

@Lasmanah



Lasmanah

#HandicraftsFromWaste#WomanEntrepreneur#Microbusiness

Thank God, I received working capital from Indosat. It is very beneficial to my business. In the beginning I'd never used a mobile phone for transactions, through Dompetku I can make financial payments over my handphone.

Thank you Indosat for all your support of local startups! As a founder of #StartupLokal community and a mentor at Jakarta Founder Institute, we really appreciate your efforts.



@SaGad



Sanny Gaddafi

#OnlineSocialNetworkGuy

Indosat's support for WoBe through the Ideabox accelerator will help us offer mobile financial tools and services to empower low income women across Indonesia.



@skinnylatte



Adrianna Tan

#Founder&CEO#WoBe

Ideabox by Indosat gave Gogonesia dedicated support in accelerating our travel startup. The commitment and invaluable mentorship made a real difference to our success.



@MelieTjioe



Melieyana Tjioe

#GogonesiaFounder

The Indosat Wireless Innovation Contest (IWIC) is an awesome opportunity for young developers to showcase their ideas.



@sndyc



Sandy Colondam

#IWIC #winner

ENABLING A DIGITAL INDONESIA



@andyzain



Andy Zain

#Geek #RoamingDigitalWorld

Indosat's IdeaBox provides invaluable support for budding local digipreneurs.

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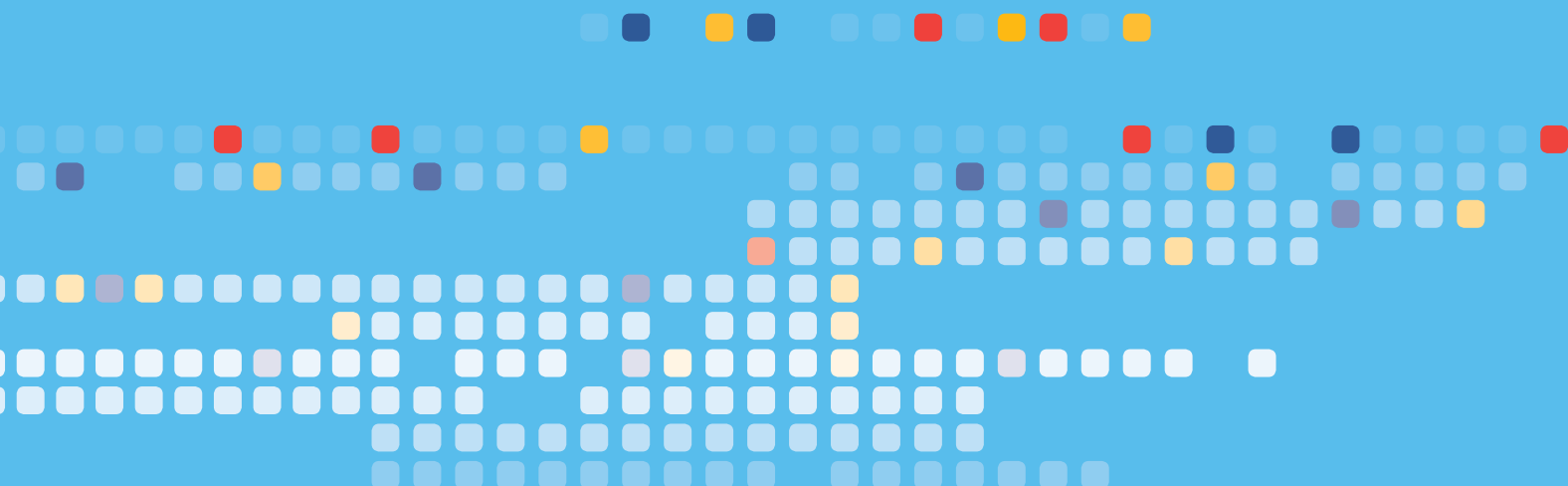
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FINANCIAL HIGHLIGHTS

STATEMENT OF COMPREHENSIVE INCOME (Rp billion)			
	2014	2013	2012
Revenues	24,085.10	23,855.27	22,418.81
Expenses	23,412.17	22,346.06	19,228.91
Operating Profit	672.93	1,509.21	3,189.90
Other Expenses-Net	(2,608.83)	(4,843.05)	(2,728.28)
Profit (Loss) before Income Tax	(1,935.90)	(3,333.84)	461.62
Income Tax Benefit - Net	77.88	667.38	25.80
Profit (Loss) for the Year	(1,858.02)	(2,666.46)	487.42
Profit for the Year Attributable to Non-Controlling Interests	129.15	115.54	112.31
Profit (Loss) for The Year Attributable to Owners of the Company	(1,987.17)	(2,782.00)	375.11
Shares Outstanding (in million of shares)	5,433.93	5,433.93	5,433.93
Basic Earnings (Loss) per Share Attributable to Owners of the Company (in Rp full amount)	(365.70)	(511.97)	69.03
EBITDA	10,059.26	10,376.04	10,540.05
STATEMENT OF FINANCIAL POSITION (Rp billion)			
Total Assets	53,254.84	54,520.89	55,225.06
Property and Equipment-Net	40,775.91	42,190.11	41,964.79
Working Capital	(12,556.17)	(6,325.42)	(2,706.94)
Total Liabilities	39,058.88	38,003.29	35,829.68
Non-controlling Interest (previously minority interest)	686.54	603.44	534.01
Total Equity Attributable to Owners of the Company	13,509.42	15,914.16	18,861.37
OPERATING RATIOS (%)			
Operating Profit to Revenues	2.79%	6.33%	14.23%
Operating Profit to Equity Attributable to Owners of the Company	4.98%	9.48%	16.91%
Operating Profit to Total Assets	1.26%	2.77%	5.78%
EBITDA Margin	41.77%	43.50%	47.01%
Net Profit (loss) Margin Attributable to Owners of the Company	-8.25%	-11.66%	1.67%
Return on Equity Attributable to Owners of the Company	-14.71%	-17.48%	1.99%
Return on Assets Attributable to Owners of the Company	-3.73%	-5.10%	0.68%
FINANCIAL RATIOS (%)			
Current Ratio	40.63%	53.13%	75.43%
Debt to Equity Ratio	164.08%	145.98%	114.58%
Debt to EBITDA	231.56%	232.39%	210.85%
Total Liabilities to Total Assets	73.34%	69.70%	64.88%
DIVIDEND PER SHARE (Rp)			
Final	N/A*	34.52	76.83
Payment Date	N/A*	7/29/13	6/26/12

*No dividend was paid out in 2014.

Investing activities during the year
included realized consolidated capex of

Rp7,044.1 billion

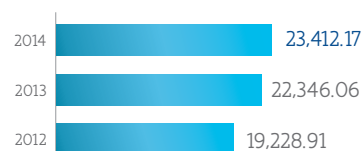
REVENUES

(Rp billion)



EXPENSES

(Rp billion)



OPERATING PROFIT

(Rp billion)



PROFIT (LOSS) BEFORE INCOME TAX

(Rp billion)



PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

(Rp billion)



BASIC EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

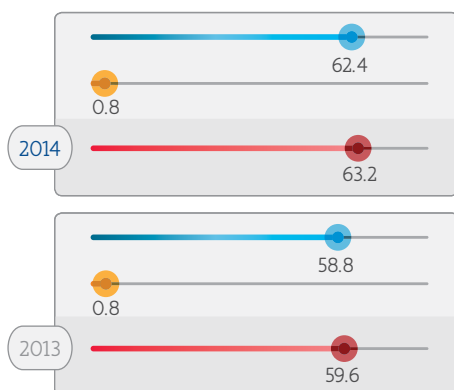
(Rp full amount)



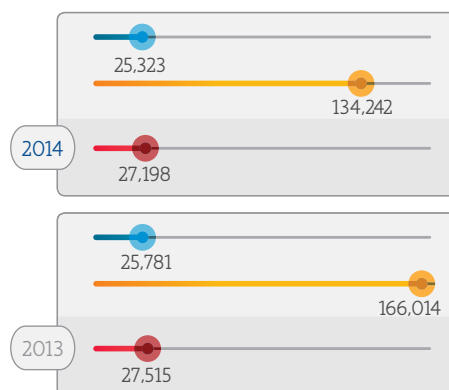
OPERATIONAL HIGHLIGHTS

CELLULAR	unit	2014	2013	Change
Prepaid Subscribers	million subscribers	62.4	58.8	6.2%
Postpaid Subscribers	million subscribers	0.8	0.8	0%
Total Subscribers	million subscribers	63.2	59.6	6.1%
ARPU Prepaid	Rp	25,323	25,781	-1.8%
ARPU Postpaid	Rp	134,242	166,014	-19.1%
ARPU Blended	Rp	27,198	27,515	-1.2%
FIXED WIRELESS				
Prepaid Subscribers	subscribers	37,259	67,136	-44.5%
Postpaid Subscribers	subscribers	39,903	44,663	-10.7%
Total Subscribers	subscribers	77,162	111,799	-31.0%
ARPU Prepaid	Rp	22,221	27,093	-18.0%
ARPU Postpaid	Rp	27,466	29,574	-7.1%
ARPU Blended	Rp	24,548	27,979	-12.3%
IDD				
Outgoing Traffic	(000) min	355,854	267,992	32.8
Incoming Traffic	(000) min	1,769,383	1,905,649	-7.2%
Total Traffic	(000) min	2,125,237	2,173,641	-2.2%
Incoming/Outgoing Ratio		5.0	7.1	-29.6%
MIDI				
WHOLESALE				
International High Speed Leased Circuit	Mbps	94,338	44,530	111.9%
Domestic High Speed Leased Circuit	Mbps	129,461	131,513	-1.6%
Transponder	Mhz	1,119	1,030	8.6%
IPVPN	Mbps	4,197	3,710	13.1%
Internet	Mbps	43,653	45,106	-3.2%
Frame Relay	Mbps	2	4	-50.0%
LINTASARTA				
High Speed Leased Line SDL	64Kbps	3,948,164	3,378,735	16.9%
Frame Relay	64Kbps	114,684	133,947	-14.4%
VSAT	64Kbps	156,547	137,258	14.1%
IPVPN	64Kbps	1,423,541	1,059,530	34.4%
IM2				
Internet Dial Up	users	3,614	3,937	-8.2%
Internet Dedicated	link	701	683	2.6%
IPVPN	link	330	339	-2.7%
Employees (permanent and non-permanent including subsidiaries' employees)				
Galeri Indosat service center	people	4,179	4,200	-0.5%
Griya Indosat service center	service center	107	117	-8.5%
Griya Indosat service center	service center	45	75	-40.0%
Kios Layanan & Penjualan Indosat (KILAT) service center 81 13 523.1	service center	115	136	-15.4%

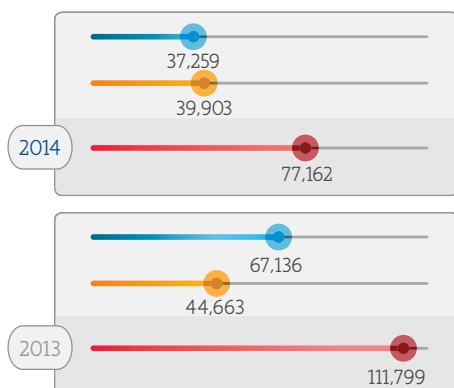
CELLULAR SUBSCRIBER COMPOSITION (million)



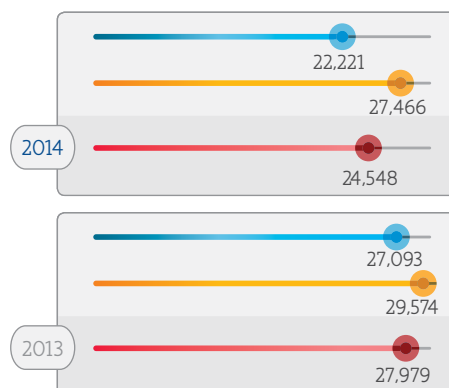
BLENDED ARPU CELLULAR (rupiah)



FIXED WIRELESS SUBSCRIBERS (million)

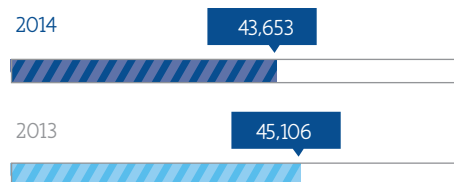


BLENDED ARPU FIXED WIRELESS (rupiah)



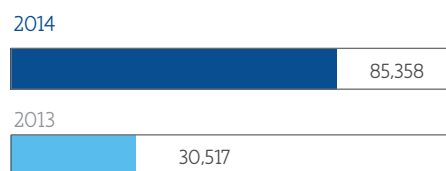
● prepaid
● postpaid
● TOTAL

INTERNET-MID/WHOLESALE* (Mbps)



*Indosat only

CELLULAR DATA USAGE (terabytes)

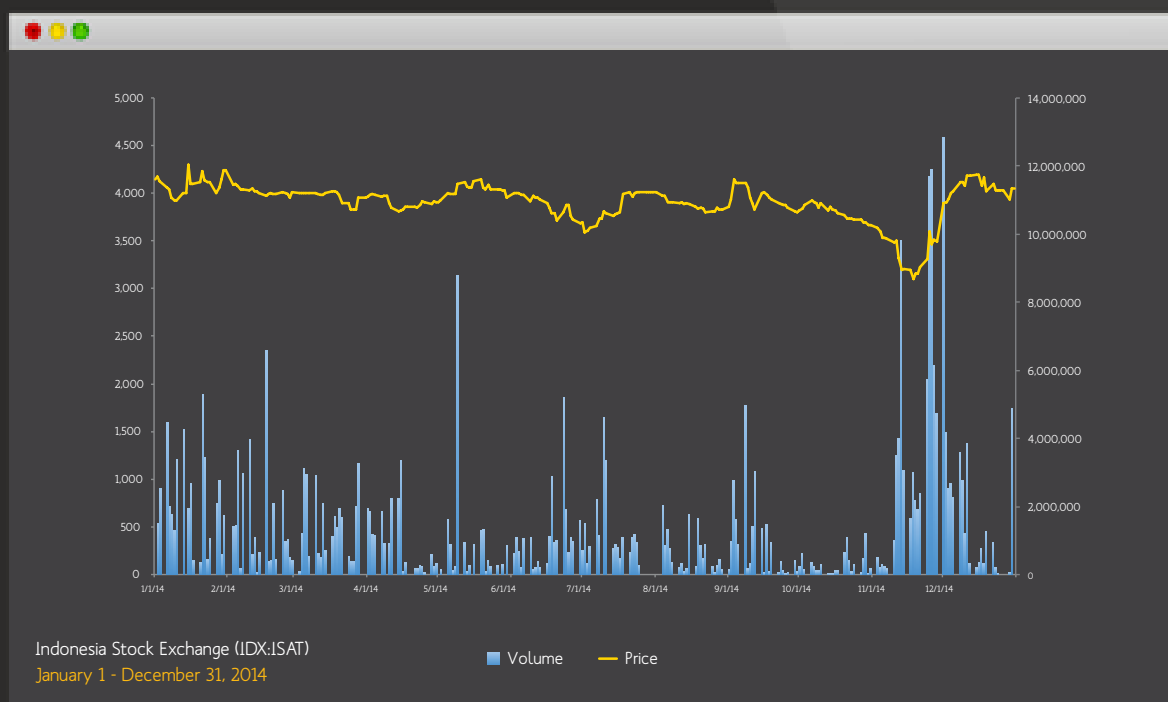


INCOMING/OUTGOING



STOCK HIGHLIGHTS

	(Rp/Share)	(Rp/Share)
	2014	2013
Highest	4,295	7,200
Lowest	3,100	3,500
Year end	4,150	4,050
Basic Loss per Share	(365.70)	(511.97)
Dividend per Share paid	N/A	34.52





Quarterly Stock Price on the IDX (Rp/Share)

Period	2014		2013		Volume 2014 (LOT)	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
First Quarter	4,295	3,830	7,200	5,850	65,955	607
Second Quarter	4,145	3,685	6,850	4,750	87,767	512
Third Quarter	4,150	3,585	5,150	4,000	49,693	290
Fourth Quarter	4,190	3,100	4,625	3,500	128,273	33

BOND HIGHLIGHTS

Description	Release Date	Exchange	Total	Interest Rate	Maturity
Indosat Bond V	May 29, 2007	Surabaya Stock Exchange*	Series A: Rp1,230.0 billion	10.20% per annum	Fully redeemed on May 29, 2014
			Series B: Rp1,370.0 billion	10.65% per annum	May 29, 2017
Indosat Bond VI	April 9, 2008	Indonesia Stock Exchange	Series A: Rp760.0 billion	10.25% per annum	Fully redeemed on April 9, 2013
			Series B: Rp320.0 billion	10.80% per annum	April 9, 2015
Indosat Bond VII	December 8, 2009	Indonesia Stock Exchange	Series A: Rp700.0 billion	11.25% per annum	Fully redeemed on December 8, 2014
			Series B: Rp600.0 billion	11.75% per annum	December 8, 2016
Indosat Bond VIII	June 27, 2012	Indonesia Stock Exchange	Series A: Rp1,200.0 billion	8.625% per annum	June 27, 2019
			Series B: Rp1,500.0 billion	8.875% per annum	June 27, 2022
Sukuk Ijarah Indosat II	May 29, 2007	Surabaya Stock Exchange*	Rp400.0 billion	Ijarah Return Rp40.8 billion per annum	Fully redeemed on May 26, 2014
Sukuk Ijarah Indosat III	April 9, 2008	Indonesia Stock Exchange	Rp570.0 billion	Ijarah Return Rp58.4 billion per annum	Fully redeemed on April 9, 2013
Sukuk Ijarah Indosat IV	December 8, 2009	Indonesia Stock Exchange	Series A: Rp28.0 billion	Ijarah Return Rp3.2 billion per annum	Fully redeemed on December 8, 2014
			Series B: Rp172.0 billion	Ijarah Return Rp20.2 billion per annum	December 8, 2016
Sukuk Ijarah Indosat V	June 27, 2012	Indonesia Stock Exchange	Rp300.0 billion	Rp25.9 billion per annum	June 27, 2019
Guaranteed Notes due 2020	July 29, 2010	Singapore Exchange Securities Trading Limited	US\$650.0 million	7.375% per annum	July 29, 2020
Shelf Registration Indosat Bond I Phase I in Year 2014	December 12, 2014	Indonesia Stock Exchange	Series A: Rp950.0 billion	10.00% per annum	December 12, 2017
			Series B: Rp750.0 billion	10.30% per annum	December 12, 2019
			Series C: Rp250.0 billion	10.50% per annum	December 12, 2021
			Series D: Rp360.0 billion	10.70% per annum	December 12, 2024
Shelf Registration Indosat Sukuk Ijarah I Phase I in Year 2014	December 12, 2014	Indonesia Stock Exchange	Series A: Rp64.0 billion	Ijarah Return Rp6.4 billion per annum	December 12, 2017
			Series B: Rp16.0 billion	Ijarah Return Rp1.6 billion per annum	December 12, 2019
			Series C: Rp110.0 billion	Ijarah Return Rp11.6 billion per annum	December 12, 2021

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

AWARDS



21 March

Mobile Network of the Year Indonesia 2013.
Roy Morgan Research.



18 June

Best Brand in Central Java for IM3 - Prepaid Simcard
Best Brand in Central Java for Matrix - Postpaid Simcard
Satria Brand Award.



2 April

Best Prepaid Card: IM3
Cellular Award, Global Cellular Media Group



11 September

Cellular Operator
WOW Brand: Bronze Championship, Mark Inc Plus



9 May

Most Advanced Approached to CEM: Forum ICITY
Telecom Asia Award 2014, Telecom Asia



23 September

Infrastructure as a Service Provider of the Year
Frost & Sullivan Award 2014, Frost & Sullivan



16 May

Top Prepaid GSM 2014: Indosat Mentari
Top Telco 2014, i-Tech Magazine



27 October

Best Operation Management,
Best Practice Management



16 May

Top Postpaid GSM 2014: Indosat Matrix
Top Telco 2014, i-Tech Magazine



29 October

Asia Pacific Contact Center Association Leader
Asia Pacific Contact Center Association



12 June

8 Category Corporate & 10 Individual Category
The Best Contact Center Indonesia.
Indonesia Contact Center Association (ICCA)



30 December

The Best Right of Shareholders
Indonesian Institute for Corporate Directorship (IICD)



CORPORATE SOCIAL RESPONSIBILITY



2 April

Best CSR Program: IWIC
Cellular Award, Global Cellular Media Group



8 June

Best CSR Program: IWIC
Indonesia Cellular Award (ICA), Sinyal and Forsel



20 June

The Best Corporate Social Responsibility (CSR)
Program by Operator
Indonesia Cellular Award: IWIC



20 June

Best Health Award
Bulan Sabit Merah Indonesia (BSMI)



21 October

Silver Stevie Awards for global network mobile health
clinics targeting underserved communities in Asia
Stevie Award, International Business Awards



23 October

Indonesia Best CSR Program 2014 - IWIC
PR Program & People of The Year 2013,
MIX Marketing Communications Magazine



24 October

Indonesia Best CSR Program 2014 - IWIC
Golden Ring Award



4 November

Special Recognition for CSR: mHealth in Indonesia
and Myanmar
Global Carrier Awards 2014



12 December

Best CSR - IWIC
TechLife Innovative Award 2014,
Techlife Magazine



DIGITAL INITIATIVES



27 February

Best Mobile Financial Service: Indosat Dompetku
GSMA Mobile World Congress 2014



30 December

Consumer Service Innovation
Innovation Awards 2014: Indonesia Dompetku,
Global Telecom Business (GTB)

SIGNIFICANT EVENTS



JANUARY

21

Launch of IM3 Play Online promo

An attractive promo package consisting of free Internet and BBM for one year as well as free 24 hour calls and SMS to all operators for IM3 subscribers.

MARCH

27

New Indosat Business Services

Indosat launched a series of new business services to support business customers' operational activities as part of Indosat's commitment to provide business customers with best offers and business grade support.

APRIL

9

Launch of US\$14.5 million SB-ISAT Venture Capital Fund

Indosat launched its first ever venture capital fund together with Japanese telco Softbank in the amount of US\$14.5 million, with the aim of facilitating the growth of the digital ecosystem in Indonesia.

APRIL

24

Indosat Becomes Official Network Services Partner for Chelsea in Indonesia

Indonesia signed a Partnership Contract with the Chelsea Football Club, Orange TV and MoFutbol for VAS Content. This contract enhanced Indosat as the Exclusive Official Telecom Partner for Chelsea in Indonesia as well as giving Indosat the right to deliver live streaming of the Barclays Premier League on mobile handphones.

APRIL

30

Indosat Launches Data Center Services in Bali

Indosat launched a new Data Center in Bali to support corporate clients or business actors on the island. This launch is part of Indosat's commitment to be a one stop ICT solution provider.



8th Indosat Wireless Innovation Contest (IWIC)

Indosat officially launched the 8th IWIC, an annual technological innovation competition that aims to encourage innovation among young Indonesians. The 8th IWIC attracted a record number of submissions in 2014.



Indosat Held Entrepreneurship Training for Home Industry in Banyumas

In line with its commitment to support the empowerment of Indonesian women, Indosat trained women and housewives in Soka Ayu, Central Java in the art of making Banyumasan batik and creating batik products.



Public Expose Related to Indosat Revolving Bond Issuance

Indosat held a Public Expose related to the Public Offering of Shelf Registration Indosat Bond I Phase I Year 2014 and Shelf Registration Indosat Sukuk Ijarah I Phase I Year 2014 both in rupiah currency.



Shopping on Elevenia with Dompetku

Indosat Dompetku can now be used to shop on online website Elevenia which has almost 2 million products, following an agreement with PT. XL Planet to add Indosat Dompetku as a payment option.



Launch of Indosat Super 4G LTE

Indosat officially launched its Super 4G-LTE network on a commercial basis with speeds of up to 185 MBps, in line with its commitment to become a leader in data services and give the best customer experience with fast and stable internet.

MESSAGE FROM
PRESIDENT COMMISSIONER



Investing in the future of Indonesian telecommunications

@Dr. Nasser Mohammed Marafih 

It is an honour for me to open this review of Indosat's 2014 performance. Indosat had a strong finish to 2014 which has helped to compensate for a slower start in the first half of the year.

This can in part be attributed to the completion of the majority of our network modernisation program. Having recently stepped into the role of President Commissioner I am eager to continue the good work of our former and fellow board members. As we move forward we will work together to add-value by continuing to draw on our combined deep understanding of Indonesia's evolving communication sector, and unmatched insight into the digital needs of the Indonesian people. With every step we move closer to achieving our goal of repositioning Indosat to become a market leader in Indonesia's fast-moving and ever-growing telecommunications sector.

Seizing the data advantage

We continue to be encouraged by the growth opportunities within the country and remain committed to helping ensure that Indosat has the tools to deliver a cutting-edge service and superior experience for customers. Data is of course a core area of focus here. Indonesia has started to increase its consumption of data, accelerating the development of people's digital lifestyles across the nation.

Indosat continues to be a driving factor in the development of Indonesia's digital ecosystem. As part of this work and to serve a rising demand for mobile data in Indonesia Indosat has formed partnerships and strengthened its digital offerings for consumers and business customers alike. In 2014, these included innovative billing solutions with Google Play™, Digital Identity services with the GSMA's Mobile Connect and a first-of-its kind FIFA World Cup content partnership with Twitter.

Innovating through growth

To meet our customer's digital needs, support growing demand for data services and provide the best network experience we have invested heavily in upgrading our network in recent years. Today we are proud to offer the fastest LTE service. We are delighted that thanks to the hard-work and dedication of our teams the network modernisation program is very close to total completion.

This investment has improved the quality of connectivity for our customers and means our service can keep pace with increasingly fast mobile surfing speeds. The new infrastructure available enhances communications and enables customers to perform tasks in new ways. Faster speeds and stable data services better support communication activities, transactions and transfer of information.

Cultivating pillars of support

Giving back to our communities remains at the heart of both Indosat and our parent Company, Ooredoo. Together we invest in every community that we operate in: reaching out to under-served communities; training and developing the best young local talent; and leveraging mobile technology to contribute to social development. We believe we have a responsibility to support digital inclusion for all and to stimulate human growth.

I am delighted to share a quick overview of some of our work this year to support human growth and bring the power of technology to underserved communities across the nation. This includes our partnership with the Messi Foundation to provide free health services across the country to the most disadvantaged communities. Last year, this partnership enabled us to upgrade the service we offer through these mobile health clinics and at the beginning of this year the clinics extended their support to include 11 severe disaster-struck areas during the Indonesian floods.

This work also includes the establishment of our very own digital incubator Ideabox to help support Indonesia's budding entrepreneurs and the development of our female-focused INSPERA programme, an initiative that seeks to empower rural 'womenpreneurs' by increasing their access to ICT services and mobile technology.

Offering the fastest
LTE service



Bolstering confidence through commitment

On behalf of my colleagues on both the Board of Commissioners and Board of Directors, I would also like to take this timely opportunity to thank our shareholders for their continued support. The business succeeds on the strength of all its stakeholders, and it is this inherent confidence that enables us to continue achieving our best at Indosat. This, of course, includes our employees. I would like to take this moment to share our sincere appreciation for all each of Indosat's employees have done in the past year. Together their hard-work, enthusiasm and commitment to excellence have helped us transition to where we are today.

We are also committed to supporting the Indonesian Government's clear vision. Indonesia's telecommunications sector is a cornerstone of the country's national development and a key driver of the Government's growth ambitions. We look forward to continuing to collaborate with the Government and support them as they work to achieve these ambitions, and ultimately the country's full potential.

Looking forward

Earlier this year we have approved a number of changes to Indosat's Board of Commissioners. H.E Sheikh Abdullah Bin Mohammed Bin Saud AL-Thani has resigned from the role of President Commissioner of Indosat. In addition, Rachmat Gobel has resigned as the Company's Commissioner, due to his appointment as the Minister of Trade, Republic of Indonesia, and Mr. Rudiantara has resigned as the Company's Independent Commissioner, following his appointment as Minister of Communication and Information, Republic of Indonesia. The Company

also announced the resignation of Rionald Silaban as Commissioner, following his appointment as Executive Director at the World Bank Group as well as the resignation of Mr Soeprapto from the role of Independent Commissioner

For these outgoing board members we accept their resignations with deep gratitude, and pay tribute to their dedicated service. We have been privileged to work with them and wish them the best in their new endeavours as they continue serving to serve their communities both in Qatar and in Indonesia.

The new Board of Commissioners will be in place until the next 2016 AGM and comprises former Commissioner Dr. Nasser Mohammed Marafih who will take on the role of President Commissioner as well as Ahmed Yousef AL-Derbesti, Khalid Ibrahim AL-Mahmoud, Chris Kanter, Astera Primanto Bhakti, Beny Roelyawan, and Cynthia Gordon who all take on the role of Commissioner. Richard Seney, Rinaldi Firmansyah, and Wijayanto Samirin, have been named Independent Commissioners. I look forward to working closely with this team as we pursue new and existing endeavours and deliver long-term value for our shareholders.

It is with great anticipation that I look forward to sharing our collective successes in the coming year and wish all of you the very best in your efforts as we work together to take Indosat to greater heights.



Dr. Nasser Mohammed Marafih

President Commissioner

BOARD OF COMMISSIONERS

FROM LEFT TO RIGHT

Khalid Ibrahim A AL-Mahmoud
Commissioner

Cynthia Alison Gordon
Commissioner

Rinaldi Firmansyah
Independent Commissioner

Dr. Nasser Mohammed Marafih
President Commissioner

Beny Roelyawan
Commissioner

Ahmed Yousef Ebrahim M AL-Derbesti
Commissioner

Chris Kanter
Commissioner

Wijayanto Samirin
Independent Commissioner

Astera Primanto Bhakti
Commissioner

Richard Farnsworth Seney
Independent Commissioner



MESSAGE FROM
PRESIDENT DIRECTOR AND CEO



Enabling a digital Indonesia

@alexanderrusli 

We continued to build on our strategy last year of delivering better customer experience and better local content to enhance consumer experience and become more relevant at more points within the digital lifestyle, through compelling products and services that would generate revenue.

The Indonesian economy turned in a mixed performance for 2014, with growth slowing to a five-year low of 5.02% and the rupiah tumbling to its lowest point since 2008. On the other hand, the smooth conclusion of the closely contested presidential elections reassured observers and investors, sending the Indonesia Stock Exchange to finish up more than 20% year-on-year.

Demand for telecommunications services in Indonesia stayed reasonably strong throughout the year, although the industry as a whole continued to suffer from pricing pressures stemming from an overcrowded market; Indonesia currently has the lowest rates for data in the world, and all players apart from the leader experienced flat or negative revenue growth. That said, the vast and growing interest in data, coupled with accelerating smartphone penetration, bodes well for long term demand growth once market prices normalize.

The Digital Shift

The growing trend of data consumption framed our strategy in 2014, with Indonesian consumers on the brink of making a major shift to digital in all areas. The transformation is still in its early stages, but the growth in data consumption among early adopters has been phenomenal. At the same time, digital is still a new and evolving field. It remains to be seen how consumer behavior, preferences and expectations will change, as it will certainly do. There is a need to be fluid and nimble, and to evolve alongside consumers in terms of content and delivery channels.

To that end, Indosat has prepared a comprehensive digital strategy in alignment with our 4+1 strategy for leadership goals. Now in the second year of this roadmap, we continue to drive towards these 4+1 goals, consisting of: leader in data and smart device, best customer experience, best cost structure, and best people experience, to deliver highest revenue growth. With regard to data, the challenge ahead is how to best create a compelling and "sticky" digital telecommunications experience that will encourage customer migration and as well as retention.

Results and Performance

After a slow start, Indosat saw encouraging momentum in 2014 as we finished up the majority of the network modernization program that began in 2013. This program, which aimed to replace and modernize legacy network assets, is a key cornerstone of Indosat's program to compete. Numbers for the first half of the year lagged as the low quality of the unfinished new network saw customer attrition, but results in the second half bore out our assumptions with accelerating revenue growth as customers recognized the improvements, a clear sign that we are on the right path.

Full year performance returned Rp24.1 trillion in revenue, 1.0% higher than 2013, with a sharp upswing in 3Q and 4Q earnings offsetting weak performance in the first half of the year. Unfortunately, bottom line performance was unfavorably impacted by a rupiah-to-US Dollar depreciation, accelerated depreciation of assets and provisions for a subsidiary legal case. Normalized for all of the items, Indosat would have recorded a better bottom line.

Major Initiatives and Developments

A number of major initiatives and developments took place in 2014. First, the network modernization was successfully executed, with modernization of off-Java key cities completed mid-year and on-Java modernization wrapped up at the end of Q3. By all accounts the customer experience has significantly improved, as confirmed by indicators of network quality and by external independent external surveys; and market responded accordingly. We are now in a strong position to compete on digital services, as demonstrated with our successful launch of LTE at year end. LTE will be widely rolled out to Indosat users in 2015.

Building on the new LTE-ready network, we pushed a number of exciting Digital Business initiatives both in-house and in partnership with key players. Our digital strategy is to create a digital ecosystem comprised of different building blocks with mutual synergies, thus promoting a positive cycle of growth. Specifically, we are focused on mobile advertising, payment, and e-commerce as three areas with natural synergies. We also continued our support of the digital sector through our startup incubator, Ideabox, which supports promising mobile application startups, supplemented by a newly launched US\$14.5 million venture capital fund with our partner Softbank that will focus on promising technology companies in Indonesia.

On the retail side, commercial efforts focused on leveraging the improved network in the second half the year. Major campaigns included the introduction of handsets bundled with one and two-year contracts, a first for Indonesia, and community campaigns. Corporates were also proactively approached, this being a major growth area compared to the saturated consumer market, supported by increased numbers of corporate sales personnel to drive sales of enterprise products including digital services.

Put together, these initiatives will enhance customer experience and embed our products and services in consumers' lifestyles; encourage the development of the data ecosystem; and secure future revenue streams for Indosat in the fast-growing digital space.

In parallel, with regard to the 4+1 goal of best cost structure, long term savings were extracted from almost every operational aspect through careful examination and consolidation, simplification and reengineering of procedures, processes, contracts, network, personnel, and more. This work made a significant bottom line contribution and has also streamlined internal processes for faster and more nimble decision-making.

Lastly, given the significant bottom line impact this year from the depreciation of the rupiah, we are working to restructure our balance sheet by gradually taking down the US Dollar exposure, starting with the successful issuance of a Rp2.5 trillion bond issue in 4Q 2014. The proceeds will in large part be used to pay down US-dollar denominated debt and bring down our US exposure to be more aligned with our rupiah-denominated revenue base, for lesser volatility.

Governance and Corporate Social Responsibility

Indosat engaged in a number of good corporate governance (GCG) and Corporate Social Responsibility (CSR) initiatives during the year with the aim of giving back to society. As a listed Company and leader in the industry, we continue to refine our corporate governance practices for good internal controls and transparent reporting. We were named "The Best Right of Shareholders" by the Indonesian Institute for Corporate Directorship (IICD).

As a listed Company and leader in the industry, we continue to refine our corporate governance practices for good internal controls and transparent reporting.



In CSR, we leveraged digital channels for education and healthcare, areas where we feel we can leverage our abilities as a telecommunications provider to make lasting contributions. Our award-winning mHealth mobile program delivered health information to underserved communities, while our INSPERA program helped support female entrepreneurs. The seventh annual Indosat Wireless Innovation Application Contest (IWIC), an event designed to encourage mobile developers to innovate, garnered record interest, as did a number of other digital education forums and talks that were held as part of Indosat's drive to create a digital ecosystem and encourage digipreneurs for the future of Indonesia.

