVERNANCE AWARD 2011

- Indonesia Most Trusted Company

INDONESIA SUSTAINABILITY REPORT AWARD (ISRA) 2011

- Runner Up 1 for Best Sustainability Report on Website

IAMPI PROJECT MANAGEMENT AWARD 2011

- 4A Telecommunications Technology

Indonesia Good Corporate Governance Award

SWA Magazine

Dream Company
Warta Ekonomi

HUMAN RESOURCES

DREAM COMPANY
- Most Favorite Work Place

CUSTOMER SERVICE

THE BEST CONTACT CENTER INDONESIA 2011
- The Best Technology Innovation 2011
- The Best HR Retention 2011
- The Best Technical Support
- The Best Back Office Support

The Best Contact Center Indonesia
Indonesia Contact Center Association

CORPORATE SOCIAL RESPONSIBILITY (CSR)

INDONESIA CELLULAR AWARD 2011
- The Best CSR Program

SELULAR AWARD
- The Best CSR Program - IWIC

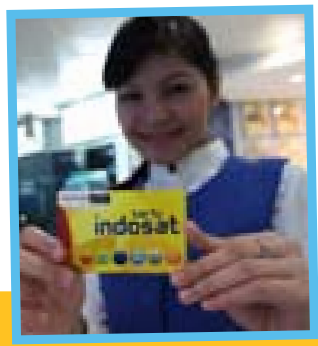
GOLDEN RING AWARD
- The Best CSR Program

TECHLIFE INNOVATIVE AWARD 2011
- Operator – Best Innovative CSR Program

CHARTA PEDULI INDONESIA 2011
- Top CSR on Mobile Clinic Program

Indonesia Cellular Award 2011
Sinyal Tabloid and Dyandra Promosindo

Event Highlights



March

Indosat Awards 2011 for Music

11 March

The annual Indosat Awards ceremony recognizes Indonesia's best music artists, supporting the domestic music scene as part of Indosat's contribution to the nation. The Lifetime Achievement Award went to Addie MS and the Legend Award was given to Benyamin Sueb.

May

Official Global Network Partner of the 18th Asean Summit 2011

5 May

Indosat was chosen to be the Official Global Network Partner telecommunications for the 18th Asean Summit, held at the Jakarta Convention Center.

IWIC 2011

19 May

The 6th Indosat Wireless Innovation Application Contest (IWIC), an annual competition for creative ideas and innovations in wireless technology, was held with the theme "Innovations in Applications towards Manifesting Entrepreneurship" towards encouraging creative innovation the sector.

Indosat Mobile

25 May

The new Indosat Mobile program was rolled out. This program is designed for employees and entrepreneurs who require comprehensive communication and information services in order to work optimally.

June

IM3 Nonstop

10 June

Indosat launched the innovative "IM3 Nonstop" program, offering nonstop phone, SMS, social network and music service aimed at young people.

Indosat Internet

21 June

Indosat Internet service was successfully launched, giving all Indosat subscribers easy and affordable data and information access. This service is supported by HSPA+, HSDPA, 3G, EDGE, and GPRS technology as well as a quality international backbone.

2005 Bond Issues Settled

22 June

Indosat settled the principle and interest of the 2005 Indosat IV Bond and the 2005 Ijarah Bond issues in full, in the amount of Rp1.1 billion.

August

Indosat Mobile Clinic Serving Customers in its 5th Year

8 August

The 5th year of serving its customers was marked by a working agreement between 16 Indosat Mobile Clinics with partners such as Rumah Zakat and Dompet Dhuafa to work together for the coming year. Indosat Mobile Clinics have provided health services to over 500,000 patients since the service began, as Indosat's contribution to society.

Prestige Partner of the 26th SEA Games 2011

22 August

Indosat was selected to be the Prestige Partner of the XXVI SEA Games and provide all the telecommunications needs of the athletes, delegations and committees including domestic and international broadcasting, in both Jakarta and Palembang.

October

"IM3 Gratis Gak Abis-Abis"

22 October

Indosat's "IM3 Gratis Gak Abis-Abis" promotion launched, targeting young users through thousands of free text messages, free social network; and hundreds of free minutes. Subscribers enjoyed 1000 free SMS after sending 2 SMS between 00.00-11.00 and another free 1000 SMS after sending another 2 SMS during 11.00-17.00. In addition IM3 also provided 100 free telephone minutes between 00.00-17.00. This promotion also provided free social networking linked to internet usage at certain hours.

November

Official Global Network Partner of the 19th Asean Summit 2011

10 November

As the Official Global Network Partner of the 19th Asean Summit in Nusa Dua, Bali, Indosat provided domestic and international telecommunication services including uplink satellite services for live video feed.

2011 Frost & Sullivan Indonesia Excellence Award

17 November

Indosat was named TELECOM SERVICE PROVIDER of THE YEAR and MOBILE SERVICE PROVIDER of THE YEAR by global consultants Frost & Sullivan, in recognition of Indosat's recent achievements and service performance.

50 Million Subscribers & 44th Anniversary Celebration

20 November

A mass funwalk and bike ride were held to celebrate Indosat's reaching 50 million subscribers as well as Indosat's 44th anniversary.

December

Innovation Lab

2 December

The ITB Innovation Lab sponsored by Indosat opened at the prestigious Bandung Institute of Technology (ITB) campus, supporting developers and young innovators towards creating marketable applications. This program is part of the Table and Applications Research program run jointly by Indosat, ITB and a number of other partners such as ZTE, RIM, Nokia Siemens Network, Creatary, and Alcatel Lucent.

SEA GAMES XXVI Gold Medalists Rewarded

5 December

Indosat together with Research in Motion (RIM) rewarded 235 Indonesian SEA GAMES XXVI gold medalists with BlackBerry Bold 9790 handsets and Indosat subscriber packages as an expression of thanks for their contribution to the country.

Indosat Senyum Merchant Program

7 December

The Indosat Senyum Merchant (Merchant Smiles) program was rolled out, allowing Indosat subscribers to exchange points with various products and services from selected leading merchants such as Alfamart, BIG Card, Gramedia, Garuda Frequent Flyer (GFF), and METRO. Subscribers accumulate points each time they top up credits or pay bills.

Contents

All About You

In our quest to become a truly customer-centric organization, Indosat designated 2011 as the Year of People. Despite slowing rates of growth in the Indonesian telecommunications industry overall, these people-focused initiatives successfully improved Indosat's financial and strategic performance, reaching a new record of 51.7 million subscribers as of year-end.

Not only did our subscriber base grow, but our ratings improved as well on a strengthening financial position and other indicators. We ended the year with gains in almost every aspect, reaffirming our position as the second largest telecommunications provider in Indonesia and a force to be reckoned with.

Company Profile

PT Indosat Tbk is a leading telecommunication and information service provider in Indonesia that provides nationwide cellular prepaid and postpaid services. It also provides a fixed telecommunication or fixed voice offering including IDD, fixed wireless and fixed phone services.

In addition, together with its subsidiaries PT Indosat Mega Media (IM2) and PT Aplikanusa Lintasarta, Indosat provides fixed data or Multimedia, Internet & Data Communication services such as IPVPN, leased line and internet services. Indosat was a pioneer in introducing wireless broadband services using 3.5 G with HSDPA technology to Indonesia. The Company successfully attained a dual listing for its shares in 1994 and today the Company's Ordinary Shares are listed on the Indonesia Stock Exchange (IDX: ISAT) with American Depository Shares also listed on the New York Stock Exchange (NYSE:IIT).

Vision

To be the customer's preferred choice for all information and communication needs.

Mission

- To provide and develop innovative and high quality products, services and solutions which offer the best value to our customers.
- To continuously enhance shareholders value.
- To provide a better quality of life for our stakeholders.

Core Values

Integrity

To uphold the highest ethical standards in all aspects of our work, based on the principles of loyalty, responsibility and dedication to the Company.

Teamwork

To work together as one, utilizing the skills and experiences of our colleagues and partners in an environment that nurtures us.

Excellence

To strive to produce the best results in everything that we do and to create results that exceed expectations.

Partnership

To be committed to becoming a solid partner and to work to create collaborative, productive and mutually beneficial relationships with these partners.

Customer focus

To focus on exceeding our customers'expectations in everything that we do.

Milestones

1967

Indosat was founded as a Foreign Capital Company in Indonesia, the first to provide international telecommunications services via international satellite.

1980

Indosat grew to become the first international telecommunications company to be acquired and wholly owned by the Government of Indonesia.

1994

Became a public company listed on the Indonesia Stock Exchange and the New York Stock Exchange. The Government of Indonesia and public held 65% and 35% share ownership, respectively.

2001

Acquired majority shareholding in Satelindo, a cellular and IDD operator in Indonesia. Established PT Indosat MultiMedia Mobile (IM3), a pioneer of GPRS and multimedia services in Indonesia.

2002

The Government of Indonesia sold a portion of its shareholding equating to 8.10% of total shares in Indosat to the public and 41.94% of total shares to Singapore Technologies Telemedia Pte. Ltd (STT). The Government of Indonesia subsequently held 15.00% shares, STT 41.94% with the remaining 43.06% held by the public.

2003

Merged with its three subsidiaries, Satelindo, IM3 and Bimagraha, becoming a major cellular operator in Indonesia.

2006

Acquired a 3G license and introduced 3.5G services in Jakarta and Surabaya.

2008

Indosat shares were indirectly acquired by Qatar Telecom (Qtel) Q.S.C. (Qtel) through Indonesia Communications Limited (ICLM) and Indonesia Communications Pte. Ltd (ICLS) in the amount of 40.81%. The Government of Indonesia and the public respectively owned the remaining 14.29% and 44.90%.

2009

Qtel acquired 24.19% series B shares from the public, becoming the majority shareholder of Indosat with 65% ownership in Indosat. Subsequently, Indosat was owned by Qatar Telecom (Qtel) Q.S.C. (Qtel) through Qatar Telecom (Qtel Asia) Pte.Ltd (65%), the Government of Indonesia (14.29%) and the public (20.71%). Indosat was granted a license for 3G frequencies second carrier by the Ministry of Communication and Information Technology, and its subsidiary, IM2, also won the government WiMAX license tender.

2010

Began a company-wide transformation into a more focused and efficient company through organizational restructuring, cellular network modernization and expansion, and initiatives in operational excellence.

2011

Reached over 50 million subscribers and successfully completed the transformation into a high-efficiency, high performance customer-centric organization.

Products and Services

CELLULAR SERVICES

	Description	Customer Benefit
indosat mobile	Complete offering targeted to professional segment.	Complete package of Voice, SMS and data for office and non-office hours with competitive price.
IM3 indosat	Fun and affordable mobile prepaid communication services targeted at the youth segment.	Affordable voice, SMS and data pricing with fun and excitement value added service and content.
indosat internet	Package for large and small screen internet access.	Affordable access mobile data daily, weekly and monthly packages.
indosat senyum	A loyalty program for all Indosat customers based on points	All customer can redeem their points for Telcommunication and Non-Telcommunication benefit
mentari	Mobile prepaid communication services for families.	Simple and economical flat rates.
Matrix	Premium GSM mobile postpaid communication services.	High mobility and quality, widest international coverage, premium services.

FIXED TELECOMMUNICATION SERVICES

	Description	Customer Benefit
INDOSAT FlatCall 01016	Domestic and international Voice Over Internet Protocol (VoIP) service.	Affordable flat international tariff, VoIP calling cards to facilitate long distance calls, control over cost of calls.
INDOSAT SLI 001 / 008 SLI	International Direct Dialing.	Clear quality IDD calls, budget IDD, worldwide calling coverage.
star one	Fixed Wireless Acess (FWA) with limited mobility within city/area code.	Affordable daily usage communication services for voice and SMS and also cheap Internet access.
INDOSAT phone	Indosat Phone provides fixed phone access for voice, data and video communications, for both domestic and international destinations, that is good quality and competitivley priced.	Good quality and competitively priced

MIDI SERVICES (MULTIMEDIA, DATA COMMUNICATION AND INTERNET)

	Description	Customer Benefit
IPLC (International Private Leased Circuit) **DPLC (Domestic Private Leased Circuit)**	**Data Communication Services:** The products and services that we offer in this business segment include highspeed point-to-point international and domestic digital leased line broadband and narrowband services, a highperformance packet-switching service and satellite transponder leasing and broadcasting services.	Point-to-point private circuit connections.
Frame Relay & ATM (Asynchronous Transfer Mode)		Flexibility for variable traffic.
INP (Internet Network Provider)		Access to global Internet.
IDIA (Indosat Dedicated Internet Access) **INIX (Indosat National Internet Exchange)**		Ability to create private network through data package.
MPLS (Multi-Protocol Label Switching) **Satellite Services**		Solutions for national and international broadcast services.
DRC (Disaster Recovery Center)		Secure data service.

Report from the Board of Commissioners

Our perseverance in implementing our transformation strategy is continuing to yield results, positioning the business strongly for long term growth.

Sheikh Abdulla Mohammed S.A Al Thani
President Commissioner

Building the right platform for growth

It gives me great pleasure to open this review of Indosat's 2011 performance. Throughout 2011, the Company has focussed tirelessly on delivering the next stage of its transformation strategy and in putting in place the measures to become a performance based and customer centric organisation.

The ongoing transformation strategy is challenging, for two reasons. Firstly, in line with a slower rate of overall growth in the market, we have seen an increase in competitive pressure in the cellular segment which has impacted revenue growth and with data revenue growth rates not yet at a sufficient level to compensate. Secondly, we have remained vigilant in our implementation of the ongoing cost efficiency programme which has had positive effects on the culture of our organisation. Despite these challenges we have emerged from 2011 with positive growth in our customer base and as a stronger, more efficient and more focussed organisation.

Against a backdrop of lower revenue growth, our cost efficiency programme has been essential. We have delivered significant savings throughout the course of the year, totalling over 660bn IDR. This has been achieved across a comprehensive series of initiatives with the aim of maximising the financial efficiency of our business. The Voluntary Separation Scheme ("VSS") has seen a significant reduction in ongoing outsourcing costs and in headcount enabling a lower, stable and more competitive cost base going forward. In terms of technology we have undertaken initiatives to reduce our power and fuel costs as well as to optimize our maintenance contracts, both of which have yielded significant savings. We have also undertaken across our corporate services, commercial and wholesale divisions.

Our move to become a more customer centric organisation requires ongoing vigilance in terms of infrastructure quality. Excellent service relies on a strong, dependable network and we have devoted considerable effort this year to strengthening and future-proofing its already resilient infrastructure. In 2011, we have continued to progress the network modernisation programme first started in 2009, introducing Software Defined Radio (SDR) technology which will ultimately allow for flexible and seamless handling and provisioning of 2G, 3/3.5G, and Long Term Evolution (LTE) standards. In partnership with leading telecommunication equipment vendors, Indosat has also conducted promising initial trials of LTE technology on its network, alongside the establishment of a dedicated "Indosat Innovation Laboratory" to support research into the telecommunication standards of tomorrow.

Alongside our investments in infrastructure we have also focused heavily on the delivery of good value, quality customer experiences, helping to bolster the Company's reputation for customer service and centricity. In 2011, we launched various marketing activities targeted at the needs and habits of defined user segments in order to enhance subscriber growth and revenue generation. For the country's large youth segment, we have launched exciting SMS, Social Media and Music-related packages and at the same time, for the country's fast-growing professional community, we unveiled an attractive range of voice, SMS and data plans, linked to smartphone devices such as BlackBerry for the most valuable subscribers. This unrelenting customer focus was rewarded this year, with Indosat proud to be named not only "Indonesia Mobile Service Provider of the Year" but also "Indonesia Telecom Service Provider of the Year" by global business research and consulting firm, Frost & Sullivan.

Delivering results in a challenging environment

Our strategy of ongoing operational and financial efficiency alongside customer centric initiatives to assist in the development of our market share has enabled us to maintain positive financial results in a difficult operating environment, we have recorded normalised EBITDA growth of 3.2% to Rp9,898.7 billion in 2011. This continued growth in the face of slower revenue growth is a testament to our strong OPEX management underpinned by the cost efficiency initiatives programs have allowed us to minimalise the impact to EBITDA margin at 48.1%. Company revenues have increased with growth of 3.9% to Rp20,567.9 billion in 2011.

Indosat took the opportunity to continue to reduce its total debt during the year by 2.7% after repaying the following maturities during 2011: Indosat Bond IV of Rp815.0 billion, Ijarah I of Rp285.0 billion, Syndicated US$ Loan of US$220.5 million, SEK Loan Tranche A, B & C installment of US$45.0 million, HSBC Coface and Sinosure of US$20.1 million, 9-Year Commercial Loan from HSBC of US$2.7 million and FEC loan of US$3.8 million, BCA and Mandiri Loan of Rp600.0 billion and Niaga Credit Facility of Rp34.9 billion.

Our financial performance continues to reflect the strength and depth of our senior leadership team who have in a short period of time, implemented a strategy that will position the Company strongly against competitive pressure and enable it to lead the market in the areas of customer service, network quality and product innovation.

Your support has been essential

On behalf of my colleagues on both the Board of Commissioners and Board of Directors, I would like to extend my sincere thanks to Indosat's shareholders, for the unwavering support they have given to our transformation agenda over the course of the past year. We are confident that your support will be rewarded as the Company now focuses on further developing subscriber growth and revenue generation alongside its continuing escalation of overall performance.

My deep appreciation also goes out to all Indosat employees, whose enthusiasm, dedication and ability have been essential in helping us deliver on our turnaround strategy. My colleagues and I are also grateful to the many partners, stakeholders and organisations that have worked closely with us throughout 2011 to support our transformation programme.

Looking Ahead

My Board colleagues and I are extremely proud of the continued progress our organization has made over the course of the last year. Growth in Indonesia's communications market continues to be driven by consumer adoption of ever more sophisticated and demanding mobile applications. In the year ahead, Indosat will remain focused on rolling out such services and at the same time implement the data capacity required to deliver them reliably and consistently to customers. A number of initiatives will be put in place in 2012 to secure Indosat's early lead in data services through network roll-out and optimisation, industry collaboration and the introduction of new, data-ready technologies.

Sheikh Abdulla Mohammed S.A Al Thani
President Commissioner

The Board of Commissioners

From left to right:

1.Dr. Nasser Mohammed A. Marafih
Commissioner

2.Chris Kanter
Independent Commissioner

3.Sheikh Abdulla Mohammed S.A Al Thani
President Commissioner

4.Rachmat Gobel
Commissioner

5.Alexander Rusli
Independent Commissioner

6.Soeprapto S.I.P
Independent Commissioner

7.Richard Farnsworth Seney
Commissioner

8.Rionald Silaban
Commissioner

9.George Thia Peng Heok
Independent Commissioner

Report from the Board of Directors

2011 was a transformational year in which we passed 50 million cellular subscribers and shed old inefficiencies to focus on our customers with renewed purpose and vigor.

Harry Sasongko Tirtotjondro
President Director and Chief Executive Officer

A Watershed Year

In the midst of fierce competition and shifting market dynamics, Indosat remained focused on its commitment towards becoming a performance-based and customer-centric organization. This produced genuine results. We emerged from 2011 leaner and stronger, breaking past the 50 million subscriber mark to firmly cement our position as the number two telecommunications provider in Indonesia and a major global player.

While the process has been deeply challenging at times, from an outside perspective our progress is heartening. In just two years, we have moved from a diminishing subscriber growth rate, negative cash flow and declining market share to become a cash-positive business with rising subscriber growth and an excellent reputation for products and services. Our majority shareholder Qtel Group, drawing on its considerable experience with turnaround situations, has great confidence in Indosat's prospects and is fully supportive that we are moving in the right direction. The measures we have taken, have positioned us well to better compete in the growing Indonesian market.

Results and Performance

Against a backdrop of positive economic growth and stable inflation, we exited 2011 with a stronger financial position, improved profitability, and most excitingly, 51.7 million celullar subscribers equivalent to a 22% market share, a 16.9% increase over the previous year. The keydrivers underlying this success were stronger network coverage, especially on Java, continued emphasis on productivity and efficiency, a shift to a more customer-centric approach and strong multiple brand performance from Indosat Mobile, Indosat Internet, and IM3. In addition, we also achieved solid growth inhubbing and IDD, and data segments. Our performance was impacted by price competition, which was stronger than expected and impacted all providers particularly in the fourth quarter. Competition has however moderated in comparison with previous years and pricing pressures are expected to ease going forward.

Revenues for 2011 grew 3.9% year-on-year (y-o-y) to Rp20,576.9 billion,net income improved 29% to Rp 835 billion and net profit increased by 21% to Rp 136 billion over the same period. This was as a result of higher revenues combined with lower financing costs and derivative gains but also reflects our increased efficiency as an organization. In terms of performance metrics, revenue-based productivity per employee increased by 30%, and ROA and ROE ratios grew y-o-y from 1.23 and 3.63 respectively to 1.59 and 4.54. We also deleveraged significantly, positioning ourselves more effectively for future growth. This improvement in our fundamentals, together with our demonstrated commitment to prudent liquidity management and utilizing our assets more effectively, resulted in a ratings upgrade by Moody's and Fitch's from negative to stable.

Major Initiatives and Impact in 2011

Two themes dominated our transformation in 2011: efficiency and consumer centricity. Major efficiency gains were made under Operation Excellence, a company-wide cost initiative, which aimed to simplify procedures, cut inefficiencies and empower employees for faster, more independent decision-making. As part of this initiative, underutilized tower assets were identified and placed for sale in a move that was warmly welcomed by the market.

The move to focus on customers was accompanied by significant internal reorganization including the creation of a consumer-focused division dedicated to segmenting the market, in order to coordinate and target marketing and branding initiatives. Capitalizing on the strength of the Indosat brand, a number of products were rolled under our the brand including Indosat Internet, and our mobile broadband service was migrated from subsidiary IM2 to Indosat where it could be better integrated with Indosat's existing product suite. These product roll outs were supported by targeted promotions and marketing programs both in Java and the the Outer Islands of Kalimantan, Sumatera, Sulawesi and Papua, where the Indosat footprint is rapidly increasing. We also strengthened our position in the Data Broadband and Blackberry services segment including in the corporate and small-medium enterprise (SME) markets, and developed our mobile-commerce service business. In recognition of the quality of our products and service, Indosat won a number of awards including the prestigious 2011 Frost & Sullivan Indonesia Excellence Award for Telecom Service Provider of the Year and Mobile Service Provider of the Year.

In terms of network, we focused on decongestion and maintaining quality whilesetting up buffer stock to speed up rollouts. Our vendor program also began to produce savings and efficiencies including faster procurement for more rapid build times. Already a leader in 3G, we strengthened and made improvements towards data readiness, and continued to explore business opportunities such as cloud computing and storage to prepare for the data business cycle. The Indonesia data market is still in its infancy but smart phone usage and business data needs are accelerating fast. Indosat is well positioned to participate fully in the development of this segment.

Responsible Corporate Citizenship

Indosat continued to strive toward being a responsible and ethical corporate citizenship. This was expressed through a number of initiatives, notably in good corporate governance (GCG) and Corporate Social Responsibility (CSR). Our corporate governance practices have been refined over the years and, in accordance with current regulations on the New York Stock Exchange, have undergone various internal control tests with good results. In recognition of our GCG standards, we received a number of awards in 2011 including the Institutional Investor Corporate Awards 2011 for The Strongest Adherence to Corporate Governance.

In line with our aims of sustainable business and contribution to the nation, our CSR programs focused on the areas of education and healthcare, where we have traditionally felt that we can make the most impact. The Indosat Mobile Clinic program, which has brought medical care to over 500,000 beneficiaries, celebrated its fifth anniversary this year while the Indosat Wireless Innovation Application Contest (IWIC), a well-known annual event that recognized outstanding wireless innovations, ran smoothly for the sixth time. An Innovation Lab as the second lab sponsored by Indosat opened on the Bandung Institute of Technology campus, encouraging technical innovation among the young generation.

On related note, we successfully tested fluidic batteries as an efficient and environmentally-friendly power source for our Base Transceiver Station (BTS), an initiative that will be scaled up in 2012 to reduce our carbon footprint. Finally, Indosat was honored to be chosen as the support as the official telecommunications partner for the SEA Games XXVI as well as the two ASEAN summits held in Indonesia over the year.

Board of Directors

There have been some changes to the Board of Directors during the year. Specifically, Chief Finance Officer Mr. Peter W. Kuncewicz and Chief Technology Officer Mr. Stephen E. Hobbs stepped down from their positions at the June 24, 2011 Annual General Meeting of Shareholders. They were replaced by Mr. Curt Stefan Carlsson and Mr. Hans Christiaan Moritz, respectively. Mr. Kuncewicz and Mr. Hobbs made significant contributions during their tenure and we wish them the best.

Outlook & Strategy for 2012

Having strengthened our underlying fundamentals and successfully transformed into a more efficient and consumer-centric organization, the challenge that lies ahead is to execute swiftly and effectively. Several positive events have already taken place in 2012, such as the finalization of our tower sale agreement and a further ratings upgrade. We will remain focused in our strategy and look to maintain momentum for the remainder of the year.

Particular areas of focus in 2012 will be to rebuild commercial momentum by rolling out compelling packages targeted at different segments, enhance customer experience at all touch points through CRM programs, ensure attractively priced offerings and continuing improvement in network quality with ongoing priority given to optimization and decongestion. Efficiency in the form of business process improvements continue to be a priority, addressing goals such as CRM and convergent billing, as is development of our data capacity as we strive to move to the next level of performance. Finally, human resources training and development initiatives will continue as we move towards further developing a performance-based culture.

While demand for voice and SMS services is already mature, the telecommunications market in Indonesia will continue to grow supported by a growing population, rising GDP and an environment and culture that are supportive of consumption. The road ahead will not be easy but thanks to the hard work we have done, Indosat is now far better positioned to compete. If we can harness our combined abilities in a disciplined manner to serve our customers with excellence and efficiency, we will be well on our way to further improvement.

On behalf of the Board of Directors, I would like to commend all our employees for their hard work and dedication over what has been a challenging but ultimately rewarding year. I also wish to thank our customers, partners and shareholders for their loyalty support throughout the transformation process. It is our hope that Indosat will be able to make further gains this coming year towards long term value for all our stakeholders.

Harry Sasongko Tirtotjondro
President Director and Chief Executive Officer

The Board of Directors

From left to right:

1.Hans Christiaan Moritz
Director & Chief Technology Officer

2.Fadzri Sentosa
Director & Chief Wholesale and Infrastructure Officer

3.Harry Sasongko Tirtotjondro
President Director & Chief Executive Officer

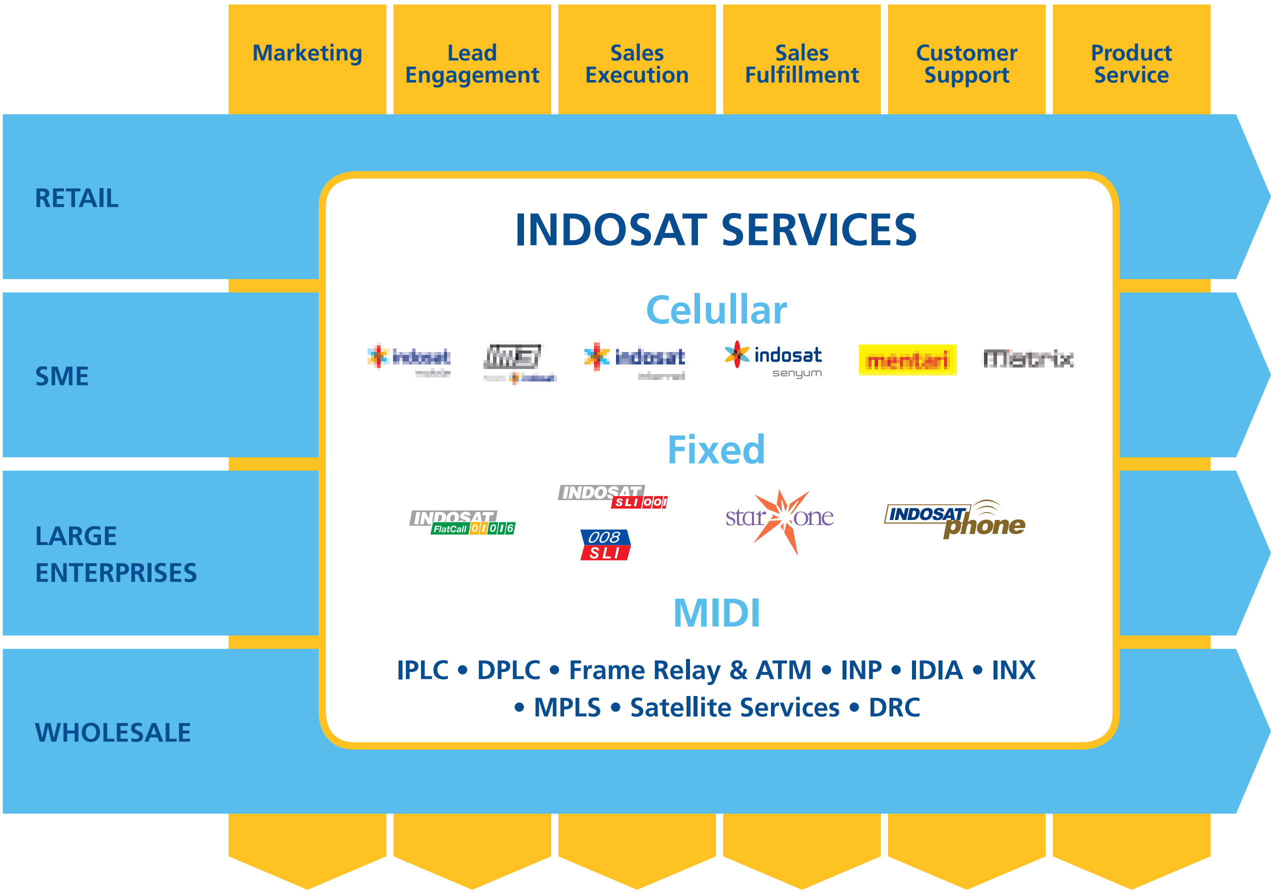
4.Laszlo Imre Barta
Director & Chief Commercial Officer

5.Curt Stefan Carlsson
Director & Chief Financial Officer

Business Units

Business Unit Overview

Indosat delivered Cellular, MIDI and Fixed Services that were targeted at the Retail, Small & Medium Enterprises (SME), Large Enterprises, and Wholesale Segment. These services were comprehensively supported by initiatives in Marketing, Lead Engagement, Sales Execution, Sales Fulfillment, Customer Support and Product Services throughout the year.



CELLULAR SERVICES

Indonesia represents a large market for cellular telecommunications. Although pricing pressures from a saturated market have negatively impacted revenue growth rates for Voice and SMS, real demand for these services continues to grow. Compared with neighboring countries, domestic cellular penetration is still relatively low, and this combined with a growing and rapidly modernizing economic, young demographic structure and rising GDP support long-term growth for cellular telecommunications in the market. In line with the ongoing transformation to become a consumer-centric company, 2011 saw substantial changes being made in Indosat's cellular services strategy in order to more effectively serve customers.

As of December 31, 2011, Indosat reached 51.7 million cellular subscribers (including wireless broadband subscribers), representing 16.7% growth from 44.3 million a year before. Revenue from cellular services grew 4.5% over 2010 to Rp16,750.9 billion, represents for 81.4% of total consolidated operating revenues for the year. Within cellular services, SMS usage fees continued to represent a substantial percentage of cellular operating fees. Positive contributions also came from the tower leasing business.

Revenue growth was less than subscriber growth as ARPU (Average Revenue Per Users) declined by 18.2% over the year, due to an increase in subscribers that was dominated by the youth segment which is associated with a lower ARPU profile. Revenues were also temporarily impacted in the fourth quarter as surging data usage took up network capacity at the expense of mobile growth, but various network solutions were put in place to relieve the situation going forward.

Products & Services

Indosat is known for its comprehensive range of high quality products in mobile voice and data services, including wireless broadband services. In May 2011, we launched Indosat Mobile for the professional market in line with market segmentation and strengthen IM3 brand for the youth segment.

We also rolled out Indosat Internet, which delivers internet broadband service for IM3, Mentari and Matrix subscribers supported by 3.5G internet that includes high speed, unlimited data services of up to 7.2 Mbps of data for internet activities such as e-mailing, chatting, downloading, blogging, browsing and more, all under a clear and affordable tariff. IM3, Mentari and Matrix subscribers can access Indosat Internet service from their existing cellular telephone numbers without needing to change numbers. This fast broadband service is now available in a number of regions throughout Indonesia.

Complementing these brands is our prepaid cellular brand Mentari, offering competitively priced voice services for more mature users, and our post-paid brand Matrix, which is directed at retail premium subscribers and corporate users. Indosat also offers a number of Value Added Services which enable subscribers to access a variety of information such as politics, sports and business news. VAS services include value-added SMS such as SMS Alerts for news, sport, traffic updates and horoscopes; mobile downloads such as ringtones, videos, images and games; personalized i-Ring tones; voting; social networking and more. Revenues from these value added services contributed Rp1,487 billion or 8.9% of total 2011 cellular operating revenues, roughly in line with last year's contribution.

Market Innovations

Indosat aimed at creating strategic co-marketing, bundling, co-branding and custom-labeling partnerships with device makers and distributors across the value chain. This active device play approach represents additional marketing and distribution channels for Indosat products and services.

Strengthening Indosat's position as a premium provider of BlackBerry service, in the middle of the year Indosat upgraded bandwidth link capacity to 2.7 Gbps, giving BlackBerry subscribers the communication speed and greatest download capacity in the country. Indosat also became the first telecommunications provider in Asia

Pacific to conveniently and securely allow operator billing for purchases from BlackBerry® App World and purchases of digital goods such as digital content or more levels to a game. Purchases will be charged directly to their Indosat bill whereas previously BlackBerry® App World™ applications could only be purchased in US Dollars using credit cards or PayPal as a payment channel. This service is available to subscribers of Indosat Mobile, IM3, Mentari and Matrix. Additionally, near the end of the year, Indosat presented BlackBerry users with flat rates for international roaming for data in all Indosat partner countries, for additional convenience and cooperation in recognition of the fact that Indonesia is the second largest BlackBerry market in the world.

In another innovation, the Dompetku e-wallet service was relaunched with additional features, enabling subscribers to conduct payments, purchases and transfer money through the cellular handsets as well as cash withdrawals at selected bank partners and merchants.

Segmentation & Marketing

To better serve customers and unlock value, Indosat moved to segment our markets more effectively both on the retail and on the wholesale side. Market research was carried out toward a strategic evaluation of the Indosat brand as well as covering 'go to market' strategies. On the retail side, the professional and youth segments were emphasized, with Indosat rolling out 'Indosat Mobile' for the former and 'IM3 Powered by Indosat' for the latter along with various relevant promotions.

A special Customer Relationship Management (CRM) Unit was established to develop comprehensive CRM Programs based on data analytics, whose programs will be executed through service channels such as SMS Broadcast, Interactive Voice Response (IVR) and Telesales and Teleretention to increase revenue and a Telesales unit was launched to focus on Telesales and Teleretention activities, and to support Customer Relationship Management (CRM). Furthermore, a number of programs and innovations were launched to support our customer focus, including Indosat World, an On Device Portal (ODP) for mobile subscribers that gives them access to various Indosat services.

Distribution Channels

Indosat markets its cellular products and services through both direct marketing channels and dealers, with the bulk of cellular sales revenue coming from exclusive area dealers in a mutually fruitful partnership. In total, Indosat has over 325,000 Point of Sales (POS) which may be divided into 280,000 traditional regular outlets, of which more than half have joined the Indosat outlet community; modern and banking outlets consisting of 14,000 modern retail outlets such as Indomaret, Alfamart, Carrefour and so on, plus 30,000 banking POS at ATMs; and various integrated sales and customer walk-in centers called Galeri Indosat, Griya Indosat, and KILAT. The centers maintained by Indosat are called Galeri Indosat, and those owned by dealers are called Griya Indosat, while the KILAT (Indosat Sales & Service Kiosk) outlets are owned and managed by individual Indosat partners. As of year end there were 150 Galeri Indosat, 45 Griya Indosat and 81 KILAT.

Indosat works closely with dealers to maintain a nationwide network of integrated sales and customer service walk-in centers. Under these arrangements, dealers are responsible for providing sales, customer service, billing payment and information services to individual Indosat subscribers in their cluster areas and are rewarded by payment percentages based on how long the new subscriber actually remains with the network as well as the usage volume, encouraging them to focus on quality sales and in the process reducing marketing and acquisition costs.

Throughout the year, new benchmarks were implemented for distributors in line with the objective of ensuring higher quality service and better availability to customers. Certain sales area clusters and Galeri Indosat were restructured for better efficiency, while development training was held for the grass roots canvassers who are used to penetrate the community, as well as for cluster officers. Finally, standardization of the sales channels took place at a management level.

Promotions & Marketing Activities

Brand building was done throughout the year through targeted promotion programs, focused marketing communications efforts, and community outreaches. Indosat provided affordable, good value prepaid cellular services under a variety of ongoing promotional programs including a variety of incentives to attract and maintain subscribers, stimulate demand and improve our competitive position. Under the tariff formula established by the Ministry of Communication and Information Technology (MOCIT) that determines the amounts that operators may charge, cellular service providers are allowed to offer promotional programs at lower prices than the ceiling tariffs.

A number of exciting promotional programs were therefore rolled out such as IM3 Semau-mu with free SMS, Facebook and Twitter access, IM3 Seru Gratis Gak Abis Abis, IM3 NonStop, Mentari Obral Obrol Pool, IM3 Mobac, Liburan Seru, Mudik Seru, and the BlackBerry Gaul Maxi program for IM3 among others. Special promotions for buyers of new Smartphones successfully helped to drive a five-fold increase in revenue from BlackBerry handset sales in 2011. A retention promotion named Indosat Senyum, was also launched in November with attractive valuable prizes called Isi Pulsanya, Rebut Hadiahnya to reinforce loyalty. In parallel, savings were simultaneously achieved through repackaging of starter packs and physical vouchers.

These programs were supported by creative advertising and marketing, including digital media, social media campaigns and community outreaches programs. Various advertising campaigns were rolled out including major campaigns linked to Indosat as the Prestige Partner for Telecommunications Service of the SEA Games XXVI and supported the 19th ASEAN Summit held in Bali. An innovative virtual doctor health consultation service by SMS was also launched called the M-Health initiative.

To better serve customers and unlock value, Indosat moved to segment our markets more effectively both on the retail and on the wholesale side.

Our digital marketing efforts were recognized at the Digital Marketing Awards 2011 where we were named 'Great Performing Website' in the Telecommunication Provider category, Great Performing Brand in Social Media and 'Great Performing Digital Product' in the GSM SIM Card category of IM3, while IM2 won The Best Digital Marketing 2011 award in the Internet Service Provider category.

With regard to community outreaches, activities were divided between school community outreaches and outreaches directed at non-school communities. An Implementation Community Officer was deployed to acquire and maintain each community, using applications and digital media support. Examples of community outreaches include the BlackBerry Indosat community and Android Indosat community, the IM3 Mobile Academy Class of 2011 comprising young highschoolers from all over Indonesia interested in online entrepreneurship, included a partnership with the Bike to Work (B2W) community, and various social media outreaches. We also supported various education activities such as training workshops and coaching clinics, and facilitated school infrastructure.

Finally, various CSR programs such as the 6th annual Indosat Wireless Innovation Application Contest (IWIC) and the launch of the ITB Innovation Lab supported by Indosat and partners on the Bandung Institute of Technology campus helped to increased Indosat's profile in the community as well as encouraging technological innovation among the young.

Customer Service

Reflecting our strengthened customer focus, customer service and supporting business processes were improved towards enhancing our customers' experience and satisfaction. As part of improving the activation and verification for new users, efforts were made to achieve certain Service Level Agreements (SLA) in support of the Indosat Mobile launch in May. Indosat achieved above-average industry customer service with 99.6% of general customer complaints handled within 12 months compared with the 85% government minimum mandated.

The major frontline customer service points showed tangible improvements. At both Griya and Galeri, average waiting time and serving times fell substantially below our goal of 10 minutes each, and 90% of customer issues were resolved on the spot. The Indosat Contact Centre also performed satisfactorily. Of the 56 million calls received in 2011, 11 million were handled by contact center agents with an efficiency rate of 84% and average handling time of 3 minutes. All Contact Center agents received continuous training to improve their customer handling skills in regard to both soft skills and knowledge of technology updates, with almost 300 training sessions. These efforts paid off as the Indonesian Contact Centre Association (ICCA) awarded Indosat 'The Best Operational Support' and 'The Best Technical Support' awards in the individual category and 'The Best Technology Innovation' and 'Human Resource Retention' awards for the corporate category.

Customer Retention

Indosat would like to give more benefits to loyal customers and therefore a loyalty retention program called 'Indosat Senyum' was launched in 2011, integrating the pre-existing 'Poin ++' and 'Senyum Setia'. All Indosat IM3, Mentari, Matrix, Indosat Mobile and StarOne subscribers are eligible to get points rewards and register for this program which gives benefits such as free SMS, free talk time, free internet data, extends the active period, and I-ring activation. To check points, one has only to type POIN and send to 7887 or type *888*9# through UMB. Points may also be redeemed at Indosat merchant partners under the 'Indosat Senyum Merchant' program, which includes food, health, entertainment, travel and department store merchants. In addition, the 'Indosat Senyum' affords VIPs special treatment such as priority service at Galeri Indosat, airport lounge access at airports, and more. As of year end 2011, registered users for the Indosat Senyum program reached almost ten million subscribers with an improved churn rate of 2.9% and better value subscribers.

MULTIMEDIA, DATA COMMUNICATION, INTERNET (MIDI) SERVICES

Indosat continued to develop our MIDI service capabilities, especially in data communication but also in other areas. Indosat's strategy is to gain market leadership in wireless broadband by becoming the preferred operator for data services through three initiatives as follows. First, by creating a strong network with the highest quality of service levels. Second, by giving customized, relevant offers and best service to customers. Third, by being associated with devices that enable the best data experience, a strategy that the Company is actively driving through partnerships at all stages of the device value chain. In addition, Indosat successfully rebalanced tariffs over the year to increase traffic.

Revenue from MIDI increased by 4.0% over 2010 despite downward pressure on tariffs, represents for 12.5% of total consolidated revenues at Rp2,576.0 billion. MIDI revenue posted positive results starting in Q2 2011 due to new IPLC (International Private Leased Circuit) sales and big government projects involving domestic circuit services. Satellite leasing business also contributed a positive revenue growth. Total bandwidth for IPLC, DPLC, Internet, Transponder, IPVPN and Frame Relay grew by 75.5% over the year.

Continuing the trend of previous years, data usage grew significantly in 2011, reaching 2,107 terabytes on mobile internet and 735 terabytes on wireless broadband as of December 31, 2011, to the point of creating network problems for cellular users in the fourth quarters. Initiatives were put in place to address this issue by upgrading and expanding the network.

Fixed Data services increased as a result of increased circuit usage for IP (Internet Protocol) and non-IP based services both for international and domestic customers. However, revenues were negatively impacted by competitive pressures which resulted in overall tariff compression.

Services

Indosat offers a number of MIDI services comprising data connectivity solutions including traditional packet switched Asynchronous Transfer Mode (ATM) and frame relay services as well as modern IP-VPN (Internet Protocol – Virtual Private Network) and MPLS (Multi Protocol Label Switching)-based services such as Indosat Premium Ethernet, Internet services, satellite transponder leasing for telecommunication providers and broadcaster segments, and value added services such as Disaster Recovery Center and Data Center Services.

Data Connectivity

Data connectivity solutions, which are targeted and tailored to the individual needs of corporate customers, include Indosat World Link, a point-to-point international leased line via submarine and terrestrial cables; Indosat National Link, a point-to-point domestic private leased line service; and the Direct Link, a leased line service through satellite/VSAT connections providing point-to-multipoint data communications. Indosat also provides international and domestic multipoint data communications services through its robust Internet Protocol (IP) network cloud, comprising of IP-VPN services as well as MPLS-based services coverage extensions to North Asia, Japan, Europe and the United States in cooperation with global service providers. Meanwhile, MPLS-based services such as Indosat Premium Ethernet and Metro Ethernet are available for domestic and international communications networks for voice, data, video and Internet applications. Higher-value corporate customers in particular were attracted to higher value, more technologically advanced services such as IPVPN and Ethernet services.

In addition, Indosat continues to provide both international and domestic packet-switched Asynchronous Transfer Mode (ATM) and frame relay services to customers for multilateral connectivity, reliable LAN interconnections and the power to support complex distributed computing applications.

All these segments generated considerable revenue growth compared with 2010. Revenues from World link and direct link grew 5.8% in that period, while revenues IP VPN service grew 14.9%, and revenue from MPLS services rose 35.1%. Leased line revenues also registered an impressive 38.2% increase.

Internet

Indosat MIDI services operating revenues consist primarily of revenues from Internet services provided by Indosat, Indosat Mega Media ("IM2") and subsidiary PT Aplikanusa Lintasarta ("Lintasarta"); VPN services, high-speed leased lines and frame relay services provided by Indosat and Lintasarta; digital data network services provided by Lintasarta; satellite services, and World link and Direct link.

Indosat also acts as an Internet Service Provider for wholesale customers as well as offering dedicated Internet access. In 2011, we operated three ISPs. Through subsidiary IM2, Indosat also offers dedicated and dial-up Internet connection services for corporate and commercial SME (Small-to-Medium-Size Enterprise) customers as well as to retail subscribers. In 2011, revenues from Internet services accounted for 14.6% of consolidated MIDI services operating revenues.

Satellite Transponder Lease

Satellite leasing revenue grew 10.9% in 2011, represents 5.9% of all MIDI revenue, as existing VSAT and broadcast operators upgraded capacity and new customers began contracts, mainly from DTH (Direct to Home) operators including a deal signed in August with PT Gramedia Media Nusantara to lease transponder bandwidth from the Palapa-D satellite to distribute Kompas TV content to regional TV stations in the Kompas Gramedia TV Network.

Indosat operates the Palapa-D satellite, which was launched in August 2009 to replace the Palapa-C2 satellite that was launched in 1996. By 2010, the

Palapa-D was fully operational, while the Palapa-C2, which was moved to an inclined orbit at 150.5E, continues to operate mainly to carry Indosat's cellular backhaul traffic until 2014. The Palapa-D satellite has a 11 Extended C-Band transponders, 24 Standard C-Band transponders and five Ku-Band transponders, all owned by Indosat. Transponder capacity in the Palapa-D is leased to broadcasters and telecommunications operators. Other supplementary satellite services include occasional use for TV services, Indosat TV link, private network services, Internet access and multimedia and video conferencing.

VSAT Net/IP and VSAT Link

Provided through our subsidiary Lintasarta, VSAT Net/IP and VSAT Link services are satellite-based data networking systems. VSAT Net/IP connects and controls data traffic among remote locations, allowing for quick development of data for network customers with low-to-medium traffic in such sectors as financial services, transportation, trading and distribution. VSAT Link provides point-to-point digital transmission for remote locations by businesses with medium-to-heavy traffic such as those in the manufacturing, mining and financial services industries.

Value Added Services: Disaster Recovery Center (DRC) and Data Center

Value added services, which include Disaster Recovery Center (DRC) and Data Center, charted 286.1% growth in 2011, contributing 5.8% of all MIDI revenue in 2011, up from 1.6% in 2010. These DRC and Data Center services, which are geared to corporate customers, comprise server co-location, rack, cage, power, and other supporting facilities. The Indosat Data Center is located in the center of Jakarta, where stability and safety are government priorities thereby making this the most strategic and safest place for storage. The Data Center has back-up power supplies and each rack is fed by multi independent power connections, to ensure that customer business activities can continue interrupted.

We also provide backbone or domestic leased line services from our DRC or Data Center locations to customer headquarters, as part of our total telecommunications solutions.

Convergence Solutions

Indosat's Convergence Solutions creatively combine MIDI and cellular services including wireless broadband to produce flexible new communications products that can be activated on a mobile basis as needed. Our Convergence Solutions use GPRS/GSM as well as CDMA and HSDPA, and can therefore be implemented anywhere in Indonesia within the Indosat cellular network, generating operational cost savings for users. These services can also be tailored to the needs of our customers.

At present, the convergence solutions that we offer consist of Indosat Enterprise Resource Planning (I-ERP), Remittance, Internet School Management System (ISMS), Mobile Extension, Wireless EDC, Corporate VPN, Wireless ATM, Multimedia IP Services, and SME Solution. I-ERP, our newest product offering, was developed to facilitate the business processes of companies in the manufacturing and Food & Beverage (F&B) sectors as well as wholesaler and distributor companies with integrated applications such as sales canvassing, sales order, logistics and warehouse management, and others. It enables better management of real-time data communications using wireless mobile technology that can be accessed from GPRS or HSDPA networks.

Growth was particularly good in SME Solution, which was created to meet the needs of SME businesses. SME Solution offers SME businesses broadband Internet access, voice and SMS communications facilities, comprehensive web hosting services including an online payment system, and a range of optional applications and services, all in one easy package.

Marketing Activities

MIDI services are largely marketed to corporate customers including the fast-growing market SME market segment, but certain services such as Internet are also marketed to retail and wholesale customers. A microsite for Indosat Corporate Solutions (ICS) is accessible from Indosat web portal at www.indosat.com, which is designed to facilitate access to information on the full range of Indosat products available to corporate customers, as well as to improve brand awareness among customers.

Sales and marketing activities held during the year promoted Indosat MIDI products and services included group presentations, direct mail, partner promotions, customer retention programs, public media advertisements, sales promotion programs and marketing campaigns related to the SEA XXVI Games for which Indosat was the official telecommunications provider. In addition, various community and communication outreaches were held. Among others, Platinum Corporate Customers were invited to visit the “CommunicAsia Exhibition 2011” in Singapore as a token of our appreciation, and in December a workshops and seminars were held for Small and Medium Size Enterprises (SME) on how to optimally use IT and telecommunications to support their business. Finally, Indosat supported the Government of Indonesia’s electronic identification E-KTP program.

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FIXED TELECOMMUNICATION SERVICES

Fixed telecommunications services contributed 6.1% of Indosat's total consolidated operating revenues in 2011, with International Direct Dial (IDD) as the biggest contributor. Indosat has one of the most established fixed telecommunications networks in the country. This category comprises international calls, fixed wireless, and fixed line services.

While fixed telecommunications services has shrunk over time as a percentage of the overall portfolio, eclipsed by the growth of MIDI and cellular services, it continues to make a valuable contribution to customer experience. As of year end 2011, fixed telecommunications services reached Rp1,250 billion, slightly down by 3.3% from 2010. The largest contribution came from International Calls followed by Fixed Wireless, while Fixed Voice contributed negatively in part due to competition in CDMA services. This was partially offset by improvement in blended ARPU of 98%, from Rp17,730 to Rp35,140 over the same period.

International Direct Dial (IDD)

IDD services are available under the Indosat 001, Indosat 008 and the Indosat FlatCall 01016 international long distance services. IDD-001 is marketed as a premium service while IDD-008 is positioned as a more economical service offering lower rates. FlatCall 01016 is aimed at the most price sensitive market segments. It offers very competitive rates for certain popular destination countries while using regular VoIP (Voice over Internet Protocol) rates for other countries.

A specialized sales force as well as third-party sales channels are used to market IDD services to our largest customers, which include hotels, large corporate customers, government offices and embassies. We also have various agreements with overseas counterparts or partners to channel incoming international traffic through Indosat. Regular users are rewarded with various incentives from our customer loyalty program.

Our FlatCall 01016 service, which offers attractive rates and bonus call minutes for calls for the most popular destinations countries, continues to be popular despite rising competition from dedicated VoIP providers. A number of localized promo programs for FlatCall 01016 were also run that were customized to appeal to the profiles of users in that area.

IDD revenue achieved 122% of target while total traffic grew by 6.8% for 2011, with net additions from incoming and outgoing international calls reaching 2,141.7 million minutes Supporting IDD, our hubbing business, which provides simplifies the international flow of SMS between operators by providing a connecting hub, grew by 222% over the year.

Fixed Line Services

Indosat offers local and domestic long distance telephone services under the fixed line 'I-Phone' brand. Currently Indosat offers local and domestic long distance fixed line coverage in most major cities in Indonesia. Fixed Line revenue shrank 2.1% in 2011 compared with 2010, contributing slightly under 10% of total fixed telecommunications services revenue in 2011. This reflected overall shrinking demand in the market as customers move to other forms of telecommunications services.

Fixed Wireless Services

Indosat provides fixed wireless access services under the StarOne brand using CDMA 2000 x1 technology in the 800 MHz frequency. StarOne offers a combination of fixed line (PSTN) and mobile telecommunications services at competitive rates including BlackBerry service, email and instant messaging. Post-paid and prepaid versions are available. StarOne, which is positioned as a cost-effective solution to subscribers with limited mobility requirements, was is available in 82 cities with the majority in Java and Sumatera as of December 2011. As of December 31, 2011, Indosat's Fixed Wireless CDMA Network comprised 1,572 BTSs, 37 BSC (Base Station Controllers) and 8 MSC (Mobile Switching Centers).

StarOne's subscriber base stood up 53,105 postpaid and 175,779 prepaid subscribers in 2011. To help stem the decline, the StarOne Ngorbiiiit campaign was launched offering daily, weekly and monthly packages giving free talk minutes when calling to all other Indosat subscribers and by the creation of additional features.

Supporting Business Unit

HUMAN RESOURCES

The transformation into a high performance company was supported on the human resources side in 2011 by a sweeping reallocation of human resources as the organizational structure was drastically realigned with the Company's current needs and priority. Significant time, energy and resources went into ensuring a smooth transition, and focusing the streamlined organization in the right direction towards supporting a culture of excellence. The resulting organization that is able to respond faster and more flexibly to market needs, for long term excellence.

Structural Reorganization

Among the most notable organizational changes, a new customer relationship management department was created to focus on customer segmentation and unlock market value, and various functions were reorganized. As part of this restructuring, the Company offered special compensation packages to employees who met certain criteria as determined by the Company and who opted to end their employment relationship with the Company, under the VSS (Voluntary Separation Scheme) Program. As of December 31, 2011, 994 employees opted to participate in the VSS Program. The program was well received overall and the transition took place smoothly, positioning Indosat in readiness to compete in 2012.

Performance-Based Work Culture

Supporting the creation of a performance-based culture, Indosat employees continued to be scored on performance according to the Employee Performance Management system, which is based on a balanced scorecard methodology. The Employee Performance Management system, which also forms the basis for remuneration calculations, emphasizes the performance level of specific individuals rather than on group achievements, thus rewarding individual achievement. At the top, quantitative key performance indicators (KPI) are defined for the scorecard at the Corporate level, which are then cascaded down to the level of group, division and individual employee. This ensures that operational strategies reflect stated corporate goals and objectives, and further facilities alignment between Indosat corporate strategy and the overall objectives of Qtel Group.

KPI targets for individual employees are set at the beginning of the year and then reviewed and revised as needed in mid-year. Employees are assessed on their performance at the beginning of the following year on a scale of 1 to 5. Rewards for each employee are determined based on their KPI performance rating, in the form of bonuses, pay scale adjustments, and special incentives.

Employee Training & Development

Employee training and development took place on an ongoing basis throughout the year. Some of these were routine, while some were specifically related to the company-wide transformation. A total of 384 training and development programs were held for 3,855 permanent employees. Funds deployed on routine training totaled Rp13,943 million or an average of Rp3.6 million per employee, up slightly up from Rp3.3 million per employee in 2010. In addition a management development program was held for new managers, and managerial competence training was provided to new managers at a total cost of Rp484 million.

Related to the company-wide transformation, special training programs such as Indosat Financial Awareness (IFA) training were held for all remaining employees to raise their sense of empowerment and impact. IFA training, which first began in 2010, continued to be held in 2011, albeit on a smaller scale in line with the changing structure and needs of the company. Overall, the IFA materials were designed to improve awareness of the business costs that follow from each individual's action, thus helping employees to relate their daily work activities to overall performance of the company, and fostering an sense of transparency.

Altogether, the new organizational structure and associated training sessions successfully created an atmosphere conducive to independent decision-making and empowerment. The result was faster reaction time and a greater sense of engagement among employees, in line with efforts to build a performance-based culture at Indosat.

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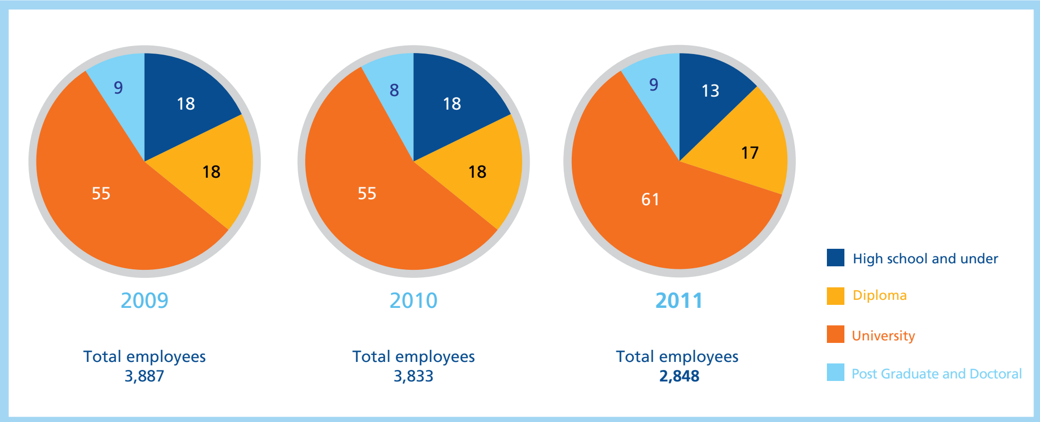
HR Information System

Indosat has developed an automated ESS (Employee Self Service)-based HR Information System with the goal of increasing efficiency while reducing errors and giving employees more transparency and flexibility. Each employee can use the 'Myinfo' intranet application to access and update relevant information and personal data. The application can also be used by employees to directly initiate certain routine processes, including performance appraisal, reimbursement for medical or business travel expenses, leave taking, as well as to apply for employee opportunities and rewards such as scholarships and other benefits.

Code of Ethics

The Indosat Code of Ethics has been made into a formal company policy through the issuance of a Company Code of Ethics Guidelines document. Each Indosat employee has signed a personal copy of the Code of Ethics in a series of top-down socialization sessions held at every level of the organization. Each year, through Myinfo, employees must renew their commitment.

% OF PERMANENT EMPLOYEES BY EDUCATION



Employer of Choice

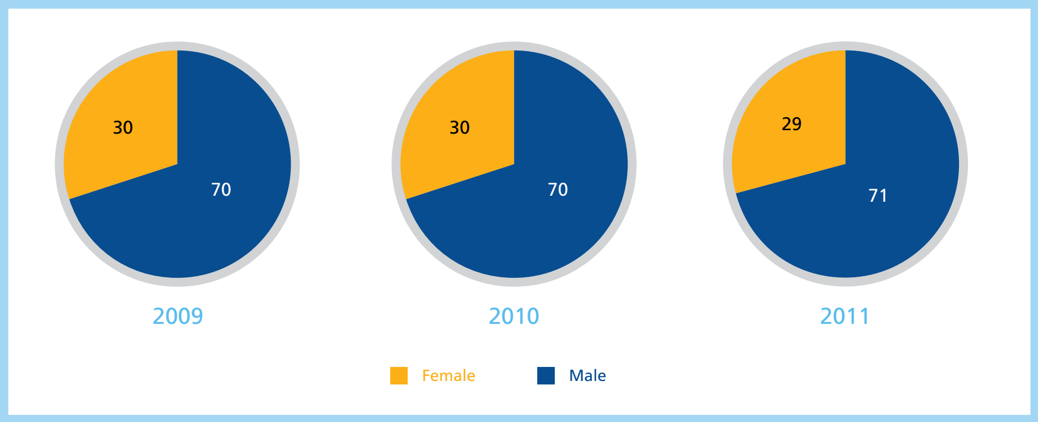
Indosat has always strived to become the best place to work for employees by providing a positive work environment and by ensuring the welfare of employees and their family members. Aside from monthly wages, employees also receive benefits such as telephone benefit, medical benefit, annual bonus as incentive, a variety of facilities and rewards. As far as possible, working conditions are designed such that employees enjoy being at work. For example, the work time structure enables employees to set their own clock-in and clock-out schedule to suit their daily workload needs, while a flexible dress code allows them to wear formal or casual clothing as determined by their respective role, function or assignment. In some work locations, Indosat provides libraries, medical clinics, canteens, and nursing rooms, for the benefit of employees. Balancing work and social activities, Indosat also provides facilities that enable employees to pursue their hobbies or talents in sports and the arts, and also supports employees to perform religious obligations including the observation of religious events as we believe that this will help to spiritually motivate employees towards higher performance.

Management and Employee Communication

Indosat strives to maintain effective communications with all its employees, whether in regards of the future direction of the company, progress that has been made, and particularly of company regulations and policies that affected directly on employees. Effective communications to employees became especially vital related to the ongoing transformation process at Indosat and a variety of initiatives were held throughout the year that were designed to disseminate information, build awareness and generate support among employees for the transformation.

These included direct, two-way communication forums between top management and employees conducted through regular town hall meetings, visits by the Board of

% OF PERMANENT EMPLOYEES BY GENDER



Directors to branches and work locations, social gatherings with the CEO, and routine communications with representatives of the employee union (SPI). In addition, Indosat utilized indirect communication channels such as company intranet and group e-mail as well as visual reminders or posters in the work place. By maintaining effective two-way communication, Indosat kept employees informed of the company's objectives and gathered support for the transformation.

Notably, the ECHO online survey was held in October 2011 to measure employee engagement. The survey, which was carried out by an independent consultant to ensure confidentiality, aimed to find out how employees felt about their working environment, how to best create a better working environment, and performance motivation. Among all the Qtel Group companies, Indosat had the highest level of participation in the survey with almost 97% of all permanent employees taking part.

Industrial Relationship

On December 31, 2010 we signed the Collective Labor Agreement (CLA) document for the period 2011-2012, which is subsequently renewed and re-negotiated every two years between the Management and the Indosat Employee Union (SPI). The existence of a CLA at Indosat aims at creating an industrial relationship that can support business success for the company while also taking care of the rights of employees. As such, the CLA covers issues of general terms of employment, including working hours, payroll, employee development and competency, occupational safety and health, employees' welfare, social allowances, employees' code of conduct and mechanisms for handling labor disputes. Regular scheduled meetings of management and representatives of the union serve as a means to maintain a harmonious industrial relationship within Indosat.

NETWORK AND INFORMATION TECHNOLOGY

As of year end 2011, Indosat's nationwide network reached 15,816 BTS 2G (Base Transceiver Stations) and 3,437 Node-B Stations or 3G BTS for a total of 19,253 BTS, an increase of 1,145 BTS over the previous year.

Indosat maintains an extensive telecommunications infrastructure and networks comprising cellular networks as well as fixed telecommunications networks that include international gateways, submarine cable systems, satellite circuits and microwave transmission stations. Having significantly modernized and expanded the network over the previous year, in 2011, the Company's focus shifted to upgrading the quality of the network and decreasing congestion through a number of initiatives.

Network & Infrastructure Growth

Indosat continued to maintain and expand its infrastructure especially in outside of Java in Kalimantan, Sumatera, Sulawesi and Papua to support our growing footprint there. Upgrades continued on the Kalimantan network in particular, modernizing its equipment to run on Single RAN (Radio Access Network) technology with SDR (Software Defined Radio) system, which allows flexibility in handling different cellular radio standards from 2G to 3G and Wimax and on to the latest LTE (Long-Term Evolution) technology.

As of year end 2011, Indosat's nationwide network reached 15,816 BTS 2G (Base Transceiver Stations) and 3,437 Node-B Stations or 3G BTS for a total of 19,253 BTS, an increase of 1,145 BTS over the previous year. A number of Base Station Controllers (BSC), Radio Network Controllers (RNC) and Mobile Switching Centre (MSC) were also added all over the nation. Data capacity was proactively pushed, with total 2G and 3G data capacity increasing by 75.3% with the greatest percentage increase taking place in the Sulawesi, Maluku and Papua area at nearly 150% growth over 2010. Less aggressively, voice capacity was also pursued, reaching 16.2% growth over the previous year with the greatest percentage increase taking place in Southern Sumatera. A total of 746 new sites including collocation sites were rolled out in 2011.

With regard to Indosat's cable system, the Java-Kalimantan-Sulawesi (JAKASUSI) cable system was upgraded to 90 Gbps for the Java-Kalimantan and 60 Gbps for the Kalimantan-Sulawesi link. Construction of the JAVALI submarine cable system linking East Java and the island of Bali also took place, for an initial capacity of 50 Gbps upgradeable to 160 Gbps. In addition, an agreement was signed with Televenture Global Network Sdn Bhd (TGN) to connect Indosat's JAKABARE cable system serving Jakarta-Batam-Singapore-Pontianak to TGN's Batam-Mersing Cable System, a move which will increase Indosat's total network capacity as well as quality.

As part of the Company's bid to monetize non-core assets, it was decided to sell off certain tower assets and lease back their use. Early in the year tower usage data was therefore collected and analyzed, with the conclusion that some 2,500 towers could ultimately be placed on the market. An agreement was signed in the fourth quarter with PT Tower Bersama Infrastructure Tbk and its subsidiary PT Solusi Menara Indonesia (collectively referred to as "TBIG") for the sale of these towers. By selling non-core tower assets to a professional tower company, Indosat will be able to focus on execution on the core wireless business. Meanwhile, by taking a 5% stake in TBIG, Indosat not only stands to benefit from TBIG's growing co-location business but will also benefit by absorbing best practices that can be applied to its remaining tower portfolio.

As part of Operation Excellence, savings on power, fuel costs and maintenance contracts were generated throughout the year. Initiatives such as streamlining the vendor program delivered savings and efficiencies and speed up procurement for more rapid build times. Further savings were achieved through Transponder Optimization and Leased Circuit Optimization on the Wholesale side.

Quality Improvements

A number of initiatives were rolled out during 2011 to improve the quality of service in a comprehensive manner. These initiatives focused on decongestion, creating buffer stock, improvement of throughput to the core network and ensuring the power supply to site.

In the process of easing network congestion during peak hours, the busiest sites were identified and all licenses were opened up in those areas to increase traffic capacity. Procedures were put in place to begin decongestion as soon as congestion rose past 50%, and radios were installed in certain areas to ease congestion, particularly in Sumatera.

Towards the end of the year, a buffer stock program of keeping spare radios available for direct installation was introduced, towards supporting continuous decongestion. This was supported by the appointment of pre-selected vendors for each region, thus streamlining the procurement process and speeding up lead times to installation.

These initiatives produced real improvements over the year, as measured by improved Call Success Setup Rate (CSSR) and Handover Success Rate (HOSR). CSSR rose from 87.63% in 2010 to 89.78% in 2011, while HOSR rose from 90.55% to 97.69% over the same period. In total, 4757 sites were decongested in 2011, compared with 3,727 sites targeted. In a further reflection of our performance, the Indosat network performed satisfactorily facing the usual upsurge in demand during the busy periods of Lebaran and Christmas/New Year, a period which puts significant strain on telecommunication provider networks in Indonesia.

Data throughput to the core was improved and monitored through speed tests, and the overall network prepared to support data growth including the development of cloud computing and data storage down the road.

Efficient & Eco-Friendly Power Supply Solutions

A top priority in improving quality was ensuring that the all sites had continuous power supply. Electricity from state utility company PLN is the most economical source of power for cellular BTS tower and related installations but PLN power supply can be unreliable, leading to BTS service interruptions. Efforts were made to rectify this situation by working together with the State Electricity Company (PLN, Perusahaan Listrik Negara) to establish new PLN connections, with some success.

Following the success of experiments in 2010 using cost-efficient batteries to replace one of the two diesel generators at each site as a backup power supply, in 2011 Indosat rolled out batteries in 760 sites. The decision was also made to install CDC (Charge-Discharger Controller) switches. The CDC work to optimize the batteries as an alternative power source in the case of a PLN blackout, extending battery life while saving fuel by decreasing the need to run the diesel generators. CDC roll out was hampered by a shortage on the supplier side as it is a new technology and the manufacturing facilities needed time to ramp up, but manufacturing is in progress and roll out will continue in 2012.

Compounding the eco-friendly impact of these decisions, which by decreasing diesel fuel consumption have not only saved costs but reduced our carbon footprint, the fluidic batteries that Indosat has chosen to use in the backup generators are an eco-friendly alternative to traditional lead-acid batteries, which can produce hazardous lead poisoning if improperly disposed of. Indosat is the first telecommunications operator in the world to use fluidic commercially in operations. In another plus, by doing so Indosat is supporting the locally economy as components of these fluidic batteries are manufactured locally in Indonesia. Orders have been placed for these batteries, and implementation will take place next year.

Data Readiness

The ability of the network to handle data was further upgraded. Data throughput to the core was improved and monitored through speed tests, and the overall network prepared to support data growth including the development of cloud computing and data storage down the road. As part of this initiative, Long Term Evolution (LTE) or 4G trials were successfully carried out by refarming the 1800MHz frequency. LTE is the newest stage in mobile evolution, following on from 2G GSM, 3G WCDMA, 3.5G HSPA+, and 3.75G DC-HSPA+. Using the 1800MHz spectrum belonging to Indosat, speeds of up to 100Mbps can be achieved at significantly lower costs. These LTE trials, which took place in a number of different contexts such as health and education consultations through video conference, were the first of their kind in the country, reaffirmed Indosat's position as an innovator and technological leader.


KLINIK SEHAT KELILING
indosat
MITSUBISHI FUSO

Corporate Social Responsibility

In line with our position as a leading telecommunications provider in Indonesia, Indosat takes its corporate social responsibility (CSR) commitments seriously. Our CSR goals is 'to grow in compliance with laws and regulations and to care for the community.' As such, we strive to set an example and create real value for all stakeholders by upholding the highest standards of good corporate governance (GCG), as well as giving back to the community and conserving the environment.

Our CSR activities focus on five program areas, namely education, healthcare, disaster relief, charity and environmental conservation. These CSR activities are integrated where possible into Indosat's operations activities, for example by using Indosat facilities or through the voluntary participation of Indosat employees, thus increasing the value that Indosat delivers to society.

Notably, our long running Mobile Health Clinic program reached its 5th anniversary, while the Indosat Wireless Innovation Application Contest (IWIC) was held for the 6th time to record interest. These and other achievements were recognized by a total of 6 CSR awards in 2011. In total, Indosat spent 1.46% of 2010 net income of CSR programs.

For detailed information on Indosat's CSR activities, please read the 2011 Sustainability Report which is appended at the end of this publication.


Gemerlap 44 Tahun
Indosat Untuk Indonesia


corporate governance
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Corporate Governance Report

CORPORATE GOVERNANCE

Indosat believes that the practice of Good Corporate Governance (GCG) is key, both to promote growth as well as to ensure sustainability, of its business.

Corporate governance is key to any sustainable business. We strive to keep pace with best practices developed by other global companies. Additionally, as a dual-listed public company on the Indonesia Stock Exchange (IDX) and the New York Stock Exchange (NYSE), we are bound to adhere to relevant capital market regulations in both Indonesia and the United States, including compliance with Section 404 of the U.S. Sarbanes-Oxley Act regarding internal controls over financial reporting.

CORPORATE GOVERNANCE FRAMEWORK

Indosat's corporate governance rests on five key pillars, namely transparency, accountability, responsibility, independence and fairness.

- **Transparency**

  We strive to provide timely, relevant, accurate and accessible information to all stakeholders as part of our effort to adhere to the principle of transparency, and to maintain objectivity in our business operations.

- **Accountability**

  We have clearly mapped out a framework for accountability, within which the roles and responsibilities of the Board of Commissioners, Board of Directors, employees and other committees have been clearly defined and aligned with the Company's vision, mission, values and strategy.

- **Responsibility**

  In line with our commitment to corporate responsibility, we take every care to ensure compliance with prevailing laws and to practice principles of prudence.

- **Independence**

  In keeping with the spirit of independence, we make every effort to encourage each of our workforce units to be independent and not to be overtly influenced by any particular interest. Some of our efforts include minimizing any conflicts of interest in management and operational activities, by ensuring that multiple appointments undertaken by members of the Board of Commissioners and Board of Directors do not affect their abilities to carry out their responsibilities in the Company.

- **Fairness**

  In keeping with the principle of fairness, we make every attempt to treat all stakeholders fairly. We ensure that all shareholders have equal access to Company information. To avoid selective disclosure, every single piece of information that has been disclosed to the general public is uploaded onto our website at http://www.indosat.com.

1. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders (GMS) is the organ of the Company holding all the authority that have not been delegated to the Board of Commissioners or the

Board of Directors to the extent as permitted by law and/or the Articles of Association of the Company. The GMS forum consists of the Annual General Meeting of Shareholders (AGMS) and the Extraordinary General Meeting of Shareholders (EGMS). In 2011, the Company convened an EGMS on February 8, 2011 and an AGMS on June 24, 2011.

1.1. Extraordinary General Meeting of Shareholders

The EGMS of the Company was held on February 8, 2011 in the Company's headquarters in Jakarta. The EGMS was chaired by Sheikh Abdulla Mohammed S.A Al Thani, President Commissioner of Indosat and attended by shareholders and their proxies representing 94.26% of the issued-in shares.

Announcement	Invitation	EGMS
January 8, 2011 in two daily Indonesian Language newspapers and one daily English-language newspaper	January 24, 2011 in two daily Indonesian language newspapers and one daily English language newspaper	February 8,2011

Agenda EGMS February 8, 2011

To approve changes to the composition of the Board of Commissioners and/or Board of Directors of the Company.

Resolutions of the Indosat EGMS

At the EGMS, Indosat's shareholders approved the following resolutions:

a. To honorably discharge Mr. Jarman as member of the Board of Commissioners of the Company with appreciation and gratitude as at the close of this Meeting and to release and discharge him from supervision liability that may have incurred between January 1, 2010 and December 31, 2010 and between January 1, 2011 and the close of this Meeting, to the extent that actions taken during such supervision do not conflict with or violate the prevailing laws and regulations and to appoint Mr. Parikesit Suprapto as new member of the Board of Commissioners of the Company for the period commencing from the close of this Meeting until the close of the Annual General Meeting of Shareholders in the year 2012 or in accordance with the Articles of Association of the Company.

b. To honorably discharge Mr. Stephen Edward Hobbs as member of the Board of Directors of the Company with appreciation and gratitude from April 30, 2011 and to release and discharge him from management liability that may have incurred between January 1, 2010 and December 31, 2010 and between January 1, 2011 and April 30, 2011, to the extent that actions taken during such management do not conflict with or violate the prevailing laws and regulations and to appoint Mr. Hans C. Moritz as member of the Board of Directors of the Company replacing Mr. Stephen Edward Hobbs for the period commencing from May 1, 2011, until the close of the Annual General Meeting of Shareholders in the year 2015 or in accordance with the Articles of Association of the Company.

With due regard to the above resolutions, the composition of the Company's Board of Commissioners as of the closing of this Meeting until the close of the Annual General Meeting of Shareholders in the year 2012 and the composition of the Company's Board of Directors from May 1, 2011 until the close of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company) shall be as follows:

Board of Commissioners

- Sheikh Abdulla Mohammed S.A. Al Thani, President Commissioner
- Dr. Nasser Mohammed A. Marafih, Commissioner
- Mr. Richard Farnsworth Seney, Commissioner
- Mr. Rachmat Gobel, Commissioner
- Mr. Rionald Silaban, Commissioner
- Mr. Parikesit Suprapto, Commissioner
- Mr. Alexander Rusli, Independent Commissioner

- Mr. Soeprapto S.I.P, Independent Commissioner
- Mr. George Thia Peng Heok, Independent Commissioner
- Mr. Chris Kanter, Independent Commissioner

* Mr. Parikesit Suprapto was appointed as commissioner on February 8, 2011 and submitted his resignation letter on October 14, 2011 with effective date of December 14, 2011. As of December 31, 2011, there has been no appointment of his replacement.

Board of Directors
- Mr. Harry Sasongko Tirtotjondro, President Director
- Mr. Peter Wladyslaw Kuncewicz, Director
- Mr. Hans C Moritz, Director (effective from May 1, 2011)
- Mr. Fadzri Sentosa, Director
- Mr. Laszlo Imre Barta, Director

c. Further, to delegate the authority to the Board of Commissioners in accordance with Article 92 paragraph (5) of the Law No 40 of 2007 on Limited Liability Company, based on the President Director proposal (i) to determine the distribution of duties and responsibilities of the members of the Board of Directors to the extent no determined by the General Meetinq of Shareholders and/or (ii) to change the distribution of duties and responsibilities of the members of the Board of Directors from time to time.

d. To appoint and grant the authority with the right of substitution, to the Company's Board of Directors to conduct any action in relation to the resolution of the EGMS, including but not limited to appear before the authorized party, to discuss, to give and/ or ask for information, to submit a notification with regard to the appointment of the Board of Commissioners and Board of Directors of the Company to the Minister of Law and Human Rights of the Republic of Indonesia and any other related authorized institutions, register the composition of the Board of Commissioners and Board of Directors as approved by this EGMS in the Company Registration in the Ministry of Trade, to make or cause to be made and sign the deeds and letters or any necessary documents including to make amendments and/or additions which required to obtain the approval from the authority, appear before the notary, to have the deed restating the Company's EGMS resolutions, prepared and finalized and moreover to take any necessary actions which should be and or could be made for the purpose of implementing/materializing the resolutions of this EGMS.

The EGMS resolutions were announced to the media on February 10, 2011.

1.2 Annual General Meeting of Shareholders

The AGMS of the Company was held on June 24, 2011 in the Company's headquarters in Jakarta. The AGMS was chaired by Sheikh Abdulla Mohammed S.A Al Thani, President Commissioner of Indosat and attended by shareholders and their proxies representing 89.28% of the paid-in shares.

Announcement	Invitation	AGMS
May 25, 2011 In three daily Indonesian language newspapers and one daily English language newspaper.	June 9, 2011 in three daily Indonesian language newspapers and one daily English language newspaper.	June 24, 2011

Resolutions of the Indosat AGMS

Agenda 1:

a. To approve the annual report of the Company for the financial year ended December 31, 2010;

b. To ratify the financial statements of the Company for the financial year ended December 31, 2010; and

c. To approve the full release and discharge of the members of the Board of Commissioners from their supervisory responsibilities and of the members of the Board of Directors from its managerial responsibilities in relation to the Company, to the extent that their actions are reflected in the financial statements of the Company for the financial year ended December 31, 2010 and such actions do not conflict with or violate the prevailing laws and regulations.

Agenda 2:

a. To determine the allocation of net profit of the Company for the financial year ended December 31, 2010 with the following composition:
   - For dividend, an amount of Rp59.55 per share; and

- The remaining amount will be allocated for re investment and working capital

In accordance with the prevailing capital market regulation, shareholders who are entitled to the dividend shall be those whose names are recorded in the Shareholders Register of the Company as of July 22, 2011 at 4.00 p.m Western Indonesian Time.

The dividend will be paid in full on August 5, 2011 in the amount of Rp59.55 per share, while the schedule of payment of dividend for the Government of the Republic of Indonesia will be determined by the Board of Directors of the Company in accordance with the prevailing laws and regulations.

b. To authorize the Board of Directors of the Company with the right of substitution to effect the payment of dividend in accordance with the provisions above and/or subject to the requirements of the prevailing laws and regulations.

Agenda 3:
The total remuneration of the Company's Board of Commissioners for the year 2011 amounting to Rp 23,000,000,000 consists of:

a. The total annual cash remuneration for 2011 starting from January 1, 2011 amounting to Rp7,733,345,953 including honorarium and provisions for committee fees which is to be paid by the Company and is determined proportionally based on the composition of the Board

of Commissioners for the year 2011 with the details as follows:
- President Commissioner: Rp1,981,033,713
- Commissioner: Rp1,953,541,272 (average amount)

The remuneration of the member of the Board of Commissioners may differ to take into account each member of the Board of Commissioners' duties and responsibilities on committees of the Board of Commissioners.

b. Attendance in board/committee meeting allowance amounting to Rp1,874,250,000 which is paid based on attendance on official board meeting. This allowance is replacing other board fixed allowances.

c. Allocation year 2011 for Restricted Share Unit Plan year 2010 which is a long term incentive based on virtual share price amounting to Rp2,669,920,000.

d. Allocation year 2011 for Restricted Share Unit Plan year 2011 which is a long term incentive based on virtual share price amounting to Rp2,341,248,000

e. Allocation for End of Service Benefits for the Board of Commissioners amounting to Rp1,104,100,000. This benefit shall be provided at the end of appointment period as a member of the Board of Commissioners. This is in line with applicable practice in several companies.

f. Income tax facility and the allocation for Board of Commissioners' secretarial staffs and assistant amounting to Rp7,277,136,047.

Agenda 4:

a. To approve the appointment of Public Accounting Firm Purwantono, Suherman and Surja, as the Company's Independent Auditor to audit the Company's financial statements for the year 2011 as proposed by the Board of Commissioners and the delegation of authority to the Board of Commissioners to determine the terms and conditions of such appointment.

b. To delegate the authority of the General Meeting of Shareholders to the Board of Commissioners to appoint a replacement for the Company's Independent Auditor, including the determination of the terms and conditions of the appointment if the appointed Independent Auditor cannot fulfill or implement its task for any reason whatsoever, based on the prevailing rules and regulation.

Agenda 5:

a. To honorably discharge Mr. Peter Wladyslaw Kuncewicz as member of the Board of Directors of the Company with appreciation and gratitude from August 31, 2011 and to release and discharge him from management liability that may have incurred between January 1, 2010 and December 31, 2010 and between January 1, 2011 and June 24, 2011 to the extent that actions taken during such management do not conflict with or violate the prevailing laws and regulations.
And to appoint Mr. Curt Stefan Carlsson as member of the Board of Directors of the Company replacing Mr. Peter Wladyslaw Kuncewicz for the period commencing from September 1, 2011, until the close of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company).

b. With due regard to the above proposed resolution, the composition of the Company's Board of Directors from September 1, 2011 until the close of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company) shall be as follows:
Board of Directors:
- Mr. Harry Sasongko Tirtotjondro, President Director
- Mr. Curt Stefan Carlsson, Director
- Mr. Hans Christiaan Moritz, Director
- Mr. Fadzri Sentosa, Director
- Mr. Laszlo Imre Barta, Director

c. Further, to delegate the authority to the Board of Commissioners in accordance with Article 92 paragraph (5) of the Law No 40 of 2007 on Limited Liability Company, based on the President Director's proposal:
(i) to determine the distribution of duties and responsibilities of the members of the Board of Directors (to the extent not determined by the General Meeting of Shareholders), and/or
(ii) to change the distribution of duties and responsibilities of the members of the Board of Directors from time to time

d. To appoint and grant the authority with the right of substitution, to the Company's Board of Directors to conduct any action in relation to the resolution of the AGMS, including but not limited to appear before the authorized party, to discuss, to give and/or ask for information, to submit a notification with regard to the appointment of the Board of Directors of the Company to the Minister of Law and Human Rights of the Republic of Indonesia and any other related authorized institutions, to register the composition of the Board of Directors as approved by this AGMS in the Company Registration in the Ministry of Trade, to make or cause to be made and to sign the deeds and letters or any necessary documents including to make amendments and/ or additions which required to obtain the approval from the authority, to appear before the notary, to have the deed restating the Company's AGMS resolutions made, prepared and finalized and moreover to take any necessary actions which should be and or could be made for the purpose of implementing/ materializing the resolutions of this AGMS.

2. BOARD OF COMMISSIONERS

As stipulated in the Articles of Association, the Board of Commissioners supervises and monitors the management of the Company. Areas of oversight include; the Company's business expansion plan, implementation of the annual budget and work plan, provisions set out in the Company's Articles of Association and decisions resulting from the General Meeting of Shareholders, the Directors' implementation of their roles and responsibilities in accordance with the Company's Articles of Association, decisions from the General Meeting of Shareholders, and laws and regulations. In carrying out its role and supervision of the aforementioned, the Board of Commissioners represents the Company's best interests and reports to Shareholders at General Meetings.

Composition of the BOC

As per April 23, 2012, the composition of the Board of Commissioners was as follows:

- Sheikh Abdulla Mohammed S.A Al Thani, President Commissioner
- Dr. Nasser Mohammed A. Marafih, Commissioner
- Richard Farnsworth Seney, Commissioner
- Rachmat Gobel, Commissioner
- Rionald Silaban, Commissioner
- Alexander Rusli, Independent Commissioner
- Soeprapto S.I.P, Independent Commissioner
- George Thia Peng Heok, Independent Commissioner
- Chris Kanter, Independent Commissioner

Mr. Parikesit Suprapto, who submitted his resignation letter on October 14, 2011 with effective date of December 14, 2011. As of December 31, 2011, there has been no appointment of a replacement.

Meetings of the BOC

In 2011 the Board of Commissioners held 5 meetings with the Board of Directors, in line with its duty to supervise and monitors the management of the Company.

The attendance record for each Commissioner is as follows:

Name & Position	Meeting Attendance
Sheikh Abdulla Mohammed S.A Al Thani, President Commissioner	5
Dr. Nasser Mohammed A. Marafih, Commissioner	5
Richard Farnsworth Seney, Commissioner	4
Rachmat Gobel, Commissioner	5
Rionald Silaban, Commissioner	5
George Thia Peng Heok, Independent Commissioner	5
Alexander Rusli, Independent Commissioner	5
Soeprapto S.I.P, Independent Commissioner	5
Chris Kanter, Independent Commissioner	5
Parikesit Suprapto, Commissioner*	2
Jarman, Commissioner*	1

* Mr. Jarman was honorably discharged at the February 8, 2011 meeting and replaced by Mr. Parikesit Suprapto, who submitted his resignation letter on October 14, 2011 with effective date of December 14, 2011. As of December 31, 2011, there has been no appointment of a replacement.

BOC Activity Report 2011

The Board of Commissioners carried out the following main activities during the 2011 financial year, in line with its supervisory and advisory duties, prevailing laws and regulations, the Articles of Association of the Company and resolutions of the General Meeting of Shareholders:

1. Reviewed and approved the Company's Annual Work Plan and Budget for 2011 proposed by the Board of Directors;
2. Monitored and gave advice on the performance of Board of Directors in implementing the approved Annual Work Plan and Budget for 2011;
3. Reviewed and approved the Company's Annual Work Plan and Budget for 2012 proposed by the Board of Directors;
4. Reviewed and approved the debt financing plan of the Company;
5. Reviewed and approved the remuneration of Board of Directors for 2011 based on recommendations by the Remuneration Committee;
6. Provided recommendations to the General Meeting of Shareholder on the appointment of public accountant to examine the Company's financial condition for reporting purposes to shareholders of the Company; and
7. Reviewed and approved the financial statement, annual report and 20-F of the Company for submission to the relevant capital market authorities and stock exchanges based on recommendation from the Audit Committee.