Changes to the Board of Directors

After a long and careful search, Mr Joy Wahjudi and Mr John Thompson joined us in 2014 as the new Chief Commercial Officer and Chief Technical Officer respectively, replacing the positions left vacant by the departures of Mr. Frederik Johannes Meijer and Mr. Hans Christiaan Moritz in 2013. Mr. Wahjudi and Mr. Thompson's long experience will be an asset to Indosat as we forge ahead into the digital future, and important progress has already taken place under their watch.

Outlook and Strategy for 2015

Having concluded 2014 on an upbeat note, in the coming year the main challenge and opportunity will be to finish the on-Java network modernization and to optimally leverage the newly modernized network. - We are strongly optimistic that we can continue the accelerating growth trend of 2014 to break even and grow in line with the market, while strengthening our brand and offerings in the digital space.

Forward momentum will be supported by targeted commercial campaigns on the retail side, aggressive marketing to large enterprise as well as Small and Medium Enterprise (SMEs), and new and exciting products including, but not limited to, digital offerings. In parallel, we will continue to watch costs, look for efficiencies, and gradually restructure the balance sheet to bring down our foreign currency exposure.

In closing, I would like to express our appreciation for support and encouragement of our customers, partners, employees, Board of Commissioners and shareholders including our parent Company Ooredoo, which has generously shared its resources with Indosat. We look forward to the coming year, confident that Indosat is now on a solid footing to compete.



Alexander Rusli

President Director and Chief Executive Officer



THE BOARD OF DIRECTORS

FROM LEFT TO RIGHT

[Alexander Rusli](#)

President Director and Chief Executive Officer

[Joy Wahjudi](#)

Independent Director and Chief Sales and Distribution Officer

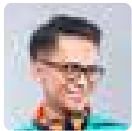
[John Martin Thompson](#)

Director and Chief Technology Officer

[Curt Stefan Carlsson](#)

Director and Chief Financial Officer



**Bagus Endro Wicaksono**14 minutes ago • 

Yang wajib sebelum konser dimulai adalah selfie!!!

-with Mutiara Rusnidar and Dwimanti Vergira at Skeeno Hall Gandaria City



2 Comments



Like



Comment



Share



Company Profile

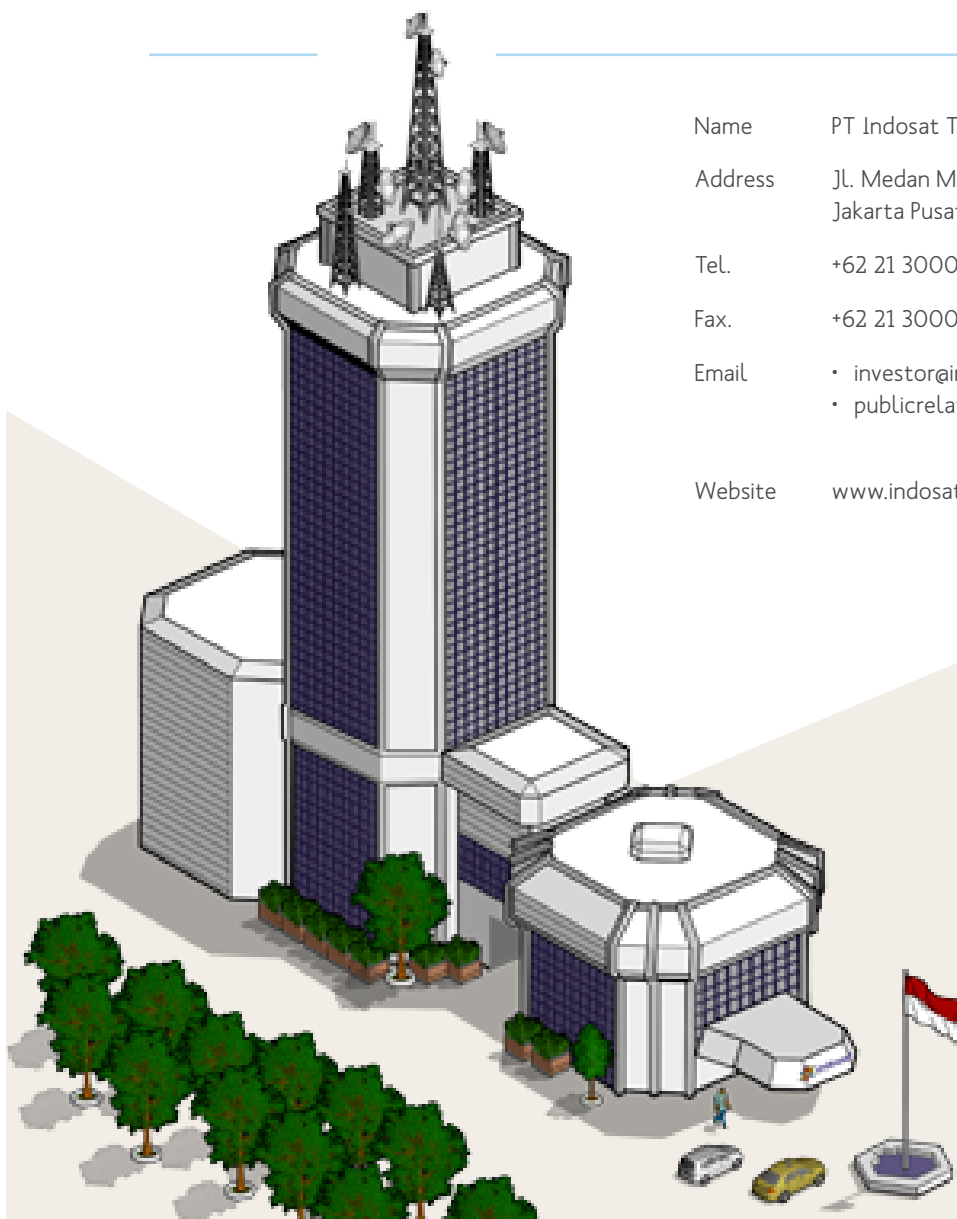


COMPANY IN BRIEF

Established in 1967, PT Indosat Tbk (Indosat) is a leading telecommunication and information service provider in Indonesia. Indosat provides cellular, fixed data and wireless broadband services as well as fixed telecommunication or fixed voice offerings including IDD, fixed wireless and fixed phone services, and digital 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, internet services and IT services to corporate segments. The Company is listed on the Indonesia Stock Exchange (IDX: ISAT).

OPERATIONAL AREA

Indosat operates across the entire Indonesian archipelago.



Name	PT Indosat Tbk
Address	Jl. Medan Merdeka Barat No. 21 Jakarta Pusat, 10110
Tel.	+62 21 3000 3001 ext. 2615
Fax.	+62 21 3000 3002
Email	- investor@indosat.com - publicrelations@indosat.com
Website	www.indosat.com

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.

VALUES



TRUST

Think positively, walk the talk and can be relied on.

PASSION TO BE THE BEST

Strive for excellence through continuous improvement and refinement.

FAST

Quick in problem solving, making decisions, taking actions and adapting.

YOUTHFUL SPIRIT

Energetic, Dynamic and Dare to be a Change Driver.

CARE

Demonstrate concern, respect and serve whole heartedly.

* The above Vision and Mission were approved by the Board of Directors and the Board of Commissioners in 2014 as set forth in the 2013 Annual Report with the signed approval of the Board of Directors and the Board of Commissioners.

MILESTONES

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.

1980

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

2003

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

1967

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

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.

**2009**

Qtel acquired 24.19% series B shares from the public through mandatory tender offer mechanism, becoming the majority shareholder of Indosat with 65% ownership in Indosat. Subsequently, Indosat was owned by Qatar Telecom (Qtel) Q.S.C. (Qtel) through Ooredoo 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.

2014

Network modernization in Java and outside Java to be 4G-LTE ready with download speeds of up to 185Mb.

Launch of Indosat Digital Services, a business unit focused on creating scalable digital platforms in mobile finance advertising, and e-commerce to deliver life-enriching benefits to consumers.

31

2008

Indosat shares were indirectly acquired by Qatar Telecom (Qtel) Q.S.C. (Qtel), currently known as Ooredoo Q.S.C. 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%.

2013

Voluntarily delisted from the New York Stock Exchange, to be solely listed on the Indonesia Stock Exchange.

PRODUCTS AND SERVICES

32



*) In 2015, Indosat plans to switch over from CDMA technology to the Extended Global System for Mobile (E-GSM), which is able to leverage 2G, 3G and 4G technology for better service and coverage.

INDOSAT IM3

Prepaid GSM multimedia service for the younger generation that delivers voice, SMS and data packages at very attractive tariffs.

INDOSAT MATRIX

Postpaid GSM cellular service for high end professional and corporate users that comes with the ability to register numerous other supplementary plans, value added services and corporate-based services.

INDOSAT MENTARI

Prepaid GSM cellular service targeting mature subscribers that is designed to run on Android, BlackBerry™, Apple iOS and Windows for optimal communication.

STARONE

Fixed wireless access offering fixed phone service (PRTN), mobile voice, and data service using CDMA 2000 1x technology

INDOSAT SUPER 3G

High speed internet service of up to 42 Mbps for all prepaid and postpaid subscribers with a choice of a Quota Package or Unlimited Package.

SUPER 4G LTE

Superfast next generation service using the Indosat LTE network for download speeds of up to 185 Mbps and upload speeds of up to 41 Mbps.



INDOSAT INTERNATIONAL ROAMING

Indosat International Roaming gives Indosat subscribers the convenience of a simple and affordable call tariff while traveling overseas by dialing Indosat 001.

INDOSAT FLATCALL 01016

International Flatcall allows Indosat subscribers to make overseas calls by dialing Indosat 01016.

TRAVELLING CONNECT

A program that allows registered Indosat subscribers to earn airplane mileage or hotel points, when making calls abroad through participating mobile operators.

INDOSAT BUSINESS

Indosat Business is a one-stop business solution with dedicated business grade customer service and above all, the best offers in the country backed by global partners and the best infrastructure. Indosat Business services are designed to meet the needs of Large Business as well as Small and Medium Enterprise (SME) with all the solutions you need: Mobile & Convergence, Machine to Machine, Fixed Connectivity, IT Services, Satellite and Bundling.

BLACKBERRY ENTERPRISE SERVICE

Access data or information anytime and anywhere on any device, with high level security.

**CIPIKA**

Hyper social mobile commerce platform focused on selling physical and digital goods, starting from marketplace, e-vouchers, digital books, e-tickets and games.

DOMPETKU

Award winning mobile financial services including mobile banking, mobile payments, insurance, financing and remittance targeting the unbanked and under-banked. This innovative service enables Indosat subscribers to carry out cashless financial transactions including payment and money transfers, using their registered handphone number.

I-KLAN

Indonesia's leading digital advertising platform providing advertising solutions both small and large businesses. Services include location based mobile and internet advertising, interactive campaigns and digital rewards.

ONDEGO

Mobile banking solutions for both smart and feature phones using for safer and more convenient service.



CROWDTIVATE

Crowdfunding platform for Indonesian entrepreneurs.

PAY UP

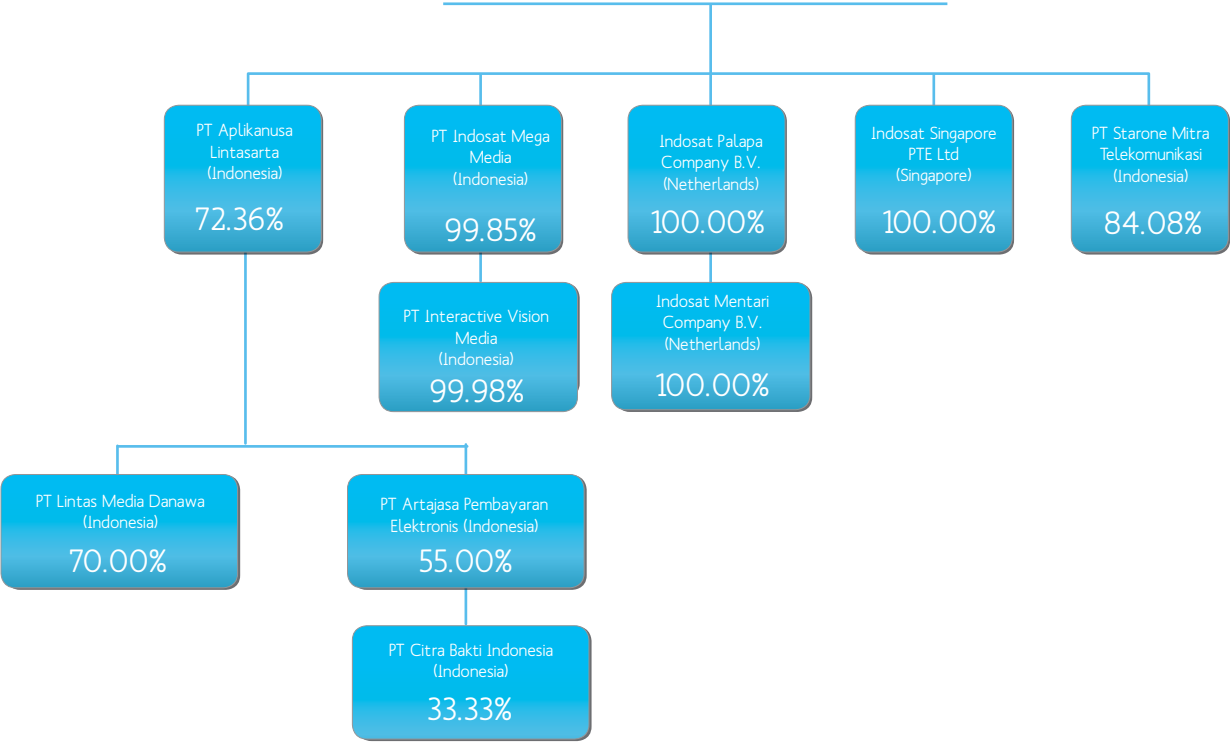
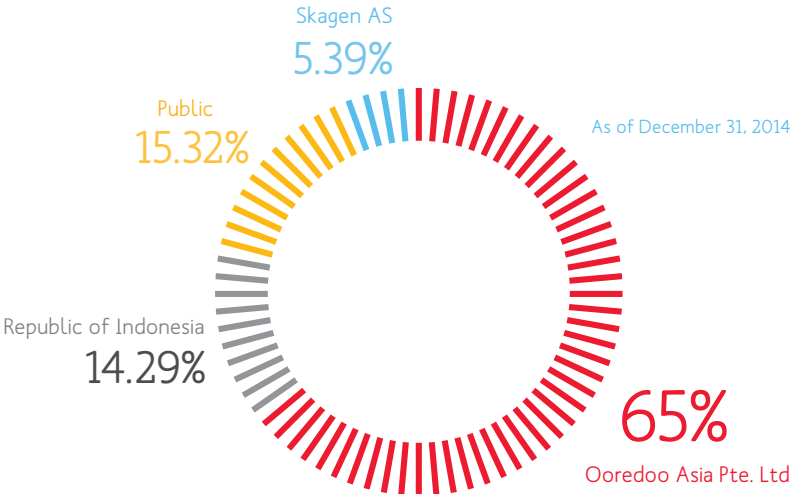
Simple, secure and affordable mobile payment service enabling both small and large merchants, delivery and logistics companies to receive payments from debit cards anywhere and anytime.

IDEABOX

Award winning accelerator providing funding, world class mentoring, facilities, commercial partnerships, global exposure and access to local and international investors for leading Indonesian startups. Ideabox is a technology incubator supported by Indosat in partnership with Mountain Partners AG, Founder Institute and Ooredoo Group. Ideabox supports the development of a digipreneur ecosystem in Indonesia with a focus on technology, media and communications.

GROUP STRUCTURE,
SHARE OWNERSHIP & SUBSIDIARIES

36



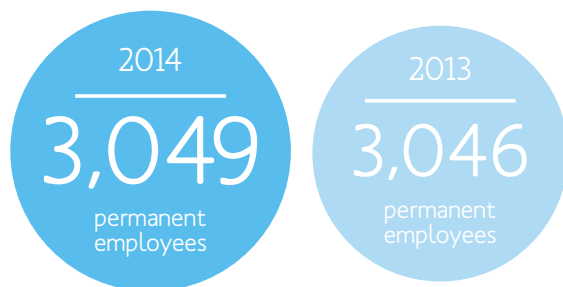


CERTIFICATION

Indosat has earned a number of international certifications.

certification	year achieved
ISO 9001:2000 for Quality Management	2006
ISO 27001 for IT Security Management	2012
ISO 14001 for Environmental Management System	2012
ISO 31000 for Risk Management	2013
MEF CE 1.0 (Metro Ethernet Forum - Carrier Ethernet 1.0) Certification of Carrier Ethernet Services	2013

HUMAN RESOURCES



The number of employees by level and by education, as well as the training and costs of training provided in the interests of equal career opportunity for all, may be found in the [#HumanResources](#) chapter of this report.

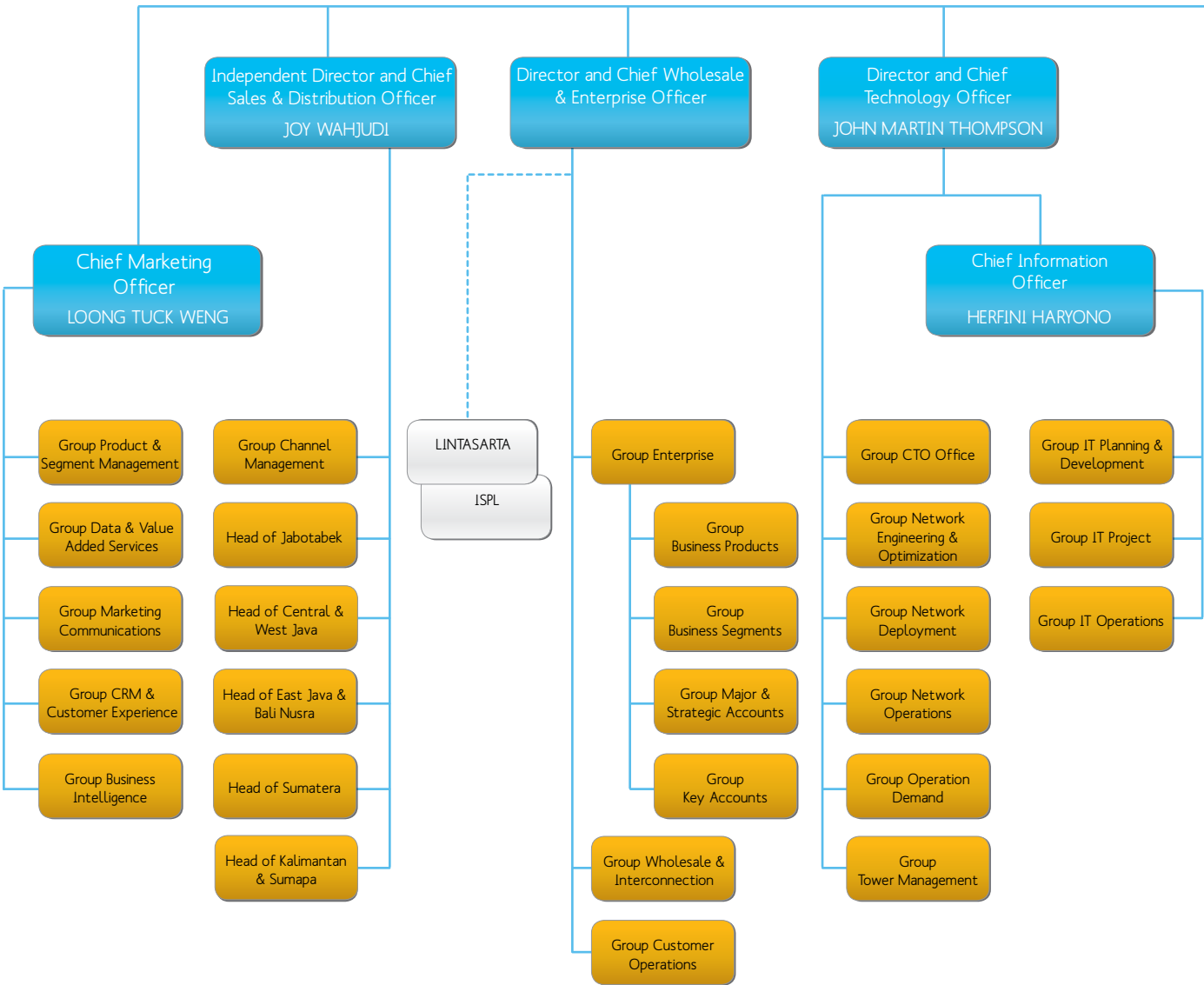


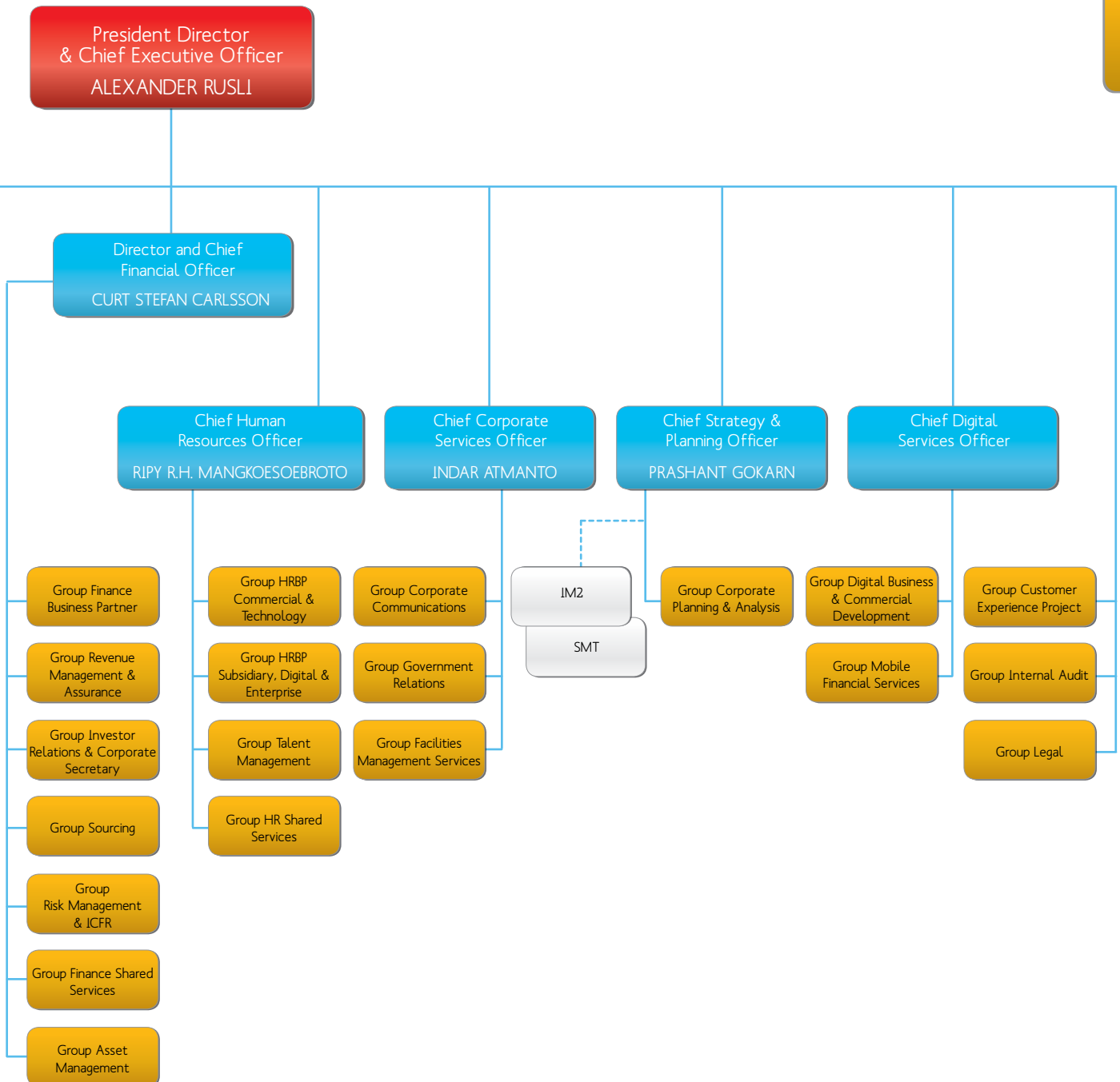
Please refer to the [#CorporateData](#) section of this report to see the names and address of subsidiary companies, the profiles of the Board of Directors and Board of Commissioners, and the name and address of related capital market professionals.



Please refer to the [#Highlights](#) chapter to see information on awards, events, stocks and bonds listings.

ORGANIZATION STRUCTURE





Instagram



citra.andriani

🕒 12m



❤️ 752 likes

citra.andriani yess, akhirnya dapat juga #iphone6
#shopping #indosat #payup

chapter

04

page

40



Business Report



BUSINESS HIGHLIGHTS

Indosat delivers Cellular, MIDI, Fixed Line and Digital Services to both retail and enterprise customers, supported by the Network and Human Resources units.

Cellular

Total Subscribers

63.2 MILLION



MIDI

Revenue

↑ 7.4%



Fixed

Total Revenue

Rp 1,096.1
BILLION



Digital

First Venture Capital Fund

14.5

MILLION DOLLAR FUND



Human
Resources

Total Training

483

PROGRAMS



Network

Total BTS

40,229



CELLULAR

CELLULAR REVENUE

↑ 0.5%

to Rp19,480.5 billion,
increased from Rp19,374.6
billion.

The Indonesian cellular services market is large but highly competitive, with estimated penetration of 122% in early 2014. 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. In recent years, consumers have begun to embrace 3G and mobile data services, supported by the introduction of affordable smartphone models. In 2014 data penetration registered strong growth, reaching 29.1 million users while data usage jumped to 85,358 terabytes from 30,517 terabytes in 2013.

Cellular services accounted for the bulk of Indosat's revenue in 2014, generating 80.9% of revenue. Indosat's cellular subscriber base grew 6.1% over the year to reach 63.2 million cellular subscribers including wireless broadband subscribers, up from 59.6 million the year before. Cellular performance lagged in the first half of the year due to poor network quality prior to the completion of the network overhaul. Following improvement in network quality mid-year, the market responded strongly but was unable to offset earlier performance. In addition, revenue growth in modernized Java areas was unable to compensate for revenue declining outside off Java.

Nonetheless, overall revenue from cellular services increased slightly by 0.5% y-o-y to Rp19,480.5 billion, driven primarily by increased revenue from VAS. VAS revenue increased by 14.0% to Rp9,583.8 billion, representing 49.2% of total cellular services operating revenue, due to growing data, SMS and value-added SMS.

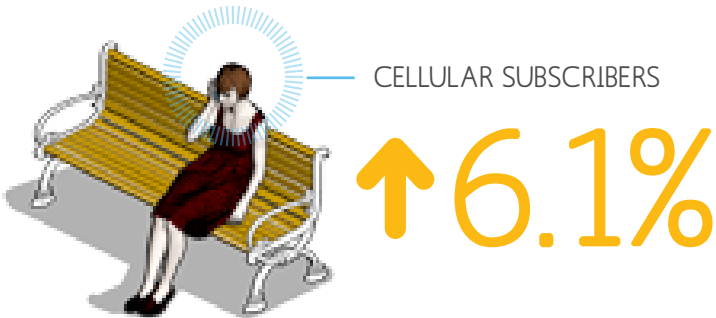
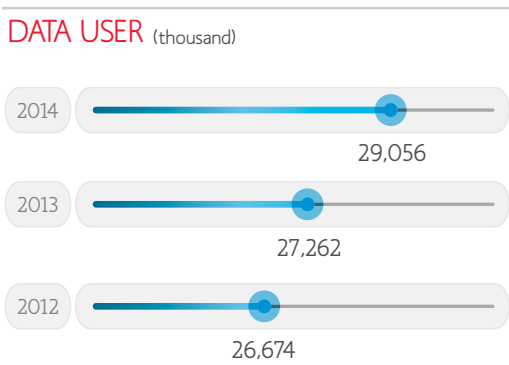
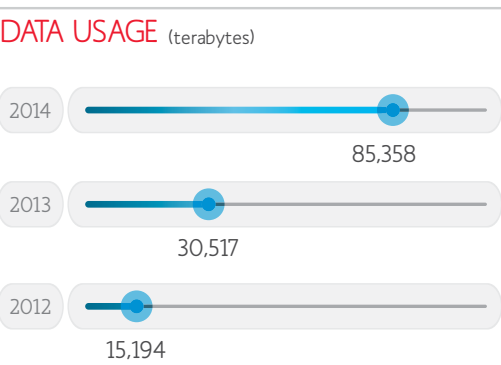
Reflecting pricing pressures from the crowded industry competition and customer migration to data services, ARPU (Average Revenue per user) from Voice and SMS declined by around 6.6% while data ARPU grew approximately 27.3% YoY.

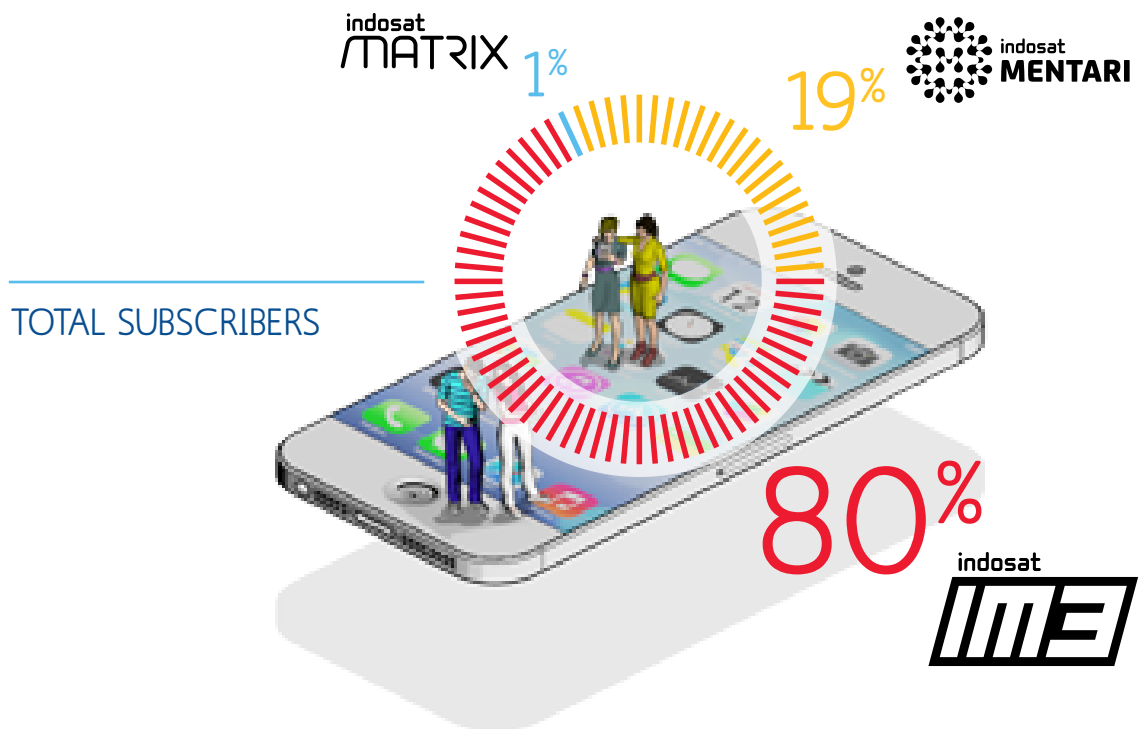
Products & Services

Indosat offers a comprehensive range of high quality products in mobile voice and data services, including wireless broadband services on the GSM 900, DCS 1800 and 3G 2100 cellular service. Our main cellular brands are Indosat Matrix, offering postpaid cellular service for premium users; Indosat IM3, which provides prepaid cellular service for the youth market at affordable rates; and Mentari, for premium prepaid cellular service. As of year-end, IM3, our core prepaid brand for the youth and mass market segment which competes on affordability, comprised 79.6% of total subscribers for 69.4% of total cellular revenue. Matrix, our brand for

the high-end postpaid customers, comprised 1.3% and contributed 6.5% of total cellular revenue. Mentari, which is positioned for the premium prepaid segment and competes on attractive packages for smartphone users, comprised 19.1% of total subscribers for 18.7% of total cellular revenue.

Subscribers of all three have access to Indosat Super Internet broadband service for IM3, Mentari and Matrix subscribers, using the 3G/UMTS 900MHz network for data downlink of up to 42Mbps. The lower 900 MHz spectrum provides a better signal, improving the quality of service and indoor signal for improved user experience and internet activities such as e-mailing, chatting, downloading, blogging, browsing and more, all under a clear and affordable tariff.





In addition, Indosat successfully executed a trial launch of its 4G-LTE product, delivering downlink speeds of up to 185Mbps. LTE services will be rolled out in 2015 to subscribers. Subscribers also have access to over 3,623 SuperWiFi hotspot access points spread out over 9 cities. Indosat SuperWiFi gives seamless and unlimited internet access with no login required.

Besides these products, Indosat subscribers have access to award-winning e-money services such as Dompetku and others. These services, which are further detailed in the Digital section of this report, are available on smart, feature and basic handsets, giving customers a valuable low-cost financial alternative to traditional banking services given that approximately 60% of the population do not have bank accounts.

Lastly, subscribers enjoy a wide array of Value Added Services (VAS) and mobile content which enables customers to access a variety of information and entertainment, in part through partnerships with OTT (Over-the-Top) partners including with local developers.

Promotions & Marketing

A number of commercial promotions were launched throughout the year that emphasized data packages, including bundling data packages that put together smartphone offerings with a 1 or 2-year contract period, a first for Indonesia. These bundled packages aimed to encourage customers to shift to data consumption while improving retention by tying subscribers to longer term contracts.

Campaigns included among others:

- Matrix Super Plan, an Indosat postpaid program with free smartphone offering, tied to a 12 or 24 month contract period;
- Mentari Smart Voucher, the first prepaid program in Indonesia that provides a discount voucher for smartphone with a subscription to a Mentari new package plan with option 1 or 2 year contract;
- IM3 Gratis 30, featuring free 30 MB of Internet every day for the younger crowd and more;
- Indosat Business - Bundling Eksklusif for Corporate / SME (Indosat Business), offering benefits for the corporate segment;
- a New Network Campaign in Q3 focusing on customer acquisition and market share in areas in Java and outside Java area where the network was modernized;
- A HiberBola campaign to push reloads and VAS acquisition was held in Q3 connected to watching the World Cup;
- a community festival brought together around 100 communities of different types in Q4 for a full day festival with brand experience.

Campaigns included Matrix Super Plan, an Indosat postpaid program with free smartphone offering, tied to a 12 or 24 month contract period; a bundled program featuring the Samsung Core II smartphone; IM3 Gratis 30, featuring free 30 MB of Internet every day for the younger crowd; and Indosat Business - Bundling Eksklusif for Corporate / SME (Indosat Business), offering benefits for the corporate segment. Response was quite good and this type of promotion approach will be explored further.

MATRIX SUPER PLAN

an Indosat postpaid program with free smartphone offering, tied to a 12 or 24 month contract period.