BOC Training and Development

During the year the BOC attended a GCG conflict of interest session with lawyers, as well as a training session on "Commissioner and Director Duties and Responsibilities in Indonesian Publicly Listed Companies" by Hadiputranto, Hadinoto & Partners, dated September 16, 2011, followed by a training session on "Commissioner and Director Duties and Responsibilities under U.S. Laws and Regulations" by Sidley Austin, dated September 16, 2011.

Remuneration of the BOC

Members of the BOC received net remuneration as follows in 2011:

(Rp)

	1st HY 2011	2nd HY 2011	Total
Honorarium	2,852,260,853	2,898,265,020	5,750,525,873
Allowance/Committee Fee	1,777,377,156	1,428,000,000	3,205,377,156
LTI/RSUP	890,750,000	883,378,000	1,774,128,000
End of Service	552,050,004	-	552,050,004
Total	**6,072,438,013**	**5,209,643,020**	**11,282,081,033**

3. BOARD OF DIRECTORS

3.1. Role and Obligation

Our Board of Directors is responsible for the Company's overall management and day-to-day operations under the supervision of the Board of Commissioners.

1. The main duties of the Board of Directors are:
   a. To lead and manage the Company in the best interest of the Company and in accordance with the objectives of the Company and to continuously try to improve the efficiency and effectiveness of the Company.
   b. To control, maintain and manage the assets of the Company.

2. The Board of Directors in undertaking their duties shall obey the provisions in the Company Law, prevailing Capital Market regulations and other regulations in relation to the business activities of the Company.

3. The Board of Directors shall represent the Company within and outside a Court of Law and shall carry out all actions and deeds in relation to matters pertaining to management and ownership and shall be authorized to bind the Company to other parties.

   As part of ensuring good corporate governance, as mentioned in Articles of Association, The Board of Directors must first obtain a written approval from the Board of Commissioners to:

   a. purchase and/or sell the shares of other companies in the capital market;
   b. enter into, commit to enter into, amend and/or terminate a license

agreement or cooperation, joint venture, management and similar agreements with other enterprises or parties;

c. purchase, dispose, sell, pledge or encumber all or part of the business, title or the Company's fixed or other assets of the Company (including any interest therein);
d. cease to collect and write off account receivables from the books as well as supplies of goods;
e. bind the Company as guarantor (borg or avalist) or in any other way in which the Company becomes liable to another party's debt obligation, whether by an agreement to take over another party's debt, an agreement to grant financing to another party to purchase goods or services, or by the purchase of shares, capital participation, advance payment or loan to pay in full another party's debt;
f. accept or grant or commit to grant medium/long term loans and accept or grant non-operational short term loans (except for granting loans to subsidiaries and/or employees of the Company which have been approved pursuant to the applicable internal procedures);
g. conduct the expenditure of capital goods in 1 (one) transaction or an inter-related transaction with a nominal value higher than the permitted value determined by the Board of Commissioners from time to time;
h. issue bonds or other securities that can be converted into shares;
i. propose the issuance of new shares of the Company;
j. provide an indemnity to or otherwise guarantee the obligation of any person;
k. determine and/or change the Company's management structure;
l. make a new business plan or change the business plan;
m. change the accounting, financial, or tax practice and system of the Company or its subsidiary;
n. change the Company's name;
o. approve the financial statement provided to the shareholders in the GMS;
p. determine the annual budget of the Company and the annual budget of its subsidiary;
q. carry out capital participation or dispose the capital participation of the Company in other enterprises that is not carried out through the capital market;
r. establish a subsidiary or approve the relinquishment or the reduction of its interest, whether directly or indirectly in each of the subsidiary or take over the shares in any company or relinquish any shares in any company;
s. take any corporate actions or investments related to any subsidiary of the Company;
t. use any right of the shareholders in the Company's subsidiary, or any other company in which the Company has share participation;
u. approve the payment of any bonus or similar payment to the Company's employees or change the remuneration structures of employees;
v. undertake a merger, consolidation, acquisition or separation, each as defined under the Law No 40 of 2007 on Limited Liability Company (as amended from time to time);
w. establish or change the Company's asset liability management policy;
x. establish or change standing delegations among members of the Board of Directors relating to signing authority limits for expenditures, asset purchases and sales, loans and other commitments;
y. engage in any other material transactions or matters as may be determined by the Board of Commissioners from time to time having a value of the lower of 5% (five percent) or more of total revenue, or 2,5% (two and a half percent) or more of non current assets of the Company on a consolidated basis as set out in its audited consolidated financial statements.

The Board of Commissioners shall be obligated to determine thresholds in respect of the actions referred to in paragraph 4 point a through 4 point h, 4 point j and 4 point u of this Article and shall be entitled to change the thresholds from time to time. In the event actions are taken within the applicable thresholds, then the approval from the Board of Commissioners shall not be required.

3.2. Composition of the Board of Directors

Pursuant to the Company's Articles of Association, the Board of Directors shall consist of at least three members, including one President Director. The members of the Board of Directors are elected and dismissed by shareholders' resolutions at a GMS, provided that one member of the Board of Directors shall be nominated by the holder of the series A share. Candidates to the Board of Directors are nominated by the Remuneration Committee in the absence of a dedicated nomination committee.

The members of the Board of Directors shall be appointed for a period commencing from the date of the GMS that appointed them and ending at the closing of the 5th (fifth) Annual GMS thereafter, without prejudice to the right of the GMS to dismiss the members of the Board of Director at any time. Members of the Board of Directors may be reappointed subsequent to the end of their term of office. As at September 1, 2011, membership composition of the Board of Directors is as follows for the period of 2011 – 2015:

- Mr. Harry Sasongko Tirtotjondro, President Director & Chief Executive Officer
- Mr. Curt Stefan Carlsson, Director & Chief Financial Officer
- Mr. Hans Christiaan Moritz, Director & Chief Technology Officer
- Mr. Fadzri Sentosa, Director and Chief Wholesale and Infrastructure Officer
- Mr. Laszlo Imre Barta, Director and Chief Commercial Officer

Based on BOC resolutions the title and role purpose for each Director are as follows:

President Director & Chief Executive Officer

Establish the corporate primary goal through determined corporate short and long term strategy. Manage all aspects of the company to ensure effective and profitable operation which finally should allow sustainable growth for maximum return on invested capital. Lead operating model change and manage internal and external environments.

Director & Chief Financial Officer

Develops and implements the financial strategy for Indosat including the controlling, treasury, accounting and revenue assurance functions. Advises business units and corporate functions with their financial plans and economic modeling. Oversees all fiscal and fiduciary responsibilities for the organization, in conjunction with the board of directors and the relevant committees of the board. Acts as "Custodian of Shareholder Value".

Director & Chief Technology Officer

- Ensure technological supports to customer facing operations, enabling timely product launches; also ensure effective and efficient day-to-day operations of technological assets. Build out network coverage to support business growth and operate a competitive and high quality network within agreed opex and capex budget.
- Ensure IT supports customer facing operations, enabling products to get to market quickly and revenues to be recognized effectively. Ensure IT supports whole enterprise to enable efficient and effective day-today operations.

Director & Chief Wholesale and Infrastructure Officer

- Develop and implement wholesale and infrastructure strategy. Evaluate, assess options to carve-out and set-up new businesses. Develop and manage relations with carriers.
- Review and update Indosat's Corporate Solutions strategy. Prepare and lead the set-up of Corporate Solutions SBU organization and operating model. Drive sales growth of national corporate segment.

Director & Chief Commercial Officer

- Develop and sustain the 'Consumer Wireless" Strategic Business Unit (SBU) organization.
- Develop and implement commercial strategy in consumer wireless. Guide development of "Consumer Broadband" business unit strategy, advice and guide its management. Maximize total consumer wireless sales and profitability. Develop a differentiated sales and distribution organization.

For additional information, below is the role purpose of each Chief as follows:

Chief Corporate Services Officer

Plans, directs, and coordinates human resource management activities, manage property and facilities management, leads Indosat's legal, manage corporate secretary and ensure transformation process running well

Chief Strategy & Planning Officer

Advises President Director & CEO on Indosat strategy, develop strategic goals for value creation, development of corporate competitiveness, supervises business development and corporate planning activities.

Pursuant to the Annual General Meeting of Shareholders convened on June 24, 2011, the Shareholders have discharged Mr. Peter Wladyslaw Kuncewicz as of August 31, 2011 and appointed Mr. Curt Stefan Carlsson as Director beginning on September 1, 2011.

3.3 Meetings and Attendance

The BOD held a total of 44 meetings in 2011 including operational meetings. The BOD also attended meetings with the BOC and Committees. The BOD's attendance list during 2011 is below:

Name	BOD Meetings Attendance/ Number of Meetings	BOC Meeting Attendance/Number of meetings
Harry Sasongko	32/44	5/5
Curt Stefan Carlsson, **)	14/15	2/2
Hans Moritz, *)	26/31	4/4
Fadzri Sentosa	40/44	5/5
Laszlo Imle Barta	35/44	5/5
Stephen E. Hobbs, ***)	10/13	1/1
Peter Kuncewicz, ****)	25/29	3/3

*) Effective May 1, 2011.
**) Effective September 1, 2011.
***) Discharged April 30, 2011.
****) Discharged August 31, 2011.

d. Training for the BOD

1. Mobile World Congress, Barcelona, Spain, February 14-17, 2011.
2. All of our members of BOD and our Chief Officers together attended the Indosat Executive Seminar "Cracking Zone" by Prof. Rhenald Kasali on March 16, 2011 in the Company's headquarters in Jakarta.
3. The BOD also attended a War Gaming Workshop in Bandung between June 29 – July 1, 2011.
4. The BOD attended a GCG conflict of interest training titled "Commissioner and Director Duties and Responsibilities in Indonesian Publicly Listed Companies" by Hadiputranto, Hadinoto & Partners, dated September 16, 2011.
5. The BOD also attended additional training titled "Commissioner and Director Duties and Responsibilities under U.S. Laws and Regulations" by Sidley Austin, dated September 16, 2011.

e. Remuneration for the BOD

Amount of Remuneration Paid in 2011.
Detail of the net amount of remuneration paid to our Board of Directors in 2011 are presented in the following table:

(Rp)

	1st HY 2011	2nd HY 2011	Total
Basic Salary	6,708,800,000	6,816,000,000	13,524,800,000
Fixed Allowance	3,232,546,675	3,238,520,007	6,471,066,682
Intial Service	300,000,000	150,000,000	450,000,000
End of Service	3,120,000,000	168,150,000	3,288,150,000
Short Term Incentive / Tantieme 2010	-	2,702,465,753	2,702,465,753
Long Term Incentive / RSUP	638,600,000	1,064,984,725	1,703,584,725
Total	**13,999,946,675**	**14,140,120,485**	**28,140,067,160**

4. COMMITTEES UNDER THE BOC

To assist in the effective discharge of its duties and responsibilities, the BOC have established a number of committees reporting direct to the BOC. These are the Audit Committee, the Remuneration Committee, the Risk Management Committee and the Budget Committee. Reports of each respective Committee are presented at the end of this section.

Audit Committee

The Audit Committee (the Committee) of PT Indosat Tbk (the Company) operates under a written charter approved by the Board of Commissioners on May 31, 2003 which was reviewed periodically and subsequently amended several times. As established by its Charter, the audit committee's primary function is to assist the BOC in fulfilling its oversight responsibilities to ensure that the Company is in compliance with Capital Market regulations both locally and in the US. As of December 31, 2011, the Audit Committee was comprised of five members comprised of three independent commissioners and two independent experts.

A total of seven meetings were held including two specifically for the purpose of selecting the external auditor. For more detail, please refer to the Audit Committee report contained in this publication.

Risk Management Committee

The Risk Management Committee assists the Board of Commissioners in establishing an appropriate policy concerning risk assessment and risk management, as well as in reviewing the adequacy, completeness and affective implementation of the Company's risk management process, and recommends to the Commissioners improvements where deemed necessary. All members of the Risk Management committee are appointed by the Board of Commissioners from amongst its members. As of the December 31, 2011, there were three members of the Risk Management Committee.

A total of three meetings were held in 2011, for the purposes of reviewing, discussing, endorsing and monitoring the Company's Risk Profile and related activities.

Budget Committee

The Budget Committee assists the Board of Commissioners in performing the Board's supervisory and advisory duties by reviewing and giving its recommendations to the Board in relation to the Company's strategic plans, the Annual Work Plan and Budget (which includes the Capital Expenditure plan). As of December 31, 2011 there were three members of the Budget Committee. A total of seven meetings were held in 2011, with the primary activities being review of the 2011 Workplan and Budget, and review of the 2011-2015 Business Plan.

Remuneration Committee

Responsibilities
The main responsibility of the committee is to advise on remuneration for Commissioners, Directors and other employees of the Company. In addition, in the absence of a dedicated nomination committee, this Committee also nominates candidates to the Board of Directors.

Members
Members of the Remuneration Committee are appointed by the Board of Commissioners from amongst its members and comprise not fewer than three members.

Activity in 2011
A total of 5 meetings were conducted.

5. COMMITTEES UNDER THE BOD

5.1. Commercial & Pricing Committee

Responsibilities
The main responsibility of the committee to ensure the overall commercial performance of Indosat is aligned with the company's stated strategic and financial objectives.

Members
All BOD with CCO as Chairman, and Division Head Commercial PMO as Secretary.

Activity in 2011
A total of 19 meetings were conducted.

5.2. Investment Committee

Responsibilities
To review in detail the business case of planned Operational and Capital Expenditures requiring BOD approval according to the current Indosat Financial Level of Authority.

Members
All BOD with CFO as Chairman, and Group Head Business Planning & Analysis as Secretary.

Activity in 2011
A total of 13 meetings were conducted.

5.3. Human Capital Committee

Responsibilities
To create a working environment in Indosat which attracts and develops high quality employees and which contributes to the companies.

Members
All BOD and CEO as Chairman, with Group Head HR as Secretary.

Activity in 2011
Meetings of this Committee took place on an ad hoc basis as part of BOD meetings.

5.4. Disclosure Committee

Responsibilities
To be responsible for considering the materiality of information and determining corporate disclosure obligations on a timely basis and to make sure that all material corporate disclosure is accurate and assembled, processed, and reported within a timely period.

Members
Group Head Corporate Secretary as Chairman, Group Head Treasury, Group Head Accounting, Group Head SOX, Group Head Internal Audit, Group Head Business Planning & Analysis, and Group Head Legal.

Activity in 2011
A total of 3 meetings were conducted. Almost all discussions and Material Information reviews was handled through emails.

Results
The list of materials that had been reviewed is as follows:

No	Material Information	Announcement Dates (2011)
	Annual Report	
1	Annual Report 2010	May 4
2	Annual Report 2010 on Form 20 - F	April 20
3	International Financial Reporting Standards, Consolidated financial statements as of January 1, 2009 and December 31, 2009 and 2010 and for the years ended December 31, 2008, 2009 and 2010	April 25
4	Sustainability Report 2010	April 4
	Financial Statements	
5	Review the draft of 2010 Audited Financial Statement – INA GAAP	February 23
6	Interim Condensed Consolidated financial statements three months ended March 31, 2011 and 2010	April 25
7	Interim Consolidated financial statements with independent accountants' review report as of June 30, 2011 and six months ended June 30, 2011 and 2010	August 8
8	Interim Consolidated financial statements with independent accountants' review report as of September 30, 2011 and for the nine months then ended with comparative figures for 2010 and as of December 31, 2010 and January 1, 2010/ December 31, 2009	October 28
	Press Release	
9	Press Release : Indosat Reports Key Highlights For the full Year Ended December 31, 2010	February 23
10	Press Release : Indosat Reports Audited Financial Results FY 2010	March 23
11	Info Memo FY 2010	March 28
12	Info Memo Q1 -2011	April 28
13	Press Release Q1 – 2011	April 28
14	Info Memo 1H – 2011	August 12
15	Press Release – Indosat Submits Limited Review Financial Results for the Period Ended June 30, 2011	August 12
16	Indosat Presentation Material – 1H2011	August 12
17	Info Memo 9M – 2011	October 28
18	Press Release – Indosat Submits Limited Review Financial Results for the Period Ended September 30, 2011	October 28
19	Indosat Presentation Material – 9M2011	October 28
20	Release "Moody's Revises Outlook for PT Indosat Tbk's"	September 28
21	Release 'Pefindo Reaffirm Indosat Rating $_{id}$AA+ and $_{id}$AA+$_{(sy)}$ Stable Outlook	October 11
22	Press Release 'Indosat Signs An Exclusive Non-Binding Memorandum of Understanding With PT. Tower Bersama Infrastructure Tbk. For A Potential Tower Asset Sale'	November 15
	Announcement	
23	Letter to Bapepam : "Indosat Response to Bapepam for StarOne"	February 17

No	Material Information	Announcement Dates (2011)
24	Response to US - SEC Letter	September 20
	Others	
25	Report of Operational Performance (*Laporan Kinerja Operasionil* LKO) 2010	April 28
26	Telephone Subscriber Data : Ccellular dan Fixed Wireless Access (FWA) Quarter II (Q2) in 2011	October 31
27	Data of List of Outside Plan (OSP) Indosat 2012 - Jakarta Area	December 22
28	Modern Licensing Cellular Network 2012-2016	December 30

6. INTERNAL CONTROL

6.1. Enterprise Risk Management

The responsibility of the Enterprise Risk Management (ERM) Group is to assess, analyze, and map out the risks posed by our corporate activities, based on the Company's risk management manual. The guidelines and the risk map are intended to direct risk-prone units in implementing risk management in their operations. The ERM Group supports the Board of Directors to communicate to all business units to ensure a consistent understanding of risk management process throughout the Company and monitoring risk mitigation on regular basis. The ERM Group consists of 3 (three) streams handling risks in finance & development risk, technical operation risk and commercial risk.

The company categorized its enterprise risks into four areas, as follows:

a. operational risks
b. strategy risks
c. compliance risks
d. financial risks.

The Company produces the entity risk profile and conducts a regular assessment. The Board of Directors reports its assessment on risk in quarterly to the Risk Management Committee. In 2011, ERM Group also supported business units in assessing new projects and reviewing disaster recovery plans. The Group began to study implementation of the ISO 31000 standard. The risk profile is used as a guide to the Group Internal Audit to plan and carry out internal audit program.

6.2. Internal Audit

The Internal Audit (IA) Group is established to become professional advisor for the Board of Directors and Audit Committee as well as catalyst for all working units and the Company as a whole. IA is responsible to present independent audit advisory and assurance of the adequacy and effectiveness of the Company's risk management, internal controls and good corporate governance processes in order to provide value added to and improve the Company's operations.

In performing the audits, IA Group refers to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors ("IIA") and IA Charter, as well as Indonesian Capital Market (Bapepam) and Securities and Exchange Commission (SEC) Regulations. IA Charter consists of IA's Vision & Mission, Requirements for IA's Members, IA's Scope of Work, Requirement of Independency & Reporting, IA's Authority and Responsibility, Professional Standard, Working Relationship with Audit Committee and External Auditor, IA's Mechanism, IA's Code of Ethics, and the arrangement of the appointment, replacement or dismissal of the Head of IA. The IA Charter is regularly reviewed and accordingly updated. The most updated IA Charter was signed off by President Director & CEO on 9 November 2011 after having been approved by Audit Committee, Board of Directors and Board of Commissioners.

IA reports its activities and audit results administratively to the President Director & CEO and functionally to the Audit Committee. As of 31 December 2011, the structure of IA Group consisted of 6 (six) divisions, as follows:

1. Finance & Support Audit Division
2. Business Audit Division
3. IT Audit Division
4. Technical Operation Audit Division
5. Region & Support Audit Division
6. Quality Assurance Division

During 2011, the IA Group conducted a total of 39 audits consisted of regular and monitoring audits, using Risk-based Audit Methodology. The major areas audited during 2011 were Fixed Assets, Procurement, Sales and Marketing, as well as Information & Technology (IT).

IA Group with the support of the President Director & CEO, Audit Committee and Senior Management has been continuously enhancing its performance. The IA Group also coordinates with Enterprise Risk Management (ERM) and SOX (Sarbanes Oxley) functions to facilitate the identification of risks and controls; provide assurance that risks are properly evaluated and controls are properly in place to minimize the risks; evaluate the reporting of key risks and controls implementation.

Head of IA Group's Profile

Hanna Sitorus has been the Head of IA Group since January 2010. Ms. Sitorus has more than 12-year experiences in audit function, including external and internal audits. Ms. Sitorus was previously engaged by worldwide leading Accounting Firm, PricewaterhouseCoopers, located in Indonesia and United States of America (in the States of Colorado and California). Previously, she also contributed in Internal Audit function of Indonesia Stock Exchange (ISX) for almost 2 years. Ms. Sitorus earned a Bachelor in Accounting degree from University of Indonesia and holds an Indonesian Certified Public Accounting (CPA) degree. Currently, she is a member of Institute of Internal Auditors (IIA) – Indonesian Chapter.

6.3. SOX Group

As Indosat's shares are also listed in New York Stock Exchange (NYSE), Indosat is required to comply with the Sarbanes-Oxley Act (SOA) especially Article 404 and 302. Under the Act, the management is obliged to assess, test, document and report on the effectiveness of the Company's Internal Control over Financial Reporting (ICFR). Further, Indosat Management should report on any material weaknesses. The President Director and Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are obliged to certify the internal control report.

The SOX Group, which in 2012 was merged into the Risk Management Group, is responsible in assisting the PD & CEO and CFO in managing the Company's compliance to SOX. It develops and documents the identification of the Risk of Misstatement of Financial Reports, measurement and control assessment. It coordinates with business units, the Enterprise Risk Management (Group ERM) and Internal Audit Groups in related exercises. In addition, SOX Group and Internal Audit Group performs the Test of Effectiveness (TOE) on identified key controls which mitigating the key of the Risk of Misstatement of Financial Reports. SOX Group coordinates with the business units in remediation of identified deficiencies. The SOX compliance process and documentation have been done for the position as of December 31, 2011. There is no material weakness in the ICFR that should be reported. Effective March 1, 2012, the ERM group merged with the SOX group to become the Risk Management Group.

Compliance with Section 404 of the Sarbanes-Oxley Act

We have successfully implemented the requirements of Section 404 of the U.S. Sarbanes-oxley Act of 2002 (SOX) regarding Internal Control over Financial Reporting. We are pleased to report that Indosat is in full compliance with Section 404 of SOX as required for the Fiscal Year ended December 31, 2011 and we are among the first Indonesian Companies to comply with SOX. Our Independent Auditor, Purwantono, Suherman & Surja, a member of Ernst & Young Global, conducted an attestation and produced a final report on Indosat's SOX compliance, which was included in our 2011 Annual Report on Form 20-F in page F-3:

"In our opinion, PT Indosat Tbk and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on COSO criteria."

6.4. Independent Auditors

The Independent Auditor is appointed by Shareholders at the Annual General Meeting of Shareholders (AGMS), based on recommendations from the Board of Commissioners and the Audit Committee. At the AGMS June 24, 2011, Shareholders approved the appointment of Purwantono, Suherman&Surja (a member of Ernst & Young Global) as Indosat's Independent Auditor for 2011. Shareholders subsequently authorized the Board of Commissioners to stipulate the terms and the conditions of the appointment.

To safeguard the independence of the appointed External Auditor, Indosat's hiring policy prohibits the employment by Indosat of the External Auditor's employees, former employees or close relatives of the employees. The provision of non-audit services by the Independent Auditor to Indosat is also regulated. In addition, the hiring policy for former employees of the independent audit firm stipulates a "cooling off period" or "window period" before they are eligible to work for Indosat, particularly for certain positions. This policy is intended to comply with Bapepam-LK regulation No. VIII A.2 and Article 206 of the Sarbanes- Oxley Act.

The following table contains a summary of the fees paid to Purwantono, Sarwoko&Sandjaja, the Indonesian member firm of Ernst & Young Global, our independent external auditors for the years ended December 31, 2009 and the fees paid to Purwantono, Suherman&Surja, the Indonesian member firm of Ernst & Young Global, our independent external auditors for the years ended December 31, 2010 and 2011:

(in US$)

	2009	2010	2011
Audit Fees	2,330,298	2,287,934	857,724
Audit-related Fees	1,279,708	1,543,584	448,848
Tax Fees	–	–	–
All Other Fees	–	–	–
Total Fees	**3,610,006**	**3,831,518**	**1,306,572**

6.5. Public Accounting Firm

Board of Commissioners was further given authority at the Annual General Meeting of Shareholders to appoint a Public Accountant Firm, as well as an alternate choice should the Public Accountant originally appointed not be able to carry out its duties for any reason, subject to prevailing rules and regulations; and to stipulate the terms and conditions of the appointments.

7. LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings concerning matters arising in connection with the conduct of our business. We are not currently involved in, and have not recently been involved in, any legal or arbitration proceedings that we believe would be likely to have a material effect on our financial condition or results of operations other than as disclosed in this annual report.

On May 5, 2004, we received the Supreme Court's verdict No. 1610K/PDT/2003 in favor of Primer Koperasi Pegawai Kantor Menteri Negara Kebudayaan dan Pariwisata (known as Primkopparseni), regarding a disputed foreign currency exchange transaction. The court's judgment required us to pay Rp13.7 billion plus 6.0% interest per annum from February 16, 1998 until the final settlement date and on December 22, 2004, we satisfied the judgment through payment of Rp19.3 billion to the Central Jakarta District Court. Furthermore, in January 2005, we filed a motion for reconsideration against the Supreme Court's verdict. As of April 20, 2011, the Supreme Court has not issued a verdict for the reconsideration.

In order to recover the amount we paid to Primkopparseni, we initiated a new action in the Central Jakarta District Court asserting that the Primkopparseni members' meeting at which the members decided to proceed with the dispute against us was invalid. On January 19, 2005, the Central Jakarta District Court held that such members' meeting was unlawful, but did not require Primkopparseni to compensate us, prompting us and Primkopparseni to file an appeal of that decision with the Jakarta High Court on February 1, 2005. The Jakarta High Court through its decision No. 483 / PDT / 2005 / PT.DKI decided in our favor by ruling that such meeting was unlawful, but, on the other hand, did not require Primkopparseni to compensate us. We and Primkopparseni appealed to the Supreme Court to ask for compensation for the costs of legal fees and injury to our brand name, but the Supreme Court declined our appeal on August 13, 2008 through its decision No. 229/K/PDT/2008. Since we did not take any further legal action with respect to the Supreme Court's decision, this case is now final and binding.

On November 1, 2007, the KPPU issued a decision regarding a preliminary investigation involving us and eight other telecommunication companies based on allegations of price-fixing for SMS services and breach of Article 5 of the Anti-monopoly Law. On June 18, 2008, the KPPU determined that PT Telkom, Telkomsel, XL, Bakrie Telecom, Mobile-8 and Smart Telecom (as of March 2011, Mobile-8 had changed its name to PT Smartfren Telecom Tbk) had jointly breached Article 5 of the Anti-monopoly Law. Mobile-8 appealed this ruling to the Central Jakarta District Court, where Telkomsel, XL, Telkom, Indosat, Hutchison, Bakrie Telecom, Smart Telecom, Natrindo were summoned to appear as co-defendants in the hearing, while Telkomsel appealed this ruling to the South Jakarta District Court. Although the KPPU decided in our favor with respect to the allegations of price-fixing of SMS, we cannot assure you that the District Court will affirm the KPPU decision. In 2011, the Supreme Court issued a ruling appointing the Central Jakarta District Court jurisdiction to examine the objections filed in the appeal of the KPPU decision. The District Court will consider objections against the KPPU decision based on a re-examination of the KPPU decision and case files submitted by KPPU.

On January 18, 2012, we were informed that our subsidiary, PT Indosat Mega Media ("IMM"), was under investigation by the Attorney General in connection with IMM's broadband internet services. IMM has been accused of illegally using 3G without paying the appropriate frequency fees, telecommunication operation fees and tender upfront fees. The MOCIT stated in their letter to us No.65/M.Kominfo/02/2012, dated February 24, 2012, that neither IMM nor Indosat have breached any laws or prevailing rules. The Attorney General is currently still proceeding with its investigation.

During tax audits and assessments of our tax payments for 2004 and 2005 by the Tax Office for State-Owned Enterprises (the "Tax Office"), on December 4, 2006 and March 27, 2007, respectively, we were notified that our withholding tax for interest paid on intercompany loans for Indosat Finance Company B.V. and Indosat International Finance Company B.V. relating to our US$300.0 million principal amount Guaranteed Notes 2010 and US$250.0 million principal amount Guaranteed Notes 2012, respectively, should be 20.0%, rather than 10.0%. Based on advice from our tax advisors and our understanding of Indonesian law, we believe that our original calculations of withholding tax are accurate and submitted objection letters to the Tax Office regarding these assessments. On February 18, 2008 and June 4, 2008, we received Decision Letters from the Directorate General of Taxation rejecting our objections to our assessed tax payments for 2004 and 2005 in the amount of Rp60,493 million and Rp82,126 million, respectively. On May 14, 2008 and September 2, 2008, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction of the income tax article 26 for fiscal year 2004 and 2005, respectively. On May 25, 2010, the Company received the Decision Letter from the Tax Court which declined the

Company's objection to the correction of the 2004 and 2005 income tax article 26. The Company charged the tax correction to current operations, which was presented as part of "Other Income (Expenses)—Others—Net".

We are also currently disputing an assessment of tax overpayment for fiscal year 2005 with the Tax Office. On March 27, 2007, we received an assessment letter for tax overpayment, indicating that the Directorate General of Taxation approved the refund of an overpayment of 2005 corporate income tax amounting to Rp135,766 million, which amount is lower than the amount of Rp176,645 million that we recognize. We filed an objection with the Tax Office on June 22, 2007 and claimed for the difference amounting to Rp40,879 million. On May 27, 2008, we received a Decision Letter from the Directorate General of Taxation which partially accepted our objection, but only for the amount of Rp2,725 million. On August 21, 2008, the Company submitted an appeal letter to the Tax Court concerning the Company's remaining objection on the 2005 corporate income tax. On October 12, 2010, the Company received the Decision Letter from the Tax Court which accepted the Company's objection to the correction of the 2005 corporate income tax amounting to Rp38,155 million, which was offset against the underpayment of the Company's 2008 and 2009 income tax article 26 based on Tax Collection Letters ("STPs") received by the Company on September 17, 2010. On February 24, 2011, we received a copy of a Memorandum for Reconsideration Request from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated October 29, 2010, regarding our 2005 corporate income tax. On March 25, 2011, the Company submitted a Counter Memorandum for Reconsideration Request to the Supreme Court. As of April 23, 2012, the Company has not received any decision from the Supreme Court with respect to such request.

On December 24, 2008, we received a Decision Letter from the Directorate General of Taxation which increased the overpayment amount by Rp84,650 million in the assessment letter on tax overpayment for fiscal year 2004, which amount was lower than the amount stated in an earlier Decision Letter received on July 4, 2008. On January 21, 2009, we filed appeal letter to the Tax Court to the discrepancy in the amount of tax overpayment during fiscal year 2004. With respect thereto, on November 17, 2009, the Tax Court revoked the Directorate General of Taxation's assessment letter No. KEP-539/WPJ.19/BD.05/2008, dated December 24, 2008. On March 17, 2010, the Directorate General of Taxation issued a decision favorable to the Company, informing it that the tax overpayment for fiscal year 2004 should be Rp126,403 million instead of Rp84,650 million, which would entitle the Company to get a refund of the difference, amounting to Rp41,753 million. The Company then subsequently received the payment of such tax refund amounting to Rp41,753 million from Directorate General of Taxation on April 13, 2010. On March 5, 2012, the Company received a Tax Court's Decision Letter approving interest compensation payable to the Company and totaling Rp60,673.5 million on the overpayment of its 2004 Corporate Income Tax.

On June 8, 2009, the Company received an assessment letter on tax underpayment ("assessment letter") from the DGT for Satelindo's corporate income tax for fiscal year 2002 amounting to Rp105,809 million (including penalties and interest). The Company accepted a part of the correction of the 2002 corporate income tax amounting to Rp2,646 million which was charged to current operations in 2009. Under Indonesian Tax Law, a taxpayer is required to pay the tax underpayment amount as stated in the assessment letter within one month from the date of the assessment letter. The taxpayer can reclaim the tax paid through an objection or appeal process. On August 28, 2009, the Company submitted an objection letter to the Tax Office regarding the remaining correction on Satelindo's 2002 corporate income tax. On July 15, 2010, the Company received the Decision Letter No.KEP-357/WPJ.19/BD.05/2010 from the DGT declining the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002. On October 14, 2010, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002. As of April 23, 2012, the Company has not received any decision from the Tax Court on such appeal.

On June 8, 2009, the Company also received assessment letters from the DGT for Satelindo's 2002 and 2003 income tax article 26 amounting to Rp51,546 million and Rp40,307 million (including penalties and interests), respectively. On August 27, 2009, the Company submitted an objection letter to the Tax Office for the correction of the Satelindo's 2002 and 2003 income tax article 26. On July 16, 2010, the Company received the Decision Letters No.KEP-367/WPJ.19/BD.05/2010 and KEP-368/WPJ.19/BD.05/2010 from the DGT declining the Company's objection to the correction of the Satelindo's 2002 and 2003 income tax article 26. On October 12, 2010, the Company submitted appeal letters to the Tax Court concerning the Company's objection to the correction of Satelindo's 2002 and 2003 income tax article 26. As of April 23, 2012, the Company has not received any decision from the Tax Court on such appeal.

On September 7, 2009, the Company received the Decision Letter No.KEP-335/WPJ.19/BD.05/2009 from the DGT which declined the Company's objection to the remaining corrections of the 2006 corporate income tax. On December 2, 2009, the Company submitted an appeal letter to the Tax Court regarding the remaining corrections of the Company's 2006 corporate income tax. On April 26, 2011, the Company received the Tax Court's Decision Letter which accepted the Company's appeal on the remaining correction of the 2006 corporate income tax. On June 21, 2011, the Company received a tax refund amounting to Rp82.6 billion. On August 22, 2011, the Company received a copy of a Memorandum for Reconsideration Request from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated April 26, 2011 for the 2006 corporate income tax. On September 21, 2011, the Company submitted a Counter-Memorandum for Reconsideration Request to the Supreme Court. As of April 23, 2012, the Company has not received any decision from the Supreme Court on such request.

On September 17, 2010, the Company received STPs from the DGT for the underpayment of the Company's 2008 and 2009 income tax article 26 totaling Rp80,018 million (including interest). On October 13, 2010, the Company submitted cancellation letters to the Tax Office regarding such STPs. Subsequently, on November 16, 2010, the Company was required to pay a certain portion of these STPs by using the approved tax refund claim for on the Company's corporate Income Tax for fiscal year 2005 amounting to Rp38,155 million. On January 7, 2011, the Company paid the remaining amount of Rp41,863 million. On April 11, 2011, the Company received a letter from the Tax Office which declined the request for cancellation of such STPs. On May 5, 2011, the Company submitted an appeal letter to the Tax Court concerning these STPs. As of April 23, 2012, the Company has not yet received any decision from the Tax Court on such appeal.

On April 21, 2011, the Company received an assessment letter from the DGT for the Company's VAT for the period from January to December 2009, totaling Rp182.8 billion (including penalties). The Company accepted a part of the corrections amounting to Rp4.2 billion, which was charged to current operations. On July 15, 2011, the Company paid the remaining underpayment, amounting to Rp178.6 billion of the VAT for the period from January to December 2009. On July 19, 2011, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's VAT for such period. As of April 23, 2012, the Company has not yet received any decision from the Tax Office on such objection letter.

On April 21, 2011, the Company received an assessment letter on tax overpayment from the DGT for the Company's 2009 corporate income tax amounting to Rp29.3 billion, which amount is lower than the amount recognized by the Company in its financial statements. The Company accepted a part of the corrections amounting to Rp0.8 billion, which was charged to current operations. On May 31, 2011, the Company received a tax refund of Rp23.7 billion, (net of the amount of the VAT correction for the period from January to December 2009 that the Company accepted). On July 20, 2011, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's 2009 corporate income tax. As of April 23, 2012, the Company has not received any decision from the Tax Office on such letter.

We are not involved in any other material cases, including civil, criminal, bankruptcy, state administration cases or arbitration cases in the Indonesian National Board of Arbitration or labor cases in Industrial Relation Court which may materially affect our performance.

8. CODE OF ETHICS

Indosat released a Code of Ethics as a guide for all employees and management including Board of Directors. The Code of Ethics summarizes the principles of responsible conduct to which all Directors and employees are expected to adhere.

Under our Code of Ethics, all business activities must be carried out with integrity and in accordance with all prevailing laws and regulations. Further, the Code of Ethics strictly prohibits conflicts of interests, insider trading and illegal or unethical behavior. Each employee must sign a statement that they have read and understood the Code of Ethics. Employees must reconfirm this statement annually through the Company Intranet. Directors and employees of Indosat are expected to understand and comply with the policies outlined in the Code of Ethics. Any Director or employee found to have violated the Code of Ethics will be disciplined accordingly, up to and including termination of employment.

We have issued a 'Guide to the Implementation of PT Indosat Tbk's Code of Ethics' on November 20, 2010 as socialization and refreshment of Decree of Board of Directors on Code of Ethics No. 002/DIREKSI/2007. We have posted this Code of Ethics on our website at www.indosat.com, where it is publicly available.

8.1. Whistleblower Policy

Our Whistleblower Policy protects external or internal parties who wish to raise concerns or complaints to the Audit Committee related to any impropriety or inaccuracy of the Company's financial statements, press releases or other public disclosures, accounting, internal controls, audits or other material areas.

The detailed procedure for filing complaints is available at our website, www.indosat.com, or through e-mail at auditcom@indosat.com, infoGCG@indosat.com, or by mail directly addressed to the Audit Committee at 2nd Floor, Indosat Building, Jl. Medan Merdeka Barat No. 21, Jakarta 10110.

8.2. Collective Labor Agreement

The Indosat Labor Union (Serikat Pekerja Indosat/ SPI) was established on August 25, 1999. Historically, a Collective Labor Agreement (CLA) document was negotiated, agreed upon and signed by the Management of Indosat and the SPI for a period of 2 (two) years. On December 31, 2010, the SPI signed an agreement with Indosat management for the 2011-2012 period, the terms of which covered general provisions governing working hours, salary, employee development, Health Safety Security and Environment (HSSE), employee welfare, social benefit, disciplinary procedures and dispute settlement mechanisms. Some of our employees are entitled to a regulated pension scheme whereby they will receive monthly payments and benefits through PT Asuransi Jiwasraya (Persero).

9. CORPORATE SECRETARY

The Corporate Secretary aims to provide accurate, relevant information in a transparent and timely manner to the public in compliance with regulatory authorities' guidelines and with our own established disclosure procedures.

Group Head Corporate Secretary reports to the Chief of Corporate Services Officer under the Office of President Director and Chief Executive Officer and, plays a key role in communicating material information to comply with regulation and keeping the Company transparent.

Since March 2004, the position of Group Head Corporate Secretary has been held by Strasfiatri Auliana. She started her career at Indosat in 1987. A graduate in Electronic Engineering from the Bandung Institute of Technology, in her professional career spanning over two decades, she has held various senior positions at Indosat. She also previously served as special assistant to the Chairman of the Indonesian Bank Restructuring Agency (IBRA).

Access of Information

For more information regarding the Company, please contact us at:
Group Corporate Secretary
PT Indosat Tbk
Tel: 62-21 3000 3001 ext 2614
Fax: 62-21 3000 3002
E-mail: strasfiatri.auliana@indosat.com
Or visit our website at www.indosat.com

10. DISCLOSURE OF RELEVANT INFORMATION

The following present various relevant information that may be required by, or of interest to, the stakeholders of the Company, including regulators and government authorities.

10.1. Fair Disclosure to Shareholders

We treat all shareholders equally, providing all with equal access to timely updates of material information or disclosures. To avoid selective disclosure, announcement and press releases that have been disclosed to the general public is uploaded onto our website at http://www.indosat.com.

To ensure that all shareholders receive the same information, we have, since 2007, been including in our Annual Report the Form 20-F submitted to the US SEC. Both reports are simultaneously reported to the Indonesia and US capital market authorities.

10.2. Restriction of Insider Trading

To avoid any insider trading, the Company applies a trading window policy every quarter. The policy is based on the concept that the period following a company's quarterly earnings disclosure is a safe time for insiders to sell (or buy) company stock. The trading window period commences two business days after the Company discloses its quarterly financial report and closes 10 business days after that. The purpose of the two-day interval is to allow the market time to react to the earnings release, and to digest such information.

10.3. Regulatory Compliance

As a telecommunications company, we comply with Telecommunication Laws and other related Laws those which have been established by the MCIT. All reporting as required by law of a telecommunications provider such as RFR (Regulatory Financial Report), QoS (Quality of Service), TKDN (Local content from local industry) and LKO (Operational Performance Report) has been done in accordance with the designated parameters and time frame. The same applies to the Radio License registration for the entire radio system used by Indosat, which was done to support Indosat's operational network of 19,253 BTS up to December 31, 2011. We also provide opinion of regulation on products or cooperation, which will be implemented to comply with applicable regulations.

10.4. Covenant Compliance

Based on credit agreements, loan agreements and/or trustee agreements, the Company is required to fulfill certain covenants as set forth in these aforementioned agreements.

We agreed to certain covenants in connection with the issuance of Indosat Rupiah Bonds, including, but not being limited to, agreeing to maintain equity capital of at least Rp5,000 billion; a ratio of total debt to EBITDA of less than 3.5:1, as reported in each annual consolidated financial report; a debt to equity ratio of 2.5:1, as reported in each quarterly consolidated financial report; and a ratio of EBITDA to interest expense, as reported in each annual consolidated financial report of at least 3.0:1.

10.5. Amendments to the Articles of Association

In accordance with Bapepam-LK Rule No. IX.J.1 on guidelines of articles of association of a company who conduct public offering on equity securities and public company, which require public companies to adjust its Articles of Association, we have obtained shareholders approval to amend the Company's Article of Association on June 11, 2009.

The principle amendments to the Articles of Association of the Company were related to purpose, objectives and business activities, general meeting of shareholders, quorum, tasks and authority of the Board of Directors, conflict of interest transactions, merger, consolidation, acquisition and demerger, amendment to articles of association, dissolution, bankruptcy and liquidation.

10.6. Multiple Appointments

In the interests of maintaining independence and preventing conflicts of interests, members of Indosat's Board of Commissioners and Board of Directors are expected to inform the Company of ongoing major leadership roles and appointments in other companies or organizations. However, it is expected that such multiple appointments as the Commissioners and Directors chose to undertake outside of PT Indosat Tbk will not hinder or encumber them in carrying out their duties towards the Company.

10.7. Insider Share Ownership

Members of Indosat's Board of Commissioners and Board of Directors are required to disclose and confirm share ownership in Indosat. This includes share ownership in Indosat by immediate family members. This disclosure is recorded and filed away by the Corporate Secretary. Details of Indosat share ownership in 2011 based on confirmation provided by members of the Board of Directors is Mr. Fadzri Sentosa with 10,000 shares.

11. COMMUNICATIONS OUTREACH

Indosat actively reached out in 2011 through various media to our stakeholders. To ensure that investors, stakeholders and the public stayed well informed of the Company's performance and activity, information was communicated to various channels including our website www.indosat.com, fact sheets, quarterly investor bulletins, corporate releases, mailings, direct calls, interactive meetings and press conferences.

Our Investor Relations Group, who reports to the Director & Chief Financial Officer, continued to proactively reach out to the financial community, in keeping with our reputation for transparency and disclosure. Following the submission of regular quarterly financial reports to Bapepam-LK and the US-SEC, we held conference calls with analysts, investors and others to discuss the Company's performance and the industry more generally, with extensive Q&A sessions. These calls were further recorded and made available on the Company website so as to enable easy access for shareholders and investors who could not yet be present.

In 2011, the company held quarterly results conference calls for analysts and investors, presented to investors, and attended meetings and investor conferences in several financial centers including overseas.

We also monitored and communicated our credit and corporate rating to investors and public in a timely manner by publicizing it in newspapers and on our website. Please refer to the Share Capital Matters section of this Annual Report to see our ratings as of December 31, 2011.

We continue to solicit feedback and criticism on how we can improve. Tangible efforts that we have made to realize our goals of transparency include improving this Annual Report and constant communication with all Indosat departments to ensure that all material information is channeled to the relevant parties.

11.1. Public Exposé

Indosat's 2011 Annual Public Exposé was held on June 24, 2011 accordance with the conditions stated in IDX Regulation No. 1-E regarding Obligations to Communicating Information at Indosat office, Floor 4, Jl. Merdeka Barat 21, Jakarta 10110, along with the 2011 Annual General Meeting of Shareholders.

This Annual Public Exposé went well and was attended by 28 participants for the most part consisting of the general public and representatives from securities companies.

11.2. Internal Communications

Indosat strives to maintain an open management approach in a number of ways. At management level, a meeting involving all Group and Division heads is held at least once every three months, and a yearly workshop is conducted for all Group and Division Heads to discuss the Company's annual work plan.

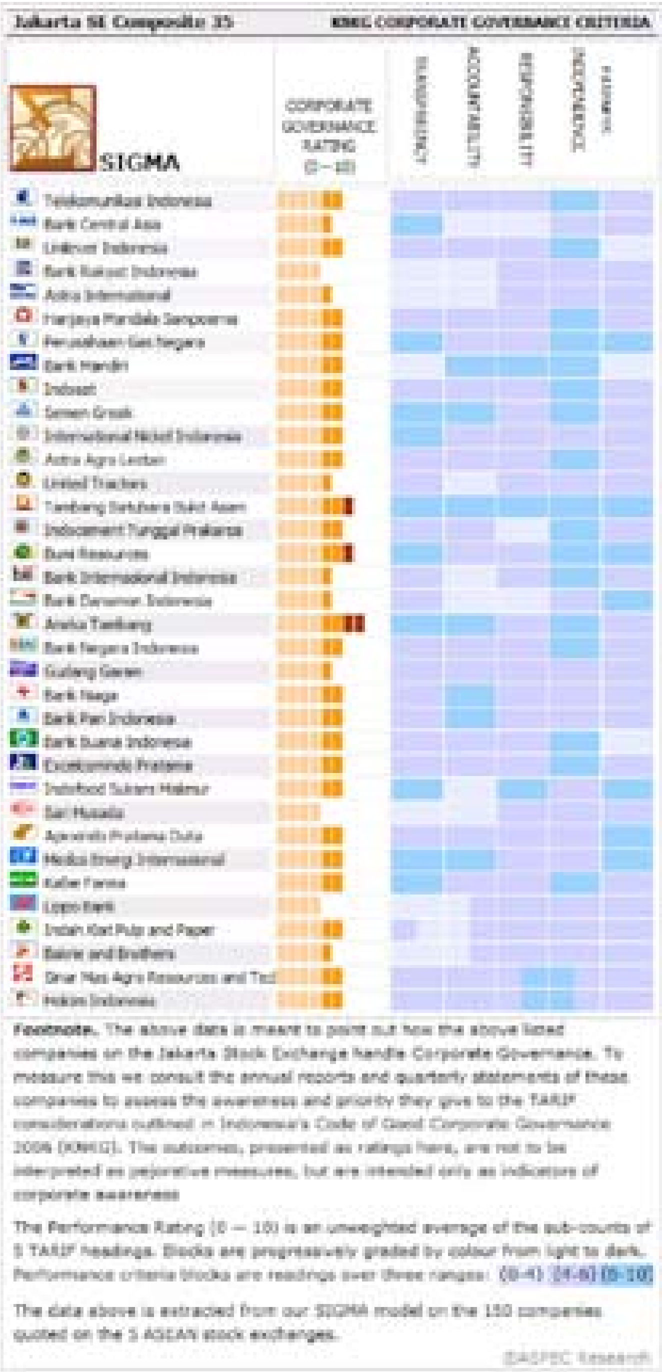
The Company also arranges forums for Directors and employees to discuss various significant developments. Such forums are actively attended by all employees, including those in regional offices who participate via video conference. The directors also take turns to visit Indosat operations in the various regions, to motivate staff and communicate to them the Company's goals and targets, material developments and other relevant matters. All these initiatives allow for dialogue between the management and employees, and also provide opportunities for employees to convey constructive feedback to the Company.

All Company information, policies and activities can be accessed online through the 'MyIndosat' portal, which includes a new sub-content called Ice Cube that provides an opportunity for employees to share innovative ideas. Special "CEO Messages" are periodically sent out to all or relevant employees regarding information on corporate initiatives updates, direction and target achievements.
The company further maximizes internal communication channels such as posters, banners, clear jackets printed with information, text messages, intranet banners and computer wallpaper messages to disseminate information.

12. Others

12.1 Assessment of GCG

Indosat's commitment to implementing GCG can be evaluated not only from our behavior but from public perceptions and evaluations. According to information derived from public information on the National Committee on Governance (*Komite Nasional Kebijakan Governance,* KNKG) site, Indosat successfully scored 6 out of 10 in a study done by ASPEC Research on 150 companies quoted on the 5 ASEAN stock exchange to assess the awareness and priority given to Indonesia's Code of Good Corporate Governance.



12.2 Indosat's GCG commitment to Stakeholders

As part of our commitment to be a socially responsible corporate citizen that delivers value to all stakeholders, Indosat upholds the Good Corporate Governance principles of transparency, accountability, responsibility, interdependence and fairness in all operational activities.

12.3 Customer service level

Indosat's quality of service was deemed to be above the minimum requirement by regulations, according to the Quality of Service (QoS) report issued by regulators at the end of 2011. For example, Indosat achieved above-average industry customer service with 99.6% of general customer complaints handled within 12 months compared with the 85% government minimum mandated.

Other internal customer service standards also showed improvements. The major frontline customer service points showed tangible improvements. At both Griya and Galeri, average waiting time and serving times fell substantially below our goal of 10 minutes each, and 90% of customer issues were resolved on the spot.

12.4 Avoiding conflicts of interest with vendors, dealers and rating agencies

Indosat proactively avoids conflicts of interest with vendors, dealers and rating agencies. Specifically with regard to rating agencies, Indosat makes every effort not to unduly influence ratings, as set forth in the "Implementation of PT INDOSAT Tbk's Code of Ethics" guidebook.

12.5 Corporate Social Responsibility (CSR)

Indosat continued to operate various CSR programs as part of effort to be a socially responsible corporate citizen and to deliver value to all stakeholders. The amount allocated in 2011 increased as a percentage of net income to 1.5% compared with 0.86% in 2010. Indosat's CSR programs target the areas of education, health, charity, disaster relief, and the environment. For more detail, please refer to the appended Sustainability Report.

AUDIT COMMITTEE REPORT

Backgrounds

The Audit Committee (the Committee) of PT Indosat Tbk (the Company) operates under a written charter approved by the Board of Commissioners (the BOC) on May 31, 2003 which were reviewed periodically and subsequently amended several times. The last amendment was on August 20, 2011.

The Charter has been established based on regulations issued by the Indonesian Capital Market and Financial Institutions Supervisory Board (Bapepam-LK), the US Securities Exchange Commission (US SEC), Indonesian Stock Exchange (IDX) and New York Stock Exchange (NYSE).

In accordance with its Charter, the Committee is established by the BOC and therefore reports to the BOC. Its primary function is to assist the BOC in fulfilling its oversight responsibilities to ensure that the Company is in compliance with Capital Market regulations both locally and in the US. In particular the Committee is responsible to oversight the fair presentation of Company's financial statements, the internal control over financial reporting, the auditing process conducted by both Internal Auditors (IA) and External Auditors (EA) and compliance to the prevailing law and regulations.

In performing its duties the Committee communicated closely with the Company's Management including Board of Director (BOD), the Risk Management Group, particularly the Sarbanes Oxley implementation group (SOX Group), the IA and EA.

The members of the Committee comprise of :

Name	Position
George Thia Peng Heok	An Independent Commissioner and Chairman
Soeprapto S.I.P	An Independent Commissioner and Member
Chris Kanter	An Independent Commissioner and Member
Kanaka Puradiredja	An Independent expert member
USM Tampubolon	An Independent expert member

For the purpose of Bapepam-LK and NYSE requirements, USM Tampubolon and Kanaka Puradiredja are acting as the financial experts.

During the year, the Committee held 5 regular meetings and 2 additional meetings specifically held for selection of External Auditor. The attendance of the respective member at the committee regular meeting is, as follows:

Name	Attendance
George Thia Peng Heok	5
Soeprapto S.I.P	5
Chris Kanter	4
Kanaka Puradiredja	4
USM Tampubolon	5

Furthermore as defined in its Charter, to support its activities the Committee has formed an Audit Committee Working Group (ACWG) to attend to numerous issues relating to the duties of the Committee.

The ACWG consists of 2 (two) independent members of the Committee and 2 (two) independent advisors. During 2011, it held 25 meetings. The Committee summarizes the following report:

Financial Statements

1. The 2011 consolidated financial statements, as included in the 2011 Annual Report, were audited by Purwantono, Suherman & Surja (PSS), a member of Ernst & Young Global whose report dated February 20, 2012 expresses that the Company's 2011 consolidated financial statements have been fairly stated in accordance with the Indonesian Financial Accounting Standards (Indonesian GAAP). To meet the reporting requirements of US SEC, the Company also prepared a set of consolidated financial statements based on International Financial Reporting Standards (IFRS).

   The Committee has reviewed the 2011 audited consolidated financial statements with the Management and PSS including matters pertaining to Sarbanes Oxley Act 2002 section 204 namely the critical accounting policies, significant estimates and judgment, alternatives accounting treatment, risk in financial reporting and significant audit adjustments.

   The Committee is not aware of any material misstatement in the above mentioned consolidated financial statements and has satisfied itself that all material audit adjustments proposed by PSS have been included in the 2011 consolidated financial statements.

Internal Control

2. Based on information in whistle blower system established by the Committee and enquiries to the Company's Management, the Committee is not aware of any frauds which may affect the fair presentation of 2011 consolidated financial statements.

3. The process of assessing the control over financial reporting conducted by Management as facilitated by the SOX Group in connection with the SOX 404 requirements has been closely monitored by the Committee and the Committee concludes that the Company, in all material respects, have maintained effective internal control over financial reports.

   However, it is noted that certain deficiencies were identified by PSS and the Committee has asked the Management to follow up for remediation.

External Auditors

4. In line with Qtel requirement on change of External Auditor, the Committee has conducted a selection of auditor among three participants of big four namely Ernst & Young/Purwantono, Suherman & Surja (EY/PSS), KPMG/Siddharta & Wijaya and Pricewaterhouse Copper/Tanudiredja Wibisana and recommended EY/PSS to be brought to the Annual General Meeting of Shareholders (AGMS) which was held on June 24, 2011. It was concluded that PSS is awarded by the AGMS to conduct the audit on Company's consolidated financial statements for the year ended December 31, 2011.

   The Committee concludes that PSS was not engaged in any assignments which are prohibited services as defined by Bapepam-LK and US SEC.

Internal Auditors

5. With respect to the Internal Auditors, the Committee notes the continuing efforts by Management to improve its activities and necessary guidance have been provided by the Committee so as to improve their performance. The latest significant effort was an implementation of IA Transformation Program including setting a clear strategy, acquiring the necessary talent and establishing standard processes and methodologies. With respect to compliance with SOX, approximately 50% of Test of Effectiveness (TOE) of Internal Control over Financial Reporting has been done by the Internal Audit by end of 2011. In addition, a special assignment for reviewing procurement procedure and process is being done by Internal Audit assisted by an independent consultant.

Compliance with the Prevailing Laws and Regulations

6. The Committee has enquired both the Company's management and PSS with respect to the Company's compliance with the prevailing laws and regulations. Both have stated that they are not aware of any non compliance and as such, the Committee states, that to the best of its knowledge, is not aware of any non compliance to the prevailing laws and regulations.

Remuneration Package

7. Part of the Committee responsibilities is to review the remuneration package of BOD and BOC.

   Based on its review conducted by PSS, under the instruction of the Committee, it is concluded that 2011 remuneration package of BOD and BOC has been implemented in line with that as determined in Annual General Meeting of Shareholders of June 24, 2011 as reported in this Annual Report.

George Thia Peng Heok
Chairman of Audit Committee

BUDGET COMMITTEE REPORT

The Budget Committee assists the Board of Commissioners in performing the Board's supervisory and advisory duties by reviewing and giving its recommendations to the Board in relation to the Company's strategic plans, the Annual Work Plan and Budget (which includes the Capital Expenditure plan).

The Budget Committee comprised of Dr. Nasser Marafih (Chairman), George Thia Peng Heok, Jarman and Richard F. Seney until the Extraordinary General Meeting held on February 8, 2011 approved the new composition of the Board of Commissioners excluding Jarman and therefore the Budget Committee is now made up of Dr. Nasser Marafih, George Thia Peng Heok and Richard F. Seney.

The Budget Committee held seven meetings in 2011. A table of the Commissioners' participation and attendance at the Budget Committee meetings held during the year is set out below:

Commissioners	Numbers of Meetings Attended
Dr. Nasser Mohammed Marafih	7
George Thia Peng Heok	6
Jarman*	1
Richard F. Seney	6

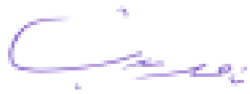
*On February 8, 2011, Jarman was dismissed by General Meeting of Shareholders

Activities

The Budget Committee conducted its duties and responsibilities in accordance with its terms of reference.

The main activities undertaken by the Budget Committee were as follows:

1. Review and recommend to the Board of Commissioner the 2011 Workplan and Budget proposed by the Board of Directors; as well as supervise the approved 2011 Workplan and Budget;
2. Review the 2011-2015 Business Plan; and
3. Discuss some strategic plans include Tower and Satellite Business, Cost Efficiency Program, and CDMA, IM2, Spectrum and Broadband Strategy.



Dr. Nasser Mohammed Marafih
Chairman of Bugdet Committee

RISK MANAGEMENT COMMITTEE REPORT

The Risk Management Committee assists the Board of Commissioners in establishing an appropriate policy concerning risk assessment and risk management, as well as in reviewing the adequacy, completeness and affective implementation of the Company's risk management process, and recommends to the Commissioners improvements where deemed necessary.

The Risk Management Committee is appointed by the Board of Commissioners from amongst its members, comprised of Rachmat Gobel (Chairman), George Thia Peng Heok, Jarman and Rionald Silaban until the Extraordinary General Meeting held on February 8, 2011 approved the new composition of the Board of Commissioners excluding Jarman and therefore the Risk Management Committee is now made up of Rachmat Gobel, George Thia Peng Heok and Rionald Silaban.

The Risk Management Committee held three meetings in 2011. A table of the Commissioners' participation and attendance at the Committee meetings held during the year is set out below:

Commissioners	Numbers of Meetings Attended
Rachmat Gobel	2
Rionald Silaban	3
George Thia Peng Heok	3

Activities

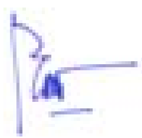
The Risk Management Committee conducted its duties and responsibilities in accordance with its terms of reference.

The main activities undertaken by the Committee were as follows:

1. Review, endorsed and monitor the 2011 Risk Profile of the Company and the mitigation action of each key risk conducted by Management by directorate;

2. Detail discussions related with the Enterprise Risk Management's activities and plans; and

3. Review and endorsed new Risk Profile for 2012 and continual monitoring of updates and mitigation actions of the material risks conducted by Management.



Rachmat Gobel
Chairman of Risk Management Committee

REMUNERATION COMMITTEE REPORT

The Remuneration Committee has the responsibility of providing advice to the Board of Commissioners on the remuneration, bonuses and benefits of the Commissioners, Directors and other employees of the Company as well as the structure, terms and implementation of long-term incentives for the Board of Directors.

Members of the Remuneration Committee are appointed by the Board of Commissioners from amongst its members and comprise not fewer than three members.

The Membership of Remuneration Committee comprised of Dr Nasser Marafih as Chairman, Soeprapto, and Alexander Rusli as Members. The Remuneration Committee has access to expert professional advice from appropriate external advisors to provide additional perspectives on talent management and remuneration practices as and when it deems necessary.

The Remuneration Committee held five meetings during 2011. A table of the Commissioners' participation and attendance at the Remuneration Committee meetings held during the year is set out below:

Commissioners	Number of Meetings Attended
Dr. Nasser Mohammed A. Marafih	5
Soeprapto S.I.P	5
Alexander Rusli	5

Activities

The Remuneration Committee conducted its duties and responsibilities in accordance with its terms of reference.

The main activities undertaken by the Committee in 2011 were as follows:

1. Reviewed and recommended to the Board of Commissioners, the remuneration structure and package of the Board of Commissioners for 2011;
2. Reviewed and recommended to the Board of Commissioners, the remuneration structure and package (including review of salaries, bonuses and long-term incentives) for the Board of Directors for 2011;
3. Based on delegation from Board of Commissioners, (i) reviewed and approved amendments to the organization structure for L2 (Group Heads), (ii) reviewed and approved the appointment and remuneration of CXO, (iii) reviewed and approved employee bonus and incentive scheme and pool bonus.

Dr. Nasser Mohammed A. Marafih
Chairman of Remuneration Committee

Risk Factors

Risks Relating to Indonesia

We are incorporated in Indonesia and substantially all of our operations, assets and customers are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies which the Government may, or may not, take or adopt may have a material adverse effect on our business, financial condition, results of operations and prospects.

Domestic, regional or global economic changes may adversely affect our business

The economic crisis which affected Southeast Asia, including Indonesia, from mid-1997 was characterized in Indonesia by, among other things, currency depreciation, negative economic growth, high interest rates, social unrest and extraordinary political events. These conditions had a material adverse effect on Indonesian businesses, including a material adverse effect on the quality and growth of our subscriber base and service offerings, which depend on the health of the overall Indonesian economy. In addition, the economic crisis resulted in the failure of many Indonesian companies to meet their debt obligations. Many Indonesian companies have not fully recovered from the economic crisis, and many such companies are still in the process of restructuring their debt obligations or are engaged in disputes arising from defaults under their debt obligations.

Beginning in 2008, the global financial crisis which was triggered in part by the subprime mortgage crisis in the United States, caused failures of large U.S. financial institutions and rapidly evolved into a global credit crisis. U.S. bank failures were followed by failures in a number of European banks and declines in various stock indexes, as well as large reductions in the market value of equities and commodities worldwide, including in Indonesia. In addition, since 2010, the European sovereign debt crisis, has created concerns about the ability of a number of European countries, including Greece, Ireland, Italy, Portugal and Spain, to continue to service their sovereign debt obligations. These conditions may result in worsening economic conditions in Europe and globally. The world economic downturn has adversely affected the economic performance of Indonesia, resulting in declining economic growth, slowing household consumption and weakening investment due to loss of external demand and increased uncertainty in the world economy. These conditions have had and may continue to have a negative impact on Indonesian businesses and consumers, which may result in reduced demand for telecommunication services.

Volatility in oil prices and potential food shortages may also cause an economic slowdown in many countries, including Indonesia. An economic downturn in Indonesia could also lead to additional defaults by Indonesian borrowers and could have a material adverse effect on our business, financial condition and results of operations and prospects. The Government continues to have a large fiscal deficit and a high level of sovereign debt. Its foreign currency reserves are modest and the banking sector is weak and suffers from relatively high levels of non-performing loans. The current high inflation rate in Indonesia may also result in less disposable income available to consumers to spend or cause consumer purchasing power to decrease, which may reduce consumer demand for telecommunication services, including our services.

A loss of investor confidence in the financial systems of emerging and other markets, or other factors, including the deterioration of the global economic situation, may cause increased volatility in the Indonesian financial markets and a slowdown in economic growth or negative economic growth in Indonesia. Any such increased volatility or slowdown or negative growth could have a material adverse effect on our business, financial condition and results of operations and prospects.

Political and social instability may adversely affect us

Since 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. These events have resulted in political instability as well as general social and civil unrest on certain occasions in the past few years. As a relatively new democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Wahid, former President Megawati, and current President Yudhoyono, as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, the bailout of PT Bank Century in 2008, decentralization and provincial autonomy and the American-led military campaigns in Afghanistan and Iraq.

In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 30.0% increase in fuel prices. Similar demonstrations in response to fuel subsidy reductions occurred in 2003, 2005 and 2008. Although these demonstrations were generally peaceful, some turned violent. During the first quarter of 2012, the Government proposed fuel subsidy reductions that would result in up to a 33% increase in fuel prices. We cannot assure you that this proposal or any future fuel subsidy reductions will not lead to further political and social instability. Regional political instability and clashes between religious and ethnic groups remain problematic. Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of those separatist movements and the Indonesian military, although there has been little conflict in Aceh since a memorandum of understanding was signed in August 2005. In recent years, political instability in Maluku and Poso, a district in the province of Central Sulawesi, has intensified and clashes between religious groups in these regions have resulted in thousands of casualties and displaced persons. In recent years, the Government has made limited progress in negotiations with these troubled regions, except in the Province of Aceh where peaceful local elections were recently held which resulted in former separatists winning the election and becoming the governors of the Province.

In 2004 and in 2009, elections were held in Indonesia to elect the President, Vice-President and representatives in the Parliament. Although the 2004 and 2009 elections were conducted peacefully, political campaigns in Indonesia may bring a degree of political and social uncertainty to Indonesia. Increased political activity can be expected in Indonesia, in part due to the upcoming presidential election in 2014.

Political and related social developments in Indonesia have been unpredictable in the past, and we cannot assure you that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not, directly or indirectly, have a material adverse effect on our business, financial condition, results of operations and prospects.

Indonesia is located in an earthquake zone and is subject to significant geological risks which could lead to social unrest and economic loss

Many parts of Indonesia are vulnerable to natural disasters such as earthquakes, tsunamis, floods, volcanic eruptions as well as droughts, power outages or other events beyond our control. In recent years, several natural disasters have occurred in Indonesia (in addition to the Asian tsunami in 2004), including volcanic eruptions of Mount Lokon in North Sulawesi in 2011, Mount Merapi in southern Java near Yogyakarta, and Mount Bromo in East Java in 2010, tsunamis in Mentawai in West Sumatera in 2010 and in Pangandaran in West Java in 2006, an earthquake off the coast of Sumatra in January 2012, separate earthquakes in Papua, West Java, Sulawesi and Sumatra in 2009, an earthquake in Jogyakarta in Central Java in 2006, and a hot mud eruption and subsequent flooding in East Java in 2006. Indonesia also experienced significant flooding in Wasior district, West Papua in 2010, in Jakarta in 2009 and 2007 and in Solo in Central Java in 2008.

As a result of these natural disasters, the Government has had to spend significant amounts on emergency aid and resettlement efforts. Most of these costs have been underwritten by foreign governments and international aid agencies. We cannot assure you that such aid will continue to be forthcoming, or that it will be delivered to recipients on a timely basis. If the Government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. While the Government has implemented various measures to mitigate the losses caused by natural disasters, such as establishing a national board for disaster mitigation and installing tsunami early warning systems, recovery and relief efforts are likely to continue to impose a strain on the Government's finances, and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Government, or declaration by it of a moratorium on its sovereign debt, could trigger an event of default under numerous private-sector borrowings including those of our Company, thereby materially and adversely affecting our business.

We cannot assure you that our insurance coverage will be sufficient to protect us from potential losses resulting from such natural disasters and other events beyond our control. In addition, we cannot assure you that the premium payable for these insurance policies upon renewal will not increase substantially, which may materially and adversely affect our financial condition and results of operations. We also cannot assure you that future geological or meteorological occurrences will not have more of an impact on the Indonesian economy. A significant earthquake, other geological disturbance or weather-related natural disaster in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

Terrorist activities in Indonesia could destabilize the country, thereby adversely affecting our business, financial condition, results of operations and prospects

Several bombing incidents have taken place in Indonesia, most significantly in October 2002 in Bali, a region of Indonesia previously considered safe from the unrest affecting other parts of the country. Other bombing incidents, although on a lesser scale, have also been committed in Indonesia on a number of occasions over the past few years, including at shopping centers and places of worship. In April 2003, a bomb exploded outside the main United Nations building in Jakarta and in front of the domestic terminal at Soekarno Hatta International Airport. In August 2003, a bomb exploded at the JW Marriott Hotel in Jakarta, and in September 2004, a bomb exploded in front of the Australian embassy in Jakarta. In May 2005, bomb blasts in Central Sulawesi killed at least 21 people and injured at least 60 people. In October 2005, bomb blasts in Bali killed at least 23 people and injured at least 101 others. Indonesian, Australian and U.S. government officials have indicated that these bombings may be linked to an international terrorist organization. Demonstrations have taken place in Indonesia in response to plans for and subsequent to U.S., British and Australian military action in Iraq. In January 2007, sectarian terrorists conducted bombings in Poso. In July 2009, bomb blasts in the JW Marriott and Ritz Carlton hotels in Jakarta killed six people and injured at least 50 people. Further terrorist acts may occur in the future and may be directed at foreigners in Indonesia. Violent acts arising from, and leading to, instability and unrest could destabilize Indonesia and the Government and have had, and may continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations may be adversely affected by an outbreak of Severe Acute Respiratory Syndrome ("SARS"), avian influenza, Influenza A (H1N1) virus or other epidemics

In 2003, certain countries in Asia including, Indonesia, the China, Vietnam, Thailand and Cambodia, experienced an outbreak of SARS, a highly contagious form of atypical pneumonia, which seriously interrupted the economic activities in, and the demand for goods plummeted in, the affected regions.

During the last four years, large parts of Asia experienced unprecedented outbreaks of avian influenza. As of December 15, 2011, the World Health Organization ("WHO") had confirmed a total of 336 fatalities in a total

number of 573 cases reported to the WHO, which only reports laboratory confirmed cases of avian influenza. Of these, the Indonesian Ministry of Health reported to the WHO 152 fatalities in a total number of 184 cases of avian influenza in Indonesia. In addition, the WHO announced in June 2006 that human-to-human transmission of avian influenza had been confirmed in Sumatra, Indonesia. According to the United Nations Food and Agricultural Organization, avian influenza virus is entrenched in 31 of Indonesia's 33 provinces and efforts to contain avian influenza are failing in Indonesia, increasing the possibility that the virus may mutate into a deadlier form. No fully effective avian influenza vaccines have been developed and an effective vaccine may not be discovered in time to protect against a potential avian influenza pandemic.

In April 2009, there was an outbreak of the Influenza A (H1N1) virus, which originated in Mexico but has since spread globally, including confirmed reports in Hong Kong, Indonesia, Japan, Malaysia, Singapore and elsewhere in Asia. The Influenza A (H1N1) virus is believed to be highly contagious and may not be easily contained.

An outbreak of SARS, avian influenza, Influenza A (H1N1) virus or a similar epidemic, or the measures taken by the governments of affected countries, including Indonesia, against such an outbreak, could severely disrupt the Indonesian and other economies and undermine investor confidence, thereby materially and adversely affecting our financial condition or results of operations.

Labor activism and unrest may adversely affect our business

The liberalization of regulations permitting the formation of labor unions, combined with weak economic conditions, has resulted, and will likely continue to result, in labor unrest and activism in Indonesia. In 2000, the Government issued a labor regulation allowing employees to form unions without employer intervention. In March 2003, the Government enacted a manpower law, Law No.13/2003 (the "Labor Law"), which, among other things, increased the amount of required severance, service and compensation payments to terminated employees, and required employers with 50 or more employees to establish bipartite forums with the participation of employers and employees. To negotiate a collective labor agreement with such a company, a labor union's membership must consist of more than 50.0% of the company's employees. In response to a challenge to its validity, the Indonesian Constitutional Court declared the Labor Law to be mostly valid, except for certain provisions relating to, among others, (i) the right of an employer to terminate its employee who committed a serious mistake; (ii) the imprisonment of, or imposition of a monetary penalty on, an employee who instigates or participates in an illegal labor strike or persuades other employees to participate in a labor strike; (iii) the requirement to allow outsourcing or subcontracting arrangements with a temporary employment contract that does not stipulate for the transfer of undertakings protection of employment provision; and (iv) the requirement that a labor union obtain the presentation of at least 50.0% of employees (for a company that has more than one labor union) to be eligible to conduct negotiations with an employer. The Government proposed to amend the Labor Law in a manner which, in the view of labor activists, would result in reduced pension benefits, the increased use of outsourced employees and prohibitions on unions to conduct strikes. The proposal has been suspended and the new Government regulation addressing lay-offs of workers has not yet become effective.

Labor unrest and activism could disrupt our operations and could adversely affect the financial condition of Indonesian companies in general and the value of the Indonesian rupiah relative to other currencies, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Depreciation in the value of the Indonesian rupiah may adversely affect our business, financial condition, results of operations and prospects

One of the most important immediate causes of the economic crisis which began in Indonesia in mid-1997 was the depreciation and volatility of the value of the Indonesian rupiah, as measured against other currencies, such as the U.S. dollar. Although the Indonesian rupiah has appreciated considerably from its low point of approximately Rp17,000 per U.S. dollar in 1998, it may experience volatility again in the future. During the period between January1, 2009 through December31, 2011, the Indonesian rupiah/U.S. dollar exchange rate ranged from a low of Rp12,065 per U.S. dollar to a high of Rp8,460 per U.S. dollar. We cannot assure you that future depreciation or volatility of the Indonesian rupiah against other currencies, including the U.S. dollar, will not occur. To the extent the Indonesian rupiah depreciates further from the exchange rates at December31, 2011, our obligations under our accounts payable, procurements payable and our foreign currency-denominated loans payable and bonds payable would increase in Indonesian rupiah terms. Such depreciation of the Indonesia rupiah would result in additional losses on foreign exchange translation and significantly impact our other income and net income.

In addition, while the Indonesian rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Indonesian rupiah to persons outside of Indonesia who lack a bona fide trade or investment purpose), from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Indonesian rupiah or by using its foreign currency reserves to purchase Indonesian rupiah. We cannot assure you that the current floating exchange rate policy of Bank Indonesia will not be modified or that the Government will take additional action to stabilize, maintain or increase the value of the Indonesian rupiah, or that any of these actions, if taken, will be successful. Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, an economic recession, loan defaults or declining usage of our subscribers, and as a result, we may also face difficulties in funding our capital expenditures and in implementing our business strategy. Any of the foregoing consequences could have a material adverse effect on our business, financial condition, results of operations and prospects.

Downgrades of credit ratings of the Government or Indonesian companies could adversely affect our business

Beginning in 1997, certain recognized statistical rating organizations, including Moody's, Standard& Poor's, and Fitch, downgraded Indonesia's sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. As of April 23, 2012, Indonesia's sovereign foreign currency long-term debt was rated "Baa3" by Moody's, upgraded from "Ba1" on January 18, 2012, "BB+" by Standard & Poor's, upgraded from "BB" on April 8, 2011, and "BBB-" by Fitch, upgraded from "BB+" on December 14, 2011. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

Even though the recent trend in Indonesian sovereign ratings has been positive, we cannot assure you that Moody's, Standard& Poor's, Fitch or any other statistical rating organization will not downgrade the credit ratings of Indonesia or Indonesian companies, including us. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. Interest rates on our floating rate Indonesian rupiah-denominated debt would also likely increase. Such events could have material adverse effects on our business, financial condition, results of operations and prospects.

We are subject to corporate disclosure and reporting requirements that differ from those in other countries

As we are a public company listed in the Indonesia Stock Exchange and New York Stock Exchange, we are subject to corporate governance and reporting requirements in Indonesia and the United States that differ, in significant respects, from those applicable to companies in certain other countries. The amount of information made publicly available by issuers in Indonesia may be less than that made publicly available by comparable companies in certain more developed countries, and certain statistical and financial information of a type typically published by companies in certain more developed countries may not be available. As a result, investors may not have access to the same level and type of disclosure as that available in other countries, and comparisons with other companies in other countries may not be possible in all respects.

We are incorporated in Indonesia, and it may not be possible for investors to effect service of process, or enforce judgments, on us within the United States, or to enforce judgments of a foreign court against us in Indonesia

We are a limited liability company incorporated in Indonesia, operating within the framework of Indonesian laws relating to foreign capital invested companies, and all of our significant assets are located in Indonesia. In addition, several of our Commissioners and substantially all of our Directors reside in Indonesia and a substantial portion of the assets of such persons is located outside the United States. As a result, it may be difficult for investors to effect service of process, or enforce judgments, on us or such persons within the United States, or to enforce against us or such persons in the United States, judgments obtained in U.S. courts.

We have been advised by our Indonesian legal advisor that judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state within the United States, are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. There is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state within the United States. As a result, the claimant would be required to pursue claims against us or such persons in Indonesian courts.

Risks Relating to Our Business

We operate in a legal and regulatory environment that is undergoing significant reforms. These reforms may result in increased competition, which may result in reduced margins and operating revenues, among other things, all of which may have a material adverse effect on us

The regulatory reform of the Indonesian telecommunications sector, which was initiated by the Government in 1999, has to a certain extent resulted in the liberalization of the telecommunications industry, including facilitation of new market entrants and changes to the competitive structure of the telecommunications industry. However, in recent years, the volume and complexity of regulatory changes has created an environment of considerable regulatory uncertainty. In addition, as the reform of the Indonesian telecommunications sector continues, competitors, potentially with greater resources than us, may enter the Indonesian telecommunications sector and compete with us in providing telecommunications services.

For example, since January 2007, the Government, through the Ministry of Communication and Information Technology ("MOCIT"), has been responsible for setting tariffs for interconnection services. See "Item 3: Key Information—Risk Factors—Risks Relating to Our Business—We depend on interconnection agreements relating to the use of our competitors' cellular and fixed-line telephone networks." The MOCIT sets interconnection tariffs for dominant service providers on a "cost" basis, based on RIOs submitted by the dominant service providers. In contrast, telecommunications operators which are not designated as dominant operators may simply notify the MOCIT regarding their tariffs and may implement such tariffs for its customers without MOCIT approval. The disparity in the treatment of dominant and non-dominant telecommunications operators may create opportunities for new entrants in the telecommunications industry, providing them with increased flexibility to establish lower tariffs and offer lower pricing terms to their customers. In addition, the tariffs in our RIOs have been decreasing in the past few years, and we expect this downward trend to continue. Any decrease in the amount of interconnection costs might reduce our revenue and also our costs for inter-operator traffic.

In addition, on December 12, 2011, the Government, through the Indonesian Telecommunication Regulatory Authority ("ITRA") issued letter No.262/BRTI/XII/2011 under which SMS fees will change from a "sender-keeps all" scheme to a cost-based scheme, effective June 1, 2012. Under the cost-based scheme, we will record revenues from interconnection fees payable by other operators whenever one of our subscribers receives an SMS from a subscriber on another network. If one of our subscribers sends an SMS to a recipient on another network, we will record revenues for the SMS charge payable by our subscriber and will record expenses for interconnection charges payable to the operator of the other network. We cannot assure you that we will be able to fully recoup all interconnection charges we may be required to pay, and as a result, we could experience a decrease in our operating revenues from cellular services.

In the future, the Government may announce or implement other regulatory changes, such as changes in interconnection or tariff policies, which may adversely affect our business or our existing licenses. We cannot assure you that we will be able to compete successfully with other domestic and foreign telecommunications operators or that regulatory changes, amendments or interpretations of current or future laws and regulations promulgated by the Government will not have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to fund the capital expenditures needed for us to remain competitive in the telecommunications industry in Indonesia

The delivery of telecommunications services is capital intensive. In order to be competitive, we must continually expand, modernize and update our telecommunications infrastructure technology, which involves substantial capital investment. For the years ended December 31, 2009, 2010 and 2011, our actual consolidated capital expenditures totaled Rp11,584.5 billion, Rp5,515.0 billion and Rp6,092.6 billion (US$671.9 million), respectively. During 2012, we intend to allocate Rp6,722.1 billion (US$741.3 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2012 for capital expenditure commitments in prior periods, will result in approximately Rp7,638.9 billion (US$842.4 million) total actual capital expenditures for 2012. Our ability to fund capital expenditures in the future will depend on our future operating performance, which is subject to prevailing economic conditions, levels of interest rates and financial, business and other factors, many of which are beyond our control, and upon our ability to obtain additional external financing. We cannot assure you that additional financing will be available to us on commercially acceptable terms, or at all. In addition, we can only incur additional financing in compliance with the terms of our debt agreements. Accordingly, we cannot

assure you that we will have sufficient capital resources to improve or expand our telecommunications infrastructure technology or update our other technology to the extent necessary to remain competitive in the Indonesian telecommunications market. Our failure to do so could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on interconnection agreements relating to the use of our competitors' cellular and fixed-line telephone networks

We are dependent on interconnection agreements relating to the use of our competitors' cellular and fixed-line telephone networks and associated infrastructure for the successful operation of our business. If any disputes involving such interconnection arrangements arise, whether due to a failure by a counterparty to perform its contractual obligations or for any other reason, the delivery of one or more of our services may be delayed, interrupted or stopped, the quality of our services may be lowered, our subscriber churn rates may increase or our interconnection rates may increase. Any disputes involving our current interconnection agreements, as well as our failure to enter into or renew interconnection agreements, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may become subject to limitations on foreign ownership in the telecommunication services business

Presidential Regulation No.36 of 2010 (the "Presidential Regulation") sets out the industries and business fields in which foreign investment is prohibited, restricted or subject to the fulfillment of certain conditions as stipulated by the applicable Governmental authorities (the "Negative List"). The telecommunication industry is one of the industries set out in the Negative List, and foreign investment in the Indonesian telecommunication industry is accordingly subject to applicable restrictions and conditions. The Negative List is implemented by the Capital Investment Coordinating Board ("BKPM"). Restrictions applicable to the telecommunication industry are dependent upon the type of telecommunication business undertaken. Different limitation thresholds are applicable depending upon whether the business pertains to telecommunication networks or services. The limitation on foreign holdings in companies engaging in the telecommunication network business ranges from 49.0%—65.0%, and the limitation on foreign shareholdings in Indonesian companies engaged in the provision of multimedia services (including data communication such as broadband wireless services), from 49.0%—95.0%. Pursuant to Article 8 of the Presidential Regulation, the restrictions set forth therein shall not apply to investments that have been approved prior to the effectiveness of the Presidential Regulation pursuant to investment approval issued by BKPM unless such restrictions are more favorable to the investments. The Presidential Regulation does not change the limitation of foreign shareholding in our business.

On June22, 2008, Qatar Telecom (Qtel) Q.S.C. ("Qtel"), through its subsidiary, Qatar South East Asia Holding S.P.C. purchased all of the issued and outstanding shares of capital stock of each of Indonesia Communications Limited ("ICLM"), and Indonesia Communications Pte. Ltd. ("ICLS") from Asia Mobile Holdings Pte. Ltd. ("AMH"), a company incorporated in Singapore. Following this acquisition, a change of control occurred in the Company, requiring Qtel to conduct a mandatory tender offer. In connection with the tender offer, on December23, 2008, the Capital Market and Financial Institution Supervisory Agency of the Ministry of Finance of the Republic of Indonesia ("Bapepam-LK") issued a letter (i)noting that it had received a letter from BKPM dated December19, 2008, pursuant to which BKPM confirmed that the maximum amount of foreign capital ownership in the Company shall be 65.0%, and that the Company may still conduct its cellular network operation and local fixed network business and (ii)permitting Qtel to conduct the tender offer. Following the issuance of such letter, Qtel conducted a mandatory tender offer to acquire up to 1,314,466,775 Series B Shares, representing approximately 24.19% of our total issued and outstanding Series B Shares (including Series B Shares represented by ADSs).

As we are a publicly listed company, we believe that the Negative List restrictions do not apply to us. If the relevant regulatory authorities were to apply the Negative List to us, notwithstanding our status as a publicly listed company, our controlling and/or other foreign shareholders may be required to reduce their shareholding in us, which could create downward pressure on the trading price for our shares. This could have a material adverse effect on our business, financial condition, results of operations and prospects. We may also be required to separate our business entity into two sectors, mobile or cellular network and fixed network, in order to comply with the relevant regulation. Separating our business into two sectors may involve divesting either our fixed network or mobile or cellular network operation businesses to a subsidiary or a third party, which could materially alter our operations and result in a reduction of our total operating revenue. In addition, if the relevant regulatory authorities determine that our foreign ownership still exceeds the Negative List restriction, the regulatory authorities may prohibit us from participating in bidding for or obtaining further licenses or additional spectrum. If this occurs, our business, prospects, financial condition and results of operations would be adversely affected.

A failure in the continuing operations of our network, certain key systems, gateways to our network or the networks of other network operators could adversely affect our business, financial condition, results of operations and prospects

We depend to a significant degree on the uninterrupted operation of our network to provide our services. For example, we depend on access to the PSTN for termination and origination of cellular telephone calls to and from fixed-line telephones, and a significant portion of our cellular and international long-distance call traffic is routed through the PSTN. The limited interconnection facilities of the PSTN available to us have adversely affected our business in the past and may adversely affect our business in the future.

Because of interconnection capacity constraints, our cellular subscribers have at times experienced blocked calls. We cannot assure you that these interconnection facilities can be increased or maintained at current levels.

We also depend on certain technologically sophisticated management information systems and other systems, such as our customer billing system, to enable us to conduct our operations. In addition, we rely to a certain extent on interconnection to the networks of other telecommunications operators to carry calls from our subscribers to the subscribers of fixed-line operators and other cellular operators, both within Indonesia and overseas. Our network, including our information systems, information technology and infrastructure and the networks of other operators with whom our subscribers interconnect, are vulnerable to damage or interruptions in operation from a variety of sources including earthquake, fire, flood, power loss, equipment failure, network software flaws, transmission cable disruption or similar events. For example, our telecommunications control and information technology back-up facilities are highly concentrated within our headquarters and our principal operating and tape back-up storage facilities are located at two sites in Jakarta. Any failure that results in an interruption of our operations or of the provision of any service, whether from operational disruption, natural disaster or otherwise, could damage our ability to attract and retain subscribers, cause significant subscriber dissatisfaction and adversely affect our business, financial condition, results of operations and prospects.