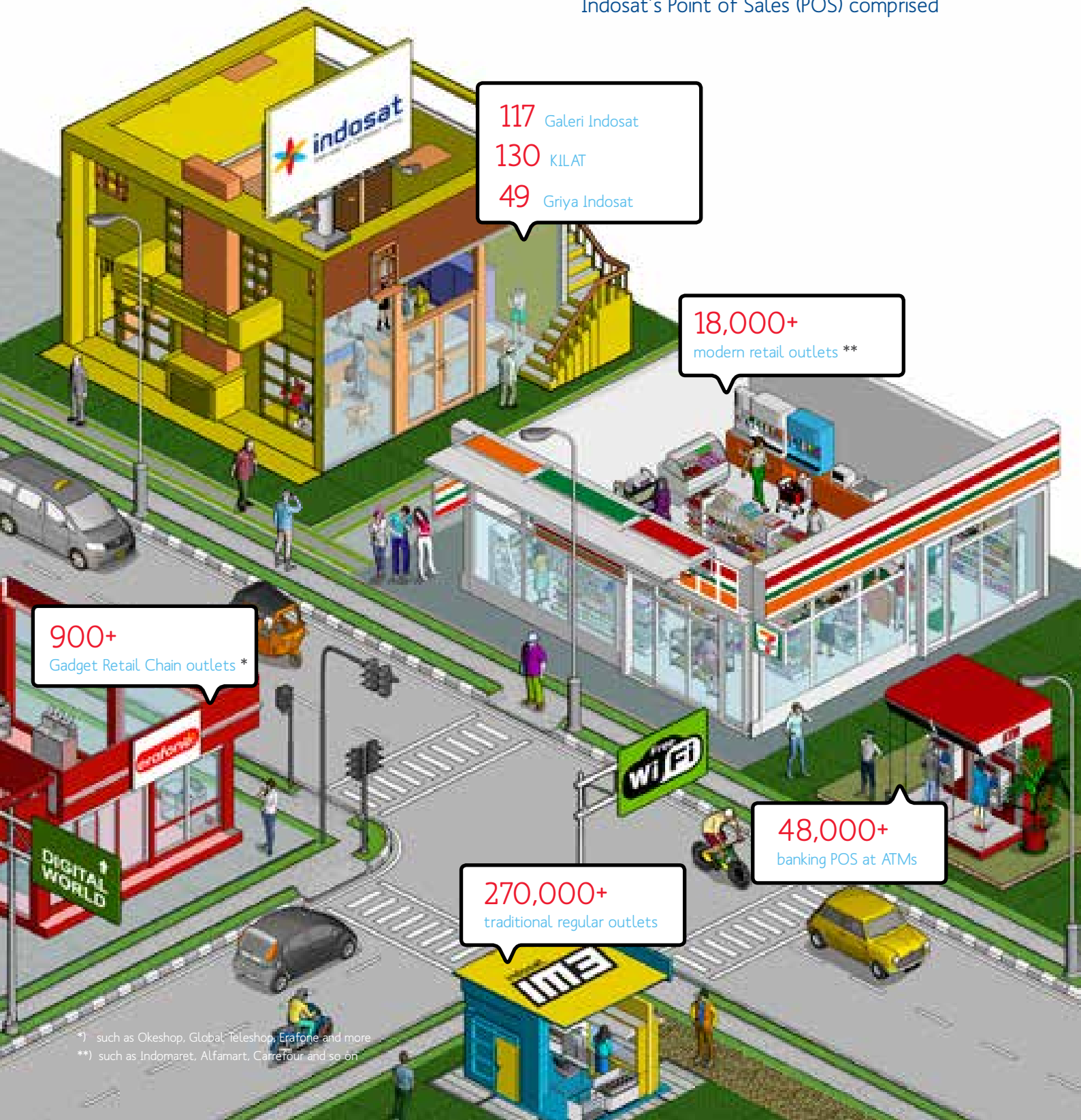
Given the mature voice and SMS market, community engagement was emphasized as a way to leverage and connect with target audiences. As an example, Indosat has launched various sports cards such as Kartu MerahPutih and Kartu Persib which target supporters of those sports clubs, with a percentage donated to the sport. The results are quite good and will be continued, with the support of distributors. Indosat also continued community and brand building efforts to be the digital telecommunications provider of choice through programs such as talk shows, IWIC, and more which reached out to young, digitally savvy youths.

These initiatives were supported by improved campaign management capabilities on the back end. Improvements in data warehousing and analytics (IT) enabled detailed daily reporting on key metrics for better business intelligence, enabling decisions to be made based on fresh data.

In terms of sales and marketing, Indosat took a more aggressive approach to leverage its extensive national network. Indosat has traditionally marketed its cellular products and services through both direct and indirect marketing channels, with the majority of revenue coming from exclusive area dealers. These channels include traditional regular outlets, modern channels consisting



As of 31 December 2014,
Indosat's Point of Sales (POS) comprised



*) such as Okeshop, Global, Teleshop, Erafone and more
**) such as Indomaret, Alfamart, Carrefour and so on



of modern retail outlets such as Indomaret, Alfamart, Carrefour and so on; Gadget Retail Chain outlets such as Okeshop, Globalteleshop, Erafone and more; banking POS at ATMs; and integrated sales and customer walk-in centers called Galeri Indosat, Griya Indosat and KILAT. Galeri Indosat refer to centers maintained directly by Indosat, while those owned by dealers are called Griya Indosat, and those owned and managed by individual partners are called KILAT (Indosat Sales & Service Kiosk).

In 2014, Indosat moved to embrace its distributors more closely, while expanding the number of self-owned channels and opening up its service centers to franchise. The decision was also made to make the service centers play a more active role nationwide in driving sales. The format of these service centers was therefore revamped from focusing on customer service to encompass retail sales of gadgets and products as well, including pushing adoption of digital products such as Dompetku.

Across the nation, distributors were renamed as Mitra Pengelola Cluster (Cluster Manager Partners - MPC) in recognition of their important role, and given greater leeway to determine sales in the cluster area that they oversee. Dealers are responsible for sales, customer service, billing payment and information services to 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 cost. With over 300 clusters nationwide, this approach is expected to help Indosat become more responsive to the needs of highly diverse local markets. Supporting these efforts, management continued to make frequent visits to the field to communicate and monitor achievement of objectives, and increase the Company's sensitivity and reaction time to the market.

Enterprise Market Growth

Enterprise delivered growth of 5% in 2014, driven by growth in both the large enterprise and SME sectors, despite relatively sluggish corporate spending due to the uncertain political climate in an election year. Leveraging existing MID1 customers, Indosat was able to upsell and add new corporate accounts on the cellular side for double digit B2B cellular growth, whereas SME customer acquisition was driven by direct sales penetration, driven by the popularity of the closed user group functions. More sales personnel were added during the year to help push sales.

As part of its drive to focus on corporates, Indosat also emphasized good service delivery, help desk service and service assurance, with dedicated corporate help desk agents for the mobile corporate side. Moreover, platinum status customers are assigned a dedicated service account manager and onsite engineers as part of Indosat's goal to maintain, and preferably improve, enterprise customer satisfaction.

Next Steps

In 2015, the challenge is to effectively leverage the improved network quality to deliver best customer experience as part of the 4+1 corporate objectives. Data and VAS will be engines of growth in every segment. As such, Indosat will encourage data usage while maintaining voice and SMS. This must be supported by the creation of innovative data products, promotions targeted to specific local markets and communities, and engaging content and services for both consumer and enterprise segments, together with optimal pricing for effective monetization; and this in turn should be supported by strategic partnerships for content, apps, OTT and smart devices, and by analytics on the back end.



MIDI REVENUE

↑ 7.4%

to Rp3,508.5 billion,
increased from Rp3,265.9
billion.



We offer integrated MIDI (multimedia interactive, data, & Internet) services directly as well as through subsidiaries Lintasarta and IM2. Indosat's MIDI services consist of Internet services and data communication services including high-speed point-to-point International and Domestic Leased Circuits with broadband and narrowband capacity, Frame Relay services, modern IPVPN (Internet Protocol - Virtual Private Network), and MPLS-based services. We also offer satellite-based services such as transponder leasing, VSAT services, and IT Services such as Disaster Recovery Center and Data Center Services and most recently, Indosat Cloud infrastructure-as-a-service.

Performance

Revenue for MIDI services amounted to Rp3,508.5 billion, 7.4% higher than 2013, which contributes 14.6% of our total revenues. Growth was driven by new customers of transponders, increased usage capacity of Internet from existing customers, and an increase in capacity usage from existing customers of Internet Services (INP), IPVPN and MPLS. In addition, the E-KTP project and strong satellite transponder demand contributed significantly to the bottom line. Declines in Frame Relay and VSAT were due to migration to IPVPN and / or other terrestrial solutions.

Strong growth was also apparent in MIDI information technology (IT) services for enterprise, with large enterprise MIDI posting 31% growth to Rp614 billion. Total bandwidth for IPLC, DPLC, Internet, Transponder, IPVPN and frame Relay grew 20.4% during the year.



Growth Strategy and Marketing

MIDI services are primarily geared to corporate and wholesale customers, a market which we have also identified as having good growth potential. The MIDI market includes demand for data and other network services including Internet-based services. As such, MIDI has become an increasingly important part of our portfolio, and we anticipate its contributions to increase as we go forward especially in the enterprise market. 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.

We continued our strategy of developing our MIDI service capabilities in data communication through three initiatives as follows. First, leveraging the newly modernized network for high quality of service levels. Second, by connecting customers with relevant offers and providing best service. 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. A microsite for Indosat Corporate Solutions (ICS) is accessible from the Indosat web portal at www.indosat.com, which is designed to facilitate access to information on the full range of our products available to corporate customers, as well as to improve brand awareness among customers.

Growth for corporates was almost double that in retail, driven by full-fledged offerings targeted at the large enterprise segment, and connectivity and Internet solutions for Small and Medium Enterprise (SME). Specifically, we market three services to both large enterprise and SME segments: corporate, information technology (IT) and mobility services. IT services has the highest growth potential and we therefore have added personnel to this area to support offerings.

Supporting future delivery of fixed data, we began expanding its fiber optic offerings to secondary cities and industrial estates. Competition is ramping up fast in fiber optic in response to market demand but we still have the advantage of a large existing network and operational resources. In order to retain its lead, we will continue to expand its fiber optic coverage area.

Our subsidiary, Lintasarta, continued to expand geographic coverage of its products and services to address the increasing demand for telecommunications infrastructure in outlying regions. Lintasarta continued to expand its Fiber-to-the-Premises (FTTP) service to deliver faster broadband speeds for business services that demand continuous service performance and availability, supporting premium, consolidated broadband services such as Lintasarta Mobility Access, Data Center, Cloud Services or Video Conferencing. FTTP will enable Lintasarta to deliver a scalable and extensible next-generation fiber network that can support compelling voice, data and video service offerings, at affordable prices.



NEW CUSTOMERS OF
TRANSPONDERS

↑ 9%

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. We also provide international and domestic multipoint data communications services through its robust Internet Protocol (IP) network cloud, comprising 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.

We also continued 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. Meanwhile, MPLS-based services such as Indosat Ethernet services 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.

Revenues from World link and Direct Link decreased by 25.9% to Rp252.5 billion in 2014, while revenues for IPVPN service increased by 22.4% to Rp864.4 billion, and revenue from combined MPLS services and leased line rose 31.5% to Rp723.3 billion. Transponder leasing revenues also showed growth, rising 8.3% y-o-y to Rp301.4 billion.

Internet

Indosat MIDI services operating revenues consist primarily of revenues from Internet services provided by us and our subsidiaries, PT Indosat Mega Media ("IM2") and PT Aplikasi Lintasarta ("Lintasarta"), and from Internet dedicated and Internet broadband services provided by Lintasarta. We also act as an Internet Service Provider for wholesale customers by providing IP transit as well as offering dedicated Internet access. We currently operate three ISPs. Through our subsidiary, IM2, we also offer dedicated and dial-up Internet connection services for corporates and commercial SME (Small to Medium Size Enterprises) customers as well as for retail subscribers. In 2014, revenues from Internet services accounted for 16.5% of our consolidated MIDI operating revenues.

Satellite Transponder Lease

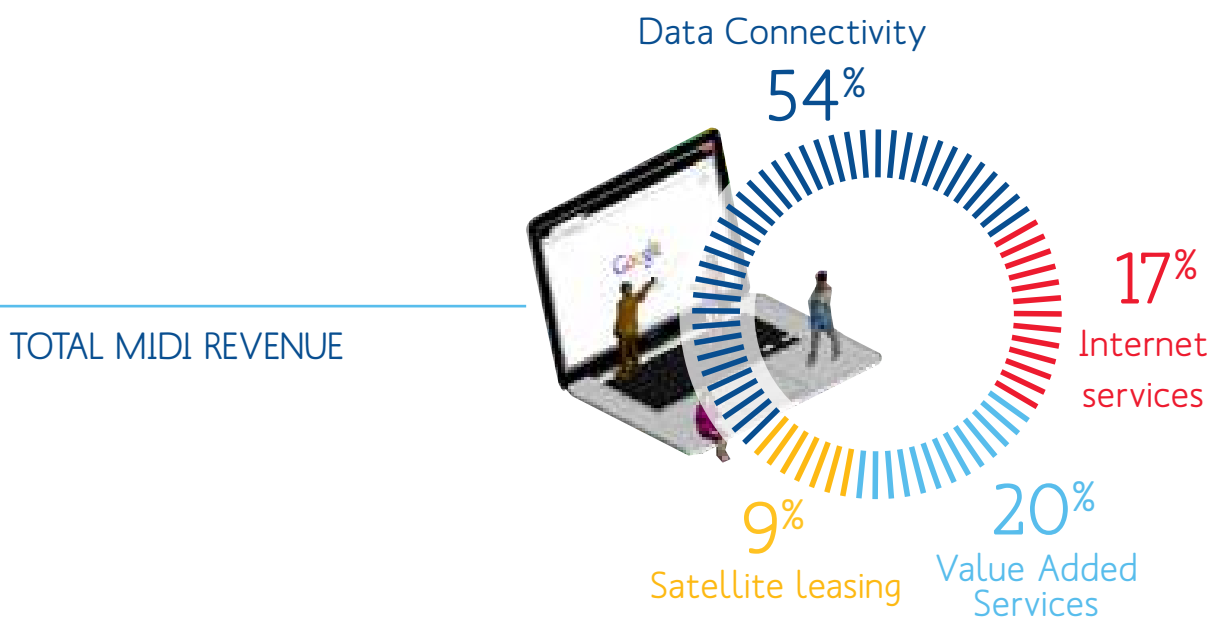
We operate the Palapa-D satellite, which was launched in August 2009 to replace the Palapa-C2 satellite that was launched in 1996. By 2010, the Palapa-D was fully operational, while the Palapa-C2, which was moved to an inclined orbit at 150.5 E.L., continues to operate mainly to carry our cellular backhaul traffic until 2014. The Palapa-D satellite has 11 Extended C-Band transponders, 24 Standard C-Band transponders and five Ku-Band transponders, all owned by us.

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. Satellite leasing revenue grew by 8.3% in 2014, contributing 9% of all MIDI revenue, as existing VSAT and broadcast operators continued to upgrade capacity and new customers began contracts, mainly from DTH (Direct to Home) operators and intercontinental video transmissions.

Value Added Services

Value Added Services (VAS), which includes the Indosat disaster Recovery Center (DRC), the Data Center and Cloud Services, charted good growth for MIDI, posting 31% increase in revenue and contributing 18% of all MIDI Revenue.

These DRC and Data Center, 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. The DRC and Data Center are ISO 270001 certified for Information Security Management.

Through Indosat Cloud, Indosat also provides Infrastructure as a Service (IaaS) order to meet enterprise market demand for on-demand provisioning and management of computing, storage and networking and is targeted primarily at enterprise customers. Indosat offers enterprise cloud services in partnership with Dimension Data, bundling Indosat's nationwide connectivity backbone infrastructure and its 10 data center facilities in Indonesia with Dimension Data's cloud consultancy services for increased customer appeal. Indosat Cloud won the Frost & Sullivan Indonesia Excellence Award 2014 for the category Indonesia Infrastructure as a Service Provider of the Year.

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 sectors such 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.

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.



Indosat Cloud won the Frost & Sullivan Indonesia Excellence Award 2014 for the category Indonesia Infrastructure as a Service Provider of the Year.

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.

We continued to push SME Solution services, which was created to meet the needs of SME businesses, with good results. By focusing on formalized SMEs rather than SME entrepreneurs in the informal sector, we were able to improve revenue and collection. 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.

Future Plans

Going forward, we will continue to develop and strengthen integrated solutions for the corporate market in MIDI, consisting of strengthening connectivity solutions for the large enterprise segment with comprehensive offerings, while creating appropriate products for SME segments, and focusing on the formal SME sector. As part of this effort, we will leverage our extensive fiber optic network and strong operational quality, deploying fiber optic to more secondary cities to meet rising demand for fast connection supporting high speed data consumption.

We will continue
to develop
and strengthen
integrated solutions
for the corporate
market in MIDI



FIXED SERVICES
CONTRIBUTED

4.5%

to total operating revenue



Indosat is a leading provider of fixed telecommunications networks in Indonesia. This category comprises international calls (IDD), fixed wireless (FWA), and fixed line services (I-Phone). While fixed telecommunications services has shrunk over time as a percentage of the overall portfolio, eclipsed by the growth of internet and cellular services, it continues to make a valuable contribution to customer experience.

In 2014, fixed telecommunications revenue amounted to Rp1,096.1 billion or 4.5% of total Indosat revenue, compared with Rp1,214.8 billion in the previous year, or 5.1% of total 2013 revenue. Lower revenue from international calls was the primary factor but revenue from all segments declined compared to last year

International Direct Dial (IDD)

Indosat promotes its IDD services under the Indosat 001, Indosat 008 and the IndosatFlatCall 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. To strengthen our relationships with our partners, we actively participate in international forums and events. We also try to partner with other international providers to get Indosat subscribers travelling abroad consistent and competitive roaming rates.

Revenue from international calls amounted to Rp920.1 billion in 2014, a 9.8% decrease over Rp1,020.0 billion in 2013.

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 revenues decreased by 3.2% from Rp135.2 billion in 2013 to Rp130.9 billion in 2014, contributing 11.9% of total fixed telecommunications service revenue compared with 11.1% in 2013. The decrease in revenue was primarily driven by a decline in the retail segment, whereas Indosat continues to view business and institutional as a promising growth market, with business customers seeking ever higher broadband data speeds to support their business activities.

Going forward, the Indosat fixed line I-Phone service will be improved with better capacity and more stability by migrating and modernizing the platform in 2015, and by leveraging the improved network for better voice quality to corporates.

Fixed Wireless Services

Indosat offers fixed wireless services through its StarOne brand, which has been positioned as a cost-effective solution to subscribers with limited mobility requirement, offering a combination of fixed line (PSTN) and mobile telecommunications services at competitive rates including BlackBerry service, email and instant messaging. Both post-paid and prepaid versions are available. StarOne currently uses Code Division Multiple Access (CDMA) 2000x1 technology on the 800 MHz frequency. However, in 2015, Indosat plans to switch over from CDMA technology to the Extended Global System for Mobile (E-GSM), which is able to leverage 2G, 3G and 4G technology for better service and coverage. Other fixed wireless providers in Indonesia have also announced plans to do the same due to the advantages of E-GSM and falling numbers of CDMA subscribers nationwide.

DIGITAL

Rp145 billion

REVENUE CONTRIBUTED
TO INDOSAT

Established at the end of 2013, the Digital Services Unit is Indosat's newest business unit. It was formed to capitalize on the increasing shift of the Indonesian population to internet and online services, and the growing potential of digital services to generate new revenue and enhance customer experience for Indosat. The unit lies at the center of Indosat's strategy to become a data leader in Indonesia and bring meaningful and effective digital products and services to Indonesian consumers and businesses, through both in house development and through third party partnerships and investments, thus enabling Indosat to better compete in the digital era.

The unit is focused on creating open and scalable platforms around the three key areas of mobile advertising, mobile commerce and mobile finance, where the management sees most growth and strong synergies with Indosat's infrastructure. In addition, the unit is building a strong startup and partners ecosystem around these three core digital platforms through investments and commercial partnerships, which will allow it to bring innovative and cutting edge products and services to its customers. The goal of the unit is to have the highest transaction volume share in Indonesia on each of its three platforms in the long run.

Promising Growth & Performance

In 2014, its first full year of operation, digital services contributed approximately Rp145 billion in revenue to Indosat. In addition, a number of exciting partnerships were forged. The bulk of revenue was contributed by mobile finance, followed by mobile advertising and e-commerce. Given their infancy, digital services are still a very small part of Indosat's earnings, but they are important in terms of their potential to enhance the overall consumer experience and Indosat's relevancy to consumers.

To support growth, dedicated teams were assembled under the leadership of experienced professionals, who were recruited with industry backgrounds corresponding to each business area. As the unit has grown rapidly, in order to encourage innovation and a startup mindset and to prevent distraction to the core business, the digital services unit has moved from the Indosat headquarters to a new office, with an open layout and communal spaces that encourage collaboration and discussion.

In driving adoption of its products and services, the digital unit has been able to leverage Indosat's current infrastructure, existing customer base, extensive supplier relationships, and distributor network including service & retail centers, which were converted in 2014 to place more emphasis on selling Indosat products. For example, the Dompotku digital wallet services is available to Indosat cellular subscribers, and suppliers are sometimes paid using Dompotku as well.

Building a Strong Digital Services Foundation

Mobile Finance

Mobile Finance products were off to a solid start in 2014, led by mobile wallet service Dompotku which was re-launched during the year. Despite challenges of new regulations favoring bank-led models and regulatory approval delays on key products, many new products and more than 50 Dompotku partnerships were launched. The unit is actively setting up B2B partnership and has launched supply chain e-money enablement solutions for many enterprises.



As of year-end, mobile finance products include:



Dompotku, a mobile wallet for unbanked and underbanked with features such as domestic and international money transfer, bill payments, and online and offline retail transactions. In 2014 Dompotku won the "Best Mobile Financial Service" award at the GSMA Mobile World Congress 2014 and "Global Innovation Award" from Global Telecom Business (GTB).



Ondego, a mobile banking service for banks, offering mobile banking solutions over both smart and feature phones.



PayUp, a simple, secure and affordable mobile payment service consisting of bundled phones and electronic card reader for debit cards targeting small retailers and FMCG and logistics companies.



Mynt, a safe, secure and convenient online wallet that provides a one stop payment solution to e-commerce merchants and customers with connectivity to over 80 banks.

Mobile Advertising

In 2014, Indosat formed a strategic partnership with Smaato, a leading global mobile advertising platform to jointly promote and sell mobile advertising inventories to Indonesian brands and agencies. Through this partnership, Indosat will develop and push affordable and innovative hyper-local mobile advertising solutions to Indonesian brands and businesses and meaningful benefits to Indonesian consumers. The goal is to create the largest m-ads platform and profile database in Indonesia.

In addition, the i-klan platform was launched in 2014 to provide both small and large businesses with affordable and effective advertising solutions, including location based mobile and internet advertising, interactive campaigns and digital rewards.

The unit moreover entered into commercial partnerships with Google and BlackBerry to bundle their advertising solutions with Indosat's mobile advertising services.

E-commerce

Launched in 2014, the Cipika e-commerce store had partnered with more than 170 merchants at year end to offer a variety of products focused on local and heritage products in the areas of food, fashion and handicrafts. New verticals will be launched in travel and gadgets, leveraging integration with Indosat and loyalty programs, with the goal of becoming leaders in their respective categories.



Digital is the
modern way
of life.



Accelerating the Digital Ecosystem

Startup Incubation

Ideabox is an award winning technology business incubator supported by Indosat in partnership with Mountain Partners AG, the Founder Institute and Ooredoo Group. Ideabox focuses on identifying and accelerating promising telecommunications, media and technology startups, through investment, access to both Indonesian and international mentors and access to Indosat's network and partners. Having successfully graduated four companies from its first batch (Dealoka, Ngomik, Unyu, Shoop), in 2014 Indosat launched the second batch with seven more companies. Two of the Ideabox companies have already received series A funding from international investors and all 4 companies from Batch 1 have strong commercial agreements and partnerships in place.

Venture Capital

In April 2014, Indosat launched the SB-ISAT fund, a US\$14.5 million fund in cooperation with Japanese conglomerate Softbank's venture capital arm and local investors. The fund is focused on providing growth capital to digital companies and entrepreneurs in Indonesia. In an example of synergies, Ideabox graduate Dealoka successfully received Series A funding in early 2015 from SB-ISAT. The fund not only provides capital to the invested companies but also mentoring, access to Indosat's customer base, and access to the knowledge network of Softbank as a leading Japanese telecommunications and internet corporation and the owner of Sprint Corporation, USA.

Developing local entrepreneurs

As part of its commitment to build out the Indonesian startup ecosystem, Indosat is also working with StarHub, a Singaporean operator, to launch Crowdtivate a crowdfunding platform.

Crowdtivate is primarily meant to help tech startups, content creators, and entrepreneurs in Indonesia raise capital from backers both inside and outside Indonesia. By making it easy for entrepreneurs to raise capital through crowdsourcing, Indosat hopes to eliminate one of the major hurdles faces by startups in Indonesia, who struggle to raise funding during seed stage.

Startup Integration

Indosat's digital unit has also set up a dedicated technology and startup integration team, called Kloc, in order to make it easy for startups and technology companies from Indosat's ecosystem to plug into Indosat's infrastructure, platforms and customer reach. The Kloc team is working on simplifying and standardizing the integration process, which will make it easy for both local and international digital companies to quickly get access to the Indonesian customers through Indosat's best in class data network, payment, advertising and e-commerce platforms.

Ideabox focuses on identifying and accelerating promising telecommunications, media and technology startups, through investment, access to both Indonesian and international mentors and access to Indosat's network and partners.

Students Idea Competition

Indosat once again sponsored the 8th annual Indosat Wireless Innovation Application Contest (IWIC). IWIC is a competition for mobile developers and digital developers which includes seminars and workshops held across leading campuses in Indonesia to garner interest and awareness in the field. IWIC winners receive various prizes and scholarships from the Founder Institute to develop these ideas into a potential business.

International Business Development

Capitalizing on parent group Ooredoo's international presence and a strong global interest from technology and internet companies to access Indosat's customer base, an international business development team has been established to enrich Indosat's customers' digital lives by bringing them exclusive and meaningful content and services. This team acts as a one stop shop for both large international partners, such as Google, Facebook, Twitter etc. to help them form fast and effective partnerships with Indosat.



HUMAN RESOURCES

483

TRAINING PROGRAMS
IN 2014

Human Resources plays important role in Indosat's actions to achieve leading in the market. In order to support efficiency and productivity improvement, also encouraging creativity and ensuring employees at all levels are united behind one vision and common goals, the organizational structure must be aligned with current business requirement. Moreover, employees must be optimally engaged and motivated, as reflected by the goal of "best people experience" as one of the objectives of the 4+1 strategy roadmap.

In the second year of the roadmap implementation, numerous Human Resources initiatives began in the previous year continued to be executed and developed. Priorities included encouraging the growth of an innovative corporate culture, developing people at all levels, creating an effective organization, and reviewing and improving Human Resources Systems and policies, towards increasing employee engagement.

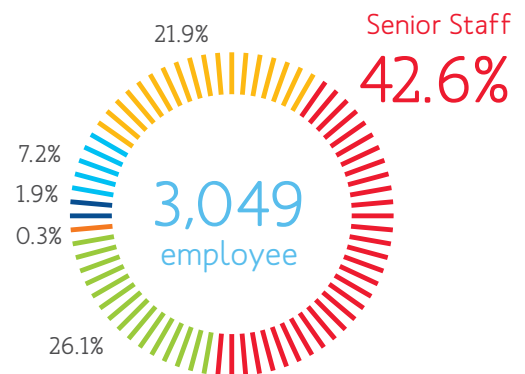
Organizational Effectiveness

Parallel to the emergence of new growth areas, the Human Resources department worked closely with business users to map the human resources requirements for each department. This understanding was used as a base to align the organizational structure with needs, and ensure that right amount of human resources were allocated to support growth in each area. As always, priorities included effectively allocating people by matching competencies with needs, keeping the organizational structure lean and efficient, and improving productivity.



Number of Employees by Level

	2014	2013
BOD/Chief	9	6
Group Head/Advisor	58	63
Division Head/Expert	218	23
Manager/Expert	670	697
Senior Staff	1,298	1,296
Staff	796	753
Total	3,049	3,046



In line with the organizational restructuring, intensive people development took place including enhancing people leadership skills at the manager level. One of the criticisms of previous years was a lack of career development paths; we have addressed this by publicizing internal vacancies more broadly and opening up vacancies to all applicants. We also gave preference to internal candidates in filling vacancies. Indosat has also opened up the possibility of going overseas to other Ooredoo group companies as part of a group-wide talent development initiative.

People Development

Indosat has implemented a comprehensive program of competency development for employees that focuses not only on technical skills, but also on soft skills, including relevant managerial training. To ensure that employees not only acquire but practice new

skills, which has been proven to improve retention of the newly acquired knowledge, a 70:20:10 training approach is used whereby 70% of workforce learning is on the job, 20% through mentoring or coaching, and only 10% in formal training sessions. This has shown through feedback to be far more effective in developing employee skills than formal training sessions alone.

Building on the training efforts in 2013 to equip all manager level staff with people leadership skills, further training was done on this subject in 2014. Managers further developed their skills with supporting materials to provide effective coaching and structured feedback to their team.

	2014	2013
Number of Training Programs	483	674
Number of Participating Employees	6,110	9,772
Total Cost of Training	Rp29.0 billion	Rp25.0 billion
Training Cost/Individual	Rp4.7 million	Rp2.6 million

TOTAL COST OF TRAINING

↑ 16%

Indosat actively sought to strengthen employee engagement and develop leadership competencies.





Total resources spent on management and development training for new managers also rose, in line with the Company's intentions to develop leadership potential and optimize individual career trajectories. A stakeholder feedback mechanism that was implemented to find out whether this training had effectively improved the quality of the management returned positive results.

Talent & Performance Management

Based on corporate objectives, Key Performance Indicators (KPI) are cascaded down to individual level to align individual performance with corporate strategy. This work was ongoing in 2014 as we continue to build our internal talent bank, including tackling succession plans, and establishing Human Resources Service Level Agreements.

Remuneration levels were also addressed, including relocation policies, as part of our bid to attract and secure the best people in the industry. Supporting performance management, the new and upgraded SAP system in use has integrated links between Performance Management and Talent Management.

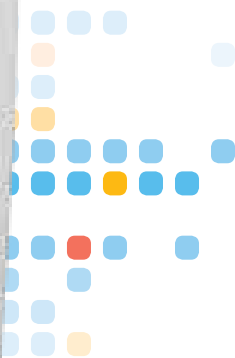
Lastly, for the new Digital business unit, experienced professionals were recruited from a diverse range of backgrounds, bringing a wide range of networks and perspectives to building out the digital business and integrating digital content into existing Indosat products.

Management & Employee Communication

Management pro-actively communicated with employees through a variety of channels both formal and informal to inform employees of the Company's objectives, build consensus, and get feedback. Communication channels included open discussion forums between top management and employees conducted through regular town hall meetings, regular visits by Directors to branches and field locations, social gatherings with the CEO, and frequent communications with representatives of the employee union (SPI). In addition, Indosat utilized indirect communications 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 improved employee engagement and made the Company more agile.

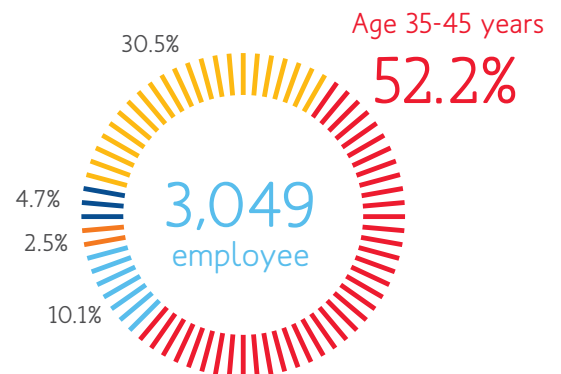


6



Number of Employees by Age Group

	2014	2013
< 25 Years	144	91
25-35 Years	931	814
35-45 Years	1,590	1,680
45-50 Years	309	354
> 50 Years	75	107
Total	3,049	3,046



Throughout 2014, various initiatives were executed to improve communication between staff and management. Among others senior management, including the Directors, conducted frequent in-person visits to branch locations in order to get feedback from the field and encourage regional staff. In parallel, structured events such as townhall meetings were held in an informal and relaxed manner to encourage open discussion and questions from staff.

The initiatives helped communicate information, build awareness, and generate support among employees. The shift to an open and informal style of communication also helped to stimulate feedback and ideas leading to better execution especially on commercial initiatives, as well as increasing workplace satisfaction.

Employer of Choice

We believe that a positive work place where employees look forward to coming in plays a crucial role in unlocking their potential. Indosat strives

to be the best place to work for employees by providing a positive work environment with good opportunities for career development and by ensuring the welfare of employees and their family members. Aside from regular monthly wages, employees also receive benefits such as telephone benefit, medical benefit, annual bonus as incentive, and a variety of facilities and rewards. Indosat also improving the benefit program from self-funded by the Company to be managed by a health insurance provider. Not only provide a competitive package but also provide the best practice in class of health insurance that presence in a large number of hospitals in Indonesia. The goal is to enable employees to achieve good work life balance between working responsibilities, their home life, and social ties to workers.

To achieve this, insofar as possible the working environment is designed to create an enjoyable working experience. For example, employees may clock in and clock out on a flexible schedule so long as they are able to fulfill their tasks and handle their workload. Similarly, employees enjoy a flexible dress code that allows them to wear



formal or casual clothing as determined by their respective role, function or assignment. In certain work locations, Indosat provides library, medical clinics, canteens, and nursing rooms for the benefit of employees. The Company also supports employees in performing religious obligations including observation of religious events. Furthermore, the Company actively encourages extracurricular activities for employees especially in sport as a healthy, team-building activity, with several sports teams organized by employees given some Company funding.

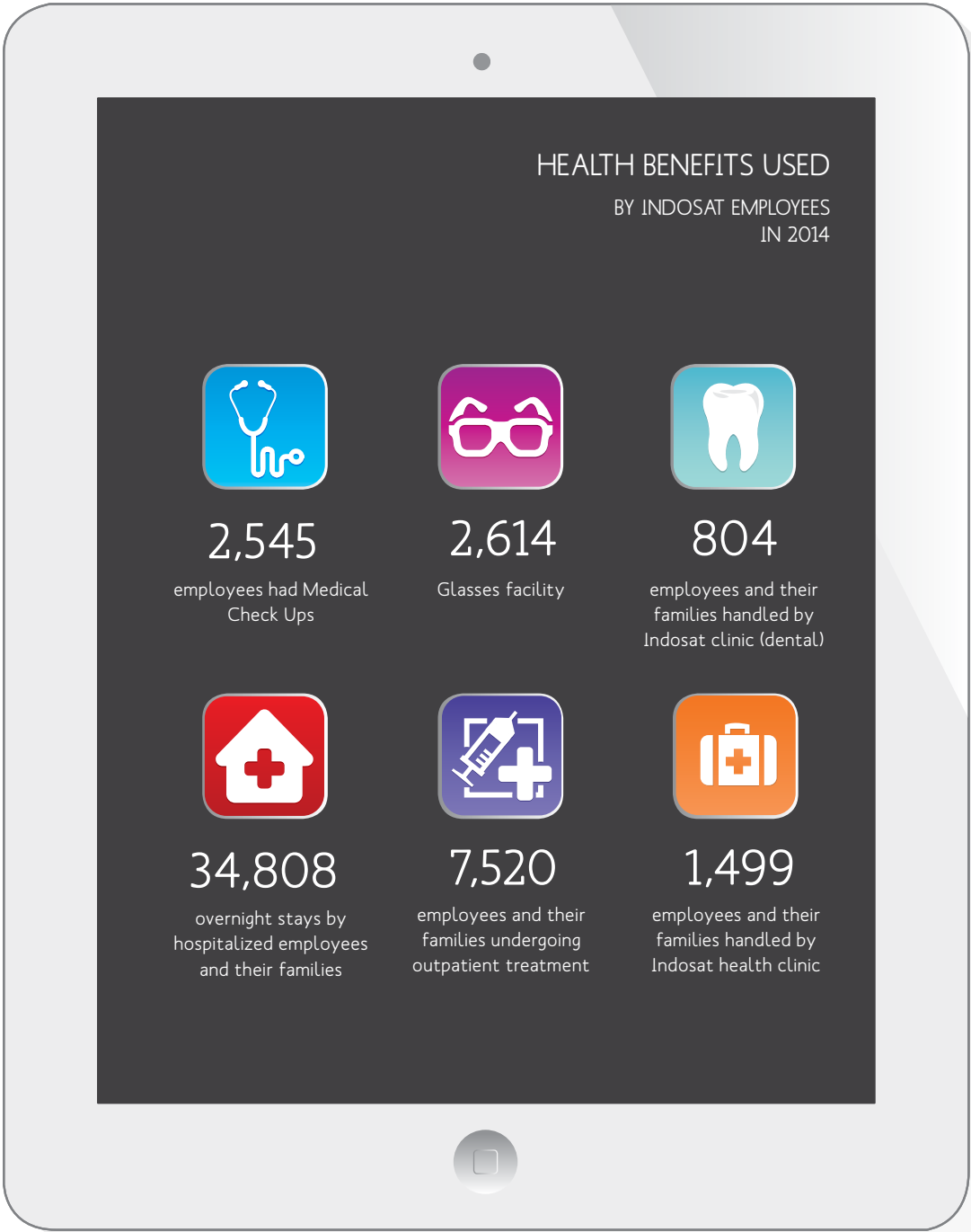
During 2014, Indosat successfully reached the number of 300 movements through Internal Job Offering that open for all employees. While we continue to challenge ourselves to have a better engagement with external candidates by leveraging Sniperhire tracking system that is integrated with Indosat's career page as our sourcing channel; HR commits to work on improving our employer of choice ranking everywhere we operate.

Occupational Health, Safety and Environment (HSE)

Indosat is committed to implementing a culture that promotes Occupational Health, Safety and Environment (HSE), in line with the government target of establishing a national HSE culture by 2015. A formal HSE policy signed by the President Director and CEO has been formulated which outlines the Company's commitment to reducing workplace accidents, reducing and prevent environmental pollution, saving energy, obeying laws and making continuous improvements to HSE management systems. Reflecting its commitment to making HSE a part of its culture, Indosat is OHSAS 18001 certified for Occupational Health and Safety management systems. The Company further provides a number of health benefits for employees and their families.

Among the welfare benefits that provided are:

1. Medical Care and Treatment Facilities, consisting of:
 - a. Outpatient benefits
 - b. Inpatient benefits (including maternity hospitalization)
 - c. Dental care & medical benefits
 - d. Glasses benefit
 - e. General Benefits Check Up (GCU)
2. A variety of sports facilities.
3. Marriage Assistance for Employees.
4. Funeral & Burial Assistance.
5. Natural Disaster Assistance.
6. Awards given to employees as a reward for service and dedication to the Company or surrounding community.
7. The PT Indosat Tbk employee cooperative (Kopindosat) of which all employees of the Company are members. The Company provides assistance as necessary for the smooth operation of Kopindosat.
8. A pension plan, benefits and pension plan provisions for employees who receive fully funded facilities from the Company as laid forth in the provisions agreed upon between the Company and pension scheme administrator (BPJS).
9. Social security for workers (BPJS) whereby Social Security contributions are made by the Company.





HR Information System

Indosat has established an automated, electronic ESS (Employee Self Service)-based HR Information System for improved efficiency and accuracy. Each employee can use the intranet application 'Myinfo' to access and update relevant information and their own 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, taking leave, updating bank account details, updating their Talent Profile, and other benefits. Enhancements were made to the HR Information System in 2014 with the goal of making the database more comprehensive and accessible to employees, enabling them to better manage their personal data and relevant Human Resources information.

In 2014, the development of HR Information System among others integration MyLearning and SAP, increasing the number of licenses owned for use by all employees. Moving the management application for outsourcing Ocean Explorer into the SAP with the goal of integration, consistency and accuracy of data. Several other initiatives are the development of ESS for Homebase, Dompok and Jamsostek.

Code of Ethics

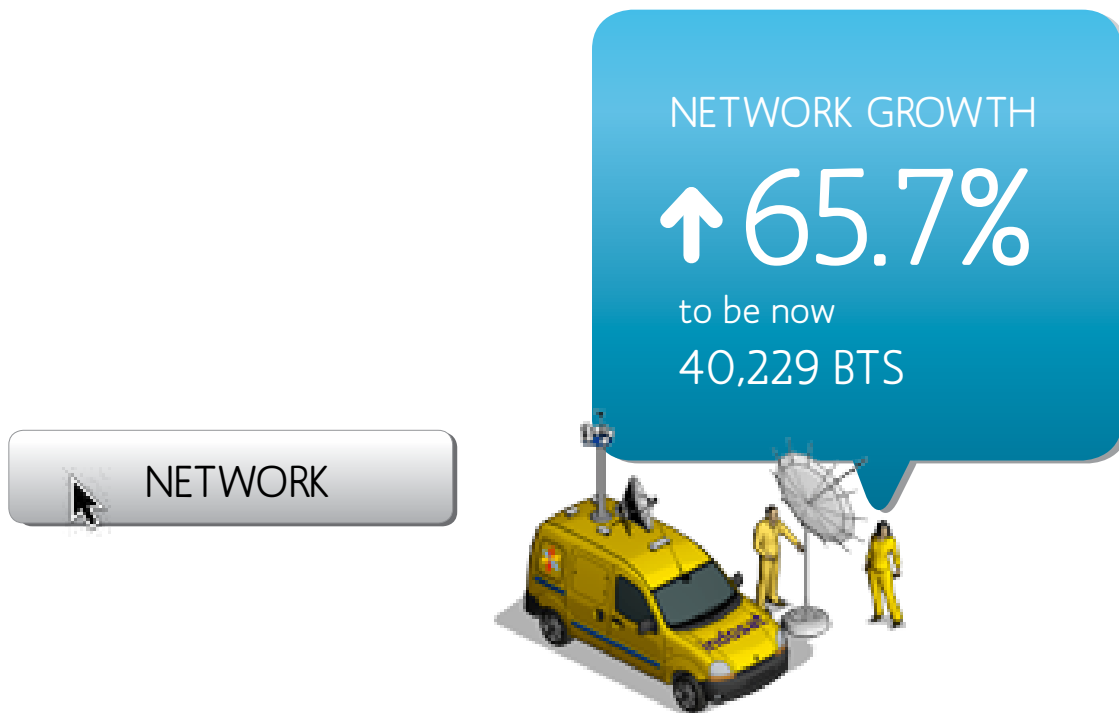
The Indosat Code of Ethics has been made into a formal Company policy through the issuance of a Company Code of Ethics Guidelines document. Each Indosat employee has signed a personal copy of the Code of Ethics in a series of top-down socialization sessions held at every level of the organization. Employees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

Industrial Relations

Indosat is committed to maintain good working relationships with its unions for mutual benefit. The framework for this relationship is set forth by a Collective Labor Agreement (CLA) document, which is renegotiated between the Indosat Employee Union (SPI) and Indosat management every two years.

The purpose of the CLA is to support business success for the Company while also safeguarding employee rights. As such, the CLA covers issues related to 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.

Throughout the year, the Human Resources Department proactively reached out to strengthen ties and build a good working atmosphere through routine meetings, open communications, and open meetings to address possible concerns to work towards solutions, leading to the successful agreement on, and signature of, the 2015-2016 CLA.



Indosat maintains an extensive telecommunications infrastructure and network comprising cellular networks as well as fixed voice and fixed data networks that includes international gateways, submarine cable systems, satellite circuits and microwave transmission stations, which are continuously expanded and upgraded.

As of the end of 2014, the Indosat network comprised 22,166 BTS 2G (Base Transceiver Stations) and 18,603 Node-B or 3G BTS for a total of 40,229 BTS, an increase of 65.7% y-o-y. Mobile switching centers stood at 54, and base station controllers at 403. In addition, domestic network backbone capacity has been upgraded in recent years in anticipation of huge data traffic demand growth. The domestic network backbone capacity currently stands at 100 Gbps lambda base, while international backbone capacity via the Jakabare Submarine Cable System (Jakarta - Singapore) stands at 240 Gbps and the newer Jambi - Batam cable system at 300 Gbps.

Network Modernization

Over the past two years, Indosat has embarked on a major modernization project to overhaul its entire network data readiness and improve the quality for operational efficiencies and better user experience. Major capex of Rp7,044.1 billion was spent on the network modernization, capacity expansion and coverage to support future demand for data services, as well as internal business support systems enhancement. Specifically, the goals were data readiness and improved quality for better user experience, with improved long term cost efficiency.

The network modernization centered on the installation of Software Defined Radio (SDR) software in each BTS, enabling the BTS to be flexibly used for 2G, 3G and LTE spectrums. Moreover, the SDR BTS are relatively small, lightweight, easy to transport and install, delivering cost savings and making installation easier. Running on the UMTS 900MHz (U900) + 2100MHz network, which delivers wider coverage and stronger signal per BTS, this newly modernized network is designed to provide an improved user experience. It is a crucial part of Indosat's strategy to improve the user experience. The resulting IP-based network will enable Indosat to better serve different needs of the Corporate, SME, Mobile and Retail segments as well as delivering the benefits of wider coverage, robust services and a scalable network.

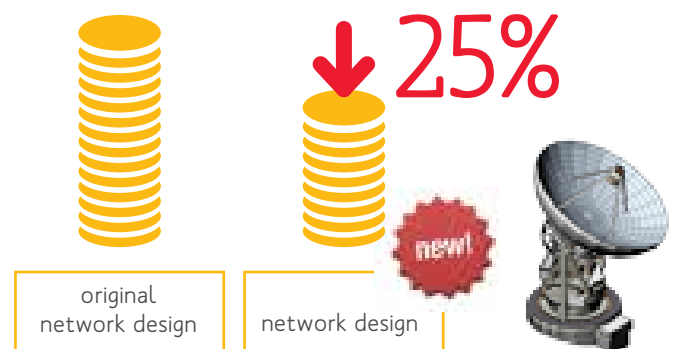
Following delays in the first half of the year due to the complexity of executing in the field, the majority of network modernization were effectively completed in the second half of the year. Specifically, the modernization of key cities on both Java and off-Java were successfully executed according to plan, delivering measurably better quality on all major indicators. Based on internal monthly tests, key metrics have shown immediate improvement with good Mbps downlink speeds to handsets as well as good uplink throughput on data, and very good voice quality, with Call Success Setup Rate (CSSR) measured at 97.35%.

In parallel, 3G Radio Access Network (RAN) sharing has been implemented to increase capex efficiency and faster go-to-market, and service coverage has been expanded by investing in new Point of Presence (POP) in high rise buildings within urban areas. We also increased the presence of SuperWiFi hotspots in major areas to 3,623, which allow Indosat subscribers with smart devices to connect without logging on.

Cost Savings

The new network design is estimated to deliver cost savings of more than 25% over the original design. The SDR software enables the network will be able to operate flexibly on whatever frequency the parameters are set to, with the ability to switch between 2G, 3G and LTE without requiring additional

Network Cost



hardware. The SDR BTS are also relatively small, lightweight, easy to transport and install, delivering time and cost savings. Moreover, air-conditioned shelters are no longer required to protect the BTS software in this design.

Further savings were achieved by connecting more sites to state electric utility Company PLN as the most economical source of power, augmented by the use of fuel-efficient backup solutions such as CDC (Charge-Discharger Controller) switches which are capable of saving up to 60% in fuel costs and in the process, lowering the Company's carbon footprint. Advanced batteries were also implemented as part of BTS backup power solutions to improve the efficiency of genset use.

Going forward, in anticipation of the third phase of modernization, a large and complex tender was successively executed at the end of 2014 with very good price and specifications which should contribute to 2015 savings.

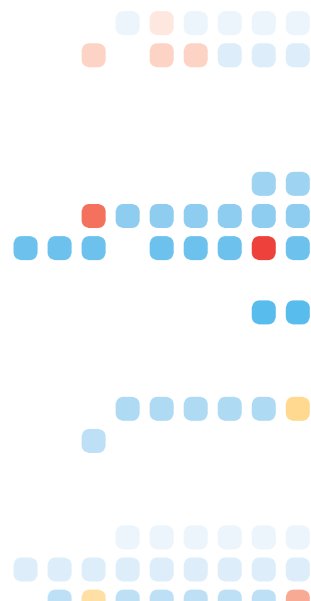
U900 and LTE Launch

In its first full year of usage, refarming to the UMTS 900MHz (U900) + 2100MHz network delivered substantial improvement in network performance, and a subsequent surge in all types of traffic but especially data traffic. Besides improving user experience with better coverage, and stronger indoor as well as outdoor signal, the wider coverage area decreased the amount of capex and opex needed. The U900 network provides Indosat became the first operator in Indonesia to offer internet access speeds of up to 42 Mbps to deliver high quality, seamless data service for better customer experience.

Following on those achievements, Indosat officially launched Super 4G-LTE service on 22 December 2014 on a limited basis. The launch demonstrated the LTE-readiness of the Indosat platform and network. The launch demonstrated carrier aggregation for high throughput, with demo speeds reaching up to 185Mbps/second and upload speeds of up to 41 Mbps. As such, LTE will be rolled out on a commercial basis in the coming year, supporting improved service quality and user experience. This high speed internet access will support news and video streaming without buffering, multiplayer games, and high speed multi device connections.

Structural Reorganization

Supporting the network improvements, the structure of network operations was realigned to give end-to-end accountability for RAN quality to each of the 5 operating regions. This decentralization improved the efficiency and effectiveness of the radio network monitoring projects. Personnel and resources were also allocated to various growth areas to support ongoing enhancements and upgrades.



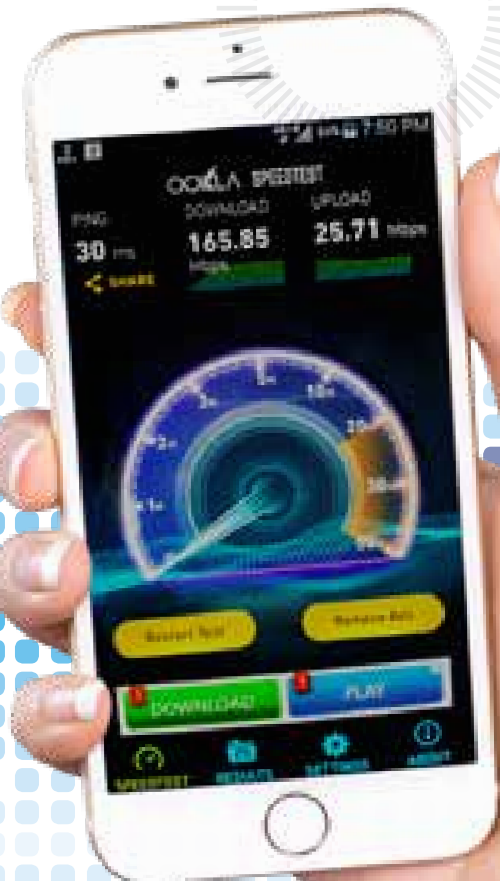
Indosat officially launched Super 4G-LTE service on 22 December 2014 on a limited basis, with demo speeds reaching up to 185Mbps/second and upload speeds of up to 41 Mbps.

Future Plans

Priorities for 2015 include completing the third and final phase of the network modernization project in Java, expanding LTE readiness across the network, and increasing core network capacity in all modernized areas. This includes upgrades of the RAN and backhaul to increase capacity and reduce latency delays. Related IT infrastructure will also be upgraded such as servers and LAN, among others to support cloud-based initiatives. Moreover, the domestic content delivery network will be developed to keep pace with customer demand.

On the retail side, the Indosat FTTX (Fiber to the Home) fiber optic network will be strengthened as part of the Company's bid to push into this area, while on the corporate side, the Fixed Line Indosat Phone service will be improved with better capacity and more stability by migrating and modernizing the platform in 2015, and by leveraging the improved network for better voice quality to corporates. To ensure the smooth operation of the upgraded 3G900 network and Wi-Fi access points, the backhaul capacity will also need to be upgraded, especially with respect to fiber.

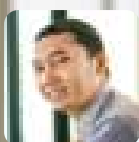
The result will be a robust infrastructure that can capture the value in the mobile data traffic explosion and support newer technologies all the way to LTE, delivering long-term cost savings and a quality network.





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Management Discussion and Analysis

I always get my morning cup of coffee with Indosat Dompetku. Dompetku services make my everyday life easier.



The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes thereto as of December 31, 2012, 2013 and 2014. The audited consolidated financial statements have been prepared in accordance with IFAS (Indonesian Financial Accounting Standard) - S4. 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 such as those set forth under chapter 06 "Risk Factors" and elsewhere in this report.

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, 2014, we were one of the three largest cellular operators 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 affect our cash flows, interest expense and depreciation expense.

We were one of the three largest cellular operators in Indonesia, as measured by the number of cellular subscribers, with 63.2 million subscribers as of December 31, 2014. Our total cellular subscribers increased by approximately 1.9% from 58.5 million as of December 31, 2012 to 59.6 million as of December 31, 2013 and by approximately 6.1% to 63.2 million as of December 31, 2014.

In Indonesia, mobile phones have become the primary tool for telecommunication, both for voice calls as well as in terms of internet usage. Around 37.4% of our total cellular revenues in 2014 were derived from voice services, but the growing popularity of smartphones, the popularity of social networking sites and the development of other popular online content, has contributed to the growth of our data revenues in recent years.

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.

Total cellular subscribers increased approximately from 59.6 million to 63.2 million.



Competition for subscribers has become increasingly focused on pricing.





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, XL and us, accounted for around 80% of the cellular subscriber base in Indonesia in 2014. We compete with Telkomsel and XL primarily on the basis of network coverage, quality of 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 Very Small Aperture Terminal ("VSAT"), cellular and International Direct Dialing ("IDD") services and Internet Service Providers ("ISP"), 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 changed from a "sender-keeps all" scheme to a cost-based scheme, effective June 1, 2012. Previously, the tariff for SMS (including SMS and value-added SMS) was based on a "sender-keeps-all" scheme, under which we earned revenues whenever one of our cellular subscribers sent an SMS, but not when a customer of another telecommunications operator sent an SMS to one of our cellular subscribers. Under the current cost-based scheme, we 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 record revenues for the SMS charge payable by our subscriber and we 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 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 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 we agreed to sell 2,500 of our telecommunication towers to Tower Bersama for a total consideration of US\$518.5



million, consisting of US\$406.0 million paid upfront and a maximum potential deferred payment of US\$112.5 million. The upfront payment includes PT Tower Bersama Infrastructure Tbk's shares of not less than 5% of the increase in PT Tower Bersama Infrastructure Tbk's capital stock (upon the Rights Issue of PT Tower Bersama Infrastructure Tbk). Based on the agreement, we also agreed to lease back the spaces in the 2,500 telecommunication towers for a 10-year period with fixed monthly lease rate of US\$1,300 per tower.

On August 2, 2012, we and Tower Bersama closed the sale and leaseback transaction of 2,500 telecommunication towers. The consideration paid at closing was US\$429.4 million consisting of cash of US\$326.3 million and 5% share ownership in PT Tower Bersama Infrastructure Tbk, which had a fair value of US\$103.1 million as of August 2, 2012.

The total consideration of US\$429.4 million (equal to Rp4,070,187 million) was allocated for the sale of property and equipment amounting to Rp3,870,600 million and the remainder was allocated for prepaid land lease and existing tower lease contracts from the 2,500 towers. The total carrying amount of the separately identifiable components of the transaction is Rp1,534,494 million which includes the carrying amount of property and equipment amounting to Rp1,372,674 million. As of the agreement closing date, we recorded the excess of the selling price over the carrying amounts amounting to Rp2,535,693 million (including the Rp2,497,926 million from the sale of property and equipment) as "Gain on Sale of Towers" of Rp1,125,192 million, and "Deferred Gain on Sale-and-Leaseback Transactions" of Rp1,410,501 million.

As of December 31, 2012, we recorded a total gain on the sale of the towers amounting to Rp1,183,963 million as "Gain on Tower Sale." The sale and leaseback transaction has been accounted for as resulting in a finance lease. Rp58,771 million of the deferred gain was amortized to the income statement in 2012. The deferred gain is being amortized over the term of the lease period of 10 years. As of December 31, 2013 and 2014, the remaining balances of the deferred gain from the sale and lease back transaction amounted to Rp1,210.7 billion and Rp1,069.6 billion (US\$86.0 million), respectively.

On March 19, 2014, we divested the remainder of our share ownership in PT Tower Bersama Infrastructure Tbk for an aggregate net proceed of Rp1,379.1 billion.

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. For the years ended December 31, 2012, 2013 and 2014, our actual consolidated capital expenditures totaled Rp8,396.6 billion, Rp9,371.0 billion and Rp7,044.1 billion (US\$566.2 million), respectively. During 2015, we intend to allocate approximately Rp7,192.0 billion (US\$580.0 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2015 for capital expenditure commitments in prior periods, will result in approximately Rp7,440.0 billion (US\$600.0 million) total actual capital expenditures for 2015, which we intend to use for the development of fixed assets in our cellular, fixed data and fixed telecommunications business lines.

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. In 2015, we expect to focus on the modernization of our cellular network in Greater Jakarta, other parts of Java including Surabaya, Bandung, Yogyakarta, Semarang, Sukabumi and Garut and in certain cities outside Java including Medan, Banjarmasin, Lampung, Batam and Palembang. We expect to continue to finance our capital expenditures through such sources. In addition, we also applied a portion of the cash proceeds from the Tower Sale Transaction completed in 2012 towards funding our capital expenditures in 2015. 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 2015, 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 January 1, 2012 through

December 31, 2014, the Indonesian rupiah/U.S. dollar middle exchange rate announced by Bank Indonesia ranged from a low of Rp12,440 per U.S. dollar to a high of Rp9,000 per U.S. dollar, and, during the year 2014, the Indonesian rupiah/U.S. dollar middle exchange rate announced by Bank Indonesia ranged from a low of Rp12,440 per U.S. dollar to a high of Rp11,404 per U.S. dollar. The middle exchange rate announced by Bank Indonesia on December 31, 2014 was Rp12,440 per U.S. dollar. 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 are denominated in currencies other than Indonesian rupiah, principally the U.S. dollar. As of December 31, 2014, 50.3% of our borrowings were denominated in Indonesian rupiah, with the balance in U.S. dollars. A depreciation 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 M2M services and satellite operations. For the year ended December 31, 2012, we recorded a loss on foreign exchange-net of Rp744.6 billion, for the year ended December 31, 2013, we recorded a loss on foreign exchange-net of Rp2,786.9 billion, and for the year ended December 31, 2014, we recorded a loss on foreign exchange - net of Rp395.4 billion (US\$31.8 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.

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 December 31,	2012		2013		2014		
(Rp in billions, US\$ in millions, except percentages)	Rp	%	Rp	%	Rp	US\$	%
Cellular services	18,489.3	82.5	19,374.6	81.2	19,480.5	1,566.0	80.9
MIDI services	2,908.0	13.0	3,265.9	13.7	3,508.5	282.0	14.6
Fixed telecommunications	1,021.5	4.5	1,214.8	5.1	1,096.1	88.1	4.5
Total operating revenues	22,418.8	100.0	23,855.3	100.0	24,085.1	1,936.1	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, 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 December 31,	2012		2013		2014		
(Rp in billions, US\$ in millions, except percentages)	Rp	%	Rp	%	Rp	US\$	%
Value-added services	7,868.4	42.6	8,408.3	43.4	9,583.8	770.4	49.2
Usage charges	8,629.7	46.7	9,281.3	47.9	9,264.0	744.7	47.6
Interconnection revenues	2,175.0	11.8	2,430.8	12.5	2,022.7	162.6	10.4
Tower leasing	504.9	2.7	573.3	3.0	667.2	53.6	3.4
Monthly subscription charges	136.4	0.7	127.6	0.7	83.6	6.7	0.4
Others	197.2	1.0	225.2	1.1	355.3	28.7	1.8
Up front discount and customer loyalty program	(1,022.3)	(5.5)	(1,671.9)	(8.6)	(2,496.1)	(200.7)	(12.8)
Total Cellular services operating revenue	18,489.3	100.0	19,374.6	100.0	19,480.5	1,566.0	100.0

A substantial proportion of our cellular subscribers, approximately 98.7% as of December 31, 2014, are prepaid subscribers. We offer a variety of value-added services to our prepaid subscribers, which have increased cellular services operating revenues from data usage, 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 42.6%, 43.4% and 49.2% of our cellular services operating revenues for the years ended December 31, 2012, 2013 and 2014, respectively. We expect the revenues derived from data usage to increase, due to 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 deferred revenue and recognized as revenue upon usage of the airtime or upon expiration of the airtime;
- sales of cellular handsets and modems are recognized upon delivery to the customers;
- revenues from cellular data communications are recognized based on the duration and quantity of usage;
- cellular revenues are presented on a net basis, after compensation to value added service providers;
- 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, IM2 and 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 deferr 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 recognize 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 84.0% of our operating revenues from fixed telecommunications services for the year ended December 31, 2014. Fixed wireless access and fixed line services represented the remaining 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 December 31, 2014, we had 77,162 "StarOne" fixed wireless access subscribers in 83 cities in Indonesia. In 2015, we plan to switch over from CDMA technology to the Extended Global System for Mobile (E-GSM), which is able to leverage 2G, 3G and 4G technology for better service and coverage.

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 revenue and recognized as revenue 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, general and administration expenses. Starting in 2012, we reclassified several portions of our other income (expenses) to operating expense (including gain from foreign exchange, gain on tower sales and others-net) to conform with the presentation of financial statements under OJK or BAPEPAM rules.

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

Cost of Services. Costs of services expenses include radio frequency fee, interconnection expenses, maintenance, utilities, rents, BlackBerry™ access fee, leased circuits, the cost of SIM cards and pulse reload vouchers, Universal Service Obligation (USO), 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. On August 2, 2012, we and Tower Bersama closed the sale and leaseback transaction of 2,500 telecommunication towers. Since the sale and leaseback transaction has been accounted for as resulting in a finance lease, we recognized the leased assets on our balance sheet and recognize depreciation expense on the leased assets.

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

Personnel. Personnel expenses primarily include severance benefit under the voluntary separation scheme, which scheme ended in June 2011 for us and in January 2012 for Lintasarta, salaries, incentives and other employee benefits, employee income tax, bonuses, medical expense and pension.

We currently have local and domestic long-distance coverage of 152 major cities in Indonesia.



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

Gain on Tower Sale. Gain on tower sale consists of the gain amounting to Rp1,183,963 million that we recognized from the sale of tower slots not leased back by us from the tower sales and leaseback transaction with Tower Bersama and the amortization of deferred gain amounting to Rp58.8 billion from the tower slots that we leased back from August 2012 to December 2012. Operating expenses for the year ended December 31, 2012 decreased by the amount of the gain on the tower sale in 2012.

Gain (loss) on Foreign Exchange. Gain (loss) on foreign exchanges consists of gains (losses) incurred from accounts other than long-term debt, such as cash and cash equivalents, account receivables and procurement payables, as part of operating expense.

Others-net. Others-net expenses primarily includes the gain from sales of asset (other than towers), the tax expense from penalty or tax assessment from tax offices for income taxes other than corporate income taxes, dividend income from our investment in cost method and professional fees relating to the tower sale and leaseback transaction in 2012.

Other Income (Expense)

The major components of our other income (expense) are interest income, gain (loss) on foreign exchange-net, financing cost and gain (loss) on change in the fair value of derivatives-net. Foreign exchange gain or loss primarily includes the gain (loss) on foreign exchange incurred primarily from our long term debt. Financing cost primarily includes interest on loans and finance charges under finance leases, including leases of tower slots.

Taxation

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 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 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 (loss) Attributable to Owners of the Company

Our profit (loss) attributable to owners of the Company for the years ended December 31, 2012, 2013 and 2014 is not necessarily reflective of 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 (loss) 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 these fluctuations to continue.

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 December 31,	2012	2013	2014
OPERATING REVENUES			
Cellular	82.5%	81.2%	80.9%
MIDI	13.0%	13.7%	14.6%
Fixed telecommunications	4.5%	5.1%	4.5%
Total operating revenues	100.0%	100.0%	100.0%
OPERATING EXPENSES			
Cost of services	39.7%	41.7%	43.2%
Depreciation and amortization	36.9%	37.6%	34.2%
Personnel	6.4%	7.2%	7.1%
Provision for legal case	0.0%	0.0%	5.7%
Marketing	4.1%	3.7%	4.3%
General and administration	2.8%	3.8%	3.6%
Loss (gain) on foreign exchange	(0.2)%	(0.9)%	0.6%
Gain on sale of available-for-sale investment	0.0%	0.0%	(1.7)%
Amortization of deferred gain on sale and leaseback of towers	(5.3)%	(0.6)%	(0.6)%
Others-net	1.4%	1.2%	0.8%
Total operating expenses	85.8%	93.7%	97.2%
NET PROFIT			
Operating income	14.2%	6.3%	2.8%
Other expense-net	(12.2)%	(20.3)%	(10.8)%
Profit (loss) before income tax	2.1%	(14.0)%	(8.0)%
Income tax benefit-net	0.1%	2.8%	0.3%
Profit attributable to Owners of the Company	1.7%	(11.7)%	(8.2)%
Profit attributable to Non-controlling interest	0.5%	0.5%	0.5%



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

For the years ended December 31,	2012		2013		2014		
(Rp in billions, US\$ in millions, except percentages)	Rp	%	Rp	%	Rp	US\$	%
CELLULAR SERVICES							
Value-added services	7,868.4	42.6	8,408.3	43.4	9,583.8	770.4	49.2
Usage charges	8,629.7	46.7	9,281.3	47.9	9,264.0	744.7	47.6
Interconnection revenues	2,175.0	11.8	2,430.8	12.5	2,022.7	162.6	10.4
Tower leasing	504.9	2.7	573.3	3.0	667.2	53.6	3.4
Monthly subscription charges	136.4	0.7	127.6	0.7	83.6	6.7	0.4
Others	197.2	1.0	225.2	1.1	355.3	28.7	1.8
Up front discount and customer loyalty program	(1,022.3)	(5.5)	(1,671.9)	(8.6)	(2,496.1)	(200.7)	(12.8)
Subtotal	18,489.3	100.0	19,374.6	100.0	19,480.5	1,566.0	100.0
MIDI							
IP VPN	711.4	24.5	706.0	21.6	864.4	69.5	24.6
Internet	422.1	14.5	696.2	21.3	580.1	46.6	16.5
MPLS	304.9	10.5	380.8	11.7	428.0	34.4	12.2
Satellite lease	213.0	7.3	278.2	8.5	301.4	24.2	8.6
Application services	251.9	8.7	283.8	8.7	299.2	24.1	8.5
Leased lines	148.6	5.1	169.3	5.2	295.3	23.7	8.4
World link and direct link	314.9	10.8	340.7	10.4	252.5	20.3	7.2
Digital data network	112.6	3.9	110.1	3.4	115.9	9.3	3.3
Value-added services	173.9	6.0	52.2	1.6	89.8	7.2	2.6
Frame net	135.8	4.7	93.4	2.9	69.1	5.6	2.0
Others	118.9	4.0	155.2	4.7	212.8	17.1	6.1
Subtotal	2,908.0	100.0	3,265.9	100.0	3,508.5	282.0	100.0
FIXED TELECOMMUNICATIONS							
International Calls	801.5	78.5	1,020.0	84.0	920.1	74.0	84.0
Fixed Line	121.7	11.9	135.2	11.1	130.9	10.5	11.9
Fixed Wireless	98.3	9.6	59.6	4.9	45.1	3.6	4.1
Subtotal	1,021.5	100.0	1,214.8	100.0	1,096.1	88.1	100.0
Total	22,418.8	-	23,855.3	-	24,085.1	1,936.1	-

Year ended December 31, 2013 compared to Year ended December 31, 2014

Operating Revenues

Total operating revenues increased from Rp23,855.3 billion in 2013 to Rp24,085.1 billion (US\$1,936.1 million) in 2014 or 1.0%, primarily as a result of an increase in operating revenues from cellular services and from MIDI services. During 2014, operating revenues from cellular services increased by Rp105.9 billion, or 0.5%, from Rp19,374.6 billion in 2013 to Rp19,480.5 billion (US\$1,566.0 million) in 2014. Operating revenues from MIDI services increased by Rp242.6 billion, or 7.4%, from Rp3,265.9 billion in 2013 to Rp3,508.5 billion (US\$282.0 million) in 2014. Operating revenues from fixed telecommunications services in 2014 decreased by Rp118.7 billion, or 9.8%, from Rp1,214.8 billion in 2013 to Rp1,096.1 billion (US\$88.1 million) in 2014.

Cellular Services. In 2014, we recorded cellular services operating revenues of Rp19,480.5 billion (US\$1,566.0 million), an increase of 0.5% from Rp19,374.6 billion in 2013. The increase was primarily a result of an increase in operating revenues from data usage and VAS, which was partially offset by increase in upfront discount and customer loyalty program. Operating revenues from cellular services represented 80.9% of our total operating revenues for 2014, which is lower than the percentage for 2013.

MIDI Services. In 2014, operating revenues from MIDI services increased by Rp242.6 billion from Rp3,265.9 billion in 2013 to Rp3,508.5 billion (US\$282.0 million) in 2014. The increase in MIDI services operating revenues was primarily due to new customer of Transponder, IPVPN, MPLS, increase capacity of Internet services and IT Services.

Fixed Telecommunications Services. There was a decrease in fixed telecommunications services operating revenues of Rp118.7 billion, or 9.8%, from Rp1,214.8 billion in 2013 to Rp1,096.1 billion (US\$88.1 million) in 2014. Operating revenues from international calls and fixed wireless access services represented 84.0% and 4.1% of fixed telecommunications services operating revenues in 2014, respectively. The remaining 11.9% of fixed telecommunications services operating revenues in 2014 was generated by fixed line. Revenues from international calls decreased from Rp1,020.0 billion in 2013 to Rp920.1 billion (US\$74.0 million) in 2014.

Operating Expenses

Operating expenses increased by Rp1,066.1 billion, or 4.8%, from Rp22,346.1 billion in 2013 to Rp23,412.2 billion (US\$1,882.0 million) in 2014, primarily due to a increase in provision for legal case expense.

Depreciation and amortization expenses decreased by Rp732.3 billion, or 8.2%, from Rp8,958.4 billion in 2013 to Rp8,226.1 billion (US\$661.3 million) in 2014, primarily due to less accelerated depreciation impact in 2014 compared to the one in 2013 (impact of decrease in the useful lives of our cellular technical equipment from 10 to 8 years which took effect in 2013). The total cost of our property and equipment increased by Rp6,250.8 billion, or 6.4%, from Rp97,065.3 billion in 2013 to Rp103,316.1 billion (US\$8,305.2 million) in 2014.

Cost of services expenses increased by Rp452.4 billion, or 4.5%, from Rp9,956.5 billion in 2013 to Rp10,408.9 billion (US\$836.7 million) in 2014, primarily as a result of an increase of frequency fee due to higher inflation rate.

Personnel expenses decreased by Rp15.1 billion, or 0.9%, from Rp1,727.6 billion in 2013 to Rp1,712.5 billion (US\$137.7 million) in 2014, primarily due to lower post retirement healthcare, Labor Law 13, Employees Separation Program ("ESP"), netted of by the increase in bonus, salaries and incentives.

Marketing expenses increased by Rp151.3 billion, or 16.9%, from Rp893.6 billion in 2013 to Rp1,044.9 billion (US\$84.0 million) in 2014, primarily due to push Mentari 3 GB data program.

Loss on foreign exchange. We recorded an increased in loss on foreign exchange of Rp376.7 billion, or 167.8%, from gain amounting to Rp224.5 billion in 2013 to loss amounting to Rp152.2 billion (US\$12.2 million) in 2014 primarily due to depreciation rupiah in 2014.