Our failure to react to rapid technological changes could adversely affect our business

The telecommunications industry is characterized by rapid and significant changes in technology. We may face increasing competition due to technologies currently under development or which may be developed in the future. Future development or application of new or alternative technologies, services or standards could require significant changes to our business model, the development of new products, the provision of additional services and substantial new investments by us. For example, the development of fixed-mobile convergence technology, which allows a call that originates on a cellular handset to bypass a cellular network and instead be carried over a fixed-line telephone network, could adversely affect our business. New products and services may be expensive to develop and may result in the introduction of additional competitors into the marketplace. We cannot accurately predict how emerging and future technological changes will affect our operations or the competitiveness of our services. We cannot assure you that our technologies will not become obsolete, or be subjected to competition from new technologies in the future, or that we will be able to acquire new technologies necessary to compete in changed circumstances on commercially acceptable terms. Our failure to react to rapid technological changes could adversely affect our business, financial condition, results of operations and prospects.

Breaches of network or information technology security could have an adverse effect on our business.

Cyber attacks or other breaches of network or information technology (IT) security may cause equipment failures or disrupt our operations. Such failures or disruptions, even for a limited period of time, may result in significant expenses and/or loss of market share to other communications providers. In particular, both unsuccessful and successful cyber attacks on companies have increased in frequency, scope and potential harm in recent years. The costs associated with a major cyber attack on us could include expenses associated with incentives offered to existing customers and business partners to retain their business, increased expenditures on cyber security measures, lost revenues from business interruption, litigation and damage to our reputation.

Further, certain of our businesses, including infrastructure and cloud services to business customers, could be negatively affected if our ability to protect our own networks is called into question as a result of a cyber attack. In addition, if we are unable to provide adequate security to protect our valuable information such as financial data, sensitive information about the Company and intellectual property, or if we are unable to protect the privacy of customer and employee confidential data against breaches of network or IT security, it could result in damage to our reputation, which could adversely impact customer and investor confidence. Any of these occurrences could result in a material adverse effect on our results of operations and financial condition.

The Government is the majority shareholder of our major competitors, Telkom and Telkomsel. The Government may give priority to Telkom's or Telkomsel's businesses over ours

As of December31, 2011, the Government had a 14.29% equity stake in us, including the Series A share, which has special voting rights and veto rights over certain strategic matters under our Articles of Association, including decisions on dissolution, liquidation and bankruptcy, and also permits the Government to nominate one Director to our Board of Directors and one Commissioner to our Board of Commissioners.

As of September 30, 2011, the Government also had a 52.85% equity stake in Telkom, which is our foremost competitor in fixed IDD telecommunications services. As of the same date, Telkom owns a 65.0% interest in Telkomsel, one of our two main competitors in the provision of cellular services. The percentage of the Government's ownership interest in Telkom is significantly greater than its ownership interest in us. We cannot assure you that significant Government policies and plans will support our business or that the Government will treat us equally with Telkom and Telkomsel when implementing future decisions, or when exercising regulatory power over the Indonesian telecommunications industry. If the Government were to give priority to Telkom's or Telkomsel's business over ours, our business, financial condition, and results of operations and prospects could be materially and adversely affected.

Our controlling shareholders' interests may differ from those of our other shareholders

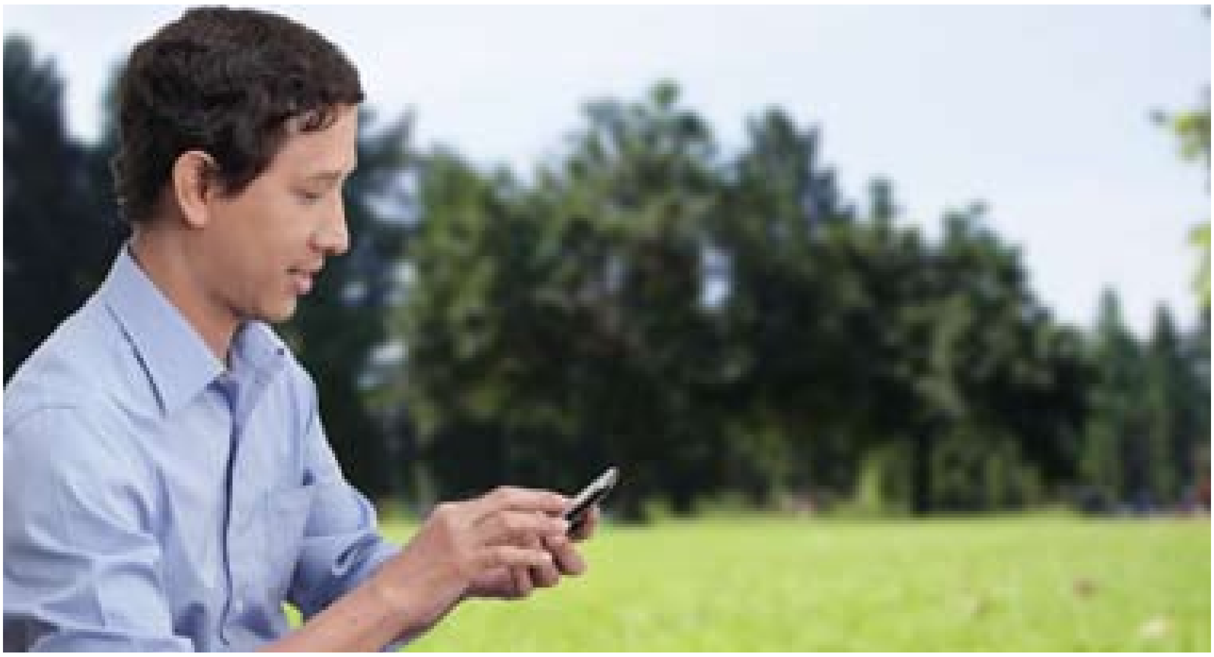
As of December31, 2011, Qatar Telecom (Qtel Asia) Pte. Ltd. ("Qtel Asia"), owned approximately 65.0% of our issued and outstanding share capital. Qtel Asia is currently wholly owned and controlled by Qtel, which is majority-owned by the State of Qatar and its affiliated entities. Qtel Asia and its controlling shareholder have the ability to exercise a controlling influence over our business and may cause us to take actions that are not in, or may conflict with, our or our other shareholders' best interests, including matters relating to our management and policies. Although nominees of Qtel Asia hold positions on our Board of Commissioners and Board of Directors, we cannot assure you that our controlling shareholder will elect directors and commissioners or influence our business in a way that benefits our other shareholders.

We rely on key management personnel, and our business may be adversely affected by any inability to recruit, train, retain and motivate our key employees

We believe that our current management team contributes significant experience and expertise to the management of our business. The continued success of our business and our ability to execute our business strategies in the future will depend in large part on the efforts of our key personnel. There is a shortage of skilled personnel in the telecommunications industry in Indonesia and this shortage is likely to continue. As a result, competition for certain specialist personnel is intense. In addition, as new market entrants begin or expand operations in Indonesia, certain of our key employees may leave their current positions. Our inability to recruit, train, retain and motivate key employees could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are found liable for price fixing by the Indonesian Anti-Monopoly Committee and for class action allegations, we may be subject to substantial liability which could lead to a decrease in our revenue and affect our business, reputation and profitability

On November1, 2007, the Indonesian Supervising Committee for Business Competition (the "KPPU") issued a decision regarding a preliminary investigation involving us and eight other telecommunication companies based on allegations of price-fixing for SMS services and breach of Article 5 of the Anti-monopoly Law ("Law No.5 / 1999"). On June18, 2008, the KPPU determined that PT Telekomunikasi Indonesia Tbk ("Telkom"), PT Telekomunikasi Selular ("Telkomsel"), PT XL Axiata Tbk. ("XL"), PT Bakrie Telecom Tbk ("Bakrie Telecom"), PT Mobile-8 Telecom Tbk ("Mobile-8" and subsequent to March 2011, "Smartfren") and PT Smart Telecom ("Smart Telecom") had jointly breached Article 5 of the Anti-monopoly Law. Mobile-8 appealed this ruling to the Central Jakarta District Court, where Telkomsel, XL, Telkom, Indosat, PT Hutchison CP Telecommunication ("Hutchison"), Bakrie Telecom, Smart Telecom, PT Natrindo Telepon Selular ("Natrindo") were summoned to appear as co-defendants in the hearing,



while Telkomsel appealed this ruling to the South Jakarta District Court. Although the KPPU decided in our favor with respect to the allegations of price-fixing of SMS, we cannot assure you that the District Court will affirm the KPPU decision. In 2011, the Supreme Court issued a ruling appointing the Central Jakarta District Court jurisdiction to examine the objections filed in the appeal of the KPPU decision. The District Court will consider objections against the KPPU decision based on a re-examination of the KPPU decision and case files submitted by KPPU. If the District Court issues a verdict against us, we could be subjected to the payment of a fine, the amount of which will be subject to the discretion of the District Court, which could have an adverse effect on our business, reputation and profitability.

In addition, a series of class action lawsuits were filed against us and Telkomsel during 2007 and 2008, relating to Temasek Holding's prior cross ownership of shares in us and Telkomsel, which is alleged to have caused price fixing of telecommunications services that harmed the public. Although these lawsuits have all been either withdrawn or dismissed, we cannot assure you that other subscribers will not file similar cases in the future, which may subject us to legal damages or other liabilities which could have an adverse effect on our business, reputation and profitability.

We are exposed to interest rate risk

Our debt includes bank borrowings to finance our operations. Where appropriate, we seek to minimize our interest rate risk exposure by entering into interest rate swap contracts to swap floating interest rates for fixed interest rates over the duration of certain of our borrowings. However, our hedging policy may not adequately cover our exposure to interest rate fluctuations and this may result in a large interest expense and an adverse effect on our business, financial condition and results of operations.

We are exposed to counter-party risk

We may enter into various transactions from time to time which will expose us to the credit of our counter-parties and their ability to satisfy the terms of contracts with us. For example, we may enter into swap arrangements, which expose us to the risk that counter-parties may default on their obligations to perform under the relevant contract. In the event a counter-party, including a financial institution, is declared bankrupt or becomes insolvent, this may result in delays in obtaining funds or us having to liquidate our position, potentially leading to losses.

We may not be able to successfully manage our foreign currency exchange risk

Changes in exchange rates have affected and may continue to affect our financial condition and results of operations. Most of our debt obligations are denominated in Indonesian rupiah and a majority of our capital expenditures are denominated in U.S. dollars. A substantial portion of our revenues are denominated in Indonesian rupiah, but a portion of our operating revenues are U.S. dollar-denominated or U.S. dollar-linked. We may also incur additional long-term indebtedness in currencies other than the Indonesian rupiah, including the U.S. dollar, to finance further capital expenditures.

We currently hedge a portion of our foreign currency exposure principally because our annual U.S. dollar-denominated operating revenues are less than the sum of our U.S. dollar-denominated operating obligations, such as our U.S. dollar-denominated expenses and our U.S. dollar-denominated principal and interest payments. In 2005, in an effort to manage our foreign currency exposure and lower our overall funding costs, we entered into several foreign currency swap contracts with three separate international financial institutions. From 2006 to 2009, we also entered into several foreign currency swap contracts with six international financial institutions in an effort to reduce our foreign currency risk exposure. For these contracts, we pay either an upfront or fixed rate premium. In 2011, we entered into a number of foreign currency forward contracts with nine financial institutions to reduce our foreign currency exchange risk exposure. We cannot assure you that we will be able to manage our exchange rate risk successfully in the future or that our business, financial condition or results of operations will not be adversely affected by our exposure to exchange rate risk.

Risks Relating to our Cellular Services Business

Competition from industry incumbents and new market entrants may adversely affect our cellular services business

The Indonesian cellular services business is highly competitive. Competition among cellular service providers in Indonesia is based on various factors, including pricing, network quality and coverage, the range of services, features offered and customer service. Our cellular services business competes primarily against Telkomsel and XL. Several other smaller GSM and CDMA operators also provide cellular services in Indonesia, including Hutchison, PT Axis Telekom Indonesia and PT Smartfren Telecom Tbk. In addition to current cellular service providers, the MOCIT may license additional cellular service providers in the future, and such new entrants may compete with us.

We expect competition in the cellular services business to further intensify. New and existing cellular service providers may offer more attractive product and service packages or new technologies or the convergence of various telecommunication services, resulting in higher churn rates, lower ARPU or a reduction of, or slower growth in, our cellular subscriber base. In recent years, the continuing competition from industry incumbents and new market entrants in the cellular services market has led to aggressive pricing campaigns by cellular service providers. The decrease in prices for cellular usage also led to an increase in the number of subscribers and in network traffic, resulting in increased network congestion among operators, which has required us to incur additional capital expenditures to continue to expand our network.

The competitive landscape in the cellular services business may also be affected by industry consolidation. In March 2010, Smart Telecom and Mobile-8 announced that they entered into a strategic alliance, pursuant to which Mobile-8 (now, “Smartfren”) acquired a significant number of shares in Smart Telecom and both companies agreed to use the “Smartfren” logo and brand. Other cellular service providers may form strategic alliances or otherwise consolidate in the future.

Competition from providers of new technology, together with new entrants, incumbents, almost saturated market and consolidated providers could adversely affect our competitive position, cellular services business, financial condition, results of operations and prospects.

Cellular network congestion and limited spectrum availability could limit our cellular subscriber growth and cause reductions in our cellular service quality

We expect to continue to offer promotional plans to attract subscribers and increase usage of our network by our cellular subscribers. We also expect to continue to promote our data services, including our BlackBerry™ and wireless broadband services. As a result, we may experience increased network congestion, which may affect our network performance and damage our reputation with our subscribers. In addition, higher cellular usage in dense urban areas may require us to use radio frequency engineering techniques, including a combination of macro, micro and indoor cellular designs, to maintain cellular network quality despite radio frequency interference and tighter radio frequency re-use patterns. However, if our cellular subscriber base or usage of our voice and data services should grow significantly in high-density areas, we cannot assure you that these efforts will be sufficient to maintain and improve service quality. To support such additional demands on our network, we may be required to make significant capital expenditures to improve our network coverage. Such additional capital expenditures, together with the possible degradation of our cellular services, could adversely affect our competitive position, business, financial condition, results of operations and prospects.

Despite expending significant financial resources to increase our cellular subscriber base, the number of our cellular subscribers may increase without a corresponding increase in our operating revenues

We have expended significant financial resources to develop and expand our cellular network and add to our cellular subscriber base. However, the uncertain economic situation in Indonesia and increasing prices of primary goods may decrease our cellular subscribers' purchasing power. Moreover, a continued decline in effective tariffs for voice usage resulting from "free-talk" campaigns and recent tariff discount promotions, increasing SMS usage, the Government mandated deregistration of users from premium SMS services in 2011, and greater cellular penetration in the lower-income segment of the market has led to a decrease in ARPU in 2011. Our cellular subscribers (including wireless broadband subscribers) increased from approximately 33.0million as of December31, 2009 to approximately 43.3million as of December31, 2010, to approximately 51.7million as of December31, 2011. For the years ended December 31, 2009, 2010 and 2011, our ARPU was Rp37,664, Rp34,712 and Rp28,381, respectively. While we intend to continue to expend significant financial resources to expand our cellular subscriber base and expand our cellular network to support the requirements of such an expanded cellular subscriber base, we cannot assure you that such expenditures will be accompanied by a corresponding increase in our ARPU or operating revenues. Accordingly, our subscriber acquisition costs and the capital expenditures required to expand our network capacity could increase without a corresponding increase in our revenue or profitability, which would materially and adversely affect our business, financial condition, results of operations and prospects.

The Government suspension of premium SMS services could adversely affect the revenues from our cellular services business and result in sanctions against us

We have derived significant revenue from premium SMS services in previous years. These services include the delivery of music and ringtones, smartphone wallpapers and other graphics, voting in contests and polls and content including horoscopes, Qur'an quotes and news alerts. In 2011, the ITRA asked telecommunications companies to deactivate premium SMS services and give users a notice of the deactivations with the option to resubscribe. These companies were also asked to cease promoting premium SMS services, provide summaries of premium SMS service charges for users, return amounts charged to user accounts for premium SMS services, and report weekly to ITRA regarding such actions. The ITRA based its action on complaints from consumers that they were charged for services for which they were not aware they had or inadvertently subscribed and from which they had substantial difficulty unsubscribing. Other consumers complained that charges were unclear and difficult to monitor, particularly consumers of prepaid services. The ITRA has clarified that it does not intend to prohibit premium SMS services but to effectively reset such services and give consumers the option to deregister from them. The MOCIT has expressed support for the ITRA's action.

The disruption to our premium SMS services due to the ITRA's action has resulted in a substantial reduction of our revenues from these services. Similar action by the ITRA or the MOCIT in the future may likewise reduce or restrict the growth of our revenues from these services or other related or new products. The ITRA or the MOCIT may also take more aggressive action that may lead to disruptions in the delivery of our products or fines or other administrative sanctions. Any of these factors may materially and adversely affect our results of operations and financial condition.

We experience a high churn rate

We experience a high churn rate, as is common for Indonesian telecommunication operators providing prepaid cellular services. We believe that our high churn rate is due to the fact that many of our prepaid subscribers own multiple SIM cards from various cellular providers, allowing them to choose the cheapest package available. Our high churn rates may result in loss of revenue, which could have a material adverse effect on our business, financial condition, results of operations and prospects. At the end of the third quarter of 2010, we launched a retention and loyalty program called "Senyum Setia Indosat" which gives benefits to our customers who extend their subscription. We believe that this program contributed to the decrease of our churn rate to 13.3% in 2010, compared to 15.1% in 2009. In 2011, our churn rate increased to 14.3%, primarily due to competitive pressures, in particular, aggressive promotional programs launched by other operators in 2011.

We depend on the availability of telecommunications towers

We are highly dependent on our and others' telecommunications tower infrastructure to provide GSM, fixed wireless access and 3G network and mobile cellular telecommunications services, as we typically install transmitter and transceiver antennas and other BTS supporting facilities on such towers. The availability and installation of such telecommunication towers require licenses from the relevant central and regional authorities. Recently, a number of regional authorities have implemented regulations which limit the number and location of telecommunication towers and established requirements for operators to share in the utilization of telecommunications towers. In addition, on March17, 2008, the MOCIT issued a regulation on the sharing of telecommunications towers. See "Item 4: Information on the Company—Regulation of the Indonesian Telecommunications Industry—Tower Sharing Obligation." Under the regulation, the construction of telecommunications towers requires permits from the relevant governmental institution, while the local government determines the placement and location at which telecommunications towers can be constructed. Moreover, a joint regulation promulgated on March30, 2009 by the Minister of Home Affairs, the Minister of Public Works, the MOCIT and the Head of the Indonesia Investment Coordinating Board requires a tower construction permit for every tower built and used for telecommunications services, which would demonstrate compliance with certain technical specifications. If a tower owner fails to obtain such a permit, the appropriate regional authorities will be entitled to impose penalties on the tower owner. Moreover, a telecommunications provider which owns telecommunication towers or tower owner is obligated to allow other telecommunication operators to utilize its telecommunication towers (other than the towers used for its main network), without any discrimination.

Such regulatory requirements may require us to adjust our telecommunications tower construction and leasing plans, relocate our existing telecommunications towers, allow other operators access to our telecommunications towers and perform other measures which may result in the increase of telecommunications tower construction costs, delays in the construction process and potential service disruption for our subscribers. If we cannot fulfill the regulatory requirements for telecommunications towers or meet our own network capacity needs for telecommunications towers, we may face difficulties in developing and providing cellular GSM, fixed wireless access and 3G telecommunications services. Our dependency on our own or others' telecommunications tower infrastructure, combined with the burden of sharing our telecommunications towers in certain instances, may also adversely affect our competitive advantage relative to other operators. Any of these events could result in a material adverse effect on our network capacity, the performance and quality of our networks and services, our reputation, business, results of operations and prospects.

Our ability to maintain and expand our cellular network or conduct our business may be affected by disruptions of supplies and services from our principal suppliers

We rely upon a few principal vendors to supply a substantial portion of the equipment we require to maintain and expand our cellular network, including our microwave backbone, and upon other vendors in relation to other supplies necessary to conduct our business. We depend on equipment and other supplies and services from such vendors to maintain and replace key components of our cellular network and to operate our business. If we are unable to obtain adequate supplies or services in a timely manner or on commercially acceptable terms, or if there are significant increases in the cost of such supplies or services, our ability to maintain and to expand our cellular network and our business, financial condition, results of operations and prospects may be adversely affected.

We depend on our licenses to provide cellular services, and our licenses could be cancelled if we fail to comply with their terms and conditions

We rely on licenses issued by the MOCIT for the provision of our cellular services as well as for the utilization of our allocated spectrum frequencies. The MOCIT, with due regard to prevailing laws and regulations, may amend the terms of our licenses at its discretion. Any breach of the terms and conditions of our licenses or failure to comply with applicable regulations could result in our licenses being cancelled. Any revocation or unfavorable amendment of the terms of our licenses, or any failure to renew them on comparable terms, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our subscriber-related operating data may not be comparable between periods

We define an "active cellular subscriber" as a cellular subscriber who, in the case of a prepaid cellular subscriber, recharges their SIM card within a 33-day "grace period" immediately following the SIM card's expiry date by adding a minimum amount to the SIM card.

We have from time to time decreased the grace period applicable to our calculation of prepaid cellular subscribers in order to more accurately reflect those subscribers whom were most likely to recharge their SIM cards. Increasing or decreasing the grace period affects the calculation of our number of subscribers, Minutes of Usage per subscriber and ARPU.

As a result of the foregoing, our number of subscribers, Minutes of Usage per subscriber and ARPU may not reflect the actual number of subscribers and are not comparable between periods. Accordingly, you should not place undue reliance on the accuracy of this data or comparison of this data from period to period.

A significant increase in frequency fees could adversely affect our business, financial condition and results of operations

Starting on December15, 2010, the government changed the basis of computing frequency fees to a new formula based on the bandwidth of allocated spectrum occupied by operators. Previously, we were required to pay frequency fees for 800 MHz, 900 MHz and 1800 Mhz bands based on the number of radio stations. In 2011, 2010 and 2009, we paid frequency fees amounting to Rp1.8 trillion (US$195.6 million), Rp1.6 trillion and Rp1.3 trillion, respectively. As the largest holder of spectrum in Indonesia, we expect to continue to pay a large amount of frequency fees going forward. Future increases in frequency fees are expected to mainly be based on increases in the consumer price index and the population of Indonesia. As a result, changes in macroeconomic conditions in Indonesia could result in increases in frequency fees which, if significant, could adversely affect our business, financial condition and results of operations.

Allegations of health risks from the electromagnetic fields generated by BTSs and cellular handsets, and the lawsuits and publicity relating to them, regardless of merit, could adversely affect our operations

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from BTSs and from the use of cellular handsets. We cannot assure you that future studies of these health risks will not suggest a link between electromagnetic fields and adverse health effects which may subject us to legal action from individuals alleging personal injuries or otherwise adversely affect our business.

Risks Relating to Our Fixed Data ("MIDI") Services Business

Our MIDI services are facing increasing competition, and we may experience declining margins from such services as such competition intensifies

Our MIDI services are facing increased competition from new and established operators, which may have wider customer bases and greater financial resources than us, such as Telkom, with its regional international reach and developed domestic infrastructure. In addition, operators such as XL, First Media, PT. Indonesia Comnet Plus ("Icon+") and PT NAP Info Lintas Nusa ("Matrix Cable System"), some of which have alliances with foreign telecommunications operators, compete with us in this business segment.

Our satellite business also faces increasing competition as new and more powerful satellites are launched by our competitors and as companies acquire exclusive licenses to provide broadcast services in Indonesia. Our Palapa-C2 and Palapa-D satellite transponder capacity agreements generally involve terms of between one and five years, and we estimate the remaining useful life of such satellites to be approximately two and eight years, respectively. As additional satellites become operational and our transponder leases expire or are terminated and price competition intensifies, our transponder lessees may utilize other satellites, thereby adversely affecting our operating margins and operating revenues from such services.

Our satellites have limited operational life and may be damaged or destroyed during in-orbit operation. The loss or reduced performance of our satellites, whether caused by equipment failure or its license being revoked, may adversely affect our financial condition, results of operations and ability to provide certain services

Our Palapa-C2 and Palapa-D satellites have a limited operational life, currently estimated to end in March 2014 and April 2020, respectively. A number of factors affect the operational lives of satellites, including the quality of their construction, the durability of their systems, subsystems and component parts, on-board fuel reserves, accuracy of their launch into orbit, exposure to micrometeorite storms, or other natural events in space, collision with orbital debris, or the manner in which the satellite is monitored and operated. We currently use satellite transponder capacity on our satellites in connection with many aspects of our business, including direct leasing of such capacity and routing for our international long-distance and cellular services. We note, that based on the factors identified above, our Palapa-C2 satellite could fail prior to 2014 and our Palapa-D satellite could fail prior to 2020, and in-orbit repairs would not be feasible with the exception of repairs that may be addressed through ground-based software or operational fixes. Moreover, International Telecommunication Union ("ITU") regulations specify that a designated satellite slot has been allocated for Indonesia, and the Government has the right to determine which party is licensed to use such slot. While we currently hold a license to use the designated satellite slot, in the event our Palapa-D satellite experiences technical problems or failure, the Government may determine that we have failed to optimize the existing slot under our license, which may result in the

Government withdrawing our license and granting it to one of our competitors. We cannot assure you that we will be able to maintain use of the designated satellite slot in a manner deemed satisfactory by the Government.

We maintain in-orbit insurance on our Palapa-C2 and Palapa-D satellites on terms and conditions consistent with industry practice. As of December31, 2011, we had an insurance policy with a total coverage limit of US$132.8 million for total and partial loss of our Palapa-C2 and Palapa D satellites. If damage or failure renders our satellites unfit for use, we may elect to cease our satellite operations or lease transponder capacity from a third-party provider rather than acquiring a new satellite. The termination of our satellite business could increase operating expenses associated with our provision of other telecommunications services and could adversely affect our business, financial condition and results of operations.

Risks Relating to Our Fixed Telecommunications Services Business

The entry of additional Indonesian telecommunications operators as providers of international long-distance services could adversely affect our fixed telecommunications services operating margins, market share and results of operations

Telkom, a well-established Indonesian telecommunications incumbent with significant political and financial resources, obtained a license to provide international long-distance services and launched its commercial service in 2004. As a result of Telkom's entry into the international long-distance market, we lost market share and experienced other adverse effects relating to our fixed telecommunications services business. By the end of 2006, Telkom had acquired significant market share for IDD services. In addition, in 2009, the Government issued Bakrie Telecom an international long-distance license in an effort to encourage greater competition in the international long-distance services market. The operations of incumbents and the entrance of new operators into the international long-distance market, including the VoIP services provided by such operators, continue to pose a significant competitive threat to us.

We cannot assure you that such adverse effects will not continue or that such increased competition will not continue to erode our market share or adversely affect our fixed telecommunications services operating margins and results of operations.

We face risks related to the opening of new long distance access codes

In an attempt to liberalize DLD services, the Government has issued regulations requiring each provider of DLD services to implement a three-digit access code to be dialed by customers making DLD calls. In 2005, the MOCIT announced that three-digit access codes for DLD calls will be implemented gradually within five years and that it would assign us the "011" DLD access code for five major cities, including Jakarta, and allow us to progressively extend it to all other area codes within five years. Telkom was assigned "017" as its DLD access code. In December 2007, the Government issued new regulations opening DLD access codes in the first city in Balikpapan in April 2008. Following the implementation, Balikpapan residents are able to choose from options "0", "011" or "017" in connecting their long distance calls.

In April 2008, we and Telkom agreed to open DLD access from our respective subscribers in Balikpapan. Whether the opening of the DLD access code will be implemented in other cities will be based on a study by the Indonesian Telecommunication Regulatory Board. The implementation of any new DLD access codes can potentially increase competition by offering our subscribers more options for DLD services. In addition, the opening of new DLD access codes is expected to result in increased competition and less cooperation among industry incumbents, which may result in reduced margins and operating revenue, among other things, all of which may have a material adverse effect on us. We cannot assure you that our access codes will remain intact or be successful in increasing our revenues from DLD services.

ADDITIONAL INFORMATION (AS REQUIRED BY WITH UNITED STATES REGULATIONS)

Indonesian Telecommunications Industry

An overview of the telecommunications services in Indonesia since 1961 is provided, together with basic economic statistics on the present day Indonesian economy, and mentioning cellular and fixed-line penetration rates in 2010 as being some of the lowest in the ASEAN region..

Cellular Services

The cellular telecommunications services and market in Indonesia is reviewed. The dominance of the three major GSM operators (Telkomsel, us and XL) is discussed, along with the structure of market with regard to market share of each operator, as well as the structure of the GSM, fixed wireless, and prepaid markets.

International Long-Distance Market

A review of international long-distance providers is provided, as well as an overview of the international long distance industry in Indonesia, including mention of the expansion of VoIP services and the VoIP tarif structure.

Data Communications Market

The growth of the data communications market in Indonesia is briefly reviewed, including declining charges in recent years and the deployment of advanced broadband networks to provide high-end data services such as frame relay, asynchronous transfer mode and Internet protocol service.

Satellite Services Market

The competition in the satellite services market is reviewed, in association with Government regulation MD No.13/2005 requiring all telecommunications operators using satellites in connection with the provision of telecommunications services to possess both earth station and space station operating licenses.

Industry Trends

Our opinion that the trends driving the telecommunications industry in Indonesia include wireless services, international long-distance services, and MIDI Services.

Regulation of the Indonesian Telecommunications Industry

The Government of the Republic of Indonesia, through the MOCIT, exercises both policy making and regulatory authority and is responsible for the implementation of policies that govern the telecommunications industry in Indonesia. The legal framework for the telecommunications industry is based on specific laws as well as government, ministerial and directorate general regulations that are promulgated from time to time. Prior to March 1998, the Ministry of Tourism, Post and Telecommunications regulated the telecommunications industry in Indonesia. Following the 1999 general elections and a change of government in 2001, the Ministry of Communication assumed responsibility for regulating the telecommunications industry. In February 2005, the authority to regulate the telecommunications industry was transferred from the Ministry of Communication to the MOCIT.

Through the MOCIT, the Government regulates telecommunications network operations and the provision of telecommunications services. In addition, the MOCIT regulates the radio frequency spectrum allocation for all telecommunications operators, each of whom must be licensed by the DGPT in order to utilize the radio frequency spectrum. In addition to radio frequency spectrum fees, the Government requires all telecommunications operators to pay a concession license fee equal to 0.5% of gross revenues, less interconnection expenses and provisions for bad debt, for each fiscal year, payable in equal quarterly installments.

The Government's telecommunications reform policy is set out in its "Blueprint of the Indonesian Government's Policy on Telecommunications" dated September 17, 1999. The policies, as stated in the blueprint, are to:

- increase the telecommunications sector's performance;
- liberalize the telecommunications sector with a competitive structure by removing monopolistic controls;
- increase transparency and predictability of the regulatory framework;
- create opportunities for national telecommunications operators to form strategic alliances with foreign partners; and
- create business opportunities for small-and medium-size enterprises and facilitate new job opportunities.

The recent regulatory reforms of the Indonesian telecommunications sector have their foundation in the Telecommunications Law.

The Telecommunications Law

The Telecommunications Law became effective on September 8, 2000 and provides key guidelines for industry reforms, including industry liberalization, facilitation of new entrants and enhanced competition. The Government implements such guidelines through Government regulations, ministerial decrees or regulations and other directives by Government bodies. The Telecommunications Law grants the Government, through the Ministry of Communication, the power to make policies, and to regulate, supervise and control the telecommunications industry. Until 2005, the Ministry of Communication, the former regulatory body of the telecommunications industry, had authority over the telecommunications sector in Indonesia and could issue regulations, policies and licenses, and formulate tariffs.

Government Regulation No. 52/2000 on Telecommunications Operations (the "Telecommunications Operations Regulation") and Government Regulation No. 53/2000 on Radio Frequency Spectrum and Satellite Orbits, were the initial implementing regulations of the Telecommunications Law. The Ministry of Communication also promulgated various decrees, including (i) Ministry of Communication Decree No. KM 20 Year 2001, which was revoked by MOCIT Decree No. 01/PER/M. KOMINFO/01/2010 on Telecommunications Network Operation (the "Telecommunications Network Regulation"), (ii) Ministry of Communication Decree No. KM 21 Year 2001, which was amended by MOCIT Decree No. 31/PER/M.KOMINFO/09/2008 on Telecommunications Services Operation (the "Telecommunications Services Regulation"), and (iii) Ministry of Communication Decree No. KM 31 TAHUN 2003, which was revoked by MOCIT Decree No. 36/PER/M.KOMINFO/2008 and most recently amended by MOCIT Decree No. 01/PER/M.KOMINFO/02/2011 on the Establishment of an Indonesian Telecommunications Regulatory Body (the "Telecommunications Regulatory Body Regulation").

Under MOCIT Regulation No. 17/PER/M.KOMINFO/11/2010 on Organization and Administration of the Ministry of Communications and Information, the duties and responsibilities of the DGPT were divided and assigned to the Directorate General of Post and Informatics Management and the Directorate General of Post and Informatics Resources and Facilities.

On July 11, 2003, the Ministry of Communication promulgated the Telecommunications Regulatory Body Regulation, pursuant to which it delegated its authority to regulate, supervise and control the Indonesian telecommunications sector to the ITRA, while maintaining the authority to formulate policies for the industry. The ITRA, consists of nine members, including a chairman position held by the Directorate General of Post and Informatics Management and a vice chairman position held by the Directorate General of Post and Informatics Resources and Facilities. Members of the Telecommunications Regulatory Committee are appointed by the MOCIT. All members of the Telecommunications Regulatory Committee must: (i) be Indonesian citizens; (ii) have professional expertise in telecommunications, information technology, economics, law or any social science; (iii) not have any interests in any of the telecommunications operators; and (iv) not serve as a director, commissioner or employee of any of the telecommunications operators.

Ministry of Communications Decree No. KM 67 of 2003 governs the relationship between the Ministry of

Communications (and subsequently, MOCIT) and the ITRA. As part of its regulatory function, the ITRA is authorized to (i) carry out licensing for telecommunications networks and services in accordance with the MOCIT's policies and (ii) propose to the MOCIT operational performance, service quality, interconnection charges and equipment standards for telecommunications networks and services. The ITRA is authorized to monitor and required to report to the MOCIT on (i) the implementation of such operation performance standards; (ii) competition among network and service operators; and (iii) compliance with the standards of utilization of telecommunication equipment. As part of its controlling function, the ITRA is also required to report to the MOCIT regarding (i) progress of any dispute resolution among network and service operators; (ii) the control of the use of telecommunications equipment and (iii) the implementation of service quality standards.

Classification of Telecommunications Providers

The Telecommunications Law classifies telecommunications providers into (i) network operators, (ii) services providers and (iii) special providers. Network operators are further classified as (i) fixed telecommunications network operators and (ii) mobile telecommunications network operators. Under the Telecommunications Law, licenses are required for each category of telecommunications operators. A telecommunications network operator is licensed to own and/or operate a telecommunications network. By contrast, a telecommunications service provider license allows a service provider to provide services, but does not require such provider to own a network. Special telecommunications licenses are required for providers of private telecommunications services or for purposes relating to broadcasting and national security interests. The Telecommunications Network Regulation provides that telecommunications network operating licenses must be issued by the MOCIT. The Telecommunications Services Regulation differentiates the basic telephony service operating license to be issued by the MOCIT from the other value-added telephony and some multimedia service operating licenses issued by the DGPT.

Termination of Exclusivity Rights

In 1995, Telkom was granted a monopoly to provide local fixed-line telecommunications services until December 31, 2010, and DLD services until December 31, 2005. Indosat and Satelindo (which has subsequently merged with Indosat) were granted a duopoly for provision of basic international telecommunications services until 2004.

As a consequence of the Telecommunications Law and MOCIT Decree No. 21 (2001), the Government terminated the exclusive rights of Telkom and the duopoly rights of Indosat and Satelindo. The Government instead adopted a duopoly policy with Telkom and us competing as full network and service providers.

The market for provision of IDD services was liberalized in August 2003 with the termination of Indosat's and Satelindo's exclusive rights. We began operating fixed line services in 2002 and fixed wireless access and DLD services in 2003 after receiving our DLD services license. Telkom subsequently received an IDD services license and began offering IDD services under the international access code "007" in 2004 in direct competition with us.

In an attempt to liberalize DLD services, the Government issued regulations requiring each provider of DLD services to implement a three-digit access code to be dialed by customers making DLD calls. On April 1, 2005, the MOCIT announced that three-digit access codes for DLD calls will be implemented gradually within five years of such date and that it would assign us the "011" DLD access code for five major cities, including Jakarta, and allow us to progressively expand to all other area codes within five years. Telkom was assigned "017" as its DLD access code. On December 3, 2007, MOCIT promulgated regulation No. 43/P/M.KOMINFO/12/2007, amended subsequently, which delayed the implementation of the DLD access code until April 3, 2008 and also set forth a schedule on implementing "01X" long distance access. In January 2007, the Government implemented new interconnection regulations and a five-digit access code system for VoIP services. In April 2008, these access codes were implemented in Balikpapan. Balikpapan residents are able to choose from options "0", "01016" or "01017" to connect their long distance calls. Whether the DLD access code will be implemented in other cities will be based on a study by the Indonesian Telecommunication Regulatory Board of Indosat and Telkom's fixed phone service customers.

Tariff for Fixed and Cellular Services

The MOCIT is responsible for setting and adjusting tariff formulas. As such, various MOCIT ministerial decrees/ regulations with regard to tariff formulas are listed in the 20-F.

Consumer Protection

Under the Telecommunications Law, each operator must meet certain service levels. In the event of losses caused by a telecommunication operator's fault or negligence, the aggrieved party may file claims for damages against the telecommunications operator.

MOCIT Regulations on service level standards can be found in: (i) MOCIT Regulation No. 11/Per/M.Kominfo/09/2008 dated April 21, 2008 on the Service Level for Basic Telephony Service in Local Fixed Network, (ii) MOCIT Regulation No. 12/Per/M.Kominfo/09/2008 dated April 21, 2008 on the Service Level for Basic Telephony Service in the Cellular Mobile Network, and (iii) MOCIT Regulation No. 13/Per/M.Kominfo/4/2008 on the Service Level for Basic Telephony Service in Fixed Networks with Limited Mobility.

Public Telephone

Based on MOCIT Regulation No. 01/PER/M. KOMINFO/01/2010 on Telecommunication Network Operation, we have an obligation to provide public telephone lines consisting of 3.0% of the installed network capacity for fixed telecommunications networks that we build.

Universal Service Obligations

Under the Telecommunications Law, all telecommunications network and service operators are bound by Universal Service Obligations ("USO"), which require participation by all operators in the provision of telecommunications facilities and infrastructure in MOCIT USO-designated areas. The USO is a measure intended to provide telecommunication access and/or services to areas that previously lacked access or service.

Through Government Regulation No. 28/2005 and MOCIT Regulation No. 15 PER/M.KOMINFO/9/2005, the Government announced regulations establishing the mechanism for USO payments and changing the USO tariff from Rp750 for each successful international outgoing or incoming call to 0.75% of an amount equal to gross revenues less interconnection expenses paid to other telecommunication carriers and bad debts. By Government Regulation No. 7/2009, the Government increased this USO tariff from 0.75% to 1.25%.

In March 2004, the MOCIT promulgated Decree No. KM 34 year 2004, which included specifications for USO implementation program zones, technical requirements, operation, financing and monitoring ("KM 34/2004"). KM 34/2004 has been replaced with MOCIT Regulation No. 11/ Per/M.Kominfo/4/2007, which, in turn, has been amended by MOCIT Regulation No. 38/Per/M.Kominfo/09/2007, which regulates the procedure for utilizing USO funds to develop network and telecommunication services in areas with no telecommunication network. In 2008, the Government promulgated MOCIT Regulation No. 32/ Per/M.Kominfo/10/2008 (as amended by MOCIT Regulation No. 03/Per/M.Kominfo/02/2010), which replaced MOCIT Regulation No. 11/Per/M.Kominfo/4/2007. According to this decree, a telecommunication network provider which has won tender to provide telecommunication services in areas with no telecommunication network (a "USO Zone") will use the funds collected through the USO tariff to provide telecommunication access and services, including telephony service, SMS and internet access. While providing such telecommunication service in USO Zones, a telecommunications provider has the right to: (i) use technology, (ii) enter into interconnection arrangement with other telecommunication providers, and (iii) use a frequency spectrum of 2.390-2.400 MHz.

Interconnection Arrangements

In accordance with the express prohibitions in the Telecommunications Law on activities that may create monopolistic practices and unfair business competition, the Telecommunications Law requires network providers to allow users on one network to access users or services on other networks by paying fees agreed upon by each network operator. The Telecommunications Operations Regulation provides that interconnection charges between two or more network operators shall be transparent, mutually agreed on and fair.

On February 8, 2006, through MOCIT Regulation No. 8/PER/M.KOMINFO/02/2006, the Government issued new interconnection provisions setting out a cost-based interconnection regime, which replaced the previous revenue-sharing interconnection regime. As required under this regulation, the Government set a formula as guidance for calculating the interconnection cost for every operator. The results of the calculation are evaluated and used by the Government as a reference point.

Operators must include the result of the government's formula in all RIO proposals, together with the proposals for call scenarios, traffic routing, point of interconnection, procedure for requesting and providing interconnection, and other matters. RIO proposals must also disclose the type of interconnection services and tariffs charged for each service offered. Interconnection access providers must implement a queuing system on a First-in-First-Serve basis. Additionally, the interconnection mechanism must also be transparent and without any discrimination.

Dominant IDD telecommunications operators and non-dominant operators submitted RIOs in September 2006. The RIOs of dominant operators were approved by the Government in October 2006 and the implementation of the new regime began in January 2007 through bilateral agreements among operators. Based on current regulations, RIOs can be amended every year. On April 11, 2008, the Government approved RIO proposals from dominant operators to replace the previous RIOs.

The Government's National Fundamental Technical Plan sets out technical requirements for routing plans, numbering, and technical aspects for interconnection of the networks of telecommunications operators, which allows all network operators to interconnect directly without rather than through the PSTN.

Fee Regime

Under the Telecommunications Law, in conjunction with other regulations, each telecommunications operator is required to pay the Government a license concession fee, a frequency fee and a satellite orbit fee, as applicable. The concession license fee for each telecommunications operator is approximately 0.5% of gross revenues, consisting of revenues from leasing of networks, interconnection charges, activation of new customers, usage charges, roaming charges and SIM card charges. In addition to these fees, the Government requires all telecommunications operators to pay a USO tariff equal to 1.25% of gross revenues less interconnection expenses and provisions for bad debt for each fiscal year, payable in equal quarterly installments. The frequency fee for CDMA 800 MHz, GSM 900 MHz, DCS 1800 MHz and 3G 2100 MHz is based on its bandwidth allocated frequency. In addition, certain users must pre-pay a one-time satellite orbital connection fee while their satellites are in operation.

Prepaid Cellular Subscriber Registration

On October 28, 2005, the Government began requiring telecommunications operators to register prepaid cellular subscribers. The regulations specified that such registration process must be completed no later than April 28, 2006, which deadline was later extended to September 28, 2006. We instituted procedures in order to complete the required registration at the initial point of sale and finalized the mandatory registrations by the deadline through the cancellation of 1.3 million unregistered accounts. As stated in MOCIT Regulation No. 23//M.KOMINFO/10/2005 on Registration of Telecommunication Service Customers, all operators have an ongoing duty to register their new prepaid cellular subscribers.

Satellite Regulation

The international satellite industry is highly regulated. In addition to domestic licensing and regulation in Indonesia, both the in-orbit placement and operation of our satellites are subject to registration with the Radio Regulation Bureau. Following the World Radiocommunication Conference, which took place from October 22, 2007 to November 16, 2007, some of Indonesia's satellite characteristics at orbital slots 113E.L. and 150.5E.L. have been reinstated by the International Telecommunication Union. To facilitate utilization of the 150.5E.L. orbital slot, the DGPT promulgated Decree No. 79/DIRJEN/2009 on March 12, 2009, which created a working group consisting of the DGPT, Telkom and us. In conjunction, on March 16, 2009, the MOCIT issued Letter No. 110/M. Kominfo/03/2009 agreeing to work with us and Telkom to facilitate prompt utilization of the orbital slot.

On December 17, 2011, the MOCIT issued Letter No. 460/M.KOMINFO/12/2011 approving the utilization of the Indonesian satellite filings for the 150.5E.L. Orbital Slot by Indosat as a closed fixed network provider. [kalimat ini tidak muncul di versi Indonesia?]

Frequency of Fixed Wireless Access-CDMA

Through MOCIT Decree No. 181/2006, as amended, the Government reallocated 800 MHz frequency to fixed wireless access operators as part of a frequency clearance for 3G services (IMT-2000) to Bakrie Telecom, Telkom, Mobile-8, and us. We had previously been granted 5 MHz in uplink and downlink in the following frequencies: uplink frequency 1880-1885 MHz and downlink 1960-1965 MHz in Jakarta, Banten and West Java and uplink and downlink frequency 830-835 MHz and downlink 875-880 MHz in other parts of Indonesia. According to the new regulation, we have been granted 2x1.23 MHz in frequency (uplink 842.055-844.515 MHz and downlink 887.055-889.515 MHz) nationwide. The migration of the frequency was successfully implemented as of December 31, 2007.

Tower Sharing Obligation

On March 17, 2008, the MOCIT issued MOCIT Regulation No. 02/Per/M. Kominfo/3/2008 on the Guidelines on Construction and Utilization of Sharing Telecommunication Towers ("Tower Decree"). Under the Tower Decree, the construction of telecommunications towers requires permits from the relevant governmental institution, while the local government determines the placement and location at which telecommunications towers can be constructed. In addition, telecommunications providers that own telecommunication towers and tower owners are obligated to allow other telecommunication operators to utilize their telecommunication towers (other than the tower used for its main network), without any discrimination.

Moreover, on March 30, 2009 the Minister of Home Affairs, the Minister of Public Works, the MOCIT and the Head of the Indonesia Investment Coordinating Board promulgated the Joint Regulation No. 19/Per/M. Kominfo/03/2009 on the Guidelines on Construction and Utilization of Sharing Telecommunication Towers. (the "Joint Regulation") requires a tower construction permit for every tower built and used for telecommunications services demonstrating compliance with certain technical specifications. However, through the enactment of this Joint Regulation, the Tower Decree prevails as long as any provision contemplated therein is not contrary with the provisions regulated under the Joint Regulation.

Other than the Joint Regulation and the Tower Decree, several regional authorities have implemented regulations limiting the number and location of telecommunication towers and require operators to share in the utilization of telecommunications towers.

On September 9, 2009, parliament passed Act No. 28 Year 2009 regarding local and regional taxes which took effect on January 1, 2010 and which imposes a new kind of tax that may add regulatory costs to the operation of our towers. The new tax is limited to a maximum of 2% of the tax object's selling value, which refers to the resale value of the tower determined by the relevant tax authorities. The implementation of the new tax will be largely influenced by regional government policies.

Transactions with Affiliates

It is the policy of Indosat not to enter into transaction with affiliates unless the terms thereof are no less favorable to Indosat than those which could be obtained by Indosat on an arm's length basis from an unaffiliated third party. In the case of a conflict of interest as defined in BAPEPAM-LK Rule No. IX.E.1, we would consult BAPEPAM-LK and if required, either seek to obtain the requisite disinterested shareholder approval or abandon the proposal.

Material Contracts

On July 30, 2007, we entered into a cooperation agreement with Telkomsel to set up network interconnection between our fixed local telecommunications network and Telkomsel's cellular mobile network. Pursuant to this agreement, we and Telkomsel agreed to enable each party's customers to make local, long-distance and international calls between our fixed local telecommunications network and Telkomsel's cellular mobile network. We amended this agreement through the first amendment No. Telkomsel: AMD.2283/LG.05/PD-00/XII/2007—No Indosat: 029/C00-CC0/LG/07 dated December 19, 2007, the second amendment No. Telkomsel: AMD.339/LG.05/PD-00/III/2008—No. Indosat: 004/C00-CC0/LGL/08 dated March 3, 2008, the third amendment No. Telkomsel: 1762/LG.05/PD-00/XI/2010 and No. Indosat: 011/C00-C0AA/LGL/10 dated November 1, 2010, the fourth amendment No. Telkomsel: 459/LG.05/PD-00/IV/2011—No. Indosat: 042/C00-C0H/LGL/11 dated April 7, 2011 and the fifth amendment No. Telkomsel: 741/LG.05/PD-00/VII/2011—No. Indosat: 84/C00-C0HA/LGL/2011 dated July 19, 2011.

On December 18, 2007, we entered into an interconnection agreement with Telkom to set up network interconnection between our cellular wireless network and Telkom's fixed telecommunications network. Under this agreement, we and Telkom agreed to open prefixes and access codes belonging to the other party, which enable each party's customers to make interconnection calls of various types between our cellular wireless network and Telkom's fixed telecommunications network. The agreement sets forth the interconnection tariffs for providing interconnection services based upon a cost-based regime and is valid for two years, but can be extended or terminated based upon mutual agreement of the parties. We amended this agreement as stipulated in first amendment No. Telkom 47/HK.820/DCI-A1000000/2008—No. Indosat 021/C00-CC0/LGL/2008 dated March 31, 2008 and second amendment No. Telkom 123/HK.820/DCI-A1000000/2009—No. Indosat 007/C00-C0A/LGL/2009 dated December 30, 2009, the third amendment as stipulated in the form of mutual office minutes No. Telkom Tel.024/YN.000/DCI-A1050000/2011—No. Indosat 003/C00-C0H/LGL/2011 dated January 31, 2011, the third amendment No Telkom: Tel.185/HK 820/DCI-A1000000/2011 – No. Indosat: 032/C00-C0H/LGL/2011 dated July 20, 2011 and the fourth amendment No. Telkom: Tel. 259/HK 820/DCI-A1000000/2011 – No. Indosat: 043/C00-C0H/LGL/2011 dated December 20, 2011.

On December 18, 2007, we entered into an interconnection agreement with Telkom to set up network interconnection between our fixed telecommunications network and Telkom's fixed telecommunications network. Under this agreement, we and Telkom agreed to open prefixes and access codes belonging to the other party which enable each party's customers to make local, long-distance and international calls between our fixed telecommunications network and Telkom's fixed telecommunications network. The agreement sets forth the interconnection tariffs for providing interconnection services based upon a cost-based regime and is valid for two years, but can be extended or terminated based upon mutual agreement of the parties. We amended this agreement through the first amendment No Telkom 48/HK.820/DCI-A1000000/2008—No Indosat 020/C00-CC0/LGL/2008 dated March 31, 2008, the second Amendment No Telkom 125/HK.820/DCI-A1000000/2009—No Indosat 006/C00-COA/LGL/2009 dated December 30, 2009, the third amendment as stipulated in the form of mutual office minutes No Telkom Tel.025/YN.000/DCI-A1050000/2011—No Indosat 002/C00-C0H/LGL/2011 dated January 31, 2011, the third amendment No. Telkom: Tel.186/HK 820/DCI-A1000000/2011 – No. Indosat: 033/C00-C0H/LGL/2011 dated July 20, 2011 and the fourth amendment No. Telkom: Tel. 260/HK 820/DCI-A1000000/2011 – No. Indosat: 044/C00-C0H/LGL/2011 dated December 20, 2011.

On December 19, 2007, we entered into a cooperation agreement with Telkomsel to set up network interconnection between our cellular mobile network and Telkomsel's cellular mobile network. Pursuant to this agreement, we and Telkomsel agreed to enable each party's customers to make or receive interconnection calls of various types between our cellular mobile network and Telkomsel's cellular mobile network. The agreement is automatically renewed every two years but can be unilaterally terminated by either party upon three month's written notice. We amended the agreement through the first amendment No Telkomsel: AMD.233/LG.05/PD-00/II/2008 and No. Indosat: 003/C00-CC0/LGL/08 dated February 18, 2008 and through the second amendment No. Telkomsel : 1392/LG.05/PD-00/IX/2010 and No. Indosat: 009/C00-C0AA/LGL/10 dated September 7, 2010 and through the third amendment No. Telkomsel : 458/LG.05/PD-00/IV/2011 and No. Indosat: 041/C00-C0H/LGL/11 dated April 7, 2011.

On November 25, 2009, we entered into two trustee agreements with PT Bank Rakyat Indonesia (Persero) Tbk, as trustee, in connection with our Seventh Indosat Bonds and our Fourth Syari'ah Ijarah Bonds. The Seventh Indosat Bonds were issued on December 8, 2009 and have total face value of Rp1,300.0 billion. The Fourth Syari'ah Ijarah Bonds were issued on December 8, 2009 and have a total face value of Rp200.0 billion. For further information on this agreement, see "Item 5: Operating and Financial Review and Prospects—Principal Indebtedness."

On March 24, 2009, we held meetings with holders of our Series B Second Indosat Bonds, Third Indosat Bonds, Fourth Indosat Bonds, Fifth Indosat Bonds, Sixth Indosat Bonds, First Syari'ah Ijarah Bonds, Second Syari'ah Ijarah Bonds and Third Syari'ah Ijarah Bonds, and obtained consents to, among other things, amendments to the definitions of "Debt," "EBITDA," and "Equity" and to change the ratio of Debt to Equity from 1.75 to 1 to 2.5 to 1 in the trustee agreements to these bonds. For further information on these amendments, see "Item 5: Operating and Financial Review and Prospects—Principal Indebtedness."

On July 29, 2010 we, through Indosat Palapa Company B.V. ("Indosat Palapa") issued guaranteed Notes 2020 with a total face value of US$650.0 million. The notes were issued at 99.478% of their principal amount and mature on July 29, 2020. The notes bear interest at the fixed rate of 7.375% per annum payable in semi-annual installment due on January 29 and July 29 of each year, commencing January 29, 2011. For further information on these notes, see "Item 5: Operating and Financial Review and Prospects—Principal Indebtedness."

On August 28, 2007, we entered into a five-year unsecured credit facility agreement with BCA, amounting to Rp1,600 billion. On February 10, 2011, we entered into a credit agreement with BCA providing for a three-year unsecured time loan revolving facility amounting to up to Rp1,000 billion. This agreement was amended on December 1, 2011 to increase the amount available under the facility to a maximum of Rp1,500 billion. For further information on these agreements, see "Item 5: Operating and Financial Review and Prospects—Principal Indebtedness."

On July 28, 2009, we entered into a five-year unsecured credit facility agreement with Bank Mandiri amounting to Rp1,000 billion and on August 18, 2009, we obtained an export credit facility from EKN totaling US$315.0 million. On June 21, 2011 we entered into a credit agreement with Bank Mandiri providing for a three-year unsecured revolving credit facility amounting to up to Rp1,000 billion. This agreement was amended on December 5, 2011 to, among other things, increase the amount available under the facility to a maximum of Rp1,500 billion. For further information on these agreements, see "Item 5: Operating and Financial Review and Prospects—Principal Indebtedness."

Tower Lease Agreements

To comply with the Minister of Communication and Information Regulation No. 02/PER/M.KOMINFO/2008 in conjunction with The Joint Decree of Minister of Communication and Information, Minister of Internal Affairs, Minister of Public Work and Head of Coordination Investment Board concerning Guidelines For Construction And Utilization Of Joint Telecommunication Towers, we have entered into tower lease agreements with several tenants, as follows:

On January 29, 2010 we entered into a tower lease agreement with PT Hutchison CP Telecommunications ("HCPT"), pursuant to which HCPT intends to lease the towers of Indosat at basic service (without civil, mechanical and electrical components). The term of this agreement is 12 years and can be extended for a minimum of six years thereafter, unless HCPT intends to terminate the agreement with prior written notice submitted within one month before the end of the agreement. We amended this agreement on August 18, 2011.

On April 15, 2010 we entered into a tower lease agreement with PT Natrindo Telepon Seluler ("NTS"), pursuant to which NTS intends to lease the towers of Indosat at basic service (without civil, mechanical and electrical components). The term of this agreement is 10 years and can be extended automatically for the same period of the initial term, unless NTS intends to terminate the agreement with prior written notice submitted within 90 days before the end of the agreement.

On May 24, 2010 we entered into a tower lease agreement with PT XL Axiata ("XL"), pursuant to which XL intends to lease towers of Indosat at basic service (without civil, mechanical and electrical components). The term of this agreement is 10 years and can be extended for a minimum of five years unless XL intends to terminate the agreement with prior written notice submitted within 120 days before the end of the agreement.

On June 3, 2010 we entered into a tower lease agreement with PT Berca Global Access ("BERCA"), pursuant to which BERCA intends to lease the towers of Indosat at basic service (without civil, mechanical and electrical components). The term of this agreement is 10 years and can be extended for a minimum of six years unless BERCA intends to terminate the agreement with prior written notice submitted within one month before the end of the agreement.

On February 4, 2011, we entered into a tower lease agreement with PT Daya Mitra Telekomunikasi ("Mitratel"), pursuant to which Mitratel intends to lease the towers of Indosat at basic service (without civil, mechanical and electrical components) and reserves the right to re-lease it to PT Telekomunikasi Indonesia Tbk Group with full services (including civil, mechanical and electrical components). The term of this agreement shall be 10 years period and can be extended for a minimum of five years based on mutual consent of the parties.

On February 10, 2011, we entered into a memorandum of agreement with PT First Media Tbk ("FM"), pursuant to which FM leased Indosat's tower with full services (including civil, mechanical and electrical components). The term of this memorandum of agreement is five years and can be extended for a minimum of five years period based on mutual consent of the parties.

A copy, summary and/or translation of the above agreements are filed as Exhibits 4.2 through 4.11, 15.2, 15.11, 15.15 through 15.21, 15.26 and 15.28 attached hereto.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risks primarily from changes in interest rates, changes in foreign currency exchange rates, and equity price risk on the value of our long-term investments. To manage our foreign exchange and interest rate risks, we have entered into interest rate swap contracts, cross currency swap contracts and other transactions aimed at reducing and/or managing the adverse impact of changes in foreign exchange and interest rates on our operating results and cash flows. We enter into such transactions to minimize risk without engaging in speculative practices. We account for these instruments as transactions not designated as hedges, wherein changes in the fair value are charged or credited directly as expenses or income for the relevant year. We also convert surplus Indonesian rupiah funds to U.S. dollars on a regular basis in amounts necessary to meet our U.S. dollar expenses.

Interest Rate Sensitivity

As of December 31, 2011, most of our outstanding debt was subject to fixed interest rates. In addition, as of December 31, 2011, we held U.S. dollar-denominated and Indonesian rupiah-denominated deposits, which also have exposure to interest rate fluctuations. The following table sets forth information regarding our financial instruments that are sensitive to changes in interest rates. For long-term debt and bonds payable, the table sets forth principal cash flows and related interest rates according to their expected maturity dates. The information sets forth in the table has been determined based on the following assumptions: (i) variable interest rates in time deposits denominated in U.S. dollar and Indonesian rupiah are based on the available interest rate in 2011; (ii) interest rates for long-term deposits denominated in Indonesian rupiah are based on one-month Certificate of Bank Indonesia and three month JIBOR on December 2011 plus a margin; and (iii) interest rates for long-term debts denominated in U.S. dollars are based on provisions in the various agreements. However, we cannot assure you that such assumptions will be correct for future periods. Such assumptions and the information described in the table may be influenced by a number of factors, including increases in interest rates in Indonesia resulting from continued tight liquidity and other monetary and macroeconomic factors affecting Indonesia.

		Outstanding Balance as at December 31, 2011		Expected Maturity Date as of December 31						
	Interest Rate	Foreign Currency	Rupiah Equivalent	2012	2013	2014	2015	2016	2017 and Thereafter	Total
		(US$ million)	(Rp billion)				(Rp billion)			
Assets										
Variable rate										
Time deposits and deposits on call										
Rp	2.5% – 9.75%	—	1,592.5	1,592.5	—	—	—	—	—	1,592.5
US$	0.01% – 2.75%	36.0	326.7	326.7	—	—	—	—	—	326.7
Total Assets		**36.0**	**1,919.2**	**—**	**—**	**—**	**—**	**—**	**—**	**1,919.2**
Liabilities										
Loans payable										
Rp										
Principal		—	456.8	22.5	434.3	—	—	—	—	456.8
Interest	8.75% -14.5% p.a.	—	—	39.6	19.0	—	—	—	—	58.6
US$										
Principal		299.0	2,711.0	421.1	421.1	421.1	421.1	421.1	605.5	2,711.0
Interest	4.15% p.a. – 5.69% p.a.	—	—	127.8	107.5	87.3	67.2	47.2	47.1	484.1
Variable rate										
Rp										
Principal		—	3,000.0	1,500.0	—	1,500.0	—	—	—	3,000.0
Interest	1-month JIBOR + 1.25%	—	—	158.2	79.1	13.2	—	—	—	250.5
Rp										
Principal		—	2,000.0	2,000.0	—	—	—	—	—	2,000.0
Interest	3-month JIBOR + 1.5%	—	—	102.0	—	—	—	—	—	102.0
US$										
Principal		349.4	3,168.6	859.3	1,634.6	206.4	206.4	141.7	120.2	3,168.6
Interest	6-month LIBOR + 0.35% – 2.87%	—	—	80.3	39.1	17.4	11.6	6.5	6.5	161.4
Bonds payable										
Fixed rate										
Rp										
Principal			6,350.0	—	1,330.0	2,358.0	320.0	772.0	1,570.0	6,350.0
Interest	10.2% p.a. – 16.0% p.a.		—	687.7	619.5	468.2	285.9	268.6	584.9	2,914.8
US$										
Principal		650.0	5,894.2	—	—	—	—	—	5,894.2	5,894.2
Interest	7.38%		—	434.7	434.7	434.7	434.7	434.7	1,738.8	3,912.3
Variable rate										
Rp										
Principal			42.0	42.0	—	—	—	—	—	42.0
Interest	12.75% p.a. to 19.00% p.a.		—	2.7	—	—	—	—	—	8.0
Total Liabilities		**1,298.4**	**23,622.6**	**6,477.9**	**5,118.9**	**5,506.3**	**1,746.9**	**2,091.7**	**10,567.3**	**31,509.0**
Net Cash Flows		**(1,260.8)**	**(21,703.4)**	**(4,558.7)**	**(5,118.9)**	**(5,506.3)**	**(1,746.9)**	**(2,091.7)**	**(10,567.3)**	**(29,589.8)**

In addition, as of December 31, 2011, we held U.S. dollar-denominated and Indonesian rupiah-denominated deposits, which also have exposure to interest rate fluctuations.

Exchange Rate Sensitivity

Our exposure to exchange rate fluctuations results primarily from U.S. dollar-denominated long-term debt obligations, bonds payable and accounts receivable and payable.

Our accounts payable are primarily foreign currency-denominated net settlement payments to foreign telecommunications operators, while most of our accounts receivable are Indonesian rupiah-denominated payments from domestic operators. During the period from January 1, 2009 through December 31, 2011, the Indonesian rupiah/U.S. dollar exchange rate ranged from a low of Rp12,065 per U.S. dollar to a high of Rp8,460 per U.S. dollar, and, during 2011, ranged from a low of Rp9,185 per U.S. dollar to a high of Rp8,460 per U.S. dollar. On December 31, 2011, the prevailing Bank Indonesia exchange rate was Rp9,068 per U.S. dollar. As a result, we recorded a gain of Rp1,656.4 billion in 2009, a gain of Rp492.4 billion in 2010 and a gain of Rp36.7 billion (US$4.0 million) in 2011.

The following table sets forth information about our financial instruments by functional currency and presents such information in Indonesian rupiah equivalents, which is our reporting currency. The table summarizes information on instruments and transactions that are sensitive to foreign exchange rates, including term deposits, accounts payable and receivable, and our financial instruments including term deposits, account receivable and account payable, and their long term debt. The table presents principal cash flows by expected maturity dates.

The information presented in the table has been determined based on the prevailing Bank Indonesia exchange rate on December 31, 2011 of Rp9,068 per US$1.00. However, we cannot assure you that such assumption will be correct for future periods. Such assumption and the information described in the table may be influenced by a number of factors, including depreciation or appreciation of the Indonesian rupiah in future periods.

		Expected Maturity Date as of December 31,						
	Foreign Currency	2012	2013	2014	2015	2016	2017 and Thereafter	Total
	(US$ in millions)				(Rp in billion)			
Assets:								
Cash and cash equivalents[1]								
US$ denominated	53.4	483.8	—	—	—	—	—	483.8
Accounts receivable						—		
US$ denominated	91.2	827.6	—	—	—	—	—	827.6
Derivative assets						—		
US$ denominated	17.6	159.4	—	—	—	—	—	159.4
Other current financial assets						—		
US$ denominated	0.2	1.7	—	—	—	—	—	1.7
Other current assets						—		
US$ denominated	0.0	0.1	—	—	—	—	—	0.1
Due from related parties						—		
US$ denominated	0.3	—	2.9	—	—	—	—	2.9
Other non-current financial assets								
US$ denominated	1.6	—	14.3	—	—	—	—	14.3
Total Assets	**164.3**	**1,472.6**	**17.2**	—	—	—	—	**1,489.8**

	Foreign Currency	Expected Maturity Date as of December 31, 2012	2013	2014	2015	2016	2017 and Thereafter	Total
	(US$ in millions)	(Rp in billion)						
Liabilities:								
Accounts payable —trade								
US$ denominated	13.0	118.0	—	—	—	—	—	118.0
Procurement payable								
US$ denominated	220.8	2,002.1	—	—	—	—	—	2,002.1
Accrued expenses								
US$ denominated	45.2	409.5	—	—	—	—	—	409.5
Deposits from customers								
US$ denominated	1.8	16.7	—	—	—	—	—	16.7
Derivative liabilities								
US$ denominated	15.3	138.2	—	—	—	—	—	138.2
Other current financial liabilities								
US$ denominated	0.0	0.3						0.3
Other current liabilities								
US$ denominated	6.3	57.4	—	—	—	—	—	57.4
Due to related parties								
US$ denominated	0.0	0.1	—	—	—		—	0.1
Loans payable including current maturities								
US$ denominated	653.9	1,280.4	2,105.2	627.4	627.4	562.7	726.0	5,929.1
Bonds payable including current maturities								
US$ denominated	650.0	—	—	—	—	—	5,844.2	5,894.2
Other non-current liabilities								
US$ denominated	8.7	79.1	—	—	—	—	—	79.1
Total Liabilities	**1,615.0**	**4,241.8**	**2,015.2**	**627.4**	**627.4**	**562.7**	**6,570.2**	**14,644.7**
Net Cash Flows	**(1,450.7)**	**(2,769.2)**	**(1,998.0)**	**(627.4)**	**(627.4)**	**(562.7)**	**(6,570.2)**	**(13,154.9)**

Cash and cash equivalents consist of cash on hand, cash in banks and time deposits.

Equity Pice Risk

Our long-term investments consist primarily of minority investments in the equity of private Indonesian companies and equity of foreign companies. With respect to the Indonesian companies in which we have investments, the financial performance of such companies may be adversely affected by economic conditions in Indonesia.

Foreign Currency Swap Contracts

As of December 31, 2011, we maintained foreign currency swap contracts that we entered into between 2005 and 2008. From 2008 to 2009, we settled the remainder of our structured currency forward contracts with three separate international financial institutions. As of December 31, 2011, we had hedging facilities amounting to US$100.5 million, representing 7.7% of our U.S. dollar-denominated bonds and loans as of December 31, 2011.

As of December 31, 2011, we had outstanding foreign currency contracts under which we agreed to pay Indonesian rupiah in exchange for the counterparty's obligation to pay U.S. dollars, based upon agreed spot rates. In the event that the Indonesian rupiah appreciates against the U.S. dollar, we would recognize losses on such transactions, which could have a material and adverse effect on our financial condition.

Interest Rate Swap Contracts

As of December 31, 2011, we maintained interest rate swap contracts that we entered into between 2008 to 2009 with respect to an aggregate amount of US$478.3 million under which we agreed to make fixed interest rate payments in exchange for a six-month U.S. dollar LIBOR-linked floating rate plus either 0.35%, 1.45% or 1.85% per year in order to hedge the interest rate risks on our HSBC Sinosure and HSBC Commercial satellite financing agreements and our ING/DBS Syndicated Loan, respectively.

DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and Charges Our American Depositary Shares (ADS) Holders May Have to Pay

The Bank of New York Mellon, the depositary of our ADS program, charges the following to any party depositing or withdrawing ordinary shares or any party surrendering ADRs or to whom ADRs are issued, whichever applicable, pursuant to the deposit agreement with the depositary: (1) taxes and other governmental charges, (2) registration fees as may from time to time be in effect for the registration of transfers of shares, (3) cable, telex and facsimile transmission expenses as are expressly provided in the deposit agreement to be at the expense of persons depositing shares or owners, (4) expenses incurred by the depositary in the conversion of foreign currency pursuant to the deposit agreement, (5) a fee not in excess of $5.00 per 100 ADSs (or portion thereof) for the execution and delivery of ADSs and the surrender of ADSs and, (6) a fee for the distribution of proceeds of sales of securities or rights pursuant to the deposit agreement, respectively, in an amount equal to the fee for the issuance of ADSs referred to above which would have been charged as a result of the deposit by owners of shares received in exercise of rights distributed to them pursuant to the deposit agreement, respectively, but which securities or rights are instead sold by the depositary and the net proceeds distributed. Under the deposit agreement, the depositary collects such fees by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees.

Fees to be made by the Depositary to Us

The depositary has agreed to reimburse certain of our expenses related to our ADS program and incurred by us in connection with the program. The depositary has reimbursed to us, or paid amounts on our behalf to third parties, or waived its fees and expenses, in the total amount of US$120,131.44 for the year ended December 31, 2011.

The table below sets forth the types of expenses that the depositary has agreed to reimburse, and the invoices relating to the year ended December 31, 2011 that were reimbursed:

Type of Fees	Amount
Printing costs	$ -
New York Stock Exchange Listing Fee	$ -
Costs related to ADS program	$ -
Total	$ -

The depositary has also agreed to waive fees for standard costs associated with the administration of the ADS program and has paid certain expenses directly to third parties on our behalf. The table below sets forth those expenses that the depositary has waived or paid directly to third parties relating to the year ended December 31, 2011:

Type of Fees	Amount
Mailing, printing and service fees and expenses	$ -
Meeting-related expenses	$ 5,059.14
Fees and expenses related to the administration of the ADS program	$115,072.30
Total	$120,131.44

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of December 31, 2011, or the Evaluation Date, our management, including our President Director and Finance Director, carried out an evaluation of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, we concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

As required by section 404 of the Sarbanes-Oxley Act of 2002, our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our system of internal control over financial reporting was designed to provide reasonable assurance to our management and Audit Committee of the reliability of our financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles. Our Board of Directors conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011 based on the framework in Internal Control—Integrated Framework, which is issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of our Board of Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements. Based on this criteria, our management concluded that, as of December 31, 2011, our internal control over financial reporting was effective.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls and procedures which may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions.

Purwantono, Suherman & Surja, a member firm of Ernst & Young Global Limited, the independent registered public accounting firm, has audited our consolidated financial statements included in this annual report and has issued an attestation report on internal control over financial reporting as of December 31, 2011. This attestation report is set forth on page 3 of our consolidated financial statements attached hereto.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

In accordance with Indonesian law, we have a two-tier board structure, consisting of a Board of Commissioners and a Board of Directors. The executive management functions are carried out by our Board of Directors, while our Board of Commissioners is principally responsible for supervising and advising our Board of Directors in the operation and management of the Company.

Under Indonesia Stock Exchange rules, our Audit Committee must consist of at least three members, one of whom must be an independent commissioner and concurrently the chairman of the Audit Committee, while the other two members must be external independent parties of whom at least one such party shall have accounting and/or finance expertise. Our Audit Committee is composed of five members and is chaired by one of our Independent Commissioners. Members of our Audit Committee are appointed and dismissed by our Board of Commissioners.

Listing rules adopted pursuant to Rule 10A-3 under the Exchange Act require a foreign private issuer with securities listed on the NYSE to have an audit committee comprised of independent directors. The rules became effective on July 31, 2005. Under Rule 10A-3(c)(3), foreign private issuers are exempt from such independence requirements if (i) the home country government or stock exchange requires the company to have an audit committee; (ii) the audit committee is separate from the board of directors or has members from both inside and outside the board of directors; (iii) the audit committee members are not elected by the management and no executive officer of the company is a member of the audit committee; (iv) the home country government or stock exchange has requirements for an audit committee independent from the management of the company; and (v) the audit committee is responsible for the appointment, retention and oversight of the work of external auditors. We rely on the general exemption under Rule 10A-3(c)(3) of the Exchange Act with respect to the composition of our Audit Committee as set forth in our Section 303A.11 website disclosure, which is made publicly available on our website, www.indosat.com.

We believe our reliance on the exemption would not materially or adversely affect the ability of our Audit Committee to act independently. We also believe the intent of such provisions are meant to ensure that the Audit Committee is independent from influence by management and would provide a forum separate from management in which auditors and other interested parties can candidly discuss concerns. The Indonesia Stock Exchange rules require that each member of the Audit Committee be independent. The rules also require that at least two of the members of the Audit Committee be external independent members, which means that they must be independent of not only the Board of Directors but also the Board of Commissioners and us as a whole. Accordingly, we believe the standard established by the Indonesia Stock Exchange rules are at least equally effective in ensuring the ability of our Audit Committee to act independently.

CORPORATE GOVERNANCE

We are incorporated under the laws of the Republic of Indonesia and the principal trading market for our ordinary shares is the IDX. Our ordinary shares are registered with the U.S. Securities and Exchange Commission and are listed on the NYSE. As such, we are subject to certain corporate governance requirements.

Our home country requirements for corporate governance are embodied primarily in Law No. 40 of 2007 on Limited Liability Companies, Law No. 8 of 1995 on Capital Markets, the Regulations of the Indonesian Capital Market and Financial Institution Supervisory Board, or the BAPEPAM-LK Regulations, and the rules issued by the Indonesian stock exchanges, namely the IDX. In addition to these statutory requirements, our Articles of Association incorporate provisions directing certain corporate governance practices.

However, many of the corporate governance rules contained in the NYSE Listed Company Manual, or the NYSE listing standards, are not required for "foreign private issuers" and we are permitted to follow our home country corporate governance practices in lieu of most corporate governance standards contained in the NYSE listing standards. Although we have complied voluntarily with most of the corporate governance rules contained in the NYSE listing standards, there are certain important differences between our corporate governance standards and those standards applicable to U.S. companies listed on the NYSE which are described below.

Audit Committee

The NYSE listing standards require NYSE-listed companies to maintain an audit committee comprised of at least three members satisfying the requirements for independence set forth in Section 303A.02. Pursuant to

BAPEPAM-LK Regulations, public companies in Indonesia must maintain audit committees comprised of at least one independent commissioner and two members from outside the company. Our Audit Committee consists of five members, three of whom are Independent Commissioners and two of whom are independent outsiders, as required by BAPEPAM-LK Regulations.

In addition, our Audit Committee's written charter does not require our Audit Committee to review earnings guidance prior to filing to ensure compliance with the prevailing capital market laws and regulations as required under Section 303A.07(c)(iii)(C), although the written charter does require review of press releases containing financial information. Unlike the requirements set forth in the NYSE listing standards, our Audit Committee does not have direct responsibility for the appointment, retention and compensation of our external auditor. Our Audit Committee can only recommend the appointment of the external auditor to the Board of Commissioners, and the Board of Commissioner's decision is subject to shareholder approval as required by Indonesian law. A copy of our Audit Committee's written charter can be found on our website at www.indosat.com and is attached as Exhibit 15.16 to our Form 20-F filed on June 1, 2010.

Composition of Board of Directors; Nominating Committee

The NYSE listing standards require that the board of directors of an NYSE-listed company consist of a majority of independent directors and that a nominating committee be established. We have a dual board structure, with a separate Board of Directors and Board of Commissioners, separating the powers of management (exercised by the Board of Directors) from those of supervision (exercised by the Board of Commissioners). As such, when the NYSE listing standards apply corporate governance principles to the directors of a NYSE-listed company, we evaluate our practices with reference to our Commissioners. As required by BAPEPAM-LK Regulations and IDX rules, our ten-member Board of Commissioners maintains a minimum of at least three independent members. Further, we do not have a nominating committee. At meetings of our shareholders, our shareholders nominate and elect persons to our Board of Commissioners.

Pursuant to the NYSE listing standards, directors of NYSE-listed companies must meet at regularly-scheduled executive sessions without management. Neither the BAPEPAM-LK Regulations nor IDX rules require us to hold such executive sessions where the Board of Commissioners meets without any Directors present. In the past, our Board of Commissioners, which is entirely composed of non-management persons, has met in executive session periodically, in addition to the customary presentation of information by our Board of Directors to the Board of Commissioners. In early 2005, we instituted procedures by which our Board of Commissioners started meeting in executive sessions at the end of each regularly-scheduled meeting, which currently occur at least on a quarterly basis.

Compensation Committee

The NYSE listing standards require NYSE-listed companies to maintain a compensation committee composed entirely of independent directors with a written charter addressing the committee's performance and responsibilities as well as requiring an annual performance evaluation. Our Remuneration Committee currently has three members from our Board of Commissioners and has the responsibilities contained in the NYSE listing standards. However, only two of the three committee members are independent and its written charter does not provide for an annual performance evaluation of the Remuneration Committee. A copy of our Remuneration Committee's written charter can be found on our website at www.indosat.com.

Management Discussion and Analysis

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes thereto as of December 31, 2009, 2010 and 2011. The audited consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards (Indonesian GAAP). Certain amounts (including percentage amounts) have been rounded for convenience. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements as a result of particular factors.

A.OPERATING RESULTS

We are a fully integrated Indonesian telecommunications network and service provider and provide a full complement of national and international telecommunications services in Indonesia. As of December 31, 2011, we were the second-largest cellular operator in Indonesia in terms of number of cellular subscribers based on available market data. We provide MIDI services to Indonesian and regional corporate and retail customers as well as international long-distance services in Indonesia.

Factors Affecting our Results of Operations and Financial Condition

Our results of operations and financial condition have been affected and will continue to be affected by a number of factors, including the following:

Cellular Subscriber Base and Usage Patterns

Our number of cellular subscribers and their usage of our cellular services directly affects our cellular operating revenues as well as our operating expenses, including interconnection expenses and depreciation and amortization expenses. In order to meet increasing demand for our services, we may be required to expand our cellular network coverage and capacity, which requires additional capital expenditures. Increases in our capital expenditures affects our cash flows, interest expense and depreciation expense.

We are the second-largest cellular provider in Indonesia, as measured by the number of cellular subscribers, with 51.7 million subscribers (including wireless broadband subscribers) as of December 31, 2011.

In 2009, we implemented a strategy to minimize lower-value "calling card" type subscribers, whom we believed were short-term subscribers and were not likely to recharge their SIM cards. We believe this strategy contributed significantly to the decline in our subscriber base of 9.7% in 2009, while our cellular operating revenue decreased by only 0.9% during such period. Our total subscribers increased by approximately 34.3%, from 33.0 million in 2009 to 44.3 million in 2010 and approximately 16.8% to 51.7 million in 2011.

Competition

We face intense competition in all of our business segments. Among other things, such competition affects the tariffs we are able to charge for our services, demand for and usage of our services and our operating margins and results of operations.

The cellular services business in Indonesia has become increasingly competitive, as demonstrated by the aggressive subscriber acquisition programs of Indonesian cellular operators in recent years. Competition in the cellular communications industry has historically been based on network coverage, technical quality, price, the availability of data services and special features, and the quality and responsiveness of customer service. Commencing in 2007, competition became more focused on pricing as many operators, including ourselves, began to offer significant promotional discounts to attract subscribers, which we believe to have resulted in high customer churn rates. The high Indonesian customer churn rate can be attributed to the high price sensitivity of subscribers, especially prepaid users and the low switching costs for postpaid subscribers, due to limited contractual lock-ins. Beginning in late 2009, we believe that the market focus on pricing as the key determinant in customers' product selection has declined and that subscribers are again focused on the historical drivers of network coverage, technical quality, price, the availability of data services and special features.

Based on our internal estimates, the three major providers of wireless services in Indonesia, Telkomsel, us and XL, accounted for almost 73.9% of the wireless subscriber base in Indonesia in 2011. We compete with Telkomsel and XL primarily on the basis of network coverage, quality or service and price. We believe that the size of our subscriber base provides us with a significant competitive advantage over the smaller cellular providers, since we have a larger base of "on net" subscribers and we are able to provide more attractive pricing for on net calls, since we do not pay any interconnection charges to third parties.

Competition in our MIDI services has also continued to increase. During the last few years, competition among data communications service providers has intensified principally due to the issuance of new licenses after the deregulation of the Indonesian telecommunications industry. In addition, our satellite operations, which primarily consist of leasing transponders to broadcasters and telecommunications operators of VSAT, cellular and IDD services and ISPs, face competition from foreign and domestic service providers serving the same customer base.

We are no longer the only authorized provider of traditional IDD (i.e., non-VoIP) call services in Indonesia. The Government may issue more licenses for IDD services to other telecommunications operators, which will increase competition in our fixed telecommunications operations.

We expect competition in our three business segments to continue to be intense. Competition has had, and is expected to have, an impact on our results of operations and financial condition.

Tariff and Pricing Levels

Under existing regulations, the MOCIT establishes a tariff formula that determines the maximum amounts that operators may charge for cellular and fixed telecommunications services. However, the MOCIT allows cellular and fixed telecommunications operators, including us, to offer promotional packages that offer prices lower than the ceiling tariff determined by MOCIT in accordance with the tariff formula. We currently price our cellular services under a variety of ongoing promotional programs intended to attract new subscribers, stimulate demand and improve our competitive position. Any changes in our pricing structure, either as a result of Government tariff policies or in response to competition, could affect our revenues, operating results and financial condition.

For example, on December 12, 2011, the Government, through the ITRA, issued letter No.262/BRTI/XII/2011, under which tariffs for SMS will change from a "sender-keeps all" scheme to a cost-based scheme, effective June 1, 2012. Currently, the tariff for SMS (including SMS and value-added SMS) is based on a "sender-keeps-all" scheme, under which we earn revenues whenever one of our cellular subscribers sends an SMS, but not when a customer of another telecommunications operator sends an SMS to one of our cellular subscribers. Under the cost-based scheme, we will record revenues from interconnection fees payable by other operators whenever one of our cellular subscribers receives an SMS from a subscriber on another network. If one of our subscribers sends an SMS to a recipient on another network (an "off-network SMS"), we will record revenues for the SMS charge payable by our subscriber and we will record expenses for interconnection charges payable to the operator of the other network.

We expect to recoup any interconnection charges we incur when one of our subscribers sends an off-network SMS through charging higher fees to such subscribers for sending off-network SMSs, while maintaining our current pricing practices with respect to SMSs that terminate on our network. We anticipate that the increase in off-network SMS fees we charge our subscribers may cause a shift in SMS traffic from off-network traffic to on-network traffic, which in turn will reduce the amount of interconnection charges we will incur. We cannot assure you that we will be able to fully recoup all interconnection charges we may be required to pay, or that the revenue recorded from interconnection fees we receive from other operators will fully offset the any interconnection charges we may be required to pay, and as a result, we could experience a decrease in our operating revenues from cellular services.

The Indonesian Economy

We believe that the growth in the Indonesian telecommunications industry has been driven in part by recent growth of the Indonesian economy, and that demand for such services should continue, as the Indonesian economy continues to develop and modernize. Our performance and the quality and growth of our customer base and service offerings are necessarily dependent on the health of the overall Indonesian economy.

Tower Sale Transaction

On February 7, 2012, we signed transaction documents with Tower Bersama for the sale and leaseback of 2,500 towers, approximately 25% of our existing tower assets, for a total potential consideration of US$518.5 million, comprising upfront consideration of US$406.0 million worth of cash and newly issued TBIG shares and a maximum potential deferred payment of US$112.5 million (the "Tower Bersama Transaction"). Under the terms of the Tower Sale Transaction, we will lease the towers sold for a minimum period of 10 years at fixed rates that are in line with current market rates for anchor tenants. Subject to various approvals, we expect to close this transaction during 2012.

We expect that the Tower Sale Transaction, if completed, will have a material impact on our financial position and results of operations. In particular, we anticipate we will record a significant gain on the sale as "other income." The sale of the towers will reduce our fixed asset base by an amount equal to the carrying amount of the towers, which was equal to Rp1,527.8 billion (US$168.5 million) as of December 31, 2011. This decrease in our fixed asset base will in turn reduce our operating expenses as a result of the corresponding decrease in depreciation and amortization expenses. However, we expect this decrease in operating expenses to be partially offset by the increase in lease expense (presented as part of Cost of Services expense in the consolidated statement of comprehensive income) associated with the leaseback of the transferred tower assets and an increase in tax expense as a result of the gain resulting from the sale. Completion of the Tower Sale Transaction is subject to various approvals including those of certain of our bondholders and lenders and Tower Bersama's shareholders.

Capital Expenditures

The delivery of telecommunications services is capital intensive. In order to be competitive, we must continually expand, modernize and update our technology, which involves substantial capital investment. In order to address the demand associated with the substantial increase in subscribers and in network usage during 2009 through 2011, we had to substantially increase our capital expenditures, in particular to expand the capacity of our network. For the years ended December 31, 2009, 2010 and 2011, our actual consolidated capital expenditures totaled Rp11,584.5 billion, Rp5,515.0 billion and Rp6,092.6 billion (US$671.9 million), respectively. During 2012, we intend to allocate approximately Rp6,722.1 billion (US$741.3 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2012 for capital expenditure commitments in prior periods, will result in approximately Rp7,638.9 billion (US$842.4 million) total actual capital expenditures for 2012, which we intend to use for the development of fixed assets in our cellular, fixed data and fixed telecommunications business lines. In addition, we expect that the Tower Sale Transaction, if completed, will result in significant ongoing maintenance capital expenditure savings associated with the tower assets to be transferred.

Historically, we have funded our capital expenditures through internal resources and cash flow from operations, as well as debt financings through bank loans and the capital markets. We expect to continue to finance our capital expenditures through such sources. In addition, if completed, we expect to apply a portion of the cash proceeds from the Tower Sale Transaction towards funding our capital expenditures. Completion of the Tower Sale Transaction is subject to various approvals including those of certain of our bondholders and lenders and Tower Bersama's shareholders. We face liquidity risk if certain events occur, including but not limited to, slower than expected growth in the Indonesian economy, downgrading of our debt ratings or deterioration of our financial performance or financial ratios. If we cannot raise the amounts needed to support our planned capital expenditures for 2012, we may be unable to improve or expand our cellular telecommunications infrastructure or update our other technology to the extent necessary to remain competitive in the Indonesian telecommunications market, which would affect our financial condition, results of operations and prospects.