Others-net. Others-net expense increased by Rp875.0 billion, or 319.3%, from Rp274.0 billion in 2013 to Rp1,149.0 billion (US\$92.4 million) in 2014 mainly due to legal cases netted of by gain on sale of shares in Tower Bersama.

Operating Income

As a result of the above factors, operating income decreased by Rp836.3 billion, or 55.4%, from Rp1,509.2 billion in 2013 to Rp672.9 billion (US\$54.1 million) in 2014.

Other Expenses-Net

Other expenses-net decreased by Rp2,234.3 billion, or 46.1%, from Rp4,843.1 billion in 2013 to Rp2,608.8 billion (US\$209.7 million) in 2014, primarily due to a decrease in

loss on foreign exchange, increase in loss on change in fair value of derivative-net and increased in interest income.

Loss on foreign exchange-net decreased by Rp2,768.2 billion, or 91.9%, from Rp3,011.4 billion in 2013 to Rp243.2 billion (US\$19.5 million) in 2014. The Indonesian rupiah/U.S. dollar middle exchange rate announced by Bank Indonesia increased from Rp12,189 per U.S. dollar as of December 31, 2013 to Rp12,440 per U.S. dollar as of December 31, 2014, compared to the increased from Rp9,670 per U.S. dollar as of December 31, 2012 to Rp12,189 per U.S. dollar as of December 31, 2013.

We recorded an increase in financing cost of Rp2,406.5 billion (US\$193.4 million) in 2014, which represented an increase of Rp194.4 billion, or 8.8%, from Rp2,212.1 billion in 2013 as a result of an increased in interest expense on higher interest rate of rupiah loan and finance charge under our finance lease.

We recorded a loss on change in fair value of derivatives-net of Rp101.9 billion (US\$8.2 million) in 2014, representing an decreased of Rp375.2 billion, over a gain on change in fair value of derivatives-net of Rp273.3 billion in 2013.

We recorded an increase in interest income of Rp142.8 billion (US\$11.5 million) in 2014, which represented an increase of Rp35.6 billion, or 33.2%, from Rp107.2 billion in 2013, due to an increase in cash balances in 2014.

Income Tax Benefit (Expense)-Net

We recorded income tax benefit-net of Rp77.9 billion (US\$6.3 million) in 2014 compared to income tax benefit-net of Rp667.4 billion in 2013.

Profit (loss) for the year attributable to Owners of the Company

We recorded a loss attributable to owners of the Company of Rp1,987.2 billion (US\$159.7 million) in 2014 compared to a loss attributable to owners of the Company of Rp2,782.0 billion in 2013 due to the foregoing factors.

Year ended December 31, 2012 compared to Year ended December 31, 2013

Operating Revenue

Total operating revenues increased from Rp22,418.8 billion in 2012 to Rp23,855.3 billion in 2013, or 6.4%, primarily as a result of an increase in operating revenues from cellular services and from MIDI services. During 2013, operating revenues from cellular services increased by Rp885.3 billion, or 4.8%, from Rp18,489.3 billion in 2012 to Rp19,374.6 billion in 2013. Operating revenues from MIDI services increased by Rp357.9 billion, or 12.3%, from Rp2,908.0 billion in 2012 to Rp3,265.9 billion in 2013. Operating revenues from fixed telecommunications services in 2013 increased by Rp193.3 billion, or 18.9%, from Rp1,021.5 billion in 2012 to Rp1,214.8 billion in 2013.

Cellular Services. In 2013, we recorded cellular services operating revenues of Rp19,374.6 billion, an increase of 4.8% from Rp18,489.3 billion in 2012. The increase was primarily a result of an increase in operating revenues from usage charges, data usage, value-added SMS and SMS interconnection revenue, which was partially offset by a significant increase in upfront discounts and customer loyalty programs relating to discounts provided for outbound data roaming services in relation to a data roaming package which we introduced in 2013. Operating revenues from cellular services represented 81.2% of our total operating revenues for 2013, which is lower than the percentage for 2012.

Usage charges increased by Rp651.6 billion, or 7.6%, from 2012 to Rp9,281.3 billion in 2013, and represented 47.9% of our total cellular services operating revenues. This increase in usage was primarily due to an increase in outbound data roaming services.

MIDI Services. In 2013, operating revenues from MIDI services increased by Rp357.9 billion from Rp2,908.0 billion in 2012 to Rp3,265.9 billion in 2013. IP VPN operating revenues decreased by Rp5.4 billion from Rp711.4 billion in 2012 to Rp706.0 billion in 2013. The increase in MIDI services operating revenues was primarily due to an increase in the usage of international and domestic leased circuit and MPLS-based services.

Fixed Telecommunications Services. There was an increase in fixed telecommunications services operating revenues of Rp193.3 billion, or 18.9%, from Rp1,021.5 billion in 2012 to Rp1,214.8 billion in 2013. Operating revenues from international calls and fixed wireless access services represented 84.0% and 4.9% of fixed telecommunications services operating revenues in 2013, respectively. The remaining 11.1% of fixed telecommunications services operating revenues in 2013 was generated by fixed line. Revenues from international calls increased from Rp801.5 billion in 2012 to Rp1,020.0 billion in 2013 due to an increase in incoming IDD traffic from Indosat and non-Indosat subscribers and an increase in fixed line usage.

Operating Expenses

Operating expenses increased by Rp3,117.1 billion, or 16.2%, from Rp19,228.9 billion in 2012 to Rp22,346.0 billion in 2013, primarily due to an increase in depreciation and amortization expenses, cost of services, personnel expenses and general and administration expenses.

We recorded income tax benefit-net of Rp77.9 billion (US\$6.3 million) in 2014 compared to income tax benefit-net of Rp667.4 billion in 2013.



Depreciation and amortization expenses increased by Rp685.6 billion, or 8.3%, from Rp8,272.8 billion in 2012 to Rp8,958.4 billion in 2013, primarily as a result of the decrease in the useful lives of our cellular technical equipment from 10 years to eight years, which took effect in 2013, based on our review of the estimated useful life of those assets and continued growth of our fixed asset base. The total cost of our property and equipment increased by Rp8,647.7 billion, or 9.8%, from Rp88,417.6 billion in 2012 to Rp97,065.3 billion in 2013.

Cost of services expenses increased by Rp1,050.8 billion, or 11.8%, from Rp8,905.7 billion in 2012 to Rp9,956.5 billion in 2013, primarily as a result of an increase of SMS interconnection charges due to the implementation of our "SMS Suka-Suka" free SMS promotional scheme which increased SMS traffic to non-Indosat subscribers and an increase in leased circuit due to an additional transmission link leased in 2013.

Personnel expenses increased by Rp300.4 billion, or 21.0%, from Rp1,427.2 billion in 2012 to Rp1,727.6 billion in 2013, primarily due to compensation expense related to severance packages to certain of our employees and an increase in headcount.

Marketing expenses decreased by Rp26.7 billion, or 2.9%, from Rp920.3 billion in 2012 to Rp893.6 billion in 2013, primarily due to the implementation in 2013 of a performance-based incentive fee paid to distributors.

General and administration expenses increased by Rp276.0 billion, or 44.1%, from Rp625.5 billion in 2012 to Rp901.5 billion in 2013, primarily due to an increase in professional fees mainly to technical consultants in connection with the modernization of our network and legal expenses in connection with litigation relating to IM2 and the former President Director of IM2 and provisions for impairment receivables.

Gain on tower sale. We recorded a gain on tower sales amounting to Rp141.1 billion from the tower sale and leaseback transaction with Tower Bersama that closed in August 2012.

Gain on foreign exchange. We recorded an increase in gain on foreign exchange of Rp179.7 billion, or 401.1%, from Rp44.8 billion in 2012 to Rp224.5 billion in 2013 primarily due to an increase in our cash and U.S. dollar-denominated cash and cash equivalents provided by interconnection fees derived from international carriers.

Others-net. Others-net expense decreased by Rp32.1 billion, or 10.5%, from Rp306.1 billion in 2012 to Rp274.0 billion in 2013 mainly due to an increase in gain on sale of technical equipment and dividend income primarily from Asean Cables Pte. Ltd. and TBIG which were partially offset by an expense relating to provisions for VAT payable adjustments recognized for the 2009, 2012 and 2013 fiscal years in relation to revenues from international incoming call.

Operating Income

As a result of the above factors, operating income decreased by Rp1,680.7 billion, or 52.7%, from Rp3,189.9 billion in 2012 to Rp1,509.2 billion in 2013.

Other Expenses-Net

Other expenses-net increased by Rp2,114.7 billion, or 77.5%, from Rp2,728.3 billion in 2012 to Rp4,843.0 billion in 2013, primarily due to an increase in loss on foreign exchange and in financing costs.

Loss on foreign exchange-net increased by Rp2,222.0 billion, or 281.5%, from Rp789.4 billion in 2012 to Rp3,011.4 billion in 2013. The Indonesian rupiah/U.S. dollar middle exchange rate announced by Bank Indonesia increased from Rp9,670 per U.S. dollar as of December 31, 2012 to Rp12,189 per U.S. dollar as of December 31, 2013, compared to the increased from Rp9,068 per U.S. dollar as of December 31, 2011 to Rp9,670 per U.S. dollar as of December 31, 2012.

We recorded an increase in financing cost of Rp2,212.1 billion in 2013, which represented an increase of Rp134.7 billion, or 6.5%, from Rp2,077.4 billion in 2012 as a result of an increase in finance charges under our finance lease obligations.

We recorded a gain on change in fair value of derivatives-net of Rp273.3 billion in 2013, representing an increase of Rp268.3 billion, over a gain on change in fair value of derivatives-net of Rp5.0 billion in 2012 due to gains realized from mark-to-market adjustments on our foreign currency swap contracts and the settlement of foreign currency swaps contracts including those which matured in 2013.

We recorded a decrease in interest income of Rp107.2 billion in 2013, which represented a decrease of Rp26.3 billion, or 19.7%, from Rp133.5 billion in 2012, due to a decrease in cash balances in 2013.

Income Tax Benefit (Expense)-Net

We recorded income tax benefit-net of Rp667.4 billion in 2013 compared to income tax benefit-net of Rp25.8 billion in 2012. The increase in income tax benefit-net was primarily due to tax loss carryover of Rp622.5 billion.

Profit (loss) for the year attributable to Owners of the Company

We recorded a loss attributable to owners of the Company of Rp2,782.0 billion in 2013 compared to a profit attributable to owners of the Company of Rp375.1 billion in 2012 due to the foregoing factors.

Amortization of deferred gain on sales and leaseback of tower amounting to Rp141.1 billion



Segment Results

For the years ended December 31,	2012		2013		2014		
(Rp in billions, US\$ in millions, except percentages)	Rp	%	Rp	%	Rp	US\$	%
SEGMENTED OPERATING REVENUES							
Cellular services	18,489.3	82.5	19,374.6	81.2	19,480.5	1,566.0	80.9
MIDI Services	2,908.0	13.0	3,265.9	13.7	3,508.5	282.0	14.6
Fixed Telecommunications	1,021.5	4.5	1,214.8	5.1	1,096.1	88.1	4.5
Total operating revenues	22,418.8	100.0	23,855.3	100.0	24,085.1	1,936.1	100.0
SEGMENTED OPERATING EXPENSES							
Cellular services	16,473.0	81.7	18,153.8	80.9	18,255.1	1,467.4	82.0
MIDI Services	2,382.5	11.8	2,797.4	12.5	2,863.6	230.2	12.9
Fixed Telecommunications	1,296.1	6.5	1,486.4	6.6	1,133.2	91.1	5.1
Total operating expenses	20,151.6	100.0	22,437.6	100.0	22,251.9	1,788.7	100.0
SEGMENTED OPERATING PROFIT							
Cellular services	2,016.3	88.9	1,220.8	86.2	1,225.4	98.6	66.8
MIDI Services	525.5	23.2	468.5	33.0	644.9	51.8	35.2
Fixed Telecommunications	(274.6)	(12.1)	(271.6)	(19.2)	(37.1)	(3.0)	(2.0)
Total operating expenses	2,267.2	100.0	1,417.7	100.0	1,833.2	147.4	100.0

Cellular Services

Cellular service operating profit increased by Rp4.6 billion, or 0.4%, from Rp1,220.8 billion in 2013 to Rp1,225.4 billion (US\$98.6 million) in 2014 mainly due to an increase in operating revenue driven mainly from Data usage and VAS due to new initiatives in 2014 such as MOBO, Mentari Super Data and Matrix Super Plan. Such increases partially offset by the increases in cost of services expenses in relation to increase in radio frequency fees due to an increase in the inflation rate, increases in cost of handsets and modems, maintenance and expenses related to pushed data campaign starting on third quarter of 2014.

Cellular services operating profit decreased by Rp795.5 billion or 39.5%, from Rp2,016.3 billion in 2012 to Rp1,220.8 billion in 2013 mainly due to an increase in cost of services expenses in relation to our free SMS promotional scheme in 2013, an increase in radio frequency fees due to an increase in the inflation rate, an increase in depreciation of our cellular technical equipment resulting from the decrease in useful lives of such equipment from 10 years to eight years, which took effect in 2013, and a significant increase in upfront discounts and customer loyalty programs relating to outbound data roaming services. Such increases were partially offset by the increase in operating revenues from usage charges primarily due to an increase in total Minutes of Usage by our IM3 subscribers and the number of IM3 subscribers and value-added services primarily due to an increase in data usage, SMS and value-added SMS.



MIDI Services

MIDI services operating profit increased by Rp176.4 billion, or 37.7%, from Rp468.5 billion in 2013 to Rp644.9 billion (US\$51.8 million) in 2014, mainly due to increased revenue derived from new customer of Transponder, IPVPN, MPLS, increase capacity of Internet services and IT services. These increases were partly offset by increase in administration and general expenses for provision for bad debt.

MIDI services operating profit decreased by Rp57.0 billion, or 10.8%, from Rp525.5 billion in 2012 to Rp468.5 billion in 2013, mainly due to increased leased circuit expenses due to an additional transmission link leased in 2013 and depreciation and amortization expense due to an increase in technical equipment related to our MIDI services. These increases were offset by revenues derived from the usage of international and domestic leased circuit and MPLS-based services.

Fixed Telecommunication Services

Fixed Telecommunication services operating losses decreased by Rp234.5 billion, or 86.3%, from Rp271.6 billion in 2013 to Rp37.1 billion (US\$3.0 million) in 2014 due to decreased depreciation derived from accelerated depreciation in 2013 and cost optimization in leased circuit expenses.

Fixed telecommunications services operating losses decreased by Rp3.0 billion from Rp274.6 billion in 2012 to Rp271.6 billion in 2013, mainly due to an increase in incoming IDD traffic from our and non-Indosat subscribers and an increase in fixed line usage, which was offset by a decrease in fixed wireless services due to lower usage.

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, as well as a portion of cash proceeds from the divestiture of our entire shareholding in TBIG in 2014, will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and planned capital expenditures, for the foreseeable future. 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.

As of December 31, 2014, we had existing undrawn loan facilities in the amount of Rp2,100.0 billion and US\$80.0 million which includes the following sources of unused liquidity:

- Rp500.0 billion under the unsecured revolving credit facility from PT Bank Central Asia;
- Rp1,500.0 billion under the unsecured revolving credit facility from PT Bank Mandiri (Persero) Tbk;
- US\$30.0 million under the uncommitted corporate facility from The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch ("HSBC Jakarta");
- Rp100.0 billion under the unsecured revolving credit facility from Bank Negara Indonesia;
- US\$50.0 million under the unsecured revolving credit facility from Bank of Tokyo-Mitsubishi UFJ, Ltd.

Cash Flows

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

For the years ended December 31.	2012	2013	2014	
(Rp in billions, US\$ in millions)	Rp	Rp	Rp	US\$
NET CASH FLOWS				
Provided by operating activities	6,989.4	8,392.1	7,348.8	590.7
Used in investing activities	(2,688.9)	(9,068.0)	(5,003.6)	(402.2)
Used in financing activities	(2,647.5)	(748.9)	(1,057.4)	(85.0)
Net Foreign exchange differences from cash and cash equivalents	40.0	(221.3)	(41.3)	(3.3)

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to Rp6,989.4 billion, Rp8,392.1 billion and Rp7,348.8 billion (US\$590.7 million) for 2012, 2013 and 2014, respectively. In 2014, net cash provided by operating activities decreased primarily due to higher payment to authorities and vendors, higher payment for financing cost, decrease in refund of taxes, increase in payment for employees, decrease in settlement from currency forward contracts and increase in cash received from customer.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to Rp2,688.9 billion, Rp9,068.0 billion and Rp5,003.6 billion (US\$402.2 million) for 2012, 2013 and 2014, respectively. Net cash used in investing activities for 2012, 2013 and 2014 had been driven primarily by acquisitions of property and equipment, totaling Rp5,765.9 billion, Rp9,322.4 billion and Rp6,432.1 billion (US\$517.0 million), respectively, as we expanded our network coverage and capacity and modernized our network equipment during those years. The property and equipment purchased consisted primarily of cellular technical equipment, building and leasehold improvements, transmission and cross-connection equipment, information technology equipment and other. In 2014, net cash used in investing activities decreased primarily due to recognition of net proceeds from sale of investment in PT Tower Bersama Infrastructure Tbk shares, lower payment for capital expenditures and less proceeds from sale of property and equipment.



Net Cash Used in Financing Activities

Net cash used in financing activities amounted to Rp2,647.5 billion, Rp748.9 billion and Rp1,057.4 billion (US\$85.0 million) in 2012, 2013 and 2014, respectively. Net cash used in financing activities in 2014 related primarily to our repayment of short-term loans, long term debt and bonds payable, which was partially offset by proceeds from short-term loans, bonds payable and long-term debt.

Principal Indebtedness

The following table sets forth our outstanding borrowings as of December 31, 2012, 2013 and 2014:

As of December 31,	2012	2013	2014	
(Rp in billions, US\$ in millions)	Rp	Rp	Rp	US\$
Short-term loan (net of unamortized issuance costs)	299.5	1,499.8	849.4	68.3
Loans payable (net of unamortized issuance costs, unamortized consent fees, and current maturities)	3,703.8	4,346.3	3,727.1	299.6
Bonds payable (net of unamortized issuance costs, unamortized consent fees, and current maturities)	13,986.5	13,285.2	7,622.5	612.7
Current maturities of loans payable	2,669.2	2,443.4	2,613.5	210.1
Current maturities of bonds payable	1,329.2	2,356.3	8,333.6	669.9

The decrease in short term loan (net of unamortized issuance cost) to Rp849.4 billion (US\$68.3 million) as of December 31, 2014 from 1,499.8 billion as of December 31, 2013 was primarily due to payment obligation under the credit facility from Bank Mandiri and Bank BNI. The increase in current maturities of bonds payable (net of unamortized issuance costs, unamortized discount, unamortized consent fees and current maturities) to Rp8,333.6 billion (US\$669.9 million) as of December 31, 2014 from Rp2,356.3 billion was due to the Company plans to exercise the call option of the US\$650 million bonds at the 5th anniversary of the bonds on July 29, 2015. The redemption plan will be 100% of the principal amount. The decrease in loans payable (net of unamortized issuance cost, unamortized consent fee and current maturities) to Rp3,727.1 billion (US\$299.6 million) as of December 31, 2014 from Rp4,346.3 billion was primarily due to payment obligation under the credit facility from PT Bank Central Asia Tbk ("BCA").

Because a portion of our liabilities are U.S. dollar-denominated, we are exposed to fluctuations in the exchange rate of Indonesian rupiah to U.S. dollar. 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 IFAS as required by our debt agreements.

As of and for the years ended December 31,	2012	2013	2014	
(Rp in billions, US\$ in millions)	Rp	Rp	Rp	US\$
FINANCIAL POSITION AND COMPREHENSIVE INCOME DATA				
Short term loan	299.5	1,499.8	849.4	68.3
CURRENT MATURITIES FROM				
Loans payable	2,669.2	2,443.4	2,613.5	210.1
Bonds payable	1,329.2	2,356.3	8,333.6	669.9
LOANS PAYABLE-NET OF CURRENT MATURITIES				
Related party	-	1.0	13.6	1.1
Third parties	3,703.8	4,345.3	3,713.5	298.5
Bonds payable-net of current maturities	13,986.5	13,285.2	7,622.5	612.7
Unamortized issuance cost, consent solicitation fees and discounts	235.3	181.8	147.3	11.8
Total Debt ⁽¹⁾	22,223.5	24,112.8	23,293.4	1,872.4
Total Assets	55,225.1	54,520.9	53,254.8	4,280.9
Total Liabilities	35,829.7	38,003.3	39,058.9	3,139.8
Total Equity ⁽²⁾	19,395.4	16,517.6	14,196.0	1,141.2
Operating Profit	3,189.9	1,509.2	672.9	54.1
Depreciation and Amortization	8,272.8	8,958.4	8,226.1	661.3
EBITDA ⁽³⁾	10,540.0	10,376.0	10,059.3	808.6
Interest Expense	1,709.9	1,697.7	1,890.6	152.0



As of and for the years ended December 31,		2012	2013	2014
	Ratio Required			
FINANCIAL RATIOS				
Debt to Equity ratio	<2.50x	1.15x	1.46x	1.64x
Debt to EBITDA ratio	<3.50x	2.11x	2.32x	2.32x
EBITDA to Interest Expense ratio	>3.00x	6.16x	6.11x	5.32x

- 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):

 - 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
 - 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 months after the relevant invoice date, but, in relation to any member of our Company or our subsidiaries (together the "Group"), or the Group, deducting all indebtedness advanced by any (direct or indirect) shareholder of our Company to such member of the Group which is subordinated to any indebtedness falling under paragraph (a) above or this paragraph (b).
- We define equity as total equity and non-controlling 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 our Company to any member of the Group which is subordinated to any Debt.
- We have defined EBITDA as earnings before interest, amortization of goodwill, non-operating income and expense, income tax expense, depreciation and non-controlling interest in net income of subsidiaries as reported in the consolidated financial statements prepared under IFAS. EBITDA is not a standard measure under IFAS. 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 profit (loss) attributable to owner of the Company 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 IFAS, 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 financing 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 IFAS to our definition of EBITDA for the periods indicated:

For the years ended December 31.	2012	2013	2014	
(Rp in billions, US\$ in millions)	Rp	Rp	Rp	US\$
EBITDA Under IFAS	10,540.0	10,376.0	10,059.3	808.6
Interest Income	133.5	107.2	142.8	11.5
Financing cost	(2,077.4)	(2,212.1)	(2,406.5)	(193.4)
Provision for legal case	-	-	(1,358.7)	(109.2)
Gain (loss) on change in fair value of derivatives-net	5.0	273.3	(101.9)	(8.2)
Amortization of deferred gain on sale and leaseback of towers	1,184.0	141.1	141.1	11.3
Others-net	(306.0)	(274.1)	(204.2)	(16.4)
Loss on foreign exchange-net	(744.7)	(2,786.9)	(395.4)	(31.8)
Gain on sale of available-for-sale investment	-	-	413.7	33.3
Income tax benefit-net	25.8	667.4	77.9	6.3
Depreciation and amortization	(8,272.8)	(8,958.4)	(8,226.1)	(661.3)
Profit attributable to non-controlling interest	(112.3)	(115.5)	(129.2)	(10.4)
Profit (loss) for the year attributable to owners of the Company under IFAS	375.1	(2,782.0)	(1,987.2)	(159.7)



The following table summarizes our primary long-term indebtedness (including short-term loans) and bonds payable as of December 31, 2012, 2013, 2014.

As of December 31	2012	2013	2014	
(Rp in billions, US\$ in millions)	Rp	Rp	Rp	US\$
BONDS PAYABLE				
Guaranteed Notes Due 2020 - net of unamortized discount and unamortized notes issuance cost	6,188.9	7,838.3	8,013.8	644.2
Eighth Indosat Bonds - net of unamortized bonds issuance cost	2,691.5	2,692.3	2,693.2	216.5
Shelf Registration Indosat Bond I Phase I - net of unamortized bonds issuance cost	-	-	2,302.9	185.1
Fifth Indosat Bonds- net of unamortized bonds issuance cost	2,592.9	2,595.3	1,367.0	109.9
Seventh Indosat Bonds - net of unamortized bonds issuance cost	1,296.6	1,297.8	599.0	48.1
Sixth Indosat Bonds - net of unamortized bonds issuance cost	1,078.4	319.3	319.8	25.7
Fifth Syari'ah Ijarah Bonds - net of unamortized bonds issuance cost and consent solicitation fee	299.1	299.2	299.3	24.1
Shelf Registration Indosat Sukuk Ijarah I Phase I - net of unamortized bonds issuance cost	-	-	189.4	15.2
Fourth Syari'ah Ijarah Bonds - net of unamortized bonds issuance cost	199.4	199.5	171.7	13.8
Second Syari'ah Ijarah Bonds - net of unamortized bonds issuance cost and consent solicitation fee	399.3	399.8	-	-
Third Syari'ah Ijarah Bonds - net of unamortized bonds issuance cost and consent solicitation fee	569.6	-	-	-
Total bonds payable	15,315.7	15,641.5	15,956.1	1,282.6
Less current maturities - net of unamortized bonds issuance cost and consent solicitation fee	1,329.2	2,356.3	8,333.6	669.9
Bonds payable : Non-current portion	13,986.5	13,285.2	7,622.5	612.7
LOANS PAYABLE (INCLUDING SHORT TERM LOANS)				
Related Party - net of unamortized bonds issuance cost and consent solicitation fee	299.5	1,500.8	616.2	49.5
Third Party - net of unamortized bonds issuance cost and consent solicitation fee	6,373.0	6,788.7	6,573.8	528.4
Total Loans payable	6,672.5	8,289.5	7,190.0	578.0
Less current maturities	2,968.7	3,943.2	3,462.9	278.4
Loans payable : Non-current portion	3,703.8	4,346.3	3,727.1	299.6

Indosat Bonds

The specific terms of each of our Fifth Indosat Bonds, Sixth Indosat Bonds, Seventh Indosat Bonds, Eighth Indosat Bonds and Shelf Registration Indosat Bond I Phase I (the "Indosat Bonds"), are discussed below. The Indosat Bonds are not secured by any specific assets or guaranteed by other parties and rank paripassu 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 1.0, as reported in each annual consolidated financial report, except for the Eighth Indosat Bonds and Shelf Registration Indosat Bond I Phase I in connection with the issuance of which we agreed to maintain the ratio of total net debt to EBITDA of less than 4.0 to 1.0;
- a debt to equity ratio of 2.5 to 1.0, 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 1.0. On March 24, 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" and "EBITDA," to include new definitions for "Equity" and "Group" and to change the applicable ratio of Debt to Equity from 1.75 to 1.0 to 2.5 to 1.0 in the trustee agreement governing these bonds, pursuant to the terms of the deed of amendment for the Fifth and Sixth Indosat Bonds.

In 2014, the Series A Fifth Indosat Bonds and the Series A Seventh Indosat Bonds were paid 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 May 29, 2014 and the Series B bonds, which have a face value of Rp1,370.0 billion, will mature on May 29, 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. On May 29, 2014, the Series A Fifth Indosat Bonds were paid in full.

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 only outstanding series of which are the Series B bonds.

The Series A bonds, which had a face value of Rp760.0 billion, had a maturity date of April 9, 2013 and the Series B bonds, which have a face value of Rp320.0 billion will mature on April 9, 2015. The Series A bonds bore 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. On April 9, 2013, the Series A Sixth Indosat Bonds were paid in full.

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 December 8, 2014 and the Series B bonds, which have a face value of Rp600.0 billion, will mature on December 8, 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. On December 8, 2014, the Series A Seventh Indosat Bonds were paid in full.

Eighth Indosat Bonds. On June 27, 2012, we issued our Indosat Bonds VIII (the "Eighth Indosat Bonds"), in two series with a total face value of Rp2,700.0 billion. The Series A bonds, which have a face value of Rp1,200.0 billion, will mature on June 27, 2019 and the Series B

bonds, which have a face value of Rp1,500.0 billion, will mature on June 27, 2022. The Series A bonds bear interest at a fixed rate of 8.625% per annum and the Series B bonds bear interest at a fixed rate of 8.875% 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.

Shelf Registration Indosat Bond I Phase I. On December 12, 2014, we issued our Indosat Bonds Shelf Registration I Phase I (the "Shelf Registration Indosat Bond I Phase I"), in four series with a total face value of Rp2,310.0 billion. The Series A bonds, which have a face value of Rp950.0 billion, will mature on December 12, 2017, the Series B bonds, which have a face value of Rp750.0 billion, will mature on December 12, 2019, the Series C bonds, which have a face value of Rp250.0 billion, will mature on December 12, 2021 and, the Series D bonds, which have a face value of Rp360.0 billion, will mature on December 12, 2024. The Series A bonds bear interest at a fixed rate of 10.00% per annum, the Series B bonds bear interest at a fixed rate of 10.30% per annum, the Series C bonds bear interest at a fixed rate of 10.50% per annum and the Series D bonds bear interest at a fixed rate of 10.70% 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 2020

On July 29, 2010 we, through Indosat Palapa Company B.V. ("Indosat Palapa"), issued our Guaranteed Notes due 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 whole 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 was entitled to 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 and any additional amounts, in the event of certain changes effecting withholding taxes in Indonesia and the Netherlands. Upon a change in control of our Company (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 July 29, 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 our Company.

Based on the notes indenture, we are required to comply with certain conditions, such as maintaining certain financial ratios. On June 5, 2012, Indosat Palapa amended the indenture governing the Guaranteed Notes due 2020 in accordance with the consent solicitation statement and related materials, dated May 21, 2012,

upon its receipt and acceptance of the requisite number of consents from holders of record of the notes. On February 7, 2012, Indosat entered into an Asset Purchase Agreement with PT Tower Bersama Infrastructure Tbk and its subsidiary, PT Solusi Menara Indonesia, for the sale and leaseback of 2,500 wireless telecommunications towers. The amendments amended the existing exceptions in the indenture governing the Guaranteed Notes due 2020 with respect to qualified tower sales to permit Indosat to consummate the transactions contemplated by the Asset Purchase Agreement and add additional exceptions for dispositions of active infrastructure assets, such as fiber, transmission equipment and radio access network, to joint venture entities with which the Company may enter into network sharing arrangements, without seeking the consent of holders.

Based on Indosat Palapa's Managing Board meeting held on January 22, 2015, it was resolved that Indosat Palapa would take the opportunity to redeem the notes on July 29, 2015.

Syari'ah Ijarah Bonds (Sukuk Ijarah)

The specific terms of each of our Second Syari'ah Ijarah Bonds, Third Syari'ah Ijarah Bonds, Fourth Syari'ah Ijarah Bonds, Fifth Syari'ah Ijarah Bonds and Shelf Registration Indosat Sukuk Ijarah I Phase I (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 paripassu 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 March 24, 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 1.0 to 2.5 to 1.0 in the trustee agreement governing these bonds.

Second Syari'ah Ijarah Bonds. On May 29, 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 May 29, 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. On May 26, 2014, these bonds were paid in full.

Third Syari'ah Ijarah Bonds. On April 9, 2008, we issued our Sukuk Ijarah Indosat III (the "Third Syari'ah Ijarah Bonds"), which contained terms customary for Islamic financing facilities, with Bank Rakyat Indonesia acting as trustee. The Third Syari'ah Ijarah Bonds had a total face value of up to Rp570.0 billion and matured on April 9, 2013. Holders of the Third Syari'ah Ijarah Bonds received 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 was Rp58.4 billion per annum. After the first anniversary of the

issuance of the Third Syari'ah Ijarah Bonds, we had the right to buyback part or all of such bonds at the then-prevailing market price. On April 9, 2013, these bonds were paid in full.

Fourth Syari'ah Ijarah Bonds. On December 8, 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 December 8, 2014 and the Series B Syari'ah Ijarah Bonds, which have a face value of Rp172.0 billion, will mature on December 8, 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. On December 8, 2014, the Series A Fourth Syari'ah Ijarah Bonds were paid in full.

Fifth Syari'ah Ijarah Bonds. On June 27, 2012, we issued our Sukuk Ijarah Indosat V (the "Fifth Syari'ah Ijarah Bonds"), which contain terms customary for Islamic financing facilities, with Bank Rakyat Indonesia acting as trustee. The Fifth Syari'ah Ijarah Bonds have a total face value of up to Rp300.0 billion and will mature on June 27, 2019. Holders of the Fifth 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 Fifth Syari'ah Ijarah Bonds is Rp25.9 billion per annum. After the first anniversary of the issuance of the Fifth Syari'ah Ijarah Bonds, we have the right to buyback part or all of such bonds at the then-prevailing market price.

Shelf Registration Indosat Sukuk Ijarah I Phase I. On December 12, 2014, we issued our Shelf Registration Indosat Sukuk Ijarah I Phase I (the "Shelf Registration Indosat Sukuk Ijarah I Phase I"), in three series with a total face value of Rp190.0 billion. The Series A Sukuk Ijarah bonds, which have a face value of Rp64.0 billion, will mature on December 12, 2017, the Series B Sukuk Ijarah bonds, which have a face value of Rp16.0 billion, will mature on December 12, 2019 and the Series C Sukuk Ijarah bonds, which have a face value of Rp110.0 billion, will mature on December 12, 2021. The total Ijarah installment fee expected to be paid to the holders of the Shelf Registration Indosat Sukuk Ijarah I Phase I is Rp6.4 billion per annum for the Series A, Rp1.6 billion per annum for the Series B and Rp1.6 billion per annum for the Series C. After the first anniversary of the issuance of the bonds, we have the right to buyback part or all of the bonds at market price, either temporarily or for the purpose of early settlement.

Goldman Sachs International ("GSI") Loan Facility

On May 30, 2007, we received from 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 matured on May 30, 2013. The loan bore interest at a fixed annual rate of 8.75%, which is payable quarterly every February 28, May 30, August 30 and November 30, commencing August 30, 2007, up to May 30, 2013. We fully repaid the principal and interest of this facility on May 30, 2013.

The loan agreement provided an option for GSI to convert the loan into a U.S. dollar loan of US\$50.0 million on May 30, 2012 (the "Conversion Option"). The fair value of the Conversion Option was presented as part of long-term debt. On May 30, 2012, GSI exercised the Conversion Option to convert the loan into a U.S. dollar loan of US\$50.0 million as a result of which the loan bears interest at the fixed annual rate of 6.45% on the principal amount of US\$50.0 million.

We were required to notify GSI regarding of certain events which could 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 June 24, 2008, GSI waived its rights to terminate the loan as a result of the change of control triggered by Ooredoo's acquisition of a 40.81% interest in our issued and outstanding share capital in June 2008.

BCA Loan Facilities

On February 10, 2011, we entered into a credit agreement with BCA for a revolving credit facility with a maximum principal amount of Rp1,000.0 billion to fund our capital expenditures and general corporate expenditures. This facility was available from February 10, 2011 to February 10, 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. On February 25, 2014, we agreed to extend the maturity date of this facility to February 10, 2015. On January 26, 2015, we agreed to extend the maturity date of this facility to February 10, 2016. The interest rate under this facility is subject to review based on current economic conditions. During 2013, the interest rate was adjusted three times, to 1-month JIBOR plus 1.50% on July 26, 2013, to 1-month JIBOR plus 1.75% on August 26,

2013 and to 1-month JIBOR plus 2.00% per annum on December 26, 2013. On February 28, 2014, the interest rate under this facility was adjusted to 1-month JIBOR plus 2.25% per annum. On May 26, 2014, the interest rate under this facility was adjusted to 1-month JIBOR plus 2.75% per annum. 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. On February 17, 2012 and March 17, 2012, we repaid an amount of Rp200.0 billion each. On March 30, 2012 and June 21, 2012, we made drawdowns of Rp200.0 billion and Rp400.0 billion, respectively. On May 30, 2012, June 29, 2012, July 5, 2012 and August 2, 2012, we repaid outstanding amounts of Rp200.0 billion, Rp200.0 billion, Rp650.0 billion and Rp650.0 billion, respectively. On September 26, 2012, September 28, 2012, December 12, 2012 and December 26, 2012, we made drawdowns of Rp200.0 billion, Rp500.0 billion, Rp150.0 billion and Rp150.0 billion, respectively. On January 28, 2013 and February 19, 2013, we repaid an amount of Rp300.0 billion each. On April 5, 2013 and June 26, 2013, we made drawdowns of Rp500.0 billion and Rp600.0 billion, respectively. On December 15, 2014, we repaid outstanding amounts of Rp1,000.0 billion and on December 19, 2014, we made drawdowns of Rp500.0 billion.