In addition, unexpected changes in technology, demand for increased network capacity from our subscribers and responses to the operations and product innovation of our competitors may require us to increase our capital expenditures, which could affect our revenues, operating results and financial condition.

Foreign Exchange Volatility

The Indonesian rupiah has appreciated considerably over the last decade from its low point of approximately Rp17,000 per U.S. dollar during the Asian financial crisis. During the period between January1, 2009 through December31, 2011, the Indonesian rupiah/U.S. dollar exchange rate ranged from a low of Rp12,400 per U.S.dollar to a high of Rp8,888 per U.S. dollar, and, during the year 2011, the Indonesian rupiah/U.S. dollar exchange rate ranged from a low of Rp9,185 per U.S.dollar to a high of Rp8,460 per U.S. dollar. The prevailing Bank Indonesia exchange rate was Rp9,068 U.S. dollar on December31, 2011. While a substantial portion of our operating revenues is denominated in Indonesian rupiah, a portion of our operating revenues is U.S. dollar-denominated. In addition, a substantial portion of our borrowings, capital expenditures and operating expenses, including interest payments on our Guaranteed Notes due 2020 and ING/DBS Syndicated Loan Facility, are denominated in currencies other than Indonesian rupiah, principally the U.S. dollar. As of December31, 2011, 50.5% of our borrowings were denominated in Indonesian rupiah, with the balance in U.S. dollars. Adepreciation in the value of the Indonesian rupiah against the U.S. dollar affects our financial condition and results of operations because, among other things, the Indonesia rupiah value of expenses payable in U.S. dollars will increase by the same factor, thereby requiring us to convert more Indonesian rupiah to pay our U.S. dollar obligations. Conversely, an appreciation in the value of the Indonesian rupiah against the U.S. dollar affects our financial condition and results of operations because, among other things, it causes a decrease in revenue from foreign carriers for inbound international calls, roaming by foreign carriers' subscribers in Indonesia and operating revenues from our MIDI services and satellite operations. For the year ended December31, 2009, we recorded a gain on foreign exchange-net of Rp1,656.4 billion; for the year ended December31, 2010, we recorded a gain on foreign exchange-net of Rp492.4 billion for the year ended December 31, 2011, we recorded a gain on foreign exchange-net of Rp36.7 billion (US$4.0 million).

In addition, certain of our monetary assets and liabilities are subject to foreign currency exposure. These monetary assets primarily consist of cash, cash equivalents and accounts receivable from foreign telecommunications carriers, as well as our foreign currency-denominated accounts receivable. Our monetary liabilities subject to foreign currency exposure consist of procurements payable, loans payable and bonds payable which were incurred for capital expenditure-related liabilities. The level of our net monetary assets is influenced by the extent to which incoming calls exceed outgoing calls in our IDD business and our foreign currency denominated source of revenues. In an effort to manage our foreign currency exposure and lower our overall funding costs, we have entered into several foreign currency swap and forward contracts. We cannot assure you that we will be able to manage our exchange rate risk successfully in the future or that we will not continue to be adversely affected by our exposure to exchange rate risk. Our exposure to foreign exchange fluctuations, particularly as against the U.S. dollar, may increase if we incur additional U.S. dollar-denominated debt to finance our capital expenditure plans.

In February and March 2009, we obtained consents to amendments to certain of our debt instruments and agreements in order to provide additional flexibility in our debt to equity, debt to EBITDA and EBITDA to interest payment ratio maintenance covenants. While we believe that such amendments will provide us with sufficient cushion in the event of volatility in the Indonesian rupiah / U.S. dollar exchange rates, we cannot assure you that further and more intense volatility than that experienced in the past 12 months will not occur, which could cause us to breach our financial covenants.

Overview of Operations

Operating Revenues

We generate operating revenues primarily by providing cellular, MIDI and fixed telecommunications (principally international long-distance) services. The following table sets forth the breakdown of our total operating revenues and the percentage contribution of each of our services to our total operating revenues for each of the periods indicated:

For the years ended December31,

	2009		2010		2011		
	Rp	%	Rp	%	Rp	US$	%
	(Rp in billions, US$ in millions, except percentages)						
Cellular services	14,300.2	76.0	16,027.1	81.0	16,750.9	1,847.3	81.4
MIDI services	2,721.0	14.4	2,476.2	12.5	2,576.0	284.1	12.5
Fixed telecommunications	1,803.0	9.6	1,293.2	6.5	1,250.0	137.8	6.1
Total operating revenues	18,824.2	100.0	19,796.5	100.0	20,576.9	2,269.2	100.0

The principal drivers of our operating revenues for all of our services are our subscriber base, usage levels and the rates for services. Usage levels for our services are affected by several factors, including continued growth in demand for telecommunications services in Indonesia, the continued development of the Indonesian economy, and competition.

Cellular Services. We derive our cellular services operating revenues from charges for cellular usage, value-added features, monthly subscriptions, sales of wireless broadband modems and cellular handsets, and connection fees, as well as interconnection charges from other telecommunications providers and tower leasing fees.

The following table sets forth the components of our cellular services operating revenues for the periods indicated:

	For the years ended December31,						
	2009		2010		2011		
	Rp	%	Rp	%	Rp	US$	%
	(Rp in billions, US$ in millions, except percentages)						
Usage charges	7,085.7	49.6	7,944.0	49.6	8,203.8	904.7	49.0
Value-added services	5,999.0	42.0	7,039.2	43.9	7,502.1	827.3	44.8
Interconnection revenues	1,709.2	11.9	1,252.8	7.8	1,182.4	130.4	7.1
Tower leasing	62.4	0.4	252.0	1.6	419.7	46.3	2.5
Monthly subscription charges	184.2	1.3	200.5	1.2	134.0	14.8	0.8
Sale of Blackberry handsets and modems	206.5	1.4	35.0	0.2	1.7	0.2	0.0
Others	140.3	1.0	172.0	1.1	260.2	28.7	1.5
Up front discount and customer loyalty program	(1,087.1)	-7.6	(868.4)	-5.4	(953.0)	(105.1)	-5.7
Total cellular services operating revenues	14,300.2	100.0%	16,027.1	100.0%	16,750.9	1,847.3	100.0

A substantial proportion of our cellular subscribers, approximately 98.7% as of December31, 2011, are prepaid subscribers. We offer a variety of value-added services to our prepaid subscribers, which have increased cellular services operating revenues from value-added services, particularly SMS and value-added SMS, which allows subscribers to access a variety of information, such as politics, sports and business news. Revenues from value-added services (including SMS) represented 42.0%, and 43.9% and 44.8% of our cellular services operating revenues for the years ended December 31, 2009, 2010 and 2011, respectively. We expect the revenues derived from SMS and other value-added services to continue to increase, which we believe will be primarily driven by our wireless broadband services, the popularity of social networking sites and the development of other popular online content.

We recognize cellular revenues as follows:

- cellular revenues arising from airtime and roaming calls are recognized based on the duration of successful calls made through our cellular network;
- for post-paid subscribers, monthly service fees are recognized as the service is rendered;
- for prepaid subscribers, the activation component of starter package sales is deferred and recognized as revenue over the expected average period of the customer relationship. Sales of initial/reload vouchers are recorded as unearned revenue and recognized as revenue upon usage of the airtime or upon expiration of the airtime;
- sales of wireless broadband modems and cellular handsets are recognized upon delivery to the customers;
- revenues from wireless broadband data communications are recognized based on the duration of usage or fixed monthly charges depending on the arrangement with the customers;

- cellular revenues are presented on a net basis, after compensation to value added service providers;
- customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted. The Company records a liability at the time of reload and payment by its prepaid and post-paid subscribers, respectively, based on the fair value expected to be incurred to supply products in the future. The consideration received is allocated between the cellular products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points issued is deferred and recognized as revenue when the points are redeemed or when the redemption period expires;
- Consideration in the form of sales discount given by the Company to a dealer is recognized as a reduction of revenue. If the Company receives, or will receive, an identifiable benefit in exchange for a consideration given by the Company to a dealer, and the fair value of such benefit can be reasonably estimated, the consideration will be recorded as a marketing expense;
- revenues from network interconnection with other domestic and international telecommunications carriers are recognized monthly on the basis of the actual recorded traffic for the month.

*MIDI Services.*Our MIDI services operating revenues consist primarily of revenues from (i)Internet services provided by us, Indosat Mega Media ("IM2") and PT Aplikanusa Lintasarta ("Lintasarta"), (ii)IP VPN services, high-speed leased lines and frame relay services provided by us and Lintasarta, (iii)digital data network services provided by Lintasarta, (iv)satellite services, and (v) World link and Direct link.

We deferred installation service revenues for Internet services, frame net, World link and Direct line services, upon the completion of the installation or connection of equipment, and recognized as revenue over the expected customer relationship. We recognize revenues from monthly service fees and other MIDI services as the services are rendered. Revenues from usage charges for Internet services are recognized monthly based on the duration of Internet usage or based on the fixed amount of charges depending on the arrangement with the customers. We record satellite revenues on a straight-line basis over the lease period for the transponder. Monthly rent for satellite transponder capacity is based primarily on leased capacity.

A substantial portion of our MIDI services operating revenues is denominated in U.S. dollars and is thus affected by fluctuations in the Indonesian rupiah/U.S. dollar exchange rate. Our MIDI services operating revenues have also been affected recently by a number of other factors, including competition from domestic and international providers, declining tariffs and a migration from legacy services to IP-based services. We expect such trends to continue but believe that the effects on our operating revenues will be offset by increased volume of services leased by our corporate customers and increased demand for our customized services.

Fixed Telecommunications Services. Fixed telecommunications services include international long-distance, fixed wireless access services, and fixed line services. International long-distance services, which are comprised of our "001" and "008" IDD services, "Flatcall 01016" as well as operator-assisted and value-added services, represented 74.7% of our operating revenues from fixed telecommunications services for the year ended December31, 2011, and fixed wireless access and fixed line services represented the balance.

International Long-distance Services.Our international long-distance services operating revenues have two primary sources, incoming call revenues and outgoing call revenues. We have negotiated volume commitments and accounting rates with foreign telecommunications operators or have implemented a market termination rate-based pricing system, and receive net settlement payments from such carriers. Net settlement payments and accounting rates are generally denominated and paid in currencies other than the Indonesian rupiah, principally the U.S. dollar; accordingly, incoming call revenues are affected by fluctuations in exchange rates between the Indonesian rupiah and other currencies.

Fixed Wireless Access Services.As of December31, 2011, we had 228,889 fixed wireless access subscribers in 82 cities in Indonesia. By the end of 2010, we expanded our fixed wireless access services to several additional cities in order to create capacity for approximately four million fixed wireless access subscribers. As a result, we expect fixed wireless services to become a more important source of fixed telecommunications services operating revenues in future periods.

Fixed wireless access revenues arising from usage charges are recognized based on the duration of successful calls made through our fixed network. For postpaid subscribers, monthly service fees are recognized as the service is provided. For prepaid subscribers, the activation component of starter package sales is deferred and recognized as revenue over the estimated life of the customer relationship. Sale of initial or reload vouchers is recorded as unearned income and recognized as income upon usage of the airtime or upon expiration of the airtime.

Fixed Line Services.We currently have local and domestic long-distance coverage of 152 major cities in Indonesia. Revenues from fixed line installations are recognized as revenue over the estimated life of customer relationship. Revenues from usage charges are recognized based on the duration of successful calls made through our fixed network.

Operating Expenses

Our principal operating expenses include cost of services, depreciation and amortization, personnel expenses, marketing expenses and general and administration expenses.

Certain of our expenses are denominated in U.S. dollars or currencies other than the Indonesian rupiah. Such expenses may include those for international interconnection settlements, certain maintenance agreements and consultancy fees.

*Costs of Services.*Costs of services expenses include interconnection expenses, radio frequency fee, maintenance, utilities, rents, leased circuits, the cost of SIM cards and pulse reload vouchers, USO, Blackberry access fee, installation and concession fee.

*Depreciation and Amortization.*We use the straight-line depreciation method for our property, facilities and equipment over their estimated useful lives. A significant portion of our depreciation expenses relate to our cellular services assets. As we continue to expand and enhance the coverage, capacity and quality of our networks, we expect expenses for depreciation to increase. However, we expect that the Tower Sale Transaction, if completed, will result in significant operational expenditure savings in the form of a reduction of depreciation and amortization expenses as a result of the disposal of part of our fixed asset base. We anticipate these savings will be partially offset by an increase in lease expense associated with the leaseback of the tower assets to be transferred in the Tower Sale Transaction.

Marketing. Marketing expenses primarily include exhibition, promotion and advertisement expenses associated with our marketing programs.

Personnel. Personnel expense primarily include salaries, incentives and other employee benefits, bonuses, employee income tax, post-retirement healthcare benefits, medical expense and outsourcing.

*General and Administration.*General and administration expenses primarily include rent, professional fees, utilities, provision for impairment of receivables, transportation and office.

Other Income (Expense)

The major components of our other income (expense) are interest income, gain (loss) on foreign exchange—net, financing cost, gain (loss) on change in the fair value of derivatives—net. Foreign exchange gain or loss has typically been affected by the amount of non-Indonesian rupiah-denominated debt outstanding, accounts receivable from overseas international carriers and non-Indonesian rupiah-denominated cash and cash equivalents. We currently hedge a portion of our ING/DBS Syndicated Loan Facility. Financing cost Includes interest on loans, bank charges and loss on redemption of our Guaranteed Notes due 2010 and 2012.

Taxation

Current tax expense is provided based on the estimated taxable income for the period. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carryover of unused tax losses, are also recognized to the extent that realization of such benefits is probable. The tax effects for the period are allocated to current operations, except for the tax effects from transactions which are directly charged or credited to stockholders' equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are credited or charged to current period operations, except to the extent that they relate to items previously charged or credited to stockholders' equity.

For each of the consolidated entities, the tax effects of temporary differences and tax loss carryover, which individually are either assets or liabilities, are shown at the applicable net amounts.

Profit attributable to Owners of the Company (previously net income)

Our *profit attributable to owners of the company* for the years ended December 31, 2009, 2010 and 2011 is not necessarily commensurate to our operating revenues and operating income during such periods, in part due to large fluctuations in several non-operating items, which have impacted our *profit attributable to owners of the company* over such periods. Such non-operating items include, among others, fluctuations in income tax deferred, gain or loss on foreign exchange - net, and gain or loss on change in the fair value of derivatives - net. We expect this trend to continue, in part as a result of the anticipated impact of the Tower Sale Transaction, pursuant to which we expect to record a significant gain in other income, if completed

Results of Operations

The following table sets forth selected comprehensive income data expressed as a percentage of total operating revenues for the periods indicated:

	For the years ended December31,		
	2009	2010	2011
Operating revenues:			
Cellular	76.0%	81.0%	81.4%
MIDI	14.4%	12.5%	12.5%
Fixed telecommunications	9.6%	6.5%	6.1%
Total operating revenues	**100.0%**	**100.0%**	**100%**
Operating expenses:			
Cost of services	37.7%	35.9%	36.9%
Depreciation and amortization	29.5%	31.1%	32.0%
Personnel	7.7%	7.1%	9.2%
Marketing	4.3%	5.0%	5.0%
General and administration	3.8%	3.5%	3.2%
Total operating expenses	**83.0%**	**82.6%**	**86.3%**
Net Profit:			
Operating income	17.1%	17.4%	13.8%
Other expense-net	(5.1)%	(11.9)%	(8.0)%
Profit before income tax	11.9%	5.5%	5.7%
Income tax expense-net	(3.6)%	(1.8)%	(1.2)%
Profit attributable to Owners of the Company	8.0%	3.3%	4.1%
Profit attributable to Non-controlling interest	0.3%	0.4%	0.5%

The following table sets forth our operating revenues from our various business segments for the periods indicated:

	For the years ended December31,						
	2009		2010		2011		
	Rp	%	Rp	%	Rp	US$	%
	(Rp in billions, US$ in millions, except percentages)						
Cellular							
Usage charges	7,085.7	49.6%	7,944.0	49.6%	8,203.8	904.7	49.0%
Value-added services	5,999.0	42.0%	7,039.2	43.9%	7,502.1	827.3	44.8%
Interconnection service	1,709.2	11.9%	1,252.8	7.8%	1,182.4	130.4	7.1%
Tower leasing	62.4	0.4%	252.0	1.6%	419.7	46.3	2.5%
Monthly subscription charges	184.2	1.3%	200.5	1.2%	134.0	14.8	0.8%
Sale of Blackberry handsets	206.5	1.4%	35.0	0.2%	1.7	0.2	0.0%
Upfront discount and customer loyalty program	(1,087.1)	-7.6%	(868.4)	-5.4%	(953.0)	(105.1)	-5.7%
Others	140.3	1.0%	172.0	1.1%	260.2	28.7	1.5%
Subtotal	**14,300.2**	**100.0%**	**16,027.1**	**100.0%**	**16,750.9**	**1,847.3**	**100.0%**
MIDI							
IP VPN	566.1	20.8%	605.6	24.4%	695.9	76.7	27.0%
Internet	677.4	24.9%	519.6	21.0%	375.7	41.4	14.6%
World link and direct link	394.2	14.4%	278.8	11.3%	295.0	32.5	11.5%
Leased line	211.1	7.7%	189.1	7.6%	261.4	28.8	10.1%
Application services	146.1	5.4%	168.2	6.8%	192.6	21.2	7.4%
Satellite lease	113.1	4.2%	136.0	5.5%	150.9	16.6	5.9%
Frame net	276.5	10.2%	227.1	9.2%	123.2	13.6	4.8%
Digital data network	144.6	5.3%	94.7	3.8%	103.1	11.4	4.0%
MPLS	67.1	2.5%	66.6	2.7%	89.9	9.9	3.5%
Others	124.8	4.6%	190.5	7.7%	288.3	32.0	11.2%
Subtotal	**2,721.0**	**100.0%**	**2,476.2**	**100.0%**	**2,576.0**	**284.1**	**100.0%**
Fixed Telecommunications							
International Calls	1,422.2	78.9%	993.2	76.8%	934.0	103.0	74.7%
Fixed Wireless	249.9	13.9%	174.2	13.5%	192.8	21.2	15.4%
Fixed Line	130.9	7.2%	125.8	9.7%	123.2	13.6	9.9%
Subtotal	**1,803.0**	**100.0%**	**1,293.2**	**100.0%**	1,250.0	137.8	**100.0%**
Total	**18,824.2**		**19,796.5**		**20,576.9**	**2,269.2**	

Operating Revenues

Year ended December 31, 2010 compared to Year ended December 31, 2011

Total operating revenues increased from Rp19,796.5 billion in 2010 to Rp20,576.9 billion (US$2,269.2 million) in 2011, or 3.9%, primarily as a result of an increase in our cellular services revenue and our MIDI services revenue. During 2011, operating revenues from cellular services increased by Rp723.8 billion, or 4.5%, from Rp16,027.1 billion in 2010. Operating revenues from MIDI services increased by Rp99.7 billion, or 4.0%, from Rp2,476.2 billion in 2010. Operating revenues from fixed telecommunications services in 2011 decreased by Rp43.2 billion, or 3.3%, from Rp1,293.2 billion in 2010.

*Cellular Services.*In 2011, we recorded cellular services operating revenues of Rp16,750.9 billion (US$1,847.3 million), an increase of 4.5% from Rp16,027.1 billion in 2010. We believe that the increase was primarily a result of an increase in the number of subscribers and in the revenue from tower leasing. Operating revenues from cellular services represented 81.4% of our total operating revenues for 2011, which is higher than the percentage for 2010.

Usage charges increased by Rp259.8 billion, or 3.3%, from 2010, and represented 49.0% of our total cellular services operating revenues. This increase in usage was primarily due to an increase in the total Minutes of Usage by our subscribers.

In 2011, cellular services operating revenues generated by value-added services increased by Rp462.9 billion, or 6.6%, compared to 2010. The contribution of value-added services to cellular services operating revenues increased by 0.9% from 43.9% in 2010 to 44.8% in 2011. The increase in operating revenues from value-added services, as well as the increase in the contribution of revenues from value-added services to our overall cellular operating revenues, was driven by an increase in SMS usage.

*MIDI Services.*In 2011, operating revenues from MIDI services increased by Rp99.7 billion from Rp2,476.2 billion in 2010 to Rp2,576.0 billion (US$284.1 million) in 2011. IP VPN operating revenues represent the largest component of MIDI services operating revenue. IP VPN operating revenues increased by Rp90.2 billion from Rp605.6 billion in 2010 to Rp695.9 billion in 2011. The increase in MIDI services operating revenues, including those from international and domestic leased line services, was primarily due to increase in usage by consumers despite a decline in prices of our services as a result of competitive pressure.

*Fixed Telecommunications Services.*There was a decrease in fixed telecommunications services operating revenues from Rp1,293.2 billion in 2010 to Rp1,250.0 billion (US$137.8 million) in 2011. Operating revenues from international calls and fixed wireless access services represented 74.7% and 15.4%, respectively, of fixed telecommunications services operating revenues in 2011. The remaining 9.9% of fixed telecommunications services operating revenues in 2011 was generated by fixed line and other services. Revenues from international calls decreased from Rp993.2 billion in 2010 to Rp934.0 billion (US$103.0 million) in 2011 due to a decrease in outgoing IDD traffic from Indosat and non-Indosat subscribers. The total volume of international calls from our “001” and “008” gateways increased by 11.4% from 2,186.9 million minutes in 2010 to 2,437.0 million minutes in 2011. Total incoming traffic increased by 15.5% from 1,723.9 million minutes in 2010 to 1,991.7 million minutes in 2011, primarily due to volume commitments from foreign telecommunications operators. Outgoing traffic decreased by 3.8% from 463.0 million minutes in 2010 to 445.3 million minutes in 2011 due to the decrease in volume commitments from foreign telecommunications operators.

Operating Expenses

Operating expenses increased by Rp1,391.6 billion, or 8.5%, from Rp16,355.2 billion in 2010 to Rp17,746.8 billion (US$1,957.1 million) in 2011, primarily due to increases in personnel expenses, cost of services expenses, depreciation and amortization expenses and marketing expenses. This increase was offset in part by a decrease in administration and general expenses.

Personnel expenses increased by Rp480.7 billion, or 34.1%, from Rp1,411.2 billion in 2010 to Rp1,891.9 billion (US$208.6 million) in 2011, primarily due to an increase in compensation expense related to the severance packages provided to participants in the VSS program, which was launched in January 2011 and completed in June 2011 for the company and in December 2011 for Lintasarta.

Cost of services expenses increased by Rp474.3 billion, or 6.7%, from Rp7,113.4 billion in 2010 to Rp7,587.7 billion (US$836.8 million) in 2011, primarily as a result of increased Governmental levies on frequency fees and 3G spectrum fees, increases in BlackBerry license fees, tower rental costs and the cost of SIM cards and pulse reload vouchers.

Depreciation and amortization expenses increased by 7.0% from Rp6,151.9 billion in 2010 to Rp6,580.7 billion (US$725.7 million) in 2011, primarily as a result of the continued growth of our fixed asset base. The total cost of our property and equipment increased from Rp78,101.2 billion in 2010 to Rp82,201.0 billion (US$9,065.0 million) in 2011.

Marketing expenses increased by Rp37.7 billion, or 3.8%, from Rp986.0 billion in 2010 to Rp1,023.7 billion (US$112.9 million) in 2011, driven primarily by an increase in advertising and promotional expenses in large part related to our "50 Million Customer" campaign, a promotional campaign launched in October 2011 celebrating our attainment of over 50 million customers.

General and administration expenses decreased by Rp29.9 billion, or 4.3%, from Rp692.6 billion in 2010 to Rp662.7 billion (US$73.1 million) in 2011, primarily due to a decrease in provision for the impairment of receivables.

Operating Income

As a result of the above factors, operating income decreased by Rp611.2 billion, or 17.8%, from Rp3,441.3 billion in 2010 to Rp2,830.1 billion (US$312.1 million) in 2011.

Other Expenses-Net

Other expenses-net decreased by Rp711.3 billion, from Rp2,359.5 billion in 2010 to Rp1,648.2 billion (US$181.8 million) in 2011, primarily due to an increase gain on foreign exchange gains on changes in fair value of derivatives and a decrease in financing costs.

Gain on foreign exchange-net of Rp492.4 billion in 2010 decreased to Rp36.7 billion (US$4.1 million) in 2011. The exchange rate decreased from Rp8,991 : US$1 as of December31, 2010 to Rp9,068 : US$1 as of December31, 2011, compared to the decrease from Rp9,400 : US$1 as of December31, 2009 to Rp8,991 : US$1 as of December31, 2010.

We recorded a gain on change in fair value of derivatives-net of Rp57.9 billion (US$6.4 million), representing an increase of Rp476.0 billion, over a loss on change in fair value of derivatives-net of Rp418.1 billion in 2010 due to the depreciation of the Indonesian rupiah against the U.S. dollar.

We recorded a decrease in interest income to Rp81.5 billion (US$9.0 million) in 2011, which represented a decrease of Rp61.9 billion, or 43.2%, from Rp143.4 billion in 2010, due to our lower average cash balance.

We recorded a decrease in financing cost to Rp1,789.7 billion (US$197.4 million) in 2011, which represented a decrease of Rp481.9 billion, or 21.2%, from 2,271.6 billion in 2010 as a result of lower overall.

Others-net decreased by Rp44.6 billion, from Rp79.2 billion in 2010 to Rp34.7 billion (US$3.8 million) in 2011 primarily due to a decrease in tax expense and related penalties, which was partially offset by a decrease in both submarine cable restoration revenue and dividend revenue on our investment in ASEAN Cableship Pte. Ltd.

Income Tax Expense-Net

We recorded income tax expense—net of Rp249.4 billion (US$27.5 million) in 2011 compared to Rp357.8 billion in 2010. The decrease in income tax expense-

net was primarily due to a decrease in income before tax resulting from a decrease in operating income and gain on foreign exchange.

Profit attributable to Owners of the Company (previously net income)

Our *profit attributable to owners of the Company* increased by Rp187.8 billion, or 29.0%, from Rp647.2 billion in 2010 to Rp835.0 billion (US$92.1 million) in 2011 due to the foregoing factors.

Year ended December 31, 2009 compared to Year ended December 31, 2010

Total operating revenues increased from Rp18,824.2 billion in 2009 to Rp19,796.5 billion (US$2,201.8 million), or 5.2%, primarily as a result of an increase in our cellular services revenue. During 2010, operating revenues from cellular services increased by Rp1,726.9 billion, or 12.1%, from Rp14,300.2 billion in 2009. Operating revenues from MIDI services decreased by Rp244.8 billion, or 9.0%, from Rp2,721.0 billion in 2009. Operating revenues from fixed telecommunications services in 2010 decreased by Rp509.8 billion, or 28.3%, from Rp1,803.0 billion in 2009.

*Cellular Services.*In 2010, we recorded cellular services operating revenues of Rp16,027.1 billion (US$1,782.6 million), an increase of 12.1% from Rp14,300.2 billion in 2009. We believe that the increase was primarily a result of an increase in the number of subscribers. Operating revenues from cellular services represented 81.0% of our total operating revenues for 2010, which is higher than the percentage for 2009.

Usage charges increased by Rp858.2 billion, or 12.1%, from 2009, and represented 49.6% of our total cellular services operating revenues. This increase in usage was primarily due to an increase in the minutes of usage by our subscribers.

In 2010, cellular services operating revenues generated by value-added services increased by Rp1,040.3 billion, or 17.3%, compared to 2009. The contribution of value-added services to cellular services operating revenues increased by 1.9% from 42.0% in 2009 to 43.9% in 2010. The increase in operating revenues from value-added services, as well as the increase in the contribution of revenues from value-added services to our overall cellular operating revenues, was driven by an increase in usage of SMS and wireless broadband.

*MIDI Services.*In 2010, operating revenues from MIDI services decreased by Rp244.8 billion from Rp2,721.0 billion in 2009 to Rp2,476.2 billion (US$275.4 million) in 2010. IP VPN operating revenues represent the largest component of MIDI services operating revenue. IP VPN operating revenues increased by Rp39.6 billion from Rp566.1 billion in 2009 to Rp605.7 billion in 2010. The reduction in MIDI services operating revenues, including those from Internet services, as well as international and domestic leased line services, was primarily due to increased competition and a decline in prices of our services.

*Fixed Telecommunications Services.*There was a decrease in fixed telecommunications services operating revenues from Rp1,803.0 billion in 2009 to Rp1,293.2 billion (US$143.8 million) in 2010. Operating revenues from international calls and fixed wireless access services represented 76.8% and 13.5%, respectively, of fixed telecommunications services operating revenues in 2010. The remaining 9.7% of fixed telecommunications services operating revenues in 2010 was generated by fixed line and other services. Revenues from international calls decreased from Rp1,422.2 billion in 2009 to Rp993.2 billion (US$110.5 million) in 2010 due to a decrease in outgoing IDD traffic from Indosat and non-Indosat subscribers. The total volume of international calls from our "001" and "008" gateways increased by 6.1% from 2,060.5 million minutes in 2009 to 2,186.9million minutes in 2010. Total incoming traffic increased by 10.6% from 1,558.5 million minutes in 2009 to 1,723.9million minutes in 2010, primarily due to volume commitments from foreign telecommunications operators. Outgoing traffic decreased by 7.8% from 502.0million minutes in 2009 to 463.0million minutes in 2010 due to the decrease in volume commitments from foreign telecommunications operations.

Operating Expenses

Operating expenses increased by Rp714.6 billion, or 4.6%, from Rp15,640.5 billion in 2009 to Rp16,355.2 billion (US$1,819.1 million) in 2010, primarily due to increases in depreciation and amortization expenses and cost of services expenses. This increase was offset in part by decreases in personnel cost and administration and general expenses in the year.

Cost of services expenses increased by Rp25.5 billion, or 0.4%, from Rp7,087.9 billion in 2009 to Rp7,113.4 billion (US$791.2 million) in 2010, primarily as a result of increased Government levies on frequency fees, USO and concession fees. The increase can also be attributed to rental payments for additional BTSs, increases in interconnection cost and increase in maintenance relating to increase in our fixed assets.

Depreciation and amortization expenses increased by 10.6% from Rp5,561.4 billion in 2009 to Rp6,151.9 billion (US$684.2 million), primarily as a result of the continued growth of our fixed asset base, including our new Palapa-D satellite. The total cost of our property and equipment increased from Rp74,818.5 billion in 2009 to Rp78,101.2 billion (US$8,686.6 million) in 2010.

Personnel expense decreased by Rp40.4 billion, or 2.8%, from Rp1,451.6 billion in 2009 to Rp1,411.2 billion (US$157.0 million) in 2010, primarily due to a decrease in the post-employment benefits, of salary continuation before retirement (MPP) benefit and partially offset by the increase in the salaries and bonuses.

Marketing expenses increased by Rp169.1 billion, or 20.7%, from Rp816.9 billion in 2009 to Rp986.0 billion (US$109.7 million) in 2010, primarily due to the additional cost that we spent for the new dealer incentive strategy that we applied in 2010. We believe the new dealer incentive strategy will assist us in maintaining our loyal subscribers, as well as gaining new loyal subscribers.

General and administration expenses decreased by Rp30.2 billion, or 4.2%, from Rp722.8 billion in 2009 to Rp692.6 billion (US$77.0 million) in 2010, primarily due to a decrease in provision for impairment of receivables, rental cost, professional fee and office supplies expenses, as we continued to implement our efficiency program, designed to minimize non operational costs.

Operating Income

As a result of the above factors, operating income increased by Rp257.7 billion, or 8.1%, from Rp3,183.6 billion in 2009 to Rp3,441.3 billion (US$382.8 million) in 2010.

Other Expenses-Net

Other expenses-net increased by Rp1,407.9 billion, from Rp951.7 billion in 2009 to Rp2,359.5 billion (US$262.4 million) in 2010, primarily due to a lower gain on foreign exchange, driven by the smaller appreciation of the Indonesian rupiah against the U.S. dollar compared to the previous year. Gain on foreign exchange-net of Rp1,656.4

billion in 2009 decreased to Rp492.4 billion (US$54.8 million) in 2010. The exchange rate decreased from Rp9,400 : US$1 as of December 31, 2009 to Rp8,991:US$1 as of December 31, 2010, compared to the decrease from Rp10,950:US$1 as of December31, 2008 to Rp9,400:US$1 as of December 31, 2009.

Loss on change in fair value of derivatives-net decreased by Rp99.5 billion from Rp517.6 billion in 2009 to Rp418.1 billion (US$46.5 million) in 2010 due to the appreciation of the Indonesian rupiah against the U.S. dollar.

We recorded an increase in interest income to Rp143.4 billion (US$15.9 million) in 2010, which represented an increase of Rp4.4 billion, or 3.2%, over 2009, due to our higher average cash balance.

Others-net decreased by Rp41.7 billion, from Rp121.0 billion in 2009 to Rp79.2 billion (US$8.8 million) in 2010 primarily due to an increase in submarine cable restoration revenue and gain on sale of property and equipment.

Income Tax Expense-Net

We recorded income tax expense—net of Rp357.8 billion (US$39.8 million) in 2010 compared to Rp677.3 billion in 2009. The decrease in income tax expense-net was primarily due to the lower in income before tax related to lower gain on foreign exchange and higher financing cost.

Profit attributable to Owners of the Company (previously net income)

Our *profit attributable to owners of the company* decreased by Rp851.1 billion, or 56.8%, from Rp1,498.2 billion in 2009 to Rp647.2 billion (US$72.0 million) due to the foregoing factors.

B. LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements have historically arisen from the need to finance investments and capital expenditures related to the expansion of our telecommunications business. Our telecommunications business requires substantial capital expenditures to construct and expand mobile and data network infrastructure and to fund operations, particularly during the network development stage. Although we have substantial existing network infrastructure, we expect to incur additional capital expenditures in order to focus cellular network development in areas that we anticipate to be high-growth areas, as well as to enhance the quality and coverage of our existing network.

We believe our current cash and cash equivalents, cash flow from operations and available sources of financing will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and planned capital expenditures, for the foreseeable future. In addition, if completed, we expect to apply a portion of the cash proceeds from the Tower Sale Transaction towards funding capital expenditures, repayment of outstanding debt and general corporate purposes. Nonetheless, if global or Indonesian economic conditions worsen, competition or product substitution accelerates beyond current expectations or the value of the Indonesian rupiah depreciates significantly against the U.S. dollar, our net cash flow from operating activities may decrease and the amount of required capital expenditures in Indonesian rupiah terms may increase, any of which may negatively impact our liquidity.

Cash Flows

The following table sets forth certain information regarding our historical cash flows:

	For the years ended December31,			
	2009	2010	2011	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
Net cash flows:				
Provided by operating activities	4,106.1	6,848.6	7,320.1	807.3
Used in investing activities	(10,670.7)	(5,970.7)	(6,037.9)	(665.9)
Provided by (used in) financing activities	3,724.7	(1,629.7)	(1,135.5)	(125.2)
Net foreign exchange differences from cash and cash equivalents	(54.9)	(9.6)	2.1	0.2

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to Rp4,051.2 billion, Rp6,839.0billion and Rp7,053.8 billion (US$777.9 million) for 2009, 2010 and 2011, respectively. In 2011, net cash provided by operating activities increased primarily due to increased receipts from customers.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to Rp10,670.7 billion, Rp5,970.7billion and Rp6,037.9 billion (US$665.9 million) for 2009, 2010 and 2011, respectively. Net cash used in investing activities for 2009, 2010 and 2011 has been driven primarily by acquisitions of property and equipment, totaling Rp10,684.7 billion, Rp6,495.1 billion and Rp6,047.9 billion (US$666.9 million), respectively, as we expanded our network coverage and capacity during those years. The property and equipment purchased consisted primarily of exchange and network assets, subscribers' apparatus and other equipment and buildings and improvements to building leased property.

Net Cash Provided by (Used In) Financing Activities

Net cash provided by (used in) financing activities amounted to Rp3,724.7 billion, Rp1,629.7 billion and Rp1,135.5 billion (US$125.3 million) in 2009, 2010 and 2011, respectively. Net cash used in financing activities in 2011 related primarily to repayment of long-term debts and bonds payable which was partially offset by proceeds from loan.

Net Foreign Exchange Difference from Cash and Cash Equivalent

Represent net effect from valuation of cash and cash equivalent on balance sheet date. Net foreign exchange effect in 2011 represent decrease of Rupiah exchange rate from Rp8,991:US$1 as of December 31, 2010 to Rp9,068:US$1 as of December 31, 2011.

Principal Indebtedness

The following table sets forth our outstanding borrowings as of December 31, 2009, 2010 and 2011:

	As of December31,			
	2009	2010	2011	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
Short term loan (net of unamortized issuance costs)	_	_	1,499.2	165.3
Loans payable (net of unamortized issuance costs and unamortized consent fees, and current maturities)	12,721.3	7,666.8	6,425.8	708.6
Bonds payable (net of unamortized issuance costs, unamortized discount, unamortized consent fees, and current maturities)	8,472.2	12,114.1	12,138.3	1,338.6
Current maturities of loans payable	1,440.2	3,184.1	3,300.5	364.0
Current maturities of bonds payable	2,840.7	1,098.1	42.0	4.6

The decrease in loans payable (net of unamortized issuance cost, unamortized consent fee and current maturities) to Rp6,425.8 billion (US$708.6 million) as of December31, 2011, from Rp7,666.8 billion as of December31, 2010 was primarily due to installment payments made with respect to debt during 2011.

We expect to apply a portion of the cash proceeds from the Tower Sale Transaction, if completed, towards repaying indebtedness of an aggregate principal amount of approximately Rp997.5 billion (US$110.0 million) maturing in 2012. Completion of the Tower Sale Transaction is subject to various approvals including those of certain of our bondholders and lenders and Tower Bersama's shareholders.

Certain of our debt instruments (other than the Guaranteed Notes due 2020) obligate us to maintain a specified maximum ratio of debt (or loans) to equity, or the debt to equity ratio, which, prior to February 2009, was 1.75 to 1.0, or 175%. As a result of amendments we requested to such instruments and agreements, and agreed with our lenders and the trustee for bondholders in February and March 2009, the debt to equity ratio required by such debt instruments is now 2.50 to 1.0, or 250%. We also requested and were granted consents to amendments to certain defined terms in the debt to equity ratios so that the definition is uniform across all such instruments and agreements. The Guaranteed Notes due 2020 do not contain a debt to equity ratio requirement.

Because a portion of our liabilities are U.S. dollar-denominated, we were exposed to fluctuations in the Indonesian rupiah. Depreciation in the Indonesian rupiah and an increase in foreign exchange volatility exposed us to short-term accounting adjustments which impacted our financial ratios. To help address the impact of such currency fluctuations in 2009, we amended the debt to equity ratio covenants in all of our applicable debt instruments and agreements to increase the ratio from 1.75 to 2.50, in order to provide us with additional "cushion" in the event of adverse foreign exchange movements. We also amended the debt to equity ratio covenants in order to better reflect the effect of our hedging policies on this ratio, and amended the definitions of "Debt" and "Equity" in such debt instruments and agreements in order to provide additional headroom under these line items. The Guaranteed Notes due 2020 do not contain a debt to equity requirement.

As part of the amendments approved in 2009, we obtained consents to the following amendments to defined terms in certain of our applicable debt instruments and agreements: (i)excluding non-cash items, including foreign exchange gains or losses, from the definition of "EBITDA"; (ii)excluding interest-bearing procurement payables from the definition of "Debt" unless their maturities are in excess of six months from the invoice date; and (iii)including in "Equity" (a) minority interests, for entities the debt of which is 100% consolidated by us, and (b)subordinated shareholder loans.

While we believe that the foregoing amendments provide us with sufficient cushion in the event of volatility in the U.S. dollar—Indonesian rupiah exchange rates, we cannot assure you that further and more intense volatility than that experienced in the past 12 months will not occur, which could cause us to breach our financial covenants.

Set forth below are calculations of our historical financial ratios that are contained in our financial covenants under Indonesian GAAP as required by our debt agreements.

	Ratio Required	As of and for the years ended December 31, 2009	2010	2011	
		Rp	Rp	Rp	US$
		(Rp in billions, US$ in millions, except percentages)			
Financial Position and Comprehensive Income Data:					
Short term loan		_	_	1,499.2	165.3
Current maturities from:					
Loans payable		1,440.2	3,184.2	3,300.5	364.0
Bonds payable		2,840.7	1,098.1	42.0	4.6
Loans payable—net of current maturities:					
Related party		2,192.5	997.0	—	—
Third parties		10,528.8	6,669.8	6,425.8	708.6
Bonds payable—net of current maturities		8,472.2	12,114.1	12,138.4	1,338.6
Unamortized issuance cost, consent solicitation fees and discounts		338.5	336.1	266.1	29.3
Total Debt(1)		25,812.9	24,399.3	23,672.1	2,610.4
Total Assets		55,041.5	52,818.2	52,172.3	5,753.5
Total Liabilities		36,753.2	34,581.7	33,356.3	3,678.5
Total Equity(2)		18,288.3	18,236.5	18,816.0	2,075.0
Operating Income		3,183.6	3,441.4	2,830.1	312.1
Depreciation and Amortization		5,561.4	6,151.9	6,580.8	725.7
EBITDA(3)		8,745.0	9,593.3	9,410.9	1,037.8
Interest Expense(4)		1,808.6	2,080.3	1,700.1	187.5
Financial Ratios:					
Debt to Equity ratio(5)	<2.50x	1.41x	1.34x	1.26x	1.26x
Debt to EBITDA ratio(6)	<3.50x	2.95x	2.54x	2.52x	2.52x
EBITDA to Interest Expense ratio(7)	>3.00x	4.83x	4.61x	5.54x	5.54x

(1) We define total debt as total loans payable and bonds payable (current and non-current maturities), unamortized issuance cost (loans, bonds and notes), unamortized consent solicitation fees (loans and bonds) and unamortized discounts (loans and notes).
According to the amended definition, "Debt" means, with respect to any person on any date of determination (without duplication):
(a) the principal of and premium (if any) in respect of debt of such person for money borrowed and debt evidenced by notes, debentures, bonds or other similar instruments for the payment of which such person is responsible or liable which in any such case, bears interest or on which interest accrues; and
(b) all obligations of such person in relation to procurement payables constituting accounts payable to such person's suppliers which bear interest or on which interest accrues and payment for such accounts payable is due more than six (6)months after the relevant invoice date, but, in relation to any member of the Company or its subsidiaries (together the "Group"), or the Group, deducting all indebtedness advanced by any (direct or indirect) shareholder of the Company to such member of the Group which is subordinated to any indebtedness falling under paragraph (a)or (b)above.

(2) We define equity as total stockholders' equity and minority interest. According to the amended definition, "Equity" means total assets less total liabilities, where total liabilities exclude all indebtedness advanced by any (direct or indirect) shareholder of the Company to any member of the Group which is subordinated to any Debt.

(3) We have defined EBITDA as earnings before interest, amortization of goodwill, non-operating income and expense, income tax expense, depreciation and minority interest in net income of subsidiaries as reported in the consolidated financial statements prepared under Indonesian GAAP. EBITDA is not a standard measure under either Indonesian GAAP or IFRS. As the telecommunications business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the net income of companies with similar operating results. Therefore, we believe that EBITDA provides a useful reflection of our operating results and that net income is the most directly comparable financial measure to EBITDA as an indicator of our operating performance. You should not consider our definition of EBITDA in isolation or as an indicator of operating performance, liquidity or any other standard measure under either Indonesian GAAP or IFRS, or other companies' definition of EBITDA. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments. According to the amended definition, "EBITDA" means, for any period, an amount equal to the sum of operating income (calculated before finance costs, taxes, non-operating income or expenses and extraordinary and exceptional items) plus depreciation and amortization and, in the case of any testing or calculation of the ratio of aggregate Debt of the Group, to EBITDA of the Group after giving pro forma effect to any material acquisition or disposal of assets or businesses as if such acquisition or disposal had occurred on the first day of such period. The following table reconciles our net income under Indonesian GAAP to our definition of EBITDA for the periods indicated:

	For the years ended December 31,			
	2009	2010	2011	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
EBITDA under Indonesian GAAP	8,745.0	9,593.3	9,410.9	1,037.8
Adjustments:				
Amortization of goodwill	(235.4)	(226.4)	—	—
Interest income	139.0	143.4	81.5	9.0
Financing cost (including interest expense)	(1,873.0)	(2,271.6)	(1,789.7)	(197.4)
Gain (loss) on change in fair value of derivatives—net	(517.7)	(418.1)	57.9	3.1
Others—net	(121.0)	(79.2)	(34.7)	(3.8)
Gain (loss) on foreign exchange—net	1,656.4	492.4	36.7	4.0
Income tax expense—net	(677.3)	(357.8)	(249.4)	(27.5)
Depreciation and amortization	(5,561.4)	(6,151.9)	(6,580.8)	(725.7)
Minority interest in net income of subsidiaries	(56.5)	(76.8)	(97.5)	(10.8)
Net income under Indonesian GAAP	**1,498.2**	**647.2**	**835.0**	**92.1**

The following table reconciles our EBITDA under Indonesian GAAP to IFRS for the periods indicated:

	For the years ended December31,			
	2009	2010	2011	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in million)			
EBITDA under Indonesian GAAP	8,745.0	9,593.3	9,410.9	1,037.8
Dealer commissions	—	46.9	4.5	0.5
Deferred connection fees	22.7	11.8	2.3	0.3
EBITDA under IFRS*	8,767.7	9,651.7	9,417.7	1,038.6

(4) "Interest Expense" means, for any period, interest expense on Debt.

(5) Using IFRS results, Total Debt would be Rp25,807.1 billion, Rp24,399.3 billion and Rp22,172.1 billion (US$2,445.1 million) as of December 31, 2009, 2010 and 2011, respectively, and Total Equity would be Rp18,574.9 billion, Rp18,702.0 billion and Rp19,273.0 billion (US$2,125.4 million) as of December 31, 2009, 2010 and 2011, respectively, resulting in a Debt to Equity ratio of 139%, 130% and 115% as of December31, 2009, 2010, and 2011, respectively.

(6) Using IFRS results, Total Debt would be Rp25,807.1 billion, Rp24,399.3 billion and Rp22,172.1 billion (US$2,445.1 million) as of December 31, 2009, 2010 and 2011, respectively, and EBITDA would be Rp8,767.7 billion, Rp9,651.7 billion and Rp9,417.7 billion (US$1,038.6 million) for the year ended December 31, 2009, 2010 and 2011, respectively, resulting in a Debt to EBITDA ratio of 293%, 252% and 236% as of December 31, 2009, 2010 and 2011, respectively.

(7) Using IFRS results, EBITDA would be Rp8,767.7 billion, Rp9,651.7 billion and Rp9,417.7 billion (US$1,038.6 million) for the year ended December 31, 2009, 2010 and 2011, respectively, and Interest Expense would be Rp1,808.6 billion, Rp2,080.3 billion and Rp1,700.1 billion (US$187.5 million) for the year ended December 31, 2009, 2010 and 2011, respectively, resulting in an EBITDA to Interest Expense ratio of 485%, 464% and 554% as of December31, 2009, 2010, and 2011 respectively.

From time to time, we may repurchase a portion of our debt securities through open-market transactions based on general market conditions.

The following table summarizes our primary long-term indebtedness and bonds payable as of December 31, 2009, 2010 and 2011.

	As of December31,			
	2009	2010	2011	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
Short term loan:				
Mandiri revolving time loan facility – net of unamortized issuance cost	—	—	1,499.2	165.3
Bonds Payable:				
Guaranteed Notes Due 2020—net of unamortized discount and unamortized notes issuance cost	—	5,749.6	5,809.6	640.7
Fifth Indosat Bonds—net of unamortized bonds issuance cost	2,587.2	2,589.0	2,591.0	285.7
Guaranteed Notes Due 2010—net of unamortized notes issuance cost	2,202.7	—	—	—
Seventh Indosat Bonds—net of unamortized bonds issuance cost	1,293.8	1,294.6	1,295.6	142.9
Sixth Indosat Bonds—net of unamortized bonds issuance cost	1,073.0	1,074.6	1,076.4	118.7
Indosat Sukuk Ijarah III—net of unamortized bonds issuance cost	566.4	567.4	568.5	62.7
Indosat Sukuk Ijarah II—net of unamortized bonds issuance cost	398.1	398.5	398.9	44.0
Second Indosat Bonds	199.4	199.3	199.3	22.0
Indosat Sukuk Ijarah IV—net of unamortized bonds issuance cost	199.0	199.1	199.2	22.0
Limited Bonds II issued by Lintasarta(1)	25.0	25.0	25.0	2.8
Limited Bonds I issued by Lintasarta(2)	17.0	17.0	17.0	1.9
Guaranteed Notes Due 2012—net of unamortized notes discount and unamortized notes issuance cost	1,018.8	—	—	—
Fourth Indosat Bonds—net of unamortized bonds issuance cost	811.0	813.6	—	—
Third Indosat Bonds—net of unamortized bonds issuance cost	637.9	—	—	—
Indosat Syari'ah Ijarah Bonds—net of unamortized bonds issuance cost	283.6	284.5	—	—
Total bonds payable	11,312.9	13,212.2	12,180.4	1,343.2
Less current maturities	2,840.7	1,098.1	42.0	4.6
Bonds Payable: Non-current portion	**8,472.2**	**12,114.1**	**12,138.4**	**1,338.6**
Loans Payable:				
Related Party—net of unamortized debt issuance cost	2,592.4	1,297,1	998.8	110.2
Third parties—net of unamortized debt issuance cost	11,569.1	9,553.9	8,727.5	962.4
Total loans payable	14,155.7	10,851.0	9,726.3	1,072.6
Less current maturities	1,440.2	3,184.2	3,300.5	364.0
Loans payable: Non-current portion	**12,715.5**	**7,666.8**	**6,425.8**	**708.6**

(1)After elimination of Limited Bonds II amounting to Rp35.0 billion issued to the Company in 2010.
(2)After elimination of Limited Bonds I amounting to Rp9.6 billion issued to the Company in 2010.

Indosat Bonds

The specific terms of each of our Second Indosat Bonds, Third Indosat Bonds, Fourth Indosat Bonds, Fifth Indosat Bonds, Sixth Indosat Bonds and Seventh Indosat Bonds (the "Indosat Bonds"), are discussed below. The Indosat Bonds are not secured by any specific assets or guaranteed by other parties and rank *pari passu* with our other unsecured debt. We agreed to certain covenants in connection with the issuance of the Indosat Bonds, including but not limited to agreeing to maintain:

- equity capital of at least Rp5,000.0 billion;
- a ratio of total debt to EBITDA of less than 3.5 to 1.00, as reported in each annual consolidated financial report;
- a debt to equity ratio of 2.5 to 1, as reported in each quarterly consolidated financial report; and
- a ratio of EBITDA to interest expense, as reported in each annual consolidated financial report of at least 3.0 to 1.

On March24, 2009, we held meetings with holders of our Indonesian rupiah-denominated bonds, including holders of our Indosat Bonds, and obtained consents to amend the definitions of "Debt" "EBITDA", to include new definitions for "Equity" and "Group" and to change the ratio of Debt to Equity from 1.75 to 1 to 2.5 to 1 in the trustee agreement governing these bonds, pursuant to the terms of the deed of amendment for the Second, Third, Fourth, Fifth and Sixth Indosat Bonds.

*Second Indosat Bonds.*On November6, 2002, we issued our Indosat Bonds II (the "Second Indosat Bonds"), with fixed and/or floating rates, the only outstanding series of which are the Series B bonds. The Series B bonds, with an original face value of Rp200.0 billion, bear interest at a fixed rate of 16.0%per annum and are payable quarterly for 30 years beginning February6, 2003. We have the right to redeem the Series B bonds, in whole but not in part, on each of the 5th, 10th, 15th, 20th and 25thanniversaries of the issuance of the Series B bonds at a price equal to 101% of the Series B bonds' nominal value. Holders of the Series B bonds have a put right that allows such holders to demand early repayment from us at a price equal to 100% of the Series B bonds' nominal value at (i)any time, if the rating of such bonds is reduced to "AA-" or lower or (ii)upon the occurrence of any of the 15th, 20th and 25th anniversaries of the issuance of the Series B bonds. The Series B bonds mature on November6, 2032.

Third Indosat Bonds. On October 22, 2003, we issued our Indosat Bonds III (the "Third Indosat Bonds"). The Series B bonds had a maturity date of October 22, 2010, a total face value of Rp640.0 billion, bore interest at a fixed rate of 12.875% per annum. Interest on the Third Indosat Bonds was payable on a quarterly basis. On October 22, 2010, we repaid in full the Third Indosat Bonds.

*Fourth Indosat Bonds.*On June 21, 2005, we issued our Indosat Bonds IV (the "Fourth Indosat Bonds"). The Fourth Indosat Bonds had a total face value of Rp815.0 billion and matured on June21, 2011. The Fourth Indosat Bonds bear interest at a fixed rate of 12.0%per annum, payable on a quarterly basis. On June 21, 2011, we paid these bonds in full.

*Fifth Indosat Bonds.*On May 29, 2007, we issued our Indosat Bonds V (the "Fifth Indosat Bonds"), in two series with a total face value of Rp2,600.0 billion. The Series A bonds, which have a face value of Rp1,230.0 billion, will mature on May29, 2014 and the Series B bonds, which have a face value of Rp1,370.0 billion, will mature on May29, 2017. The Series A bonds bear interest at a fixed rate of 10.20%per annum and the Series B bonds bear interest at a fixed rate of 10.65%per annum. After the first anniversary of the issuance of the bonds, we have the right to buy back part or all of the bonds at the market price, either temporarily or for the purpose of early settlement.

*Sixth Indosat Bonds.*On April 9, 2008, we issued our Indosat Bonds VI (the "Sixth Indosat Bonds"), in two series with a total face value of Rp1,080.0 billion. The Series A bonds, which have a face value of Rp760.0 billion, will mature on April9, 2013 and the Series B bonds, which have a face value of Rp320.0 billion will mature on April9, 2015. The Series A bonds bear interest at a fixed rate of 10.25%per annum and the Series B bonds bear fixed interest rate of 10.80%per annum. After the first anniversary of the issuance of the bonds, we have the right to buy back part or all of the bonds at market price, either temporarily or for the purpose of early settlement.

*Seventh Indosat Bonds.*On December 8, 2009, we issued our Indosat Bonds VII (the "Seventh Indosat Bonds"), in two series with a total face value of Rp1,300.0 billion. The Series A bonds, which have a face value of Rp700.0 billion, will mature on December8, 2014 and the Series B bonds, which have a face value of Rp600.0 billion, will mature on December8, 2016. The Series A bonds bear interest at a fixed rate of 11.25%per annum and the Series B bonds bear interest at a fixed rate of 11.75%per annum. After the first anniversary of the issuance of the bonds, we have the right to buy back part or all of the bonds at market price, either temporarily or for the purpose of early settlement.

Guaranteed Notes due 2010 and Guaranteed Notes 2012

In October 2003, our finance subsidiary, Indosat Finance Company B.V. ("Indosat Finance"), issued the Guaranteed Notes due 2010. The Guaranteed Notes due 2010 have a total face value of US$300.0 million and mature on November 5, 2010. The Guaranteed Notes due 2010 bear interest at a fixed rate of 7.75% per annum payable in semi-annual installments due on May 5 and November 5 of each year, commencing May 5, 2004. On June 22, 2005, our finance subsidiary, Indosat International Finance Company B.V. ("Indosat International"), issued the Guaranteed Notes due 2012. The Guaranteed Notes due 2012 have a total face value of US$250.0 million which was issued at 99.3% of their principal amount and mature on June 22, 2012. The Guaranteed Notes due 2012 bear interest at a fixed rate of 7.125% per annum payable in semi-annual installments due on June 22 and December 22 of each year, commencing December 22, 2005.

On May 12, 2010, we, together with Indosat Finance and Indosat International, announced the commencement by Indosat Finance and Indosat International of cash tender offers to purchase for cash any and all of Indosat Finance's outstanding Guaranteed Notes due 2010 and Indosat International's outstanding Guaranteed Notes due 2012. In addition to its offer to purchase the 2010 Notes, Indosat Finance also solicited, as one proposal, consents to certain proposed amendments to the amended and restated indenture, dated as of January 25, 2006 (the "2010 Indenture"), which would shorten the notice period for optional redemption of the Guaranteed Notes due 2010, and to the release of Indosat International as a guarantor under the 2010 Indenture.

On August 2, 2010, Indosat Finance paid a total of US$174.7 million for the Guaranteed Notes 2010 purchased pursuant to the cash tender offer, with a total principal amount of US$167.8 million (for notes which were tendered early) and US$0.1 million (for notes tendered after the early tender date) at price equal to 102.1875% (for notes which were tendered early) and 101.9375% (for notes tendered after the early tender date), respectively, of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses. On August 10, 2010, Indosat Finance paid a total of US$69.5 million for the purchase of the remaining portion of the 2010 Notes which were redeemed, with a total principal amount of US$66.9 million at a price equal to 101.9375% of principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On August 2, 2010, Indosat International paid a total of US$58.6 million for the 2012 Notes purchased pursuant to the cash tender offer with a total principal amount of

US$55.8 million (for notes which were tendered early) and US$0.2 million (for notes tendered after the early tender date) at a price equal to 103.8125% (for notes which were tendered early) and 103.5625% (for notes tendered after the early tender date), respectively, of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses. On September 2, 2010, Indosat International paid a total of US$56.0 million for the purchase of the remaining portion of the 2010 Notes which were redeemed with a total principal amount of US$53.4 million at a price equal to 103.5625% of principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expenses.

Guaranteed Notes Due 2020

On July 29, 2010 we, through Indosat Palapa Company B.V. ("Indosat Palapa") issued our guaranteed Notes 2020 with a total face value of US$650.0 million. The notes were issued at 99.478% of their principal amount and mature on July 29, 2020. The notes bear interest at the fixed rate of 7.375% per annum payable in semi-annual installment due on January 29 and July 29 of each year, commencing January 29, 2011. The notes will be redeemable at the option of Indosat Palapa, in while or in part, at any time on or after July 29, 2015 at prices equal to 103.6875%, 102.4583%, 101.2292% and 100% of the principal amount during the 12-month period commencing July 29, 2015, 2016, 2017 and 2018 and thereafter, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to July 29, 2013, Indosat Palapa may redeem up to a maximum of 35% of the original aggregate principal amount, with the proceeds of one or more public equity offerings of us at a price equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at option of Indosat Palapa or us, in whole but not in part, at any time, at a price equal to 100% of principal amount thereof, plus any accrued and unpaid interest to (but not including) the redemption date any additional amounts, in the event of certain changes effecting withholding taxes in Indonesia and the Netherlands. Upon a change in control of Indosat (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of our assets), holders of the notes have the right to require Indosat Palapa to repurchase all or any part of such holders' notes at a purchase price equal to 101% of principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fees and offering expenses, were received on July29, 2010 and used (i)to fund the purchase of the outstanding Guaranteed Notes Due 2010 and Guaranteed Notes due 2012 and any consent solicitation relating to, or redemption of, such notes and (ii)to refinance part of our other existing indebtedness. The notes are unconditionally and irrevocably guaranteed by Indosat.

Based on the notes indenture, we are required to comply with certain conditions, such as maintaining certain financial ratios.

Export Credit Facility

On May12, 2006, we entered into a term facility agreement with Finnish Export Credit Ltd as the original lender, and The Royal Bank of Scotland, N.V. (formerly known as ABN Amro Bank, N.V.) as the facility agent, for an export credit facility (the "Export Credit Facility") in the aggregate principal amount of US$38.0 million. The Export Credit Facility tenor is 60 months from the date of the agreement and payments must be made in ten equal installments distributed evenly over the life of the facility. The Export Credit Facility has an interest rate of 4.15%per annum, which was calculated with reference to the commercial interest reference rate for U.S. dollars. Once amounts under the Export Credit Facility have been drawn down and repaid, such amounts do not become available for borrowing on a revolving basis. The Export

Credit Facility contains certain financial covenants. During 2009 and 2010, we paid installments on this facility in the amount of US$7.6 million and US$7.6 million, respectively and in May 2011 we repaid the remaining outstanding balance under this facility.

Syari'ah Ijarah Bonds (Sukuk Ijarah)

The specific terms of each of our First Syari'ah Ijarah Bonds, Second Syari'ah Ijarah Bonds, Third Syari'ah Ijarah Bonds and Fourth Syari'ah Ijarah Bonds (the "Syari'ah Ijarah Bonds"), are discussed below. The Syari'ah Ijarah Bonds are not secured by any specific assets or guaranteed by other parties and rank *pari passu* with our other unsecured debt.
In connection with the issuance of the Syari'ah Ijarah Bonds, we agreed to maintain certain covenants which are similar to the covenants contained in our Indosat Bonds. In addition, we are also prohibited from performing activities which contravene Syari'ah principles. Aside from these prohibitions, there are no material differences in the covenants between the Syari'ah Ijarah Bonds and the Indosat Bonds. On March24, 2009, we held meetings with holders of our Indonesian rupiah-denominated bonds, including holders of our Syari'ah Ijarah Bonds, and obtained consents to amend to the definitions of "Debt" and "EBITDA", to add new definitions for "Equity" and "Group" and to change the ratio of Debt to Equity from 1.75 to 1 to 2.5 to 1 in the trustee agreement governing these bonds.

*First Syari'ah Ijarah Bonds.*On June21, 2005, we issued our Sukuk Ijarah Indosat I (the "First Syari'ah Ijarah Bonds"), which contain terms customary for Islamic financing facilities, with Bank Rakyat Indonesia acting as trustee. The First Syari'ah Ijarah Bonds had a total face value of Rp285.0 billion and matured on June21, 2011. Holders of the First Syari'ah Ijarah Bonds received an Ijarah installment fee, payable on a quarterly basis. The total Ijarah installment fee be paid to the holders of the First Syari'ah Ijarah Bonds was Rp34.2 billion per annum. On June 21, 2011, these bonds were paid in full.

*Second Syari'ah Ijarah Bonds.*On May29, 2007, we issued our Sukuk Ijarah Indosat II (the "Second Syari'ah Ijarah Bonds"), which contain terms customary for Islamic financing facilities, with Bank Rakyat Indonesia acting as trustee. The Second Syari'ah Ijarah Bonds have a total face value of up to Rp400.0 billion and mature in May29, 2014. Holders of the Second Syari'ah Ijarah Bonds receive an Ijarah installment fee, payable on a quarterly basis. The total Ijarah installment fee to be paid to the holders of the Second Syari'ah Ijarah Bonds is Rp40.8 billion per annum. After the first anniversary of issuance of the Second Syari'ah Ijarah Bonds, we have the right to buyback part or all of such bonds at the then-prevailing market price.

*Third Syari'ah Ijarah Bonds.*On April9, 2008, we issued our Sukuk Ijarah Indosat III (the "Third Syari'ah Ijarah Bonds"), which contain terms customary for Islamic financing facilities, with Bank Rakyat Indonesia acting as trustee. The Third Syari'ah Ijarah Bonds have a total face value of up to Rp570.0 billion and mature in April9, 2013. Holders of the Third Syari'ah Ijarah Bonds receive an Ijarah installment fee, payable on a quarterly basis. The total Ijarah installment fee expected to be paid to the holders of the Third Syari'ah Ijarah Bonds is Rp58.4 billion per annum. After the first anniversary of the issuance of the Third Syari'ah Ijarah Bonds, we have the right to buyback part or all of such bonds at the then-prevailing market price.

*Fourth Syari'ah Ijarah Bonds.*On December8, 2009, we issued our Sukuk Ijarah Indosat IV (the "Fourth Syari'ah Ijarah Bonds"), which contain terms customary for Islamic financing facilities, with Bank Rakyat Indonesia acting as trustee. The Fourth Syari'ah Ijarah Bonds have a total face value of Rp200.0 billion. The Series A Syari'ah Ijarah Bonds, which have a face value of Rp28.0 billion, will mature on December8, 2014 and the Series B Syari'ah Ijarah Bonds, which have a face value of Rp172.0 billion, will mature on December8, 2016. Holders of the Fourth Syari'ah Ijarah Bonds receive an Ijarah installment fee, payable on a quarterly basis. The total Ijarah installment fee expected to be paid to the holders of the Fourth

Syari'ah Ijarah Bonds is Rp3.2 billion per annum for the Series A Fourth Syari'ah Ijarah Bonds and Rp20.2 billion per annum for the Series B Fourth Syari'ah Ijarah Bonds. After the first anniversary of the issuance of the Fourth Syari'ah Ijarah Bonds, we have the right to buyback part or all of such bonds at the then-prevailing market price.

Goldman Sachs International Loan Facility

On May30, 2007, we received from Goldman Sachs International ("GSI") a loan amounting to Rp434.3 billion, which was received in U.S. dollars amounting to US$50.0 million, for the purchase of telecommunications equipment. The loan will mature on May30, 2013. The loan bears interest at a fixed annual rate of 8.75%, which is payable quarterly every February28,May30, August30 and November30, commencing August30, 2007, up to May30, 2012.

The loan agreement provides an option for GSI to convert the loan into a U.S. dollar loan of US$50.0million on May30, 2012 (the "Conversion Option"). The fair value of the Conversion Option is presented as part of long-term debt. If GSI exercises such option, starting May30, 2012, the loan will bear interest at the fixed annual rate of 6.45% on the principal amount of US$50.0 million. The principal amount in U.S. dollars and interest thereon will be due on May30, 2013.

We are required to notify GSI regarding of certain events which can result in loan termination, such as (i) certain changes affecting withholding taxes in the United Kingdom or Indonesia, (ii)default under our Guaranteed Notes due 2012, (iii)default under any notes issued or guaranteed by us where the settlement is in U.S. dollars or default under any notes issued or guaranteed by us where the settlement is in Indonesian rupiah, (iv)redemption, purchase or cancellation of the Guaranteed Notes due 2012 and there being no other U.S. dollar indebtedness outstanding upon such redemption, purchaser or cancellation and (v)a change of control. On June24, 2008, GSI waived its rights to terminate the loan as a result of the change of control triggered by Qtel's acquisition of a 40.81% interest in our issued and outstanding share capital in June 2008.

Bank Central Asia Loan Facilities

On August28, 2007, we obtained a five-year Rp1,600.0 billion unsecured credit facility from Bank Central Asia ("BCA") for the repayment of our Syndicated Loan Facility II and the purchase of telecommunications equipment. The loan bears (i)fixed annual interest rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii)floating interest rates for the remaining years based on the prevailing annual rate of three-month JIBOR plus 1.5%per annum; all interest is payable quarterly. On September20, 2007, we obtained an additional credit facility of Rp400.0 billion from BCA. As a result, the aggregate principal amount under our credit facility with BCA is Rp2,000.0 billion. The repayment of the loan drawdowns will be made annually, as follows: (a)10.0% of the total loan drawdowns in the first and second years after the first drawdown; (b)15.0% of the total loan drawdowns in the third and fourth years after the first drawdown; and (c)50.0% of the total loan drawdowns in the fifth year after the first drawdown. On September27,October26 and December27, 2007, we made the first, second and third loan drawdowns totaling Rp2,000.0 billion. Under the loan agreement, we have agreed to certain covenants, including maintenance covenants, which are similar to the covenants contained in the Indosat Bonds. On September 27, 2008, September 25, 2009, September 27, 2010, and September 27, 2011, we paid the first, second, third and fourth semi-annual installment amounting to Rp200.0 billion, Rp200.0 billion, Rp300.0 billion and Rp300.0 billion, respectively.

On September 17, 2008, we entered into a three-year unsecured credit facility agreement with BCA amounting to Rp500.0 billion for the purchase of, and/or the refinancing of debt incurred to purchase, telecommunications equipment. The loan bore interest at 3-month JIBOR plus 2.25% per annum. The repayment of the loan drawdowns were payable annually, as follows:

(a) 20% of the total loan drawdowns in the first year, (b) 30% of the total loan drawdowns in the second year, and (c) 50% of the total loan drawdowns in the third year. On March 16, 2009, we made the loan drawdown amounting to Rp500.0 billion. Voluntary early repayment (in whole or for any part of the loan) was permitted with a penalty of 1% of the prepaid amount. Based on the loan agreement, we were required to comply with certain covenants, such as maintaining certain financial ratios. On March 16, 2010, we paid the first annual installment amounting to Rp100.0 billion. On October 19, 2010, we made an early repayment of this credit facility, amounting to Rp400.0 billion.

On February 12, 2009, we amended our five-year and three-year BCA credit facility agreements, based on the consent letter received on February 6, 2009, to change the definitions of "EBITDA", to insert definitions for "Debt", "Equity", and "Group" and to change the ratio of Debt to Equity from 1.75 to 1 to 2.5 to 1 in the loan agreement governing this loan facility. On June 8, 2009, we entered into a five-year unsecured credit facility agreement with BCA amounting to Rp1,000.0 billion for the procurement of, and/or the refinancing of debt incurred to purchase, telecommunications equipment. The loan Bore interest at 3-month JIBOR plus 4.00% per annum. The repayment of the loan drawdowns were payable annually, as follows: (a) 10% of the total loan drawdowns in the first and second years, (b) 15% of the total loan drawdowns in the third and fourth years, and (c) 50% of the total loan drawdowns in the fifth year. On June 25, 2009, we made the loan drawdown amounting to Rp1,000.0 billion. On June 25, 2010, we paid the first annual installment amounting to Rp100.0 billion. Voluntary early repayment (in whole or for any part of the loan) is permitted, subject to a 1% penalty of the prepaid amount, except for prepayment to refinance this credit facility. Based on the loan agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On April 28, 2010, we received a letter from BCA regarding the change of interest rate from 3-month JIBOR plus 4.00% per annum to 3-month JIBOR plus 2.25% per annum, effective on June 25, 2010. On October 19, 2010, we made an early repayment of this credit facility, amounting to Rp900.0 billion.

On February10, 2011, the Company entered into a credit agreement with BCA for a revolving credit facility with a maximum principal amount of Rp1,000.0 billion to fund the Company's capital expenditures and general corporate expenditures. This facility is available from February10, 2011 to February10, 2014. On December 1, 2011, we entered into an amendment to our credit agreement with BCA to (i) increase the total principal amount available under the revolving credit facility to Rp1,500.0 billion, (ii) change the interest rate for drawdowns to 1-month JIBOR plus 1.25%per annum, from 1-month JIBOR plus 1.40%per annum, and (iii) to provide that the maturity date of loans made under the revolving credit facility shall be no later than February 10, 2014. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On June 17, 2011, we made our first drawdown of Rp500.0 billion and on July 15, 2011, we repaid Rp300.0 billion of the loan. On December 9, 2011, we made a drawdown of the remaining Rp1,300.0 billion available under the facility.

Bank Mandiri Loan Facilities

On September18, 2007, we obtained a five-year unsecured credit facility from Bank Mandiri amounting to Rp2,000.0 billion for the purchase of telecommunications equipment. The loan bears interest at (i)fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year), and (ii)floating rates for the remaining years based on the prevailing annual rate of three-month JIBOR plus 1.5%per annum; all interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a)10.0% of the total loan drawdowns in the first and second years after the first drawdown; (b)15.0% of the total loan drawdowns in the third and fourth years after the first drawdown; and (c)50.0% of the total loan drawdowns in the fifth year after the signing date of the agreement. On September27 and December27, 2007, we made the first and second loan drawdowns totaling Rp2,000.0 billion. Based on the loan agreement, we have agreed to certain covenants, including maintaining certain financial ratios. On September27, 2008, September25, 2009, September 27, 2010 and September 27, 2011, we paid the first, second, third and fourth annual installments, amounting to Rp200.0 billion, Rp200 billion, Rp300 billion and Rp300.0 billion, respectively. On March23, 2009, we entered into an agreement with Bank Mandiri to amend the definitions of "EBITDA", to insert new definitions for "Debt", "Equity", and "Group" and to change the ratio of Debt to Equity in the loan agreement governing this loan facility.

On July 28, 2009, we entered into a five-year unsecured credit facility agreement with Mandiri amounting to Rp1,000.0 billion for general corporate purposes. The loan bears interest at an average rate of 3-month JIBOR plus 4.00% per annum. On July 31, 2009, the Company drew down Rp1,000.0 billion from this credit facility. The repayment of the loan drawdowns are made annually, as follows: (a) 10% of the total loan drawdowns in the first and second years from the first drawdown, (b) 15% of the total loan drawdowns in the third and fourth years from the first drawdown, and (c) 50% of the total loan drawdowns in the fifth year after the signing of the agreement. Voluntary early repayment (in whole or for any part of the loan) is permitted, subject to a 2% penalty of the prepaid amount. Based on the loan agreement, we were required to comply with certain covenants, such as maintaining certain financial ratios. On May 20, 2010, we received a letter from Mandiri regarding the change of interest rate from average 3-month JIBOR plus 4.00% per annum to average 3-month JIBOR plus 2.25% per annum, effective on May 31, 2010. On July 30, 2010, we paid the first annual installment amounting to Rp100.0 billion. On November 15, 2010, we made an early repayment of Rp900.0 billion representing the remaining outstanding balance of loan drawdowns under this credit facility.

On June 21, 2011, we entered into a credit agreement providing for a three-year unsecured revolving credit facility from Bank Mandiri in a maximum principal amount of Rp1,000.0 billion for working capital, capital expenditures and refinancing purposes. On December 5, 2011, we entered into an amendment of the credit agreement with Bank Mandiri to (i) increase the maximum amount available under the loan facility to Rp1,500.0 billion and (ii) change the interest rate for drawdowns to 1-month JIBOR plus 1.25%per annum, from 1-month JIBOR plus 1.40%per annum. This facility is available from June 21, 2011 to June 20, 2014. Each drawdown under this facility has a term of three months, which may be extended a further three months upon the submission of a written application for such an extension by Indosat to Bank Mandiri. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On August 2, 2011, we made our first drawdown of Rp300.0 billion and on December 14, 2011, we made a drawdown of the remaining Rp1,200.0 billion available under the facility.

Bank DBS Indonesia Loan Facility

On November 1, 2007, we obtained a five-year credit facility from Bank DBS Indonesia for Rp500.0 billion for the purchase of telecommunications equipment. The loan bears interest at (i) fixed annual rates for the first two years (9.7% on the first year and 10.4% on the second year), and (ii) floating rates for the remaining years based on the prevailing annual interest rate of three-month certificates of Bank Indonesia plus 1.5% per annum; all interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10.0% of the total loan drawdowns in the first and second years after the first drawdown; (b) 15.0% of the total loan drawdowns in the third and fourth years after the first drawdown; and (c) 50.0% of the total loan drawdowns in the fifth year after the first drawdown. Based on the loan agreement, we have agreed to certain covenants, including maintaining certain financial ratios. On January 31, 2008, we drew down Rp500.0 billion from the facility. On March 25, 2009, we entered into an agreement with Bank DBS Indonesia to insert new definitions for "Debt", "EBITDA", "Equity", and "Group" and to change the ratio of Debt to Equity in the loan agreement governing this loan facility. On January 30, 2009, we paid the first annual installment amounting to Rp50.0 billion, On March 25, 2009, the Company amended the credit facility agreement based on the consent letter received on February 27, 2009. The amendment included changes in the definition of certain terms and the financial ratios required to be maintained. On February 1, 2010, we paid the second annual installment amounting to Rp50.0 billion. On October 30, 2010, we made an early repayment of this credit facility amounting to Rp400.0 billion.

HSBC Satellite Financing and Loan Facility

On November27, 2007, we signed two unsecured facility agreements with HSBC France and one unsecured facility agreement with The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch ("HSBC Jakarta") to finance our new telecommunications satellite. These combined export credit and commercial financing facilities consist of the following:

- a 12-year term facility agreement amounting to US$157.2 million to finance the payment of 85.0% of the French Content under the Palapa-D satellite contract, plus 100% of the COFACE Premium, as such terms are defined in the facility agreement. The loan bears fixed annual interest at a fixed rate of 5.69%per annum, which is payable semi-annually. On March29, 2010,September29, 2010, March29, 2011 and September 29, 2011, we paid the first, second, third and fourth semi-annual installments amounting to US$7.9 million each;
- a 12-year term facility agreement amounting to US$44.2 million to finance the payment of 85.0% of the amounts payable under the Launch Service Contract (as defined in the term facility agreement) with respect to our Palapa D Satellite. The loan bears floating interest rate based on U.S. dollars at LIBOR plus 0.35%per annum, which is payable semi-annually. On March29, 2010,September29, 2010, March29, 2011 and September 29, 2011, we paid the first, second, third and fourth semi-annual installments amounting to US$2.2 million each; and
- a nine-year Commercial Facility Agreement amounting to US$27.0 million to finance the construction and launch of the satellite and the payment of the premium associated with the medium-long term buyer credit insurance policy issued in connection with the Sinosure Facility. The loan bears floating interest rate based on U.S. dollars at LIBOR plus 1.45%per annum, which is payable semi-annually. On March 10, 2008, HSBC Jakarta transferred its rights and obligations under the Commercial Facility Agreement to PT Bank CIMB Niaga Tbk and Bank of China Limited, Jakarta Branch. On November27, 2009 we paid the first semi-annual installment amounting to US$1.4 million. On May27, November29, 2010, May 27, 2011 and November 28, 2011, we paid the second, third, fourth and fifth semi-annual installments, respectively, amounting to US$1.4 million each.

The facilities contain certain financial covenants. On March18, 2009, we entered into agreements with HSBC France and HSBC Jakarta to amend the definitions of "Debt", "EBITDA", and "Equity" and the ratio of Debt to Equity in our COFACE Term Facility Agreement, Sinosure Term Facility Agreement and Commercial Facility Agreement, as applicable. According to the agreement, we are required to maintain: (i)equity capital in excess of Rp5,000.0 billion, (ii)a debt to equity ratio not to exceed 2.5:1, (iii)an EBITDA to interest ratio not to be less than 2.5:1, and (iv)a Debt to EBITDA ratio not to exceed 3.5:1.

In addition, on July 20, 2005, the Company entered into a Corporate Facility Agreement with HSBC, which has subsequently been amended several times, to finance our short term working capital needs. The facility consists of a combined limit in the amount of US$30.0 million, comprising a revolving loan facility with a limit of US$30.0 million (including revolving loans denominated in rupiah of up to Rp255.0 billion) and an overdraft facility with a limit of US$2.0 million (including a Rupiah-denominated overdraft facility of up to Rp17.0 billion). The expiration date of the facility is April 30, 2012. We have not drawn on this facility as of December 31, 2011.

ING/DBS Syndicated Loan Facility

On June12, 2008, we entered into a US$450.0 million syndicated loan facility with 13 banks and financial institutions, with ING Bank N.V., Singapore Branch and DBS Bank Ltd. serving as arrangers. The amount of interest to be paid on the outstanding amount of the loan will be the aggregate of (i)the applicable margin of 1.85%per annum for non-Indonesian lenders or 1.90%per annum for lenders resident in Indonesia and (ii)LIBOR. The repayment of the loan drawdowns will be made in semi-annual installments commencing June12, 2011. On June 12, 2011 and December 12, 2011 we made our first and second semi-annual repayments amounting to US$112.5 million and US$108.0 million respectively. On February24, 2009, we entered into an agreement with the majority lenders to amend the definitions of "Debt", "EBITDA", and "Equity" and the ratio of Debt to Equity in our ING/DBS Syndicated Loan Facility. Pursuant to the terms of the ING/DBS Syndicated Loan Facility agreement, as amended by the deed of amendment, we have agreed to certain covenants, including but not limited to the following maintenance covenants:

- a ratio of total debt to EBITDA of less than 3.5 to 1;
- a total debt to equity ratio of 2.5 to 1; and
- a ratio of EBITDA to interest expense, as reported as at the end of each financial year and as at the end of each of first three quarters of our financial year, of at least 2.5 to 1.

The repayment of the loan drawdowns will be made semi-annually, as follows: (a)25% of the total loan drawdowns in the third year after the signing date of the agreement (first repayment date), (b)24% of the total loan drawdowns on the sixth month after the first repayment date, (c)8% each of the total loan drawdowns on the 12th and 18th months after the first repayment date, and (d)35% of the total loan drawdowns on the 24th month after the first repayment date.

On September26 and October30, 2008, the Company received the first and second drawdowns from this credit facility totaling US$450.0 million. As of December31, 2011, the outstanding balance owed on this facility totaled US$229.5 million.

AB Svensk Exportkredit ("SEK") Loan Facility Guaranteed by Export Kredit Namnden ("EKN")

On August18, 2009, we obtained credit facilities from SEK, guaranteed by EKN, an export credit agency of the Kingdom of Sweden, for the maximum total amount of US$315,000,000 to be used for the purchase of Ericsson telecommunication equipment, with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Hong Kong and The Royal Bank of Scotland N.V. (formerly known as ABN AMRO Bank N.V.), Hong Kong Branch as the original lenders and arrangers, while HSBC Bank PLC, London, United Kingdom acted as the facility agent and EKN agent. On September2, 2009, the original lenders transferred such rights and obligations to SEK, pursuant to the terms of the agreement.

The credit facilities consist of facilities A, B and C with maximum amounts of US$100.0 million, US$155.0 million and US$60.0 million, respectively. Facility A bears interest at LIBOR plus 0.25%per annum, together with SEK funding costs and an EKN premium margin. Facility B and Facility C bear interest at 0.05%per annum plus 2.60%per annum plus the EKN Premium Margin. The repayment of each of facilities A, B and C shall be made in fourteen installments starting six months after May31, 2009,February28, 2010 and November30, 2010, respectively. Based on the agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios, which are substantially the same as the covenants under the ING/DBS Syndicated Loan Facility. In addition, we are required to maintain a minimum consolidated equity of at least Rp5,000.0 billion. As of December31, 2011, we have drawn US$100.0 million, US$55.0 million and US$60.0 million from facilities A, B and C, respectively.

On November30, 2009,May27, 2010, November30, 2010, May 27, 2011 and November 30, 2011, the Company paid the first, second, third, fourth and fifth semi-annual installments, respectively, for Facility A amounting to US$7.1 million each. On August28, 2010, February28, 2011 and August 25, 2011, the Company paid the first, second, and third semi-annual installment for Facility B amounting to US$11.1 million each. On May 27, 2011 and November 30, 2011, we paid the first and second semi-annual installment for Facility C amounting to US$4.3 million each.

Lintasarta

Lintasarta's long-term debt comprises of certain investment credit facilities from CIMB Niaga Tbk, formerly PT Bank Niaga Tbk and unsecured limited bonds. As of December31, 2011, the investment credit facility from CIMB Niaga totaled Rp22.5 billion, and the outstanding bonds totaled Rp42.0 billion.

Investment Credit Facility V. On July10, 2007, Lintasarta obtained a credit facility from CIMB Niaga amounting to Rp50.0 billion for the purchase of telecommunications equipment, computers and other supporting facilities. The loan bears interest at the prevailing annual rate for one-month certificates of Bank Indonesia plus 2.25%per annum. We commenced quarterly repayment of the principal on October10, 2008 in the amount of Rp5.0 billion. On January10, 2011, this facility was fully repaid.

Investment Credit Facility VI. On February24, 2009, Lintasarta obtained a credit facility from CIMB Niaga amounting to Rp75.0 billion for the purchase of telecommunications equipment, computers and other supporting facilities. The loan bears fixed annual interest at a fixed rate of 14.50% per annum, which is payable quarterly. The maturity date of the loan is August 24, 2012. The total outstanding principal amount of the loan as of December 31, 2011 was Rp22.5 billion, which is scheduled to be repaid in three installments on February 24, May 24, and August, 24 2012. On February 24, 2012, Lintasarta paid the first installment of Rp7.5 billion.

Limited Bonds I. On June2, 2003, Lintasarta agreed with its stockholders to issue limited bonds to stockholders totaling Rp40.0 billion, including our portion of Rp9.6 billion. Such limited bonds are unsecured and had an initial maturity date of June2, 2006. The bonds bear interest at the fixed rate of 16.0%per annum for the first year and floating interest rates for the following years based on the average three-month time deposit rates of PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk and PT Bank Tabungan Negara (Persero) plus a 3.0% margin, with a maximum rate of 19.0%per annum and a minimum rate of 11.0%per annum. Interest is payable quarterly from September2, 2003. On June14, 2006, Lintasarta agreed with the holders to extend the maturity date from June2, 2006 to June2, 2009 and the nominal value of the limited bonds became Rp34.9 billion, including our portion of Rp9.6 billion. On June2, 2009, Lintasarta repaid a portion of the limited bonds amounting to Rp8,303 million. On August25, 2009, the agreement governing the Limited Bonds I was amended to amend the face value of the bonds to become Rp26.6 billion, including our portion of Rp9.6 billion, extend the maturity date to June2, 2012 and to amend the floating interest rate to be based on JIBOR + 4%, not to exceed 19%, with a minimum floating interest rate of 12.75%. On December 28, 2011, Lintasarta repaid a portion of the limited bonds amounting to Rp9.6 billion, which is our portion. On February 29, 2012, Lintasarta repaid the remaining Rp17.0 billion outstanding under these bonds.

Limited Bonds II. On June14, 2006, Lintasarta entered into an agreement with its stockholders for the former to issue Limited Bonds II amounting to Rp66.2 billion, including our portion of Rp35.0 billion. The limited bonds represent unsecured bonds which were originally set to mature on June14, 2009 and bore interest at the floating rates determined using the average 3 month rupiah time deposit rates with PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk and PT Bank Tabungan Negara (Persero) plus a fixed premium of 3.0%. The maximum limit of the floating rates was 19.0%per annum and the minimum limit was 11.0%per annum. The interest is payable on a quarterly basis starting September14, 2006. The proceeds of the limited bonds were used for capital expenditure to expand Lintasarta's telecommunications peripherals.

On July17, 2006, Lintasarta obtained approval from CIMB Niaga on the issuance of the limited bonds.