On July 15, 2013, we entered into an amendment to our revolving credit agreement with BCA to obtain a five-year unsecured investment credit facility with a maximum principal amount of Rp1,000.0 billion for capital expenditure, general corporate expenditures and refinancing purposes. This facility is available for six months after the signing date and matures on December 12, 2018. The initial coupon was 8.70% which is subject to review based on current economic conditions. The interest rate was increased several times to 9.00%

on August 26, 2013, to 9.25% on September 26, 2013, to 9.50% on December 26, 2013, to 9.75% on February 28, 2014 and to 10.25% on May 26, 2014. On December 12, 2013, we made a full drawdown of the facility. The repayment of the loan drawdowns will be made annually, as follows: (i) 10.0% of the total loan drawdowns in the first year after the drawdown date of the agreement, (ii) 10.0% of the total loan drawdowns on the first year after the first repayment date, (iii) 15.0% of the total loan drawdowns on the second and third years after the first repayment date, respectively, and (iv) 50.0% of the total loan drawdowns on the fourth year of the first repayment date.

PT Bank Mandiri (Persero) Tbk ("Bank Mandiri") Loan Facilities

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. The interest rate of this facility is subject to review based on current economic conditions. On July 12, 2013, the interest rate was adjusted to 1-month JIBOR plus 1.75% per annum and on January 12, 2014, the interest rate was increased to 1-month JIBOR plus 2.0% 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 the Company 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. On February 2, 2012, we repaid an amount of Rp200.0 billion outstanding under this facility. On March 28, 2012, we made a drawdown of Rp200.0 billion. On May 14, 2012, we repaid an amount of Rp200.0 billion outstanding under this facility. On June 21, 2012, we made a drawdown of Rp.200.0 billion. On June 29, 2012, July 5, 2012 and August 2, 2012, we repaid an amount of Rp200.0 billion, Rp650.0 billion and Rp650.0 billion, respectively. On December 12, 2012 and December 26, 2012, we made a drawdown of Rp150.0 billion each.

On January 15, 2013, we repaid an amount of Rp100.0 billion outstanding under this facility. On April 5, 2013, June 4, 2013 and July 24, 2013, we made drawdowns of Rp250.0 billion, Rp500.0 billion and Rp550.0 billion, respectively under this facility. On June 21, 2014, these facilities were paid in full.

On June 18, 2014, we entered into a credit agreement providing for a one-year unsecured revolving credit facility from Bank Mandiri in a maximum principal amount of Rp1,500.0 billion for working capital, capital expenditures and refinancing purposes with interest rate of JIBOR plus 3.0% per annum. The Company has not made any drawdown from this facility.



HSBC Satellite Financing and Corporate Facility

On November 27, 2007, we signed two unsecured facility agreements with HSBC France and one unsecured facility agreement with HSBC Jakarta to finance the development of the Palapa-D 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 ("COFACE Term Facility") 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 COFACE Term Facility agreement. The COFACE Term Facility bears interest at a fixed rate of 5.69% per annum, which is payable semi-annually. On March 29, 2010, September 29, 2010, March 29, 2011, September 29, 2011, March 29, 2012, September 28, 2012, March 29, 2013, September 30, 2013, March 28, 2014 and September 29, 2014 we paid the first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, and tenth semi-annual installments amounting to US\$7.9 million each;
- a 12-year term facility agreement amounting to US\$44.2 million ("Sinosure Term Facility") to finance the payment of 85.0% of the amounts payable under the Launch Service Contract (as defined in the Sinosure Term Facility agreement) with respect to our Palapa-D satellite. The Sinosure Term Facility bears floating interest rate based on U.S. dollars at LIBOR plus 0.35% per annum, which is payable semi-annually. On March 29, 2010, September 29, 2010, March 29, 2011, September 29, 2011, March 29, 2012, September 28, 2012, March 29, 2013, September 30, 2013, March 28, 2014 and September 29, 2014, we paid the first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, and tenth semi-annual installments amounting to US\$2.2 million each; and
- a nine-year Commercial Facility Agreement amounting to US\$27.0 million ("Commercial Facility") to finance the construction and launch of the Palapa-D satellite and the payment of the premium associated with the medium-long term buyer credit insurance policy issued in connection with the Sinosure Term Facility. The Commercial Facility 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 ("CIMB Niaga") and Bank of China Limited, Jakarta Branch. On November 27, 2009, May 27, 2010, November 29, 2010, May 26, 2011 and November 28, 2011, we paid the first, second, third, fourth and fifth semi-annual installments, respectively, amounting to US\$1.4 million each. On May 29, 2012, November 27, 2012, May 27, 2013, November 27, 2013, May 26, 2014 and November 26, 2014, we paid the sixth, seventh, eighth, ninth, tenth, and eleventh semi-annual installments, respectively, amounting to US\$2.0 million each.

The facilities contain certain financial covenants. On March 18, 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, the Sinosure Term Facility and Commercial Facility, 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, we entered into an uncommitted Corporate Facility Agreement with HSBC Jakarta, 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 June 30, 2014. Subsequently, on July 15, 2014, the Company received a letter from HSBC extending these facilities up to April 30, 2015. We had not drawn on this facility as of December 31, 2014.

ING/DBS Syndicated Loan Facility

On June 12, 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 were to 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 were to be made in semi-annual installments commencing June 12, 2011. On June 10, 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 February 24, 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 had 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 1.0;
- a total debt to equity ratio of 2.5 to 1.0; 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 the first three quarters of our financial year, of at least 2.5 to 1.0.

The repayment of the loan drawdowns were to 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 September 26 and October 30, 2008, we received the first and second drawdowns from this credit facility totaling US\$450.0 million. On June 12, 2013, we repaid the remaining outstanding balance and the interest owed under this facility of US\$159.4 million.

AB Svensk Exportkredit ("SEK") Loan Facility Guaranteed by ExportKreditNämnden ("EKN")

On August 18, 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 September 2, 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 May 31, 2009, February 28, 2010 and November 30, 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 December 31, 2011, we have drawn US\$100.0 million, US\$155.0 million and US\$60.0 million from facilities A, B and C, respectively.

On November 30, 2009, May 27, 2010, November 30, 2010, May 27, 2011, November 30, 2011, May 30, 2012, November 30, 2012, May 30, 2013, November 29, 2013, May 30, 2014 and November 28, 2014, we paid the first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth and eleventh semi-annual installments for Facility A amounting to US\$7.1 million each. On August 28, 2010, February 28, 2011, August 25, 2011, February 28, 2012, August 28, 2012, February 28, 2013, August 28, 2013, February 28, 2014 and August 28, 2014, we paid the first, second, third, fourth, fifth, sixth, seventh, eighth and ninth semi-annual installment for Facility B amounting to US\$11.1 million each. On May 27, 2011, November 30, 2011, May 27, 2012, November 30, 2012, May 30, 2013, November 29, 2013, May 30, 2014 and November 28, 2014, we paid the first, second, third, fourth, fifth, sixth, seventh and eighth semi-annual installment for Facility C amounting to US\$4.3 million each.

Bank Sumitomo Mitsui Indonesia Loan Facilities

On December 26, 2012, we entered into a credit agreement providing for a three-year unsecured revolving credit facility from PT Bank Sumitomo Mitsui Indonesia in a maximum principal amount of Rp650.0 billion for working capital, capital expenditures and refinancing purposes. The interest rate for drawdowns is 1-month or 3-month JIBOR plus 1.25% per annum. This facility is available from December 26, 2012 to December 26, 2015. Each drawdown under this facility has a term of one or three months, which may be extended a further one or three months upon the submission of a written application for such an extension by us to PT Bank Sumitomo Mitsui Indonesia. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On December 27, 2012, we made our first drawdown of Rp100.0 billion. On March 27, 2013 and April 5, 2013, we made the second and the third drawdowns of Rp300.0 billion and Rp250.0 billion each.

PT Indonesia Infrastructure Finance and PT Sarana Multi Infrastruktur (Persero) Credit Facilities

On October 18, 2013, we entered into a syndicated credit agreement providing for a three-year unsecured revolving credit facility from PT Indonesia Infrastructure Finance and PT Sarana Multi Infrastruktur (Persero), with PT Bank Permata Tbk serving as the facility agent, in a maximum principal amount of Rp750.0 billion for general purposes. The interest rate for drawdowns is 3-month or 6-month JIBOR plus 2.25% per annum depending on the term of each drawdown. This facility is available from October 18, 2013 to October 18, 2016. Each drawdown under this facility has a term of three or six months, which may be extended a further three or six months upon the submission of a written application for such an extension by us to PT Indonesia Infrastructure Finance

and PT Sarana Multi Infrastruktur (Persero). Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On each of December 12, 2013 and January 3, 2014, we made a drawdown of Rp300.0 billion. On June 12, 2014, we made drawdowns of Rp150.0 billion.

The Bank of Tokyo-Mitsubishi UFJ, Ltd ("BTMU") Credit Facilities

On December 23, 2013, we entered into a credit agreement providing for a three-year unsecured revolving credit facility from BTMU in a maximum principal amount of Rp250.0 billion for working capital, capital expenditure and general corporate purposes. The maximum interest rate for drawdowns is 6-month JIBOR plus 2.45% per annum. This facility is available from December 23, 2013 to December 23, 2016. Each drawdown under this facility has a term of maximum six months, which may be extended a further six months upon the submission of a written application for such an extension by us to BTMU. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On May 28, 2014 and June 19, 2014, we made drawdowns of Rp150.0 billion and Rp100.0 billion respectively. On December 29, 2014, we repaid the outstanding amounts of Rp250.0 billion in full.

On December 10, 2014, the Company entered into a 2-year revolving time loan facility agreement with BTMU for a maximum amount of US\$50,000 for refinancing and general funding purposes. The maximum interest rate is LIBOR + 1.02% per annum. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. As of December 31, 2014, the Company has not made any drawdown from this facility.

The Bank Negara Indonesia ("BNi") Credit Facilities

On June 16, 2014, we entered into a credit agreement providing for a one-year unsecured revolving credit facility from BNi in a maximum principal amount of Rp700.0 billion for working capital, capital expenditure and general corporate purposes. The maximum interest rate for drawdowns is 1-month JIBOR plus 2.50% per annum. This facility is available from June 16, 2014 to June 16, 2015. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On June 19, 2014, we made drawdowns of Rp700.0 billion. On December 19, 2014, we repaid outstanding amounts of Rp550.0 billion and we made drawdowns of Rp450.0 billion on December 23, 2014.

PT BNP Paribas Indonesia ("BNPP") Credit Facilities

On October 15, 2014, we entered into a credit agreement providing for a three-year unsecured revolving credit facility from BNPP in a maximum principal amount of Rp350.0 billion for working capital, capital expenditure and general corporate purposes. The maximum interest rate for drawdowns is JIBOR plus 2.50% per annum. This facility is available from October 15, 2014 to October 15, 2017. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On December 15, 2014 we made drawdowns of Rp350.0 billion.

PT Bank Mizuho Indonesia ("Mizuho") Credit Facilities

On November 21, 2014, we entered into a credit agreement providing for a one-year unsecured revolving credit facility from Mizuho in a maximum principal amount of Rp250.0 billion for working capital, capital expenditure and general corporate purposes. The maximum interest rate for drawdowns is 1-month JIBOR plus 1.50% per annum. This facility is available from November 21, 2014 to November 21, 2015. Based on the credit agreement, we



are required to comply with certain covenants, such as maintaining certain financial ratios. On December 15, 2014 we made drawdowns of Rp250.0 billion.

PT Sarana Multi Infrastruktur ("SMI") Credit Facilities

On December 10, 2014, we entered into a credit agreement providing for a three-year unsecured revolving credit facility from SMI in a maximum principal amount of Rp100.0 billion for capital expenditure. The maximum interest rate for drawdowns is 3-month JIBOR plus 2.45% per annum. This facility is available from December 10, 2014 to December 10, 2017. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On December 23, 2014, we made drawdowns of Rp100.0 billion.

Lintasarta

Lintasarta's long-term debt comprises of loans obtained by its subsidiaries-PT Artajasa Pembayaran Elektronik ("APE") and PT Lintas Media Danawa ("LMD") from their shareholders.

Loan APE.

On November 3, 2014, APE entered into loan agreement with its shareholders, Yayasan Kesejahteraan Karyawan Bank Indonesia ("YKKBI") and PT Multi Visi Komputama ("MK"), in a maximum principal amount of Rp21.0 billion and Rp6.0 billion, respectively for business development, quality service's improvement and adaptation to international standard of payment. The loans bear interest at the annual rate of 10.5% per annum which shall commence after 6 months' grace period. These loans will mature on November 3, 2017. As of December 31, 2014, APE made drawdowns of Rp12.3 billion and Rp3.5 billion from YKKBI and MK, respectively.

Loan LMD.

On November 13, 2013, LMD entered into loan agreement with its shareholders, PT Medialand International ("MI") and PT Danawa Indonesia ("DI") amounting to Rp0.7 billion and Rp0.4 billion, respectively for working capital. The loans bear interest at the annual rate of 2% per annum which shall commence after 24 months' grace period. These loans will mature on April 13, 2016 for MI and August 13, 2016 for DI.

Dividend Practice

Our shareholders determine dividend payouts in the Annual General Meeting of Shareholders pursuant to recommendations from our Board of Directors. At our 2012 and 2013, 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 December 31, 2011 and 2012, respectively. There can be no assurance that we will pay dividends in respect of any financial year. The decision of the Board of Directors to recommend a dividend payment is subject to a number of factors which include, among others, our net profits, financial performance and applicable rules and regulations.

Capital Resources

We believe that our cash flow from operations and drawings from our existing credit facilities, as well as a portion of the cash proceeds from the divestiture of our entire shareholding in TBIG in 2014, will provide sufficient financing for our anticipated capital expenditures, anticipated debt repayment and interest obligations and other operating needs under our current business plan. 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 January 1, 2012 through December 31, 2014, we had capital expenditures totaling Rp24,811.7 billion (US\$1,994.5 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 Rp7,044.1 billion (US\$566.2 million) during the year ended December 31, 2014, with such investment predominantly focused on optimizing and enhancing the capacity and quality of our existing cellular, fixed and MIDI network and telecommunications infrastructure. In February 2014, we completed the modernization of our network in Bali by implementing U900 technology throughout the island.

Capital Expenditures for 2015

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, 2012, 2013 and 2014, our actual consolidated capital expenditures totaled Rp8,396.6 billion, Rp9,371.0 billion and 7,044.1 billion respectively. During 2015, we intend to allocate approximately Rp7,192.0 billion (US\$580.0 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2015 for capital expenditure commitments in prior periods, will result in approximately Rp7,440.0 billion (US\$600.0 million) total actual capital expenditures for 2015. We intend to allocate our capital expenditures for 2015 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. In 2015, we plan to focus on the modernization of our cellular network in Greater Jakarta, other parts of Java including Surabaya, Bandung, Yogyakarta, Semarang, Sukabumi and Garut and in certain cities outside Java including Medan, Banjarmasin, Lampung, Batam and Palembang.
- 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, 2015, we had commitments for capital expenditures of Rp7,192.0 billion (US\$580 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.

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 as well as a portion of cash proceeds from the divestiture of our entire shareholding in TBIG in 2014. In addition, we also applied a portion of the cash proceeds from the Tower Sale Transaction completed in 2012 towards funding capital expenditures in 2013. 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 2015, 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

Our consolidated financial statements have been prepared in accordance with IFAS.

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 determine the fair market values of the acquiree's identifiable assets and liabilities

at the acquisition date. Any excess in the purchase price over the 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.

Estimating Useful Lives of Property and Equipment and Intangible Assets

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 annually 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 our property and equipment will increase the recorded operating expenses and decrease non-current assets. An extension in the estimated useful lives will decrease the recorded operating expenses and increase 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

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.



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 pension plan and present value of our pension obligations are determined using a projected-unit-credit method. Actuarial valuation includes making various assumptions which consist, among other things, of discount rates, expected long-term return plan assets, rates of compensation increases and mortality rates. Due to the complexity of valuation and their long-term nature, our defined benefit pension 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.

Further details about the assumptions are given in Note 31 to our audited consolidated financial statements.

Recoverability 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 affects 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 debtors.

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. Further details about the fair value measurement are given in Notes 2n1 and 2n2 to our audited consolidated financial statements included elsewhere in this annual report.

Exchange of asset transactions

During 2010 to 2013, we entered into several contracts for the exchange of assets for certain of our existing cellular technical equipment with third party suppliers. For the exchange of assets transactions, we evaluate whether the transactions contain commercial substance based on PSAK 16 (Revised 2011) "Property, Plant and Equipment", which requires us to make judgments and estimates of the future cash flow and the fair value of the assets received and given up as a result of the transactions. Management considered the exchange of assets transactions to have met the criteria of commercial substance. However, 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 plus any cash consideration paid.

Leases

We are a party to various lease agreements either as a lessee or a lessor in respect of certain property and equipment. As provided in PSAK 30 (Revised 2011), "Leases," a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership and as an operating lease if it does not.

As a lessee, our finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Finance lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in financing costs in profit or loss. An asset subject to a finance lease is depreciated over its



useful life. However, if there is no reasonable certainty that we will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life and the lease term. The current portion of obligations under finance leases are presented as part of Other Current Financial Liabilities. In contrast, operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

We have classified a number of our tower leases as finance leases due to the fact that these leases meet at least one of the eight factors set out in PSAK 30 (Revised 2011) to be considered when determining whether substantially all the risks and rewards incidental to ownership have been transferred. All of our other leases are classified as operating leases.

The classification of leases under which we are either a lessee or a lessor requires that we make judgments and estimates in determining whether substantially all of the risks and rewards incidental to ownership of the leased assets have been transferred. While we believe our classification of certain of our tower leases as finance leases is reasonable and appropriate, we continue to evaluate the most appropriate treatment of these tower leases.

Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgment as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from us. Careful and

considered judgment is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

Classification as a finance lease or operating lease determines whether the leased asset is capitalized and recognized in the consolidated statement of financial position. In sale-and-leaseback transactions, the classification of the leaseback arrangements determines how the gain or loss on the sale transaction is recognized. It is either deferred and amortized (finance lease) or recognized in the consolidated statement of comprehensive income immediately (operating lease).

New Accounting Standards and Interpretations to existing standards effective subsequent to December 31, 2014.

Please see Note 2u-Summary of Significant Accounting Policies to the accompanying consolidated financial statements.

Research And Development, Patents And Licenses, Etc.

For the years ended December 31, 2012, 2013 and 2014, we did not conduct significant research and development activities. Since 2013, we commenced development of e-commerce digital products and services to complement our core telecommunications services business. In 2013, we established a dedicated in-house product development team which focuses on developing mobile finance, mobile payments, e-commerce and mobile advertising products and services. Our in-house product development team publicly rolled the award-winning "Dompetku" online payment platform in 2013 which allows customers to make payment using our cellular pre-paid vouchers. We typically outsource the development software platforms for our e-commerce products and services to third party developers.

In December 2013, we also established Idea Box, a business incubator based in Jakarta, through which we intend strengthen our business portfolio by supporting the development of innovative and marketable e-commerce products and services by startup companies in Indonesia. Idea Box is intended to invest a minority stake in startup companies which we believe have promising and commercial potential but which may or may not have been fully market-tested.

Trend Information

Please refer to the introductory discussion to "Management Discussion and Analysis-Operating Results" above for a detailed discussion of significant trends impacting our operating results and financial condition. See also "Risk Factors" for more information regarding why reported financial information may not necessarily be indicative of future operating results.

Off-Balance Sheet Arrangements

As of December 31, 2014, 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.

Tabular Disclosure of Contractual Obligations

As of December 31, 2014, we had contractual obligations in the amount of US\$1,493.1 million in foreign currency denominated contracts and Rp20,683.9 billion in Indonesian rupiah-denominated contracts. The foreign currency denominated contractual obligations require payments totaling US\$874.6 million in 2015, US\$275.3 million from 2016 to 2017, US\$207.4 million from 2018 to 2019 and US\$135.8 million from 2020 and thereafter. The Indonesian rupiah-denominated contractual obligations require payments totaling Rp5,548.2 billion in 2015, Rp7,358.4 billion from 2016 to 2017, Rp4,264.0 billion from 2018 to 2019 and Rp3,513.4 billion from 2020 and thereafter. The table below sets forth information relating to certain of our contractual obligations as of December 31, 2014:



Payments due by the periods ending December 31	Total		2015		2016-2017		2018-2019		2020 and thereafter	
(Rp in billions and US\$ in millions)	Rp	US\$	Rp	US\$	Rp	US\$	Rp	US\$	Rp	US\$
CONTRACTUAL OBLIGATIONS										
Short-term loan	850.0	-	850.0	-	-	-	-	-	-	-
Loans payable	3,766.8	211.3	1,753.1	69.2	1,513.7	101.8	500.0	40.3	-	-
Bonds payable	7,962.0	650.0	320.0	650.0	3,156.0	-	2,266.0	-	2,220.0	-
Interest payable on loans and bonds	4,133.4	307.5	1,083.4	56.3	1,627.1	104.8	822.0	98.5	601.0	47.9
Obligations under finance lease	2,640.4	259.5	427.3	34.3	844.7	68.7	676.0	68.6	692.4	87.9
Purchase obligations	1,114.4	64.8	1,114.4	64.8	-	-	-	-	-	-
Other non-current liabilities and non-current financial liabilities	216.9	-	-	-	216.9	-	-	-	-	-
Total contractual cash obligations	20,683.9	1,493.1	5,548.2	874.6	7,358.4	275.3	4,264.0	207.4	3,513.4	135.8



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Iwan Sudirlan

Manager PT Indosat Tbk



23 Likes



1 Comment



Risk Factors

I'll just use my Indosat credits to buy on Google Playstore.



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.

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 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.

Consumer price index ("CPI") decreased significantly in 2014 by approximately 19% (year-on-year), according to the Indonesian Central Statistics Bureau. Although the CPI decreased year on year, but in the fourth quarter of 2014, CPI increased significantly, due to the rise in fuel price on November 18, 2014, i.e. from Rp6,500 per liter to Rp8,500 per liter for regular gasoline and from Rp5,500 per liter to Rp7,500 per liter for diesel. The impact of the increase of fuel price is the higher prices in food and transportation. The increase of the fuel price also causes the elimination of fuel subsidies that had been granted by the government.

There can be no assurance that the recent proposed increase in subsidized fuel prices, or elimination of fuel subsidies, will not result in political and social instability. On November 18, 2014, Bank Indonesia increased the Bank Indonesia reference rate (the "BI Rate") by 25 basis points to 7.75% after 13 months of the BI rate in the range of 7.50%. The purpose of the increase of the BI rate is to control inflation due to the rising in fuel price.

As an Indonesian Company, Indosat is subject to various risks relating to Indonesia.



The current high inflation rate in Indonesia and any further increases in the cost of essential items or rise in commodity prices may 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. Any decreases in commodity prices in the outlying regions of Indonesia may also result in increased unemployment and therefore affect our customers' purchasing power. 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 former President Yudhoyono, as well as in response to specific issues, including the fuel price increase, 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 the Government's plans to reduce fuel subsidies occurred in 2003, 2005, 2008, 2012 and 2013. Similar demonstrations also occurred in 2014 in response to the Government's reduction and elimination in government fuel subsidies. Although past demonstrations were generally peaceful, some turned violent. We cannot assure you that 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 held in April 2012, which resulted in former separatists winning the election and becoming the governors of the province.

In 2004, 2009 and 2014, elections were held in Indonesia to elect the President, Vice-President and representatives in the Parliament. Although the 2004, 2009 and 2014 elections were conducted peacefully,



political campaigns in Indonesia may bring a degree of political and social uncertainty to Indonesia. In October 2014, Joko Widodo was sworn in as Indonesia's seventh President. There is no assurance that new policies or regulations will not be introduced that will affect our business under the new presidency.

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 Merapi in southern Java near Yogyakarta and Mount Bromo in East Java in 2010, Mount Lokon in North Sulawesi in 2011, tsunamis in Pangandaran in West Java in 2006 and in Mentawai in West Sumatera in 2010, separate earthquakes in Yogyakarta in 2006, in Papua, West Java, Sulawesi and Sumatra in 2009, off the coast of Sumatra in January 2012 and a hot mud eruption and subsequent flooding in Sidoarjo in East Java in 2006.

Indonesia also experienced significant flooding in Wasior district in West Papua in 2010, in Jakarta in 2007 and 2009 and in Solo in Central Java in 2008. More recently, in January 2013, floods in Jakarta resulted in disruptions to businesses and extensive evacuations in the city and, in September 2013, Mount Sinabung in North Sumatra erupted. In February 2014, more than 100,000 people were evacuated due to the volcanic eruption of Mount Kelud in East Java.

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.

Labor activism, unrest, and depreciation in the value of the rupiah could adversely affect our business.





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

An outbreak of SARS, avian influenza, Influenza A (H1N1) virus, Ebola or a similar epidemic or the perception that an outbreak of such diseases or a similar epidemic may occur, 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. The perception that an outbreak of SARS, avian influenza, Influenza A (H1N1) virus, Ebola or another contagious disease may occur again may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

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 of 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 January 1, 2012 through December 31, 2014, the Indonesian rupiah/U.S. dollar middle exchange rate ranged from a low of Rp12,900 per U.S. dollar to a high of Rp8,460 per U.S. dollar. During the year 2014, the Indonesian rupiah/U.S. dollar middle exchange rate announced by Bank Indonesia ranged from a low of Rp12,900 per U.S. dollar to a high of Rp11,271 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 rate at December 31, 2014, 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 6, 2015, Indonesia's sovereign foreign currency long-term debt was rated "Baa3" by Moody's, "BB+" by Standard & Poor's, and "BBB-" by Fitch. 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 incorporated in Indonesia, and it may not be possible for investors to effect service of process, or enforce judgments, on us within other countries, 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.

We have been advised by our Indonesian legal advisor that judgments of foreign courts, 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. 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 has been undergoing significant reforms. These reforms have been resulting 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, 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 reference tariffs for interconnection services. The MOCIT sets interconnection tariffs for dominant service providers on a "cost" basis as calculated by it, based on network and other cost data submitted by the dominant service providers. In contrast, telecommunications operators which are not designated as dominant operators may simply notify the MOCIT regarding their interconnection terms and conditions, including tariffs, and may implement such terms and conditions or 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 interconnection access 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. On December 12, 2011, the Government, through the Indonesian Telecommunications Regulatory Authority ("ITRA") issued letter No.262/BRTI/XII/2011 under which SMS fees changed from a "sender-keeps all" scheme to a cost-based scheme, effective June 1, 2012. Under the current cost-based scheme, we 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 record revenues for the SMS charge payable by our subscriber and 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. The government is currently discussing with the stakeholder of the telecommunication industry for new regulations regarding network provisioning, service provisioning, interconnection, retail tariff, competition guidelines, voucher and starter pack distribution and other regulatory measures to cope with latest development of the telecommunication industry. The new regulations are expected to be in force in the second quarter of 2015.

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 operate under an uncertain law enforcement environment, which may affect our business and competitiveness

On January 18, 2012, Mr. Indar Atmanto, the former President Director of PT Indosat Mega Media ("IM2") was accused of corruption by the Attorney General's Office ("AGO"). According to the AGO, a state loss amounting to Rp1,358.3 billion was caused by an agreement between IM2 and our Company, related to the alleged illegal use by IM2 of our Company's 2.1 GHz frequency band. The MOCIT issued letter No. 65/M.KOMINFO/02/2012 on February 24, 2012 stating that there was no breach of law, crime committed, and no state loss resulting from the agreement between our Company and IM2. Moreover the MOCIT has also sent a letter to the AGO directly which states that neither our Company nor IM2 has violated any regulation and the collaboration between our Company and IM2 is lawful under the prevailing laws and regulations and common practices in the telecommunication industry. In addition, the ITRA publicly stated that IM2 had not breached any laws or prevailing rules. However, the AGO ignored the letters from the MOCIT and, on November 30, 2012, named our former President Director as a suspect and, on January 3, 2013, also named IM2 and our Company as corporate suspects. On July 8, 2013, the Corruption Court found Mr. Atmanto guilty of corruption and sentenced him to four years imprisonment and a monetary fine of Rp200 million (or an additional three months' imprisonment). Furthermore, the Corruption Court found IM2 liable for restitution for state losses caused by such transaction and imposed a monetary fine of Rp1,358.3 billion. On July 11, 2013, Mr. Atmanto lodged his appeal against the Corruption Court's ruling. On January 10, 2014, the Central Jakarta's High Court affirmed the Corruption Court's decision and imposed a higher sentence of eight years' imprisonment and a separate monetary fine of Rp200 million (or an additional three months' imprisonment). However, the High Court found that the Corruption Court could not impose a monetary sanction against IM2 which, as a separate legal entity, had not



been separately indicted in the AGO's litigation against Mr. Atmanto, and reversed the Corruption Court's decision with respect to IM2. On January 23, 2014, Mr. Atmanto filed a petition for appeal to the Supreme Court and, on February 5, 2014 submitted memoranda of appeal. On July 10, 2014, the Supreme Court issued a verdict that sentenced Mr. Atmanto for eight years' imprisonment, monetary fine of Rp300 million and ordered IM2 to pay restitution in the amount of Rp1,358.3 million. On September 16, 2014, the South Jakarta District Court has enforced the execution against Mr. Atmanto based on the Supreme Court's verdict. In addition, the Supreme Court has conversely affirmed the Administrative Court's verdict stating that the Letter of the Deputy Head of Financial and Development Supervisory Agent ("BPKP") Investigation Sub-division No. SR-1024/D6/01/2012 dated November 9, 2012 concerning Audit Report of Financial State Loss Calculation on Corruption Allegation in the Utilization of 2.1 GHz (3G) Radio Frequency by PT Indosat Tbk and IM2 along with its attachments made by BPKP team is unlawful and BPKP is instructed to revoke such letter. Mr. Atmanto is seeking to submit a judicial review to nullify the Supreme Court's verdict due to the contradiction of the Supreme Court's verdicts as mentioned above and as a new evidence in this case. In addition to the cases mentioned above, IM2, the Company and the former President Director of the Company are still under investigation by AGO. As of April 6, 2015, there is no further process on those cases.

There can be no assurance that the AGO or any Government entity will not bring a similar or other lawsuits against IM2, our Company or any of our officers. Furthermore, we cannot assure you that the judicial review submitted by Mr. Atmanto will be decided in his favor. An unfavorable court decision relating to these matters may result in excessive fines to restore alleged state losses. Moreover, we have similar agreements with other internet service providers in Indonesia and there can be no assurance that similar cases will not be filed against us in relation to those agreements. A decision adverse to us in this case or others that may be filed against us in the future could

have a material adverse effect on our business, results of operations, financial condition, reputation and competitiveness.

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, 2012, 2013 and 2014, our actual consolidated capital expenditures totaled Rp8,396.6 billion, Rp9,371.0 billion and Rp7,044.1 billion, respectively. During 2015, we intend to allocate Rp7,192.0 billion for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2015 for capital expenditure commitments in prior periods, is expected to result in approximately Rp7,440.0 billion total actual capital expenditures for 2015.

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. 39 of 2014 ("Presidential Regulation 39/2014") 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 (the "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 is in the maximum of 65.0%, and the limitation on foreign shareholdings

in Indonesian companies engaged in the provision of telecommunication services (including content services, internet service provider, data communication, etc) is in the maximum of 49.0%. If the companies engage in the telecommunication network business which is integrated with the telecommunication services, the limitation on foreign shareholdings is in the maximum of 65%. Pursuant to Article 9 of Presidential Regulation 39/2014, the restrictions set forth therein shall not apply to investments that have been approved prior to the effectiveness of Presidential Regulation 39/2014 pursuant to investment approval issued by the BKPM unless such restrictions are more favorable to the investments. Presidential Regulation 39/2014 does not change the limitation of foreign shareholding in our business.

On June 22, 2008, Ooredoo Q.S.C (previously known as Qatar Telecom (Qtel) Q.S.C.) ("Ooredoo"), 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 our Company, requiring Ooredoo to conduct a mandatory tender offer. In connection with the tender offer, on December 23, 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 the BKPM dated December 19, 2008, pursuant to which the BKPM confirmed that the maximum amount of foreign capital ownership in our Company shall be 65.0%, and that we may still conduct our cellular network operation and local fixed network business and (ii) permitting Ooredoo to conduct the tender offer. Following the issuance of such letter, Ooredoo 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.

As we are a publicly listed Company, we believe that the Negative List restrictions do not apply to us. Article 5 of the Presidential Regulation 39/2014 stipulates that the provisions of the Negative List do not apply to indirect or portfolio investments conducted through the domestic capital market. To date, to the best of our knowledge, no further clarification has been formally issued by the government specifically to address whether the Negative List applies to us. 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.

Our ability to fund capital expenditures in the future will depend on our future operating performance.



Potential earthquake are surrounding west coast of Sumatera, southern West Java and southern Central Java. For volcanos are surrounding Sumatera, Java and North Sulawesi, and so are other natural events. It can be anticipated by making Indosat Network robust, creating redundant link, redundant network element, and multiple power source. Meanwhile, transmission cable disruption can be protected by creating some physical alternatives and automatic logical re-route.

Furthermore, in April 2014, our cellular and fixed internet network experienced total black-out for a period of approximately 15 hours due to a misconfiguration in our IP/MPLS backbone. We cannot assure you that we will be able to prevent network problems such as this from occurring in the future or that we will be able to rectify such problems quickly.

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.

Security breaches on network or information technology could have an adverse effect on our business

Cyber attacks or other security breaches on network or information technology may cause network failures or service disruptions. Such failures or disruptions of support service to subscribers, even for a limited period of time, may result in significant potential revenue loss and/or loss of market share. 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.

Cyber attacks may also result in fraudulent use of our services. Unauthorized users may obtain access to critical systems, financial data, the private data of customers, and services. This risk has increased in recent years as cyber attacks and their perpetrators become more sophisticated. In addition, a high dependency on third

parties for system maintenance may also lead to access to critical systems notwithstanding our supervision of the system maintenance. Such fraudulent access to critical revenue generators or billing systems may result in significant revenue losses.

Cyber attacks may exploit system vulnerability that hold sensitive information such as private subscriber data that could be disclosed or published without the prior consent of our subscribers. This occurrence could adversely impact customer and investor confidence in us, expose us to possible liability suits from subscribers, damage our reputation and could result to business loss.

The Government is the majority shareholder of our major competitors, PT Telekomunikasi Indonesia Tbk ("Telkom") and PT Telekomunikasi Selular ("Telkomsel"). The Government may give priority to Telkom's or Telkomsel's businesses over ours

As of December 31, 2014, the Government had a 14.29% equity stake in our Company, 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 December 31, 2014, the Government also had a 52.56% equity stake in Telkom, which is our foremost competitor in fixed International Direct Dialing ("IDD") telecommunications services. As of the same date, Telkom owned a 65.00% 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 December 31, 2014, Ooredoo Asia Pte.Ltd. (previously known as Qatar Telecom (Qtel Asia) Pte. Ltd.) ("Ooredoo Asia"), owned approximately 65.00% of our issued and outstanding share capital. Ooredoo Asia is currently wholly owned and controlled by Ooredoo, which is majority-owned by the State of Qatar and its affiliated entities. Ooredoo 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 Ooredoo 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, we may be subject to substantial liability which could lead to a decrease in our revenue and affect our business, reputation and profitability

On November 1, 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 Law No. 5 of 1999 on Prohibition Against Monopolistic Practice and Unfair Business Competition ("Anti-monopoly Law"). On June

18, 2008, the KPPU determined that Telkom, 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 Seluler ("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 the KPPU. As of April 6, 2015, we have not received any notification from the District Court with respect to the resolution of this case. 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.