On June14, 2009, Lintasarta paid a portion of the Limited Bonds amounting to Rp6.2 billion. Based on the Minutes of the Joint Meeting of Lintasarta's Boards of Commissioners and Directors held on May20, 2009, the representatives of Lintasarta's stockholders agreed to extend the maturity date of the remaining Limited Bonds II of Rp60.0 billion, including our portion of Rp35.0 billion, to June14, 2012 and to increase the minimum limit of the floating interest rates 12.75%. On August25, 2009, the Limited Bonds II agreement, after being amended to accommodate the changes in maturity date and minimum limit of floating interest rates, was finalized. On December 28, 2011, Lintasarta repaid Rp35.0 billion of the Limited Bonds amounting to Rp35.0 billion, which is our portion. Subsequently, on February 29, 2012, Lintasarta repaid the remaining Rp25.0 billion outstanding under the Limited Bonds.

Dividend Practice

Our shareholders determine dividend payouts at the Annual General Meeting of Shareholders pursuant to recommendations from our Board of Directors. At our 2009, 2010 and 2011 Annual General Meetings of Shareholders, our shareholders declared final cash dividends amounting to 50.0% of our net income for each of the years ended December31, 2008, 2009 and 2010, respectively. We intend to continue to recommend paying dividends in such amounts to allow us to meet sound financial governance and investor expectations.

Capital Resources

We believe that our cash flow from operations and drawings from our existing credit facilities will provide sufficient financing for our anticipated capital expenditures, anticipated debt repayment and interest obligations and other operating needs under our current business plan. In addition, if completed, we expect to apply a portion of the cash proceeds from the Tower Sale Transaction towards funding capital expenditures, repayment of outstanding debt and general corporate purposes. However, we face liquidity risks if certain events occur, including but not limited to, slower than expected growth in the Indonesian economy, downgrading of our debt ratings or deterioration of our financial performance or financial ratios.

In the event we cannot finance our planned capital expenditures with internally generated cash flows, we may seek external sources of funding. Our ability to raise additional debt financing will be subject to certain covenants in our existing indebtedness. We cannot assure you that we will be able to obtain suitable financing arrangements (including vendor or other third-party financing) for our planned capital expenditures. In the event that we are unable to find such additional external funding sources, we may elect to reduce our planned capital expenditures. Such reduction in planned capital expenditures may have an adverse effect on our operating performance and our financial condition.

Capital Expenditures

Historical Capital Expenditures

From January1, 2009 through December31, 2011, we had capital expenditures totaling Rp23,192.1 billion (US$2,517.7 million), which were primarily used to purchase equipment and services from foreign suppliers in connection with the development of our cellular network. We had capital expenditures of Rp6,092.6 billion (US$671.9 million) during the year ended December31, 2011, with such investment predominantly focused on optimizing and enhancing the capacity and quality of our existing cellular, fixed and MIDI network and telecommunications infrastructure.

Capital Expenditures for 2012

Under our capital expenditure program for our various businesses, our planned capital expenditures are less than the amounts spent in 2009 but slightly more than the amounts spent in each of 2010 and 2011. Our capital expenditure program currently focuses on optimizing and enhancing the capacity and quality of our existing cellular, fixed and MIDI network and telecommunications infrastructure. For the years ended December 31, 2009, 2010 and 2011, our actual consolidated capital expenditures totaled Rp11,584.5 billion, Rp5,515.0 billion and Rp6,092.6 billion (US$671.9 million), respectively. During 2012, we intend to allocate approximately Rp6,722.1 billion (US$741.3 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2012 for capital expenditure commitments in prior periods, will result in approximately Rp7,638.9 billion (US$842.4 million) total actual capital expenditures for 2012. We intend to allocate our capital expenditures for 2012 as follows:

- *Cellular network investment:*We plan to apply a large majority of our capital expenditures to finance the continued enhancement and expansion of the capacity and coverage of our cellular network.
- *Other investment:*We plan to invest the remainder of our capital expenditures budget in non-cellular network areas and continue to provide them with voice, long-distance and MIDI services and make improvements to our backbone.

The foregoing amounts represent our budgeted investment plans; actual expenditures on a cash basis will vary depending on several factors, including the method of financing and timing of completion of delivery of equipment and services purchased. Historically, expenditure on a cash basis trails budgeted expense by approximately at least 20.0% of our budget. As of December 31, 2011, we had commitments for capital expenditures of Rp2,012.1 billion (US$221.9 million), primarily relating to the enhancement and expansion of the capacity and coverage of our cellular network.

The foregoing capital expenditure plan is based on our understanding of current market and regulatory conditions and we may amend our plans in response to changes in such conditions. In particular, depending on the regulatory framework for other wireless services, we may decide to increase our investment in fixed wireless access networks and services, either through increased capital expenditures, reallocation of our existing planned expenditures, through revenue-sharing schemes or a combination of the foregoing. Revenue-sharing schemes would include partnerships with private investors under which such investors would finance construction of a project in exchange for revenues from the project, similar to a build-operate-transfer structure.

Historically, we have funded our capital expenditures through internal resources and cash flow from operations, as well as debt financings through bank loans and the capital markets. We expect to continue to finance our capital expenditures through such sources. In addition, if completed, we expect to apply a portion of the cash proceeds from the Tower Sale Transaction towards funding capital expenditures. Completion of the Tower Sale Transaction is subject to various approvals including those of certain of our bondholders and lenders and Tower Bersama's shareholders. We face liquidity risk if certain events occur, including but not limited to, slower than expected growth in the Indonesian economy, downgrading of our debt ratings or deterioration of our financial performance or financial ratios. If we cannot raise the amounts needed to support our planned capital expenditures for 2012, we may be unable to improve or expand our cellular telecommunications infrastructure or update our other technology to the extent necessary to remain competitive in the Indonesian telecommunications market, which would affect our financial condition, results of operations and prospects.

Critical Accounting Policies

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK") and the Regulations and the Guidelines on Financial Statement Presentation and Disclosures issued by BAPEPAM-LK.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and assumptions on historical experience and other factors that are believed to be reasonable under the circumstances. We continually evaluate such estimates and assumptions. Actual results could differ from those estimates under different assumptions or actual conditions. We believe that, of our significant accounting policies, the following may involve a higher degree of judgment or complexity.

Goodwill and Other Intangible Assets

The consolidated financial statements and results of operations reflect acquired businesses after the completion of the respective acquisition. We account for the acquired businesses using the acquisition method of accounting which requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. Any excess in the purchase price over the estimated fair market values of the net assets acquired is recorded as goodwill in the consolidated statements of financial position. Thus, the numerous judgments made in estimating the fair market value to be assigned to the acquiree's assets and liabilities can materially affect our financial performance.

Estimated Useful Lives and Impairment of Property and Equipment

We estimate the useful lives of our property and equipment and intangible assets based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. The estimation of the useful lives of property and equipment is based on our collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least each financial year-end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above.

The amounts and timing of recorded expenses for any period will be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the our property and equipment will increase the recorded operating expenses and decrease non-current assets.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that we are not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimation of Pension Cost and Other Employee Benefits

The cost of our defined benefit plan and present value of our pension obligation are determined using the projected-unit-credit method. Actuarial valuation includes making various assumptions which consist of, among other things, discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. Actual results that differ from our assumptions are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. Due to the complexity of valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions.

While we believe that our assumptions are reasonable and appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect the costs and obligations of pension and other long-term employee benefits. All assumptions are reviewed at each reporting date.

Realizability of Deferred Income Tax Assets

We review the carrying amounts of deferred income tax assets at the end of each reporting period and reduce these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Our assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on our past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that sufficient taxable income will be generated to allow all or part of deferred income tax assets to be utilized.

Estimating Allowance for Impairment Losses on Receivables

If there is objective evidence that an impairment loss has been incurred in trade receivables, we estimate the allowance for impairment losses related to their trade receivables that are specifically identified as doubtful for collection. The level of allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. In these cases, we use judgment based on the best available facts and circumstances, including but not limited to, the length of our relationship with the customers and the customers' credit status based on third-party credit reports and known market factors, to record specific reserves for customers against amounts due in order to reduce our receivables to amounts that they expect to collect. These specific reserves are re-evaluated and adjusted as additional information received affect the amounts estimated.

In addition to specific allowance against individually significant receivables, we also assess a collective impairment allowance against credit exposure of our customers which are grouped based on common credit characteristic, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally granted to customers. This collective allowance is based on historical loss experience using various factors such as historical performance of the customers within the collective group, deterioration in the markets in which the customers operate, and identified structural weaknesses or deterioration in the cash flows of customers.

Determination of Fair Values of Financial Assets and Financial Liabilities

We carry certain financial assets and liabilities at fair values, which require extensive use of accounting estimates and judgments for the fair values of financial assets and liabilities. Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.. Any change in fair value of these financial assets will directly affect our consolidated statements of financial position, statements of comprehensive income and or consolidated statements of changes in equity.

C.RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

For the three years ended December 31, 2009, 2010 and 2011, we did not conduct significant research and development activities.

D.TREND INFORMATION

Please refer to the introductory discussion to "—Operating and Financial Review and Prospects—Operating Results" above for a detailed discussion of significant trends impacting our operating results and financial condition. See also "Item 3: Key Information—Risk Factors" for more information regarding why reported financial information may not necessarily be indicative of future operating results.

In January 2011, the Company introduced an organizational restructuring which forms part of our transformation program that began in 2009 to increase the Company's productivity and improve our longer-term operating results.The Company offered special compensation packages to employees who meet certain criteria as determined by the Company and who opted to end their employment relationship with the Company as part of such organizational restructuring under our voluntary separation scheme ("VSS Program"). As of December 31, 2011 994 employees participated in the VSS Program.

E.OFF-BALANCE SHEET ARRANGEMENTS

As of December31, 2011, we had no off-balance sheet arrangements that were reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F.TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

As of December31, 2011, we had contractual obligations in the amount of US$1,442.4 million in U.S. dollar denominated contracts and Rp13,540.8 billion in Indonesian rupiah-denominated contracts. The U.S. dollar denominated contractual obligations require payments totaling US$279.8 million in 2012, US$301.3million from 2013 to 2014 and US$131.2 million from 2015 to 2016 and US$730.1 million from 2017 and thereafter. The Indonesian rupiah-denominated contractual obligations require payments totaling Rp4,455.5 billion in 2012, Rp5,622.3 billion from 2013 to 2014, Rp1,092.0 billion from 2015 to 2016 and Rp2,371.0 billion from 2017 and thereafter. The table below sets forth information relating to certain of our contractual obligations as of December 31, 2011:

Payments due by the periods ending December31

	Total		2012		2013-2014		2015-2016		2017and thereafter	
	Rp	US$	Rp	US$	Rp	US$	Rp	US$	Rp	US$
	(Rp in billions and US$ in millions)									
Contractual obligations:										
Loans payable[1]	5,489.8	653.8	3,555.5	141.2	1,934.3	301.3	—	131.2	—	80.1
Bonds payable[1]	6,392.0	650.0	42.0	—	3,688.0	—	1,092.0	—	1,570.0	650.0
Purchase obligations	834.5	129.9	834.5	129.9	—	—	—	—	—	—
Other non-current liabilities and other non-current financial liabilities[2]	824.5	8.7	23.5	8.7	—	—	—	—	801.0	—
Total contractual cash obligations	**13,540.8**	**1,442.4**	**4,455.5**	**279.8**	**5,622.3**	**301.3**	**1,092.0**	**131.2**	**2,371.0**	**730.1**

(1) These amounts exclude the related contractual interest obligations and have been calculated under the assumption that the options related to any loans and bonds payable are not exercised.
(2) These amounts exclude committed expenditures with respect to leases entered into in connection with the Tower Sale Transaction, which are contingent on the closing of the Tower Sale Transaction.


indosat
1,079,626,225
115,199,628
12,480,578
1,822,535,748
106,650,055
1,251,545,376
262,257,190
1,346,616,030
2,597,327,959
1,645,992,000
1,659,529,463
500,000,000
72,000

Financial Review

indosat

PT INDOSAT TBK

SURAT PERNYATAAN DIREKSI TENTANG TANGGUNG JAWAB ATAS LAPORAN KEUANGAN KONSOLIDASIAN BESERTA LAPORAN AKUNTAN INDEPENDEN PADA TANGGAL 31 DESEMBER 2011 DAN 2010 DAN 1 JANUARI 2010/31 DESEMBER 2009 DAN UNTUK TAHUN YANG BERAKHIR PADA TANGGAL-TANGGAL 31 DESEMBER 2011 DAN 2010

PT INDOSAT TBK

BOARD OF DIRECTORS STATEMENT ON CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT AS OF DECEMBER 31, 2011 AND 2010 AND JANUARY 1, 2010/ DECEMBER 31, 2009 AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

No. 004/A00/FIN/12

Kami yang bertanda tangan di bawah ini:

1. Nama : Harry Sasongko
   Alamat Kantor : Jl. Medan Merdeka Barat No. 21 Jakarta 10110
   Alamat Rumah : Jl. Ciasem III/1 Kebayoran Baru-Jakarta Selatan
   Nomor telepon : 30442600
   Jabatan : President Director and Chief Executive Officer

2. Nama : Stefan Carlsson
   Alamat Kantor : Jl. Medan Merdeka Barat No. 21 Jakarta 10110
   Alamat Rumah : Jl Kemang Selatan I D No. 15 Kemang Jakarta Selatan
   Nomor telepon : 30442606
   Jabatan : Director and Chief Financial Officer

Menyatakan bahwa :

1. Bertanggung jawab atas penyusunan dan penyajian laporan keuangan perusahaan;
2. Laporan keuangan perusahaan telah disusun dan disajikan sesuai dengan prinsip akuntansi yang berlaku umum;
3. a. Semua informasi dalam laporan keuangan Perusahaan telah dimuat secara lengkap dan benar;
   b. Laporan keuangan perusahaan tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material;
4. Bertanggung jawab atas sistem pengendalian interen dalam perusahaan.

Demikian pernyataan ini dibuat dengan sebenarnya

We the undersigned:

1. *Name : Harry Sasongko*
   Office Address : Jl. Medan Merdeka Barat No. 21 Jakarta 10110
   Home Address : Jl. Ciasem III/1 Kebayoran Baru-Jakarta Selatan
   Phone Number : 30442600
   Designation : President Director and Chief Executive Officer

2. *Name : Stefan Carlsson*
   Office Address : Jl. Medan Merdeka Barat No. 21 Jakarta 10110
   Home Address : Jl Kemang Selatan I D No. 15 Kemang Jakarta Selatan
   Phone Number : 30442606
   Designation : Director and Chief Financial Officer

hereby declares:

1. *Responsible to the preparation and the presentation of the company's financial statements;*
2. *The company's financial statements are prepared and presented according to the generally acceptable accounting principle;*
3. a. *All information contained in the company's financial statements is complete and true;*
   b. *The company's financial statement does not contain any false material information or facts, and does not omit any material information or facts;*
4. *Responsible to the company's internal control system.*

This statement is made truthfully.

Jakarta, 20 February 2012

President Director and Chief Executive Officer

METERAI TEMPEL

6000 DJP

Harry Sasongko
NIK 30000016

Director and Chief Financial Officer

Stefan Carlsson
NIK 30000020

Jl. Medan Merdeka Barat No. 21, Jakarta 10110, Indonesia T (62-21) 3000 3001, 3000 3002 www.indosat.com

PT Indosat Tbk and Subsidiaries

Consolidated financial statements
with independent auditors' report
as of December 31, 2011 and 2010
and January 1, 2010 / December 31, 2009
and for the years ended December 31, 2011 and 2010

These consolidated financial statements are originally issued in Indonesian Language.

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2011 AND 2010 AND JANUARY 1, 2010 / DECEMBER 31, 2009
AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Table of Contents

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ERNST & YOUNG

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Jakarta 12190, Indonesia
Tel: +62 21 5289 5000
Fax: +62 21 5289 4100
www.ey.com/id

This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-1879/PSS/2012

The Stockholders and the Boards of Commissioners and Directors
PT Indosat Tbk

We have audited the accompanying consolidated statements of financial position of PT Indosat Tbk ("the Company") and Subsidiaries as of December 31, 2011 and 2010 and January 1, 2010 / December 31, 2009, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Indosat Tbk and Subsidiaries as of December 31, 2011 and 2010 and January 1, 2010 / December 31, 2009, and the consolidated results of their operations and their cash flows for the years ended December 31, 2011 and 2010 in conformity with Indonesian Financial Accounting Standards.

Effective January 1, 2011, the Company and Subsidiaries adopted certain revised Indonesian Statements of Financial Accounting Standards, which were applied on a prospective or retrospective basis, as disclosed in Note 2 and 40 to the consolidated financial statements. Therefore, the consolidated statements of financial position as of December 31, 2010 and January 1, 2010 / December 31, 2009 were restated due to reclassification of certain accounts.

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant License No. 98.1.0065

February 20, 2012

The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

Purwantono, Suherman & Surja
Registered Public Accountants
A member firm of Ernst & Young Global Limited

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010 and
January 1, 2010 / December 31, 2009
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010 / December 31, 2009
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	2d,2n,2s, 4,21,30,37	2,224,206	2,075,270	2,835,999
Accounts receivable	2n			
Trade	5,21,37			
Related parties - net of allowance for impairment of Rp47,107 as of December 31, 2011, Rp47,640 as of December 31, 2010 and Rp57,538 as of January 1, 2010	2s,30	257,537	222,506	125,912
Third parties - net of allowance for impairment of Rp489,544 as of December 31, 2011, Rp448,470 as of December 31, 2010 and Rp404,272 as of January 1, 2010		1,183,532	1,325,920	1,259,213
Others - net of allowance for impairment of Rp16,702 as of December 31, 2011, Rp15,281 as of December 31, 2010 and Rp16,544 as of January 1, 2010		5,660	10,031	564,859
Inventories - net of allowance for obsolescence of Rp18,401 as of December 31, 2011, Rp13,961 as of December 31, 2010 and Rp10,769 as of January 1, 2010	2e	75,890	105,885	112,260
Derivative assets	2n,20,21,37	159,349	69,334	224,743
Advances	32h	48,865	67,273	35,173
Prepaid taxes	2p,6,16	893,216	701,560	818,326
Prepaid expenses	2f,2j,2m,2s, 29,30	1,705,652	1,527,254	1,125,091
Other current financial assets - net	2d,2n,2s,7, 21,30,37	24,790	53,119	35,173
Other current assets		742	702	2,878
Total Current Assets		6,579,439	6,158,854	7,139,627

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2011 and 2010 and
January 1, 2010 / December 31, 2009
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010 / December 31, 2009
NON-CURRENT ASSETS				
Due from related parties - net of allowance for impairment of Rp15 as of December 31, 2011, Rp646 as of December 31, 2010 and Rp1,182 as of January 1, 2010	2n,2s,21,30,37	10,654	8,421	7,215
Deferred tax assets - net	2p,16	114,114	95,018	85,812
Property and equipment - net	2h,2i,2l,8, 18,26	42,573,369	43,571,010	44,428,807
Goodwill and other intangible assets - net	2c,2i,9	1,366,853	1,374,060	1,580,080
Long-term prepaid rentals - net of current portion	2f,2s,10	766,349	750,472	735,185
Long-term prepaid licenses - net of current portion	2f,2j,2s	331,868	397,708	463,549
Long-term advances	2s,11,30,32h	209,798	216,643	294,391
Long-term prepaid pension - net of current portion	2m,2s,29,30	103,181	111,344	147,380
Long-term receivables		20,677	45,911	50,767
Other non-current financial assets - net	2d,2n,2s,12, 21,30,32h,37	90,416	80,405	102,734
Other non-current assets - net	2g,2s,13,30	5,593	8,341	5,940
Total Non-current Assets		45,592,872	46,659,333	47,901,860
TOTAL ASSETS		**52,172,311**	**52,818,187**	**55,041,487**

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2011 and 2010 and
January 1, 2010 / December 31, 2009
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010 / December 31, 2009
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loan	2n,2s,14,21, 30,37	1,499,256	-	-
Accounts payable - trade	2n,2s,21, 30,37			
Related parties		23,581	22,260	38,670
Third parties		295,477	623,245	498,806
Procurement payable	2n,2s,15, 21,30,37	3,429,921	3,644,467	5,289,782
Taxes payable	2p,16	88,563	169,445	161,820
Accrued expenses	2n,2s,17, 21,30,37	1,891,477	1,710,885	1,525,561
Unearned income	2k,32g,32h	1,124,995	1,143,852	941,223
Deposits from customers	2n,21,37	37,265	50,279	22,463
Derivative liabilities	2n,20,21, 37	138,189	215,403	200,202
Current maturities of:				
Loans payable	2n,2s,18, 21,30,37	3,300,537	3,184,147	1,440,259
Bonds payable	2n,19, 21,37	41,989	1,098,131	2,840,662
Other current financial liabilities	2n,2s,21,30,37	16,072	23,127	43,721
Other current liabilities	2s,30,37	64,849	61,612	68,065
Total Current Liabilities		11,952,171	11,946,853	13,071,234
NON-CURRENT LIABILITIES				
Due to related parties	2n,2s,21, 30,37	15,480	22,099	13,764
Deferred tax liabilities - net	2p,16	1,920,787	1,772,337	1,535,202
Loans payable - net of current maturities	2n,2s,18, 21,30,37	6,425,779	7,666,804	12,721,308
Bonds payable - net of current maturities	2n,19, 21,37	12,138,353	12,114,104	8,472,175
Employee benefit obligations - net of current portion	2m,22	787,313	872,407	825,714
Other non-current liabilities	2s,30, 32h,37	116,455	187,097	113,807
Total Non-current Liabilities		21,404,167	22,634,848	23,681,970
TOTAL LIABILITIES		**33,356,338**	**34,581,701**	**36,753,204**

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31, 2011 and 2010 and
January 1, 2010 / December 31, 2009
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010 / December 31, 2009
EQUITY				
EQUITY ATTRIBUTABLE TO OWNERS' OF THE COMPANY				
Capital stock - Rp100 par value per A share and B share				
Authorized - 1 A share and 19,999,999,999 B shares				
Issued and fully paid - 1 A share and 5,433,933,499 B shares	23	543,393	543,393	543,393
Premium on capital stock		1,546,587	1,546,587	1,546,587
Retained earnings				
Appropriated		134,446	134,446	119,464
Unappropriated		15,736,227	15,224,843	15,341,773
Difference in transactions of equity changes in associated companies/subsidiaries	2b,2g	404,104	404,104	404,104
Difference in foreign currency translation	2b	(2,326)	(2,727)	2,369
Total Equity Attributable to:				
Owners of the Company		18,362,431	17,850,646	17,957,690
Non-controlling interests	2b,40	453,542	385,840	330,593
TOTAL EQUITY		**18,815,973**	**18,236,486**	**18,288,283**
TOTAL LIABILITIES AND EQUITY		**52,172,311**	**52,818,187**	**55,041,487**

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2011 and 2010
(Expressed in millions of rupiah, except share data)

	Notes	2011	2010
OPERATING REVENUES	2k,2s,24,30, 34,35,36		
Cellular		16,750,879	16,027,062
Multimedia, Data Communication, Internet ("MIDI")	32e	2,576,032	2,476,276
Fixed telecommunications		1,249,982	1,293,177
Total Operating Revenues		**20,576,893**	**19,796,515**
OPERATING EXPENSES	2s,30		
Cost of services	2k,25,32i, 32m,34,35	7,587,708	7,113,410
Depreciation and amortization	2h,8,9	6,580,754	6,151,911
Personnel	2l,2m,26, 29	1,891,940	1,411,244
Marketing	2k	1,023,698	986,019
General and administration	2k,27,40	662,694	692,581
Total Operating Expenses		**17,746,794**	**16,355,165**
OPERATING INCOME		**2,830,099**	**3,441,350**
OTHER INCOME (EXPENSES)			
Interest income	2n,30	81,477	143,402
Gain (loss) on change in fair value of derivatives - net	2n,20,37	57,944	(418,092)
Gain on foreign exchange - net	2n,2o,4	36,731	492,401
Financing cost	2s,18,19, 28,30	(1,789,687)	(2,271,628)
Amortization of goodwill	2c,9	-	(226,380)
Others - net	6,8,16,40	(34,664)	(79,236)
Other Expenses - Net		(1,648,199)	(2,359,533)
PROFIT BEFORE INCOME TAX		**1,181,900**	**1,081,817**
INCOME TAX EXPENSE	2p,16		
Current		(120,177)	(128,171)
Deferred		(129,220)	(229,627)
Total Income Tax Expense		(249,397)	(357,798)
PROFIT FOR THE YEAR		**932,503**	**724,019**

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)
Years Ended December 31, 2011 and 2010
(Expressed in millions of rupiah, except share data)

	Notes	2011	2010
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		834,975	647,174
Non-controlling interests	2b,40	97,528	76,845
Total		**932,503**	**724,019**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	2r	**153.66**	**119.10**
BASIC EARNINGS PER ADS (50 SHARES PER ADS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	2r	**7,682.97**	**5,954.93**
PROFIT FOR THE YEAR		**932,503**	**724,019**
OTHER COMPREHENSIVE INCOME			
Difference in foreign currency translation	2b	534	(6,794)
Income tax effect		(133)	1,698
Difference in foreign currency translation - net of tax		**401**	**(5,096)**
NET COMPREHENSIVE INCOME		**932,904**	**718,923**
OTHER COMPREHENSIVE INCOME - NET OF TAX ATTRIBUTABLE TO:			
Owners of the Company		401	(5,096)
Non-controlling interests	2b	-	-
Total		**401**	**(5,096)**
NET COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		835,376	642,078
Non-controlling interests		97,528	76,845
Total		**932,904**	**718,923**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2011 and 2010
(Expressed in millions of rupiah)

		Equity Attributable to Owners of the Company								
				Retained Earnings						
Description	Notes	Capital Stock - Issued and Fully Paid	Premium of Capital Stock	Appropriated	Unappropriated	Difference in Transactions of Equity Changes in Associated Companies/Subsidiaries	Difference in Foreign Currency Translation	Total	Non-controlling Interests	Total Equity
Balance as of January 1, 2010		**543,393**	**1,546,587**	**119,464**	**15,341,773**	**404,104**	**2,369**	**17,957,690**	**330,593**	**18,288,283**
Difference in foreign currency translation arising from the translation of the financial statements of Indosat Finance Company B.V., Indosat International Finance Company B.V. from euro, and Indosat Palapa Company B.V. and Indosat Singapore Pte. Ltd. from U.S.dollar to rupiah - net of applicable income tax benefit of Rp798, Rp368, Rp301 and Rp231, respectively	2b	-	-	-	-	-	(5,096)	(5,096)	-	(5,096)
Resolution during the Annual Stockholders' General Meeting on June 22, 2010	31									
Declaration of cash dividend		-	-	-	(749,122)	-	-	(749,122)	-	(749,122)
Appropriation for reserve fund		-	-	14,982	(14,982)	-	-	-	-	-
Profit for the year		-	-	-	647,174	-	-	647,174	76,845	724,019
Changes in non-controlling interests		-	-	-	-	-	-	-	(21,598)	(21,598)
Balance as of December 31, 2010		**543,393**	**1,546,587**	**134,446**	**15,224,843**	**404,104**	**(2,727)**	**17,850,646**	**385,840**	**18,236,486**
Difference in foreign currency translation arising from the translation of the financial statements of Indosat Finance Company B.V., Indosat International Finance Company B.V. from euro, and Indosat Palapa Company B.V. and Indosat Singapore Pte. Ltd. from U.S.dollar to rupiah - net of applicable income tax benefit (expense) of Rp108, Rp38, Rp87 and (Rp366), respectively	2b	-	-	-	-	-	401	401	-	401
Resolution during the Annual Stockholders' General Meeting on June 24, 2011	31									
Declaration of cash dividend		-	-	-	(323,591)	-	-	(323,591)	-	(323,591)
Profit for the year		-	-	-	834,975	-	-	834,975	97,528	932,503
Changes in non-controlling interests		-	-	-	-	-	-	-	(29,826)	(29,826)
Balance as of December 31, 2011		**543,393**	**1,546,587**	**134,446**	**15,736,227**	**404,104**	**(2,326)**	**18,362,431**	**453,542**	**18,815,973**

The accompanying notes form an integral part of these consolidated financial statements.

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010
(Expressed in millions of rupiah)

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from:			
Customers		20,620,790	19,678,609
Refunds of taxes	6	141,271	41,753
Interest income		81,336	145,067
Settlement from currency forward contracts	20c,20h,20i-j,20k 20aa-ap	55,371	-
Settlement from derivative contracts	20c,20h-k	20,626	-
Cash paid to/for:			
Authorities, other operators, suppliers and others		(9,102,182)	(9,051,275)
Employees		(2,003,642)	(1,310,556)
Financing cost		(1,739,810)	(2,175,997)
Income taxes		(563,320)	(215,874)
Interest rate swap contracts	20m-z	(119,521)	(117,231)
Swap cost from cross currency swap contracts	20a-l	(70,838)	(121,449)
Settlement for derivative contracts	20b,20g	-	(24,431)
Net Cash Provided by Operating Activities		**7,320,081**	**6,848,616**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividend received from other long-term investment	12a	13,790	19,281
Proceeds from sale of property and equipment	8	6,708	7,741
Acquisitions of property and equipment	8	(6,047,958)	(6,495,146)
Acquisitions of intangible assets	9	(10,452)	(40,052)
Proceeds of Palapa D-Satellite insurance claim	8	-	537,657
Purchase of investment in an associated company		-	(194)
Net Cash Used in Investing Activities		**(6,037,912)**	**(5,970,713)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term loans	18	2,322,900	1,092,059
Proceeds from short-term loan	14	1,500,000	-
Repayment of long-term loans	18	(3,505,063)	(4,098,277)
Repayment of bonds payable	19	(1,100,000)	(3,720,815)
Cash dividend paid by the Company	31	(323,591)	(749,122)
Cash dividend paid by subsidiaries to non-controlling interests		(29,692)	(21,436)
Proceeds from bonds payable		-	5,851,301
Settlement from derivative contracts	20a	-	59,925
Decrease in restricted cash and cash equivalents		-	2,846
Swap cost from cross currency swap contract	20a	-	(46,136)
Net Cash Used in Financing Activities		**(1,135,446)**	**(1,629,655)**
Net Foreign Exchange Differences from Cash and Cash Equivalents		**2,213**	**(9,732)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**148,936**	**(761,484)**
CASH AND CASH EQUIVALENTS OF ACQUIRED COMPANY		**-**	**755**

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2011 and 2010
(Expressed in millions of rupiah)

	Notes	2011	2010
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,075,270**	**2,835,999**
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**2,224,206**	**2,075,270**
DETAILS OF CASH AND CASH EQUIVALENTS:	4		
Time deposits with original maturities of three months or less and deposits on call		1,919,227	1,791,783
Cash on hand and in banks		304,979	283,487
Cash and cash equivalents as stated in the consolidated statements of financial position		**2,224,206**	**2,075,270**

1. GENERAL

a. Company's Establishment

PT Indosat Tbk ("the Company") was established in the Republic of Indonesia on November 10, 1967 within the framework of the Indonesian Foreign Investment Law No. 1 of 1967 based on the notarial deed No. 55 of Mohamad Said Tadjoedin, S.H. The deed of establishment was published in Supplement No. 24 of State Gazette No. 26 dated March 29, 1968 of the Republic of Indonesia. In 1980, the Company was sold by American Cable and Radio Corporation, an International Telephone & Telegraph subsidiary, to the Government of the Republic of Indonesia ("the Government") and became a State-owned Company (*Persero*).

On February 7, 2003, the Company received the approval from the Capital Investment Coordinating Board ("BKPM") in its letter No. 14/V/PMA/2003 for the change of its legal status from a State-owned Company (*Persero*) to a Foreign Capital Investment Company. Subsequently, on March 21, 2003, the Company received the approval from the Ministry of Justice and Human Rights of the Republic of Indonesia on the amendment of its Articles of Association to reflect the change in its legal status.

The Company's Articles of Association has been amended from time to time. The latest amendment was covered by notarial deed No. 123 dated January 28, 2010 of Aulia Taufani, S.H., (as a substitute notary of Sutjipto, S.H.) as approved in the Stockholders' Extraordinary General Meeting held on January 28, 2010, in order to comply with the Indonesian Capital Market and Financial Institutions Supervisory Agency ("BAPEPAM-LK") Rule No. IX.J.1 dated May 14, 2008 on the Principles of Articles of Association of Limited Liability Companies that Conduct Public Offering of Equity Securities and Public Companies and Rule No. IX.E.1 on Affiliate Transactions and Certain Conflict of Interests Transactions. The latest amendment of the Company's Articles of Association has been approved by, and reported to, the Ministry of Law and Human Rights of the Republic of Indonesia based on its letters No. AHU-09555.AH.01.02 Year 2010 dated February 22, 2010 and No. AHU-AH.01.10-04964 dated February 25, 2010. The amendments relate to, among other matters, the changes in the Company's purposes, objectives and business activities, appointment of acting President Director if the incumbent President Director is unavailable and definition of conflict of interests.

According to article 3 of its Articles of Association, the Company's purposes and objectives are to provide telecommunications networks, telecommunications services as well as information technology and/or convergence technology services by carrying out the following main business activities:

a. To provide telecommunications networks, telecommunications services as well as information technology and/or convergence technology services, including but not limited to providing basic telephony services, multimedia services, internet telephony services, network access point service, internet services, mobile telecommunications networks and fixed telecommunications networks; and

b. To engage in payment transactions and money transfer services through telecommunications networks as well as information technology and/or convergence technology.

The Company can provide supporting business activities in order to achieve the purposes and objectives, and to support its main businesses, as follows:

a. To plan, to procure, to modify, to build, to provide, to develop, to operate, to lease, to rent, and to maintain infrastructures/facilities including resources to support the Company's business in providing telecommunications networks, telecommunications services as well as information technology and/or convergence technology services;

1. GENERAL (continued)

a. Company's Establishment (continued)

b. To conduct business and operating activities (including development, marketing and sales of telecommunications networks, telecommunications services as well as information technology and/or convergence technology services by the Company), including research, customer services, education and courses (both domestic and overseas); and

c. To conduct other activities necessary to support and/or related to the provision of telecommunications networks, telecommunications services as well as information technology and/or convergence technology services including, but not limited to, electronic transactions and provision of hardware, software, content as well as telecommunications-managed services.

The Company started its commercial operations in 1969.

Based on Law No. 3 of 1989 on Telecommunications and pursuant to Government Regulation No. 77 of 1991, the Company had been re-confirmed as an Operating Body ("Badan Penyelenggara") that provided international telecommunications services under the authority of the Government.

In 1999, the Government issued Law No. 36 on Telecommunications ("Telecommunications Law") which took effect on September 8, 2000. Under the Telecommunications Law, telecommunications activities cover:

- Telecommunications networks
- Telecommunications services
- Special telecommunications services

National state-owned companies, regional state-owned companies, privately-owned companies and cooperatives are allowed to provide telecommunications networks and services. Individuals, government institutions and legal entities, other than telecommunications networks and service providers, are allowed to render special telecommunications services.

The Telecommunications Law prohibits activities that result in monopolistic practices and unhealthy competition and expects to pave the way for market liberalization.

Based on the Telecommunications Law, the Company ceased as an Operating Body and has to obtain licenses from the Government for the Company to engage in the provision of specific telecommunications networks and services.

On August 14, 2000, the Government, through the Ministry of Communications ("MOC"), granted the Company an in-principle license as a nationwide Digital Communication System ("DCS") 1800 telecommunications provider as compensation for the early termination effective August 1, 2003 of the exclusivity rights on international telecommunications services given to the Company prior to the granting of such license. On August 23, 2001, the Company obtained the operating license from the MOC. Subsequently, based on Decree No. KP.247 dated November 6, 2001 issued by the MOC, the operating license was transferred to the Company's subsidiary, PT Indosat Multi Media Mobile (see "e" below).

On September 7, 2000, the Government, through the MOC, also granted the Company in-principle licenses for local and domestic long-distance telecommunications services as compensation for the termination of its exclusivity rights on international telecommunications services. On the other hand, PT Telekomunikasi Indonesia Tbk ("Telkom") was granted an in-principle license for international telecommunications services as compensation for the early termination of Telkom's rights on local and domestic long-distance telecommunications services.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

1. GENERAL (continued)

a. Company's Establishment (continued)

Based on a letter dated August 1, 2002 from the MOC, the Company was granted an operating license for fixed local telecommunications network covering Jakarta and Surabaya. This operating license was converted to become a national license on April 17, 2003 based on Decree No. KP.130 Year 2003 of the MOC. The values of the above licenses granted to Telkom and the Company on the termination of their exclusive rights on local/domestic and international telecommunications services, respectively, have been determined by an independent appraiser.

The following are operating licenses obtained by the Company and PT Indosat Mega Media, a subsidiary:

License No.	Date Issued	Issuing Body	Period of License	Description
19/KEP/M.KOMINFO/ 02/2006 and 29/KEP/M.KOMINFO/ 03/2006	February 14, 2006 and March 27, 2006	Ministry of Communications and Information Technology ("MOCIT")	10 years	Determination of the winner and operating license for IMT-2000 cellular network provider using 2.1 GHz radio frequency spectrum (a third generation ["3G"] mobile communications technology) for 1 block (2 x 5 Mhz) of frequency (*)
252/KEP/ M.KOMINFO/07/2011 (previously 102/KEP/M.KOMINFO/ 10/2006)	July 6, 2011	MOCIT	Evaluated every 5 years	Amended operating license for nationwide GSM cellular mobile network (including its basic telephony services and the rights and obligations relating to 3G services), which replaces the previous license No. 102/KEP/M.KOMINFO/10/2006 dated October 11, 2006
181/KEP/M.KOMINFO/ 12/2006	December 12, 2006	MOCIT	-	Allocation of two nationwide frequency channels, i.e., channels 589 and 630 in the 800 MHz spectrum for Local Fixed Wireless Network Services with Limited Mobility
01/DIRJEN/2008	January 7, 2008	Directorate General of Post and Telecommunications ("DGPT")	Evaluated every 5 years	Operating license as internet service provider
51/DIRJEN/2008	January 9, 2008	DGPT	Evaluated every 5 years	Operating license for internet interconnection services (Network Access Point/NAP), which replaces the previous license given to PT Satelit Palapa Indonesia ("Satelindo")
52/DIRJEN/2008	January 9, 2008	DGPT	Evaluated every 5 years	Operating license for telephony internet services which replaces the previous license No. 823/DIRJEN/2002 for Voice over Internet Protocol Service with national coverage that expired in 2007
237/KEP/M.KOMINFO/ 7/2009	July 27, 2009	MOCIT	10 years	Operating license for "Packet Switched" local fixed telecommunications network using 2.3 GHz radio frequency spectrum of Broadband Wireless Access (BWA) (**)
268/KEP/M.KOMINFO/ 9/2009	September 1, 2009	MOCIT	10 years	Operating license for one additional block (2 x 5 Mhz) of 3G frequency (***)
198/KEP/M.KOMINFO/ 05/2010	May 27, 2010	MOCIT	Evaluated every 5 years	Amended operating license for nationwide closed fixed communications network (e.g.,VSAT, frame relay, etc.), which replaces the previous license No.KP.69/Thn 2004 given to the Company

(*) As one of the winners in the selection of IMT-2000 cellular providers, the Company was obliged to, among others, pay upfront fee of Rp320,000 (Note 2j) and radio frequency fee (Note 32k).
(**) PT Indosat Mega Media was obliged to, among others, pay upfront fee of Rp18,408 (Note 2j) and radio frequency fee (Note 32k).
(***) The Company was obliged to, among others, pay upfront fee of Rp320,000 (Note 2j) and radio frequency fee (Note 32k).

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

1. GENERAL (continued)

a. Company's Establishment (continued)

License No.	Date Issued	Issuing Body	Period of License	Description
311/KEP/M.KOMINFO/ 8/2010 312/KEP/M.KOMINFO/ 8/2010 and 313/KEP/M.KOMINFO/ 8/2010	August 24, 2010	MOCIT	Evaluated every 5 years	Amended operating license for fixed network and basic telephony service which covers the provision of local, national long-distance, and international long-distance telephony services, which replaces the previous license No. KP.203/Thn 2004 given to the Company

On January 9, 2008, based on letter No. 10/14/DASP from Bank Indonesia (Central Bank), the Company obtained approval for *"Indosat m-wallet"* prepaid cards as a new means of making payments to certain merchants. The Company was also appointed as a special principal and technical acquirer for such prepaid cards. On November 19, 2009, the Company launched *"Indosat m-wallet"* to the public.

On March 17, 2008, the MOCIT issued Ministerial Decree No. 02/PER/M.KOMINFO/2008 on the Guidelines of Construction and Utilization of Sharing Telecommunications Towers. Based on this Decree, the construction of telecommunications towers requires permits from the relevant governmental institution and the local government determines the placement of the towers and the location in which the towers can be constructed. Furthermore, a telecommunications provider or tower provider which owns telecommunications towers is obliged to allow other telecommunications operators to utilize its telecommunications towers without any discrimination. The Decree also mandated that each of the tower contractor, provider and owner be 100% locally owned companies.

On March 30, 2009, the Ministry of Domestic Affairs, Ministry of Public Works, MOCIT and Head of BKPM jointly issued Decrees No. 18 Year 2009, No. 07/PRT/M/2009, No. 19/PER/M.KOMINFO/03/09 and No. 3/P/2009 on the Detailed Guidelines of Construction and Utilization of Sharing Telecommunications Towers. The Decrees define the requirements and procedures for tower construction. A tower provider can be either a telecommunications operator or a non-telecommunications operator. If a tower provider is a non-telecommunications operator, it is required to be a 100% locally owned company.

On September 3, 2010, based on letter No. 12/67/DASP/25 from Bank Indonesia (Central Bank), the Company obtained approval to become a *"money remittance provider"* to customers in the local and international markets.

On December 13, 2010, based on letter No. 2619/BSN/D3-d3/12/2010 from the Badan Standardisasi Nasional (National Standardization Bureau), the Company obtained Issuer Identification Number (IIN) on its applications for *"Indosat m-wallet"* and *"money remittance"*. On March 23, 2011, the President of the Republic of Indonesia issued Regulation or *Peraturan Pemerintah* ("PP") No. 3 year 2011 regarding money remittance. This regulation becomes the operational guidance for the Company as a "money remittance provider".

The Company is domiciled at Jalan Medan Merdeka Barat No. 21, Jakarta and has 4 regional offices located in Jakarta, Surabaya, Batam and Balikpapan.

Qatar Telecom QSC, Qatar ("Qatar Telecom") is the ultimate parent company of the Company and subsidiaries. The immediate parent company of the Group is Qatar Telecom (Qtel Asia) Pte. Ltd., Singapore.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

1. GENERAL (continued)

b. Company's Public Offerings

All of the Company's B shares have been registered with and traded on the Indonesia Stock Exchange (new entity after the merger of Jakarta Stock Exchange and Surabaya Stock Exchange in November 2007) since 1994. The Company's American Depositary Shares (ADS, each representing 50 B shares), have also been traded on the New York Stock Exchange since 1994.

As of December 31, 2011, the Company and subsidiaries (collectively referred to hereafter as "the Group") outstanding bonds issued to the public are as follows:

Bond (Note 19)	Effective Date	Registered with and Traded on:
1. Second Indosat Bonds series B in Year 2002 with Fixed Rate	November 6, 2002	Indonesia Stock Exchange
2. Fifth Indosat Bonds in Year 2007 with Fixed Rates	May 29, 2007	Indonesia Stock Exchange
3. Indosat Sukuk Ijarah II in Year 2007	May 29, 2007	Indonesia Stock Exchange
4. Sixth Indosat Bonds in Year 2008 with Fixed Rates	April 9, 2008	Indonesia Stock Exchange
5. Indosat Sukuk Ijarah III in Year 2008	April 9, 2008	Indonesia Stock Exchange
6. Seventh Indosat Bonds in Year 2009 with Fixed Rates	December 8, 2009	Indonesia Stock Exchange
7. Indosat Sukuk Ijarah IV in Year 2009	December 8, 2009	Indonesia Stock Exchange
8. Guaranteed Notes Due 2020	July 29, 2010	Singapore Exchange Securities Trading Limited

c. Directors, Commissioners and Audit Committee

Based on a resolution at each of the Stockholders' Annual General Meeting held on June 24, 2011 which is notarized under Deed No. 148 of Aulia Taufani, S.H. (as a substitute notary of Sutjipto, S.H.) on the same date and the Stockholders' Annual General Meeting held on June 22, 2010 which is notarized under Deed No. 164 of Aulia Taufani, S.H. (as a substitute notary of Sutjipto, S.H.) on the same date, the composition of the Company's Board of Commissioners and Board of Directors as of December 31, 2011 and 2010, respectively, is as follows

	December 31, 2011	**December 31, 2010**
Board of Commissioners:		
President Commissioner	Abdulla Mohammed S.A Al Thani	Abdulla Mohammed S.A Al Thani
Commissioner	Dr. Nasser Mohd. A. Marafih	Dr. Nasser Mohd. A. Marafih
Commissioner	Rachmad Gobel	Rachmad Gobel
Commissioner	Richard Farnsworth Seney	Richard Farnsworth Seney
Commissioner	Rionald Silaban	Rionald Silaban
Commissioner	Alexander Rusli*	Alexander Rusli*
Commissioner	Chris Kanter*	Chris Kanter*
Commissioner	Thia Peng Heok George*	Thia Peng Heok George*
Commissioner	Soeprapto*	Soeprapto*
Commissioner	-**	Jarman

* Independent commissioner
** Parikesit Suprapto was appointed as commissioner on February 8, 2011 and submitted his resignation letter on October 14, 2011 with effective date of December 14, 2011. As of December 31, 2011, there has been no appointment of his replacement.

	December 31, 2011	**December 31, 2010**
Board of Directors:		
President Director and Chief Executive Officer	Harry Sasongko Tirtotjondro	Harry Sasongko Tirtotjondro
Director and Chief Financial Officer	Curt Stefan Carlsson	Peter Wladyslaw Kuncewicz
Director and Chief Commercial Officer	Laszlo Imre Barta	Laszlo Imre Barta
Director and Chief Technology Officer	Hans Christiaan Moritz	Stephen Edward Hobbs
Director and Chief Wholesale and Infrastructure Officer	Fadzri Sentosa	Fadzri Sentosa

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

1. GENERAL (continued)

c. Directors, Commissioners and Audit Committee (continued)

The composition of the Company's Audit Committee as of December 31, 2011 and 2010 is as follows:

Chairman	Thia Peng Heok George
Member	Chris Kanter
Member	Soeprapto
Member	Unggul Saut Marupa Tampubolon
Member	Kanaka Puradiredja

The Group has approximately 4,461 and 6,694 employees, including non-permanent employees, as of December 31, 2011 and 2010, respectively.

d. Structure of the Company's Subsidiaries

As of December 31, 2011 and 2010, the Company has direct and indirect ownership in the following Subsidiaries:

Name of Subsidiary	Location	Principal Activity	Start of Commercial Operations	Percentage of Ownership (%) 2011	2010
Indosat Palapa Company B.V. ("IPBV")(1)	Amsterdam	Finance	2010	100.00	100.00
Indosat Mentari Company B.V. ("IMBV")(1)(Notes 38a and 38d)	Amsterdam	Finance	2010	100.00	100.00
Indosat Finance Company B.V. ("IFB")	Amsterdam	Finance	2003	100.00	100.00
Indosat International Finance Company B.V. ("IIFB")	Amsterdam	Finance	2005	100.00	100.00
Indosat Singapore Pte. Ltd. ("ISPL")	Singapore	Telecommunications	2005	100.00	100.00
PT Indosat Mega Media ("IMM")	Jakarta	Multimedia	2001	99.85	99.85
PT Interactive Vision Media ("IVM")(2)	Jakarta	Pay TV	2011	99.83	-
PT Starone Mitra Telekomunikasi ("SMT")	Semarang	Telecommunications	2006	72.54	72.54
PT Aplikanusa Lintasarta ("Lintasarta")	Jakarta	Data Communication	1989	72.36	72.36
PT Lintas Media Danawa ("LMD")	Jakarta	Information and Communication Services	2008	50.65	50.65
PT Artajasa Pembayaran Elektronis ("APE")(3)	Jakarta	Telecommunications	2000	39.80	39.80

Name of Subsidiary	Total Assets (Before Eliminations) 2011	2010
IPBV(1)	6,015,894	5,966,764
IMBV(1)	6,010,359	5,946,885
IFB	20,923	21,876
IIFB	8,688	9,635
ISPL	78,264	54,353
IMM	746,404	815,130
IVM(2)	5,198	-
SMT	209,651	155,297
Lintasarta	1,783,759	1,739,896
LMD	5,199	2,671
APE(3)	258,745	221,297

(1) IPBV and IMBV were incorporated in Amsterdam on April 28, 2010 to engage in treasury activities, to lend and borrow money, whether in the form of securities or otherwise, to finance enterprises and companies, and to grant security in respect of their respective obligations or those of their group companies and third parties.

(2) IVM, a subsidiary of IMM, was established on April 21, 2009 to engage in Pay TV services. IMM made capital injections to IVM on March 9 and 30, 2011 totalling Rp4,999. On July 12, 2011, IVM got the license to conduct its Pay TV services. However, as of December 31, 2011, IVM has not started its commercial operations.

(3) Lintasarta has direct 55% and 70% ownership in APE and LMD, respectively.

1. GENERAL (continued)

e. Merger of the Company, Satelindo, Bimagraha and IM3

Based on Merger Deed No. 57 dated November 20, 2003 ("merger date") of Poerbaningsih Adi Warsito, S.H., the Company, Satelindo, PT Bimagraha Telekomindo ("Bimagraha") and PT Indosat Multi Media Mobile ("IM3") agreed to merge, with the Company as the surviving entity. All assets and liabilities owned by Satelindo, Bimagraha and IM3 were transferred to the Company on the merger date. These three companies were dissolved by operation of law without the need to undergo the regular liquidation process.

The names "Satelindo" and "IM3" in the following notes refer to these entities before they were merged with the Company, or as the entities that entered into contractual agreements that were taken over by the Company as a result of the merger.

f. Approval and Authorization for the Issuance of Consolidated Financial Statements

The issuance of the consolidated financial statements of the Group as of December 31, 2011 and 2010 and January 1, 2010 / December 31, 2009 and for the years ended December 31, 2011 and 2010 was approved and authorized by the Board of Directors on February 20, 2012, as reviewed and recommended for approval by the Audit Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK") and the Regulations and the Guidelines on Financial Statement Presentation and Disclosures issued by BAPEPAM-LK. As disclosed further in the relevant succeeding notes to consolidated financial statements, several amended and published accounting standards were adopted effective January 1, 2011.

The consolidated financial statements are prepared in accordance with Statement of Financial Accounting Standards ("PSAK") 1 (Revised 2009), "Presentation of Financial Statements", adopted on January 1, 2011.

PSAK 1 (Revised 2009) regulates presentation of financial statements as to, among others, the objective, component of financial statements, fair presentation, materiality and aggregation, offsetting, distinction between current and non-current assets and short-term and long-term liabilities, comparative information and consistency and introduces new disclosures such as key estimations and judgments, capital management, other comprehensive income, departures from accounting standards and statement of compliance.

The adoption of PSAK 1 (Revised 2009) has significant impact on the related presentation and disclosures in the consolidated financial statements (Note 40).

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those made in the preparation of the Group's consolidated financial statements for the year ended December 31, 2010, except for the adoption of several amended PSAKs effective January 1, 2011 as disclosed in this note.

The consolidated financial statements have been prepared on the accrual basis using the historical cost concept of accounting, except as disclosed in the relevant notes herein.

The consolidated statements of cash flows, which have been prepared using the direct method, present receipts and disbursements of cash and cash equivalents classified into operating, investing and financing activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Consolidated Financial Statements (continued)

The reporting currency used in the consolidated financial statements is the Indonesian rupiah, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

b. Principles of Consolidation

From January 1, 2011

Effective January 1, 2011, the Group retrospectively adopted PSAK 4 (Revised 2009), "Consolidated and Separate Financial Statements", except for the following items that were applied prospectively: (i) losses of a subsidiary that result in a deficit balance to non-controlling interests ("NCI"); (ii) loss of control over a subsidiary; (iii) change in the ownership interest in a subsidiary that does not result in a loss of control; (iv) potential voting rights in determining the existence of control; and (v) consolidation of a subsidiary that is subject to long-term restriction.

PSAK 4 (Revised 2009) provides for the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent, and the accounting for investments in subsidiaries, jointly controlled entities and associated entities when separate financial statements are presented as additional information.

All material intercompany transactions and account balances (including the related significant unrealized gains or losses) have been eliminated.

The consolidated financial statements include the accounts of the Company and Subsidiaries mentioned in Note 1d, in which the Company maintains (directly or indirectly) equity ownership of more than 50%.

Subsidiaries are fully consolidated from the date of acquisitions, being the date on which the Group obtained control, and continue to be consolidated until the date such control ceases. Control is presumed to exist if the Company owns, directly or indirectly through Subsidiaries, more than half of the voting power of an entity. Control also exists when the parent owns half or less of the voting power of an entity when there is:
a) power over more than half of the voting rights by virtue of an agreement with other investors;
b) power to govern the financial and operating policies of the entity under a statute or an agreement;
c) power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Losses of a non-wholly owned subsidiary are attributed to the NCI even if they create an NCI deficit balance.

In case of loss of control over a subsidiary, the Group:
- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any NCI;
- derecognizes the cumulative translation differences, recorded in equity, if any;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

From January 1, 2011 (continued)

- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

NCI represent the portion of the profit or loss and net assets of the Subsidiaries not attributable, directly or indirectly, to the Company, which are presented in the consolidated statements of comprehensive income and under the equity section of the consolidated statements of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent company.

Prior to January 1, 2011

The proportionate shares of minority shareholders in net assets and net income or loss of the consolidated subsidiaries were previously presented as "Minority Interests" in the consolidated statements of financial position and as "Minority Interests in Net Loss (Income) of Subsidiaries" in the consolidated statements of comprehensive income.

The losses applicable to the minority interests in a Subsidiary may have exceeded the minority interests in the equity of the Subsidiary. The excess and any further losses applicable to the minority interests were absorbed by the Company as the majority shareholder, except to the extent that the minority interests had other long-term interest in the related Subsidiary or had binding obligations for, and were able to make good of, the losses. If the Subsidiary subsequently reported profits, all such profits were allocated to the majority interest holder, in this case, the Company, until the minority interests' share of losses previously absorbed by the Company was recovered.

The accounts of IPBV, IMBV, IFB, IIFB and ISPL were translated into rupiah amounts at the middle rates of exchange prevailing at balance sheet date for balance sheet accounts and the average rates during the year for profit and loss accounts. The resulting difference arising from the translations of the financial statements of IPBV, IMBV, IFB, IIFB and ISPL is presented as "Difference in Foreign Currency Translation" under the Equity section of the consolidated statements of financial position.

c. Business Combinations

Effective January 1, 2011, the Group prospectively adopted PSAK 22 (Revised 2010), "Business Combinations", applicable for business combinations that occur on or after the beginning of a financial year commencing on or after January 1, 2011.

In accordance with the transitional provision of PSAK 22 (Revised 2010), starting January 1, 2011, the Group:

- ceased the goodwill amortization (Note 9);
- eliminated the carrying amount of the related accumulated amortization of goodwill; and
- performed an impairment test of goodwill in accordance with PSAK 48 (Revised 2009), "Impairment of Assets".

As described herein, the adoption of PSAK 22 (Revised 2010) has significant impact on the financial reporting, including for the related disclosures in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations (continued)

From January 1, 2011

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition-date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are directly expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PSAK 55 (Revised 2006) either in profit or loss or as other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill forms part of a CGU and a part of the operations within that CGU is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the CGU retained.

Prior to January 1, 2011

In comparison to the above, the following were the accounting policies applied on business combinations prior to January 1, 2011:

i. Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The NCI (formerly known as minority interest) was measured at the book value of the proportionate share of the acquiree's identifiable net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations (continued)

Prior to January 1, 2011 (continued)

ii. Business combinations achieved in stages were accounted for as separate steps. Any additional acquired equity interest did not affect previously recognized goodwill.
iii. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.
iv. Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

d. Cash and Cash Equivalents

Time deposits with original maturities of three months or less at the time of placement and deposits on call are considered as “Cash Equivalents”.

Cash in banks and time deposits which are pledged as collateral for bank guarantees are not classified as part of “Cash and Cash Equivalents”. These are presented as part of either “Other Current Financial Assets” or “Other Non-current Financial Assets”.

e. Inventories

Inventories, which mainly consist of SIM cards, broadband modems, starter packs, cellular handsets and pulse reload vouchers are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

In accordance with PSAK 14 (Revised 2008), the Group applies the guidance on the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value, as well as guidance on the cost formula used to assign costs to inventories.

f. Prepaid Expenses

Prepaid expenses, which mainly consist of frequency fee, rentals, upfront fee of 3G and BWA licenses and insurance are expensed as the related asset is utilized. The non-current portions of prepaid rentals and upfront fee of 3G and BWA licenses are shown as part of “Long-term Prepaid Rentals - Net of Current Portion” and “Long-term Prepaid Licenses - Net of Current Portion”, respectively.

g. Investments in Associated Companies

Effective January 1, 2011, the Group applied PSAK 15 (Revised 2009), “Investments in Associated Companies”. The revised PSAK is applied retrospectively and prescribes the accounting for investments in associated companies as to determination of significant influence, accounting method to be applied, impairment in value of investments and separate financial statements.

The Group’s investment in its associated company is accounted for using the equity method. An associated company is an entity in which the Group has significant influence. Under the equity method, the cost of investment is increased or decreased by the Group’s share in net earnings or losses of, and dividends received from, the associated company since the date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Investments in Associated Companies (continued)

The consolidated statements of comprehensive income reflect the share of the results of operations of the associated company. Where there has been a change recognized directly in the equity of the associated company, the Group recognizes its share of any such changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company.

The Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associated company. The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associated company and its carrying value, and recognizes the amount in the consolidated statements of comprehensive income.

h. Property and Equipment

Property and equipment are stated at cost (which includes certain capitalized borrowing costs incurred during the construction phase), less accumulated depreciation and impairment in value.

Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets.

Property and equipment acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets are measured at fair values unless:
(i) the exchange transaction lacks commercial substance, or
(ii) the fair value of neither the assets received nor the assets given up can be measured reliably.

The acquired assets are measured this way even if the Group cannot immediately derecognize the assets given up. If the acquired assets cannot be reliably measured at fair value, their value is measured at the carrying amount of the assets given up.

In accordance with PSAK 16 (Revised 2007), the Group has chosen the cost model for the measurement of its property and equipment. The Group performs periodic review and assessment of the economic useful lives of the assets. Below are the estimated useful lives (in years).

	Years
Buildings	20
Information technology equipment	3 to 5
Office equipment	3 to 5
Building and leasehold improvements	3 to 15
Vehicles	5
Cellular technical equipment	10
Transmission and cross-connection equipment	10 to 15
Fixed Wireless Access ("FWA") technical equipment	10
Operation and maintenance center and measurement unit	3 to 5
Fixed access network equipment	10

Landrights are stated at cost.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments which enhance an asset's condition on its initial performance, are capitalized. When properties are retired or otherwise disposed of, their costs and the related accumulated depreciation are derecognized from the accounts, and any resulting gains or losses are recognized in the consolidated statement of comprehensive income for the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Property and Equipment (continued)

Properties under construction and installation are stated at cost. All borrowing costs, which include interest, amortization of ancillary costs and foreign exchange differentials (estimated quarterly to the extent that they are regarded as an adjustment to interest costs by capping the exchange differences taken as borrowing costs at the amount of borrowing costs on the functional currency equivalent borrowings) that can be attributed to qualifying assets, are capitalized to the cost of properties under construction and installation. Capitalization of borrowing costs ceases when the construction or installation is completed and the constructed or installed asset is ready for its intended use.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed and adjusted prospectively, if appropriate, at each financial year end.

i. Impairment of Non-financial Assets

Prior to January 1, 2011

Based on accounting policy on impairment of non-financial assets prior to January 1, 2011, in accordance with PSAK 48, “Impairment of Assets Value”, the Group reviewed whether there was an indication of assets impairment at statements of financial position date. If there was an indication of assets impairment, the Group estimated the recoverable amount of the assets. Impairment loss was recognized as a charge to current operations.

From January 1, 2011

Effective January 1, 2011, the Group prospectively adopted PSAK 48 (Revised 2009), “Impairment of Assets”, including goodwill and assets acquired from business combinations before January 1, 2011.

PSAK 48 (Revised 2009) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this revised PSAK requires the entity to recognize an impairment loss. This revised PSAK also specifies when an entity should reverse an impairment loss and prescribes disclosures.

As described herein, the adoption of PSAK 48 (Revised 2009) has a significant impact on financial reporting, including for the related disclosures, mainly on the impairment test of goodwill which is required at least once a year and more frequently when indications for impairment exist.

The Group assesses at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e., an intangible asset with an indefinite useful life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, the Group makes an estimate of the asset’s recoverable amount.

An asset’s recoverable amount is the higher of the asset’s or cash generating unit (CGU)’s fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the consolidated statements of comprehensive income as “impairment losses”. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment of Non-financial Assets (continued)

From January 1, 2011 (continued)

value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used to determine the fair value of the asset. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, if any, are recognized in the consolidated statements of comprehensive income under expense categories that are consistent with the functions of the impaired assets.

An assessment is made at each annual reporting period as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. Reversal of an impairment loss is recognized in the consolidated statements of comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

In accordance with PSAK 19 (Revised 2010), software that is not an integral part of the related hardware is amortized using the straight-line method over 5 years and assessed for impairment whenever there is indication of impairment. The Company reviews the amortization period and the amortization method for the software at least at each financial year end. Residual value of software is assumed to be zero.

j. Leases

In accordance with PSAK 30 (Revised 2007), a lease that transfers substantially all the risks and rewards incidental to ownership is classified as finance lease. At the commencement of the lease term, a lessee recognizes finance lease as asset and liability in its statement of financial position at an amount equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period during the lease term. Leased asset held by the lessee under a finance lease is depreciated consistently using the same method used for depreciable assets that are directly owned or is fully depreciated over the shorter of the lease term and its useful life, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Leases (continued)

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

k. Revenue and Expense Recognition

Effective January 1, 2011, the Group adopted PSAK 23 (Revised 2010), “Revenue”. This revised PSAK identifies the circumstances in which the criteria on revenue recognition is met and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes (“VAT”). The following specific recognition criteria must also be met before revenue is recognized:

<u>Cellular</u>

Cellular revenues arising from airtime and roaming calls are recognized based on the duration of successful calls made through the Company’s cellular network and presented on a gross basis.

For post-paid subscribers, monthly service fees are recognized as the service is provided.

The activation component of starter package sales has been deferred and recognized as revenue over the expected average period of the customer relationship. Sales of initial/reload vouchers are recorded as unearned revenue and recognized as revenue upon usage of the airtime or upon expiration of the airtime.

Sales of wireless broadband modems and cellular handsets are recognized upon delivery to the customers.

Revenues from wireless broadband data communications are recognized based on the duration of usage or fixed monthly charges depending on the arrangement with the customers.

Cellular revenues are presented on a net basis, after compensation to value added service providers.

Customer Loyalty Program

The Company operates a customer loyalty program called *“Poin Plus Plus”*, which allows customers to accumulate points for every reload and payment by the Company’s prepaid and post-paid subscribers, respectively. The points can then be redeemed for free telecommunications and non-telecommunications products, subject to a minimum number of points being obtained. Starting July 29, 2011, the *“Poin Plus Plus”* program has been replaced with the *“Indosat Senyum”* program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and Expense Recognition (continued)

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted. The Company records a liability at the time of reload and payment by its prepaid and post-paid subscribers, respectively, based on the fair value expected to be incurred to supply products in the future. The consideration received is allocated between the cellular products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points issued is deferred and recognized as revenue when the points are redeemed or when the redemption period expires.

Dealer Commissions

Consideration in the form of sales discount given by the Company to a dealer is recognized as a reduction of revenue.

If the Company receives, or will receive, an identifiable benefit in exchange for a consideration given by the Company to a dealer, and the fair value of such benefit can be reasonably estimated, the consideration will be recorded as a marketing expense.

Tower Leasing

Revenue from tower leasing is recognized on the straight-line basis over the lease term based on the amount stated in the agreement between the Company and the lessee.

<u>Multimedia, Data Communication, Internet (“MIDI”)</u>

Internet

Revenues from installation services are deferred and recognized over the expected average period of the customer relationship. Revenues from monthly service fees are recognized as the services are provided. Revenues from usage charges are recognized monthly based on the duration of internet usage or based on the fixed amount of charges depending on the arrangement with the customers.

Frame Net, World Link and Direct Link

Revenues from installation services are deferred and recognized over the expected average period of the customer relationship. Revenues from monthly service fees are recognized as the services are provided.

Satellite Lease

Revenues are recognized on the straight-line basis over the lease term.

Revenues from other MIDI services are recognized when the services are rendered.

<u>Fixed Telecommunications</u>

International Calls

Revenue from outgoing international call traffic is reported on a gross basis.

Fixed Wireless

Fixed wireless revenues arising from usage charges are recognized based on the duration of successful calls made through the Company’s fixed network.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and Expense Recognition (continued)

Fixed Telecommunications (continued)

For post-paid subscribers, monthly service fees are recognized as the service is provided.

The activation component of starter package sales is deferred and recognized as revenue over the expected average period of the customer relationship. Sale of initial/reload vouchers is recorded as unearned income and recognized as income upon usage of the airtime or upon expiration of the airtime.

Fixed Line

Revenues from fixed line installations are deferred and recognized over the expected average period of the customer relationship. Revenues from usage charges are recognized based on the duration of successful calls made through the Company's fixed network.

Interconnection Revenue

Revenues from network interconnection with other domestic and international telecommunications carriers are recognized monthly on the basis of the actual recorded traffic for the month.

Expenses

Interconnection Expenses

Expenses from network interconnection with other domestic and international telecommunications carriers are accounted for as operating expenses in the period these are incurred.

Other Expenses

Expenses are recognized when incurred.

l. Personnel Costs

Personnel costs which are directly related to the development, construction and installation of property and equipment are capitalized as part of the cost of such assets.

m. Pension Plan and Employee Benefits

Pension costs under the Group's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation.

Actuarial gains or losses from post-employment benefits are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets, at that date. These gains or losses in excess of the 10% corridor are recognized on a straight-line basis over the expected average remaining working lives of the employees. The past service costs from post-employment benefits are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, following the introduction of changes to a pension plan, past service costs are recognized immediately.

Actuarial gains or losses and past service costs from other long-term employee benefits are recognized immediately in the current year's consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Pension Plan and Employee Benefits (continued)

The Group recognizes gains or losses on the curtailment of a defined benefit plan when the curtailment occurs (when there is a commitment to make a material reduction in the number of employees covered by a plan or when there is an amendment of the defined benefit plan terms such that a material element of future services to be provided by current employees will no longer qualify for benefits, or will qualify only for reduced benefits). The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognized.

The Group follows PSAK 24 (Revised 2004), “Employee Benefits”, which regulates the accounting and disclosure for employee benefits, both short-term (e.g., paid annual leave, paid sick leave) and long-term (e.g., long-service leave, post-employment medical benefits).

n. Financial Instruments

The Group applies PSAK 50 (Revised 2006), “Financial Instruments: Presentation and Disclosures”, and PSAK 55 (Revised 2006), “Financial Instruments: Recognition and Measurement”.

PSAK 50 (Revised 2006) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity’s future cash flows relating to financial instruments and the accounting policies applied to those instruments.

PSAK 55 (Revised 2006) establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This PSAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

n1. Financial assets

Initial recognition

Financial assets within the scope of PSAK 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets which are recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

The Group’s financial assets include cash and cash equivalents, trade and other accounts receivable, due from related parties, derivative financial instruments and other current and non-current financial assets (quoted and unquoted financial instruments).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n1. Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

  Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive income.

  Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

  The Group's financial assets classified at fair value through profit or loss consist of derivative assets.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of comprehensive income. The losses arising from impairment are also recognized in the consolidated statements of comprehensive income.

  The Group's cash and cash equivalents, trade and other accounts receivable, due from related parties, other current financial assets, and other non-current financial assets are included in this category.

- Held-to-maturity (HTM) investments

  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of comprehensive income. The losses arising from impairment are recognized in the consolidated statements of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n1. Financial assets (continued)

Subsequent measurement (continued)

The Group did not have any HTM investments during the years ended December 31, 2011 and 2010.

- Available-for-sale (AFS) financial assets

  AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in equity until the investment is derecognized at which time the cumulative gain or loss is recognized or determined to be impaired, at which time the cumulative loss is reclassified from equity to comprehensive income. Interest earned on available-for-sale financial investments is reported as interest income using the EIR method.

  The Group has the following investments classified as AFS:

  - Investments in shares of stock that do not have readily determinable fair value in which the equity interest is less than 20%, and other long-term investments. These are carried at cost less allowance for impairment.
  - Investments in equity shares that have readily determinable fair value in which the equity interest is less than 20% and which are classified as AFS. These are recorded at fair value.

n2. Financial liabilities

Initial recognition

Financial liabilities within the scope of PSAK 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Group's financial liabilities include trade accounts payable, procurement payable, accrued expenses, deposits from customers, loans and bonds payable, due to related parties, derivative financial instruments and other current financial liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n2. Financial liabilities (continued)

Subsequent measurement (continued)

instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PSAK 55 (Revised 2006). Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

- Loans and borrowings

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

  Gains or losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

n3. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

n4. Fair value of financial instruments

The fair value of financial instruments that are traded in active market at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long position and ask price for short position), without any deduction for transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

Credit risk adjustment

The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's own credit risk associated with the instrument is taken into account.

n5. Amortized cost of financial instruments

Amortized cost is computed using the EIR method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the EIR.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n6. Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

- Financial assets carried at amortized cost

  For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

  If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan or receivable has a variable interest rate, the discount rate for measuring impairment loss is the current EIR.

  The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the consolidated statements of comprehensive income.

- AFS financial assets

  In the case of an equity investment classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

  Where there is objective evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of comprehensive income - is reclassified from equity to comprehensive income. Impairment loss on equity investment is not reversed through the consolidated statements of comprehensive income; increase in its fair value after impairment is recognized in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n6. Impairment of financial assets (continued)

- AFS financial assets (continued)

  In the case of a debt instrument classified as an AFS financial asset, impairment is assessed based on the same criteria as financial asset carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the “Interest Income” account in the consolidated statements of comprehensive income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of comprehensive income, the impairment loss is reversed through the consolidated statements of comprehensive income.

n7. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

n8. Derivative financial instruments

The Company enters into and engages in cross currency swaps, interest rate swaps and other permitted instruments, if considered necessary, for the purpose of managing its foreign exchange and interest rate exposures emanating from the Company’s loans and bonds payable in foreign currencies. These derivative financial instruments, while providing effective economic hedges of specific interest rate and foreign exchange risks under the Company’s financial risk management objectives and policies, do not meet the criteria for hedge accounting as provided in PSAK 55 (Revised 2006) and are initially recognized at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n8. Derivative financial instruments (continued)

Any gains or losses arising from changes in fair value of derivatives during the year, which are entered into as economic hedges that do not qualify for hedge accounting, are taken directly to the consolidated statements of comprehensive income.

Derivative assets and liabilities are presented under current assets and liabilities, respectively. Embedded derivative is presented with the host contract on the consolidated statements of financial position which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

The net changes in fair value of derivative instruments, swap cost or income, termination cost or income, and settlement of derivative instruments are credited (charged) to “Gain (Loss) on Change in Fair Value of Derivatives - Net”, which is presented under Other Income (Expenses) in the consolidated statements of comprehensive income.

o. Foreign Currency Transactions and Balances

The consolidated financial statements are presented in rupiah, which is the Company’s functional currency and the Group’s presentation currency. Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At consolidated statement of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing exchange rates at such date and the resulting gains or losses are credited or charged to current operations, except for foreign exchange differentials that can be attributed to qualifying assets which are capitalized to properties under construction and installation.

For December 31, 2011 and 2010, the foreign exchange rates used (in full amounts) were Rp9,068 and Rp8,991 respectively, per US$1 computed by taking the average of the buying and selling rates of bank notes last published by Bank Indonesia for the year.

p. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carryover of unused tax losses, are also recognized to the extent that realization of such benefits is probable. The tax effects for the year are allocated to current operations, except for the tax effects from transactions which are directly charged or credited to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial position date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are credited or charged to current year operations, except to the extent that they relate to items previously charged or credited to equity.

Amendment to tax obligations is recorded when an assessment is received or, if appealed, when the result of the appeal is determined.

For each of the consolidated entities, the tax effects of temporary differences and tax loss carryover, which individually are either assets or liabilities, are shown at the applicable net amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Segment Reporting

Effective January 1, 2011, the Group applied PSAK 5 (Revised 2009), “Operating Segments”. The revised PSAK requires disclosures that will enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates.

A segment is a distinguishable component of the Group that is engaged in providing certain products (business segment), which component is subject to risks and rewards that are different from those of other segments.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. They are determined before intra-group balances and intra-group transactions are eliminated.

r. Basic Earnings per Share/ADS

In accordance with PSAK 56, “Earnings per Share”, the amount of basic earnings per share is computed by dividing profit for the year attributable to owners of the Company by the weighted-average number of shares outstanding during the year.

The amount of basic earnings per ADS attributable to owners of the Company is computed by multiplying basic earnings per share attributable to owners of the Company by 50, which is equal to the number of shares per ADS.

s. Transactions with Related Parties

Effective January 1, 2011, the Group applied PSAK 7 (Revised 2010), “Related Party Disclosures”. The revised PSAK requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, and also applies to individual financial statements. The adoption of this revised PSAK has significant impact on the related disclosures in the consolidated financial statements.

The details of the accounts and the significant transactions entered into with related parties are presented in Note 30.

t. Adoption of Other Revised Accounting Standards and Interpretations

Other than the revised accounting standards previously mentioned above, the Group also adopted the following revised accounting standards and interpretations on January 1, 2011, which were considered relevant to the consolidated financial statements but did not have significant impact except for the related disclosures:

- PSAK 2 (Revised 2009), “Statements of Cash Flows”
- PSAK 8 (Revised 2010), “Events after the Reporting Period”
- PSAK 25 (Revised 2009), “Accounting Policies, Changes in Accounting Estimates and Errors”
- PSAK 57 (Revised 2009), “Provisions, Contingent Liabilities and Contingent Assets”
- PSAK 58 (Revised 2009), “Non-current Assets Held for Sale and Discontinued Operations”
- Interpretations of Financial Accounting Standards (ISAK) 7, “Consolidation - Special Purpose Entities”
- ISAK 9, “Changes in Existing Decommissioning Restoration and Similar Liabilities”
- ISAK 10, “Customer Loyalty Programs”

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future years.

a. Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- *Determination of functional currency*

  The functional currency of each of the entities under the Group is the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue and cost of rendering services.

- *Leases*

  The Group has various lease agreements whereas the Group acts as lessors or lessee in respect of certain properties and equipment. The Group evaluates whether significant risks and rewards of ownership of the leased assets are transferred based on PSAK 30*, "Leases"*, which requires the Group to make judgments and estimates of transfer of risks and rewards related to the ownership of asset.

  In 2006, the Company was granted a license to use 2.1 GHz radio frequency spectrum (a 3G mobile communications technology - Note 1a) by the MOCIT. The Company was obliged to, among others, pay upfront fee and annual radio frequency fee for 10 years (Note 32k). The upfront fee is recorded as part of Long-term Prepaid Licenses for the non-current portion and Prepaid Expenses for the current portion, and amortized over the 10-year license term using the straight-line method.

  In 2009, the Company received additional 3G license (Note 1a), and IMM was granted an operating license for "Packet Switched" local telecommunications network using 2.3 GHz radio frequency spectrum of Broadband Wireless Access ("BWA"). The Company and IMM were obliged to, among others, pay upfront fee and annual radio frequency fee for 10 years (Note 32k). The upfront fee is recorded as part of Long-term Prepaid Licenses for the non-current portion and Prepaid Expenses for the current portion, and amortized over the 10-year license term using the straight-line method.

  Management believes, as supported by written confirmation from the DGPT, that the 3G and BWA licenses may be returned at any time without any financial obligation to pay the remaining outstanding annual radio frequency fees (i.e., the license arrangement does not transfer substantially all the risks and rewards incidental to ownership). Accordingly, the Company and IMM recognize the annual radio frequency fee as operating lease expense, amortized using the straight-line method over the term of the rights to operate the 3G and BWA licenses. Management evaluates its plan to continue to use the licenses on an annual basis. Based on the Company's assessment on the current tower leasing arrangements, the leasing transactions are classified as operating leases.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

a. Judgments (continued)

- *Impairment of non-financial assets*

  An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

- *Exchange of asset transactions*

  During 2010 and 2011, the Group has entered several contracts for exchanging of asset for certain of its existing cellular technical equipment with third party supplier. For the exchange of asset transactions, the Group evaluates whether the transactions contain commercial substance based on PSAK 16 (Revised 2007) "*Fixed Asset*", which requires the Group to make judgments and estimates of the future cash flow and the fair value of the asset received and given up as a result of the transactions. Management consider the exchange of assets transactions met the criteria of commercial substance, however the fair values of neither the assets received nor the asset given up could be measured reliably, hence, their values were measured at the carrying amounts of the asset given up.

b. Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

- *Determination of fair values of financial assets and financial liabilities*

  When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

- *Estimating useful lives of property and equipment and intangible assets*

  The Group estimates the useful lives of its property and equipment and intangible assets based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. The estimation of the useful lives of property and equipment is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least each financial year end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

The amounts and timing of recorded expenses for any year will be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's property and equipment will increase the recorded operating expenses and decrease non-current assets.

- *Goodwill and intangible assets*

The Company accounts for the acquired businesses using the acquisition method starting January 1, 2011 and the purchase method for prior year acquisitions, which requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. Any excess in the purchase price over the estimated fair market values of the net assets acquired is recorded as goodwill in the consolidated statements of financial position. Thus, the numerous judgments made in estimating the fair market value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial performance.

- *Realizability of deferred income tax assets*

The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred income tax assets to be utilized.

- *Estimating allowance for impairment loss on receivables*

If there is an objective evidence that an impairment loss has been incurred on receivables (accounts receivable trade and others, and due from related parties), the Group estimates the allowance for impairment losses related to its receivables that are specifically identified as doubtful for collection. The level of allowance is evaluated by management on the basis of factors that affect the collectibility of the receivables. In these cases, the Group uses judgment based on the best available facts and circumstances, including but not limited to, the length of the Group's relationship with the customers and the customers' credit status based on third-party credit reports and known market factors, to record specific reserves for customers against amounts due in order to reduce the Group's receivables to amounts that it expects to collect. These specific reserves are re-evaluated and adjusted as additional information received affects the amounts estimated.

In addition to specific allowance against individually significant receivables, the Group also assesses a collective impairment allowance against credit exposure of its debtors which are grouped based on common credit characteristic, which group, although not specifically identified as requiring a specific allowance, has a greater risk of default than when the receivables were originally granted to the debtors. This collective allowance is based on historical loss experience using various factors such as historical performance of the debtors within the collective group, deterioration in the markets in which the debtors operate, and identified structural weaknesses or deterioration in the cash flows of the debtors.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

- *Estimation of pension cost and other employee benefits*

  The cost of defined benefit plan and present value of the pension obligation are determined using projected-unit-credit method. Actuarial valuation includes making various assumptions which consist of among other things, discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. Actual results that differ from the Group's assumptions are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the present value of defined benefit obligation and the fair value of plan assets at that date. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions.

  While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in its assumptions may materially affect the costs and obligations of pension and other long-term employee benefits. All assumptions are reviewed at each reporting date.

- *Asset retirement obligations*

  Asset retirement obligations are recognized in the year in which they are incurred if a reasonable estimate of fair value can be made. The recognition of the obligations requires an estimation of the cost to restore/dismantle on a per location basis and is based on the best estimate of the expenditure required to settle the obligation at the future restoration/dismantlement date, discounted using a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risk specific to the liability.

- *Revenue recognition*

  The Group's revenue recognition policies requires to make use of estimates and assumptions that may affect the reported amounts of revenues and receivables.

  The Company's agreements with domestic and foreign carriers for inbound and outbound traffic subject to settlements require traffic reconciliations before actual settlement is done, which may not be the actual volume of traffic as measured by the Company. Initial recognition of revenues is based on observed traffic adjusted by the normal experience adjustments, which historically are not material to the consolidated statements of comprehensive income. Differences between the amounts initially recognized and the actual settlements are taken up in the account upon reconciliation. However, there is no assurance that the use of such estimates will not result in material adjustments in future periods.

  The Group recognizes revenues from installation and activation-related fees and the corresponding costs over the expected average periods of customer relationship for cellular, MIDI and fixed telecommunications services. The Group estimates the expected average period of customer relationship based on the most recent churn-rate analysis.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

- *Uncertain tax exposure*

In certain circumstances, the Group may not be able to determine the exact amount of its current or future tax liabilities due to ongoing objections and investigations by the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Group applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK 57, "*Provisions, Contingent Liabilities and Contingent Asset".* The Group makes an analysis of all tax positions related to income taxes to determine if a tax liability for unrecognized tax expense should be recognized.

As of December 31, 2011, the Company is subject to tax audit for fiscal year 2010.

The Group presents interest and penalties for the underpayment of income tax, if any, under Other Income (Expenses) as part of "Others - net" in the consolidated statements of comprehensive income.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2011	2010
Cash on hand		
Rupiah	1,465	1,682
U.S. dollar (US$13 in 2011 and US$12 in 2010)	115	110
	1,580	1,792
Cash in banks		
Related parties (Note 30)		
Rupiah		
PT Bank Mandiri (Persero) Tbk ("Mandiri")	45,441	45,792
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	3,022	4,461
PT Bank Pembangunan Daerah Yogyakarta ("BPD - Yogyakarta")	1,473	256
PT Bank Rakyat Indonesia (Persero) Tbk ("BRI")	1,409	11,345
PT Bank Pembangunan Daerah Sumatera Utara ("BPD - Sumut")	1,134	662
PT Bank Pembangunan Daerah DKI Jakarta ("BPD - DKI")	1,110	935
PT Bank Pembangunan Daerah Nusa Tenggara Timur ("BPD - NTT")	1,033	4,476
PT Bank Syariah Mandiri ("Mandiri Syariah")	719	1,215
PT Bank Tabungan Negara (Persero) Tbk ("BTN")	500	1,270
PT Bank Pembangunan Daerah Papua ("BPD - Papua")	299	2,473
Others (each below Rp1,000)	3,234	720
U.S. dollar		
Mandiri (US$3,793 in 2011 and US$4,606 in 2010)	34,397	41,412
Others (US$12 in 2011 and US$120 in 2010)	109	1,090

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

4. CASH AND CASH EQUIVALENTS (continued)

	2011	**2010**
Cash in banks (continued)		
Third parties		
Rupiah		
Citibank N.A., Jakarta Branch ("Citibank")	52,768	2,848
PT Bank Central Asia Tbk ("BCA")	13,247	2,284
PT Bank CIMB Niaga Tbk ("CIMB Niaga")	4,828	21,845
PT Bank Bukopin Tbk ("Bukopin")	1,242	9,308
Others (each below Rp5,000)	14,959	13,459
U.S. dollar		
Fortis Bank N.V., The Netherlands (US$6,220 in 2011 and US$6,960 in 2010)	56,405	62,577
Citibank N.A., Singapore Branch (US$5,256 in 2011 and US$4,945 in 2010)	47,660	44,464
Citibank (US$790 in 2011 and US$677 in 2010)	7,164	6,087
CIMB Niaga (US$697 in 2011 and US$160 in 2010)	6,323	1,435
Deutsche Bank AG, Jakarta Branch ("DB") (US$296 in 2011 and US$91 in 2010)	2,685	817
Others (US$247 in 2011 and US$52 in 2010)	2,238	464
	303, 399	281,695
Time deposits and deposits on call		
Related parties (Note 30)		
Rupiah		
Mandiri	245,820	421,400
BTN	180,400	88,500
BRI	145,000	68,500
BNI	143,720	141,185
Mandiri Syariah	35,000	31,000
PT Bank Pembangunan Daerah Jawa Barat ("BPD - Jawa Barat")	24,850	8,350
PT Bank BRI Syariah	7,500	5,000
BPD - Yogyakarta	1,000	1,000
U.S. dollar		
BRI (US$5,000 in 2011 and US$80,000 in 2010)	45,340	719,280
Mandiri (US$3,040 in 2011 and US$1,540 in 2010)	27,566	13,845
Mandiri Syariah (US$3,000)	27,204	-
BPD - Jawa Barat (US$75 in 2011 and US$165 in 2010)	680	1,484
Third parties		
Rupiah		
PT Bank Syariah Muamalat Indonesia Tbk ("Muamalat")	249,894	48,500
BCA	200,000	4,080
DB	79,354	5,232
CIMB Niaga	55,000	22,500
PT Bank DBS Indonesia ("DBS")	50,000	-
PT Bank Tabungan Pensiunan Nasional Tbk	34,500	12,000
PT Bank Danamon Indonesia Tbk ("Danamon")	33,000	15,900
PT Bank Himpunan Saudara 1906, Tbk ("HS 1906")	32,100	15,400
Bukopin	27,500	21,400

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

4. CASH AND CASH EQUIVALENTS (continued)

	2011	2010
Time deposits and deposits on call (continued)		
Third parties (continued)		
Rupiah (continued)		
PT Bank Mega Syariah	17,750	13,250
PT Bank Internasional Indonesia	12,500	13,000
PT Bank Bumiputera	9,500	-
PT Bank Mega	5,000	3,000
Others (each below Rp5,000)	3,100	6,000
U.S. dollar		
DB (US$17,917 in 2011 and US$5,454 in 2010)	162,473	49,038
Muamalat (US$7,000 in 2011 and US$5,000 in 2010)	63,476	44,955
CIMB Niaga (US$2,000)	-	17,984
	1,919,227	1,791,783
Total	**2,224,206**	**2,075,270**

Time deposits and deposits on call denominated in rupiah earned interest at annual rates ranging from 2.50% to 9.75% in 2011 and from 2.50% to 10.00% in 2010, while those denominated in U.S. dollar earned interest at annual rates ranging from 0.01% to 2.75% in 2011 and from 0.05% to 4.75% in 2010.

The interest rates on deposits on call and time deposits in related parties are comparable to those offered by third parties.