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.

Our current management team contributes significant experience and expertise to the management of our business.





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. Our U.S. dollars-denominated debt obligations are lower than those which are denominated in Indonesian rupiah. Furthermore, majority of our capital expenditures are denominated in U.S. dollars and 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. While a portion of our operating revenues are also U.S. dollar-denominated or U.S. dollar-linked, a substantial portion of our revenues are denominated in Indonesian rupiah.

We 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. 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, including the emergence of business presence OTT (Over The Top) in the telecommunications industry.

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, Bakrie Telecom 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. Moreover, licenses for additional bandwidth may be granted to any existing cellular service providers.

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. 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.

In April 2014, XL completed its merger with PT Axis Telekom Indonesia ("Axis," previously known as Natrindo). The merger provides XL with Axis' frequency spectrum allocation at the 1800 Mhz bandwidth and Axis' existing subscribers base. We also participated in the tender process, but were not awarded additional frequency. We are currently licensed to use 10 Mhz bandwidth at 2.1 Ghz radio frequency. We cannot predict with accuracy the effect on our business of the frequency spectrum allocation to our competitors.

In addition to traditional competition from other carrier operators, the widespread use of over-the-top ("OTT") service providers, such as Skype™, Viber™ and WhatsApp™ could also affect our competitive position, cellular services business and results of operations. As basic services such as voice and messaging are being replaced by the widespread use of OTT, we face risks relating to a phenomenon in which, with unlimited data plans, users are able to download unlimited amounts of data resulting in a low rate of data monetization. Carrier operators are beginning to implement strategies to combat any loss in revenue, such as by replacing unlimited data plans with quota-based pricing or tiered-based content pricing, with special packages to access specific content.

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, such as mobile money services, 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. While we expect mobile money to become an important factor in the growth of cellular services by creating new revenue streams to leverage or maintain ARPU and reduce churn rates, we cannot assure you that our assessments will turn out to be accurate. To provide attractive mobile money services, we will need to collaborate with financial institutions to provide cash-in and cash-out points, as well as with other industry players for merchant sharing and infrastructure sharing, among others. There is no assurance that we will be able to successfully execute strategies to take advantage of opportunities presented by new technologies or that we will be able to provide equally or more attractive service packages as compared to existing or new competitors.

Since the market is already highly saturated in most areas of existing coverage, cellular service operators are focusing on expanding coverage into rural areas. Although we plan to expand our coverage into rural areas, there can be no assurance that we will be able to set up the infrastructure support needed for such a coverage expansion.

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.

Moreover, the recent increase of smartphone applications that rely on data services has resulted in the huge amount of data traffic and cellular network congestion. In order to combat network congestion and improve network quality, we may be required to combine cellular and fixed networks and deploy Wi-Fi hotspots and 3G900. We have also been granted the license to use 900 MHz for 3G services, which we expect will improve and expand our 3G coverage to 3G900. We cannot assure you that these efforts will be sufficient to maintain and improve service quality. To ensure the smooth operation of our upgraded 3G900 network and Wi-Fi access points, we will need to upgrade our backhaul capacity, especially to fiber. "Long Term Evolution" is believed to be a newer technology that can be used to improve network quality, but we are limited by spectrum availability to deploy such services, as well as the higher capital expenditures required to deploy such infrastructure. 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.

Our operating revenue and ARPU from voice services and fixed wireless services have been decreasing and there is no assurance that we will be successful in extending or launching existing or new products and services to offset such decrease

Our operating revenue and ARPU from voice services have been decreasing mainly due to a competitive market for voice services as well as technological changes, especially new technologies in network, devices and applications that have been causing a shift in the demand for basic services (voice services and SMS) in the telecommunications industry. Although demand for cellular data services has been increasing, margins from cellular data services has been lower compared to margins from the provision of basic services due to a competitive market for cellular data services. As part of our strategy, we intend to introduce and continue to develop cellular data products and services for a deeper and wider market segment and to invest heavily on cellular data services because we believe that cellular data services will be a source of future revenue growth. However, there is no assurance that we will be successful in capturing the growth in cellular data services and maintaining our revenue and profit margins.

Due to competition and the increasing popularity of mobile cellular platforms, our fixed wireless revenues and ARPU have been declining in recent years and we expect that this declining trend will continue. In 2013, we initiated a strategy to migrate from the fixed wireless platform currently utilized on our 800 MHz spectrum allocation to a cellular platform and we have submitted an application with the MOCIT to do so. MOCIT already approved our proposal on September 10, 2014. Currently we are in the process of migrating our fixed wireless customers to cellular service. However, there can be no assurance that this migration will be successful, as competition from other mobile cellular providers is intense.

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

We have derived significant revenue from content 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 Indonesian Telecommunications Regulatory Authority ("ITRA") asked telecommunications companies to deactivate content services and give users a notice of the deactivations with the option to resubscribe. These companies were also asked to cease promoting content services, provide summaries of content service charges for users, return amounts charged to user accounts for content services, and report weekly to the 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.

On August 6, 2013, the MOCIT promulgated MOCIT Regulation Number 21 of 2013 Regarding The Provision of Content Services on Mobile Cellular Network and Wireless Local Fixed Network with Limited Mobility, as amended by MOCIT Regulation No. 10 of 2014 ("MOCIT Regulation 21/2013"), which among others requires network operators such as our Company and content providers to obtain a license from the Director General of Posts and Informatics Management ("DGPIM") to provide content services. Furthermore, pursuant to MOCIT Regulation 21/2013, content providers are required to meet stricter requirements that are more difficult to comply with and shall obtain such license at the latest on August 6, 2014. If the content providers have not obtained such license within the said period, the content providers shall be prohibited from carrying

on their business as content providers. The authority to issue license to the content providers lies entirely on the DGPIM. There will be a risk for the Company if the content provider, who is a partner of the Company, fails to obtain the license since the contents distributed to our customers could not be implemented. Accordingly we do not expect revenues from content services to return to levels seen prior to October 2011.

The disruption to our content services due to the ITRA's actions in 2011 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. Furthermore, MOCIT Regulation 21/2013 is a new regulation and its application is uncertain. The ITRA or the MOCIT may take more aggressive action or a strict interpretation of MOCIT Regulation 21/2013 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. If any of these risks materialize, it may have a material adverse effect on our business, cash flows, operational results, financial condition 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. Our cellular subscribers increased from approximately 58.5 million as of December 31, 2012 to approximately 59.6 million as of December 31, 2013, to approximately 63.2 million as of December 31, 2014. For the years ended December 31, 2012, 2013 and 2014, our



ARPU is Rp27,073, Rp27,515, and Rp27,198, 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 as 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.

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. We cannot assure you that our churn rate will not increase in future years as a result of aggressive promotional programs launched by other operators.

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 and receiver antennas and other BTS supporting facilities on such towers. The availability and installation of such telecommunication towers require licenses from the relevant regional authorities. 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 March 17, 2008, the MOCIT issued a regulation on the sharing of telecommunications towers. 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 March 30, 2009 by the Minister of Home Affairs, the Minister of Public Works, the MOCIT and the Head of the BKPM 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 installing 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.

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

Starting on December 15, 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 2012, 2013 and 2014, we paid frequency fees amounting to Rp2.1 trillion, Rp2.2 trillion, and Rp2.6 trillion, respectively. As one of the largest holders 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 and international reach and developed domestic infrastructure. In addition, operators such as XL, PT First Media Tbk ("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 one and six 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 August 2015 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-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 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 experience 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 orbital slot in a manner deemed satisfactory by the Government. On March 26, 2014, the MOCIT declared that it will not extend our license to utilize the 150.5E.L. satellite orbital slot and that such utilization license will expire as of September 1, 2015. Subsequent to the government decision, we move our Palapa-C2 satellite from 150.5EL to 146EL and manage it jointly with PT. Pasific Satelit Nusantara ("PSN").

We maintain in-orbit insurance on our Palapa-D satellite on terms and conditions consistent with industry practice. As of December 31, 2014, we had an insurance policy with a total coverage limit of US\$85.2 million for total loss of our Palapa-D satellite. 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 International Direct Dialing ("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 Domestic Long-Distance ("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 ITRA.

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.

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Novita Murdini @novita_m

26/02/15

@cipika_id punya banyak pilihan makanan dari beragam daerah lhoo.. [#onlineshopping](#)



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★ 364



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Corporate Governance

Whenever I want to find cool local products, my first stop is definitely Cipika store.



INDOSAT'S GCG FRAMEWORK

Indosat continued its commitment to implementation of good corporate governance (GCG) as a fundamental element in our transformation to becoming a high value, sustainable growth business. To that end, we have established and implemented a number of corporate guidelines, structure and policies related to the implementation of GCG.

GCG Policy, Guidelines and Structure

As a leading Indonesian public Company that is listed on the Indonesia Stock Exchange (IDX), Indosat not only complies with relevant capital market regulations but strives to emulate best practices developed by other global companies. In addition, all other 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 carried out in accordance with the designated parameters and time frame. We also provide opinion of regulation on products or cooperation, which will be implemented to comply with applicable regulations.

Indosat's corporate governance framework is based on the Organization for Economic Co-operation and Development (OECD) five principles of corporate governance, namely:

Rights of Shareholders

The corporate governance framework should protect and facilitate the exercise of shareholders' rights.

Equitable Treatment of Shareholders

The corporate governance framework should ensure the equitable treatment of all shareholders, and all shareholders should have the opportunity to obtain effective redress for violation of their rights.

Role of Stakeholders

The corporate governance framework should recognize the rights of and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

Disclosure and Transparency

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation.

Responsibility of the Boards

The corporate governance framework should ensure the strategic guidance of the Company, the effective monitoring of management by the Boards, and the Boards' accountability to the Company and the shareholders.

INDOSAT'S GCG OECD FRAME WORK

RIGHTS OF SHAREHOLDERS

1. AGMS & EGMS

EQUITABLE TREATMENT OF SHAREHOLDERS

1. Fair Disclosure to Shareholders
2. Insider Share Ownership & Trading
3. Avoiding Conflicts of Interest with vendors, dealers and rating agencies
4. Related Party Transaction

ROLE OF STAKEHOLDERS

1. Indosat's GCG Commitment to Stakeholders
2. Consumer Protection
3. Customer Service Level
4. Collective Labor Agreement
5. Employee Health, Safety & Welfare
6. Whistleblower Policy
7. Code of Ethics
8. Corporate Social Responsibility (CSR)

DISCLOSURE & TRANSPARANCY

1. Independent Auditor/Public Accountant
2. Legal Proceedings
3. Covenant Compliance
4. Corporate Secretary
5. Communication Outreach

RESPONSIBILITY OF THE BOARDS

1. BOC
2. BOD
3. Committees under BOC
4. Committees under BOD
5. Internal Audit

Self Assessment

Indosat periodically carries out assessment with reference to the ASEAN Corporate Governance (CG) Scorecard, a comprehensive new assessment instrument that has been widely recognized at international and regional level. Based on its previous year's performance, Indosat won the IICD Corporate Governance Award 2014 in the category of Best Right of Shareholders.

The results of the most recent evaluation showed that PT Indosat Tbk scored 68.80, higher than 68.70 in the previous year. This assessment was conducted internally and reviewed by the Indonesian Institute for Corporate Directorship (IICD) based on public information, foremost the 2013 annual report and the Company website.

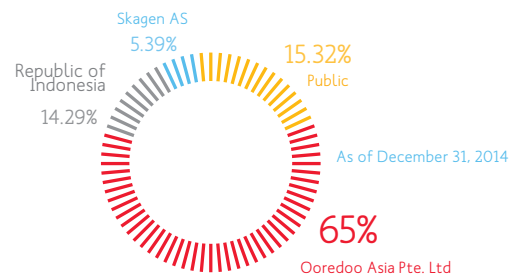
IICD's assessment of CG practices at Indosat is based on the ASEAN CG Scorecard, with the Company's total score and the scores per component as follows.

Asean CG Scorecard Component (weight)	Component Weight	Indosat Score	Contribution to total score
Rights of Shareholders	10%	45.83	4.58
Equitable Treatment of Shareholders	15%	62.50	9.38
Role of Stakeholders	10%	76.19	7.62
Disclosure and Transparency	25%	78.05	19.51
Responsibility of the Boards	40%	54.29	21.71
Bonus/Penalty	0	6 (bonus)	6 (bonus)
Total GCG Practices Score			68.80

By comparison, the average ASEAN CG Scorecard for the 100 largest listed companies in Indonesia was only 57.27 in 2014.

CONTROLLING SHAREHOLDER

Ooredoo Asia Pte. Ltd was the controlling shareholder as of December 31, 2014 with 65% ownership of all Indosat shares.



GENERAL SHAREHOLDERS MEETING

The General Meeting of Shareholders (GMS) is the highest organ of the Company which holds all authority that has not been delegated to the Board of Commissioners or Board of Directors insofar as permitted by law and/or the Articles of Association. The GMS forum is comprised of the Annual GMS (AGMS) and Extraordinary GMS (EGMS).

The 2014 Indosat AGMS as the highest organ was held as follows:

Date: May 22, 2014

Venue: Auditorium 4th Floor, Indosat Building, Jl. Medan Merdeka Barat No. 21, Jakarta 10110

Attendance: The AGMS was attended by shareholders and their proxies representing 94.90% of the paid-in shares.

Announcement	Invitation	AGMS
April 22, 2014 in two daily Indonesian language newspapers and one daily English-language newspaper	May 7, 2014 in two daily Indonesian language newspapers and one daily English language newspaper	May 22, 2014

Results of the Annual General Meeting of Shareholders for Indosat for 2014:

The AGMS has, among other things, passed the following resolutions:

- (1) To approve the annual report of the Company for the financial year ended 31 December 2013 and to ratify the financial statements of the Company for the financial year ended 31 December 2013 which have been audited by the Office of Public Accountant Purwantono, Suherman & Surja based on their report No. RPC- 5648/PSS/2014, dated April 24, 2014; and 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 annual report and financial statements of the Company for the financial year ended 31 December 2013 and such actions do not conflict with or violate the prevailing laws and regulations;
- (2) Remuneration of the Board of Commissioners of the Company for the year 2014;
- (3) To delegate authority to the Board of Commissioners with the right of substitution to appoint the Company's Independent Auditor to audit the Company's financial statements for the year 2014

including to determine the terms and conditions of such appointment and to appoint a replacement for the Company's Independent Auditor should the Independent Auditor duly appointed by the Board of Commissioners cannot fulfill or implement its task for any reason whatsoever, based on the prevailing rules and regulation;

- (4) Approval for the composition of the Board of Commissioners of the Company as of the closing of this Meeting until the closing of the Annual General Meeting of Shareholders in the year 2016 (in accordance with the Articles of Association of the Company) as follows:
 - H.E Sheikh Abdulla Mohammed S.A. Al-Thani, President Commissioner
 - Dr. Nasser Mohammed Marafih, Commissioner
 - Mr. Rachmat Gobel, Commissioner
 - Mr. Rionald Silaban, Commissioner
 - Mr. Beny Roelyawan, Commissioner
 - Ms. Cynthia Alison Gordon, Commissioner
 - Mr. Soeprapto, Independent Commissioner
 - Mr. Chris Kanter, Independent Commissioner
 - Mr. Richard Farnsworth Seney, Independent Commissioner
 - Mr. Rudiantara, Independent Commissioner;
- (5) Approval for the changes in the composition of the Company's Board of Directors as of the closing of this Meeting until 31 October 2014 as follows:
 - Mr. Alexander Rusli, President Director (also assume the role as Independent Director)
 - Mr. Curt Stefan Carlsson, Director
 - Mr. Fadzri Sentosa, Director
 - Mr. Joy Wahjudi, Director

And approval for the changes in the composition of the Company's Board of Directors as of 1 November 2014 until the close of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company) as follows:

- Mr. Alexander Rusli, President Director (also assume the role as Independent Director)
 - Mr. Curt Stefan Carlsson, Director
 - Mr. Fadzri Sentosa, Director
 - Mr. Joy Wahjudi, Director
 - Mr. John Martin Thompson, Director
- (6) 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 of the Company (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 of the Company from time to time.

EGMS

An Extraordinary General Meeting of Shareholders (EGMS) was held on January 28, 2015 at the Indosat headquarters.

The EGMS has, among other things, passed the following resolutions:

- (1) To approve the full release and discharge of the following members of the Board of Commissioners:
- H.E. Sheikh Abdulla Mohammed S.A. AL-Thani
 - Mr. Rachmat Gobel
 - Mr. Rudiantara
 - Mr. Rionald Silaban
 - Mr. Soeprapto

from their supervisory responsibilities provided their actions do not conflict with or violate the prevailing laws and regulations;

- (2) Approval for the composition of the Board of Commissioners of the Company as of the closing of this Meeting until the closing of the Annual General Meeting of Shareholders in the year 2016 (in accordance with the Articles of Association of the Company) as follows:
- Dr. Nasser Mohammed Marafih, President Commissioner
 - Mr. Ahmed Yousef Ebrahim M AL-Derbesti, Commissioner
 - Mr. Khalid Ibrahim A AL-Mahmoud, Commissioner
 - Mr. Chris Kanter, Commissioner
 - Mr. Astera Primanto Bhakti, Commissioner
 - Mr. Beny Roelyawan, Commissioner
 - Ms. Cynthia Alison Gordon, Commissioner
 - Mr. Richard Farnsworth Seney, Independent Commissioner
 - Mr. Rinaldi Firmansyah, Independent Commissioner
 - Mr. Wijayanto Samirin, Independent Commissioner
- (3) Approval for the composition of the Company's Board of Directors as of the closing of this Meeting until the closing of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company) as follows:
- Mr. Alexander Rusli, President Director
 - Mr. Curt Stefan Carlsson, Director
 - Mr. Fadzri Sentosa, Director
 - Mr. Joy Wahjudi, Director (also assume the role as Independent Director)
 - Mr. John Martin Thompson, Director

BOARD OF COMMISSIONERS

Duties and Responsibilities

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.

Appointment Process for Members of the Board of Commissioners

The members of the Board of Commissioners are elected and dismissed by shareholders' resolutions at a general meeting of shareholders, provided that one member of the Board of Commissioners shall be appointed by the holder of the Series A share.

Composition of the Board of Commissioners

The Board of Commissioners is comprised of 10 members including 3 Independent Commissioners.

Changes to the Board of Commissioners

Position	December 31, 2014	After the January 28, 2015 EGMS
President Commissioner	Sheikh Abdulla Mohammed S.A. AL Thani	Dr. Nasser Mohammed Marafih
Commissioner	Dr. Nasser Mohammed Marafih	Ahmed Yousef Ebrahim M AL-Derbesti
Commissioner	Rachmat Gobel	Khalid Ibrahim A AL-Mahmoud
Commissioner	Rionald Silaban	Chris Kanter
Commissioner	Beny Roelyawan	Beny Roelyawan
Commissioner	Cynthia Alison Gordon	Cynthia Alison Gordon
Commissioner	-	Astera Primanto Bhakti
Independent Commissioner	Rudiantara	-
Independent Commissioner	Richard Farnsworth Seney	Richard Farnsworth Seney
Independent Commissioner	Soeprapto S.IP	Wijayanto Samirin
Independent Commissioner	Chris Kanter	Rinaldi Firmansyah

Assessment of the Board of Commissioners

The overall performance of the Board of Commissioners, the performance of the Company and the contribution of each Board member is taken into consideration as part of the assessment process of the Board of Commissioners by the shareholders.

Remuneration

Procedures for Establishment of Remuneration

In accordance with the Articles of Association, members of the Board of Commissioners receive fees for service/ honorarium, incentives, insurance, and tantiem including facilities and other allowances including end of service fees that are proposed by the Remuneration Committee for approval by the General Shareholders Meeting.

The Board of Commissioners Net Annual Total Cash 2014

	Paid in 2014 (Rp)
Honorarium & Retainer	10,627,430,698
Attendance Fee	1,263,750,000
RSUP	3,972,430,200
End of Service	2,660,209,524
Total	18,523,820,422

Meetings of the Board of Commissioners

In 2014 the Board of Commissioners held four (4) meetings with the Board of Directors, in line with its duty to supervise and monitor the management of the Company. The meetings are scheduled before or at the beginning of the year and before each meeting, meeting papers and materials are provided to the board at least five business days in advance to give time for review. During each meeting, the Board of Commissioners meets separately in a closed session meeting without any member of the Board of Directors.

Agenda of Meetings

1. Confirmation of Minutes
2. Resolutions in Writing
3. Matters Arising from the Previous Meeting
4. Management Report/ Quarterly Business Performance
5. Approval for Material Project
6. Update on Important Initiatives
7. Any Other Business
8. Closing

Meeting Attendance in 2014

Position	2014	No. of BoC Meetings Attended in 2014
President Commissioner	Sheikh Abdulla Mohammed S.A. Al Thani	4/4
Commissioner	Dr. Nasser Mohammed Marafih	4/4
Commissioner	Rachmat Gobel	3/3
Commissioner	Rionald Silaban	3/3
Commissioner	Beny Roelyawan	4/4
Commissioner	Cynthia Alison Gordon	4/4
Independent Commissioner	Rudiantara	3/3
Independent Commissioner	Richard Farnsworth Seney	4/4
Independent Commissioner	Soeprapto S.IP	4/4
Independent Commissioner	Chris Kanter	4/4

Training for the Board of Commissioners

Members of the Board of Commissioners participated in the GSMA Mobile World Congress 2014 which took place between February 24-27, 2014, in Barcelona; an AC workshop on IT governance held by PriceWaterhouseCoopers at the Indosat head office on April 22, 2014; regulatory update training on December 3, 2014 held by Hadiputranto, Hadinoto & Partners; and a Conference on Governance, Risk & Compliance for Internal Audit held in Singapore on January 19-20, 2015.

Board Charter

In carrying out its duties, the Board of Commissioners makes reference to the Articles of Association, the Indosat Code of Ethics, the Company's corporate values and branding, and a guidance book which lays out Individual Performance & Competency Management (ICPM).

Independent Commissioners

Independent Commissioners are appointed based on various qualifications, including their independence and freedom from any outside influence so as to maintain an objective perspective. Indosat defines 'independence' as being free of subjection, or from the influence of others, and to be exempt from external control or support. All Independent Commissioners of Indosat have signed statements confirming that they meet the criteria for independence.

Board of Commissioners Diversity Policy

Although Indosat has not established a specific Board of Commissioners Diversity Policy, members of the Board of Commissioners are appointed based on merit and ability to contribute based on their working experience and education, without prejudice to age, gender, race or nationality. In practice, the Boards represent a mix of races, ages, gender and nationalities.

COMMITTEES UNDER THE BOARD OF COMMISSIONERS

To assist in the effective discharge of its duties and responsibilities, the BOC has 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.

(i) Audit Committee

Duties and responsibilities

The Audit Committee of PT Indosat Tbk (the Company) operates under a written charter approved by the Board of Commissioners on May 31, 2003 and 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.

Membership

During 2014, the Audit Committee was comprised of five members with three independent commissioners and two independent experts.

Chairman	Richard Farnsworth Seneay Independent Commissioner
Members	Rudiantara Independent Commissioner*
	Chris Kanter Independent Commissioner
	Kanaka Puradiredja Independent Expert
	Unggul Saut Marupa Tampubolon Independent Expert

* Member until October 27, 2014.

Thereafter, on January 28, 2015, the Board of Commissioners approved the new composition as follows

Chairman	Richard Farnsworth Seney Independent Commissioner
Members	Rinaldi Firmansyah Independent Commissioner
	Kanaka Puradiredja Independent Expert
	Unggul Saut Marupa Tampubolon Independent Expert

Independence of the Committee Members

Members of the committee are appointed based on various qualifications, including their independence and freedom from any outside influence so as to maintain an objective perspective. Indosat defines 'independence' as being free of subjection, or from the influence of others, and to be exempt from external control or support.

Qualifications of the Audit Committee members

The qualifications of members who are Commissioners or Independent Commissioners may be viewed in section labeled 'Profile of the Board of Commissioners'.

The qualifications of Mr. Kanaka Puradiredja and Mr. Unggul Saut Marupa Tampubolon may be viewed in the section labeled 'Profile of Audit Committee Independent Experts.'

Activities in 2014

In 2014, a total of 5 meetings were held. Activities including a review of the following: our financial information (including financial reports and projections); the independence and objectivity of our independent public accountant; the adequacy of our independent public accountant's audits to ensure that all material risks have been considered; the adequacy of our internal controls; our compliance as a listed Company with the prevailing capital markets regulations and other regulations related to our business and our internal auditors' duties.

For more detail, please refer to the Audit Committee report at the end of this section.

Meeting attendance

Please refer to the audit committee report at the end of this section.

(ii) Risk Management Committee

Duties and responsibilities

The Risk Management Committee evaluates potential risks regarding our business and provides recommendations to our Board of Commissioners regarding our policies regarding risk assessment and risk management.

Membership

All members of the Risk Management committee are appointed by the Board of Commissioners from amongst its members. As of December 31, 2014, there were 4 (four) members of the Risk Management Committee.

Chairman	Rachmat Gobel Commissioner (until 31 October 2014)
	Richard Farnsworth Seney Independent Commissioner (from 31 October 2014)
Members	Cynthia Alison Gordon Commissioner
	Rionald Silaban Commissioner (until 31 October 2014)
	Richard Farnsworth Seney Independent Commissioner (until 31 October 2014)
	Chris Kanter Independent Commissioner (from 31 October 2014)

Thereafter, on January 28, 2015, the Board of Commissioners approved the new composition as follows:

Chairman	Khalid Ibrahim A AL-Mahmoud Commissioner
Members	Ahmed Yousef Ebrahim M AL-Derbesti Commissioner
	Beny Roelyawan Commissioner
	Rinaldi Firmansyah Independent Commissioner

Independence

Members of the committee are appointed based on various qualifications, including their independence and freedom from any outside influence so as to maintain an objective perspective. Indosat defines 'independence' as being free of subjection, or from the influence of others, and to be exempt from external control or support.

Qualifications of the Risk Management Committee members

Qualifications of members of the Risk Management Committee may be viewed in the section labeled 'Profile of the Board of Commissioners'.

Activities in 2014

A total of four meetings were held in 2014, for the purposes of evaluating, endorsing and monitoring the Company's Risk Profile and related activities. For more detail, please refer to the Risk Management report at the end of this section.

Meeting attendance

Please refer to the Risk Committee report at the end of this section.

(iii) Budget Committee

Duties and responsibilities

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).

Membership

As of December 31, 2014 there were 4 (four) members of the Budget Committee.

Chairman	Dr. Nasser Mohammed Marafih Commissioner
Members	Richard Farnsworth Seney Independent Commissioner
	Cynthia Alison Gordon Commissioner
	Chris Kanter Independent Commissioner

Thereafter on January 28, 2015, the composition of the Committee became as follows:

Chairman	Ahmed Yousef Ebrahim M AL-Derbesti Commissioner
Members	Richard Farnsworth Seney Independent Commissioner
	Cynthia Alison Gordon Commissioner
	Chris Kanter Commissioner
	Wijayanto Samirin Independent Commissioner

Independence

Members of the committee are appointed based on various qualifications, including their independence and freedom from any outside influence so as to maintain an objective perspective. Indosat defines 'independence' as being free of subjection, or from the influence of others, and to be exempt from external control or support.

Qualifications of the Budget Committee members

Qualifications of the Budget Committee members may be viewed in the section labeled 'Profile of the Board of Commissioners'.

Activities in 2014

A total of four meetings were held in 2014, with the primary activities being review of the 2014 Workplan and Budget, and review of the 2014-2018 Business Plan. For more detail, please refer to the Budget Committee report at the end of this section.

Meeting attendance

Please refer to the Budget Committee report at the end of this chapter.

(iv) Remuneration Committee

Duties and responsibilities

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

Membership

Members of the Remuneration Committee are appointed by the Board of Commissioners from amongst its members and comprise not fewer than three members. In 2014, the members of the Remuneration Committee were as follows:

Chairman	Dr. Nasser Mohammed Marafih President Commissioner
Members	Cynthia Alison Gordon Commissioner
	Soeprapto S.I.P. Independent Commissioner
	Rudiantara Independent Commissioner (until 31 October 2014)
	Chris Kanter Independent Commissioner (from 31 October 2014)

Thereafter, on 28 January 2015, the composition of the Remuneration Committee changed to become:

Chairman	Richard Farnsworth Seney Independent Commissioner
Members	Cynthia Alison Gordon Commissioner
	Chris Kanter Commissioner
	Astera Primanto Bhakti Commissioner

Independence

Members of the committee are appointed based on various qualifications, including their independence and freedom from any outside influence so as to maintain an objective perspective. Indosat defines 'independence' as being free of subjection, or from the influence of others, and to be exempt from external control or support.

Qualifications of the Remuneration Committee members

Qualifications of the members may be viewed in the section labeled 'Profile of the Board of Commissioners'.

Activities in 2014

A total of 5 (five) meetings were held in 2014, for the purposes of reviewing the remuneration of the Board of Commissioners and Board of Directors. For more detail, please refer to the Remuneration Committee report at the end of this section.

Meeting attendance

Please refer to the Remuneration Committee report at the end of this chapter.

BOARD OF DIRECTORS

Duties and Responsibilities

The main duties of the Board of Directors are 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, in line with the vision and mission of the Company, and to control, maintain and manage the assets of the Company.

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.

Appointment Process for Members of the Board of Directors

The members of the Board of Directors are elected and dismissed by shareholders' resolutions at a general meeting of shareholders, 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.

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.

Changes to the Board of Directors

Position	December 31, 2014	After the January 28, 2015 EGMS
President Director	Alexander Rusli (Independent Director)	Alexander Rusli
Director & CFO	Curt Stefan Carlsson	Curt Stefan Carlsson
Director & CEWO	Fadzri Sentosa	Fadzri Sentosa***
Director & CSDO	Joy Wahjudi*	Joy Wahjudi (Independent Director)
Director & CTO	John Martin Thompson**	John Martin Thompson**

* Mr. Joy Wahjudi joined the Board of Directors as of May 22, 2014. Previously the position was vacant in 2014.

** Mr. John Martin Thompson joined the Board of Directors as of November 1, 2014. Previously the position was vacant in 2014.

*** On February 17, 2015, Mr. Fadzri Sentosa requested the shareholders of the Company to formally discharge him from his position as Director & Chief Wholesale and Enterprise Officer in accordance with Regulation of Minister of State Owned Enterprises (SOE) No. PER-09/MBU/2014 which states in Article 1 that the Director of an SOE is prohibited from taking office as a member of the Board of Directors of another enterprise. .

Assessment of the Board of Directors

Assessment Process

The performance of the Directors is assessed annually based on Individual Performance Management (IPM) established by the Human Capital department with the approval of the Board of Commissioners.

Criteria:

Among others, the Directors were assessed on:

- The overall performance of the Company including corporate governance
- Achievement of the Company's targets in 2014
- Individual Key Performance Indicators, and achievement of their respective roles 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

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

Director & Chief Enterprise Wholesale and Infrastructure Officer

Develops and implements wholesale and infrastructure strategy. Evaluates and assesses options to carve-out and set up new businesses. Develops and manages relations with carriers. Reviews and update Indosat's Corporate Solutions strategy. Prepares and leads the set-up of the Corporate Solutions SBU organization and operating model. Drives sales growth of national corporate segment.

Director & Chief Sales & Distribution Officer

Develops and sustains the "Consumer Wireless" Strategic Business Unit (SBU) organization. Develops and implements commercial strategy in consumer wireless. Guides the development of "Consumer Broadband" business unit strategy, advises and guides its management. Maximizes total consumer wireless sales and profitability. Develops a differentiated sales and distribution organization.

Assessing Party

Assessment of the Board of Directors is carried out by the Board of Commissioners with the assistance of the Remuneration Committee.

Remuneration**Procedures for Establishment of Remuneration**

In accordance with the resolutions of the General Meeting of Shareholders held in March 2004, the authority to establish remuneration for the BoD has been given to the Board of Commissioners (BoC). In establishing remuneration of the BoD, the BoC takes into consideration input from the Remuneration Committee, of which one component is the performance of the Company.

The Board of Directors Net Annual Total Cash 2014

	Paid in 2014 (Rp)
Basic Salary	14,888,371,544
Fixed Allowance	6,368,747,598
Initial Service	4,037,703,056
Short Term Incentive (STI)	6,858,104,256
Long Term Incentive (LTI)	-
End of Service	-
Total Net Cash	32,152,926,454

Meetings and Attendance

The BoD held a total of 25 meetings in 2014 including operational meetings. The BOD also attended meetings with the BOC and Committees.

Agenda of Meetings

1. Opening and Adoption of Agenda
2. Matters Arising for Discussion
3. Weekly Business Performance Highlights
4. BOD Priorities Updates
5. Approval for Material Project
6. Update on Important Initiatives
7. Closing

The BOD's attendance during 2014 was as follows:

Name	Position	BOD Meetings Attendance/ Number of Meetings	BOC Meeting Attendance/ Number of Meeting
Alexander Rusli	President Director & CEO	23/25	4/4
Curt Stefan Carlsson	Director & CFO	20/25	4/4
Fadzri Sentosa	Director & CWO	21/25	2/4
Joy Wahjudi *	Director & CSDO	9/12	1/2
John Martin Thompson**	Director & CTO	1/2	1/1

* Mr. Joy Wahjudi joined the Board of Directors as of May 22, 2014.

** Mr. John Martin Thompson joined the Board of Directors as of November 1, 2014.

Training and Competency Development for the Board of Directors

Name	Event	Date
Alexander Rusli	Panelist at The 2 nd International Financial Inclusion Forum (IFIF)	23 October 2014
	Group Leader Training (GLT CEO), Doha	11 December 2014
Stefan Carlsson	The Macquarie ASEAN Conference 2014	27 - 28 August 2014
	Qtel Leadership Development Programme Module 1, Doha	20 - 26 September 2014
	LDP Module 2, Lausanne - Swiss	26 - 30 October 2014
	Morgan Stanley Thirteenth Annual Asia Pacific, Singapore	11-14 November 2014
Fadzri Sentosa	Ooredoo B2B Leadership Council, Doha	18-19 February 2014 and 10-12 December 2014
	Qtel Leadership Development Programme Module 2, Swiss	17-20 March 2013
	Pacific Partners Mid Year Meeting, Hong Kong	9-11 July 2014
	LDP Module 3, Abu Dhabi, UAE	23-26 September 2013
	Forum Komunikasi & Koordinasi (FKK) Kemenko Polhukam: <i>Pembentukan Badan Cyber Nasional</i> , Jakarta	4 December
John Martin Thompson	Overview training 4 DX (Discipline for Execution), facilitated by HR Indosat	5 November 2014
	The 3 rd phase of Executive Team Development Session, facilitated by CCL (Center for Creative Leadership)	13 February 2015

Members of the Board of Directors also attended the GSMA World Congress in Barcelona between February 24-27, 2014. They also participated in Regulatory Update Training on December 3, 2014 held by Hadiputranto, Hadinoto & Partners.

SUPPORTING FUNCTIONS

(i) Corporate Secretary

The Group Head Investor Relations & Corporate Secretary reports to the Director and Chief Financial Officer. The duties of the position include communicating material information to comply with regulation and ensuring that the Company is always transparent. The Corporate Secretary also plays an active role in various Corporate Actions such as Bonds Issuance, Suku Ijarah Issuance, and any merger processes.