5. ACCOUNTS RECEIVABLE - TRADE

This account consists of the following:

	2011	2010
Related parties (Note 30)		
Telkom (including US$51 in 2011 and US$55 in 2010)	19,977	56,108
Others (including US$8,085 in 2011 and US$7,764 in 2010)	284,667	214,038
Sub-total	304,644	270,146
Less allowance for impairment	47,107	47,640
Net	**257,537**	**222,506**
Third parties		
Local companies (including US$16,593 in 2011 and US$13,956 in 2010)	792,857	628,224
Overseas international carriers (US$66,532 in 2011 and US$93,755 in 2010)	603,309	842,954
Post-paid subscribers from:		
Cellular	254,565	255,973
Fixed telecommunication	22,345	47,239
Sub-total	1,673,076	1,774,390
Less allowance for impairment	489,544	448,470
Net	**1,183,532**	**1,325,920**
Total	**1,441,069**	**1,548,426**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

5. ACCOUNTS RECEIVABLE - TRADE (continued)

The aging schedule of the accounts receivable - trade is as follows:

Number of Months Outstanding	2011 Amount	2011 Percentage (%)	2010 Amount	2010 Percentage (%)
Related parties				
0 - 6 months	196,642	64.55	201,256	74.50
7 - 12 months	35,252	11.57	47,973	17.76
13 - 24 months	64,498	21.17	6,913	2.56
Over 24 months	8,252	2.71	14,004	5.18
Total	**304,644**	**100.00**	**270,146**	**100.00**
Third parties				
0 - 6 months	947,089	56.61	787,871	44.40
7 - 12 months	208,218	12.44	279,806	15.77
13 - 24 months	255,648	15.28	308,808	17.40
Over 24 months	262,121	15.67	397,905	22.43
Total	**1,673,076**	**100.00**	**1,774,390**	**100.00**

The changes in the allowance for impairment of accounts receivable - trade are as follows:

	Total	Related Parties	Third Parties
2011			
Balance at beginning of year	496,110	47,640	448,470
Provision (reversal) - net (Note 27)	41,051	(1,509)	42,560
Net effect of foreign exchange adjustment	105	976	(871)
Write-offs	(615)	-	(615)
Balance at end of year	536,651	47,107	489,544
Individual impairment	189,486	44,086	145,400
Collective impairment	347,165	3,021	344,144
Total	536,651	47,107	489,544
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	309,556	117,572	191,984
2010			
Balance at beginning of year	461,810	57,538	404,272
Provision (reversal) - net (Note 27)	67,041	(9,712)	76,753
Write-offs	(23,586)	-	(23,586)
Net effect of foreign exchange adjustment	(9,155)	(186)	(8,969)
Balance at end of year	496,110	47,640	448,470
Individual impairment	182,175	37,576	144,599
Collective impairment	313,935	10,064	303,871
Total	496,110	47,640	448,470
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	405,926	118,486	287,440

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

5. ACCOUNTS RECEIVABLE - TRADE (continued)

The net effect of foreign exchange adjustment was due to the strengthening or weakening of the rupiah vis-à-vis the U.S. dollar in relation to U.S. dollar accounts previously provided with allowance and was credited or charged to "Gain on Foreign Exchange - Net".

There are no significant concentrations of credit risk.

Management believes the established allowance is sufficient to cover impairment losses from uncollectible accounts receivable.

6. PREPAID TAXES

This account consists of the following:

	2011	2010
Claims for tax refund	866,843	651,657
VAT	25,355	47,701
Others	1,018	2,202
Total	**893,216**	**701,560**

Claims for tax refund as of December 31, 2011 and 2010 mainly consist of the Company's corporate income tax for fiscal years 2009, 2010 and 2011, the Company's income tax article 26 for fiscal years 2008 and 2009, and Satelindo's corporate income tax for fiscal year 2002 and income tax article 26 for fiscal years 2002 and 2003.

On April 13, 2010, the Company received the tax refund from the Tax Office amounting to Rp41,753 for the remaining tax overpayment of 2004 corporate income tax based on the Tax Court's Decision Letter dated December 4, 2009 on the 2004 corporate income tax.

On May 25, 2010, the Company received the Decision Letter from the Tax Court which declined the Company's objection to the corrections of the 2004 and 2005 income tax article 26 amounting to Rp60,493 and Rp82,186, respectively. The Company charged the tax corrections to current operations, which are presented as part of "Other Income (Expenses) - Others - Net".

On July 15, 2010, the Company received Decision Letter No. KEP-357/WPJ.19/BD.05/2010 from the Directorate General of Taxation ("DGT") declining the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002 amounting to Rp105,809 (including penalties and interest). On October 14, 2010, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002. As of February 20, 2012, the Company has not received any decision from the Tax Court on such appeal.

On October 12, 2010, the Company submitted appeal letters to the Tax Court concerning the Company's objection to the correction of Satelindo's 2002 and 2003 income tax article 26. As of February 20, 2012, the Company has not received any decision from the Tax Court on such appeals.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

6. PREPAID TAXES (continued)

On October 29, 2010, the Company received the Decision Letter from the Tax Court which accepted the Company's objection to the correction of the 2005 corporate income tax amounting to Rp38,155, which was offset against the underpayment of the Company's 2008 and 2009 income tax article 26 based on Tax Collection Letters ("STPs") received by the Company on September 17, 2010 (Note 16). On February 24, 2011, the Company received a copy of a Memorandum for Reconsideration Request *(Memori Permohonan Peninjauan Kembali)* from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated October 29, 2010 for the 2005 corporate income tax. On March 25, 2011, the Company submitted a Counter Memorandum for Reconsideration Request to the Supreme Court. As of February 20, 2012, the Company has not received any decision from the Supreme Court on such request.

On April 21, 2011, the Company received the assessment letter on tax overpayment ("SKPLB") from the DGT for the Company's 2009 corporate income tax amounting to Rp29,272, which amount is lower than the amount recognized by the Company in its financial statements. The Company accepted a part of the corrections amounting to Rp835, which was charged to current operations. On May 31, 2011, the Company received the tax refund of its claim for 2009 corporate income tax amounting to Rp23,695 after being offset with the accepted amount of tax correction of VAT for the period January - December 2009 (Note 16). On July 20, 2011, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's 2009 corporate income tax. As of February 20, 2012, the Company has not received any decision from the Tax Office on such letter.

On April 25, 2011, IMM received SKPLB from the Tax Office for IMM's 2009 corporate income tax amounting to Rp34,950, which amount is lower than the amount recognized by IMM in its financial statements. IMM charged the unapproved 2009 claim for tax refund amounting to Rp597 to current operations. On the same date, IMM also received the assessment letters on tax underpayment ("SKPKBs") for IMM's 2009 income tax articles 21 and 23 and VAT totalling Rp4,512 (including penalties and interest). On May 26 2011, IMM received the refund of its claim for 2009 corporate income tax amounting to Rp30,438, after being offset with above underpayment of IMM's 2009 income tax articles 21 and 23 and VAT.

On April 26, 2011, the Company received the Tax Court's Decision Letter which accepted the Company's appeal on the remaining correction of the 2006 corporate income tax. On June 21, 2011, the Company received the tax refund amounting to Rp82,626. On August 22, 2011, the Company received a copy of a Memorandum for Reconsideration Request (*Memori Permohonan Peninjauan Kembali*) from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated April 26, 2011 for the 2006 corporate income tax. On September 21, 2011, the Company submitted a Counter-Memorandum for Reconsideration Request to the Supreme Court. As of February 20, 2012, the Company has not received any decision from the Supreme Court on such request.

7. OTHER CURRENT FINANCIAL ASSETS - NET

This account consists of the following:

	2011	2010
Short-term investment	25,395	25,395
Less allowance for impairment	25,395	25,395
Net	-	-
Restricted cash and cash equivalents (including US$168 in 2011 and US$1,645 in 2010)	18,830	48,165
Others (including US$10 in 2011 and US$70 in 2010)	5,960	4,954
Total	**24,790**	**53,119**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

8. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	2011				
	Balance at Beginning of Year	Transactions during the Year			Balance at End of Year
		Additions	Derecognitions	Reclassifications	
Cost					
Landrights	541,087	-	-	1,975	543,062
Buildings	814,191	2,518	-	51,003	867,712
Information technology equipment	3,046,084	16	(42,816)	392,071	3,395,355
Office equipment	1,232,237	37,596	(37,171)	2,096	1,234,758
Building and leasehold improvements	11,974,685	-	(101,426)	340,712	12,213,971
Vehicles	24,700	160	(1,066)	-	23,794
Cellular technical equipment	34,850,044	400,956	(1,709,433)	3,871,437	37,413,004
Transmission and cross-connection equipment	18,329,220	122,992	(90,488)	1,373,309	19,735,033
FWA technical equipment	1,345,157	-	-	149	1,345,306
Operation and maintenance center and measurement unit	1,355,263	-	(22)	97,352	1,452,593
Fixed access network equipment	1,126,614	-	-	40,787	1,167,401
Properties under construction and installation	3,461,884	5,517,982 *	-	(6,170,891)	2,808,975
Total	78,101,166	6,082,220	(1,982,422)	-	82,200,964
Accumulated Depreciation					
Buildings	313,721	34,523	-	-	348,244
Information technology equipment	2,349,288	412,137	(42,816)	-	2,718,609
Office equipment	951,792	51,219	(37,171)	-	965,840
Building and leasehold improvements	4,802,990	958,823	(101,349)	-	5,660,464
Vehicles	18,646	2,852	(1,067)	-	20,431
Cellular technical equipment	15,488,516	3,250,203	(1,203,195)	-	17,535,524
Transmission and cross-connection equipment	8,036,060	1,537,432	(80,036)	-	9,493,456
FWA technical equipment	534,842	122,854	-	-	657,696
Operation and maintenance center and measurement unit	1,093,598	125,789	(22)	-	1,219,365
Fixed access network equipment	842,092	67,263	-	-	909,355
Total	34,431,545	6,563,095	(1,465,656)	-	39,528,984
Less Impairment in Value	98,611	-	-	-	98,611
Net Book Value	**43,571,010**				**42,573,369**

*Including additional property and equipment purchased from Lintasarta amounting to Rp88,371 (net of intercompany profit of Rp27,578)

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

8. PROPERTY AND EQUIPMENT (continued)

	2010				
	Balance at Beginning of Year	Transactions during the Year: Additions	Derecognitions	Reclassifications	Balance at End of Year
Cost					
Landrights	504,620	15,977	-	20,490	541,087
Buildings	652,677	4,088	-	157,426	814,191
Information technology equipment	2,663,672	114	(14,159)	396,457	3,046,084
Office equipment	1,181,738	50,632	(14,998)	14,865	1,232,237
Building and leasehold improvements	10,924,318	-	(70,346)	1,120,713	11,974,685
Vehicles	24,389	635	(1,500)	1,176	24,700
Cellular technical equipment	31,170,449	158,285	(1,741,072)	5,262,382	34,850,044
Transmission and cross-connection equipment	16,349,982	205,849	(324,912)	2,098,301	18,329,220
FWA technical equipment	1,284,431	-	(22,070)	82,796	1,345,157
Operation and maintenance center and measurement unit	1,286,658	-	(1,315)	69,920	1,355,263
Fixed access network equipment	1,069,005	-	(1,851)	59,460	1,126,614
Properties under construction and installation	7,706,513	5,039,357*	-	(9,283,986)	3,461,884
Total	74,818,452	5,474,937	(2,192,223)	-	78,101,166
Accumulated Depreciation					
Buildings	283,781	29,940	-	-	313,721
Information technology equipment	1,983,438	379,995	(14,145)	-	2,349,288
Office equipment	912,383	54,399	(14,990)	-	951,792
Building and leasehold improvements	3,952,460	920,854	(70,324)	-	4,802,990
Vehicles	15,761	3,588	(703)	-	18,646
Cellular technical equipment	14,044,917	3,026,386	(1,582,787)	-	15,488,516
Transmission and cross-connection equipment	6,925,779	1,435,193	(324,912)	-	8,036,060
FWA technical equipment	434,990	121,922	(22,070)	-	534,842
Operation and maintenance center and measurement unit	959,924	134,989	(1,315)	-	1,093,598
Fixed access network equipment	777,601	66,342	(1,851)	-	842,092
Total	30,291,034	6,173,608	(2,033,097)	-	34,431,545
Less Impairment in Value	98,611	-	-	-	98,611
Net Book Value	**44,428,807**				**43,571,010**

*Including additional property and equipment purchased from Lintasarta amounting to Rp 71,423 (net of intercompany loss of Rp11,683)

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

8. PROPERTY AND EQUIPMENT (continued)

Submarine cables represent the Company's proportionate investment in submarine cable circuits jointly constructed, operated, maintained and owned with other countries, based on the respective contracts and/or the construction and maintenance agreements.

Depreciation expense charged to the consolidated statements of comprehensive income amounted to Rp6,563,095 and Rp6,173,608 during the years ended December 31, 2011 and 2010, respectively.

Management believes that there is no impairment in asset value or recovery of the impairment reserve as contemplated in PSAK 48 (Revised 2009) for the current year.

On August 31, 2009, the Company launched its Palapa D Satellite. The Satellite experienced an under-performance of the launch vehicle during the Satellite's placement to its intended orbital position. Consequently, its orbital lifetime has been reduced. The insurance claim for the partial loss of the Satellite has been made and is recorded as a reduction of the cost of the Satellite. The Satellite has been in operation since November 2009 after going through the process of testing and arranging its orbital position in September and October 2009. On January 4 and 19, 2010, the Company collected the Palapa D Satellite insurance claim amounting to US$58,008 (equivalent to Rp537,657) as a loss compensation for the decrease in the Satellite's useful life from 15 years to 10.77 years due to the under-performance of the launch vehicle in the Satellite's orbital process.

As of December 31, 2011, approximately Rp17,221 of property and equipment are pledged as collateral to credit facilities obtained by Lintasarta (Notes 18i and 18k).

As of December 31, 2011, the Group insured its property and equipment (except submarine cables and landrights) for US$215,654 and Rp40,471,593 including insurance amounting to US$132,800 on the Company's satellite. Management believes that the sum insured is sufficient to cover possible losses arising from fire, explosion, lightning, aircraft damage and other natural disasters.

The details of the Group's properties under construction and installation as of December 31, 2011 and 2010 are as follows:

	Percentage of Completion	Cost	Estimated Date of Completion
2011			
Cellular technical equipment	17 - 90	1,775,032	January - June 2012
Transmission and cross-connection equipment	18 - 98	799,321	January - June 2012
Building and leasehold improvements	20 - 95	141,022	January - June 2012
Information technology equipment	40 - 80	91,182	January 2012 - January 2013
Others (each below Rp50,000)	40 - 90	2,418	January - September 2012
Total		**2,808,975**	
2010			
Cellular technical equipment	5 - 99	2,170,612	January - December 2011
Transmission and cross-connection equipment	5 - 99	955,425	January - December 2011
Building and leasehold improvements	6 - 95	242,194	January - December 2011
Others (each below Rp50,000)	5 - 95	93,653	January - December 2011
Total		**3,461,884**	

Borrowing costs capitalized to properties under construction and installation for the years ended December 31, 2011 and 2010 amounted to Rp2,933 and Rp18,698, respectively.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

8. PROPERTY AND EQUIPMENT (continued)

For the years ended December 31, 2011 and 2010, exchanges and sales of certain property and equipment were made as follows:

	2011	2010
Exchanges of Assets		
Kalimantan Project (Note 32e)		
Carrying amount of assets received	400,956	158,285
Carrying amount of assets given up	(400,956)	(158,285)
Sumatra and Java Project (Note 32b)		
Carrying amount of assets received	115,734	-
Carrying amount of assets given up	(115,734)	-
Sales of Assets		
Proceeds	6,708	7,741
Net book value	(78)	(841)
Gain	**6,630**	**6,900**

In the above exchange of assets transactions, the fair values of neither the assets received nor the assets given up could be measured reliably, hence, their values were measured at the carrying amounts of the assets given up.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill arose from the acquisition of ownership in Bimagraha and Satelindo in 2001 and 2002, respectively, and from the acquisition of additional ownership in Lintasarta in 2005, in SMT in 2008 and LMD in 2010.

The details of the other intangible assets arising from the acquisition of Satelindo in 2002 are as follows:

	Amount
Spectrum license	222,922
Customer base	
- Post-paid	154,220
- Prepaid	73,128
Brand	147,178
Total	**597,448**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

9. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The changes in the goodwill and other intangible assets account for the years ended December 31, 2011 and 2010 are as follows:

	Non-integrated software	Other intangible asset	Goodwill	Total
Cost				
At January 1, 2010	235,577	597,448	2,944,362	3,777,387
Additions	40,052	-	-	40,052
At December 31, 2010	**275,629**	**597,448**	**2,944,362**	**3,817,439**
Additions	10,340	112	-	10,452
At December 31, 2011	**285,969**	**597,560**	**2,944,362**	**3,827,891**
Accumulated Amortization				
At January 1, 2010	215,357	588,351	1,393,599	2,197,307
Amortization	10,595	9,097	226,380	246,072
At December 31, 2010	**225,952**	**597,448**	**1,619,979**	**2,443,379**
Amortization	17,608	51	-	17,659
At December 31, 2011	**243,560**	**597,499**	**1,619,979**	**2,461,038**
Net book value:				
At December 31, 2010	**49,677**	**-**	**1,324,383**	**1,374,060**
At December 31, 2011	**42,409**	**61**	**1,324,383**	**1,366,853**

Goodwill acquired through business combination has been allocated to the cellular business unit, which is also considered as one of the Group's operating segments.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As of December 31, 2011, the market capitalization of the Company was above the book value of its equity. The recoverable amount of the cellular business unit has been determined based on fair values less cost to sell ("FVLCTS") calculation that uses the Income Approach (a Discounted Cash Flows Method) and the Market Approach (a Guideline Public Company Method).

Key assumptions used in the FVLCTS calculation at December 31, 2011:

Discount rates - The Company has chosen to use weighted average cost of capital ("WACC") as the discount rate for the discounted cash flow. The estimated WACC applied in determining the recoverable amount of the cellular business unit is between 11% and 12%.

Compounded Annual Growth Rate ("CAGR") - The CAGR projection for the 5-year budget period of the cellular business unit revenue based on the market analysts' forecast is between 3.9% and 5.6%.

Cost to Sell - As the recoverable amount of the cellular business unit is determined using FVLCTS, the estimated cost to sell the business is based on a certain percentage of the equity value. The estimated cost to sell used for this calculation is at approximately 1.5% of the enterprise value.

As a result of the impairment testing, management did not identify an impairment for the cellular business unit to which goodwill of Rp1,324,383 is allocated.

10. LONG-TERM PREPAID RENTALS - NET OF CURRENT PORTION

This account represents mainly the long-term portion of prepaid rentals on sites and towers.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

11. LONG-TERM ADVANCES

This account represents advances to suppliers and contractors for the purchase and construction/ installation of property and equipment which will be reclassified to the related property and equipment accounts upon the receipt of the property and equipment purchased or after the construction/installation of the property and equipment has reached a certain percentage of completion.

12. OTHER NON-CURRENT FINANCIAL ASSETS - NET

This account consists of the following:

	2011	2010
Other long-term investments	116,307	102,707
Less allowance for impairment	113,577	99,977
Net	2,730	2,730
Restricted cash and cash equivalent (including US$290 in 2011 and US$155 in 2010)	50,826	39,595
Employee loans receivable	13,515	15,679
Others (including US$1,288 in 2011 and US$1,272 in 2010)	23,345	22,401
Sub-total	87,686	77,675
Total	**90,416**	**80,405**

Other long-term investments - net consist of the following:

a. Investments in shares of stock accounted under the cost method:

2011

	Location	Principal Activity	Ownership (%)	Cost/Carrying Value
PT First Media Tbk	Indonesia	Cable television and internet network service provider	1.07	50,000
Pendrell Corporation [previously ICO Global Communication (Holdings) Limited*]	United States of America	Satellite service	0.0067	49,977
Asean Cableship Pte. Ltd. (“ACPL”)**	Singapore	Repairs and maintenance of submarine cables	16.67	1,265
Others			12.80 - 18.89	14,966
Total				116,208
Less allowance for impairment				113,577
Net				**2,631**

2010

	Location	Principal Activity	Ownership (%)	Cost/Carrying Value
PT First Media Tbk	Indonesia	Cable television and internet network service provider	1.07	50,000
ICO Global Communication (Holdings) Limited	United States of America	Satellite service	0.0087	49,977
ACPL**	Singapore	Repairs and maintenance of submarine cables	16.67	1,265
Others			12.80 - 14.29	1,366
Total				102,608
Less allowance for impairment				99,977
Net				**2,631**

* On March 15, 2011, the Company's ownership in ICO Global Communication (Holdings) Limited was diluted to 0.0068% since the Company did not exercise its right in relation to a right issue conducted by ICO Global Communication (Holdings) Limited. On July 21, 2011, ICO Global Communication changed its name to Pendrell Corporation. Furthermore, as of December 31,2011, the Company's ownership in Pendrell has been diluted to 0.0067%.

** The Company received dividend income from its investment in ACPL totaling US$1,574 (equivalent to Rp13,790) and US$2,140 (equivalent to Rp19,281) for the years ended December 31, 2011 and 2010, respectively.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

12. OTHER NON-CURRENT FINANCIAL ASSETS - NET (continued)

The Company has provided allowance for impairment of its investments in shares of stock accounted for under the cost method amounting to Rp113,577 and Rp99,977 as of December 31, 2011 and 2010, respectively, which the Company believes is adequate to cover impairment losses on the investments.

b. Equity securities from BNI of Rp89 and Telkom of Rp10 are both available for sale as of December 31, 2011 and 2010.

13. OTHER NON-CURRENT ASSETS - NET

As of December 31, 2011 and 2010, this account consists of the following:

	2011	2010
Investment in an associated company	56,300	56,300
Less allowance for impairment	56,300	56,300
Net	-	-
Others	5,593	8,341
Total	**5,593**	**8,341**

14. SHORT-TERM LOAN

The balance of this account as of December 31, 2011 of Rp1,499,256 (net of unamortized loan issuance cost of Rp744) represents loan from Mandiri, a related party (Note 30).

On June 21, 2011, the Company entered into a Revolving Time Loan Facility agreement with Mandiri covering a maximum amount of Rp1,000,000 to finance the Company's operational working capital, capital expenditure and/or refinancing requirements. This facility is available from June 21, 2011 to June 20, 2014 and drawdowns bear interest at 1-month Jakarta Inter-Bank Offered Rate ("JIBOR") plus 1.4% per annum. Each drawdown matures 3 months from the drawdown date and can be extended for further 3-month periods by submitting a written request for such extension to Mandiri.

On August 2, 2011, the Company made the first drawdown amounting to Rp300,000 from the facility, which was extended to February 2, 2012 (Note 38i) based on extended request letter dated October 25, 2011.

Subsequently, on December 5, 2011, the Company entered into an amendment of this agreement to cover the increase of the facility amount up to Rp1,500,000 and the change of the interest rate to 1-month JIBOR plus 1.25% per annum.

On December 14, 2011, the Company drew down Rp1,200,000 from this facility .

Voluntary early repayment is permitted subject to 3 days prior written notice. The Company may early repay the whole or any part of the loan.

Based on the facility agreement, the Company is required to comply with certain covenants such as maintaining financial ratios. As of December 31, 2011, the Company has complied with all the financial ratios required to be maintained.

The amortization of the loan issuance cost for the year ended December 31, 2011 amounted to Rp1,656 (Note 28).

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

15. PROCUREMENT PAYABLE

This account consists of amounts due for capital and operating expenditures procured from the following:

	2011	2010
Related parties (Note 30) (including US$114 in 2011 and US$404 in 2010)	36,073	68,681
Third parties (including US$220,674 in 2011 and US$246,211 in 2010)	3,393,848	3,575,786
Total	**3,429,921**	**3,644,467**

The billed and unbilled amounts of the procurement payable amounted to Rp555,065 and Rp2,874,856, respectively, as of December 31, 2011 and Rp360,508 and Rp3,283,959, respectively, as of December 31, 2010.

16. TAXES PAYABLE

This account consists of the following:

	2011	2010
Estimated corporate income tax payable, less tax prepayments of Rp106,847 in 2011 and Rp123,281 in 2010	13,330	4,890
Income tax:		
Article 4(2)	10,624	14,299
Article 21	15,366	14,032
Article 23	4,107	9,177
Article 25	14,964	18,899
Article 26	18,863	88,787
VAT	11,123	18,107
Others	186	1,254
Total	**88,563**	**169,445**

The reconciliation between profit before income tax and tax loss of the Company for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Profit before income tax per consolidated statements of comprehensive income	1,181,900	1,081,817
Subsidiaries' profit before income tax and effect of inter-company consolidation eliminations	(198,392)	(197,537)
Profit before income tax of the Company	983,508	884,280
Positive adjustments		
Gain on sale and exchange of property and equipment	217,393	-
Employee benefit	52,719	54,740
Donations	30,788	18,653
Provision for impairment of receivables - net	27,509	34,739

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

16. TAXES PAYABLE (continued)

	2011	2010
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 14, 18 and 19)	14,679	10,318
Representation and entertainment	5,516	5,709
Assessments for income taxes and VAT (including penalties)	5,359	82,534
Provision for termination, gratuity and compensation benefits of employees - net of realization	927	32,869
Amortization of goodwill and other intangible assets	-	35,811
Net periodic pension cost	-	17,013
Accrual of employee benefits - net of realization	-	15,278
Others	23,943	88,403
Negative adjustments		
Depreciation - net	(1,119,608)	(1,692,108)
Amortization of goodwill and other intangible assets	(173,331)	-
Equity in net income of investees	(143,533)	(241,230)
Realization of accrual of employee benefits - net	(115,677)	-
Interest income already subjected to final tax	(42,008)	(109,844)
Net periodic pension cost	(15,387)	-
Amortization of long-term prepaid licenses	(13,255)	(35,005)
Loss on sale of property and equipment	-	(344,221)
Other	(6,466)	-
Tax loss of the Company - current year	**(266,924)**	**(1,142,061)**
Tax loss carryforward at beginning of year	**(1,142,061)**	**-**
Tax loss carryforward at end of year	**(1,408,985)**	**(1,142,061)**

The computation of the income tax expense for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Income tax expense - current (at statutory tax rates)		
Company	-	-
Subsidiaries	120,177	128,171
Total income tax expense - current	120,177	128,171
Income tax expense (benefit) - deferred - effect of temporary differences at applicable tax rate		
Company		
Depreciation - net	279,902	423,027
Amortization of goodwill and other intangible assets	43,333	(8,953)
Equity in net income of investees	32,972	60,308
Realization (accrual) of employee benefits - net	28,919	(3,820)
Net periodic pension cost	3,847	(4,253)
Amortization of long-term prepaid licenses	3,314	8,751
Tax loss	(66,731)	(285,515)
Loss (gain) on sale and exchange of property and equipment - net	(54,348)	86,055
Provision for impairment of receivables - net	(6,877)	(8,685)
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 14, 18 and 19)	(3,670)	(2,580)

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

16. TAXES PAYABLE (continued)

	2011	2010
Accrual of provision for termination, gratuity and compensation benefits of employees - net	(232)	(8,217)
Others	(800)	(19,012)
Net	259,629	237,106
Deferred income tax benefit - net resulting from reversal of deferred tax liabilities (DTL) on investments in IMM, ISPL and IPBV	(111,097)	-
	148,532	237,106
Subsidiaries	(19,312)	(7,479)
Net income tax expense - deferred	129,220	229,627
Total income tax expense	**249,397**	**357,798**

The computation of the estimated income tax payable for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Income tax expense - current		
Company	-	-
Subsidiaries	120,177	128,171
Total income tax expense - current	120,177	128,171
Less prepayments of income tax of the Company		
Article 22	80,935	52,126
Article 23	14,275	6,810
Article 25	-	28,795
Total prepayments of income tax of the Company	95,210	87,731
Less prepayments of income tax of Subsidiaries		
Article 22	-	1,107
Article 23	5,880	3,696
Article 25	187,474	194,309
Total prepayments of income tax of Subsidiaries	193,354	199,112
Total prepayments of income tax	288,564	286,843
Estimated income tax payable of Subsidiaries	**13,330**	**4,890**
Claims for tax refund (presented as part of “Prepaid Taxes”)		
Company	95,210	87,731
Subsidiaries	86,507	75,831
Total	**181,717**	**163,562**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

16. TAXES PAYABLE (continued)

The reconciliation between the income tax expense calculated by applying the applicable tax rate of 25% to the profit before income tax and the income tax expense as shown in the consolidated statements of comprehensive income for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Profit before income tax per consolidated statements of comprehensive income	**1,181,900**	**1,081,817**
Income tax expense at the applicable tax rate	295,475	270,454
Company's equity in Subsidiaries' profit before income tax and reversal of inter-company consolidation eliminations	43,485	57,427
Tax effect on permanent differences		
Employee benefits	18,501	16,180
Donations	9,116	6,037
Assessment for income taxes and VAT (including penalties)	3,300	20,844
Representation and entertainment	2,218	2,343
Interest income already subjected to final tax	(21,162)	(36,200)
Others	(353)	8,818
Deferred income tax benefit from the reversal of DTL on investments in IMM,ISPL and IPBV	(111,097)	-
Adjustment due tax audit and others	9,914	11,895
Income tax expense per consolidated statements of comprehensive income	**249,397**	**357,798**

The tax effects of significant temporary differences between financial and tax reporting of the Company which are outstanding as of December 31, 2011 and 2010 are as follows:

	2011	2010
Deferred tax assets		
Tax loss carryforward	352,246	285,515
Accrual of employee benefits - net	206,416	235,104
Allowance for impairment of receivables	125,073	118,195
Allowance for impairment of investment in an associated company and other long-term investments	42,469	39,069
Pension cost	18,296	22,143
Allowance for impairment of short-term investment	6,349	6,349
Others	1,550	3,300
Total	752,399	709,675
Deferred tax liabilities		
Property and equipment	2,445,712	2,220,158
Investments in subsidiaries/associated company - net of amortization of goodwill and other intangible assets	195,431	229,239
Long-term prepaid licenses	16,876	13,562
Deferred debt and bonds issuance costs, consent solicitation fees and discount	6,856	10,526
Difference in transactions of equity changes in an associated company	1,460	1,460
Others	659	659
Total	2,666,994	2,475,604
Deferred tax liabilities - net	**1,914,595**	**1,765,929**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

16. TAXES PAYABLE (continued)

The breakdown by entity of the deferred tax assets and liabilities outstanding as of December 31, 2011 and 2010 is as follows:

	2011		2010	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Company	-	1,914,595	-	1,765,929
Subsidiaries				
Lintasarta	80,396	-	77,755	-
IMM	33,718	-	17,263	-
APE	-	5,165	-	4,383
ISPL	-	1,027	-	428
SMT	-	-	-	1,597
Total	**114,114**	**1,920,787**	**95,018**	**1,772,337**

The deferred tax assets of Lintasarta relate mainly to the deferred tax on the temporary difference in the recognition of depreciation on property and equipment.

The significant temporary differences on which deferred tax assets have been computed are not deductible for income tax purposes until the accrued employee benefits are paid, the allowance for impairment of receivables is realized upon the write-off of the receivables after fulfilling certain requirements under the Income Tax Law, the allowance for impairment of investments in associated company and other long-term investments is realized upon sale of the investments and the pension cost is paid.

The significant deferred tax liabilities relate to the differences in the book and tax bases of property and equipment, investments in subsidiaries/associated company, long-term prepaid licenses, debt and bonds issuance costs, consent solicitation fees and discount.

Prior to 2011, the Company provided for deferred tax liabilities and deferred tax assets relating to the book-versus-tax-basis differences in its investments in subsidiaries as the Company believed that it was probable the investments in certain subsidiaries would be recovered through the sale of the shares which is a taxable transaction, and for certain subsidiaries the differences would be deductible from ordinary income as a result of a merger. In 2011, the Company re-evaluated its investment strategy including the accounting treatment on the recognition of deferred tax liabilities and deferred tax assets relating to the book-versus-tax-basis differences in investments in subsidiaries and the evaluation of "forseeable future" and the "probable" judgements. Based on the Company's evaluation, the deferred tax liabilities were not recognized for temporary differences between the tax and book bases in investments in certain subsidiaries (IMM, ISPL and IPBV) since the Company believed the timing of the reversal of the temporary differences could be controlled and it was probable that the temporary differences would not reverse in the foreseeable future. Hence, the balance of the deferred tax liabilities on the taxable temporary differences on the investments in IMM, ISPL and IPBV as of January 1, 2011 totalling Rp111,097 was reversed and credited to current deferred income tax benefit.

On September 17, 2010, the Company received STPs from the DGT for the underpayment of the Company's 2008 and 2009 income tax article 26 totalling Rp80,018 (including interest). On October 13, 2010, the Company submitted cancellation letters to the Tax Office regarding such STPs. Subsequently, on November 16, 2010, the Company was required to pay a certain portion of these STPs by using the approved tax refund received on the Company's corporate Income Tax for fiscal year 2005 amounting to Rp38,155 (Note 6). On January 7, 2011, the Company paid the remaining amount of Rp41,863 on the underpayment of the Company's 2008 and 2009 income tax article 26 based on STPs from the DGT. On April 11, 2011, the Company received a letter from the Tax Office which declined the request for cancellation of such STPs. On May 5, 2011, the Company submitted an appeal letter to the Tax Court concerning these STPs. As of February 20, 2012, the Company has not yet received any decision from the Tax Court on such appeal.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

16. TAXES PAYABLE (continued)

On April 21, 2011, the Company received SKPKB from the DGT for the Company's VAT for the period January - December 2009 totalling Rp182,800 (including penalties). The Company accepted a part of the corrections amounting to Rp4,160 which was charged to current operations (Note 6). On July 15, 2011, the Company paid the remaining underpayment amounting to Rp178,640 of the VAT for the period January - December 2009. On July 19, 2011, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's VAT for the period January - December 2009. As of February 20, 2012, the Company has not yet received any decision from the Tax Office on such objection letter.

The tax losses carryover of SMT and the Company as of December 31, 2011 can be carried forward through 2016 based on the following schedule:

Year of Expiration	Amount
2012	30,205
2013	26,660
2014	31,901
2015	1,192,832
2016	289,695
Total	**1,571,293**

17. ACCRUED EXPENSES

This account consists of the following:

	2011	2010
Interest	319,880	339,957
Network repairs and maintenance	288,731	265,428
Radio frequency fee (Note 34)	283,588	195,686
Marketing	214,907	120,092
Employee benefits (Notes 22 and 29)	180,441	216,732
Dealer incentives (Note 2k)	82,615	125,836
Blackberry access fee	79,627	20,679
Rental	59,929	28,090
Universal Service Obligation ("USO") (Note 34)	59,716	59,899
Utilities	58,609	85,650
Link	55,593	31,111
Concession fee (Note 34)	35,370	38,005
Consultancy fees	35,309	65,288
General and administration	31,119	27,706
Others (each below Rp20,000)	106,043	90,726
Total	**1,891,477**	**1,710,885**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

18. LOANS PAYABLE

This account consists of the following:

	2011	2010
Third parties - net of unamortized debt issuance cost and consent solicitation fees of Rp146,511 in 2011 and Rp189,979 in 2010; unamortized debt discount of Rp11,891 in 2011 and Rp19,267 in 2010	8,727,473	9,553,906
Related party (Note 30)		
Mandiri - net of unamortized debt issuance cost and consent solicitation fees of Rp1,157 in 2011 and Rp2,955 in 2010	998,843	1,297,045
Total loans payable	9,726,316	10,850,951
Less current maturities (net of unamortized debt issuance cost and consent solicitation fees of Rp2,295 in 2011 and Rp373 in 2010)		
Third parties	2,301,694	2,884,147
Related party	998,843	300,000
Total current maturities	**3,300,537**	**3,184,147**
Long-term portion		
Third parties	6,425,779	6,669,759
Related party	-	997,045
Total long-term portion	**6,425,779**	**7,666,804**

The loans from third parties consist of the following:

	2011	2010
AB Svensk Exportkredit, Sweden with Guarantee from Exportkreditnamnden - net of unamortized debt issuance cost of Rp26,434 in 2011 and Rp27,593 in 2010	2,127,216	1,972,905
Syndicated U.S. Dollar Loan Facility - net of unamortized debt issuance cost and consent solicitation fees of Rp11,621 in 2011 and Rp27,122 in 2010	2,069,484	4,018,828
BCA Revolving Time Loan - net of unamortized debt issuance cost of Rp736	1,499,264	-
HSBC France - net of unamortized debt issuance cost and consent solicitation fees of Rp104,536 in 2011 and Rp129,167 in 2010	1,356,403	1,500,434
BCA - net of unamortized debt issuance cost and consent solicitation fees of Rp1,138 in 2011 and Rp2,903 in 2010	998,862	1,297,097
Goldman Sachs International		
Principal, net of unamortized debt discount of Rp11,891 in 2011 and Rp19,267 in 2010	422,409	415,033
Foreign Exchange (FX) Conversion Option	49,518	54,595
9-Year Commercial Loan - net of unamortized debt issuance cost and consent solicitation fees of Rp2,046 in 2011 and Rp2,821 in 2010	181,834	203,805

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

18. LOANS PAYABLE (continued)

	2011	2010
Investment Credit Facility 6 from CIMB Niaga	22,483	52,483
Finnish Export Credit Ltd. - net of unamortized debt issuance cost and consent solicitation fees of Rp373	-	33,793
Investment Credit Facility 5 from CIMB Niaga	-	4,933
Total	8,727,473	9,553,906
Less current maturities (net of unamortized debt issuance costs and consent solicitation fees totaling Rp2,295 in 2011 and Rp373 in 2010)	2,301,694	2,884,147
Long-term portion	**6,425,779**	**6,669,759**

The details of the loans from the related party and third parties are as follows:

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Early Repayment
a. Mandiri*	▪ 5-year unsecured credit facility 1 ▪ Loan drawdowns are payable annually	September 18, 2012	Rp2,000,000	▪ Year 1: 9.75% p.a. ▪ Year 2: 10.5% p.a. ▪ Years 3-5: Average 3-month JIBOR + 1.5% p.a. ▪ Payable quarterly	▪ Without penalty if the repayment is made after the 24th month after the agreement date subject to 7 days' prior written notice ▪ With penalty of 2% of the prepaid amount for repayment prior to the 24th month after the agreement date
b. AB Svensk Exportkredit ("SEK"), Sweden with Guarantee from Export-kreditnamnden ("EKN")	▪ Credit facilities consisting of Facilities A,B and C with maximum amounts of US$100,000, US$155,000 and US$60,000, respectively ▪ Loan drawdowns are payable semi-annually	May 31, 2016 for Facility A, February 28, 2017 for Facility B and November 30, 2017 for Facility C	US$315,000	▪ Facility A: Margin of 0.25%, LIBOR, SEK Funding Cost of 1.05% and EKN Premium Margin of 1.57% ▪ Facility B: Margin of 0.05%, Commercial Interest Reference Rate ("CIRR") and EKN Premium Margin of 1.61% ▪ Facility C: Margin of 0.05%, CIRR and EKN Premium Margin of 1.59% ▪ Payable semi-annually	▪ Permitted only in proportionate amount for each of Facilities A, B and C, after the last day of the availability period and on a repayment date subject to 20 days' prior written notice ▪ In minimum amount of US$5,000 and in an amount divisible by US$500 ▪ Any repayment shall satisfy the obligations of loan repayment in inverse chronological order.

* related party (Note 30)

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Early Repayment
c. Syndicated U.S. Dollar Loan Facility - 12 Financial Institutions**	▪ 5-year unsecured credit facility ▪ Loan drawdowns are payable semi-annually	June 12, 2013	US$450,000	▪ USD London Inter-Bank Offered Rate ("LIBOR") + 1.9% p.a. (onshore lenders); USD LIBOR + 1.85% p.a. (offshore lenders) ▪ Payable semi-annually	▪ Permitted only after the 6th month from the date of loan agreement subject to 15 days' prior written notice (in the minimum amount of US$10,000 and in an amount divisible by US$1,000)
d. BCA	▪ The revolving time loan with maximum amount of Rp1,000,000 ▪ Each drawdown matures 1 month from the drawdown date. Subsequently, on August 9, 2011, the Company obtained an approval from BCA to amend the maturity date of each drawdown to become at the latest on February 10, 2014 ▪ On December 1, 2011, the facility was amended to increase the facility amount up to Rp1,500,000 and change the interest rate.	February 10, 2014	Rp1,500,000	▪ JIBOR + 1.4% p.a. However, starting December 1, 2011, JIBOR + 1.25% p.a ▪ Payable monthly	▪ Permitted subject to 1 day prior written notice ▪ The Company may repay the whole or any part of the loan. (Note 38i).
e. HSBC France	▪ 12 year - COFACE term facility ▪ Payable in twenty semi-annual installments	September 30, 2019	US$157,243	▪ 5.69% p.a. ▪ Payable semi-annually	▪ Permitted with a corresponding proportionate voluntary prepayment under the SINOSURE Facility after the last day of the availability period and on a repayment date subject to 30 days' prior written notice ▪ In minimum amount of US$10,000 and in an amount divisible by US$1,000 ▪ Any repayment shall satisfy the obligations of loan repayment in inverse chronological order.

** On October 14, 2011, PT Bank UOB Indonesia (one of lenders under the Syndicated U.S. Dollar Loan Facility) transferred its portion of the loan to UOB Limited (another lender under the Syndicated U.S. Dollar Loan Facility), hence the number of lenders became 12.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Early Repayment
e. HSBC France	▪ 12 year - SINOSURE term facility ▪ Payable in twenty semi-annual installments	September 30, 2019	US$44,200	▪ USD LIBOR + 0.35% p.a. ▪ Payable semi-annually	▪ Permitted with a corresponding proportionate voluntary prepayment under the COFACE Facility after the last day of the availability period and on a repayment date subject to 30 days' prior written notice ▪ In minimum amount of US$10,000 and in an amount divisible by US$1,000 ▪ Any repayment shall satisfy the obligations of loan repayment in inverse chronological order.
f. BCA	▪ 5-year unsecured credit facility 1 ▪ Loan drawdowns are payable annually	September 27, 2012	Rp2,000,000	▪ Year 1: 9.75% p.a. ▪ Year 2: 10.5% p.a. ▪ Years 3-5: 3-month JIBOR + 1.5% p.a. ▪ Payable quarterly	▪ Without penalty if the repayment is made after the 24th month after the agreement date subject to 7 days' prior written notice ▪ With penalty of 2% of the prepaid amount for repayment prior to the 24th month after the agreement date
g. Goldman Sachs International ("GSI")	▪ Investment loan ▪ Provides an "FX Conversion Option" for GSI to convert the loan payable into U.S. dollar loan of US$50,000 on May 30, 2012 ("FX Conversion Option"). ▪ Fair value of FX Conversion Option as of December 31, 2011 and December 31, 2010 amounting to US$5,460.78 (equivalent to Rp49,518) and US$6,072.20 (equivalent to Rp54,595), respectively (Note 20)	May 30, 2013	Rp434,300	▪ 8.75% p.a ▪ Payable quarterly ▪ If GSI takes FX Conversion Option, starting May 30, 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US$50,000 principal.	▪ Certain changes affecting withholding taxes in the United Kingdom or Indonesia ▪ Default under Guaranteed Notes due 2012 ▪ Default under the Company's USD Notes and IDR Bonds ▪ Redemption, purchase or cancellation of the Guaranteed Notes Due 2012 and there are no USD Indosat Notes outstanding upon such redemption, purchase or cancellation. ▪ Change of control in the Company

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Early Repayment
h. HSBC Jakarta Branch, CIMB Niaga and Bank of China Limited Jakarta Branch	▪ 9-year unsecured commercial facility ▪ Payable in fifteen semi-annual payments after 24 months from the date of loan agreement. For the 1st five installments: US$1,351.85 each; and US$2,027.78 each for the remaining installments thereafter	November 28, 2016	US$27,037	▪ USD LIBOR + 1.45% p.a. ▪ Payable semi-annually	▪ Permitted only on each repayment date after the first repayment date subject to 30 days' prior written notice ▪ In minimum amount of US$5,000 and in an amount divisible by US$1,000 ▪ Any prepayment shall satisfy the obligations of loan repayment proportionately.
i. CIMB Niaga	▪ Investment credit facility 6 obtained by Lintasarta ▪ Payable quarterly	August 24, 2012	Rp75,000	▪ 14.5% p.a., subject to change by CIMB Niaga depending on the market condition ▪ Payable quarterly	▪ Permitted only on interest payment date subject to 15 days' prior written notice. Lintasarta may repay the whole or any part of the loan before the due date only by using the fund from Lintasarta's operational activities. Repayment using the fund from loans obtained from other parties is allowed with penalty determined by CIMB Niaga. ▪ The loan is collateralized by all equipment (Note 8) purchased from the proceeds of credit facility.
j. Finnish Export Credit Ltd.	▪ 5-year credit facility ▪ Paid semi-annually	May 12, 2011	US$38,000	▪ 4.15% p.a. ▪ Paid semi-annually	▪ Permitted only after 60 days of the loan agreement subject to 15 days' prior written notice (in the minimum amount of US$10,000 and in an amount divisible by US$1,000) ▪ In May 2011, this loan was fully paid.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Early Repayment
k. CIMB Niaga	▪ Investment credit facility 5 obtained by Lintasarta ▪ Paid quarterly	January 10, 2011	Rp50,000	▪ 1-month SBI + 2.25% p.a. ▪ Paid quarterly	▪ Permitted only on interest payment date subject to 13 days' prior written notice. Lintasarta may repay the whole or any part of the loan before the due date only by using the fund from Lintasarta's operational activities. Repayment using the fund from loans obtained from other parties was allowed with 1% penalty of the early repaid amount. ▪ The loan was collateralized by all equipment (Note 8) purchased from the proceeds of credit facility. ▪ In January 2011, this loan was fully paid.

The scheduled principal payments from 2012 of all the loans payable as of December 31, 2011 are as follows:

	Twelve months ending December 31,					
	2012	**2013**	**2014**	**2015**	**2016 and thereafter**	**Total**
In rupiah						
BCA - revolving time loan	-	-	1,500,000	-	-	1,500,000
Mandiri	1,000,000	-	-	-	-	1,000,000
BCA - 5-year facility	1,000,000	-	-	-	-	1,000,000
CIMB Niaga	22,483	-	-	-	-	22,483
GSI	-	434,300	-	-	-	434,300
Sub-total	**2,022,483**	**434,300**	**1,500,000**	**-**	**-**	**3,956,783**
In U.S. dollar						
SEK, Sweden (US$237,500)	408,060	408,060	408,060	408,060	521,410	2,153,650
Syndicated U.S. Dollar Loan Facility (US$229,500)	652,896	1,428,209	-	-	-	2,081,105
HSBC France (US$161,109.35)	182,617	182,617	182,617	182,617	730,471	1,460,939
9-Year Commercial Facility (US$20,277.75)	36,776	36,776	36,776	36,776	36,776	183,880
GSI (US$5,460.78)	-	49,518	-	-	-	49,518
Sub-total	**1,280,349**	**2,105,180**	**627,453**	**627,453**	**1,288,657**	**5,929,092**
Total	**3,302,832**	**2,539,480**	**2,127,453**	**627,453**	**1,288,657**	**9,885,875**
Less:						
- unamortized debt issuance costs and consent solicitation fees						(147,668)
- unamortized debt discount						(11,891)
Net						**9,726,316**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

18. LOANS PAYABLE (continued)

The total amortization of debt issuance, discount and consent solicitation fees on the loans for the years ended December 31, 2011 and 2010 amounted to Rp63,731 and Rp72,091, respectively (Note 28).

As of December 31, 2011 and 2010, the Group has complied with all financial ratios required to be maintained under the loan agreements.

19. BONDS PAYABLE

This account consists of the following:

	2011	2010
a. Guaranteed Notes Due 2020 - net of unamortized notes issuance cost of Rp58,420 in 2011 and Rp64,885 in 2010; and unamortized notes discount of Rp26,208 in 2011 and Rp29,666 in 2010	5,809,572	5,749,599
b. Fifth Indosat Bonds in Year 2007 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp9,102 in 2011 and Rp11,041 in 2010	2,590,898	2,588,959
c. Seventh Indosat Bonds in Year 2009 with Fixed Rates - net of unamortized bonds issuance cost of Rp4,442 in 2011 and Rp5,362 in 2010	1,295,558	1,294,638
d. Sixth Indosat Bonds in Year 2008 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp3,603 in 2011 and Rp5,414 in 2010	1,076,397	1,074,586
e. Indosat Sukuk Ijarah III in Year 2008 - net of unamortized bonds issuance cost and consent solicitation fees of Rp1,545 in 2011 and Rp2,625 in 2010	568,455	567,375
f. Indosat Sukuk Ijarah II in Year 2007 - net of unamortized bonds issuance cost and consent solicitation fees of Rp1,124 in 2011 and Rp1,517 in 2010	398,876	398,483
g. Second Indosat Bonds in Year 2002 with Fixed and Floating Rates - net of unamortized consent solicitation fees of Rp649 in 2011 and Rp652 in 2010	199,351	199,348
h. Indosat Sukuk Ijarah IV in Year 2009 - net of unamortized bonds issuance cost of Rp754 in 2011 and Rp873 in 2010	199,246	199,127
i. Limited Bonds II issued by Lintasarta	25,000	25,000
j. Limited Bonds I issued by Lintasarta	16,989	16,989
k. Fourth Indosat Bonds in Year 2005 with Fixed Rate - net of unamortized bonds issuance cost and consent solicitation fees of Rp1,382	-	813,618
l. Indosat Syari'ah Ijarah Bonds in Year 2005 - net of unamortized bonds issuance cost and consent solicitation fees of Rp487	-	284,513
Total bonds payable	12,180,342	13,212,235
Less current maturities (net of unamortized bonds issuance cost and consent solicitation fees totalling Rp1,869 in 2010)	41,989	1,098,131
Long-term portion	**12,138,353**	**12,114,104**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

19. BONDS PAYABLE (continued)

<table>
<tr><th>Bond</th><th>Nominal Amount</th><th>Interest</th><th>Maturity</th><th>Remarks</th></tr>
<tr><td>a. Guaranteed Notes Due 2020</td><td>US$650,000</td><td>▪ 7.375% p.a.
▪ Payable semi-annually</td><td>July 29, 2020</td><td>The notes are redeemable at the option of IPBV:
▪ At any time on or after July 29, 2015.
▪ Prior to July 29, 2013, IPBV may redeem up to a maximum of 35% of the original aggregate principal amount.
▪ At any time, upon not less than 30 days' nor more than 60 days' prior notice, at a price equal to 100% of the principal amount thereof, plus any accrued and unpaid interest to (but not including) the redemption date and any additional amounts, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands.
▪ Upon a change in control of IPBV, the holder of the notes has the right to require IPBV to repurchase all or any part of such holder's notes.
▪ Based on latest rating reports (released in December 2010, September 2011 and July 2011), the notes have BB (stable outlook), Ba1 (stable outlook) and BBB- (positive outlook) ratings from Standard & Poor's ("S&P"), Moody's Investors Service ("Moody's) and Fitch Ratings ("Fitch"), respectively (Note 38k).</td></tr>
<tr><td colspan="5">b. Fifth Indosat Bonds in Year 2007</td></tr>
<tr><td>▪ Series A</td><td>Rp1,230,000</td><td>▪ 10.20% p.a.
▪ Payable quarterly</td><td>May 29, 2014</td><td rowspan="2">▪ The Company has option to buy back part or all of the bonds, after the 1st anniversary of the bonds, at market price temporarily or as an early settlement.
▪ Based on the latest rating report released in October 2011, the bonds have $_{id}$AA+ (stable outlook) rating from PT Pemeringkat Efek Indonesia ("Pefindo").</td></tr>
<tr><td>▪ Series B</td><td>Rp1,370,000</td><td>▪ 10.65% p.a.
▪ Payable quarterly</td><td>May 29, 2017</td></tr>
<tr><td colspan="5">c. Seventh Indosat Bonds in Year 2009</td></tr>
<tr><td>▪ Series A</td><td>Rp700,000</td><td>▪ 11.25% p.a.
▪ Payable quarterly</td><td>December 8, 2014</td><td rowspan="2">▪ The Company has option to buy back part or all of the bonds, after the 1st anniversary of the bonds, at market price temporarily or as an early settlement.
▪ Based on the latest rating report released in October 2011, the bonds have $_{id}$AA+ (stable outlook) rating from Pefindo.</td></tr>
<tr><td>▪ Series B</td><td>Rp600,000</td><td>▪ 11.75% p.a.
▪ Payable quarterly</td><td>December 8, 2016</td></tr>
</table>

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
d. Sixth Indosat Bonds in Year 2008				
▪ Series A	Rp760,000	▪ 10.25% p.a. ▪ Payable quarterly	April 9, 2013	▪ The Company has option to buy back part or all of the bonds, after the 1^{st} anniversary of the bonds, at market price temporarily or as an early settlement. ▪ Based on the latest rating report released in October 2011, the bonds have $_{id}$AA+ (stable outlook) rating from Pefindo.
▪ Series B	Rp320,000	▪ 10.80% p.a. ▪ Payable quarterly	April 9, 2015	
e. Indosat Sukuk Ijarah III in Year 2008 (“Sukuk Ijarah III”)	Rp570,000	▪ Bondholders are entitled to annual fixed Ijarah return (“*Cicilan Imbalan Ijarah*”) totalling Rp58,425, payable on a quarterly basis starting July 9, 2008 up to April 9, 2013.	April 9, 2013	▪ The Company has option to buy back part or all of the bonds, after the 1^{st} anniversary of the bonds, at market price. ▪ Based on the latest rating report released in October 2011, the bonds have $_{id}AA_{(sy)}+$ (stable outlook) rating from Pefindo.
f. Indosat Sukuk Ijarah II in Year 2007 (“Sukuk Ijarah II”)	Rp400,000	▪ Bondholders are entitled to annual fixed Ijarah return (“*Cicilan Imbalan Ijarah*”) totalling Rp40,800, payable on a quarterly basis starting August 29, 2007 up to May 29, 2014.	May 29, 2014	▪ The Company has option to buy back part or all of the bonds, after the 1^{st} anniversary of the bonds, at market price. ▪ Based on the latest rating report released in October 2011, the bonds have $_{id}AA_{(sy)}+$ (stable outlook) rating from Pefindo.
g. Second Indosat Bonds in Year 2002 - Series B	Rp200,000	▪ 16% p.a. ▪ Payable quarterly	November 6, 2032	▪ The Company has buyback option on the 10th, 15th, 20th and 25th anniversaries of the bonds at 101% of the bonds’ nominal value and the bondholder has sell option if the rating of the bonds decreases to $_{id}$AA- or lower or on the 15th, 20th and 25th anniversaries of the bonds. ▪ Based on the latest rating report released in October 2011, the bonds have $_{id}$AA+ (stable outlook) rating from Pefindo.
h. Indosat Sukuk Ijarah IV in Year 2009 (“Sukuk Ijarah IV”)				
▪ Series A	Rp28,000	▪ Bondholders are entitled to annual fixed ijarah return (“*Cicilan Imbalan Ijarah*”) totalling Rp3,150, payable on a quarterly basis starting March 8, 2010 up to December 8, 2014.	December 8, 2014	▪ The Company has option to buy back part or all of the bonds, after the 1^{st} anniversary of the bonds, at market price. ▪ Based on the latest rating report released in October 2011, the bonds have $_{id}AA_{(sy)}+$ (stable outlook) rating from Pefindo.
▪ Series B	Rp172,000	▪ Bondholders are entitled to annual fixed ijarah return (“*Cicilan Imbalan Ijarah*”) totalling Rp20,210, payable on a quarterly basis starting March 8, 2010 up to December 8, 2016.	December 8, 2016	

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
i. Limited Bonds II issued by Lintasarta (amended on August 25, 2009)	Rp66,150, with the remaining amount of Rp60,000 since June 14, 2009	▪ Average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3% (The maximum limit of floating rates was 19% and the minimum limit was 11% p.a. and starting June 14, 2009, the minimum limit increased to 12.75%.) ▪ Payable quarterly	June 14, 2009 extended to June 14, 2012	-
j. Limited Bonds I issued by Lintasarta (amended on August 25, 2009)	Rp34,856, with the remaining amount of Rp26,553 since June 2, 2009	▪ Average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3% (The maximum limit of floating rates was 19% and the minimum limit was 11% p.a. and starting June 14, 2009, the minimum limit increased to 12.75%.) ▪ Payable quarterly	June 2, 2009 extended to June 2, 2012	-
k. Fourth Indosat Bonds in Year 2005	Rp815,000	▪ 12% p.a. ▪ Paid quarterly	June 21, 2011	▪ The Company had early settlement option on the 4th anniversary of the bonds at 100% of the bonds' nominal value and buy-back option after the 1st anniversary of the bonds at market price temporarily or as an early settlement. ▪ Based on the latest rating report released in March 2011, the bonds had $_{id}$AA+ (stable outlook) rating from Pefindo. ▪ On June 21, 2011, the Company paid these bonds in full.
l. Indosat Syari'ah Ijarah Bonds in Year 2005 ("Syari'ah Ijarah Bonds")	Rp285,000	▪ Bondholders were entitled to annual fixed Ijarah return ("*Cicilan Imbalan Ijarah*") totalling Rp34,200, paid on a quarterly basis starting September 21, 2005 up to June 21, 2011.	June 21, 2011	▪ The Company had early settlement option on the 4th anniversary of the bonds at 100% of the bonds' nominal value and buy-back option after the 1st anniversary of the bonds at market price temporarily or as an early settlement. ▪ Based on the latest rating report released in March 2011, the bonds had $_{id}AA_{(sy)}+$ (stable outlook) rating from Pefindo. ▪ On June 21, 2011, the Company paid these bonds in full.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

19. BONDS PAYABLE (continued)

The scheduled principal payments of all the bonds payable outstanding as of December 31, 2011 are as follows:

	Twelve months ending December 31,					
	2012	**2013**	**2014**	**2015**	**2016 and thereafter ***	**Total**
In U.S. dollar						
Guaranteed Notes * Due 2020 (US$650,000)	-	-	-	-	5,894,200	5,894,200
In Rupiah						
Fifth Indosat Bonds *	-	-	1,230,000	-	1,370,000	2,600,000
Seventh Indosat Bonds*	-	-	700,000	-	600,000	1,300,000
Sixth Indosat Bonds*	-	760,000	-	320,000	-	1,080,000
Sukuk Ijarah III *	-	570,000	-	-	-	570,000
Sukuk Ijarah II *	-	-	400,000	-	-	400,000
Second Indosat Bonds*	-	-	-	-	200,000	200,000
Sukuk Ijarah IV *	-	-	28,000	-	172,000	200,000
Limited Bonds II	25,000	-	-	-	-	25,000
Limited Bonds I	16,989	-	-	-	-	16,989
Sub-total	**41,989**	**1,330,000**	**2,358,000**	**320,000**	**2,342,000**	**6,391,989**
Total	**41,989**	**1,330,000**	**2,358,000**	**320,000**	**8,236,200**	**12,286,189**

Less:	
- unamortized notes issuance cost	(58,420)
- unamortized notes discount	(26,208)
- unamortized bonds issuance costs and consent solicitation fees	(21,219)
Net	**12,180,342**

* Refer to previous discussion on early repayment options for each bond/note.

All bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as pari-passu security to all of the Company's other liabilities including the bonds.

The total amortization of bonds issuance cost, consent solicitation fees, notes issuance cost and discount for the years ended December 31, 2011 and 2010 amounted to Rp18,057 and Rp18,025, respectively (Note 28).

As of December 31, 2011 and 2010, the Group has complied with all financial ratios required to be maintained under the Notes Indenture and Trustee Agreements.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

20. DERIVATIVES

The Company entered into several swap and forward contracts. Listed below is information related to the contracts and their fair values (net of credit risk adjustment) as of December 31, 2011 and December 31, 2010

		Fair Value (Rp)			
		2011		**2010**	
	Notional Amount (US$)	**Receivable**	**Payable**	**Receivable**	**Payable**
Cross Currency Swap Contracts:					
a. Goldman Sachs International ("GSI") [1]	100,000	-	-	-	-
b. GSI [1]	25,000	-	-	-	-
c. GSI [4]	75,000	-	-	50,866	-
d. Standard Chartered ("StandChart")	25,000	-	6,981	-	12,055
e. StandChart	25,000	1,620	-	-	1,731
f. StandChart	25,000	12,608	-	9,443	-
g. HSBC, Jakarta Branch [2]	25,000	-	-	-	-
h. Merrill Lynch International Bank Limited, London Branch ("MLIB") [5]	50,000	-	-	-	2,234
i. MLIB[9]	25,000 with decreasing amount	3,639	-	2,154	-
j. MLIB[6]	25,000	-	-	3,778	-
k. DBS [9]	25,000 with decreasing amount	4,271	-	3,093	-
l. GSI [3]	84,000	-	-	-	-
Sub-total		**22,138**	**6,981**	**69,334**	**16,020**
Interest Rate Swap Contracts:					
m. HSBC, Jakarta Branch	27,037 with decreasing amount	-	13,254	-	13,100
n. HSBC, Jakarta Branch	44,200 with decreasing amount	-	35,370	-	29,027
o. GSI	100,000	-	60,869	-	90,273
p. DBS	25,000 with decreasing amount	-	4,174	-	9,238
q. DBS	25,000 with decreasing amount	-	3,678	-	9,343
r. Bank of Tokyo MUFJ ("BTMUFJ")	25,000 with decreasing amount	-	2,649	-	6,656
s. BTMUFJ	25,000 with decreasing amount	-	2,347	-	5,885
t. BTMUFJ	25,000 with decreasing amount	-	2,118	-	5,297
u. StandChart	40,000 with decreasing amount	-	2,692	-	6,814
v. DBS	26,000 with decreasing amount	-	1,486	-	4,966
w. DBS	26,000 with decreasing amount	-	1,282	-	4,303
x. BTMUFJ	36,500 with decreasing amount	-	1,289	-	7,347
y. International Netherlands Group ("ING") Bank N.V. [8]	25,000 with decreasing amount	-	-	-	4,014
z. ING Bank N.V. [7]	33,500	-	-	-	3,120
Sub-total		**-**	**131,208**	**-**	**199,383**

(1) contract entered into in May 2005 and settled in November 2010
(2) contract entered into in August 2006 and settled in November 2010
(3) contract entered into in December 2008 and settled in November 2010
(4) contract entered into in August 2005 and terminated in June 2011
(5) contract entered into in August 2008 and terminated in June 2011
(6) contract entered into in September 2008 and terminated in June 2011
(7) contract entered into in April 2009 and settled in June 2011
(8) contract entered into in March 2009 and settled in December 2011
(9) In December 2011, the Company used the option to exercise US$6,000 of the contract amount.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

20. DERIVATIVES (continued)

	Notional Amount (US$)	Fair Value (Rp) 2011 Receivable	2011 Payable	2010 Receivable	2010 Payable
Currency Forward Contracts:					
aa. JP Morgan[10]	10,000	-	-	-	-
ab. DBS[10]	20,000	-	-	-	-
ac. Deutsche Bank[10]	20,000	-	-	-	-
ad. Deutsche Bank[10]	10,000	-	-	-	-
ae. JP Morgan[10]	10,000	-	-	-	-
af. StandChart[10]	5,000	-	-	-	-
ag. JP Morgan[10]	10,000	-	-	-	-
ah. PT Danareksa (Persero) (“Danareksa”) [10]	5,000	-	-	-	-
ai. JP Morgan[10]	5,000	-	-	-	-
aj. StandChart[10]	5,000	-	-	-	-
ak. JP Morgan[10]	5,000	-	-	-	-
al. HSBC, Jakarta Branch [11]	5,000	-	-	-	-
am. HSBC, Jakarta Branch [12]	5,000	-	-	-	-
an. JP Morgan[11]	5,000	-	-	-	-
ao. HSBC, Jakarta Branch [11]	1,000	-	-	-	-
ap. HSBC, Jakarta Branch [11]	3,000	-	-	-	-
aq. HSBC, Jakarta Branch	10,000	5,231	-	-	-
ar. JP Morgan	2,000	1,011	-	-	-
as. StandChart	3,000	3,902	-	-	-
at. JP Morgan	9,500	4,832	-	-	-
au. HSBC, Jakarta Branch	6,000	3,222	-	-	-
av. HSBC, Jakarta Branch	7,500	4,021	-	-	-
aw. JP Morgan	13,750	6,771	-	-	-
ax. StandChart	7,000	4,542	-	-	-
ay. StandChart	6,600	3,666	-	-	-
az. StandChart	8,000	1,486	-	-	-
ba. DBS	10,000	5,010	-	-	-
bb. ING	7,000	3,538	-	-	-
bc. DBS	7,000	3,528	-	-	-
bd. DBS	10,000	5,497	-	-	-
be. JP Morgan	10,000	5,523	-	-	-
bf. HSBC	10,000	4,909	-	-	-
bg. ING	10,000	5,330	-	-	-
bh. ING	13,000	6,960	-	-	-
bi. DBS	13,000	6,859	-	-	-
bj. ING	13,500	7,386	-	-	-
bk. ING	10,000	5,478	-	-	-
bl. ING	10,000	5,508	-	-	-
bm. GSI	8,000	4,558	-	-	-
bn. GSI	13,000	7,550	-	-	-
bo. Royal Bank of Scotland (“RBS”)	12,000	6,370	-	-	-
bp. GSI	12,000	7,185	-	-	-
bq. GSI	12,500	7,338	-	-	-
Sub-total		**137,211**	**-**	**-**	**-**
Total		**159,349**	**138,189**	**69,334**	**215,403**

[10] contracts entered into in July 2011 and settled in December 2011
[11] contracts entered into in August 2011 and settled in November 2011
[12] contract entered into in August 2011 and settled in December 2011

The net changes in fair value of the swap contracts, currency forward contracts and embedded derivative (Note 18g), swap income or cost, termination income or cost, and settlement of derivative instruments totalling Rp57,944 and Rp(418,092) in 2011 and 2010, respectively, were credited or charged to “Gain (Loss) on Change in Fair Value of Derivatives - Net”, which is presented under Other Income (Expenses) in the consolidated statements of comprehensive income.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

20. DERIVATIVES (continued)

The following are the details of the contracts:

Cross Currency Swap Contracts

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					2011	2010
a.	GSI [1]	May 13, 2005 - November 5, 2010 Swap Rp832,250 for US$100,000	(i) Fixed rate of 6.96% per annum for US$50,000 and (ii) 6-month U.S. dollar LIBOR plus 2.62% per annum for US$50,000, netted with (a) 6-month U.S. dollar LIBOR per annum multiplied by US$11,750 during the period May 13, 2005 through May 13, 2008 and (b) the amount of US$11,750 on May 13, 2008. On May 14, 2008, the Company received from GSI the fixed amount of US$11,750 (equivalent to Rp109,099) related to cross currency swap contract.	Every May 5 and November 5	-	46,136
b.	GSI [2]	May 13, 2005 - November 5, 2010 Swap Rp245,000 for US$25,000	4.30% of US$25,000	Every May 5 and November 5	-	9,841
c.	GSI [4]	August 22, 2005 - June 22, 2012 The Company will swap the following: • US$75,000 which is equal to US$75,000 multiplied by the lowest IDR/USD exchange rate within the period of August 22, 2005 - June 22, 2012 if the IDR/USD spot rate at termination date is less than or equal to the lowest of IDR/USD exchange rate mentioned above plus Rp4,300 (in full amount) • US$75,000 which is equal to US$75,000 multiplied by IDR/USD spot rate at termination date minus Rp4,300 (in full amount) if IDR/USD spot rate at termination date is greater than the lowest of IDR/USD exchange rate mentioned above plus Rp4,300 (in full amount)	3.28% of US$75,000	Every June 22 and December 22	10,689	22,866
d.	StandChart	January 11, 2006 - June 22, 2012 Swap Rp236,250 for US$25,000	4.78% of US$25,000	Every June 22 and December 22	10,672	11,034
e.	StandChart	March 15, 2006 - June 22, 2012 Swap Rp228,550 for US$25,000	3.75% of US$25,000	Every June 22 and December 22	8,372	8,657
f.	StandChart	May 12, 2006 - September 22, 2012 Swap Rp217,500 for US$25,000	3.45% of US$25,000	Every June 22 and December 22	7,702	7,964
g.	HSBC [3]	August 8, 2006 - November 5, 2010 Swap Rp225,000 for US$25,000	4.00% of US$25,000	Every May 5 and November 5	-	9,074
h.	MLIB [5]	August 8, 2008 - June 22, 2012 The Company will receive the following: • zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp8,950 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$50,000 multiplied by (1 - Rp8,950 [in full amounts] divided by IDR/USD spot rate) if the IDR/USD spot rate at termination date is greater than Rp8,950 but is less than or equal to Rp11,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$50,000 multiplied by (Rp11,000 - Rp8,950) (in full amounts) divided by IDR/USD spot rate if the IDR/USD spot rate at termination date is greater than Rp11,000 to US$1 (in full amounts)	4.22% of US$50,000	Every June 22 and December 22	11,326	23,965
i.	MLIB [6]	September 2, 2008 - June 12, 2013 The Company will receive the following: • zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp8,800 to US$1 (in full amounts) • certain U.S. dollar amount as arranged in the contract multiplied by (IDR/USD spot rate - Rp8,800) (in full amount) divided by IDR/USD spot rate if the IDR/USD spot rate at termination date is greater than Rp8,800 but is less than or equal to Rp12,000 to US$1 (in full amounts) • certain U.S. dollar amount as arranged in the contract multiplied by (Rp3,200 [in full amount] divided by IDR/USD spot rate) if the IDR/USD spot rate at termination date is greater than Rp12,000 to US$1 (in full amounts)	4.10% of US$25,000 up to June 12, 2011, and 4.10% of decreasing U.S. dollar amount as arranged in the contract up to June 12, 2013	Every June 12 and December 12	9,968	11,852

(1) On November 5, 2010, this contract expired and the Company received settlement gain on the cross currency swap amounting to Rp59,925.
(2) On November 5, 2010, this contract expired and the Company paid settlement loss on the cross currency swap amounting to (Rp21,881).
(3) On November 5, 2010, this contract expired and the Company paid settlement loss on the cross currency swap amounting to (Rp2,550).
(4) On June 28, 2011, this contract was terminated and the Company received settlement gain on the cross currency swap amounting to US$3,650 or equivalent to Rp31,379 on July 1, 2011.
(5) On June 28, 2011, this contract was terminated and the Company paid settlement loss on the cross currency swap amounting to (US$1,456) or equivalent to (Rp12,519) on July 1, 2011.
(6) On December 12, 2011, the Company used the option to exercise US$6,000 of the contract amount, and received settlement gain from the exercise amounting to US$189 or equivalent to Rp1,716.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

20. DERIVATIVES (continued)

Cross Currency Swap Contracts (continued)

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					2011	2010
j.	MLIB [7]	September 8, 2008 - June 22, 2012 The Company will receive the following: • zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp9,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$25,000 multiplied by (1 - Rp9,000 [in full amounts] divided by IDR/USD spot rate) if the IDR/USD spot rate at termination date is greater than Rp9,000 but is less than or equal to Rp11,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$25,000 multiplied by (Rp11,000 - Rp9,000) (in full amounts) divided by IDR/USD spot rate if the IDR/USD spot rate at termination date is greater than Rp11,000 to US$1 (in full amounts)	2.52% of US$25,000	Every June 22 and December 22	3,382	7,156
k.	DBS[9]	September 10, 2008 - June 12, 2013 The Company will receive the following: • zero amount if the IDR/USD spot rate at the scheduled settlement date is at or less than Rp8,800 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to U.S. dollar amount at scheduled settlement date multiplied by (IDR/USD spot rate - Rp8,800) (in full amount) divided by IDR/USD spot rate if the IDR/USD spot rate at settlement date is greater than Rp8,800 and is at or less than Rp12,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to U.S. dollar amount at scheduled settlement date multiplied by (Rp12,000 - Rp8,800) (in full amounts) divided by IDR/USD spot rate if the IDR/USD spot rate at settlement date is greater than Rp12,000 to US$1 (in full amounts)	3.945% of US$25,000 up to June 12, 2011, and 3.945% of decreasing U.S. dollar amount as arranged in the contract up to June 12, 2013	Every June 12 and December 12	8,727	9,044
l.	GSI [8]	December 16, 2008 - November 5, 2010 The Company will receive the following: • zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp11,500 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$84,000 multiplied by (IDR/USD spot rate - Rp11,500 [in full amount] divided by IDR/USD spot rate) if the IDR/USD spot rate at termination date is greater than Rp11,500 but is less than or equal to Rp15,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$84,000 multiplied by (Rp3,500 [in full amount] divided by IDR/USD spot rate) if the IDR/USD spot rate at termination date is greater than Rp15,000 to US$1 (in full amounts)	Upfront premium of US$9,500 (equivalent to Rp105,212) which was fully paid on December 19, 2008. The premium (charged to prepaid expenses) is amortized over the contract period.	-	-	47,323
	Total				70,838	214,912

[7] On June 28, 2011, this contract was terminated and the Company paid settlement loss on the cross currency swap amounting to (US$194) or equivalent to (Rp1,666) on July 1, 2011.
[8] On November 5, 2010, this contract expired and the Company received zero settlement on the cross currency swap.
[9] On December 12, 2011, the Company used the option to exercise US$6,000 of the contract amount, and received settlement gain from the exercise amounting to US$189 or equivalent to Rp1,716.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

20. DERIVATIVES (continued)

Cross Currency Swap Contracts (continued)

All cross currency swap contracts with GSI (contracts No. a, b and c) are structured to include credit-linkage with the Company as the reference entity and with the Company's (i) bankruptcy, (ii) failure to pay on certain debt obligations or (iii) restructuring of certain debt obligations as the relevant credit events. Upon the occurrence of any of these credit events, the Company's obligations and those of GSI under these swap contracts will be terminated without any further payments or settlements being made by or owed to either party, including a payment by either party of any marked-to-market value of the swap contracts.

Interest Rate Swap Contracts

No.	Counter-parties	Contract Period	Annual Interest Swap Rate	Swap Income (Expense) Receipt (Payment) Date	Amount of Swap Expense Paid (Rp) 2011	Amount of Swap Expense Paid (Rp) 2010
m.	HSBC	April 23, 2008 - November 27, 2016	5.42% of US$27,037, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.45% per annum	Every April 1 and October 1 up to October 2009, and every May 27 and November 27 up to termination date	7,034	7,589
n.	HSBC	April 23, 2008 - September 29, 2019	4.82% of US$44,200, the notional amount of which will decrease based on predetermined schedule, in exchange for U.S. dollar LIBOR plus 0.35% per annum	Every January 28 and July 28 up to July 2009, and every March 29 and September 29 up to termination date	13,799	16,920
o.	GSI	September 2, 2008 - June 12, 2013	(8.10% - underlyer return) of US$100,000 per annum, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every June 10 and December 10 up to June 2011, and every June 12 and December 12 up to termination date	38,978	39,332
p.	DBS	September 5, 2008 - June 12, 2013	5.625% of US$25,000 per annum, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every June 10 and December 10 up to December 2010, and every June 12 and December 12 up to termination date	7,463	7,289
q.	DBS	October 23, 2008 - June 12, 2013	5.28% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	8,426	6,676
r.	BTMUFJ	December 1, 2008 - June 12, 2013	4.46% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	5,052	4,778
s.	BTMUFJ	December 4, 2008 - June 12, 2013	4.25% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	5,000	4,291
t.	BTMUFJ	December 12, 2008 - June 12, 2013	4.09% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	4,381	3,921
u.	StandChart	December 19, 2008 - June 12, 2013	3.85% of US$40,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	6,066	5,384
v.	DBS	December 22, 2008 - December 12, 2012	4.02% of US$26,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	5,068	3,909
w.	DBS	January 21, 2009 - December 12, 2012	3.83% of US$26,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	4,510	3,451

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

20. DERIVATIVES (continued)

Interest Rate Swap Contracts (continued)

No.	Counter-parties	Contract Period	Annual Interest Swap Rate	Swap Income (Expense) Receipt (Payment) Date	Amount of Swap Expense Paid (Rp)	
					2011	2010
x.	BTMUFJ	March 2, 2009 - June 12, 2012	4.10% of US$36,500, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	6,432	5,758
y.	ING Bank N.V.	March 3, 2009 - December 12, 2011	4.0094% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	4,185	3,734
z.	ING Bank N.V.	April 14, 2009 - June 12, 2011	3.75% of US$33,500, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and on June 12, 2011	3,127	4,199
	Total				119,521	117,231

Currency Forward Contracts

No.	Counter-parties	Contract Period	IDR/USD Fixing Rate (in full amounts)
aa.	JP Morgan(14)	July 14, 2011 - December 12, 2011	Rp8,699 to US$1
ab.	DBS(15)	July 19, 2011 - December 12, 2011	Rp8,699 to US$1
ac.	Deutsche Bank(16)	July 19, 2011 - December 12, 2011	Rp8,714 to US$1
ad.	Deutsche Bank(17)	July 21, 2011 - December 12, 2011	Rp8,665 to US$1
ae.	JP Morgan(18)	July 21, 2011 - December 12, 2011	Rp8,665 to US$1
af.	StandChart(19)	July 22, 2011 - December 12, 2011	Rp8,623 to US$1
ag.	JP Morgan(20)	July 22, 2011 - December 12, 2011	Rp8,637 to US$1
ah.	Danareksa(21)	July 26, 2011 - December 12, 2011	Rp8,604 to US$1
ai.	JP Morgan(22)	July 26, 2011 - December 12, 2011	Rp8,614 to US$1
aj.	StandChart(23)	July 26, 2011 - December 12, 2011	Rp8,614 to US$1
ak.	JP Morgan(24)	July 29, 2011 - December 12, 2011	Rp8,568 to US$1
al.	HSBC(11)	August 1, 2011 - November 30, 2011	Rp8,533 to US$1
am.	HSBC(25)	August 1, 2011 - December 12, 2011	Rp8,541 to US$1
an.	JP Morgan(12)	August 2, 2011 - November 30, 2011	Rp8,538 to US$1
ao.	HSBC(10)	August 4, 2011 - November 28, 2011	Rp8,547 to US$1
ap.	HSBC(13)	August 4, 2011 - November 30, 2011	Rp8,549 to US$1
aq.	HSBC	August 10, 2011 - January 24, 2012	Rp8,698 to US$1
ar.	JP Morgan	August 10, 2011 - January 24, 2012	Rp8,696 to US$1
as.	StandChart	August 10, 2011 - January 24, 2012	Rp8,696 to US$1
at.	JP Morgan	August 11, 2011 - January 24, 2012	Rp8,693 to US$1
au.	HSBC	August 11, 2011 - February 28, 2012	Rp8,714 to US$1
av.	HSBC	August 11, 2011 - February 28, 2012	Rp8,715 to US$1

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counter-parties	Contract Period	IDR/USD Fixing Rate (in full amounts)
aw.	JP Morgan	August 12, 2011 - March 29, 2012	Rp8,764 to US$1
ax.	StandChart	August 15, 2011 - May 30, 2012	Rp8,785 to US$1
ay.	StandChart	August 15, 2011 - May 30, 2012	Rp8,787 to US$1
az.	StandChart	August 16, 2011 - June 12, 2012	Rp8,788 to US$1
ba.	DBS	August 19, 2011 - January 27, 2012	Rp8,708 to US$1
bb.	ING	August 19, 2011 - January 27, 2012	Rp8,706 to US$1
bc.	DBS	August 19, 2011 - January 27, 2012	Rp8,705 to US$1
bd.	DBS	August 19, 2011 - June 12, 2012	Rp8,819 to US$1
be.	JP Morgan	August 19, 2011 - June 12, 2012	Rp8,826 to US$1
bf.	HSBC	August 19, 2011 - June 12, 2012	Rp8,832 to US$1
bg.	ING (Note 38c)	August 22, 2011 - January 12, 2012	Rp8,662 to US$1
bh.	ING	August 22, 2011 - January 30, 2012	Rp8,679 to US$1
bi.	DBS	August 22, 2011 - February 28, 2012	Rp8,715 to US$1
bj.	ING	August 22, 2011 - March 28, 2012	Rp8,737 to US$1
bk.	ING (Note 38c)	August 23, 2011 - January 12, 2012	Rp8,644 to US$1
bl.	ING (Note 38c)	August 23, 2011 - January 12, 2012	Rp8,647 to US$1
bm.	GSI (Note 38c)	August 23, 2011 - January 12, 2012	Rp8,640 to US$1
bn.	GSI	August 24, 2011 - January 27, 2012	Rp8,645 to US$1
bo.	RBS	August 24, 2011 - February 10, 2012	Rp8,666 to US$1
bp.	GSI	August 24, 2011 - February 29, 2012	Rp8,663 to US$1
bq.	GSI	August 24, 2011 - February 29, 2012	Rp8,675 to US$1

(10) On November 28, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp553.
(11) On November 30, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp3,185.
(12) On November 30, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp3,160.
(13) On November 30, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp1,863.
(14) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp3,860.
(15) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp7,720.
(16) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp7,420.
(17) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp4,200.
(18) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp4,200.
(19) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp2,310.
(20) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp4,480.
(21) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp2,405.
(22) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp2,355.
(23) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp2,355.
(24) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp2,585.
(25) On December 12, 2011, this contract was settled and the Company received settlement gain on the currency forward contract amounting to Rp2,720.

21. FINANCIAL ASSETS AND LIABILITIES

The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents and short-term investments, which arise directly from the Group's operations. The Group's principal financial liabilities, other than derivatives, consist of loans and bonds payable, procurement payable, and trade and other accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Company also enters into derivative transactions, primarily cross currency swaps and interest rate swaps, for the purpose of managing its foreign exchange and interest rate exposures emanating from the Company's loans and bonds payable in foreign currencies.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

21. FINANCIAL ASSETS AND LIABILITIES (continued)

The following table sets forth the Group's financial assets and financial liabilities as of December 31, 2011 and 2010:

	2011	2010
Financial Assets		
Held for trading		
Derivative assets	159,349	69,334
Loans and receivables		
Cash and cash equivalents	2,224,206	2,075,270
Accounts receivable - trade and others - net	1,446,729	1,558,457
Other current financial assets - net	24,790	53,119
Due from related parties - net	10,654	8,421
Other non-current financial assets - others	87,686	77,675
Available for sale		
Other current financial assets - short-term investments - net	-	-
Other non-current financial assets - other long-term investments - net	2,730	2,730
Total Financial Assets	**3,956,144**	**3,845,006**
Financial Liabilities		
Held for trading		
Derivative liabilities	138,189	215,403
Liabilities at amortized cost		
Short-term loan	1,499,256	-
Accounts payable - trade	319,058	645,505
Procurement payable	3,429,921	3,644,467
Accrued expenses	1,891,477	1,710,885
Deposits from customers	37,265	50,279
Loans payable - current maturities	3,300,537	3,184,147
Bonds payable - current maturities	41,989	1,098,131
Other current financial liabilities	16,072	23,127
Due to related parties	15,480	22,099
Loans payable - net of current maturities	6,425,779	7,666,804
Bonds payable - net of current maturities	12,138,353	12,114,104
Total Financial Liabilities	**29,253,376**	**30,374,951**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

21. FINANCIAL ASSETS AND LIABILITIES (continued)

The following table sets forth the carrying values and estimated fair values of the Group financial instruments that are carried in the consolidated statements of financial position as of December 31, 2011 and 2010:

	Carrying Amount		Fair Value	
	2011	2010	2011	2010
Current Financial Assets				
Cash and cash equivalents	2,224,206	2,075,270	2,224,206	2,075,270
Accounts receivable trade and others - net	1,446,729	1,558,457	1,446,729	1,558,457
Derivative assets	159,349	69,334	159,349	69,334
Other current financial assets - net	24,790	53,119	24,790	53,119
Total current financial assets	**3,855,074**	**3,756,180**	**3,855,074**	**3,756,180**
Non-current Financial Assets				
Due from related parties	10,654	8,421	8,967	7,176
Other long-term investment - net	2,730	2,730	2,730	2,730
Other non-current financial assets - net	87,686	77,675	86,065	73,309
Total non-current financial assets	**101,070**	**88,826**	**97,762**	**83,215**
Total Financial Assets	**3,956,144**	**3,845,006**	**3,952,836**	**3,839,395**
Current Financial Liabilities				
Short-term loan	1,499,256	-	1,499,256	-
Accounts payable - trade	319,058	645,505	319,058	645,505
Procurement payable	3,429,921	3,644,467	3,429,921	3,644,467
Accrued expenses	1,891,477	1,710,885	1,891,477	1,710,885
Deposits from customers	37,265	50,279	37,265	50,279
Derivative liabilities	138,189	215,403	138,189	215,403
Loans payable - current portion	3,300,537	3,184,147	3,927,062	3,155,634
Bonds payable - current portion	41,989	1,098,131	43,137	1,110,737
Other current financial liabilities	16,072	23,127	16,072	23,127
Total current financial liabilities	**10,673,764**	**10,571,944**	**11,301,437**	**10,556,037**
Non-current Financial Liabilities				
Due to related parties	15,480	22,099	13,030	18,833
Loans payable - non-current portion	6,425,779	7,666,804	5,864,354	7,510,510
Bonds payable - non-current portion	12,138,353	12,114,104	13,334,903	13,228,171
Total non-current financial liabilities	**18,579,612**	**19,803,007**	**19,212,287**	**20,757,514**
Total Financial Liabilities	**29,253,376**	**30,374,951**	**30,513,724**	**31,313,551**

The fair values of the financial assets and liabilities are presented at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Short-term financial assets and liabilities:

- *Short-term financial instruments with remaining maturities of one year or less (cash and cash equivalents, trade and other accounts receivable, other current financial assets, short-term loan, trade accounts payable, procurement payable, accrued expenses, deposits from customers and other current financial liabilities)*

  These financial instruments approximate their carrying amounts largely due to their short-term maturities.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

21. FINANCIAL ASSETS AND LIABILITIES (continued)

- *Derivative Financial Instruments*

  Cross currency swap contracts (including bifurcated embedded derivative)

  These derivatives are measured at their fair values using internal valuation techniques as no quoted market prices exist for such instruments. The principal technique used to value these instruments is the use of discounted cash flows. The key inputs include interest rate yield curves, foreign exchange rates, Credit Default Spread (“CDS”), and the spot price of the underlying instruments.

  Interest rate swap contracts

  These derivatives are measured at their fair values, computed using discounted cash flows based on observable market inputs which include interest rate yield curves and payment dates.

  Currency forward contracts

  These derivatives are measured at their fair values, computed using discounted cash flows based on observable market inputs which include foreign exchange rates, payment dates and the spot price of the underlying instruments.

Long-term financial assets and liabilities:

- *Long-term fixed-rate and variable-rate financial liabilities (unquoted loans and bonds payable)*

  The fair value of these financial liabilities is determined by discounting future cash flows using applicable rates from observable current market transactions for instruments with similar terms, credit risk and remaining maturities.

- *Other long-term financial assets and liabilities (due from/to related parties, other long-term investments and other non-current financial assets)*

  Estimated fair value is based on discounted value of future cash flows adjusted to reflect counterparty risk (for financial assets) and the Group’s own credit risk (for financial liabilities) and using risk-free rates for similar instruments.

- *Financial instruments quoted in an active market*

  The fair value of the bonds issued by the Company which are traded in an active market is determined with reference to their quoted market prices.

  For equity investments classified as available-for-sale, the fair value is determined based on the latest market quotation as published by the Indonesia Stock Exchange as of December 31, 2011 and 2010.

22. EMPLOYEE BENEFIT OBLIGATIONS - NET OF CURRENT PORTION

This account consists of the non-current portions of employee benefit obligations as follows:

	2011	2010
Post-retirement healthcare (Notes 17 and 29)	555,752	639,271
Labor Law 13 (Notes 17 and 29)	194,329	187,944
Service award (Note 17)	35,071	43,058
Accumulated leave benefits	2,161	2,134
Total	**787,313**	**872,407**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

23. CAPITAL STOCK

The Company's capital stock ownership as of December 31, 2011 and 2010 is as follows:

Stockholders	Number of Shares Issued and Fully Paid	Amount	Percentage of Ownership (%)
2011			
A Share	1	-	-
Government			
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd.	3,532,056,600	353,206	65.00
Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)	305,498,450	30,550	5.62
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	819,743,450	81,974	15.09
Total	**5,433,933,500**	**543,393**	**100.00**
2010			
A Share			
Government	1	-	-
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd.	3,532,056,600	353,206	65.00
Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)	277,824,400	27,782	5.11
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	847,417,500	84,742	15.60
Total	**5,433,933,500**	**543,393**	**100.00**

The "A" share is a special share held by the Government and has special voting rights. The material rights and restrictions which are applicable to the "B" shares are also applicable to the "A" share, except that the Government may not transfer the "A" share, which has a veto right with respect to (i) amendment to the objective and purposes of the Company; (ii) increase of capital without pre-emptive rights; (iii) merger, consolidation, acquisition and demerger; (iv) amendment to the provisions regarding the rights of "A" share as stipulated in the Articles of Association; and (v) dissolution, bankruptcy and liquidation of the Company. The "A" share also has the right to appoint one director and one commissioner of the Company.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

24. OPERATING REVENUES

The balance of this account for the years ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Cellular		
Usage charges	8,203,788	7,943,960
Value-added services	7,502,140	7,039,243
Interconnection services (Note 35)	1,182,384	1,252,751
Tower leasing (Note 32f)	419,720	251,981
Monthly subscription charges	134,032	200,519
Connection fee	14,217	2,926
Sale of Blackberry handsets	1,706	34,956
Upfront discount and Customer Loyalty Program (Note 2k)	(952,976)	(868,428)
Others	245,868	169,154
Sub-total	**16,750,879**	**16,027,062**
MIDI		
Internet Protocol Virtual Private Network (IP VPN)	695,947	605,685
Internet	375,743	519,553
World link and direct link	294,956	278,788
Leased line	261,376	189,112
Application services	192,562	168,196
Satellite lease	150,894	136,008
Value-added Service	148,677	38,506
Frame net	123,249	227,051
Digital data network	103,098	94,686
Multiprotocol Label Switching (MPLS)	89,937	66,579
TV link	6,127	5,126
Others	133,466	146,986
Sub-total	**2,576,032**	**2,476,276**
Fixed Telecommunication		
International Calls	934,021	993,165
Fixed Wireless	192,776	174,157
Fixed Line	123,185	125,855
Sub-total	**1,249,982**	**1,293,177**
Total	**20,576,893**	**19,796,515**

Operating revenues from related parties amounted to Rp1,554,780 and Rp1,640,591 for the years ended December 31, 2011 and 2010, respectively. These amounts represent 7.56% and 8.29% of the total operating revenues for the years ended December 31, 2011 and 2010, respectively (Note 30).

The operating revenues from interconnection services are presented on a gross basis (Note 2k).

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

25. OPERATING EXPENSES - COST OF SERVICES

The balance of this account for the years ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Radio frequency fee (Note 34)	1,839,193	1,612,375
Interconnection (Note 35)	1,706,521	1,735,942
Maintenance	921,990	943,503
Utilities	730,328	715,349
Rent (Note 32h)	661,765	517,432
Blackberry access fee	371,229	197,434
Leased circuits	331,390	377,580
Cost of SIM cards and pulse reload vouchers	285,812	259,323
USO (Note 34)	228,693	214,636
Installation	141,420	133,746
Concession fee (Note 34)	122,178	112,404
Delivery and transportation	83,073	84,075
Billing and collection	57,780	54,816
License	32,225	31,543
Cost of handsets and modems	12,500	74,266
Others	61,611	48,986
Total	**7,587,708**	**7,113,410**

Interconnection relates to the expenses for the interconnection between the Company's telecommunications networks and those owned by Telkom or other telecommunications carriers (Note 2k).

26. OPERATING EXPENSES - PERSONNEL

The balance of this account for the year ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Severance benefits under Voluntary Separation Scheme ("VSS")*	579,301	-
Salaries	472,826	492,452
Incentives and other employee benefits	262,153	277,361
Employee income tax	260,104	131,630
Bonuses	199,043	236,950
Medical expense	60,819	69,509
Outsourcing	36,264	60,858
Pension (Note 29)	15,943	45,688
Early retirement**	15,170	16,253
Separation, appreciation and compensation expense under Labor Law No. 13/2003 (Note 29)	10,344	42,833

* On January 20 and December 28, 2011, the Company's and Lintasarta's Board of Directors issued Directors' Decree No. 003/Direksi/2011 and Directors' Decree No. 020/Direksi/40000/2011, respectively, regarding the Organizational Restructuring Program through an offering scheme on the basis of mutual agreement between the Companies and certain employees (VSS), that became effective on the same date. For the year ended December 31, 2011, there were 994 and 54 employees of the Company and Lintasarta, respectively, who availed themselves of the scheme, and the benefits paid by the Company and Lintasarta amounted to Rp566,034 and Rp13,267, respectively.

** On June 27, 2006, the Company's Directors issued Decree No. 051/DIREKSI/2006, "Additional Benefits for Voluntarily Resigned Employees". Under this decree, employees qualified for early retirement and who voluntarily resigned after the approval from the Board of Directors were given benefits of additional remuneration, traveling and training package. For the years ended December 31, 2011 and 2010, there were 9 and 19 employees, respectively, who took the option.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

26. OPERATING EXPENSES - PERSONNEL (continued)

	2011	2010
Post-retirement healthcare cost (income) (Note 29)	(74,253)	104,600
Post-retirement benefit of salary continuation before retirement***	-	(96,820)
Others	54,226	29,930
Total	**1,891,940**	**1,411,244**

*** On December 31, 2010, the Company and its employees' union reached a collective labor agreement ("CLA") on the revocation of post-retirement benefit of salary continuation before retirement effective January 1, 2011. This revocation eliminates the Company's legal or constructive obligation for the benefit.

The personnel expenses capitalized to properties under construction and installation during the years ended December 31, 2011 and 2010 amounted to Rp46,575 and Rp38,688, respectively.

27. OPERATING EXPENSES - GENERAL AND ADMINISTRATION

The balance of this account for the years ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Rent	113,277	120,428
Professional fees	109,523	109,374
Utilities	106,525	99,642
Transportation	65,807	64,485
Insurance	44,539	39,807
Provision for impairment of receivables (Note 5)	41,051	67,041
Office	34,956	48,370
Training, education and research	23,371	18,541
Catering	22,693	25,585
Social activities	16,620	24,991
Others (each below Rp10,000)	84,332	74,317
Total	**662,694**	**692,581**

28. OTHER EXPENSES - FINANCING COST

The balance of this account for the years ended December 31, 2011 and 2010 consists of the following:

	2011	2010
Interest on loans	1,700,091	2,080,274
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 14, 18 and 19)	83,444	90,116
Bank charges	6,152	4,751
Excess of purchase price over nominal value due to redemption of GN 2010 and GN 2012	-	96,487
Total	**1,789,687**	**2,271,628**

29. PENSION PLAN

The Company, Satelindo and Lintasarta have defined benefit and defined contribution pension plans covering substantially all of their qualified permanent employees.

Defined Benefit Pension Plan

The Company, Satelindo and Lintasarta provide defined benefit pension plans to their respective employees under which pension benefits to be paid upon retirement are based on the employees' most recent basic salary and number of years of service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plans. Pension contributions are determined by periodic actuarial calculations performed by Jiwasraya.

Based on an amendment dated December 22, 2000 of the Company's pension plan, which was further amended on March 29, 2001, the benefits and the premium payment pattern were changed. Before the amendment, the premium was regularly paid annually until the plan would be fully funded and the benefits consisted of retirement benefit (regular monthly or lump-sum pension) and death insurance. In conjunction with the amendment, the plan would be fully funded after making installment payments up to January 2002 of the required amount to fully fund the plan determined as of September 1, 2000. The amendment also includes an additional benefit in the form of thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri ("Moslem Holiday").

The amendment covers employees registered as participants of the pension plan as of September 1, 2000 and includes an increase in basic salary pension by 9% compounded annually starting from September 1, 2001. The amendment also stipulates that there will be no increase in the premium even in cases of mass employee terminations or changes in marital status.

The total premium installments based on the amendment amounted to Rp355,000 and were paid on due dates.

On March 1, 2007, the Company entered into an agreement with Jiwasraya to provide defined death insurance plan to 1,276 employees as of January 1, 2007, who are not covered by the defined benefit pension plan as stated above. Based on the agreement, a participating employee will receive:

- Expiration benefit equivalent to the cash value at the normal retirement age, or
- Death benefit not due to accident equivalent to 100% of insurance money plus cash value when the employee dies not due to accident, or
- Death benefit due to accident equivalent to 200% of insurance money plus cash value when the employee dies due to accident.

The premium of Rp7,600 was fully paid on March 29, 2007. Subsequently, in August 2007, February to December 2008, January to December 2009, January to December 2010 and January to December 2011, the Company made payments for additional premium of Rp275 for additional 55 employees, Rp805 for additional 161 employees, Rp415 for additional 81 employees, Rp120 for additional 14 employees and Rp378 for additional 41 employees, respectively.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

29. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

On June 25, 2003, Satelindo entered into an agreement with Jiwasraya to amend the benefits and premium payment pattern of the former's pension plan. The amendment covers employees registered as participants of the pension plan as of December 25, 2002 up to June 25, 2003. Other new conditions include the following:

- An increase in pension basic salary at 6% compounded annually starting from December 25, 2002
- Thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri
- An increase in periodic payment of retirement benefit at 6% compounded annually starting one year after receiving periodic retirement benefit for the first time
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On April 15, 2005, Lintasarta entered into an agreement with Jiwasraya to replace their existing agreement. Based on the new agreement, the benefits and the premium payment pattern were changed. This agreement is effective starting January 1, 2005. The total premium installments based on the agreement amounted to Rp61,623, which is payable in 10 annual installments starting 2005 until 2015.

The new agreement covers employees registered as participants of the pension plan as of April 1, 2003. The conditions under the new agreement include the following:

- An increase in pension basic salary by 3% (previously was estimated at 8%) compounded annually starting April 1, 2003
- An increase in periodic payment of retirement benefit at 5% compounded annually starting one year after receiving periodic retirement benefit for the first time
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On May 2, 2005, Lintasarta entered into an agreement with Jiwasraya to amend the above agreement. The amendment covers employees registered as participants of the pension plan as of April 1, 2003 up to November 30, 2004 with additional 10 annual premium installments totalling Rp1,653 which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to Rp9,653 each for the years ended December 31, 2011 and 2010.

The net periodic pension cost for the pension plans of the Company and Lintasarta for the years ended December 31, 2011 and 2010 was calculated based on actuarial valuations as of December 31, 2011 and 2010, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2011	2010
Annual discount rate	7.0 - 7.5%	8.5 - 9.0%
Expected annual rate of return on plan assets	4.5 - 9.0%	4.5 - 9.0%
Annual rate of increase in compensation	3.0 - 9.0%	3.0 - 9.0%
Mortality rate (Indonesian Mortality Table - TMI)	TMI 1999	TMI 1999

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

29. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

a. The composition of the net periodic pension cost for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Interest cost	47,975	74,558
Service cost	31,006	41,749
Settlement loss	4,655	-
Amortization of unrecognized actuarial loss	1,194	850
Return on plan assets	(52,213)	(71,469)
Curtailment gain	(16,674)	-
Net periodic pension cost (Note 26)	**15,943**	**45,688**

b. The funded status of the plans as of December 31, 2011 and 2010 is as follows:

	2011	2010
Plan assets at fair value	538,902	852,958
Projected benefit obligation	(463,074)*	(750,625)
Excess of plan assets over projected benefit obligation	75,828	102,333
Unrecognized actuarial loss	29,464	10,928
Total prepaid pension cost	**105,292**	**113,261**

* net of curtailment effect during 2011 due to VSS (Note 26)

c. Movements in the prepaid pension cost for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Balance at beginning of year		
Company	82,871	124,720
Lintasarta	30,390	25,100
Net periodic pension cost		
Company	(5,887)	(41,505)
Lintasarta	(10,056)	(4,183)
Refund from Jiwasraya		
Company	(1,631)	(464)
Lintasarta	(426)	(180)
Contribution to Jiwasraya		
Company	378	120
Lintasarta	9,653	9,653
Balance at end of year		
Company	**75,731**	**82,871**
Lintasarta	**29,561**	**30,390**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

29. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

d. Prepaid pension cost consists of:

	2011	2010
Current portion (presented as part of "Prepaid expenses")		
Company	1,730	1,401
Lintasarta	381	516
	2,111	1,917
Long-term portion (presented as "Long-term prepaid pension - net of current portion")		
Company	74,001	81,470
Lintasarta	29,180	29,874
	103,181	111,344
Total prepaid pension cost	**105,292**	**113,261**

Plan assets as of December 31, 2011 and 2010 principally consisted of time deposits, debt securities, long-term investment in shares of stock and property.

Defined Contribution Pension Plan

In May 2001 and January 2003, the Company and Satelindo assisted their employees in establishing their respective employees' defined contribution pension plans, in addition to the defined benefit pension plan as mentioned above. Starting June 2004, the Company also assisted ex-IM3 employees in establishing their defined contribution pension plan. Under the defined contribution pension plan, the employees contribute 10% - 20% of their basic salaries, while the Company does not contribute to the plans. Total contributions of employees for the years ended December 31, 2011 and 2010 amounted to Rp43,709 and Rp46,557, respectively. The plan assets are being administered and managed by seven financial institutions appointed by the Company and Satelindo, based on the choice of the employees.

Labor Law No. 13/2003

The Company, Lintasarta and IMM also accrue benefits under Labor Law No. 13/2003 ("Labor Law") dated March 25, 2003. Their employees will receive the benefits which are higher under either this law or the defined benefit pension plan.

The net periodic pension cost of the Company and the subsidiaries under the Labor Law for the years ended December 31, 2011 and 2010 was calculated based on actuarial valuations as of December 31, 2011 and 2010, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2011	2010
Annual discount rate	7.5%	8.5 - 9.0%
Annual rate of increase in compensation	8.0 - 9.0%	8.0 - 9.0%

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

29. PENSION PLAN (continued)

Labor Law No. 13/2003 (continued)

a. The composition of the periodic pension cost under the Labor Law for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Service cost	29,355	21,747
Interest cost	15,888	19,586
Amortization of unrecognized past service cost	716	-
Amortization of unrecognized actuarial loss	18	1,500
Curtailment gain	(35,633)	-
Net periodic pension cost under the Labor Law (Note 26)	**10,344**	**42,833**

b. The composition of the accrued pension cost under the Labor Law as of December 31, 2011 and 2010 is as follows:

	2011	2010
Projected benefit obligation	291,135*	217,754
Unrecognized actuarial loss	(83,494)	(17,245)
Unrecognized past service cost	(8,612)	(9,632)
Net accrued pension cost under the Labor Law	**199,029**	**190,877**

* net of curtailment effect during 2011 due to VSS (Note 26)

c. Movements in the accrued pension cost under the Labor Law for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Balance at beginning of year		
Company	164,285	131,416
Lintasarta	17,648	12,771
IMM	8,944	6,206
Net periodic pension cost under the Labor Law		
Company	2,754	35,019
Lintasarta	3,952	4,974
IMM	3,638	2,840
Benefit payment		
Company	(1,826)	(2,150)
Lintasarta	(111)	(97)
IMM	(255)	(102)
Balance at end of year		
Company	**165,213**	**164,285**
Lintasarta	**21,489**	**17,648**
IMM	**12,327**	**8,944**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

29. PENSION PLAN (continued)

Labor Law No. 13/2003 (continued)

As of December 31, 2011 and 2010, the current portion of pension cost under the Labor Law included in accrued expenses (Note 17) amounted to Rp4,700 and Rp2,933, respectively, and the non-current portion included in employee benefit obligations amounted to Rp194,329 and Rp187,944, respectively (Note 22).

Post-retirement Healthcare

The Company provides post-retirement healthcare benefits to its employees who leave the Company after the employees fulfill the early retirement requirement. The spouse and children who have been officially registered in the administration records of the Company are also eligible to receive benefits. If the employees die, the spouse and children are still eligible for the post-retirement healthcare until the spouse dies or remarries and the children reach the age of 25 or get married.

The utilization of post-retirement healthcare is limited to an annual maximum ceiling that refers to monthly pension from Jiwasraya as follows:

- 16 times the Jiwasraya monthly pension for a pensioner who receives monthly pension from Jiwasraya
- 16 times the equality monthly pension for a pensioner who became permanent employee after September 1, 2000
- 16 times the last monthly pension for a pensioner who retires after July 1, 2003 and does not receive Jiwasraya monthly pension.

The net periodic post-retirement healthcare cost for the years ended December 31, 2011 and 2010 was calculated based on actuarial valuations as of December 31, 2011 and 2010, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2011	2010
Annual discount rate	8.0%	9.5%
Ultimate cost trend rate	6.0%	6.0%
Next year trend rate	12.0%	14.0%
Period to reach ultimate cost trend rate	4 years	4 years

a. The composition of the periodic post-retirement healthcare cost (income) for the years ended December 31, 2011 and 2010 is as follows:

	2011	2010
Interest cost	68,955	65,919
Service cost	24,149	28,229
Amortization of unrecognized past service cost	9,096	10,452
Amortization of unrecognized actuarial loss	5,369	-
Curtailment gain	(181,822)	-
Net periodic post-retirement healthcare cost (income) - net (Note 26)	**(74,253)**	**104,600**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

29. PENSION PLAN (continued)

Post-retirement Healthcare (continued)

b. The composition of the accrued post-retirement healthcare cost as of December 31, 2011 and 2010 is as follows:

	2011	2010
Projected benefit obligation	687,789*	846,636
Unrecognized actuarial loss	(103,679)	(161,443)
Unrecognized past service cost	(15,401)	(31,253)
Net accrued post-retirement healthcare cost	**568,709**	**653,940**

* net of curtailment effect during January - June 2011 due to VSS (Note 26)

c. Movements in the accrued post-retirement healthcare cost for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Balance at beginning of year	653,940	561,805
Net periodic post-retirement healthcare cost (income)	(74,253)	104,600
Benefit payment	(10,978)	(12,465)
Balance at end of year	**568,709**	**653,940**

As of December 31, 2011 and 2010, the current portion of post-retirement healthcare cost included in accrued expenses (Note 17) amounted to Rp12,957 and Rp14,669, respectively, and the non-current portion included in employee benefit obligations amounted to Rp555,752 and Rp639,271, respectively (Note 22).

d. The effect of a one percentage point change in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the years ended December 31, 2011 and 2010 and accumulated post-retirement healthcare benefit obligation as of December 31, 2011 and 2010, as follows:

	2011	2010
Increase		
Service and interest costs	118,454	116,581
Accumulated post-retirement healthcare benefit obligation	844,612	1,030,938
Decrease		
Service and interest costs	73,626	76,868
Accumulated post-retirement healthcare benefit obligation	566,627	702,632

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

30. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES

The details of the accounts and the significant transactions entered into with related parties are as follows:

	Amount		Percentage to Total Assets/Liabilities (%)	
	2011	2010	2011	2010
Cash and cash equivalents (Note 4)				
Government - related entities:				
State-owned banks	**977,960**	**1,615,651**	**1.87**	**3.06**
Accounts receivable - trade (Note 5)				
Government - related entities:				
State-owned companies	297,717	267,319	0.57	0.51
Ultimate parent company:				
Qatar Telecom	6,927	2,827	0.01	0.00
Total	**304,644**	**270,146**	**0.58**	**0.51**
Less allowance for impairment of receivables	47,107	47,640	0.09	0.09
Net	**257,537**	**222,506**	**0.49**	**0.42**
Prepaid expenses				
Government - related entities:				
State-owned companies	8,222	11,683	0.01	0.02
Governmental departments	205	-	0.00	-
Entity under common significant influence:				
Kopindosat	3,681	3,294	0.01	0.01
Total	**12,108**	**14,977**	**0.02**	**0.03**
Other current and non-current assets - financial and non-financial				
Government - related entities:				
State-owned banks	71,825	91,231	0.14	0.17
Governmental departments	87	87	0.00	0.00
Total	**71,912**	**91,318**	**0.14**	**0.17**
Due from related parties				
Entity under common significant influence:				
Kopindosat	6,012	5,958	0.01	0.01
Key management personnel:				
Senior management	3,020	1,362	0.01	0.00
Government - related entities:				
State-owned companies	1,583	1,693	0.00	0.01
Ultimate parent company:				
Qatar Telecom	54	54	0.00	0.00
Total	**10,669**	**9,067**	**0.02**	**0.02**
Less allowance for impairment of receivables	15	646	0.00	0.00
Net	**10,654**	**8,421**	**0.02**	**0.02**
Long-term prepaid rentals - net of current portion				
Government - related entities:				
State-owned companies	21,587	24,672	0.04	0.05
Entity under common significant influence:				
Kopindosat	9,962	12,817	0.02	0.02
Total	**31,549**	**37,489**	**0.06**	**0.07**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

30. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Amount		Percentage to Total Assets/Liabilities (%)	
	2011	2010	2011	2010
Long-term advances				
Entities under common significant influence:				
PT Personel Alih Daya	9,111	-	0.02	-
Kopindosat	-	1,016	-	0.00
Government - related entities:				
State-owned companies	44	3,705	0.00	0.01
Total	**9,155**	**4,721**	**0.02**	**0.01**
Long-term prepaid pension - net of current portion (Note 29)				
Government - related entities:				
State-owned companies	**103,181**	**111,344**	**0.20**	**0.21**
Short-term loan (Note 14)				
Government - related entities:				
State-owned bank	**1,499,256**	**-**	**4.49**	**-**
Accounts payable - trade				
Government - related entities:				
State-owned companies	23,233	22,260	0.07	0.06
Ultimate parent company				
Qatar Telecom	348	-	0.00	-
Total	**23,581**	**22,260**	**0.07**	**0.06**
Procurement payable (Note 15)				
Entities under common significant influence:				
PT Personel Alih Daya	16,319	13,210	0.05	0.04
Kopindosat	9,872	22,123	0.03	0.06
Government - related entities:				
State-owned companies	9,882	33,348	0.03	0.10
Total	**36,073**	**68,681**	**0.11**	**0.20**
Accrued expenses				
Government - related entities:				
State-owned companies	66,399	82,641	0.20	0.23
Key management personnel:				
Senior management	37,851	33,553	0.11	0.10
Entities under common significant influence:				
PT Personel Alih Daya	18,222	16,906	0.05	0.05
Kopindosat	5,817	13,838	0.02	0.04
Total	**128,289**	**146,938**	**0.38**	**0.42**
Due to related parties				
Government - related entities:				
State-owned companies	14,928	20,609	0.05	0.06
Ultimate parent company:				
Qatar Telecom	552	-	0.00	-
Entity under common significant influence:				
Kopindosat	-	1,490	-	0.00
Total	**15,480**	**22,099**	**0.05**	**0.06**
Other current and non-current liabilities - financial and non-financial				
Government - related entities:				
State-owned companies	6,455	8,118	0.02	0.02
Governmental departments	2,141	3,895	0.01	0.01
Total	**8,596**	**12,013**	**0.03**	**0.03**
Loan payable (including current maturities) (Note 18)				
Government - related entities:				
State-owned bank	**998,843**	**1,297,045**	**2.99**	**3.75**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

30. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Amount		Percentage to Respective Income or Expenses (%)	
	2011	**2010**	**2011**	**2010**
Operating revenues (Note 24)				
Government - related entities:				
State-owned companies	1,459,979	1,572,147	7.10	7.95
Governmental departments	24,823	31,923	0.12	0.16
Ultimate parent company:				
Qatar Telecom	69,978	36,521	0.34	0.18
Total	**1,554,780**	**1,640,591**	**7.56**	**8.29**
Operating expenses				
Cost of services				
Government - related entities:				
State-owned companies	1,567,294	1,642,288	8.83	10.06
Entities under common significant influence:				
Kopindosat	121,456	59,205	0.68	0.36
PT Personel Alih Daya	93,190	80,902	0.53	0.50
Ultimate parent company:				
Qatar Telecom	66,619	27,375	0.38	0.17
Total	**1,848,559**	**1,809,770**	**10.42**	**11.09**
Personnel				
Key management personnel:				
Senior management				
Short-term employee benefits	102,156	117,282	0.58	0.72
Termination benefits	46,316	13,828	0.26	0.09
Other long-term benefits	16,481	796	0.09	0.00
Sub-total	**164,953**	**131,906**	**0.93**	**0.81**
Government - related entities:				
State-owned companies	22,185	45,688	0.12	0.28
Entity under common significant influence:				
PT Personel Alih Daya	21,028	40,139	0.12	0.24
Total	**208,166**	**217,733**	**1.17**	**1.33**
Marketing				
Entities under common significant influence:				
PT Personel Alih Daya	75,905	49,921	0.43	0.31
Kopindosat	15,953	11,725	0.09	0.07
Government - related entities:				
State-owned company	62	33	0.00	0.00
Total	**91,920**	**61,679**	**0.52**	**0.38**
General and administration				
Government - related entities:				
State-owned companies	100,234	100,987	0.56	0.62
Entities under common significant influence:				
Kopindosat	24,294	26,072	0.14	0.16
PT Personel Alih Daya	17,971	17,914	0.10	0.11
Total	**142,499**	**144,973**	**0.80**	**0.89**

30. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Amount		Percentage to Respective Income or Expenses (%)	
	2011	2010	2011	2010
Other income (expenses) - net				
Entities under common control:				
State-owned banks	**(64,450)**	**(124,599)**	**(3.91)**	**(5.21)**

The relationship and nature of account balances/transactions with related parties are as follows:

No	Related Parties	Relationship	Nature of Account Balances/Transactions
1.	State-owned banks	Government - related entities	Cash and cash equivalents, other current and non-current financial and non-financial assets, short-term loan, loan payable and other income (expense)
2.	State-owned companies	Government - related entities	Accounts receivable - trade, due from related parties, prepaid expenses, long-term prepaid rentals, long-term advances, long-term prepaid pension, accounts payable - trade, procurement payable, accrued expenses, due to related parties, other current and non-current financial and non-financial liabilities, operating revenues, operating expenses - cost of services, operating expenses - personnel, operating expenses - general and administration and operating expenses - marketing
3.	Qatar Telecom	Ultimate parent company	Accounts receivable - trade, due from related parties, accounts payable - trade, due to related parties, operating revenues - fixed telecommunication and operating expenses - cost of services

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

30. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

No	Related Parties	Relationship	Nature of Account Balances/Transactions
4.	Governmental departments	Government - related entities	Prepaid expenses, other current and non-current financial and non-financial assets, other current and non-current financial and non-financial liabilities, operating revenues - MIDI
5.	Kopindosat	Entity under common significant influence	Prepaid expense, due from related parties, long-term advances, long-term prepaid rentals, procurement payable, accrued expenses, due to related parties, operating expenses - cost of services, operating expenses - general and administration and operating expenses - marketing
6.	Senior management	Key management personnel	Due from related parties, accrued expenses and operating expenses – personnel
7.	PT Personel Alih Daya	Entity under common significant influence	Long-term advances, procurement payable, accrued expenses, operating expenses - cost of services, operating expenses - personnel, operating expenses - general and administration and operating expenses - marketing

31. DISTRIBUTION OF PROFIT AND APPROPRIATION OF RETAINED EARNINGS

At the Company’s Annual Stockholders’ General Meeting (“ASGM”), the stockholders approved, among others, the appropriation of annual profit for reserve fund and cash dividend distribution, as follows, and the utilization of the remaining amount for reinvestment and working capital.

ASGM Date	Reserve Fund (Rp)	Dividend per Share (Rp)	Dividend Payment Date
2009 Profit			
June 22, 2010	14,982	137.86	August 2, 2010
2010 Profit			
June 24, 2011	-	59.55	August 5, 2011

Dividend for the Government was paid in accordance with the prevailing laws and regulations in Indonesia.

On July 22 and August 5, 2011, the Company paid dividend amounting to Rp46,248 and Rp277,343, respectively, to the Government and other stockholders for dividend declared on June 24, 2011.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

32. SIGNIFICANT AGREEMENTS AND COMMITMENTS

a. As of December 31, 2011, commitments on capital expenditures which are contractual agreements not yet realized relate to the procurement and installation of property and equipment amounting to US$129,861 (Note 38l) and Rp834,536.

The significant commitments on capital expenditures are as follows:

Contract Date	Contract Description	Vendor	Amount of Contract/Purchase Orders ("POs") Already Issued	Amount of Contract/POs Not Yet Served
December 10, 2010	Procurement of Technology Upgrade for 2G and 3G Telecommunications Network in Kalimantan (see "f" below)	PT Nokia Siemens Networks and Nokia Siemens Networks Oy	US$38,439	US$17,959
October 1, 2010	Procurement of Telecommunications Equipment and Related Services	PT Ericsson Indonesia and Ericsson AB	US$81,881 and Rp241,947	US$1,567 and Rp6,470
June 16, 2010	Procurement of Telecommunications Infrastructure	PT Nokia Siemens Networks and Nokia Siemens Networks Oy	US$109,274 and Rp495,269	US$1,708 and Rp23,510

b. On December 30, 2011, Lintasarta, a subsidiary, entered into agreements with MOCIT-Balai Penyedia dan Pengelola Pembiayaan Telekomunikasi dan Informatika (MOCIT-BPPPTI), whereby Lintasarta agreed to provide Public Access Services for Wireless Fidelity (WiFi) Internet in *Kewajiban Pelayanan Umum*/ Universal Service Obligation (KPU/USO) Regencies (*Kabupaten*) (*Penyediaan Jasa Akses Publik Layanan Internet WiFi Kabupaten KPU/USO*) for Work Packages (*Paket Pekerjaan*) 3 and 6 that cover the provinces of West Kalimantan, South Kalimantan, Central Kalimantan, East Kalimantan, Bali, West Nusa Tenggara and East Nusa Tenggara. The agreements have contract values of Rp71,992 and Rp44,422 for Work Packages 3 and 6, respectively.

Subsequently on January 10, 2012, Lintasarta, also entered into agreement with MOCIT-BPPPTI for the provision of Public Access Services for Wireless Fidelity (WiFi) Internet in KPU/USO Regencies (*Kabupaten KPU/USO*) (*Penyediaan Jasa Akses Publik Layanan Internet WiFi Kabupaten KPU/USO*) for Work Package (*Paket Pekerjaan*) 4 that covers the provinces of Gorontalo, West Sulawesi, South Sulawesi, Central Sulawesi, South East Sulawesi and North Sulawesi with contract value of Rp83,174.

c. During May - December 2011, the Company had issued several POs to PT Nokia Siemens Network and Nokia Siemens Network OY with total amount of US$35,724 and Rp217,550 for the procurement of cellular technical equipment in the Sumatra and Java Areas. Based on the POs, the Company agreed to exchange certain existing cellular equipment with new equipment units and pay US$11,921 and Rp176,620 to Nokia for the installation services and additional equipment. For the year ended December 31, 2011, the carrying amount of the cellular technical equipment units given up amounted to Rp115,734 (Note 8).

d. On November 14, 2011, the Company entered into a non-binding memorandum of understanding with PT Tower Bersama Infrastructure Tbk to negotiate a proposed transaction involving the sale of a portion of the Company's existing tower assets and the lease of certain site spaces thereon (Note 38j).

e. On July 28, 2011, the Company entered into an agreement with PT Quadra Solution, whereby the Company agreed to provide data communication service to PT Quadra Solution related to Project e-KTP (electronic *Kartu Tanda Penduduk* / electronic citizens identity card). The agreement covers the provision of services until December 2012 for a total contract value of Rp283,352.

Up to December 31, 2011, the Company has recognized the operating revenue related to this agreement amounting to Rp79,615 which is classified as part of MIDI.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

32. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

f. On December 10, 2010, the Company agreed with PT Nokia Siemens Networks and Nokia Siemens Networks OY ("Nokia") to restate and amend the agreement for "Procurement of Technology Upgrade for 2G and 3G Telecommunications Network in Kalimantan" that was originally entered into on June 30, 2010. Based on the new agreement, the Company agreed to exchange certain existing *cellular* technical equipment units in Kalimantan area with new equipment units from Nokia with total value of US$75,243 consisting of cellular technical equipment with net book value of U$66,963 (net of discount amounting to US$2,029) for 1,325 units of 2G Base Transceiver Station (BTS), 24 units of Base Station Controller (BSC), 11 units of Transcoders, 66 units of Node B equipment and 3 units of Radio Network Controller (RNC), and pay US$6,251 to Nokia for the installation services. As of December 31, 2011, the Company has paid for the installation services. For the year ended December 31, 2011, the carrying amount of the cellular technical equipment units given up amounted to Rp400,956 (Note 8) and the accumulated carrying amount of such equipment up to December 31, 2011 amounted to Rp559,241. The Company also committed to procure additional equipment units from Nokia with total value of US$11,708 until the end of 2012.

g. On January 29, April 15, May 24 and June 3 in 2010, and February 4 and 10 in 2011, the Company agreed to lease part of its telecommunications towers and sites to PT Hutchison CP Telecommunications ("Hutchison") for a period of 12 years, PT Natrindo Telepon Selular ("NTS") for a period of 10 years, PT XL Axiata Tbk ("XL Axiata") for a period of 10 years, PT Berca Global Access ("Berca") for a period of 10 years, PT Dayamitra Telekomunikasi ("Mitratel") for a period of 10 years and PT First Media Tbk ("FM") for a period of 5 years, respectively. Hutchison, NTS, and XL Axiata (on annual basis), Berca and Mitratel (on quarterly basis) and FM (on semi-annual basis) are required to pay the lease and maintenance fees in advance which are recorded as part of unearned income.

   On August 18, 2011, the Company and Hutchison amended their tower leasing agreement covering changes in certain arrangements with respect to, among others, amount of compensation paid to landlords or residents around the leased site shouldered by the Company, penalty charged for payments overdue and effective lease period.

   Future minimum lease receivables under the agreements as at December 31, 2011 and 2010 are as follows:

	2011	2010
Within one year	476,057	410,828
After one year but not more than five years	2,360,051	2,372,145
More than five years	1,724,495	2,044,071
Total	**4,560,603**	**4,827,044**

h. On April 15, 2010, Lintasarta, a subsidiary, entered into agreements with MOCIT-Balai Telekomunikasi dan Informatika Pedesaan (MOCIT-BTIP), whereby Lintasarta agreed to provide Pusat Layanan Jasa Akses Internet Kecamatan (Center for Internet Access and Services in Rural Areas) (PLIK) for Work Packages (*Paket Pekerjaan*) 7, 8 and 9 that cover the provinces of Bali, West Nusa Tenggara, East Nusa Tenggara, West Kalimantan, South Kalimantan, East Kalimantan, Central Kalimantan, Maluku and Papua. On December 22, 2010, the agreements were amended to increase the contract value. The agreements cover four years starting from October 15, 2010 with contract value amounting to Rp91,895, Rp143,668 and Rp116,721 for Work Packages 7, 8 and 9, respectively. In accordance with the agreements, Lintasarta placed its time deposits totalling Rp18,200 as a performance bond for the four-year contract period, which deposits are classified as part of other non-current financial assets.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

32. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

On December 12, 2010, Lintasarta entered into agreements with MOCIT-BTIP to provide *Pusat Layanan Jasa Akses Internet Kecamatan Bergerak* (Mobile Center for Internet Access and Services in Rural Areas) (PLIKB) for Work Packages 2, 3, 11, 15, 16 and 18 that cover the provinces of North Sumatra, West Sumatra, East Nusa Tenggara, West Kalimantan, South Kalimantan and East Kalimantan. The agreements cover four years starting on September 22, 2011 with contract values amounting to Rp79,533, Rp92,003, Rp60,149, Rp71,879, Rp84,583 and Rp69,830 for Work Packages 2, 3, 11, 15, 16 and 18, respectively. On October 19, 2011, the agreements were amended to change the work starting date from September 22, 2011 to December 22, 2011.

As of December 31, 2011, Lintasarta has outstanding advance payments from MOCIT-BTIP related with those agreements amounting to Rp58,941 and Rp5,526 which are classified as part of unearned income for the current portion and other non-current liabilities for the long-term portion, respectively.

On May 6, 2010, Lintasarta entered into an agreement with PT Wira Eka Bhakti (WEB), for the procurement of equipment and infrastructure required for the construction of PLIK, as agreed with the MOCIT-BTIP above, with total contract value amounting to Rp189,704. The agreement has been amended several times, with the latest amendment dated March 9, 2011 increasing the contract value to become Rp208,361.

On March 23, 2011, Lintasarta entered into agreements with WEB and PT Personel Alih Daya (a related party), for the procurement of equipment and infrastructure required for the construction of PLIKB, as agreed with the MOCIT-BTIP above, with total contract value amounting to Rp276,274 and Rp60,739, respectively.

As of December 31, 2011, Lintasarta has outstanding advances to WEB and PT Personal Alih Daya totalling Rp20,528 and Rp48,149 which are classified as part of advances for the current portion and long-term advances for the long-term portion, respectively.

i. During 2008-2010, the Company entered into several agreements with, among other tower operator companies, PT Professional Telekomunikasi Indonesia (“Protelindo”), XL Axiata, Mitratel, PT Solusindo Kreasi Pratama, and PT Gihon Telekomunikasi Indonesia to lease part of spaces in their telecommunication towers and sites for an initial period of 10 years. The Company may extend the lease period for another 10 years, with additional lease fees based on the inflation rates in Indonesia.

   Future minimum rentals payable under the above leases agreements as of December 31, 2011 and 2010 are as follows:

	2011	2010
Within one year	218,850	119,310
After one year but not more than five years	875,401	477,243
More than five years	782,163	452,738
Total	**1,876,414**	**1,049,291**

j. On May 25, 2007, the Company and six other telecommunications operators signed a memorandum of understanding on the construction of the national optical fiber network Palapa Ring for the eastern part of Indonesia (“Palapa Ring Project Phase I”) wherein the Company will share 10% of the total project cost of Rp3,000,000. In addition, they also agreed to equally bear the cost of preparation and implementation (“preparation cost”) of Palapa Ring Project Phase I up to the amount of Rp2,000. If the preparation cost exceeds Rp2,000, there will be further discussion among them. However, one of the telecommunications operators subsequently decided not to join the project.

32. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

On November 10, 2007, the Company and the other five telecommunications operators (including Telkom, a related party) signed the agreement on the consortium for the construction and maintenance of Palapa Ring wherein the Company agreed to bear 13.36% of the total project cost of US$225,037. This agreement replaced the previous memorandum of understanding.

Furthermore, in 2011, three of the telecommunications operators also no longer joined the project. Consequently, as of December 31, 2011, the remaining telecommunications operators which are still committed to this project are the Company, Telkom and Bakrie Telecom. Hence, the project's commitment is being evaluated to accommodate the change in the number of participating telecommunications operators.

The Company had paid the amount of US$1,503, but it was returned on December 21, 2011. As of December 31, 2011, the project is in the process of being dissolved.

k. The Company and IMM have committed to pay annual radio frequency fee over the 3G and BWA licenses period, provided the Company and IMM hold the 3G and BWA licenses. The amount of annual payment is based on the payment scheme set out in Regulations No. 7/PER/M.KOMINFO/2/2006, No. 268/KEP/M.KOMINFO/9/2009 and No. 237/KEP/ M.KOMINFO/7/2009 dated February 8, 2006, September 1, 2009 and July 27, 2009, respectively, of the MOCIT. The Company and IMM paid the annual frequency fee for the 3G and BWA licenses totaling Rp442,511 and Rp381,123 in 2011 and 2010, respectively.

l. On July 20, 2005, the Company obtained facilities from HSBC to fund the Company's short-term working capital needs. This agreement has been amended several times. On September 20, 2011, these facilities were further amended to extend the expiration date up to April 30, 2012 and change the interest rate and certain provisions in the agreement as follows:

- Overdraft facility amounting to US$2,000 (including overdraft facility denominated in rupiah amounting to Rp17,000). Interest is charged on daily balances at 3.75% per annum and 6% per annum below the HSBC Best Lending Rate for the loan portions denominated in rupiah and U.S. dollar, respectively.

- Revolving loan facility amounting to US$30,000 (including revolving loan denominated in rupiah amounting to Rp255,000). The loan matures within a maximum period of 180 days and can be drawn in tranches with minimum amounts of US$500 and Rp500 for loans denominated in U.S. dollar and rupiah, respectively. Interest is charged on daily balances at 2.25% per annum above the HSBC Cost of Fund Rate for the loans denominated either in rupiah or U.S. dollar.

- These facilities are considered uncommitted facility based on guidelines No.12/516/DPNP/DPnP dated September 21, 2010 issued by the Central Bank of Indonesia; consequently, these facilities can be automatically cancelled by HSBC in the event that the Company's credit collectibility declines to either substandard, doubtful or loss based on HSBC's assessment pursuant to the general criteria set out by the Central Bank of Indonesia.

m. In 1994, the Company was appointed as a Financial Administrator ("FA") by a consortium which was established to build and sell/lease Asia Pacific Cable Network ("APCN") submarine cable in countries in the Asia-Pacific Region. As an FA, the Company collected and distributed funds from the sale of APCN's Indefeasible Right of Use ("IRU"), Defined Underwritten Capacity ("DUC") and Occasional Commercial Use ("OCU").

The funds received from the sale of IRU, DUC and OCU and for upgrading the APCN cable did not belong to the Company and, therefore, were not recorded in the Company's books. However, the Company managed these funds in separate accounts.

32. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)

As of December 31, 2011, the balance of the funds (including interest earned) which are under the Company's custody amounted to US$5,911. Besides receiving their share of the funds from the sale of IRU, DUC and OCU, the members of the consortium also received their share of the interest earned by the above funds.

n. Other agreements made with Telkom are as follows:

- Under a cooperation agreement, the compensation to Telkom relating to leased circuit/channel services, such as world link and bit link, is calculated at 15% of the Company's collected revenues from such services.

  The Company and Satelindo also lease circuits from Telkom to link Jakarta, Medan and Surabaya.

- In 1994, Satelindo entered into a land transfer agreement for the transfer of Telkom's rights to use a 134,925-square meter land property located at Daan Mogot, West Jakarta, where Satelindo's earth control station is currently situated. The land transfer agreement enables Satelindo to use the land for a period of 30 years from the date of the agreement, for a price equivalent to US$40,000 less Rp43,220. The term of the agreement may be extended based on mutual agreement.

  The agreement was subsequently superseded by a land rental agreement dated December 6, 2001, generally under the same terms as those of the land transfer agreement

- In 1999, Lintasarta entered into an agreement with Telkom, whereby Telkom agreed to lease transponder to Lintasarta. This agreement has been amended several times, the latest amendment of which is based on the ninth amendment agreement dated May 24, 2010. Transponder lease expense charged to operations amounting to Rp21,317 and Rp27,547 in 2011 and 2010, respectively, is presented as part of "Operating Expenses - Cost of Services" in the consolidated statements of comprehensive income.

33. TARIFF SYSTEM

a. International telecommunications services

The service rates ("tariffs") for overseas exchange carriers are set based on the international telecommunications regulations established by the International Telecommunications Union ("ITU").

These regulations require the international telecommunications administrations to establish and revise, under mutual agreement, accounting rates to be applied among them, taking into account the cost of providing specific telecommunications services and relevant recommendations from the Consultative Committee on International Telegraph and Telephone ("CCITT"). The rates are divided into terminal shares payable to the administrations of terminal countries and, where appropriate, into transit shares payable to the administrations of transit countries.

The ITU also regulates that the monetary unit to be used, in the absence of special arrangements, shall be the Special Drawing Right ("SDR") or the Gold Franc, which is equivalent to 1/3.061 SDR. Each administration shall, subject to applicable national law, establish the charges to be collected from its customers.

The tariffs billed to domestic subscribers for international calls originating in Indonesia, also known as collection rates, are established in a decision letter of the MOC, which rates are generally higher than the accounting rates. During the period 1996 to 1998, the MOC made tariff changes effective January 1, 1997, March 15, 1998 and November 15, 1998.

33. TARIFF SYSTEM (continued)

a. International telecommunications services (continued)

Based on Decision Letter No. 09/PER/M.KOMINFO/02/06 dated February 28, 2006 of the MOCIT, the collection rates are set by tariff formula known as price cap formula which already considers customer price index starting January 1, 2007.

b. Cellular services

The basic telephony tariffs for cellular mobile network service are set on the basis of Regulation No. 12/PER/M.KOMINFO/ 02/2006 dated February 28, 2006 of the MOCIT. Under this regulation, the cellular tariffs consist of the following:

- Connection fee
- Monthly charges
- Usage charges
- Additional facilities fee

Cellular providers should implement the new tariffs referred to as “floor price”. For usage charges, the floor price should be the originating fee plus termination fee (total interconnection fee), while for connection fee and monthly charges, the floor price depends on the cost structure of each cellular provider.

In April 2008, the MOCIT issued Ministerial Decree No. 09/PER/M.KOMINFO/04/2008 about guidelines on calculating basic telephony service tariffs through cellular mobile network. Under this new Decree, the cellular providers should implement the new tariffs referred to as “price cap”. The types of tariffs for telecommunications services through cellular network consist of the following:

- Tariff for basic telephony services
- Tariff for roaming
- Tariff for multimedia services

The retail tariffs should be calculated based on Network Element Cost, Activation Cost of Retail Services and Profit Margin.

The implementation of the new tariffs for a dominant operator has to be approved by the Government. A dominant operator is an operator that has revenue of more than 25% of the total industry revenue for a certain segment.

Starting May 2008, the Company has fully adopted the new cellular tariff system.

c. Fixed telecommunications services

In February 2006, the MOCIT released Regulation No. 09/PER/M.KOMINFO/02/2006 regarding basic telephony tariffs for fixed network service.

In April 2008, the MOCIT issued Ministerial Decree No. 15/PER/M.KOMINFO/04/2008 about the guidelines on calculating basic telephony service tariffs through fixed network. This Decree also applies to fixed wireless access (FWA) network.

Under this new decree, the tariffs for basic telephony services and SMS (short message service) must be calculated based on the formula stated in the Decree. The fixed network providers should implement the new tariffs referred to as “price cap”.

Starting May 2008, the Company has fully adopted the new fixed telecommunications tariff system.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

34. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING

Interconnection tariffs among domestic telecommunications operators are regulated by the MOC through its Decree No. KM.108/PR.301/MPPT-94 dated December 28, 1994. The Decree was updated several times with the latest update being Decree No. KM.37 Year 1999 ("Decree No. 37") dated June 11, 1999. This Decree, along with Decree No. KM.46/PR.301/MPPT-98 ("Decree No. 46") dated February 27, 1998, prescribed interconnection tariff structures between mobile cellular telecommunications network and Public Switched Telephone Network ("PSTN"), mobile cellular telecommunications network and international telecommunications network, mobile cellular telecommunications network and other domestic mobile cellular telecommunications network, international telecommunications network and PSTN, and between two domestic PSTNs.

Based on the Decree of the MOC, the interconnection tariff arrangements are as follows:

1. Structure of Interconnection Tariffs

a. Between international and domestic PSTN

Based on Decree No. 37 dated June 11, 1999, the interconnection tariffs are as follows:

	Tariff	Basis
Access charge	Rp850 per call	Number of successful outgoing and incoming calls
Usage charge	Rp550 per paid minute	Duration of successful outgoing and incoming calls

b. Between domestic PSTN and another domestic PSTN

Interconnection charges for domestic telecommunications traffic (local and long-distance) between a domestic PSTN and another domestic PSTN are based on agreements made by those domestic PSTN telecommunications carriers.

c. Between cellular telecommunications network and domestic PSTN

Based on Decree No. 46 dated February 27, 1998 which became effective starting April 1, 1998, the interconnection tariffs are as follows :

(1) Local Calls

For local calls from a cellular telecommunications network to a PSTN subscriber, the cellular operator pays the PSTN operator 50% of the prevailing tariffs for local calls. For local calls from the PSTN to a cellular subscriber, the cellular operator receives the airtime charged by the PSTN operator to its subscribers.

(2) SLJJ

For SLJJ which originates from the PSTN to a cellular subscriber, the cellular operator receives a portion of the prevailing SLJJ tariffs, which portion ranges from 15% of the prevailing SLJJ tariffs plus the airtime charges in cases where the entire long-distance portion is not carried by the cellular operator, to 60% of the tariffs plus the airtime charges in cases where the entire long-distance portion is carried by the cellular operator.

For SLJJ which originates from a cellular telecommunications network to a PSTN subscriber, the cellular operator is entitled to retain a portion of the prevailing SLJJ tariffs, which portion ranges from 15% of the tariffs in cases where the entire long-distance portion is not carried by the cellular operator, to 60% of the tariffs in cases where the entire long-distance portion is carried by the cellular operator.

34. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

1. Structure of Interconnection Tariffs (continued)

d. Between cellular telecommunications network and another cellular telecommunications network

Based on Decree No. 46, the interconnection tariffs are as follows:

(1) Local Calls

For local calls from a cellular telecommunications network to another, the “origin” cellular operator pays the airtime to the “destination” cellular operator. If the call is carried by a PSTN, the cellular operator pays the PSTN operator 50% of the prevailing tariffs for local calls.

(2) SLJJ

For SLJJ which originates from a cellular telecommunications network, the cellular operator is entitled to retain a portion of the prevailing SLJJ tariffs, which portion ranges from 15% of the tariffs in cases where the entire long-distance portion is not carried by the cellular operator, to 85% of the tariffs in cases where the entire long-distance portion is carried by the cellular operator and the call is delivered to another cellular operator, and to 100% if the call is delivered to the same cellular operator.

e. Between international PSTN and cellular telecommunications network

Starting in 1998, the interconnection tariffs for international cellular call traffic to/from overseas from/to domestic cellular subscribers, regardless of whether the traffic is made through domestic PSTN or not, is based on the same tariffs applied to traffic made through domestic PSTN as discussed in “a” above. However, as agreed mutually with the cellular telecommunications operators, the Company (including Satelindo until it was merged - Note 1e) still applied the original contractual sharing agreements regarding the interconnection tariffs until December 31, 2006 (Note 35).

f. Between international gateway exchanges

Interconnection charges for international telecommunications traffic between international gateway exchanges are based on agreements between international telecommunications carriers and international telecommunications joint ventures.

Decree No. 37 and Decree No. 46 were subsequently superseded by Decree No. 32 Year 2004 of the MOC which provides cost-based interconnection to replace the current revenue-sharing arrangement. Under the new Decree, the operator of the network on which calls terminate determines the interconnection charge to be received by it based on a formula mandated by the Government, which is intended to have the effect of requiring that operators charge for calls based on the cost of carrying such calls.

The effective date of the new Decree, which was originally set to start on January 1, 2005, was subsequently postponed until January 1, 2007 based on Regulation No. 08/PER/M.KOMINFO/02/2006 dated February 8, 2006 of the MOCIT (Note 35).

34. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

1. Structure of Interconnection Tariffs (continued)

The implementation of interconnection billing between operators starts from the time they sign their interconnection agreements. All interconnection agreements will be based on Reference Interconnection Offer (“RIO”). All operators have to publish their RIO and a dominant operator is required to obtain an approval of its RIO from the Government.

In August 2006, the DGPT issued Decree No. 278/DIRJEN/2006, which approved the RIO of the Company and two other dominant telecommunications operators (Telkom and Telkomsel). This decree was implemented since January 2007 as agreed by all operators and approved by the Government. On April 11, 2008, the DGPT approved the new RIO for dominant operators (Telkom, Telkomsel and the Company). The DGPT requires all domestic operators to amend their interconnection agreements in line with the approved new RIO starting April 1, 2008. On April 1, 2008, the Company implemented the new interconnection tariffs based on the approved RIO.

However, on December 31, 2010, the *Badan Regulasi Telekomunikasi Indonesia* (BRTI or Indonesian Telecommunications Regulatory Bureau) issued letter No. 227/BRTI/XII/2010 regarding the implementation of new interconnection tariffs based on the implementation of cost-based interconnection fees, which will be used by all telecommunications operators effective January 1, 2011. The Company has adopted the new tariffs starting January 1, 2011.

On June 27, 2011, the MOCIT issued Regulation No.16/PER/M.KOMINFO/06/2011 regarding the amendment of Ministry of Transportation Decree No. 35 Year 2004 on implementation of local fixed wireless network with limited mobility, which encouraged the implementation of cost-based tariffs by all telecommunications operators effective July 1, 2011.

2. USO and Spectrum Frequency Fees

On January 16, 2009, the Government issued Regulation No. 7 Year 2009 increasing the USO development contribution from 0.75% to 1.25% and decreasing the concession fee from 1% to 0.50% of annual gross revenue (after deducting bad debts and interconnection charges) effective January 1, 2009.

On December 13, 2010, the President of the Republic of Indonesia issued PP No.76/2010 regarding the amendment of PP No.7/2009 on types and tariffs of non-tax state income imposed by the MOCIT. This regulation affects the computation method and payment of the spectrum fee allocated to the Company (800 Mhz, 900 Mhz and 1,800 Mhz frequency bands).

3. Revenue Sharing

Revenue from access and usage charges from international telecommunications traffic with telecommunications networks owned by more than one domestic telecommunications carrier which is not regulated by Decree No. 08/PER/M.KOMINFO/02.2006, is to be proportionally shared with each carrier, which proportion is to be bilaterally arranged between the carriers.

35. INTERCONNECTION AGREEMENTS

The Company (including Satelindo and IM3 until they were merged - Note 1e) has interconnection arrangements with domestic and overseas operators. Some significant interconnection agreements are as follows:

1. Telkom

The following are significant interconnection agreements/transactions with Telkom:

a. Fixed telecommunications services

On September 23, 2005, the Company and Telkom signed an agreement regarding the interconnection of local, long-distance and international fixed networks. The principal matters covered by the agreement are as follows:

- Interconnection between the Company's and Telkom's local, long-distance and international fixed networks enables the Company's fixed telecommunications service subscribers to make or receive calls to or from Telkom's subscribers or international gateways.
- The Company's and Telkom's international services are accessible and continuously open to each other's fixed networks.
- The Company and Telkom are responsible for their respective telecommunications facilities.
- The compensation arrangement for the services provided is based on interconnection tariffs determined by both parties.
- Each party handles subscriber billing and collection for the other party's international calls service used by the other party's subscribers. Each party has to pay the other party 1% of the collections made by the other party, plus the billing process expenses which are fixed at Rp82 per record of outgoing call as compensation for billing processing. However, the collection and billing process expense was changed to "service charge", which was computed at Rp1,250 per minute of outgoing call starting April 1, 2008. Based on the latest agreement, the service charge rate has been reduced to Rp1,200 per minute of outgoing call starting January 1, 2009.

On December 28, 2006, the Company entered into a memorandum of understanding with Telkom applying the new interconnection rates under cost-based regime that were effective starting January 1, 2007. This memorandum of understanding was replaced by the agreement dated December 18, 2007. This agreement was amended several times. The latest amendment was dated December 20, 2011 to meet the requirement in the BRTI letter No. 227/BRTI/XII/2010 dated December 31, 2010 regarding the implementation of the new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

b. Cellular Services

On December 1, 2005, the Company and Telkom signed an agreement regarding the interconnection between the Company's cellular telecommunications network and Telkom's fixed telecommunications network. Under this agreement, the interconnection between the Company's cellular telecommunications network and Telkom's fixed telecommunications network enables the Company's cellular subscribers to make or receive calls to or from Telkom's fixed telecommunications subscribers.

35. INTERCONNECTION AGREEMENTS (continued)

1. Telkom (continued)

   b. Cellular Services (continued)

      On December 28, 2006, the Company entered into a memorandum of understanding with Telkom applying the new interconnection rates under cost-based regime that are effective starting January 1, 2007. This memorandum of understanding was replaced by an agreement dated December 18, 2007. This agreement was amended several times. The latest amendment was dated December 20, 2011 to meet the requirement in the BRTI letter No. 227/BRTI/XII/2010 dated December 31, 2010 regarding the implementation of new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

2. XL Axiata, PT Smartfren Telecom Tbk (previously PT Mobile-8 Telecom Tbk) (“Smartfren”) and Telkomsel

   The principal matters covered by the agreements with these operators are as follows:

   - The Company’s and Satelindo’s international gateway exchanges are interconnected with the mobile cellular telecommunications operators’ networks to make outgoing or receive incoming international calls through the Company’s and Satelindo’s international gateway exchanges.
   - The Company and Satelindo receive, as compensation for the interconnection, a portion of the cellular telecommunications operators’ revenues from the related services that are made through the Company’s and Satelindo’s international gateway exchanges.

2. XL Axiata, PT Smartfren Telecom Tbk (previously PT Mobile-8 Telecom Tbk) (“Smartfren”) and Telkomsel (continued)

   - Satelindo and IM3 also have an agreement with the above operators for the interconnection of Satelindo’s and IM3’s GSM mobile cellular telecommunications network with the above operators’ network, enabling the above operators’ customers to make calls/send SMS to or receive calls/SMS from Satelindo’s and IM3’s customers.
   - The agreements are renewable annually.

   The Company (including Satelindo and IM3 until they were merged - Note 1e) and the above operators still continue their business under the agreements by applying the original compensation formula, except for interconnection fee.

   On December 8, 27 and 28, 2006, the Company entered into a memorandum of understanding with each of Telkomsel, Smartfren and XL Axiata, respectively, applying the new interconnection rates under cost-based scheme effective January 1, 2007 to comply with Regulation No. 08/PER/M.KOMINFO/02/2006 of the MOCIT. The memoranda of understanding with Smartfren, XL Axiata and Telkomsel were subsequently replaced by agreements dated September 14, and December 17 and 19, 2007, respectively. The agreements with Smartfren and XL Axiata were amended on March 31, 2008, while the agreement with Telkomsel was amended on February 18, 2008. Subsequently, the agreements with Smartfren and XL Axiata were further amended on March 15, 2011 and March 3, 2011, respectively, while the agreement with Telkomsel was further amended on July 19, 2011, to meet the requirement in the BRTI letter No. 227/BRTI/XII/2010 dated December 31, 2010 regarding the implementation of new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

35. INTERCONNECTION AGREEMENTS (continued)

3. PT Bakrie Telecom Tbk ("Bakrie Telecom")

The principal matters covered by the latest amendment of the agreement dated June 10, 2009 are related to interconnection of the Company's mobile cellular network and international gateway exchanges to Bakrie Telecom's network, including SLI 009 network. Subsequently, the agreement with Bakrie Telecom was further amended on February 9, 2011 to meet the requirement in the BRTI letter No. 227/BRTI/XII/2010 dated December 31, 2010 regarding the implementation of new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

Net interconnection revenues (charges) from (to) major operators for the years ended December 31, 2011 and 2010 are as follows:

	2011	**2010**
Telkom	134,324	169,389
Smartfren	7,669	10,455
Telkomsel	(120,488)	(158,860)
XL Axiata	(117,369)	(103,125)
Bakrie Telecom	(5,137)	(5,381)
Net charges	**(101,001)**	**(87,522)**

36. SEGMENT INFORMATION

The Group manages and evaluates its operations in three major reportable segments: cellular, fixed telecommunications and MIDI. The operating segments are managed separately because each offers different services/products and serves different markets. The Group operates in one geographical area only, so no geographical information on segments is presented.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Expenditures for segment assets represent the total costs incurred during the year to acquire segment assets that are expected to be used for more than one year.

Consolidated information by industry segment follows:

	Major Segments			
	Cellular	**Fixed Telecommunications**	**MIDI**	**Segment Total**
2011				
Operating revenues				
Revenues from external customers	16,750,879	1,249,982	2,576,032	20,576,893
Inter-segment revenues	-	-	599,757	599,757
Total operating revenues	16,750,879	1,249,982	3,175,789	21,176,650
Inter-segment revenues elimination				(599,757)
Operating revenues - net				**20,576,893**
Income				
Operating income (loss)	2,553,269	(99,369)	376,199	2,830,099
Interest income				81,477
Gain on change in fair value of derivatives - net				57,944
Gain on foreign exchange - net				36,731
Financing cost				(1,789,687)
Income tax expense				(249,397)
Others - net				(34,664)
Profit for the year				**932,503**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

36. SEGMENT INFORMATION (continued)

	Major Segments			
	Cellular	Fixed Telecommunications	MIDI	Segment Total
2011 (continued)				
Depreciation and amortization	5,418,520	298,415	863,819	6,580,754
Other Information				
Segment assets	46,322,268	2,043,468	8,483,197	56,848,933
Unallocated assets				3,252,152
Inter-segment assets elimination				(7,928,774)
Assets - net				**52,172,311**
Segment liabilities	26,009,674	739,334	2,987,563	29,736,571
Unallocated liabilities				9,888,835
Inter-segment liabilities elimination				(6,269,068)
Liabilities - net				**33,356,338**
Capital expenditures	5,080,327	230,754	781,479	6,092,560
2010				
Operating revenues				
Revenues from external customers	16,027,062	1,293,177	2,476,276	19,796,515
Inter-segment revenues	-	-	563,726	563,726
Total operating revenues	16,027,062	1,293,177	3,040,002	20,360,241
Inter-segment revenues elimination				(563,726)
Operating revenues - net				**19,796,515**
Income				
Operating income (loss)	2,902,698	(34,495)	573,147	3,441,350
Gain on foreign exchange - net				492,401
Interest income				143,402
Financing cost				(2,271,628)
Loss on change in fair value of derivatives - net				(418,092)
Income tax expense				(357,798)
Amortization of goodwill				(226,380)
Others - net				(79,236)
Profit for the year				**724,019**
Depreciation and amortization	5,052,691	297,334	801,886	6,151,911
Other Information				
Segment assets	45,875,021	2,020,957	8,459,948	56,355,926
Unallocated assets				4,264,808
Inter-segment assets elimination				(7,802,547)
Assets - net				**52,818,187**
Segment liabilities	27,195,689	630,442	3,250,615	31,076,746
Unallocated liabilities				9,724,480
Inter-segment liabilities elimination				(6,219,525)
Liabilities - net				**34,581,701**
Capital expenditures	4,455,608	210,770	848,611	5,514,989

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Risk Management

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange rate risk, equity price risk, credit risk and liquidity risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. The Company's Board of Directors reviews and approves the policies for managing these risks which are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its loans and bonds payable with floating interest rates.

The Company's policies relating to interest rate risk are as follows:

(1) Manage interest cost through a mix of fixed and variable rate debts. The Company evaluates the fixed to floating rate ratio of its loans and bonds payable in line with movements of relevant interest rates in the financial markets. Based on management's assessment, new financing will be priced either on a fixed or floating rate basis.

(2) Manage interest rate exposure on its loans and bonds payables by entering into interest rate swap contracts.

As of December 31, 2011, more than 65% of the Group's debts are fixed-rated.

Several interest rate swap contracts are entered into to hedge floating rate U.S. dollar debts. These contracts are accounted for as transactions not designated as hedges, wherein the changes in the fair value are credited or charged directly to the consolidated statement of comprehensive income for the year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of comprehensive income for the year ended December 31, 2011 (through the impact on floating rate borrowings which is based on LIBOR for U.S. dollar borrowings and on JIBOR for rupiah borrowings).

Increase/decrease in basis points:	
U.S. dollar	33
Rupiah	2
Effect on consolidated profit for the year:	
U.S. dollar	US$1,731 (equivalent to Rp11,774)
Rupiah	Rp432

Management conducted a survey among the Group's banks to determine the outlook of the LIBOR and JIBOR interest rates until the Group's next reporting date of March 31, 2012. The outlook is that the LIBOR and JIBOR interest rates may move 33 and 2 basis points, respectively, higher or lower than the interest rates at the end of the year 2011.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Interest rate risk (continued)

If LIBOR interest rates were 33 basis points higher or lower than the market levels for the year ended December 31, 2011, with all other variables held constant, the Group's net comprehensive income for the year and equity would be Rp823,602 or Rp847,150 and Rp18,350,657 or Rp18,374,205, respectively, which are lower or higher than the actual results for the year ended December 31, 2011, mainly due to the higher or lower interest expense on floating rate borrowings.

If JIBOR interest rates were 2 basis points higher or lower than the market levels for the year ended December 31, 2011, with all other variables held constant, the Group's net comprehensive income for the year and equity would be Rp834,944 or Rp835,808 and Rp18,361,999 or Rp18,362,863, respectively, which are lower or higher than the actual results for the year ended December 31, 2011, mainly due to the higher or lower interest expense on floating rate borrowings.

Foreign exchange rate risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to exchange rate fluctuations results primarily from U.S. dollar-denominated loans and bonds payable, accounts receivable, accounts payable and procurement payable.

To manage foreign exchange rate risks, the Company entered into several cross currency swap and currency forward contracts and other permitted instruments, if considered necessary. These contracts are accounted for as transactions not designated as hedges, wherein the changes in the fair value are credited or charged directly to the consolidated statement of comprehensive income for the year.

The Group's accounts payable are primarily foreign currency net settlement payables to foreign telecommunications operators, while most of the Group's accounts receivable are Indonesian rupiah-denominated collectibles from domestic operators.

To the extent the Indonesian rupiah depreciates further from the exchange rates in effect at December 31, 2011, the Group's obligations under such loans and bonds payable, accounts payable and procurement payable will increase in Indonesian rupiah terms. However, the increases in these obligations will be offset in part by increases in the values of foreign currency-denominated time deposits and accounts receivable. As of December 31, 2011, 27.33% of the Group's U.S. dollar-denominated debts were insured from exchange rate risk by entering into several cross currency swap and currency forward contracts.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Foreign exchange rate risk (continued)

The following table shows the Group's consolidated U.S. dollar-denominated assets and liabilities as of December 31, 2011:

	U.S. Dollar	Rupiah *
Assets:		
Cash and cash equivalents	53,356	483,835
Accounts receivable – trade	91,261	827,553
Derivative assets	17,573	159,349
Other current financial assets	178	1,613
Other current assets	15	138
Due from related parties	317	2,871
Other non-current financial assets	1,577	14,306
Total assets	**164,277**	**1,489,665**
Liabilities:		
Accounts payable – trade	13,010	117,971
Procurement payable	220,788	2,002,110
Accrued expenses	45,156	409,476
Deposits from customers	1,834	16,629
Derivative liabilities	15,239	138,189
Other current financial liabilities	41	371
Other current liabilities	6,331	57,407
Due to related parties	9	83
Loans payable (including current maturities)	653,848	5,929,093
Bonds payable (including current maturities)	650,000	5,894,200
Other non-current liabilities	8,730	79,166
Total liabilities	**1,614,986**	**14,644,695**
Net liabilities position	**1,450,709**	**13,155,030**

* *The exchange rate used to translate the U.S. dollar amounts into rupiah was Rp9,068 to US$1 (in full amounts) as published by the Indonesian Central Bank as of December 31, 2011.*

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, of the Group's consolidated statement of comprehensive income for the year ended December 31, 2011:

Change in U.S. dollar exchange rate	2.87%
Effect on consolidated profit for the year	(283,162)

Management conducted a survey among the Group's banks to determine the outlook of the U.S. dollar exchange rate until the Group's next reporting date of March 31, 2012. The outlook is that the U.S. dollar exchange rate may weaken by 2.87% as compared to the exchange rate at December 31, 2011.

If the U.S. dollar exchange rate weakens by 2.87% as compared to the exchange rate as of December 31, 2011, with all other variables held constant, the Group's net comprehensive income for the year ended December 31, 2011 would be Rp552,214 which is lower than the actual results mainly due to the consolidated net foreign exchange loss on the translation of U.S. dollar-denominated net liabilities.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Equity price risk

The Group's long-term investments consist primarily of minority investment in the equity of private Indonesian companies and equity of foreign companies. With respect to the Indonesian companies in which the Group has investments, the financial performance of such companies may be adversely affected by the economic conditions in Indonesia.

Credit risk

Credit risk is the risk that the Group will incur a loss arising from its customers, clients or counterparties that fail to discharge their contractual obligations. There are no significant concentrations of credit risk. The Group manages and controls this credit risk by setting limits on the amount of risk it is willing to accept for individual customers and by monitoring exposures in relation to such limits.

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position as of December 31, 2011:

	Maximum Exposure (1)
Loans and receivables:	
Cash and cash equivalents	2,224,206
Accounts receivable	
Trade - net	1,441,069
Others - net	5,660
Other current financial assets - net	24,790
Due from related parties - net	10,654
Other non-current financial assets - others	87,686
Held-for-trading:	
Cross currency swaps	22,138
Currency forward	137,211
Available-for-sale investments:	
Other non-current financial assets - other long-term investments - net	2,730
Total	**3,956,144**

(1) There are no collaterals held or other credit enhancements or offsetting arrangements that affect this maximum exposure.

Liquidity risk

Liquidity risk is defined as the risk when the cash flow position of the Group indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Group's liquidity requirements have historically arisen from the need to finance investments and capital expenditures related to the expansion of its telecommunications business. The Group's telecommunications business requires substantial capital to construct and expand mobile and data network infrastructure and to fund operations, particularly during the network development stage.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Liquidity risk (continued)

Although the Group has substantial existing network infrastructure, the Group expects to incur additional capital expenditures primarily in order to focus cellular network development in areas it anticipates will be high-growth areas, as well as to enhance the quality and coverage of its existing network.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group’s operations and to mitigate the effects of fluctuation in cash flows. The Group also regularly evaluates the projected and actual cash flows, including its loan maturity profiles, and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These activities may include bank loans, debt capital and equity market issues.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments.

	Expected maturity as of December 31,							
	2012	2013	2014	2015	2016 and thereafter	Total	Discount/ debt issuance costs and consent solicitation fees	Carrying value as of December 31, 2011
Short-term loan	1,500,000	-	-	-	-	1,500,000	(744)	1,499,256
Accounts payable - trade	319,058	-	-	-	-	319,058	-	319,058
Procurement payable	3,429,921	-	-	-	-	3,429,921	-	3,429,921
Accrued expenses	1,891,477	-	-	-	-	1,891,477	-	1,891,477
Deposits from customers	37,265	-	-	-	-	37,265	-	37,265
Derivative liabilities	138,189	-	-	-	-	138,189	-	138,189
Other current financial liabilities	16,072	-	-	-	-	16,072	-	16,072
Due to related parties	-	15,480	-	-	-	15,480	-	15,480
Loans payable								
In rupiah	2,022,483	434,300	1,500,000	-	-	3,956,783	(14,922)	3,941,861
In U.S. dollar	1,280,349	2,105,180	627,453	627,453	1,288,657	5,929,092	(144,637)	5,784,455
Total loans payable	3,302,832	2,539,480	2,127,453	627,453	1,288,657	9,885,875	(159,559)	9,726,316
Bonds payable								
In rupiah	41,989	1,330,000	2,358,000	320,000	2,342,000	6,391,989	(21,219)	6,370,770
In U.S. dollar	-	-	-	-	5,894,200	5,894,200	(84,628)	5,809,572
Total bonds payable	41,989	1,330,000	2,358,000	320,000	8,236,200	12,286,189	(105,847)	12,180,342
Total	**10,676,803**	**3,884,960**	**4,485,453**	**947,453**	**9,524,857**	**29,519,526**	**(266,150)**	**29,253,376**

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b. Capital Management

The Group aim to achieve an optimal capital structure in pursuit of their business objectives, which include maintaining healthy capital ratios and strong credit ratings, and maximizing stockholder value.

Some of the Group's debt instruments contain covenants that impose maximum leverage ratios. In addition, the Company's credit ratings from the international credit ratings agencies are based on its ability to remain within certain leverage ratios. The Group have complied with all externally imposed capital requirements.

Management monitors capital using several financial leverage measurements such as debt-to-equity ratio. The Group's objective is to maintain their debt-to-equity ratio at a maximum of 2.50 as of December 31, 2011.

As of December 31, 2011, the Group's debt-to-equity ratio accounts are as follows:

Short-term loan - gross	1,500,000
Loans and bonds payable - including current maturities - gross	22,172,064
Interest-bearing procurement payable, which is overdue 6 months after the date of invoice	-
Total debts	**23,672,064**
Total equity	**18,815,973**
Debt-to-equity ratio	**1.26**

c. Collateral

The loans of Lintasarta, a subsidiary, which were obtained from CIMB Niaga, are collateralized by all equipment (Notes 8, 18i and 18k) purchased by Lintasarta from the proceeds of the credit facilities. There are no other significant terms and conditions associated with the use of collateral.

The Company did not hold any collateral as of December 31, 2011.

38. EVENTS AFTER REPORTING PERIOD

a. On January 9, 2012, the Company entered into a collection agency agreement with IMBV.

b. On January 12, 2012, three currency forward contracts with ING and one currency forward contract with GSI expired and the Company received settlement gains on such contracts amounting to US$1,796.3 and US$488.6, respectively (Notes 20bg, 20bk, 20bl and 20bm).

c. On January 14, 2012, the MOU between the Company and PT Tower Bersama Infrastructure Tbk expired (Note 32c) and no extension is subsequently made.

d. On January 16, 2012, the Company, IMBV and Belgacom International Carrier Services S.A. entered into an agreement to arrange the collection activities among them.

38. EVENTS AFTER REPORTING PERIOD (continued)

e. On January 18, 2012, IMM (one of the Company's Subsidiaries) was investigated by the State Attorney General in connection with IMM's broadband internet services. IMM has been accused of illegally using 3G without paying frequency fee, telecommunication operation fee and tender upfront fee. The MOCIT as well as the Indonesian Regulatory Body (BRTI) has made a public statement that IMM has not breached any laws / prevailing rules; nevertheless, the case is still being continued to be investigated by the State Attorney General.

f. On January 24, 2012, two currency forward contracts with JP Morgan, one currency forward contract with StandChart and one currency forward contract with HSBC expired and the Company received settlement gains on such contracts amounting to Rp3,352, Rp966 and Rp3,200, respectively.

g. On January 27, 2012, one currency forward contract with ING, two currency forward contracts with DBS and one currency forward contract with GSI expired and the Company received settlement gains on such contracts amounting to US$249, US$603 and US$550, respectively.

h. On January 30, 2012, one currency forward contract with ING expired and the Company received settlement gain on such contract amounting to US$451.

i. On February 2 and 17, 2012, the Company repaid partially the Revolving Time Loan Facilities from Mandiri (Note 14) and BCA (Note 18d) each amounting to Rp200,000.

j. On February 7, 2012, the Company entered into an Asset Purchase Agreement with PT Tower Bersama Infrastructure Tbk and its subsidiary, PT Solusi Menara Bersama (collectively referred to as "Tower Bersama"), whereby the Company agreed to sell 2,500 of its telecommunication towers to Tower Bersama for a total consideration of US$518,500, consisting of US$406,000 paid upfront and a maximum potential deferred payment of US$112,500. The upfront payment includes PT Tower Bersama Infrastructure Tbk's shares of not less than 5% of the increase in its capital stock (upon the Rights Issue of PT Tower Bersama Infrastructure Tbk). Based on the agreement, the Company also agreed to leaseback the spaces in the 2,500 telecommunication towers.

k. On February 8, 9 and 10, 2012, the Company received affirmation on the rating of the Company's Guaranteed Notes Due 2020 (Note 19a) from Moody's, Fitch and S&P's at Ba1 (stable outlook), BBB- (positive outlook) and BB (watch positive outlook possibility to raise the rating by one notch), respectively.

l. As of February 20, 2012, the prevailing exchange rate of the rupiah to U.S. dollar is Rp9,035 to US$1 (in full amounts), while as of December 31, 2011, the prevailing exchange rate was Rp9,068 to US$1 (in full amounts). Using the exchange rate as of February 20, 2012, the Group earned foreign exchange gain amounting to approximately Rp47,873 (excluding the effect of revaluing derivative contracts on February 20, 2012) on the foreign currency liabilities, net of foreign currency assets, as of December 31, 2011 (Note 37).

   The translation of the foreign currency liabilities, net of foreign currency assets, should not be construed as a representation that these foreign currency liabilities and assets have been, could have been, or could in the future be, converted into rupiah at the prevailing exchange rate of the rupiah to U.S. dollar as of December 31, 2011 or at any other rate of exchange.

   The commitments for the capital expenditures denominated in foreign currencies as of December 31, 2011 as disclosed in Note 32a are approximately Rp1,173,290 if translated at the prevailing exchange rate as of February 20, 2012.

39. RECENT DEVELOPMENTS AFFECTING ACCOUNTING STANDARDS

The revised and new accounting standards and interpretations issued by DSAK up to the date of completion of the Group’s consolidated financial statements which are relevant to the Group but are effective only starting on January 1, 2012 are summarized below:

- PSAK 10 (Revised 2010), “The Effects of Changes in Foreign Exchange Rates”, prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.

- PSAK 13 (Revised 2011), “Investment Property”, shall be applied in the recognition, measurement and disclosure of investment property including the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease.

- PSAK 16 (Revised 2011), “Property, Plant and Equipment”, prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.

- PSAK 18 (Revised 2010), “Accounting and Reporting by Retirement Benefit Plans”, is concerned with the determination of the cost of retirement benefits in the financial statements of employers having plans. This PSAK complements PSAK 24 (Revised 2010), “Employee Benefits”.

- PSAK 24 (Revised 2010), “Employee Benefits”, establishes the accounting and disclosures for employee benefits and requires the recognition of liability and expense when an employee has provided service and the entity consumes economic benefit arising from the service.

- PSAK 26 (Revised 2011), “Borrowing Costs”, provides that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.

- PSAK 28 (Revised 2011), “Accounting for Casualty Insurance Contracts”, serves to complement the provisions of PSAK 62, “Insurance Contract”.

- PSAK 30 (Revised 2011), “Leases”, prescribes, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases which apply to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets.

- PSAK 34 (Revised 2010), “Construction Contracts”, prescribes the accounting treatment of revenue and costs associated with construction contracts in the financial statements of contractors.

- PSAK 46 (Revised 2010), “Accounting for Income Taxes”, prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the statement of financial position; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK 50 (Revised 2010), “Financial Instruments: Presentation”, establishes the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

39. RECENT DEVELOPMENTS AFFECTING ACCOUNTING STANDARDS (continued)

- PSAK 53 (Revised 2010), "Share-based Payment", specifies the financial reporting by an entity when it undertakes a share-based payment transaction.
- PSAK 55 (Revised 2011), "Financial Instruments: Recognition and Measurement", establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to purchase or sell non-financial items. Requirements for presenting information about financial instruments are in PSAK 50 (Revised 2010), "Financial Instruments: Presentation". Requirements for information that needs to be disclosed about financial instruments are in PSAK 60, "Financial Instruments: Disclosures".
- PSAK 56 (Revised 2011), "Earnings per Share", prescribed principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same period and between different reporting periods for the same entity.
- PSAK 60, "Financial Instruments: Disclosures", requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- PSAK 61, "Accounting for Government Grants and Disclosures of Government Assistance", provides guidance on the accounting for, and in the disclosures of, government grants and in the disclosures of other forms of government assistance.

The Group is presently evaluating and has not yet determined the effects of these revised and new standards and interpretations on the consolidated financial statements.

40. RECLASSIFICATION OF ACCOUNTS

Following are the accounts in the December 31, 2010 and January 1, 2010 / December 31, 2009 consolidated statements of financial position and in the December 31, 2010 consolidated statement of comprehensive income which have been reclassified to allow their comparison with the accounts in the December 31, 2011 consolidated financial statements:

As Previously Reported	**As Reclassified**	**Amount**	**Reason**
December 31, 2010			
Other long-term investments - net	Other non-current financial assets - net	2,730	Reclassification to conform with the presentation requirement of PSAK 15 (Revised 2009)
Minority interest	Equity - total equity attributable to non-controlling interests	385,840	Reclassification to conform with the presentation requirement of PSAK 1 (Revised 2009) and PSAK 4(Revised 2009)

(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

40. RECLASSIFICATION OF ACCOUNTS (continued)

As Previously Reported	As Reclassified	Amount	Reason
January 1, 2010 / December 31, 2009			
Other long-term investments - net	Other non-current financial assets - net	2,730	Reclassification to conform with the presentation requirement of PSAK 15 (Revised 2009)
Investments in associated companies - net	Other non-current assets - net	422	Reclassification to conform with the presentation requirement of PSAK 15 (Revised 2009)
Minority interest	Equity - total equity attributable to non-controlling Interests	330,593	Reclassification to conform with the presentation requirement of PSAK 1 (Revised 2009) and PSAK 4 (Revised 2009)
December 31, 2010			
Other income (expenses) - others - net	Operating expenses - general and administration	32,594	Reclassification to conform with the 2011 presentation
Minority interest in net income of subsidiaries	Profit for the year attributable to non-controlling interests	76,845	Reclassification to conform with the presentation requirement of PSAK 1 (Revised 2009) and PSAK 4 (Revised 2009)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	PSAK	RECONCILIATIONS / RECLASSIFICATIONS	IFRS
ASSETS CURRENT ASSETS			
Cash and cash equivalents	2,224,206		2,224,206
Accounts receivable			
Trade - net	1,441,069		1,441,069
Others - net	5,660		5,660
Inventories - net	75,890		75,890
Derivative assets	159,349		159,349
Advances	48,865		48,865
Prepaid Tax	893,216	(378,282)[2a]	514,934
Prepaid expenses	1,705,652		1,705,652
Other current financial assets - net	24,790	5,043[1e]	29,833
Other current assets	742	378,282[2a]	379,024
TOTAL CURRENT ASSETS	6,579,439	5,043	6,584,482
NON-CURRENT ASSETS			
Due from related parties - net	10,654		10,654
Finance lease receivable Deferred tax assets - net	- 114,114	81,966[1e]	81,966 114,114
Property and equipment - net	42,573,369	(92,761)[1a] (133,677)[1e] 1,038,438[1e]	43,385,369
Goodwill and other intangible assets - net	1,366,853	689,118[1b]	2,055,971
Long term prepaid rentals - net of current position	766,349		766,349
Long-term prepaid licenses - net of current position	331,868		331,868
Long-term advances	209,798		209,798
Long-term prepaid pension - net of current position	103,181		103,181
Long-term receivables	20,677		20,677
Other non-current financial assets - net	90,416		90,416
Other non-current assets - net	5,593		5,593
TOTAL NON-CURRENT ASSETS	45,592,872	1,583,084	47,175,956
TOTAL ASSETS	52,172,311	1,588,127	53,760,438

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	PSAK	RECONCILIATIONS / RECLASSIFICATIONS	IFRS
LIABILITIES AND EQUITY CURRENT LIABILITIES			
Short-term loan	1,499,256		1,499,256
Accounts payable - trade	319,058		319,058
Procurement payable	3,429,921		3,429,921
Taxes payable	88,563	(60,269)[2a]	28,294
Accrued expenses	1,891,477		1,891,477
Unearned income	1,124,995	2,383[1c] (46,185)[1d]	1,081,193
Deposits from customers	37,265		37,265
Derivative liabilities	138,189		138,189
Current maturities of:			
Loans payable	3,300,537		3,300,537
Bonds payable	41,989		41,989
Other current financial liabilities	16,072	57,129[1e]	73,201
Other current liabilities	64,849	60,269[2a]	125,118
TOTAL CURRENT LIABILITIES	11,952,171	13,327	11,965,498
NON-CURRENT LIABILITIES			
Due to related parties	15,480		15,480
Obligation under finance lease	- 1,920,787	692,907[1e]	692,907
Deferred tax liabilities - net		242,558[1b,1c,1d,1e]	2,163,345
Loans payable - net of current maturities	6,425,779		6,425,779
Bonds payable - net of current maturities	12,138,353		12,138,353
Employee benefit obligations - net	787,313		787,313
Other non-current liabilities	116,455		116,455
TOTAL NON-CURRENT LIABILITIES	21,404,167	935,465	22,339,632
TOTAL LIABILITIES	33,356,338	948,792	34,305,130
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Capital stock	543,393		543,393
Premium on capital stock	1,546,587		1,546,587
Retained earnings			
Appropriated	134,446		134,446
Unappropriated	15,736,227	641,035	16,377,262
Other components of equity	401,778		401,778
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	18,362,431	641,035	19,003,466
NON-CONTROLLING INTEREST	453,542	(1,700)	451,842
Total Equity	18,815,973	639,335	19,455,308
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	52,172,311	1,588,127	53,760,438

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	PSAK	RECONCILIATIONS / RECLASSIFICATIONS	IFRS
OPERATING REVENUES			
Cellular	16,750,879	(163,494)[1d] (26,419)[1e]	16,560,966
MIDI	2,576,032	2,346[1c]	2,578,378
Fixed telecommunication	1,249,982		1,249,982
TOTAL OPERATING REVENUES	20,576,893	(187,567)	20,389,326
OPERATING EXPENSES			
Cost of services	7,587,708	(204,687) [1e]	7,383,021
Depreciation and amortization	6,580,754	11,151[1a] 123,537[1e] (2,581)[1e] (216,893)[1e]	6,495,968
Personnel	1,891,940		1,891,940
Marketing	1,023,698	(168,012)[1d]	855,686
General and administration	662,694		662,694
TOTAL OPERATING EXPENSES	17,746,794	(457,485)	17,289,309
OPERATING INCOME	2,830,099	269,918	3,100,017
OTHER INCOME (EXPENSES)			
Interest income	81,477	19,240[1e]	100,717
Gain on change in fair value of derivatives - net	57,944		57,944
Gain on foreign exchange - net	36,731		36,731
Financing cost	(1,789,687)	(135,758)[1e]	(1,925,445)
Others - net	(34,664)	2,666[2a] 84,047[1e]	52,049
OTHER EXPENSES - NET	(1,648,199)	(29,805)	(1,678,004)
INCOME BEFORE INCOME TAX	1,181,900	240,113	1,422,013
INCOME TAX EXPENSE			
Current	(120,177)	(2,666)[2a]	(122,842)
Deferred	(129,220)	(63,589)[1c,1d,1e]	(192,809)
TOTAL INCOME TAX EXPENSE	(249,397)	(66,254)	(315,651)
PROFIT FOR THE YEAR		173,859	1,106,362
Profit for the Year attributable to:			
Owners of the Company	834,975	174,105	1,009,080
Non-controlling interest	97,528	(246)	97,282
Total	932,503	173,859	1,106,362
Other Comprehensive Income	401	-	401
Total Comprehensive Income	932,904	173,859	1,106,763
Comprehensive Income for the Year attributable to:			
Owners of the Company	835,376	174,105	1,009,481
Non-controlling interest	97,528	(246)	97,282
Total	932,904	173,859	1,106,763

The reconciliation from Indonesian GAAP to IFRS has not had a material impact on the consolidated statements of cash flows

Reconciliation:

a. Landrights

Under Indonesian GAAP, landrights are stated at cost. Other expenses associated with the acquisition of the government permit to use the land (i.e., notary fee, tax, etc) should be amortized over the period the holder is expected to retain the landrights which, in the case of the Group, is an initial period ranging from approximately 20 to 30 years.

Before January 1, 2010, under IFRS as issued by IASB, the costs to acquire the landrights as well as other expenses associated with the acquisition are capitalized as prepaid landrights lease, and are amortized over the period of the right to use the land obtained from the Government which ranges from 20 to 30 years.

Based on IAS 17 amendment (as part of the Improvements Project), starting January 1, 2010, the Group classify land leases as finance leases and present in the financial statements as property and equipment. The Group apply retrospective application and amortize land leases over 50 years (i.e., over the initial lease term of 30 years plus one extension of 20 years).

b. Goodwill

Before January 1, 2011, under Indonesian GAAP, goodwill is amortized using the straight-line method over the useful life of the goodwill. Starting January 1, 2011, goodwill is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The change in accounting policy resulted from the revision of PSAK 22 in which applied prospectively.

Under IFRS as issued by IASB, goodwill is not amortized but subjected to annual impairment test under IAS 36, "Impairment of Assets". The carrying amount of goodwill in the opening financial position as of January 1, 2008 is stated as the carrying amount under Indonesian GAAP as of that date.

c. Revenue Recognition

Under Indonesian GAAP, up to December 31, 2009 revenue from service connection is recognized as income at the time the connection takes place (for post-paid service) or at the time of activation of starter packs by customers (for prepaid service). Starting January 1, 2010, the activation component of starter package sales has been deferred and recognized as revenue over the expected average period of the costumer relationship. The change in accounting policy resulted from the revocation of PSAK 35 in which applied prospectively.

Under IFRS as issued by IASB, revenue from service connection should be deferred and recognized over the expected term of the customer relationship. Starting January 1, 2010, there is no reconciliation adjustment for such service connection, except that recognition from the outstanding balance as of December 31, 2009.

d. Dealer Commission

Under Indonesian GAAP, dealer commission given to reseller in which the Company received, or will receive, an identifiable benefit in exchange for the cash sales incentives, and the fair value of such benefit can be reasonably estimated, the cash sales incentives being accounted for as a marketing expense.

Under IFRS as issued by IASB, dealer commission is characterized as a reduction of revenue based on a systematic and rational allocation of the cost of honoring cash sales incentives earned and claimed to each of the underlying revenue transactions that result in progress by the reseller toward earning the cash sales incentives. The sales incentives portion related to revenue which has not yet been earned is presented as reduction of unearned income.

e. Tower Leasing

Under Indonesian GAAP, there is no requirement to separately evaluate lease agreement that contains land and building element. As such, the assessment is performed on a combined basis. One of the considerations in determining the lease classification is comparison of the lease term with the economic life of the assets. Further, under Indonesian GAAP, the land that can only be owned in the form of landrights are not amortized and are considered as having indefinite economical life. Therefore, a lease agreement that contains land and building element will mostly be classified as operating lease.

Under IFRS as issued by IASB, when a lease includes both land and buildings elements, an entity should assesses the classification of each element separately whether as a finance or an operating lease. As a result of separate assessment made by the Company taking into consideration comparison of the lease term with the reassessed economic life of the respective element and other relevant factors, each element might result in different lease classification under IFRS.

Reclassifications:

Certain accounts were reclassified to conform with IFRS presentation requirements in the 2011 consolidated financial statements. The following items discuss the significant reclassifications:

a. Under Indonesian GAAP, prepaid taxes and taxes payable consist of receivable and payable related to Corporate Income Tax, Value Added Tax and Other Income Tax. The amounts of tax principal and penalty imposed through a tax assessment letter (SKP) must be charged (credited) as other expense (income) in the current period.

b. Under IFRS as issued by IASB, prepaid taxes and taxes payable include only domestic and foreign taxes which are based on taxable profits and withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity. All other taxes receivable or payable are recorded under other current assets or other current liabilities. Components of tax expense (income) include any adjustments recognized in the period of current tax of prior periods.

Responsibility for 2011 Annual Report

This Annual Report 2011 including the annual financial statements/financial report and other information related to the contents thereof, is prepared by PT Indosat Tbk.

All members of the Board of Commissioners and Board of Directors of PT Indosat Tbk have affixed their respective signatures hereunder as a form of responsibility for the execution of their duties for the year ended on December 31, 2011.

The Financial information reported is organized and based on the accounting principles generally accepted in Indonesia and in certain sections encompasses number of approximations which are based on estimations and the best judgements of the Board of Directors of PT Indosat Tbk.

BOARD OF COMMISSIONERS

Sheikh Abdulla Mohammed S.A Al Thani
President Commissioner

Dr. Nasser Mohammed Marafih
Commissioner

Richard Farnsworth Seney
Commissioner

Rachmat Gobel
Commissioner

Rionald Silaban
Commissioner

Soeprapto S.I.P
Independent Commissioner

Alexander Rusli
Independent Commissioner

George Thia Peng Heok
Independent Commissioner

Chris Kanter
Independent Commissioner

BOARD OF DIRECTORS

Harry Sasongko Tirtotjondro
President Director and Chief Executive Officer

Hans Christiaan Moritz
Director and Chief Technology Officer

Fadzri Sentosa
Director and Chief Wholesale and Infrastructure Officer

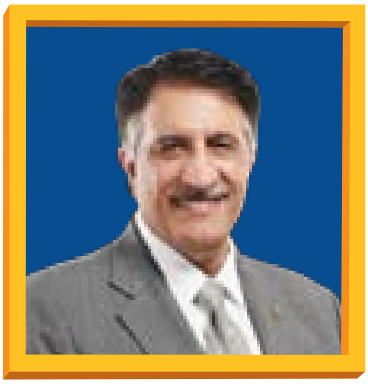
Laszlo Imre Barta
Director and Chief Commercial Officer

Curt Stefan Carlsson
Director and Chief Financial Officer


indosat

Corporate Data

The Board of Commissioners' Profile



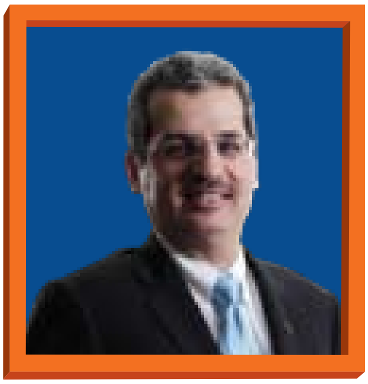
SHEIKH ABDULLA MOHAMMED S.A. AL THANI

Has been the President of Commissioner at Indosat since August 2008. Sheikh Abdulla is the Chairman of the Board of Directors for Qatar Telecom (Qtel) and The Qtel Group. In his capacity as the Chairman, Sheikh Abdullah represents a wide range of business skills, experience and knowledge. He has enhanced Qtel's corporate governance system to ensure the company is directed and controlled in the most efficient manner in line with international practices, thereby reinforcing both corporate accountability and the sustained creation of shareholder wealth.

Sheikh Abdullah has previously held several high profile positions in Qatar including the Chief of the Royal Court (Amiri Diwan), a role he filled from 2000 to 2005. His Excellency enjoys the status of a minister, and he is also a member of the Qatari Planning Council. He graduated as a Pilot in the British Army Air Corps and completed his studies at the Senior Military War College for the Armed Forces in the United States of America.

RIONALD SILABAN

Has been a Commissioner since June 2008 and was appointed as a member of the Risk Management Committee in the same year. He currently serves as Senior Advisor to the Minister of Finance. In the past he held several positions including Director of Center for Policy Analysis and Harmonization of the Ministry of Finance in Indonesia, Director of Fiscal Risk Management of the Ministry of Finance from 2006 to 2008, Senior Advisor at the World Bank in Washington D.C., U.S. from 2004 to 2006, Division Head in Secretariat General of the Ministry of Finance from 2002 to 2004, Head of Assets Monitoring Division of the Indonesian Banking Restructuring Agency from 2000 to 2002, Division Head for Financial Service of the Legal Bureau of the Ministry of Finance from 1998 to 2000, Deputy Director for Privatization of Directorate General State-Owned Enterprise of the Ministry of Finance from 1997 to 1998, Head of Section of the Legal Bureau of the Ministry of Finance from 1994 to 1997 and Head of Secretariat for Privatization Committee of Ministry of Finance from 1994 to 1997. Mr. Silaban earned a Law Degree from the University of Indonesia in 1989 and a LL.M. degree from the Georgetown University Law Center, Washington D.C., U.S. in 1993.



Dr. NASSER MOHAMMED MARAFIH

has been a Commissioner at Indosat since August 2008 and is the Chairman of the Remuneration and Budget Committee. Dr. Marafih is the Chief Executive Officer (CEO) of The Qtel Group. Dr. Marafih holds a Bachelor of Science in Electrical Engineering, a Master of Science and a Ph.D in Communication Engineering, all from George Washington University, USA. Dr. Marafih started his career at Qtel in 1992 as expert advisor from the University of Qatar and was involved in the introduction of the first GSM service in the Middle East in February 1994.

Dr. Marafih has spearheaded Qtel's global growth in recent years, including Qtel's acquisition of Wataniya Telecom, its strategic deal with AT&T to gain an equity stake in NavLink, Qtel's strategic partnership with ST Telemedia in Singapore, as well as the company's purchase of a controlling stake in Indosat of Indonesia.

Dr. Nasser sits on the board of Directors of the GSM Association, which represents the interests of the worldwide mobile communications industry.

RICHARD FARNSWORTH SENEY

has been a Commissioner since June 2009. Mr. Seney served as Chief Operating Officer of Qtel International (QI) from 2007 to 2011, President and Chief Executive Officer of MCT Corp. (including predecessors) from 1992 to 2007, Executive Vice President and General Manager of MCT Investors, L.P. from 1987 to 2002, and Executive Vice President and Chief Financial Officer of Charisma Communications Corporation from 1985 to 1987. Mr. Seney received a Bachelor degree in Commerce from the University of Virginia McIntire School of Commerce.

RACHMAT GOBEL

Has been a Commissioner of PT indosat, Tbk., since 2008. Currently, he is the Chairman of the Gobel Group of companies that has operations in manufacturing, trading, services, integrated logistics management, as well as food and hospitality including industrial catering. In 1960, Gobel Group entered into a technical assistance agreement with Matsushita Electric Industrial Co., Ltd. (currently - Panasonic Corporation), one of the world's global leaders in electronics and electrical goods. Since 1970 Gobel Group has been the Indonesian joint venture partner with Matsushita.

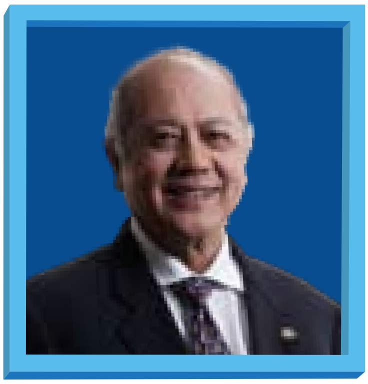
Mr. Gobel also holds other key positions including as Commissioner of PT SMART, Tbk., the Vice Chairman of the Advisory Board of the Indonesian Chamber of Commerce and Industry (KADIN INDONESIA/ Kamar Dagang dan Industri Indonesia), the Vice Chairman of the Employers' Association of Indonesia (APINDO/Asosiasi Pengusaha Indonesia) and the Chairman of the Federation of the Indonesian Electronic and Telematic Industry Associations (FGABEL). He has also been appointed as a member of the National Innovation Committee (KEN/ Komite Inovasi Nasional) by President Susilo Bambang Yudhoyono.

Mr. Gobel graduated with a Bachelor of Science Degree in International Trade from Chuo University, Tokyo, Japan in 1987 and was awarded an Honorary Doctorate Degree from Takushoku University, Tokyo, Japan in 2000. In 2009, he received the prestigious "Distinguished Engineering Award in the Field of Manufacturing Technology" ("Perekayasa Utama Kehormatan dalam Bidang Teknologi Manufaktur") from the Agency for the Assessment and Application Technology (BPPT/Badan Pengkajian dan Penerapan Teknologi). In 2009, he also received the "BNSP-Competency Award" from the National Agency for Certification of Professions (BNSP/Badan Nasional Sertifikasi Profesi)- Ministry of Manpower and Transmigration of the Republic of Indonesia. In 2011, he received the prestigious "Asian Productivity Organization Regional Award", for his contributions to improving productivity in Indonesia's industry sector and demonstrating the significant role of private-sector leaders in introducing sustainable development through Green Productivity and forging strategic partnerships with the rest of Asia and the Pacific, from the Asian Productivity Organization, Tokyo, Japan. Mr. Gobel is also actively involved in numerous social activities, including the Indonesian Red Cross.

The Board of Commissioners' Profile

CHRIS KANTER

Has been an Independent Commissioner since January 2010. Mr. Kanter is an Indonesian businessman and business community leader, who is at the forefront of the national economic reform agenda in Indonesia. A trained engineer, he is Chairman and Founder of Sigma Sembada Group; major player as a turn key contractor as well as in transportation and logistics. Chris' commitment and devotion to nation economic development and reform is shown through his role as a member of National Economic Council that has been appointed by the government of Republic of Indonesia. His contributions also extend more widely to include: Chairman of Board of Founders of the Swiss German University, Vice Chairman of National Board of the Employers Association of Indonesia (APINDO), Chairman of Board of Founders of Global Entrepreneurship Program Indonesia and Vice President Commissioner of PT Bank BNP Paribas Indonesia. Chris also served as member of the Peoples Consultative Congress (MPR) of the Republic of Indonesia (1998 – 2002).



GEORGE THIA PENG HEOK

Has been an Independent Commissioner and Chairman of the Audit Committee since June 2008. Mr. Thia currently serves as Director/Consultant in Asiainc Private Limited. In the past he has held several positions including as Consultant/Director, Strategic Advisory Private Limited from 2003 to 2006, Executive Chairman, MediaStream Limited from 1999 to 2003, Director/Consultant, Phoenix Capital Private Limited from 1995 to 1998, Executive Chairman, Asia Matrix Limited from 1993 to 1995, Managing Director, Lum Chang Securities Private Limited from 1991 to 1993, Managing Director, Sun Hung Kai Securities Private Limited from 1989 to 1991, Managing Director, Merrill Lynch International Bank Limited from 1987 to 1989, Executive Director/ Partner, Kay Hian Private Limited from 1985 to 1987 and Managing Director, Morgan Grenfell (Asia) Limited from 1975 to 1985. Mr. Thia is a Certified Public Accountant and a Fellow Member of both the Chartered Association of Certified Accountants (United Kingdom) and the Singapore Institute of Directors.

ALEXANDER RUSLI

has been an Independent Commissioner since January 2010 and currently serves as member of the Remuneration Committee. Mr. Rusli is a Managing Director in Northstar Pacific, a Private Equity fund which focuses on Indonesian opportunities and a commissioner of PT Tugu Pratama Indonesia. He was formerly an independent commissioner of PT Krakatau Steel (Persero), the 100% state-owned company that produces carbon-steel products, providing half the total Indonesian market, from 2007 to 2011 and Expert Advisor to the Minister for State-Owned Enterprises, with oversight on 140 SOEs and more than 500 subsidiaries. Prior to this he was an Expert Advisor to the Minister of Communications and Information Technology, where he was involved in the formulation of policy and regulation in the Telecommunications, Media and Postal industries. Prior to his posts in government, Mr. Rusli has also held a position as a Principal Consultant for Pricewaterhouse Coopers Management Consulting, Indonesia. He holds a Doctor of Philosophy, Information Systems, Curtin University of Technology.

SOEPRAPTO S.I.P

Has been an Independent Commissioner and a member of the Audit Committee since June 2005. In the past, Mr. Soeprapto has held several positions including as Assistant Personnel to the Army Chief of Staff of the Republic of Indonesia from 2000 to 2001, and currently serves as Commissioner of PT Padangbara Sukses Makmur from 2008 to now and PT Sawit Kaltim Lestari from 2010 to now. He earned a degree in Political Science from the Terbuka University, Jakarta and Participant Reguler Course (KRA 29) at the Indonesian National Resiliance Institute (LEMHANAS) in 1996.

The Board of Directors' Profile

HARRY SASONGKO TIRTOTJONDRO

Has been the President Director and Chief Executive Officer since August 2009. Mr. Sasongko has previously held the positions of President Director and Chief Executive Officer of GE Consumer Finance from 2005 to 2009, where he was recognized as one of Indonesia's top 10 best CEOs in 2008 by the SWA Magazine & Synovate awards. From 1998 to 2005, he was a member of the Lippo Group, where he served as Managing Director of the Matahari Retail & Lippo Bank. He was formerly the Managing Director of the Consumer Banking of PT Bank Tiara Asia from 1995 to 1998, and was Director of PT Citicorp Finance and Citibank, N.A. in 1998. Mr. Sasongko earned a Bachelor in Civil Engineering degree from Bandung Institute of Technology Indonesia, a aster of Science degree from the Ohio State University in the United States, and is a Chartered Financial Consultant (ChFC), obtained from the Singapore College of Insurance / American College in the United States.

HANS CHRISTIAAN MORITZ

Was appointed as Director and Chief Technology Officer in February 2011 and assume his duties as of May 1, 2011. Mr. Moritz has 22 years experience in the mobile telecom industry and has previously held various positions, including Head Corporate Project Officer at Vodafone India from 2009 to 2011, Group Operations Director Africa/ Chief Technology Officer at Zain from 2006 to 2009, Chief Technology Officer at Zain Uganda from 2004 to 2006, Chief Operating Officer at KPN Internet, from 2003 to 2004, General Manager of the Business Unit Broadband Network at KPN Telecom from 2001 to 2003, Chief Operating Officer at BASE and from 1998 to 2000, Operations Director Asia (based in Indonesia) at KPN Asia from 1994 to 1997. Mr. Moritz received a Master degree in Mathematics in 1986 and various Bachelor degrees, i.e Electronics in 1978, Feedback and Control Systems in 1984 and Water Management in 1984.

FADZRI SENTOSA

Has been a Director since June 2007 and a Director and Chief Wholesale and Infrastructure Officer since June 2009. Currently, Mr. Sentosa is a member of the Board of Commissioners of PT Aplikanusa Lintasarta. Mr. Sentosa has previously held various positions with us, including as member of the Board of Commissioners of PT Indosat Mega Media from 2005 to 2009, Group Head of National Card and Channel Management from 2006 to 2007, Senior Vice President of Commerce, Jabotabek Region from 2005 to 2006 and Senior Vice President of Cellular Sales from 2003 to 2004, member of the Board of Directors of Satelindo in 2003 and a member of the Board of Director of IM3 from 2002 to 2003. Mr.
Sentosa received a Master degree in International Business Management from the University of Technology, Sydney in 2001 and a Bachelor degree in Telecommunications Engineering from the Bandung Institute of Technology in 1986.

LASZLO IMRE BARTA

Has been a Director and Chief Commercial Officer since May 1, 2010. He was formerly the Deputy Chief Marketing Officer of Grameenphone in Bangladesh.
He spent more than four years at Grameenphone in Bangladesh, during which time he developed and led the rollout of the business market strategy, established and led the SME department, and served as Sales Director. Prior to being seconded to Grameenphone by the Telenor Group, Mr. Barta was at Pannon GSM in Hungary, where he headed the Corporate Clients department. Before Pannon, Mr. Barta was with Ericsson Hungary where he led the sale of handsets and accessories to local Hungarian mobile operators.
He joined Ericsson from Philip Morris, where he started his career in Sales. Mr. Barta has degrees in Accounting and Landscape Architecture & Engineering from Hungarian universities.

CURT STEFAN CARLSSON

Curt Stefan Carlsson was appointed as Director and Chief Financial Officer in September 2011. Mr. Carlsson has previously held various positions, including Chief Operations Advisor at wi-tribe Philippines since January 2011, he held a transitional advisory role at Telenor Asia from August 2010 to December 2010, Chief Financial Officer at DiGi.Com Bhd and at DiGi Telecommunications Sdn Bhd, Selangor, Malaysia from November 2006 to July 2010, Chief Financial Officer at Telenor Pakistan Pvt. Ltd (TP) from June 2004 to October 2006, Chief Financial Officer at Telenor Mobile Sverige (TMS), Sweden, from August 2001 to May 2004, Chief Financial Officer at Mobyson, Norway from May 2000 to July 2001 and an Auditor at Price Waterhouse Coopers, Sweden, from September 1997 to April 2000, He received a Bachelor degree in Business Administration from the University of Stockholm, Sweden in 1993, and a MSc degree in Business and Economics from the University of Uppsala, Sweden in 1997.

Chief Officer Profile

INDAR ATMANTO

Was appointed as Chief Corporate Services Officer (CCSO) in August 2011. Mr. Atmanto is also The CEO of PT Indosat Mega Media (IM2) since 2006.Many initiatives have been taken during his tenure to position IM2 as the prime mover of Broadband Mobile services in Indonesia. IM2 performance is well respected by other operator in the market and received both national and international recognitions such as Winner of The Most Innovative Broadband Wireless from WBA (World Broadband Alliance, Top Brand Award, and Call Center Award from respected institutions in Indonesia. Prior joining PT IndosatMegaMedia, Mr. Atmanto served as Commercial Director of PT Aplikanusa Lintasarta. During his tenure as Commercial Director, the company had managed to grow surpassing the market growth. In the past, he has held board level position in various companies such as Commissioner of PT EDI (Electronic Data Interchange), Commissioner of PT IndosatMutimediaMobile (IM3), Commissioner of PT Satelindo, as well as Director of PT Bimagraha Telekomindo. He has also spent his professional experience in various management positions at PT Indosat including Corporate Secretary, Strategic Corporate Development-General Manager, and Marketing-General Manager. Mr. Atmanto was graduated from Bandung Institute of Technology-ITB-Indonesia in 1986. He received scholarship form OTO Bapennas of government of Indonesia to continue graduate program, and earned Master degree in Business Administration with specialization in Telecommunication Management and Finance, from University of Miami, USA in 1993. Mr. Atmanto is now a member of Profession and Association Board of MASTEL-Indonesian Telecommunication and Information Community, and also a Member of Supervisory Board of APJII (Indonesia Internet Service Provider Association).

PRASHANT GOKARN

Prashant Gokarn was appointed as Chief Strategy & Planning Officer (CSPO) in July 2011. Currently, Mr. Gokarn is a member of the Board of Commissioners of PT Indosat Mega Media. Mr. Gokarn has previously held various positions, including Head of 3G Business, Reliance Communications, India from May 2010 to June 2011, Head of Corporate Strategy, Reliance Communication, India from April 2008 to June 2011 and Partner in Spectrum Value Partners, London, UK from September 2000 to March 2008. Mr. Gokarn received a Postgraduate in Management Studies from the Indian Institute of Management, in 1996 and has Bachelor degrees in Electronics from Indian Institute of Technology, in 1993.

HAROLD (HAL) WALTERS PETERS

Harold (Hal) Walter Peters, Chief Tower Business Officer, joined Indosat in February 2012 to manage the company's tower related activities. He has broad experience in telecommunications and finance. Most recently he was employed in business development functions for Zain Group based in Bahrain and Saudi Telecom Company based in Saudi Arabia. In the past three years he gained extensive experience with forming captive tower operations for mobile network operators. Prior to the commencement of his international experience in the Middle East in 2009, he was employed in various senior corporate and investment banking roles in Canada with Royal Bank of Canada and Bank of Montreal. In 1998 and 1999 he managed corporate development activities for a Manitoba Telecom Services Inc.Mr. Peters holds a Master of Business Administration from the Richard Ivey School of Business at the University of Western Ontario in Canada and he is also a Chartered Financial Analyst.

Members of Audit Committee Profile

GEORGE THIA PENG HEOK

Curriculum Vitae of Audit Committee Members are available on Board of Commissioners Profile section.

SOEPRAPTO S.I.P

Curriculum Vitae of Audit Committee Members are available on Board of Commissioners Profile section.

CHRIS KANTER

Curriculum Vitae of Audit Committee Members are available on Board of Commissioners Profile section.

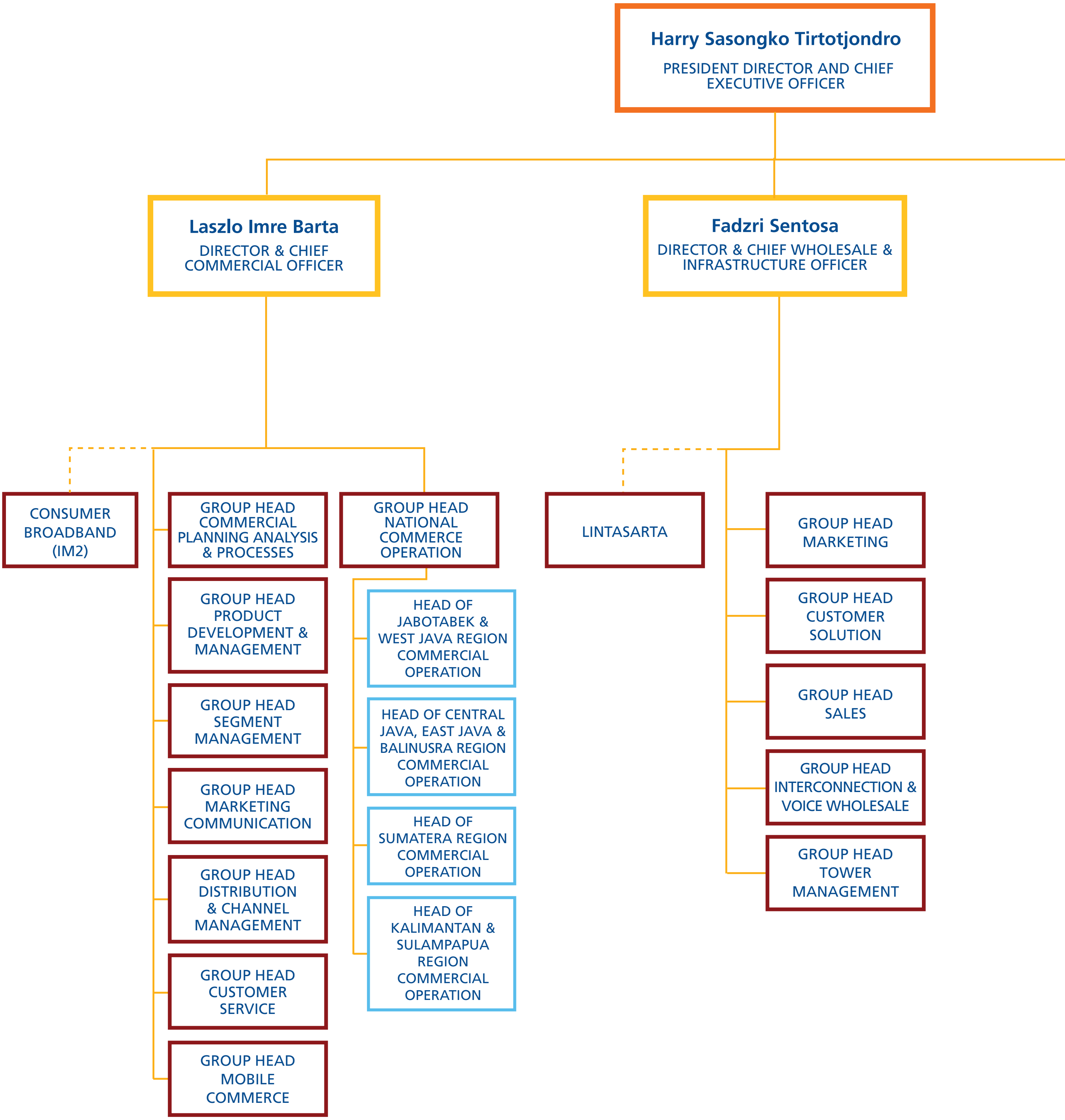
KANAKA PURADIREDJA

Has been a member of the Audit Committee since January 2009. He is the founder of Kanaka Puradiredja, Suhartono Public Accounting Firm and was Senior Partner from 2000 to October 2007. He currently is the Chairman of Honorary Board of the Indonesian Institute of Audit Committee and former Chairman of Honorary Board of Indonesian Accountants Association (2002-2010), Member of Honorary Board of Professionals in Risk Management Association (PRIMA) and Vice Chairman of Executive Board of Indonesian Institute of Commissioners and Directors. Previously he held several positions, including member of Marketing & Communication Committee of KPMG International in 1995, member of KPMG Asia Pacific Board 1994-1998, Managing Partner of KPMG Indonesia during 1978-1999 with last position as Chairman and previously worked at Peat Marwick Mitchell (predecessor of KPMG) in Melbourne, Australia during 1975-1977 and at the Directorate General of Financial Supervisory Board (now BPKP) during 1971-1974. He graduated from Faculty of Economics, majoring in Accounting, at Padjajaran University, Bandung in 1971, Chartered Member of Indonesian Institute of Commissioners and Directors (LKDI) and Certified Risk Management Professional.

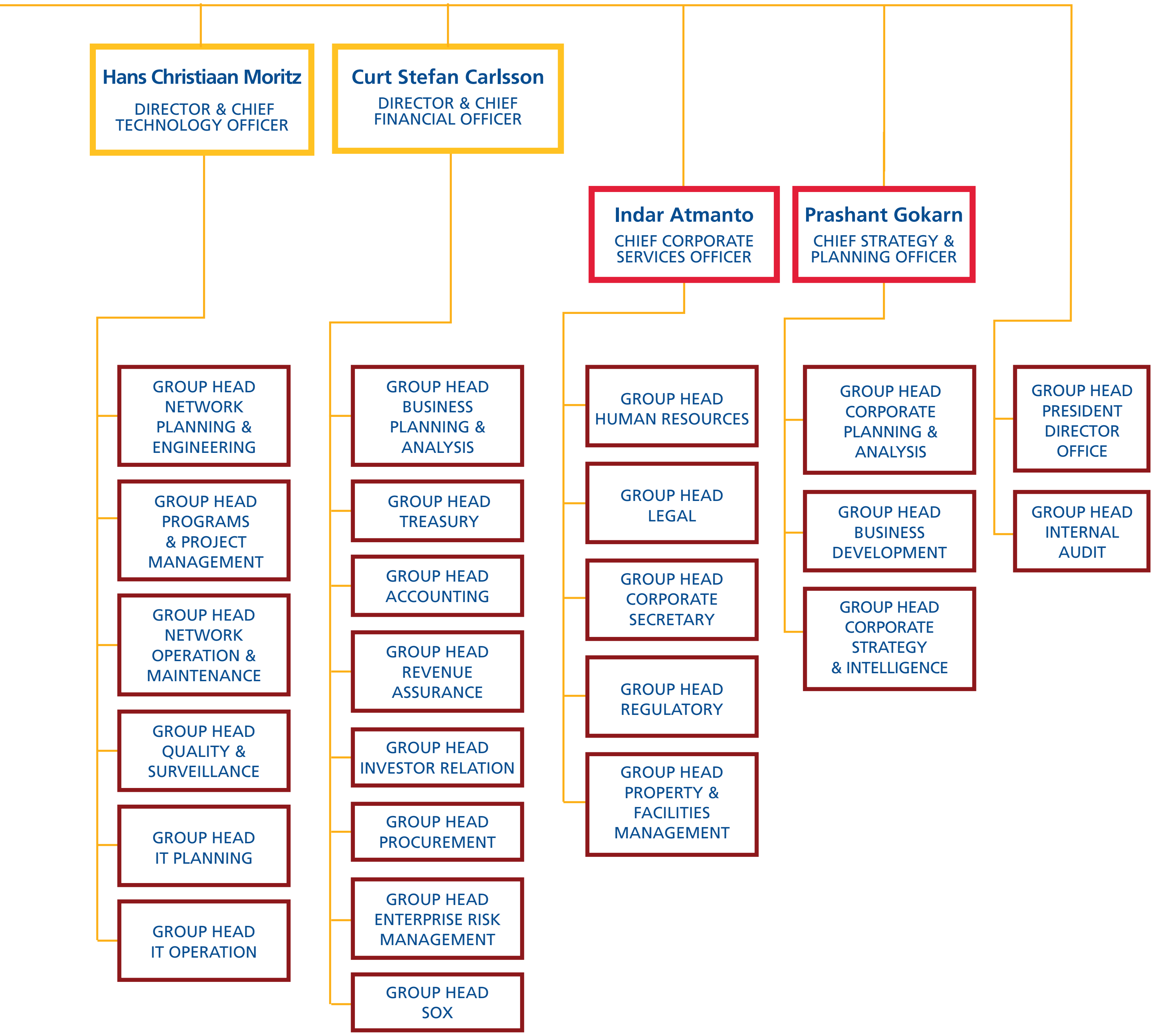
UNGGUL SAUT MARUPA TAMPUBOLON

Has been a member of the Audit Committee since 2008. In the past, he has held several positions, including President Director of PT Satelindo from 2001 to 2002, General Manager, Legal Affairs of PT Indosat from 2000 to 2001, Commissioner of PT MGTI (Indosat Group) from 2000 to 2001, President Director of PT Indosel from 1997 to 1999, Commissioner of PT Sisindosat (Indosat Group) from 1997 to 1999, Director of PT Menara Jakarta from 1996 to 1997, Commissioner of PT Patrakom (Indosat Group) from 1996 to 1997 and General Manager, Legal and General Affairs of PT Indosat from 1988 to 1997. Prior to joining Indosat he was the Corporate Attorney of PT International Nickel Indonesia from 1980 to 1983 and a lawyer at Imam & Associates Law Firm, Jakarta from 1977 to 1979. Mr. Tampubolon earned a degree in International Law from the Faculty of Law, University of Indonesia in 1977.

Organizational Structure*



* Version September 1, 2011


Hans Christiaan Moritz
DIRECTOR & CHIEF TECHNOLOGY OFFICER
Curt Stefan Carlsson
DIRECTOR & CHIEF FINANCIAL OFFICER
Indar Atmanto
CHIEF CORPORATE SERVICES OFFICER
Prashant Gokarn
CHIEF STRATEGY & PLANNING OFFICER
GROUP HEAD NETWORK PLANNING & ENGINEERING
GROUP HEAD PROGRAMS & PROJECT MANAGEMENT
GROUP HEAD NETWORK OPERATION & MAINTENANCE
GROUP HEAD QUALITY & SURVEILLANCE
GROUP HEAD IT PLANNING
GROUP HEAD IT OPERATION
GROUP HEAD BUSINESS PLANNING & ANALYSIS
GROUP HEAD TREASURY
GROUP HEAD ACCOUNTING
GROUP HEAD REVENUE ASSURANCE
GROUP HEAD INVESTOR RELATION
GROUP HEAD PROCUREMENT
GROUP HEAD ENTERPRISE RISK MANAGEMENT
GROUP HEAD SOX
GROUP HEAD HUMAN RESOURCES
GROUP HEAD LEGAL
GROUP HEAD CORPORATE SECRETARY
GROUP HEAD REGULATORY
GROUP HEAD PROPERTY & FACILITIES MANAGEMENT
GROUP HEAD CORPORATE PLANNING & ANALYSIS
GROUP HEAD BUSINESS DEVELOPMENT
GROUP HEAD CORPORATE STRATEGY & INTELLIGENCE
GROUP HEAD PRESIDENT DIRECTOR OFFICE
GROUP HEAD INTERNAL AUDIT

Shareholder's Information

Shareholders and Public inquiries should be addressed to:

Group Investor Relations
Gedung Indosat Lantai 2 Podium Depan
Jl. Medan Merdeka Barat No. 21, Jakarta 10110, Indonesia
Tel.:+62 21 3000 3001, 386 9615
Fax. :+62 21 30003757
Email :investor@ndosat.com
Website :http://www.indosat.com

Capital Stock (as of December 31, 2011)

Authorized Capital Rp2,000,000,000,000 comprises of 20,000,000,000 shares that include 1 Series A share and 19,999,999,999 Series B shares with nominal value of Rp100 per share.

Share issued and fully paid (as of December 31, 2011) 5,433,933,500 comprise of 1 Series A Share and 5,433,933,499 Series B Shares with a nominal value of Rp543,393,350,000 owned by:
1.The Government of Indonesia
(1 Series A Share and 776,624,999 Series B Share)
2.Qatar Telecom (Qtel Asia) Pte Ltd
(3,532,056,600 Series B Shares)
3.SKAGEN AS (305,498,450 Series B Shares)
3.Public (819,753,450 Series B Shares)

Share Ownership Above 5% (as of December 31, 2011)

1. Qatar Telecom (Qtel Asia) Pte Ltd (65.00%)
2. The Government of Indonesia (14.29%)
3. SKAGEN AS (5.62%)
4. Public (15.09%)

Annual Report on Form 20-F

The Report mostly contains the Company's corporate and financial information that is presented in the 20-F Format which is filed to the United States Securities and Exchange Commission.

Stock Exchanges where Indosat shares are listed

Indonesia Stock Exchange (IDX)
New York Stock Exchange (NYSE)

Name and Address of Capital Market Professional Support

ADR Custodian Bank
The Bank of New York Mellon
Mellon Depository Receipt Division
101 Barclay Street New York, New York 10286, USA
Tel. :+1 212 815 2293 (International Caller)
Fax. :+1 212 571 3050/1/2
1-888-BNY-ADRs (Toll Free within USA)
Email:shareowners@bankofny.com

Stock Administration Bureau

PT EDI Indonesia
Wisma SMR, 10th Floor
Jl. Yos Sudarso Kav. 89, Jakarta 14350, Indonesia
Tel. : +62 21 651 5130
Fax. : +62 21 651 5131

Independent Auditor

Purwantono, Suherman & Surja a member of Ernst & Young Global Gedung Bursa Efek Indonesia Tower 2, Lantai 7
Jl. Jenderal Sudirman Kav. 52-53, Jakarta 12190, Indonesia
Tel. : +62 21 5289 5000
Fax. : +62 21 5289 4747

Trustees

PT Bank Rakyat Indonesia (Persero) Tbk Divisi Treasury
Gedung BRI II, Lantai 3
Jl. Jenderal Sudirman kav 44-46, Jakarta 10210, Indonesia
Tel. : + 62 21 570 9060 ext 2371-2335-2307
Fax. : + 62 21 251 1647

The Bank of New York Mellon
Global Corporate Trust 21st Floor West
101 Barclay Street New York
New York 10286, USA

Global Corporate Trust
One Temasek Avenue #02-01
Milenia Tower, Singapore 039192
Tel. : +65 6432.0348
Fax. : +65 6883 0338

Name and Address of Rating Agency

PT Pemeringkat Efek Indonesia
Panin Tower Senayan City 17th floor
Jl. Asia Afrika lot 19, Jakarta 10270, Indonesia
Tel. : +62 21 7278 2380
Fax. : +62 21 7278 2370

Standard & Poors
Corporate Ratings, Standard & Poor's Rating Services,
Crisil House, Central Avenue Road, Hiranandani Business
Park, Powai, Mumbai - 400 076

Moodys
Moody's Investors Service
50 Raffles Place #23-06
Singapore Land Tower, Singapore, 048623
www.moodys.com

PT Fitch Ratings Indonesia
Prudential Tower 20th Floor
Jl. Jend. Sudirman Kav. 79, Jakarta Selatan 12910, Indonesia
Tel: +62 21 5795 7755
Fax: +62 21 5795 7750
www.fitchratings.com

Annual General Meeting of Shareholders

Indosat 2011 Annual General Meeting of Shareholders will be held in May 14, 2012.

Subsidiary Companies

As of December 31, 2011

PT Aplikanusa Lintasarta ("Lintasarta")
Indosat holds of 72.36% the shares in Lintasarta, which provides high-speed communication and corporate network services.
Address: Gedung Menara Thamrin Fl.12
Jl. M.H. Thamrin Kav.3 Jakarta 10250
Phone : (62-21) 230 2345
Fax. : (62-21) 230 3883
Website : http://www.lintasarta.net
Contact person: Lista Dewi Soegiharto,General Manager Corporate Secretary
Phone : (62-21) 230 2345
Email : lista.dewi@lintasarta.co.id

PT Indosat Mega Media ("IMM")
Indosat hold 99.85% of its shares in IMM , which provides multimedia and internet services which include IP -based multimedia, Internet, and IP-based LAN & WAN network communications services.
Address: Jl. Kebagusan Raya No. 36Pasar Minggu, Jakarta 12550
Contact person: Andri Aslan,Head of Corporate Secretary
Phone : (62) 855 1082101, (62-21) 7854 6969, ext. 103.
Email : andri.aslan@indosatm2.com

Indosat Finance Company B. V. ("IFB")
IFB was established in Amsterdam, the Netherlands, in October 2003 and operates as a financing company. Indosat holds 100% of the shares in this company. In 2003, IFB issued guaranteed notes which are due in 2010.
Address: Netherlands Prins Bernhardplein 2001097 JB Amsterdam, The Netherlands
Phone : (31-20) 521 4777
Fax. : (31-20) 521 4888
post address: P.O. Box 9901000 AZ Amsterdam
The Netherlands
Contact person: Gert Jan van Nieuwpoort,Financial Account Manager
Phone : (31-20) 521 4830
Fax. : (31-20) 521 4825
Email: gertjan.van.nieuwpoort@intertrustgroup.com

Indosat International Finance Company B. V. ("IIFB")
IIFB was incorporated in Amsterdam, the Netherlands, in April 2005 and operates as a financing company. Indosat holds 100% of the shares in this company. In 2005, IIFB issued guaranteed notes which are due in 2012.
Address: Netherlands Prins Bernhardplein 2001097 JB Amsterdam, The Netherlands
Phone : (31-20) 521 4777
Fax. : (31-20) 521 4888
post address : P.O. Box 990, 1000 AZ Amsterdam,
The Netherlands
Contact person: Gert Jan van Nieuwpoort,
Financial Account Manager
Phone : (31-20) 521 4830
Fax. : (31-20) 521 4825
Email : gertjan.van.nieuwpoort@intertrustgroup.com

Indosat Singapore Pte. Ltd ("ISPL")
ISP was established in Singapore on 21 December 2005. ISP is whollyowned by Indosat. This company provides telecommunications services. Indosat holds 100% of the shares in this company.
Address: 8 Temasek Boulevard,
Suntec City Tower 3, #15-05
Singapore 038988
Phone : (65) 62355155
Fax. : (65) 63374838
Contact person: Fuad Fachroeddin
Email : info@indosat.com.sg

PT Star One Mitra Telekomunikasi ("SMT")
SMT was established on 15 June 2006 to support the construction and operation of fixed wireless access network using Code Division Multiple Access (CDMA) 2000-1x technology in Central Java and its surrounding area. Indosat holds 72.54% of the shares in this company.
Address: Gedung Grinatha Fl. 1
Jl. Pemuda No. 142, Semarang 50132
Phone : (62-21) 62355155
Fax. : (62-24) 3560806
Contact person: Ariehte Miranda
Email : ariehte.miranda@ptsmt.com

Indosat Palapa Company B.V. ("IPBV")
IPBV was established in Amsterdam, the Netherlands, in April 28, 2010 and operates as a financing company. Indosat holds 100% of the shares in this company. In 2010, IPBV issued guaranteed notes which are due in 2010.
Address: Jan Luijkenstraat 12,
1071 CM Amsterdam The Netherlands
Phone : (31) 20 890 6931
Fax. : (31) 20 890 6930
Contact person: John Peter van Leeuwen
Email : john@indosatpalapaco.com;
info@indosatpalapaco.com

BAPEPAM-LK No. X.K.6 Cross Reference

	Criteria & Description	Pages
I. General		
1	Written in good and correct Indonesian, and it is recommended to present the report in English as well.	✓
2.	Printed with good quality, using readable type and size of font.	✓
3.	Corporate identity should be stated clearly. Company name and year of annual report on: **1.** Front cover **2.** Side cover **3.** Back cover **4.** Every page	✓
4.	Posted in the Company's website	✓
II. Financial Highlights		
1.	Financial information in comparative form over a period of five financial years or since operation commence date if company has been operational less than five years. Information covers at least: 1. Sales/operating income 2. Profit (loss) 3. Comprehensive total profit (loss) 4. Profit (loss) per share	12-13
2.	Financial information in comparative form over a period of five financial years or since operation commencement date if company has been operational less than five years. Information includes: 1. Net working capital 2. Total investment in other entities 3. Total assets 4. Total liabilities 5. Total equity	12-13
3.	Financial ratios in comparative form over a period of five financial years or since operation commencement date if company has been operational less than five years. Information includes five general ratios that are relevant to company's business	12
4.	Information on share prices in tables and graphs. Information in tables and graphs depicts: **1.** Highest share price **2.** Lowest share price **3.** Closing share price **4.** Share transaction volume for every quarter in the last two financial years (if any)	16-17
5.	Information on total bonds, sukuk or convertible bonds outstanding in the last two financial years. Information describes: 1. Total outstanding bonds/sukuk/convertible bonds 2. Coupon rate 3. Maturity date 4. Bond/sukuk rating	16
III. Board of Commissioners and Directors Report		
1.	Board of Commissioners Report Information includes: 1. Evaluation of Board of Directors performance 2. Review of business prospects stated by Board of Directors 3. Committees under Board of Commissioners 4. Changes in Board of Commissioners composition (if any)	30-33

Criteria & Description		Pages
2.	Board of Directors Report Contains the following information: 1. Analysis of company performance: strategic policy, comparison of result and target, problems facing the company 2. Business prospects 3. Good corporate governance practice 4. Changes in Board of Directors composition (if any)	36-40
3.	Signatures of Board of Commissioners and Board of Directors members Provides the following information: 1. Signatures are printed on a separate sheet 2. Statement of Board of Commissioners and Board of Directors that they are fully responsible for the validity of annual report 3. Signatures, names and positions of all members of Board of Commissioners and Board of Directors 4. Separate written statement of any member of Board of Commissioners or Board of Directors not signing the report, or separate written statement of other members in case there is no explanation from the member who does not sign the report.	173
IV.	**Corporate Profile**	
1	Name and address Information includes name, address, postal code, telephone and/or fax number(s), e-mail and website	Inside Front Cover, 24, Back Cover
2.	Brief history Description includes date of establishment, name and change of name (if any)	26-27
3.	Line of business Description regarding: 1. Line of business in accordance with articles of association 2. Products or services provided	28-29, 44-53
4.	Organization structure In the form of chart, depicting names and positions	308-309
5.	Vision and mission Elaborates on: 1. Corporate vision and mission 2. Statement that corporate vision and mission are approved by Board of Directors/Board of Commissioners	25 --
6.	Identity and brief curriculum.vitae of Board of Commissioners members Information includes: 1. Name 2. Position (incl. position in any other company or institution) 3. Age 4. Education 5. Working experience 6. Date of first appointment as member of Board of Commssioners	302-303
7.	Identity and brief curriculum.vitae of Board of Directors members Information includes: 1. Name 2. Position (incl. position in any other company or institution) 3. Age 4. Education 5. Working experience 6. Date of first appointment as member of Board of Directors	304-305
8.	Total employees (two-year comparison) and description of potential development (e.g. education and training) Information describes: 1. Number of employees in each organization level 2. Number of employees in each education level 3. Accomplished training reflecting equal opportunity for all employees 4. Total costs incurred	14, 54-57
9.	Shareholding composition Information includes among other things: 1. Name of shareholders owning 5% or more ownership 2. Directors and Commissioners owning shares 3. Public shareholders each owning less than 5% and the percentage of their ownership	17, 89, 310 79 (Note 23) in Financial Statement

Criteria & Description		Pages
10.	Subsidiaries and/or affiliates Information contains at least: 1. Name of subsidiaries/affiliates 2. Percentage of share ownership 3. Core business of subsidiaries/affiliates 4. Operating status of subsidiaries/affiliates (operational or non-operational)	24, 311 15 of Financial Statement
11.	Share listing chronology Information describes at least: 1. Share listing chronology 2. Corporate action affecting total number of shares 3. Changes of share total number from initial listing to end of financial year 4. Name of bourse(s) where company shares are listed	310 14 of the Financial Statements
12.	Other securities listing chronology Description includes among other things: 1. Other securities listing chronology 2. Corporate action affecting total number of other securities 3. Changes of securities total number from initial listing to end of financial year 4. Name of bourse(s) where securities are listed 5. Securities rating	16, 310
13.	Name & address of capital market institutions and professionals Information with regard to: 1. Name & address of Share Registrar 2. Name & address of Public Accountant Office 3. Name & address of Rating Agency	310
14.	Awards and/or certifications received by company at national and international level Information includes: 1. Name of awards and/or certifications 2. Year of awards and/or certifications presentation 3. Name of institution presenting awards and/or certifications 4. Validity period (for certifications)	18-19
15.	Name and address of subsidiaries or branches or representative offices (if any)	311
V. Management Discussion and Analysis		
1.	Review of business operations per business segment Contains information on: 1. Production or business activity 2. Increase/decrease of production capacity 3. Sales/operating income 4. Profitability of each business segment presented in financial statement, if any	135-174
2.	Description of financial performance Comparative financial analysis of current and previous years (in narration and table), covering: 1. Current assets, non-current assets, total assets 2. Current liabilities, non-current liabilities, total liabilities 3. Sales/operating income, expenses and profit (loss) 4. Other comprehensive income, and total comprehensive profit (loss) 5. Cash flow	12-13, 135-171
3.	Discussion and analysis of debt service ratio and turnover rate Explanation on: 1. Long-term or short-term debt service ratio 2. Loan turnover rate	154-155 113 (Note 37b) in Financial Statement
4.	Discussion of capital structure and capital structure policy Explanation on: 1. Capital structure 2. Capital structure policy	154, 113 (Note 37b) in Financial Statement
5.	Material commitment in capital expenditure Description of: 1. Purpose of commitment 2. Funding sources to honor commitment 3. Currency 4. Action plans to hedge foreign currency risks Note: if company has no commitment in capital expenditure, it should be stated	113, 129, 139, 150, 152, 166-168, 69-75 (Note 20) in Financial Statement

	Criteria & Description	Pages
6.	If financial statement discloses material increase or decrease in net sales/income, discussion of the extent of such changes if related to total goods or services sold, and whether or not there are new goods or services. Explanation on: 1. Amount of increase/decrease of net sales/income 2. Causes of material increase/decrease of net sales/income related to total goods/services sold, and whether there are new goods/services.	135-171
7.	Discussion of effect of price changes on net sales/income and profit for two years or since the company's commencement date if company has been operational less than two years. State whether or not there is such information disclosure.	135-171
8.	Material information and fact subsequent to date of accountant report Description of significant events subsequent to accountant report including the effects on company's future performance and business risk. Note: if there is no significant event subsequent to accountant report, state so.	113-114 (Note 38) in Financial Statements
9.	Description of company business prospects Description of business prospects in relation to industry and general economic condition, with supporting quantitative data from reliable sources	33-40
10.	Description of marketing aspect Description of marketing of products and/or services, covering marketing strategy and market share of the company	32, 38, 44--53
11.	Description of dividend policy, total cash dividend per share and total dividend per year declared and paid for the past two financial years Description includes: 1. Total dividend 2. Total dividend per share 2. Payout ratio for each year Note: if no dividend is paid, state the reason.	14, 16, 166, 94 (Note 31) of Financial Statement
12.	Application of public offering proceeds (if company is still required to make such report) Description of the following: 1. Total fund acquired 2. Proposed application of fund 3. Detail of fund application 4. Balance of fund 5. Date of GMS approval for revised fund application, if any	--
13.	Material information on investment, expansion, divestment, acquisition or debt/capital restructuring Information on the following: 1. Purpose of transaction 2. Value of transaction or restructuring 3. Source(s) of fund Note: if there is no such transaction, state so.	135-171
14.	Information on material transaction involving conflict of interest and/or transaction with affiliated parties Description of the following: 1. Name of party making transaction and nature of affiliation 2. Explanation on transaction fairness 3. Reason for making transaction 4. Realized transaction in current period 5. Company policy in relation to mechanism of transaction review 6. Compliance with related rules and regulations Note: if there is no such transaction, state so	123 95-98 (Note 31) of Financial Statements
15.	Description of changes in laws and regulations significantly affecting the company Describe changes in government policy and the effects on the company Note: if there are no significant changes in laws and regulations, state so	102-103 (Note 34) of Financial Statements
16.	Description of changes in accounting policies Describe changes in accounting policies, reasons and effects on financial statement	168-170, 115-117 (Note 39&40) in Financial Statements

Criteria & Description		Pages
VI.	Corporate Governance	
1.	Description of Board of Commissioners Description contains: 1. Board of Commissioners responsibility 2. Procedures of fixing remuneration 3. Remuneration structure showing remuneration components and nominal amount per component for each member of Board of Commissioners 4. Frequency and attendance rate of Board of Commissioners meeting 5. Training program for enhancing Board of Commissioners' competence	73-74
2.	Description of Board of Directors Description include: 1. Scope of duty and responsibility of each member of Board of Directors 2. Frequency of Board of Directors meeting 3. Attendance rate of Board of Directors meeting 4. Training program for enhancing Board of Directors' competence	74-78
3.	Assessment of members of Board of Commissioners and Board of Directors Description with regard to: 1. Assessment process of Board of Commissioners and Board of Directors performance 2. Assessment criteria of Board of Commissioners and Board of Directors performance 3. Name of party making the assessment	76-77, 97, 133
4.	Description of remuneration policy for Board of Directors Description includes: 1. Procedures of fixing remuneration 2. Remuneration structure showing type and amount of short-term, long-term and post-employment benefits for each member of Board of Directors 3. Performance indicator of Board of Directors	79, 97
5.	Audit Committee Information includes: 1. Name and position of members 2. Qualification and experience of members 3. Independence of members 4. Duty and responsibility 5. Activity report 6. Audit Committee meeting frequency and attendance rate	92, 307
6.	Nomination Committee Description includes: 1. Name, position, brief curriculum vitae of members 2. Independence of members 3. Duty and responsibility 4. Activity report 5. Nomination Committee meeting frequency and attendance rate	76, 79
7.	Remuneration Committee Description includes: 1. Name, position, brief curriculum vitae of members 2. Independence of members 3. Duty and responsibility 4. Activity report 5. Remuneration Committee meeting frequency and attendance rate	79, 97
8.	Other Committees under Board of Commissioners Information covers at least: 1. Name, position, brief curriculum vitae of members 2. Independence of members 3. Duty and responsibility 4. Activity report 5. Other Committees meeting frequency and attendance rate	78-79
9.	Job and function of Corporate Secretary Description includes: 1. Name and brief curriculum vitae of Corporate Secretary 2. Activity report	87-88

Criteria & Description		Pages
10.	Internal Audit Unit Description of: 1. Name of head of internal audit unit 2. Total employees of internal audit unit 3. Professional internal audit qualification/certification 4. Structure and position of internal audit unit 5. Activity report 6. Party appointing/terminating head of internal audit unit	81-82
11.	Accountant Information on: 1. Number of periods accountant has audited company's annual financial statements 2. Number of periods public accountant office has audited company's annual financial statements 3. Amount of audit fee and other attestation fees (if accountant provides attestation concurrently with audit) 4. Other accountant services besides financial audit	83
12.	Description of company's risk management Description includes: 1. Risk management system 2. Evaluation of effectiveness of risk management system 3. Risks facing the company 4. Efforts to manage such risks	78, 81, 96, 98-133, 113-108 (Note 37) in the Financial Statement
13.	Description of internal control system Information includes: 1. Brief report on internal control system 2. Evaluation of effectiveness of internal control system	39, 81-82, 92-94, 131-133
14.	Description of corporate social responsibility related to environment Description includes information on: 1. Policy 2. Activities 3. Financial effect of environmental program activities, such as usage of recyclable material and eco-friendly energy, waste treatment system, etc. 4. Environmental certification owned by the Company	60-61, 62-65, 320-332 in Sustainability Report
15.	Description of corporate social responsibility related to employment, work safety and health Information includes: 1. Policy 2. Activities 3. Financial effect of these activities in relation to employment, work safety and health, gender equality and equal opportunity, working facilities, employee turnover, work-related accident rate, training, etc.	54-57, 62-65, 320-332 in Sustainability Report
16.	Description of corporate social responsibility related to social and community development Information includes: 1. Policy 2. Activities 3. Financial effect of these activities, such as hiring local people, empowering neighboring community, improving social facilities and infrastructure, making financial contribution, etc.	8, 62-65, 320-332 in Sustainability Report
17.	Description of corporate social responsibility in relation to customer Information covers: 1. Policy 2. Activities 3. Financial effect of these activities in relation to customer's safety and health, product information, means of handling customer complaints, total number of customer complaints settled, etc.	23, 32, 38, 43-53, 62-65, 320-332 in Sustainability Report
18.	Description of significant cases faced by the company, subsidiaries, incumbent members of Board of Directors and Board of Commissioners Description includes: 1. Subject of cases/claims 2. Status of cases/claims settlement 3. Effects on company's financial condition Note: if there is no significant case, state so	83-86

Criteria & Description		Pages
19.	Public access to corporate data and information Elaboration on availability of public access to corporate data and information, through website, mass media, mailing list, bulletin, analyst meeting, etc.	88
20.	Discussion of code of conduct Discussion includes: 1. The establishment of code of conduct 2. Content of code of conduct 3. Statement that code of conduct is applicable to all organization levels 4. Efforts to implement and enforce code of conduct 5. Statement of corporate culture	87
21.	Elaboration on whistle-blowing system Elaboration on whistle-blowing mechanism: 1. Method of reporting 2. Protection of whistle-blower 3. Handling of reports 4. Party that handles reports	87
VII.	Financial Information	
1.	Statement of Board of Directors regarding its responsibility of financial statement In conformity with Bapepam-LK regulation No. VIII.G.11 on Board of Directors Responsibility of Financial Statement	174
2.	Independent auditor's opinion on financial statement	Opening Page of Financial Report
3.	Description of independent auditor in opinion Description contains: 1. Name and signature 2. Date of audited report 3. License number of Public Accountant Office and license number of Public Accountant	Opening Page of Financial Report
4.	Full financial statement Contains all financial statement elements: 1. Balance sheet 2. Comprehensive income statement 3. Changes in equity report 4. Cash flow report 5. Notes to financial statement 6. Financial statement at the beginning of comparative periods when the company implements accounting policy retrospectively or restates financial statement accounts, or reclassifies financial statement accounts (if applicable).	Financial Statement
5.	Disclosure in notes to financial statement when the company implements accounting policy retrospectively or restates financial statement accounts, or reclassifies financial statement accounts State whether or not there is disclosure according to SFAS	116-117 of Financial Statement
6.	Comparison of profitability ratio Comparison of current and previous year profit (loss)	12
7.	Presentation of cash flow report In compliance with the following: 1. Classification of activities in three categories: operating, investing and financing activities 2. Usage of direct method in reporting cash flow from operating activities 3. Separate presentation of cash income/expense in current year in operating, investing and financing activities 4. Disclosure of non-cash activities in notes to financial statement	150-151
8.	Description of accounting policy Description contains at least: 1. Statement of compliance with SFAS 2. Basis of financial statement measurement and presentation 3. Recognition of income and expense 4. Fixed assets 5. Financial instruments	16-34 (Note 2) of Financial Statement
9.	Disclosure of related-party transactions Items to be disclosed include: 1. Name of related parties, nature of relationship to related parties 2. Value of transactions and percentage to relevant total income and expense 3. Transaction balance and percentage to total assets or liabilities 4. Terms and conditions of related-party transactions	153-155 34, 90-99 (Note 30) in Financial Statement

Criteria & Description	Pages
10. Disclosure of tax obligations Items to be disclosed include: 1. Relation between tax expense (income) and accounting profit 2. Reconciliation between fiscal and current tax assessment 3. Statement that reconciled taxable profit is the basis of making corporate annual income tax return 4. Breakdown of deferred tax assets and liabilities recognized in balance sheet for each period and total deferred tax expense (income) recognized in income statement if such amount is not shown in total deferred tax assets or liabilities recognized in financial statement 5. Statement whether or not there is any tax dispute	144 33-34, 54 (Note 16) in Financial Statements
11. Disclosure of fixed assets Items to be disclosed: 1. Depreciation method applied 2. Description of accounting policy adopted between fair value model and cost model 3. Significant method and assumption adopted in estimating fair value of fixed assets (revaluation model) or disclosure of fair value of fixed assets (cost model) 4. Reconciliation of recorded gross amount and cumulative depreciation of fixed assets at beginning and at end of period by showing addition, reduction and reclassification	143 21, 45 (Note 8) in Financial Statements
12. The latest financial accounting standards (FAS) and other regulations Description of issued but not effective FAS or regulations that are not applied by the company, disclosing: 1. Type and effective date of the new FAS or regulations 2. Nature of the ineffective changes of accounting policy 3. Effect of initial implementation of the new FAS or regulations on financial statement	115-117 (Notes 39, 40) in Financial Statement
13. Disclosure of financial instruments Items to be disclosed include: 1. Accounting requirements, conditions and policies for each group of financial instruments 2. Classification of financial instruments 3. Fair value of each group of financial instruments 4. Risks related to financial instruments: market risks, credit risks and liquidity risks 5. Purpose and policy of financial risk management	126-129 16-26 (Note 2), 108-113 (Note 37) in Financial Statement
14. Publication of financial statement Items to be disclosed include: 1. Date of authorization for financial statement publication 2. Party responsible for authorizing financial statement	- 16 of the Financial Report

Sustainability Report

Introduction: Sustainability Commitment

Indosat takes seriously its commitments as a sustainable responsible business. We are committed to uphold the highest standards in corporate governance practices, to abide by the 10 Principles of the UN Global Compact, and to contribute positively to communities and the environment. We realize these commitments by running a sound, profitable and growing business, even as we strive to share the benefits of such growth together with our stakeholders, including shareholders, customers, employees, business partners, communities and the environment.

FOREWORD

Looking back, 2011 was a year filled with challenges and changes for Indosat. We are pleased to report that these changes have brought us closer to achieving our goal of being a strongly sustainable and socially responsible business.

Progress was made in all areas over the year, from strengthened financial fundamentals to improved customer service, better dealer and supplier relationships, ongoing employee training, further steps taken to become more eco-friendly, and community contributions through our Corporate Social Responsibility (CSR) programs, which won a total of six awards during the year. Notable CSR achievements included the 6th annual Indosat Wireless Innovation Application Contest and expansion of Indosat Mobile Health Clinic activities. Taken together, these achievements will enable Indosat to deliver more value to stakeholders and shareholders, in line with our commitment to sustainable operations – a commitment that lies at the core of our vision and mission.

Our approach, framework, and achievements in 2011 with regard to sustainability are consequently laid out and documented in this Sustainability Report. Although our reporting framework is still a work in progress, we have continued to develop our reporting with reference to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, an effort which gained us “First Runner Up for Best Sustainability Report on Website” by the Indonesia Sustainability Report Award (ISRA) 2011.

It is our great hope that this report will serve as a starting point to prompt more dialogue and engagement from stakeholders as to how Indosat can responsibly share the benefits of our growth together with our stakeholders, including shareholders, customers, employees, business partners, communities and the environment.

PROFILE & BACKGROUND

Since being established in 1967, PT Indosat Tbk (Indosat) has been a leading telecommunications provider in Indonesia in both technological innovation and social responsibility. Our commitment to sustainable operations and social responsibility is reflected by our Vision & Mission and Corporate Values and Code of Conduct which are outlined in the appended Annual Report.

Since then, we have striven to increase our contribution to all stakeholders and shareholders with tangible results. Among others, Indosat was one of the first signatories of the UN Global Compact in Indonesia, and Indosat is also one of the few companies in Indonesia that has achieved Sarbanes-Oxley (SOX) 404 compliance.

UN Global Compact Signatory

Since 2006, we have supported the United Nations (UN) initiative called the UN Global Compact, including committing to implement its 10 Principles of ethical behavior in the areas of human rights, labor, the environment, and anti-corruption. As part of this commitment, we routinely submit a 'communication on progress' each May to the UN Global Compact, to coincide with the publication of our Sustainability Report. In 2009, Indosat subsequently joined the Indonesian Global Compact Network (IGCN).

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values as follows:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

SUSTAINABILITY FRAMEWORK

Indosat's comprehensive approach to sustainability is based on the 3P triple bottom line, in which "3P" stands for Profit, People, Planet. This 3P bottom line represents a comprehensive spectrum of values and criteria for measuring economic, social and ecological impacts, and are further broken down into ten principles, seven pillars and five focus areas.

10 Principles, 7 pillars, 5 Focus Areas

Specifically, Indosat implements its sustainability initiatives comprehensively based on the ten principles of social responsibilities as outlined in the UN Global Compact, and on the seven pillars of the ISP 26000 Social Responsibility Guidelines.

Ten principles of social responsibility: legal compliance, respect for internationally recognized instruments, recognition of stakeholders and their concerns, accountability, transparency, sustainable development, ethical conduct, precautionary approach, respect for fundamental human rights, respect of diversity.

Seven pillars of ISO 26000: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, social development.

Five focus areas: Of the seven ISO 26000 pillars, five have been selected by the Indosat CSR Committee to be pillars of Indosat's Social Responsibility programs, namely: Consumer Issues, Community Involvement, Organizational Governance, Labor Practices, and Environment.

These initiatives are further carried out with reference to the Good Corporate Governance principles of transparency, accountability, responsibility, interdependence and fairness, and through our CSR program.

Implementation through CSR and Corporate Strategy

At Indosat, 3P concerns are holistically addressed through longstanding corporate social responsibility (CSR) programs and embedded in our corporate business strategy, in the following areas for

- financial performance and long term value
- Good Corporate Governance (GCG)
- Corporate Social Responsibility (CSR)
- workplace talent & culture
- delivering on promises to customers
- regulatory compliance
- commercial management.

PERFORMANCE & ACHIEVEMENTS 2011

Driven by a commitment to long term sustainability and social responsibility, starting in 2009 a company-wide transformation began that aimed to make Indosat more competitive in the market and deepen the Company's ability to deliver greater value to all stakeholders. The changes made under this transformation improved and strengthened Indosat's financial position while supporting continued growth in a responsible manner. At the end of 2011, Indosat showed the following achievements among others

- **Increased shareholder value:** Indosat existed the year with improved profitability, more efficient asset utilization, and better free cash flow for a fundamentally stronger portfolio.

- **Delivered value to customers:** Our QoS (Quality of Service) report for 2011 demonstrated that Indosat's delivery of services for voice, SMS and data was above the averages established by the regulator. Among others, Indosat achieving a 99.64% score for handled customer complaints compared with the 85% minimum, and scored 99.11% for short messages that were successfully sent compared with the 75% minimum requirement. In response, subscriber numbers increased by 16.8% over 2010 to reach 51.7 million.

- **Developed our human resources:** Besides providing a supportive work atmosphere, ongoing training initiatives were provided for employees to develop their skills and motivation. For more information, please refer to the Human Resources section of the appended Annual Report.

- **Stimulated local economy:** Indosat stimulated job creation and assisted knowledge transfer in a number of ways, including through Corporate Social Responsibility education programs but also by sourcing a high percentage of manufacturing components locally. Our Domestic Component Rate *(Tingkat Komponen Dalam Negeri, TKDN)* reached 39.6% in 2011.

- **Engaged with partners:** Relationships with partners were nurtured among others through streamlining of procurement procedures in the case of suppliers, more appropriate KPI (Key Performance Indicators) for dealers, and embedding Indosat products with various device makers.

- Decreased fossil fuel consumption: Green initiatives such as use of eco-friendly fluidic batteries helped to decrease our carbon footprint.

- Gave back to the community: Our CSR initiatives assisted more beneficiaries than ever, particularly our long-running education and medical assistance programs.

2011 Performance Snapshot

	2010	2011
Financials		
Revenue	19,796.5	20,576.9
Net Profit Margin	3.27	4.06
ROE	3.61	4.61
ROA	1.20	1.59
Customers		
Subscribers (million)	44.3	51.7
Network		
BTS (2G & 3G)	18,108	19,253
Employees		
Average training funds/employee (Rp millions)	3.3	3.6
Local Economy Support		
Level of Domestic Components (TKDN)	30.21%	39.7%
Environment		
Number of trees planted		43,000
Community		
Total funds (Rp)	13.0 billion	10.6 billion

For more information on Indosat's financial and operational performance, please refer to the appended Annual Report.

INDOSAT CSR PROGRAM OVERVIEW:
Creating a Better Indonesia

> Indosat's stated CSR goal is to grow, to comply with laws and regulations and to care for the community

Facing the enormity of education, health, and environmental problems as well as the challenges faced by Indonesian people in general, Indosat's actions are a significant step towards a better future. The programs that we have implemented will continue to be run and their quality improved. All CSR programs undertaken by Indosat will be evaluated periodically to verify that such programs are truly providing value to communities and to the Indonesian people in keeping with Indosat's CSR goals.

Programs

As part of becoming a sustainable business, Indosat has developed comprehensive Corporate Social Responsibility (CSR) programs, reflecting our commitment towards helping to realize Indonesia's potential. Our commitment is implemented through a number of activity programs in the area of education (Indonesia Belajar), healthcare (Indonesia Sehat), channeling funds for social charities (Berbagi Bersama), disaster relief (Indosat Peduli), and environment preservation (Indonesia Hijau).

Oversight

To ensure proper implementation of our CSR initiatives in a responsible, ethical and effective manner, a CSR Committee was established by the Board of Directors (BOD) in 2009. Comprising members of the Directors and Group Head personnel, the CSR Committee is responsible for guiding, leading and assessing our CSR activities.

Funding

Indosat committed Rp 10.6 billion specifically for CSR programs during 2011, or equivalent to 1.6% of net 2010 income. This represented a percentage increase over 2010, in which 0.86% of net income was allocated for CSR activities.

PERCENTAGE ALLOCATION BY PROGRAM (%)

CSR PROGRAM ACTIVITIES 2011

A. EDUCATION: INDONESIA BELAJAR

Through the Indonesia Belajar program, Indosat participates in developing the smart young generation that we all hope for. By making multimedia available to schools, innovation competitions, scholarship programs, teacher training and other school activities.

- **Indosat Wireless Innovation Application Contest (IWIC)**

  The IWIC is an initiative to promote innovation among the young generation in the development of wireless applications that have practical benefits in terms of daily activities in business, education or social life. In 2011, Indosat successfully held the 6th IWIC event, with the theme "Innovations in Applications towards Realizing Entrepreneurship" *(Inovasi Aplikasi untuk Wujudkan Enterpreneurship).*

  Since its start in 2006, the IWIC competition has generated almost 2,000 entries in wireless applications, some of which have been developed further by Indosat into practical and useful applications for public use, such as the SMS ZIP application that was the winning entry in IWIC 2006.

  A new category was created in 2011, namely 'Mother and Child,' to support the the Ministry of ICT program called "Internet Sehat" ("Health Internet"). This category was open to applications that supported learning for mothers and children in various areas such as health, education, hobbies and more. In parallel, supporting the 2011 SEA Games in which Indosat was the official Prestige Partner for Telecommunications, the Sports category was opened to applications related to activities and information in the world of sports using wireless technology.

Awards

IWIC continued to win various awards including:

- Selular Award 2011 for 'The Best CSR Program'
- Indonesia Cellular Award 2011 for 'The Best CSR Program'
- Golden Ring Award for 'The Best CSR Program'
- TechLife Innovative Award 2011 for 'Operator – Best Innovative CSR Program'

- **Indosat Innovation Lab**

In order to promote greater creativity and innovation in wireless technology among the younger generation, Indosat created the first Indosat Innovation Lab to function as a forum for discussions and sharing as well as for practical experiments by young aspiring applications developers in the development of applications based on various wireless operating systems currently in the market. The first Indosat Innovation Lab was established in 2010 at the Indosat Headquarters in Jakarta, with a focus on BlackBerry development.

2011 Activity

The ITB Innovation Lab supported by Indosat was established on the Bandung Institute of Technology campus with a focus on Android development. This research lab is suitable for undergraduate and post graduate studies including research into Tablet Applications, and is integrated with the ITB's Institute for the Development of Innovation and Entrepreneurship. It is supported by a campus wide 42Mbps HSPA+ network and a Lab LTE 100Mbps network as well as network APIs. Furthermore, lab training programs are provided as well as scholarship and work experience opportunities.

"

IWIC is not just a programming competition with prizes attached, it's also a forum that challenges young Indonesians to compete creatively in building applications that are not only beneficial but also have a commercial value. As developers we learned a lot from the input given by the jury, other competition participants, and the challenges that we were given. We are certain that IWIC has an important role in fostering talented and able local developers.

Sandy Marly Colondam

1st Place Winner, IWIC 2011

Category: Sports

- **Indosat Cyber School (ICS)**

Through ICS, Indosat provides donations of personal computers, broadband Internet connection, multimedia projectors and educational software to schools, in order to assist with the teaching of science while at the same time encouraging greater interest among students towards the study of science in schools.

2011 Activity

Indosat donated 50 ICS packages to 50 high schools *(Sekolah Menengah Umum)* Cyber Schools schools worth a total of Rp1,705,000,000, or Rp34.1million per school. The packages included Indosat broadband, laptops, multimedia equipment, Science Software Multimedia, and 3 days training in four regions. This brings the total number of Indosat Cyber Schools to 153.

These and past activities have helped to create various student communities and produce benefits for community members.

Year	New schools	Total schools
2009	103	103
2010	0 (existing schools maintained)	103
2011	50	153

"Learning physics is fun especially with the aid of the cyber school program from Indosat, which has really helped us to study physics by making it easier and more enjoyable. We hope that Indosat will bring this to other schools who do not have this program.

Annisa Ayuningtyas

7th grader, SMUN 3 Semarang

- **Competency Development of Science and Math Teachers**

Recognizing the importance of competent teachers in the educational system, Indosat actively supports the development of teaching competencies in physics, chemistry, biology and mathematics in high schools. Since 2006, Indosat has conducted a series of Workshops for Competencies Development of Science and Math Teachers in cooperation with leading higher education institutions in Indonesia.

2011 Activites

Training was held by Indosat in Padang for 76 teachers from 13 schools located in 4 provinces, namely West Sumatera, Riau, North Sumatera, Jambi dan South Sumatera. In addition, a website was developed that will host training modules, in hopes of benefiting the general public.

"I felt truly happy as this is the first time that I have attended such a program. The materials I have received were very helpful and helped me improve my teaching. I hope that this program can be continued and brought to other provinces, so that this program can expand.

Desi Christina Sianturi
SMA 3, Medan

- **Model Elementary Schools in Nanggroe Aceh Darussalam**

Since 2006, Indosat has contributed to the construction and operations of two elementary schools as part of the post-tsunami rehabilitation program in Nangroe Aceh Darussalam (NAD), namely Sekolah Dasar Unggulan (SDU) Iqro in Sigli and Sekolah Dasar Islam Terpadu (SDIT) Nurul Fikri in Aceh Besar.

2011 Activities

In the sixth year of the program's existence, SDU and SDIT were each given Rp200 million in assistance as well as 15 computer sets and internet connection. Both schools are now equipped with classrooms, a computer room, a library and a workshop that issued as a classroom for practical training such as mechanical training and other activities. Various entrepreneurship activities are also carried out such as fish farming, and sales of Indosat products through SEV (Electronic Voucher System).

A total of 136 students graduated in 2011, and over 800 students attended the school during the year. SDU and SDIT also won awards for its student activities, making them 'superior schools' at regency and provincial level.

"Thank God, Indosat's assistance program has truly helped the educational and learning process in our school, as the facilities and equipment they have provided have really helped to encourage learning in our school. Thank you Indosat, for your active particiation throughout this time, improving the nation's intelligence through education.

Mrs. Minawati, SE
Assistant Principle for Students, SDIT Nurul Fikri
Aceh Besar, NAD

B. HEALTH: INDONESIA SEHAT

The Indosat Sehat program has taken the form of mobile clinics since 2007 that provide health services for mothers, children and the general public.

Through the Indonesia Sehat program, Indosat pledges its support to improve the quality of health of communities in Indonesia, especially of mothers and children, primarily through the operation of Mobile Health Clinic units to provide free healthcare services to the economically disadvantaged members in the community. These Mobile Health Clinic units are operated at 16 cities to serve communities in the surrounding areas through routine and scheduled visits to designated locations. The Mobile Health Clinic units are fully equipped to provide basic healthcare assistance ranging from health and nutritional consultation, examination using ultrasound equipment, inhalation devices, medical treatment including minor surgery, free medication and nutritional food for infants, healthcare services for mother and child, and mosquito fogging.

2011 Activities

The Indosat Mobile Health Clinic celebrated its fifth year serving the Indonesian people by singing an agreement with 16 mobile health clinic to provide services together with Rumah Zakat, PKPU (Pos Keadilan Peduli Umat), BSMI (Bulan Sabit Merah Indonesia) and Dompet Dhuafa. Those 16 units Mobile Clinics served in areas of:

- North Sumatera (based in Padang and Medan)
- South Sumatera (based in Bengkulu and Lampung)
- Jabodetabek (based in Jakarta and Banten)
- West Java (based in Bandung and Tasikmalaya)
- Central Java and DIY (based in Yogyakarta and Semarang/Tegal)
- East Java (based in Surabaya and Jember)
- Kalimantan (based in Banjarmasin and Pontianak)
- Sulawesi (based in Makassar)
- Papua (based in Jayapura)

In 2011, Indosat Mobile Health Clinic served 88,354 individuals, bringing the total of individuals served since its establishment to more than 520,000 patients including mothers, children and adults all over Indonesia. The breakdown of patients served in 2011 is as follows:

	Patient Category	% of total
1	Children under 5	35%
2	Children over 5	12%
3	Adult women including expectant mothers	38%
4	Elderly patients	19%
5	Adult males	8%

Awards

The Mobile Clinic program won the Charta Peduli Indonesia 2011 award for 'Top CSR on Mobile Clinic Program' and the Runner Up MDG Award 2011 in the category of Private Sector Participant in Nutrition Programs.

"I am very happy with the free medical treatment given through the Indosat mobile clinic. It has greatly benefited us, myself included, as I first felt and saw the development of my baby through the mobile clinic's ultrasound equipment.

Thank you Indosat, hopefully this program will be continued into the future and many more mothers can experience the Indosat ultrasound program.

Mrs. Hanik – J. V. No. 18, Surabaya

C. CHARITY: BERBAGI BERSAMA

Through the Berbagi Bersama program, Indosat invites its subscribers to help through donations to help disadvantaged members of society through text messages, phone calls, and other channels.

2011 Activity

Besides the SMS Cinta Dhuafa Ramadhan program, which is held during the Eid season, Indosat carried out a Wakaf 5000 Al-Qur'an program as well as Al-Qur'an sermons in 50 mosques close to Indosat office, in 50 cities throughout Indonesia. A number of ad hoc social donations were also held at this time.

D. DISASTER RELIEF: INDOSAT PEDULI

Indosat Peduli helps the victims of disaster through disaster response programs.

2011 Activities

In January, Indosat responded to the Merapi disaster in the regencies of Sleman and Magelang, Java, by providing disaster response assistance for outlets and schools as follows:

- Giving donations and equipment worth Rp70 million from Indosat employees to 14 schools in the districts of Srumbung and Dukun, Magelang regency, and the district of Cangkringan in Selman regency to resume teaching activities as normal, faster.

- Giving working capital funds assistance to owners of 85 outlets in the Merapi disaster areas of Srumbung and Dukun district in the Magelang regency, and the districts of Pakem, Cangkringan and Turi in Sleman district. This assistance, which is hoped will assist the outlet owners to recover and improve their livelihood, took the form of electronic vouchers with a total value for Rp80 million. Indosat also gave work assistance in the form of handphones and IM3 starter packs.

The schools receiving assistance were:

1. SD Glagaharjo, Cangkringan District, Sleman Regency
2. SD Srunen, Cangkringan District, Sleman Regency
3. SD Petung, Cangkringan District, Sleman Regency
4. SD Batur, Cangkringan District, Sleman Regency
5. SD Pangukrejo, Cangkringan District, Sleman Regency
6. SD Gungan, Cangkringan District, Sleman Regency
7. SD Bronggang, Cangkringan District, Sleman Regency
8. SD Cangkringan I, Cangkringan District, Sleman Regency
9. SD Cangkringan II, Cangkringan District, Sleman Regency
10. SD Ngargomulyo, Dukun District, Magelang Regency
11. SMP I Srumbung, Srumbung District, Magelang Regency
12. SMP II Srumbung, Srumbung District, Magelang Regency
13. SMP II Dukun, Dukun District, Magelang Regency
14. SMA I Dukun, Dukun District, Magelang Regency

In addition, Indosat's majority shareholder Qtel (Qatar Telecom) donated 9 tons of basic food stuffs including rice, sugar, milk, canned food and cleaning supplies to the refugees staying at the Poloso Kerep shelter in Wukirsarl Village, Sleman. Qtel also donated a housing complex containing 92 fully furnished houses, an arterial well, and a mosque as well as infrastructure including roads, health facilities and a playgroup. for a total value of Rp8,5 billion or USD1 million.

This housing complex was constructed on 7,450 m^2 of of land that was bought by Qtel expressly for this project. Qtel owns 65% of PT Indosat shares, and is one of the biggest telecommunication companies in Indonesia.

E. ENVIRONMENT: INDONESIA HIJAU

The Indonesia Hijau (Green Indonesia) Program stems from our care and devotion in conserving the environment for future generations. A number of programs are held to support this aim, such as:

- **Planting Trees to Support the Government's Program to Plant 1 Million Trees**

2011 Activity

Between November 2010 and April 2011, Indosat succeeded in planting 43,000 trees in watershed areas of the Ciliwung, Citarum, Cisadane, Cihedeung, and Ciapus rivers, which distributed in 13 sub-districts and 1 district in the Jabodetabek and West Java areas. Not only did Indosat plant trees, but Indosat will also take responsibility together with the local community for caring for these trees in the initial stage. Later responsibility for the trees will be turned over to local residents. These efforts are part of the 1 Billion Tree Planting Program that has been laid out by the Government across the nation.

In addition, Indosat officially opened a nursery and compost making program at the Daan Mogot Indosat office which was attended by the Minister of Forestry. This program has been running since 2008 to support the Indonesia Hijau program.

Year	No. of trees planted	Area
2010-2011 (ongoing effort to reach 1 million trees)	43,000	Citarum, Cisadane, Ciapus and Cihedeung Rivers in Java and Jabodetabek
	1,000 trees	Indosat office areas in Daan Mogot, Jakarta

- **Eco-friendly BTS**

In line with Indosat's position as a leader in technology and social responsibility, and in step with the Principles 7-9 of the UN Global Compact, Indosat has implemented several eco-friendly solutions to power our BTS.

2011 Activities

Following the success of experiments to use cost-efficient batteries to replace one of the two diesel generators at each site as a backup power supply, in 2011 Indosat rolled out batteries in 760 sites. The decision was also made to install CDC (Charge-Discharger Controller) switches. The CDC work to optimize the batteries as an alternative power source in the case of a PLN blackout, extending battery life while saving fuel by decreasing the need to run the diesel generators. Roll out will continue in 2012.

Compounding the eco-friendly impact of these decisions, which by decreasing diesel fuel consumption have not only saved costs but reduced our carbon footprint, the fluidic batteries that Indosat has chosen to use in the backup generators are an eco-friendly alternative to traditional lead-acid batteries, which can produce hazardous lead poisoning if improperly disposed of. Indosat is the first telecommunications operator in the world to use fluidic batteries commercially in operations.

Disclaimer

This is the Annual Report for the year ended December 31, 2011 and prepared in accordance with Bapepam-LK Rule X.K.6 and X.K.7.

In this Annual Report, references to "Indosat", "Company", "we", "us", and "our" are to PT Indosat Tbk and its consolidated subsidiaries. All references to "Indonesia" are references to the Republic of Indonesia. All references to the "Government" herein are references to the Government of Indonesia. References to "United States" or "U.S." are to the United States of America. References to "Indonesian Rupiah" or "Rp" are to the lawful currency of Indonesia and references to "U.S. dollars" or "US $" are to the lawful currency of the United States. Certain figures (including percentages) have been rounded for convenience, and therefore indicated and actual sums, quotients, percentages and ratios may differ. Unless otherwise indicated, all financial information with respect to us has been presented in Indonesian Rupiah in accordance with Indonesian GAAP.

This Annual Report contains certain financial information and results of operations, and may also contain certain projections, plans, strategies, and objectives of Indosat, that are not statements of historical fact which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements are subject to risks and uncertainties that may cause actual events and the Company,s future results to be materially different than expected or indicated by such statements. No assurance can be given that the results anticipated by Indosat, or indicated by any such forward looking statements, will be achieved. No information herein should be reproduced without the express written permission of the Company. For updated information, please contact the Investor Relations Group at Jl. Medan Merdeka Barat No.21, Jakarta 10110, Indonesia. Tel. (62-21) 3000 3001, Fax. (62-21) 3000 3002 or E-mail: investor@indosat.com.

We are committed to communicating openly with each of our stakeholders. All stakeholders can visit our website at www.indosat.com for more information about Indosat. An online version of this document is also available at www.indosat.com.

2011 Annual Report

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