Since May 2014, Mr. Harsya Denny Suryo has been the Group Head Investor Relations & Corporate Secretary of PT Indosat Tbk. Mr. Suryo was previously the SVP, Head of Brand, Marketing, & Communications and the Head of Investor Relations for PT Bank CIMB Niaga Tbk since 2006. Prior to this, he was also the VP, Head of Investor Relations & Corporate Secretary for PT Telkom Indonesia, Tbk since 2003. He has been specializing in Investor Relations, Corporate Secretary, and corporate communication since 2000. He holds a Bachelor's degree



in International Trade, and Finance from Chaminade University, and a Master of Science in Management degree from Boston University in Brussels, Belgium.

(ii) Internal Audit

The Internal Audit (IA) Group is established with a vision to become professional advisor for Board of Directors and Audit Committee as well as catalyst for all working units and the Company as a whole.

IA Group is responsible to present independent audit results, objective assurance, and provide consulting activity to improve and add value to the operations of the Company. IA Group also assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

In performing its functions, IA Group refers to the following applicable standards and regulations:

1. The International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors (The IIA);
2. Indonesian Capital Market and Financial Institutions Supervisory Agency ("BAPEPAM-LK") (currently the Indonesian Financial Services Authority ("OJK")) Regulations;
3. The Company's prevailing Code of Ethics and Whistleblower Implementation Guides; and
4. IA Charter.

IA Charter consists of IA's Vision & Mission, Requirements for IA's Members, IA's Scope of Work, Requirement of Independency & Reporting, Impairment to independence and objectivity, IA's Authority and Responsibility, Professional Standard, Working Relationship with Audit Committee and External Auditor, IA's Mechanism, IA's Code of Ethics, Quality Assurance and Improvement Program, and the arrangement of the appointment, replacement or dismissal of the Head of IA.

Reporting Structure

The Head of Internal Audit reports audit results and activities functionally to the Board of Commissioners through Audit Committee and administratively (i.e. day-to-day operations) to the President Director & CEO.

As of December 31, 2014, the structure of IA Group consisted of 6 (six) Divisions, as follows:

- Finance & Support Audit Division
- Business Audit Division
- IT Audit Division
- Network Audit Division
- Quality Assurance Audit Division
- Compliance Audit Division

Number of employees & qualifications

A total of 46 internal audit employees were employed as of December 31, 2014. All IA employees have relevant professional backgrounds or certification and experience in financial and/or operational controls.

Activities

During 2014, the IA Group performed 53 audits which consisted of regular, special, and investigation audits by using Risk-based Audit Methodology and responding to whistleblower reports. The major areas audited during 2014 were Operation (e.g. Channel Management, Procurement, Customer Retention & Loyalty Program, Revenue Assurance Manual Controls & IN Reconciliation, Galeri Service Performance, Human Resource Management, Hedging), Compliance (e.g. Internal Control Over Financial Reporting Testing), as well as Information & Technology (e.g. Reload Management System, Sales Information System, and Campaign Management System). Additionally, the IA Group performed 65 monitoring audits to follow up the status of previous audit recommendations and to ensure that agreed action plans have been properly and timely taken by related Business Process Owners and Senior Management.

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 Risk Management (RM) Group function 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, and evaluate the reporting of key risks and controls implementation.

Head of IA Group

Appointment: The Head of Internal Audit is appointed by the BoC on the recommendation of the Audit Committee, which has the responsibility for selecting, appointing, and reviewing candidates for the position of Head of Internal Audit.

Profile

Hanna Sitorus has been the Head of IA Group since January 2010. Ms. Sitorus has more than 15 years of experience with the audit function, including external and internal audits. Ms. Sitorus was previously engaged by worldwide leading Accounting Firm, PricewaterhouseCoopers, located in Indonesia and the United States of America (in the States of Colorado and California). Previously, she also contributed to the Internal Audit function of the Indonesia Stock Exchange (IDX) 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 an active member of Internal Auditor Association (*Ikatan Auditor Internal*) in Indonesia

(iii) External Auditor

Number of years audited

Indosat's annual financial statements have been audited by an external auditor since going public.

Auditor appointment

Purwantono, Suherman & Surja, a member firm of Ernst & Young Global, has been appointed as Indosat's independent External Auditor for 2014. This is the fifth successive year that Purwantono, Suherman & Surja has been appointed in that capacity.

Fees

The following table contains a summary of the fees paid to Purwantono, Suherman & Surja, a member firm of Ernst & Young Global, our independent external auditors for the years ended December 31, 2012, 2013 and 2014 (in IDR):

	2012 (Rp)	2013 (Rp)	2014 (Rp)
Audit Fees	7,786,343,860	8,350,718,860	8,164,385,000
Audit-related Fees	7,370,656,140	6,794,459,040	7,196,007,437
Tax Fees	-	-	-
All Other Fees	-	-	-
Total Fees	15,157,000,000	15,145,177,900	15,360,392,437

Services

Apart from audit of the annual financial statements, no other services were provided by Purwantono, Suherman & Surja.

(iv) Risk Management & Internal Control

The Risk Management & Internal Control over Financial Reporting Group (RM & ICFR Group) is responsible for assessing, analyzing, and mapping out risks posed by our corporate activities. The guidelines and the risk map are intended to direct risk-prone units in implementing risk management in their operations. RM & ICFR Group supports the Board of Directors in communicating risk management-related issues to all business units to ensure a consistent understanding of risk management process throughout the Company and in monitoring risk mitigation on a regular basis.



The Company produces an entity risk profile and conducts a regular assessment. The Board of Directors reports its assessment on risk on a quarterly basis to the Risk Management Committee. Up to December 31, 2014, Indosat has identified several material risks related to strategic, operation and external factors. The risk profile is also used as reference by the Internal Audit Group in planning and conducting internal audit program.

Risk treatment is comprised of mitigation, acceptance, avoidance and risk transfer to other parties. Strategic, operation and external risk mitigation are identified and approved by related management to be applied for each risk. The Company has also established risk tolerance levels with risk treatments applied according to the level of risk. A mitigation status report is presented to the Risk Management Committee for monitoring and further decision actions.

Indosat's control system makes reference to the elements of the framework designed by Committee of Sponsoring Organizations of the Treadway Commission (COSO), namely the Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring, which are implemented as needed according to the guidance of the Board of Commissioners Directors and Audit Committee.

The RM & ICFR Group is also responsible for assisting the President Director and CFO in managing the Company's Internal Control over Financial Reporting. It develops and documents the identification of the Risk of Misstatement of Financial Reports, measurement and control assessment. It coordinates with business units and the Internal Audit Group in related exercises. RM & ICFR Group coordinates with the business units in remediation of identified deficiencies.

CORPORATE SOCIAL RESPONSIBILITY

Environmental Responsibility

Commitment and Policy	Activities	Financial Impact
With reference to the Law on Limited Liability Companies Articles 40 and 70, Indosat is committed to reducing and preventing environmental pollution, and saving energy.	Energy efficient power solutions have been implemented in the form of CDC (Charge Discharger Controller) switches at a number of Base Transceiver Stations (BTS). CDC work to optimize batteries as an alternative power source in the case of a State Electricity (PLN) blackout, extending battery life while saving fuel by decreasing the need to run the diesel generators.	The use of CDC (Charge-Discharger Controller) switches can save fuel costs of up to 60% at BTS
Indosat has also implemented an Environmental Management system as embodied by its ISO14001:2004 certification and has established policies that include avoiding and decreasing environmental pollution and conserving natural resources.	- Indosat has installed more than 100 solar-powered BTS in remote and isolated areas like Mambi, Sulawesi. - Indosat has replaced a number of traditional lead-acid batteries in the BTS backup generators with environmentally friendly fluidic batteries. - The Indosat headquarters carries out waste management for used batteries, used oil and other hazardous substances	

Environmental Certification

Indosat is 14001 certified with regard to Environmental Management Systems, a certification issued by independent auditing agency Worldwide Quality Assurance (WQA), a member of the United Kingdom Accreditation Service (UKAS).

Labour, workplace health and safety

Commitment and Policy	Activities	Financial Impact
With reference to the Law on Limited Liability Companies Articles 40 and 70, Indosat is committed to implementing a culture that promotes Occupational Health, Safety and Environment (HSE), in line with the government program of establishing a national HSE culture by 2015.	Good labor practices include • Equal opportunity career development regardless of gender, race or religions • Competitive remuneration and benefits • Retention policies to reduce turnover • Good career development opportunities • OSHAS certified • Earned an Audit Certificate for its Occupational Safety and Health Management System from the Ministry of Manpower and Transmigration	The Company enjoys many intangible financial benefits as a result of these labor practices, that exceed the costs. Costs in 2014 include training costs for a total of 483 training programs which were attended by 6110 employees at a total cost of Rp29.0 billion.
Indosat has established an HSE policy signed by the President Director and CEO, which outlines the Company's commitment to reducing workplace accidents, obeying laws and making continuous improvements to HSE management systems	Good health practices include: • All eligible employees are medically insured • The Company strives to provide a healthy work environment • OHSAS 18001 international certification related to Occupational Health and Safety management systems • Prohibition against smoking inside the office in order to create a healthy work environment	The Company covered the following health benefits used by Indosat employees in 2014: • Number of employees who had Medical Check Ups: 2,545 • Number of employees and their families undergoing outpatient treatment: 7,520 • Number of employees and their families who were hospitalized: 34,808 • Number of employees and their families handled by Indosat clinic: 804 (dental clinic), 1,499 (health clinic) • Glasses facility: 2,614
	Good safety practices include: • Establishment of a Safety and Health Guiding Committee to help protect employees against the risk of accidents and illness due to work • Protection for the rights of employees including occupational safety issues under the the Collective Labor Agreement (CLA) • OHSAS 18001 international certification related to Occupational Health and Safety management systems	The Company incurred direct as well as indirect costs for OSHAS certification and implementation of good safety practices and systems.



Social and community development

Commitment & Policy	Activities	Financial Impact
With reference to the Law on Limited Liability Companies Articles 40 and 70, Indosat carried out various social and community activities as a reflection of its commitment to help develop society at large and local communities.	Activities included but were not limited to: • Preference for local suppliers, supporting the domestic economy • Preference for local recruitment • Empowerment of SME businesses • Support for entrepreneur women • Work knowledge transfer • Support for local mobile application developers • Supporting education for example through IWIC	Indosat does not compute cost of these activities as a separate category since these activities are part of its core operational activities. Various costs included: • USD500,000 earmarked for investing in local mobile application developers.

Consumer Responsibility

Consumer Responsibility Policy	Activities	Financial Impact
With reference to the Law on Limited Liability Companies Articles 40 and 70, Indosat strives to provide high quality products and services in order to safeguard the wellbeing of both retail and corporate customers	Activities included among others: • Improving service and network quality in 2014 • Providing accurate product and service information • Protecting the confidentiality of data and customer profiles • Using radio telecommunications equipment that is not hazardous to customer health • Maintaining a secure network and data center as reflected by our ISO 27001 information security management system (ISMS) certification covering information technology, security techniques, and information security management systems and requirements.	Indosat does not compute the cost of these activities as a separate category since these activities are part of its core operational activities. Significant capital expenditure has been invested in improving network modernization, capacity expansion and coverage to support future demand for data services.

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 6, 2015, the Supreme Court has not issued a verdict for the reconsideration.

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 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, Mr. Indar Atmanto, the former President Director of IM2, a subsidiary of the Company, was accused of corruption by the Attorney General's Office ("AGO"). According to the AGO, a state loss amounting to Rp1.358.3 billion was caused by an agreement between IM2 and the Company, which relates to the alleged illegal use by IM2 of the Company's 2.1 GHz frequency band. The Ministry of Communication and Information Technology ("MOCIT") issued letter No. 65/M. KOMINFO/02/2012 on February 24, 2012 stating that there was no breach of law, crime committed, and no state loss resulting from the agreement between the Company and IM2. Moreover the MOCIT has also sent a letter to the AGO directly which states that neither the Company nor its subsidiary, IM2, has violated any regulation and the collaboration between Indosat and IM2 is lawful under the prevailing laws and regulations, and also common practices in the telecommunication industry. In addition, ITRA publicly stated that IM2 had not breached any laws or prevailing rules. However, the AGO ignored the letters from the MOCIT and, on November 30, 2012, accused the former President Director of the Company



as a suspect, and, on January 3, 2013, also named IM2 and the Company as corporate suspects. On July 8, 2013, the Corruption Court found Mr. Atmanto guilty of corruption and sentenced him to four years imprisonment and a monetary fine of Rp200 million (or an additional three months' imprisonment). Furthermore, the Corruption Court found IM2 liable for restitution for state losses caused by such transaction and imposed a monetary fine of Rp1,358.3 billion. On July 11, 2013, Mr. Atmanto lodged his appeal against the Corruption Court's ruling. On January 10, 2014, the Central Jakarta's High Court affirmed the Corruption Court's decision and imposed a higher sentence of eight years' imprisonment and a separate monetary fine of Rp200 million (or an additional three months' imprisonment). However, the High Court found that the Corruption Court could not impose a monetary sanction against IM2 which, as a separate legal entity, had not been separately indicted in the AGO's litigation against Mr. Atmanto, and reversed the Corruption Court's decision with respect to IM2. On January 23, 2014, Mr. Atmanto filed a petition for appeal to the Supreme Court and, on February 5, 2014 submitted memoranda of appeal.

On July 10, 2014 Supreme Court issued a verdict that sentenced Mr. Atmanto for eight years' imprisonment, monetary fine of Rp300 million and ordered IM2 to pay restitution in the amount of Rp1,358.3 billion. On September 16, 2014, the South Jakarta District Court has enforced the execution against Mr. Atmanto based on the Supreme Court's verdict. In addition, the Supreme Court has conversely affirmed the Administrative Court's verdict stating that the Letter of Deputy Head of Financial and Development Supervisory Agency (BPKP) Investigation Subdivision No. SR-1024/D6/01/2012 dated November 9, 2012 concerning Audit Report of Financial State Loss Calculation on Corruption Allegation in the

Utilization of 2.1 GHz (3G) Radio Frequency by PT Indosat Tbk and IM2 along with its attachments made by BPKP team is unlawful and BPKP is instructed to revoke the said Letter. Mr. Atmanto is seeking to submit a judicial review to nullify the Supreme Court's verdict due to the contradiction of the Supreme Court's verdict as mentioned above and as a new evidence in this case. In addition to the cases mentioned above, IM2, the Company and the former President Director of the Company are still under investigation by AGO. As of April 6, 2015, there is no further process on those cases.

On December 24, 2008, we received the DGT's Decision Letter which increased the overpayment amount by Rp84,650 million in the assessment letter on tax overpayment (SKPLB) for fiscal year 2004, which amount was lower by Rp41,753 million than the amount stated in an earlier Decision Letter received on July 4, 2008. On January 21, 2009, we filed suit objecting to the discrepancy in the amount of tax overpayment during fiscal year 2004. On February 2, 2009, the Company received the tax refund from the Tax Office of Rp84,650 million. With respect thereto, on December 4, 2009, the Tax Court revoked the DGT's Decision Letter dated December 24, 2008 above. On March 17, 2010, the DGT issued a decision favorable to the Company, informing 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 subsequently received the payment of such tax refund amounting to Rp41,753 million from DGT on April 13,

2010. On March 5, 2012, the Company received a Tax Court's Decision Letter accepting the Company's request for interest compensation related to the issuance of an assessment letter of tax overpayment (SKPLB) for fiscal year 2004 amounting to Rp60,674 million. Based on the Company's evaluation, the realization of income related with the interest compensation was only probable, instead of virtually certain. Therefore, the interest compensation was not recognized in the Company's 2012 financial statements. On June 29, 2012, 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 March 5, 2012 related to the interest compensation above. On July 27, 2012, the Company submitted a counter-memorandum for reconsideration request to the Supreme Court. As of April 6, 2015, the Company has not received any decision from the Supreme Court with respect to such request.

On September 7, 2009, the Company received the DGT's Decision Letter 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 Rp82,626 million. 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 6, 2015, the Company has not received any decision from the Supreme Court with respect to such request.

On October 29, 2010, the Company received the Tax Court's Decision Letter which accepted the Company's appeal in August 2008 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 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 6, 2015, the Company has not received any decision from the Supreme Court with respect to such request.

On April 21, 2011, the Company received assessment letters on tax underpayment (SKPKB) from the DGT for the Company's VAT for the period from January to December 2009, totaling Rp182,800 million (including penalties), which was paid on July 15, 2011. The Company accepted a part of the corrections amounting to Rp4,160 million, which was charged to 2011 operations, which left a balance of Rp178,640 million which the Company is objecting. On July 19, 2011, the Company submitted objection letters to the Tax Office regarding the remaining correction on the Company's VAT for such period. On June 4, 2012, the Company received the DGT's decision letters that declined the Company's objections and, based on its audit, the DGT charged the Company for additional underpayment for the period of January, March, April, June, August to December 2009 totaling Rp57,166 million and overpayment for the period of February, May and July 2009 totaling Rp4,027 million. On July 4, 2012, the Company paid the additional underpayment amounting to Rp57,166 million. On August 24, 2012 and August 31, 2012, the Company received the refund of the overpayments amounting to Rp3,839 million and



Rp188 million, respectively. On September 3, 2012, the Company submitted appeal letters to the Tax Court regarding the remaining correction on the Company's VAT for the period January to December 2009 totaling Rp231,779 million (comprised of the initial claim of Rp178,640 million and assessed VAT underpayment of Rp57,166 million net of refunded VAT overpayment of Rp4,027 million). On February 12, 19 and 20, 2014, the Company received the Tax Court's decision letters which accepted the Company's appeal, however it also charged for a separate VAT underpayment totaling Rp180,930 million, which left a balance of Rp50,848 million for which the Company is eligible for refund. During April 15 to 23, 2014, the Company received the remaining tax refund. On October 28, 2014 and January 5, 2015, 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 verdict dated October 16, 2014 and December 19, 2014 for the underpayment of the Company's VAT for the period of January to March, June and September 2009. On November 21, 2014 and January 30, 2015, the Company submitted a counter-memorandum for reconsideration request to the Supreme Court for the Company's VAT for the period of January to March, June and September 2009. As of April 6, 2015, the Company has not received any decision from the Supreme Court via Tax Court on memorandum for reconsideration request.

On April 21, 2011, the Company also received an assessment letter on tax overpayment (SKPLB) from the DGT for the Company's 2009 corporate income tax amounting to Rp29,272 million, which amount is lower than the amount recognized by the Company in its financial statements of Rp95,677 million, which left a balance of Rp66,405 million. The Company accepted a part of the corrections amounting to Rp836 million, which was charged to 2011 operations. On May 31, 2011, the Company received a tax refund of Rp23,695 million,

net off 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. On June 29, 2012, the Company received the DGT's Decision Letter which declined the Company's objection. On September 21, 2012, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction on corporate income tax for fiscal year 2009. As of April 6, 2015, the Company has not received any decision from the Tax Court on such letter.

On July 3, 2012, the Company also received an assessment letter of tax overpayment (SKPLB) from the DGT for the Company's VAT for the period March 2010 amounting to Rp28,545 million, which amount is lower than the amount claimed by the Company in its income tax returns of Rp37,153 million, and an assessment letter of tax underpayment (SKPKB) for the Company's VAT for the period January, February and April to December 2010 totaling Rp98,011 million (including penalties). On August 2, 2012, the Company paid the underpayment amounting to Rp98,011 million. On August 24, 2012, the Company received the overpayment amounting to Rp28,545 million from DGT. On October 1 and 2, 2012, the Company submitted objection letters to the Tax Office regarding an assessment letter of tax overpayment (SKPLB) and an assessment letter of tax underpayment (SKPKB) on the Company's VAT for the period January to December 2010 totaling Rp106,619 million.

On September 17 and 26, 2013, the Company received the DGT's decision letter that declined the Company's objection and the DGT charged the additional tax underpayment for the period from January to December 2010 totaling Rp93,167 million, which was paid on October 16, 2013 and October 25, 2013. On December

10, 2013, the Company submitted an appeal letter to the Tax Court with respect to the correction of the Company's VAT for the period from January to December 2010 totaling Rp199,786 million. On April 2, 2015, the Company has received the Tax Court's verdict which partially accepted the Company's appeal for period from January to June 2010, however it also charged the Company for a separate VAT underpayment totaling to Rp45,681 million, which left a balance of Rp73,666 million for which the Company is eligible for refund. As of April 6, 2015, the Company has not received the tax refund.

On June 26, 2013, the Company received an assessment letter of tax overpayment (SKPLB) from the DGT for the Company's 2011 corporate income tax amounting to Rp97,600 million, which was received on August 14, 2013. Based on this an assessment letter of tax overpayment (SKPLB), the Tax Office made two corrections totaling Rp409,921 million, which decreased the Company's tax loss carried forward as of December 31, 2011. On September 23, 2013, the Company submitted an objection letter to the Tax Office regarding these two corrections totaling Rp409,921 million. However, on October 16, 2013, the Company submitted a letter to cancel the objection of one correction amounting to Rp165,944 million. On September 2, 2014, the Company received the decision letter from the DGT which approved the Company's overpayment amounting to Rp97,600 million and corrected the calculation of taxable income from tax loss amounting to Rp266,924 million to become taxable income amounting to Rp74,652 million. In December 2014, the Company decided to accept the correction of Rp175,632 million specifically related to promotion expense. This resulted that the Company recognized a charge amounting to Rp43,908 million to the 2014 operations as part of "Income tax expense - deferred."

On November 20, 2014, the Company received SKPLB from DGT for the Company's 2012 corporate income tax amounting to Rp131,894 million and received the refund

on January 20, 2015. The Company accepted some of the corrections amounting Rp5,826 million and submitted the objection letter to the Tax office on February 18, 2015 amounting to Rp331,499 million. As of April 6, 2015, the Company has not received any decision from the Tax Office on this objection.

On June 26, 2013, the Company also received an assessment letter of tax underpayment (SKPKB) from the DGT with respect to the Company's VAT for the period from January to December 2011 totaling Rp133,160 million (including penalties), which was paid by the Company on July 24, 2013. The Company accepted a part of the corrections totaling Rp2,069 million, which were charged to 2013 operations. On September 23, 2013, the Company submitted objection letters to the Tax Office regarding the remaining correction on the Company's VAT for the period January to December 2011. On August 21 and 25 and September 2, 4 and 12, 2014, the Company received the decision letters from the DGT which declined the Company's objection and deducted the penalties for the periods from July to December 2011 totaling to Rp1,962 million. On November 20, 2014, the Company submitted an appeal letter to the Tax Court with respect to the correction of the Company's VAT for the period January - December 2011 totaling to Rp119,344 million. As of April 6, 2015, the Company has not received any decision from the Tax Court on such letter

On September 4, 2013, the Company received an assessment letter of tax underpayment (SKPKB) from the DGT for the Company's VAT for the period from January to December 2012 totaling Rp148,161 million (including penalties), which was paid by the Company on October 3, 2013. On November 29, 2013, the Company submitted objection letters to the Tax Office with respect to the Company's VAT for such period totaling Rp148,161



million. On August 21 and 27 and September 1, 2014, the Company received the decision letter from the DGT which declined all of the Company's objections. On November 20, 2014, the Company submitted an appeal letter to the Tax Court with respect to the correction of the Company's VAT for the period from January to December 2012 to totaling Rp148,161 million. As of April 6, 2015, the Company has not received any decision from the Tax Court on such letter.

On December 27, 2013, the Company received an assessment letter of tax underpayment (SKPKB) from the DGT for the Company's 2007 and 2008 corporate income tax amounting to Rp110,413 million and Rp97,132 million (including penalties), respectively, which were paid on January 24, 2014. On March 20, 2014, the Company submitted objection letters to the Tax Office with respect to such underpayment. On March 17 and 19, 2015 the Company received the DGT's decision letter declined the Company's objections for the year 2007 and 2008. The Company plans to submit an appeal to the tax Court against such DGT's decision letters

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.

CODE OF ETHICS

Indosat has established a Code of Ethics summarizing the principles of responsible conduct to which all employees and management at all levels including the Board of Commissioners and Board of Directors are expected to adhere to the Code of Ethics.

Implementation of the Code of Ethics

A 'Guide to the Implementation of PT Indosat Tbk's Code of Ethics' was issued on November 20, 2010 to socialize and refresh the Decree of Board of Directors on the Code of Ethics No. 002/DIREKSI/2007. The Code of Ethics is posted on the Company website at www.indosat.com, where it is publicly available.

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, acceptance of gratuities, corruption, 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 periodically through the Company Intranet.

Corporate Culture

Indosat employees are expected to implement our 5 new values, namely:

- Trust: Think positively, walk the talk and can be relied on.
- Care: Think positively, walk the talk and can be relied on.
- Passion to Be the Best: Strive for excellence through continuous improvement and refinement.
- Fast: Quick in problem solving, making decisions, taking actions and adapting.
- Youthful Spirit: Strive for excellence through continuous improvement and refinement.

In addition, 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. By doing so it is hoped that Code Ethics will be reinforced as part of the corporate culture at Indosat.

WHISTLEBLOWING

Various whistleblower channels are available at Indosat. 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.

Through various channels in the Company, in 2014 a total of 12 complaints were received. Subject to review and approval by Audit Committee and Management on a case-by-case basis, Internal Audit Group is appointed to carry out investigations of complaints received, in which the whistleblower will have the opportunity to receive information on the follow-up actions. If a violation is proven to have occurred, the Industrial Relation teams will handle it in accordance with Human Resources regulations or if necessary with recourse to the law.

The detailed procedure for filing complaints is available at our website, www.indosat.com. The actual complaint may be sent through e-mail to 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.

ACCESS OF INFORMATION

Indosat openly discloses material information through public exposes, various communication channels and internal communications. Indosat actively reached out in 2014 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 through 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 and Corporate Secretary, 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 the Indonesia Financial Services Authority, 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. The Company also 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 Stocks and Bonds section of this Annual Report to see our ratings as of December 31, 2014.

For more information regarding the Company, please contact us at:

Group Investor Relations and Corporate Secretary
PT Indosat Tbk
Tel: 62-21 3000 3001 ext. 2615
Fax: 62-21 3000 3002
Or visit our website at www.indosat.com.

AUDIT COMMITTEE REPORT

Background

The Audit Committee (the Committee) is a committee formed by and reporting to the PT Indosat Tbk (the Company) Board of Commissioners (BOC), the role of which is to assist the BOC in its oversight functions.

According to the Indonesian Financial Services Authority/OJK (previously Capital Market and Financial Institutions Supervisory Board/Bapepam-LK), the main role of the Committee is to oversee the fair presentation of the Company's financial statements, the auditing processes conducted by both Internal Auditors and Independent Auditors, as well as compliance to the prevailing law and regulations. In addition, the Committee is also responsible for recommending the appointment of Independent Auditors and Head of Internal Audit to the BOC.

The Committee performed its roles based on a written charter established by the BOC (the Charter) on May 31, 2003 and subsequently regularly amended. Previously the Charter was developed based on regulations issued by the Indonesian Financial Services Authority/OJK (previously Capital Market and Financial Institutions Supervisory Board/Bapepam-LK), the US Securities Exchange Commission (US SEC), the Indonesian Stock Exchange (IDX) and the New York Stock Exchange (NYSE). However, as the Company has effectively delisted from NYSE since end of October 2014, the Charter has thereby been reviewed to comply with the OJK regulations.

In performing its duties, the Committee conducted meetings as necessary with the Company's management including the Board of Directors (BOD), Risk Management Group, and the Internal Audit function, as well as with the Independent Auditors.

During 2014, the Committee members comprised of:

- Richard Farnsworth Seney (Chairman), Independent Commissioner
- Chris Kanter (Member), Independent Commissioner

- Rudiantara (Member), Independent Commissioner
- Kanaka Puradiredja (Member), Independent Party
- U.S.M. Tampubolon (Member), Independent Party

On October 28, 2014, Rudiantara was honorably discharged as an Independent Commissioner following his appointment as the Minister of Communication and IT and consequently he was no longer a member of the Committee.

On January 28, 2015, Rinaldi Firmansyah was appointed as a new independent commissioner replacing Chris Kanter as a member of the Committee.

For the purpose of OJK requirements, Richard F. Seney, Rinaldi Firmansyah and Kanaka Puradiredja meet the criteria of financial expert.

During the year, the Committee held 5 regular meetings. The attendance table of respective members of the Audit Committee is as follows:

Commissioners	Numbers of Meetings Attended
Richard F. Seney	5/5
Rudiantara*	4/4
Chris Kanter	5/5
Kanaka Puradiredja	5/5
Unggul Saut Marupa Tampubolon	4/5

* AC member until 27 October 2014.

As defined in the Charter to support the Committee activities, the Committee formed an Audit Committee Working Group (ACWG) to discuss in more detail numerous issues relating to the duties of the Committee. The ACWG consists of two AC members and one independent advisor.

During 2014, the ACWG held 23 meetings.

The following are summaries of the Committee Reports:

Financial Statements

The Company's 2014 consolidated financial statements, as included in the 2014 Annual Report, were audited by Purwanto Suherman & Surja (PSS), a member of Ernst & Young Global whose report dated March 23, 2015 expresses that said consolidated financial statements have been presented fairly in all material respects.

The Committee has reviewed the abovementioned audited consolidated financial statements with the Company's management and PSS, particularly the critical accounting policies and significant estimates and judgments. The Committee has satisfied itself that all material adjustments proposed by PSS have been included in the consolidated financial statements, and the Committee is not aware of any material misstatement.

Internal Control

Despite the Company having delisted from the NYSE and no longer being subject to the reporting requirements of the US SEC, Management decided to continue, with certain modifications, the practice of assessing control over financial reporting. The results of this process was closely monitored by the Committee.

Independent Auditor

The Committee has reviewed the independence of PSS and concludes that PSS is independent to conduct the audit of the Company's consolidated financial statements for the year ended December 31, 2014, and confirmed that PSS was not engaged in any assignments which are prohibited services as defined by QJK.

Internal Auditors

With respect to the Internal Auditors, the Committee has reviewed the Internal Audit Workplan, monitored the progress, discussed significant findings, and monitored remediations to ensure that recommended remediations are followed up by Management.

Compliance with the Prevailing Laws and Regulations

The Committee has inquired of Management with respect to the Company's compliance with the prevailing laws and regulations. In response to this inquiry, Management stated that they are not aware of any non-compliance, and therefore, the Committee states that, to the best of its knowledge, it is not aware of any such non-compliance.

Whistleblower

Whistleblower procedures have been established by the Company including complaints regarding accounting, internal accounting controls and auditing matters. The Committee reviewed any complaints received and monitored their appropriate resolutions.

Remuneration Package

The Committee assigned PSS to review the execution of remuneration packages of the Board of Directors (BOD) and BOC. PSS reported that, based on its review, the total of 2014 remuneration packages of BOD and BOC have been implemented as determined by the Annual General Meeting of Shareholders dated May 22, 2014 and reported in this Annual Report.



Richard F. Seney

Chairman of Audit Committee 2014

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 effective 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, and by 1 January 2014 comprised of Rachmat Gobel (Chairman), Rionald Silaban, Richard F. Seney and Cynthia Gordon. Effective on 31 October 2014, Rachmat Gobel and Rionald Silaban were honourably discharged as Commissioners of the Company. Mr. Gobel was appointed as the Minister of Trading and his position as the Chairman of the Risk Management Committee was replaced by Richard F. Seney, and Mr. Silaban was assigned as Indonesian Representative at the World Bank in Washington, D.C., and his position as the Risk Management Committee member was replaced by Chris Kanter.

On 28 January 2015, the BOC approved new composition of the Risk Management Committee comprised of Khalid Ibrahim A AL-Mahmoud (Chairman), Ahmed AL Derbesti, Beny Roelyawan and Rinaldi Firmansyah.

The Risk Management Committee held four meetings in 2014. 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*	3/3
Rionald Silaban*	2/3
Richard F. Seney	4/4
Cynthia Gordon	4/4
Chris Kanter**	1/1

* RMC member until 31 October 2014

** RMC member from 31 October 2014

Activities

The Risk Management Committee conducted its duties and responsibilities in accordance with its charter of which the last amendment was made on 7 May 2013.

The main activities undertaken by the Committee were as follows:

1. Reviewed and endorsed new Risk Profile for 2014 and continual monitoring of updates and mitigation actions of the material risks conducted by Management.
2. Detailed discussions related with the Enterprise Risk Management's activities and plans

Richard F. Seney

Chairman of Risk Management Committee 2014

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).

As of 1 January 2014, the membership of the Budget Committee comprised of Dr. Nasser Mohammed Marafih (Chairman), Richard F. Seney, Chris Kanter and Cynthia Gordon. During 2014, the Budget Committee held four meetings of which the table of the Commissioners' participation and attendance is set out below:

Commissioners	Number of Meetings Attended/Total # of meetings
Dr. Nasser Mohammed Marafih	4/4
Richard F. Seney	4/4
Chris Kanter	4/4
Cynthia Gordon	4/4

On 28 January 2015, Ahmed Al Derbesti replaced Dr. Nasser Mohammed Marafih as the Chairman and Wijayanto Samirin was added as a member of the Budget Committee hence the current composition of the Committee is Ahmed Al Derbesti (Chairman), Richard F. Seney, Cynthia Gordon, Chris Kanter and Wijayanto Samirin.

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 2014 Workplan and Budget proposed by the Board of Directors; as well as supervise the approved 2014 Workplan and Budget;
2. Review the 2014-2018 Business Plan; and
3. Discuss some strategic plans namely Network Modernization, Outside Java Business Plan, Cost Optimization, Satellite Business, Digital Business, Network Sharing, Fiber Optic and strategies on Spectrum, Data, and Commercial.



Dr. Nasser Mohammed Marafih
Chairman of Budget Committee 2014

REMUNERATION COMMITTEE REPORT

The Remuneration Committee has the responsibility of providing advice to the Board of Commissioners on the remuneration of the Commissioners, Directors and other employees of the Company as well as the structure, terms and implementation of short term and 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 Remuneration Committee is comprised of Dr. Nasser Mohammed Marafih as the Chairman, Soeprapto, Rudiantara and Cynthia Gordon as Members. Effective on 31 October 2014, Rudiantara was honourably discharged following his appointment as the Minister of Communications and IT, and his position was replaced by Chris Kanter.

The Extraordinary Meeting of Shareholders held on 28 January approved the new composition of the Board of Commissioners. Effective on that day, the Remuneration Committee consists of Richard F. Seney as the Chairman, Cynthia Gordon, Chris Kanter and Astera Primanto Bakti, a newly appointed member of the Board of Commissioners, replacing Soeprapto who was honourable discharged from the board.

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 5 meetings during 2014. A table of the Commissioners' participation and attendance at the Remuneration Committee meetings held during the year is set out below:

Commissioners	Numbers of Meetings Attended
Dr. Nasser Mohammed Marafih	5/5
Soeprapto	5/5
Cynthia Gordon	5/5
Rudiantara*	4/4
Chris Kanter**	1/1

* RC member until 31 October 2014

** RC member from 31 October 2014

Activities

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

The main activities undertaken by the Remuneration Committee in 2014 were as follows:

1. Reviewed and recommended to the Board of Commissioners the remuneration structure and package of the Board of Commissioners for 2014;
2. Reviewed and recommended to the Board of Commissioners, the remuneration structure and package (including review of salaries, short-term and long-term incentives) for the Board of Directors for 2014;
3. Based on delegation from Board of Commissioners, (i) reviewed and approved the creation of CXO position and organization, (ii) reviewed and approved the appointment and remuneration of CXO, (iii) reviewed and approved employee salary structure 2014 and pool bonus 2013

Dr. Nasser Mohammed Marafih

Chairman of Remuneration Committee 2014

You Tube ID



Klinik Mobile Indosat : Membantu Komunitas di Daerah Terpencil



Indosat CSR

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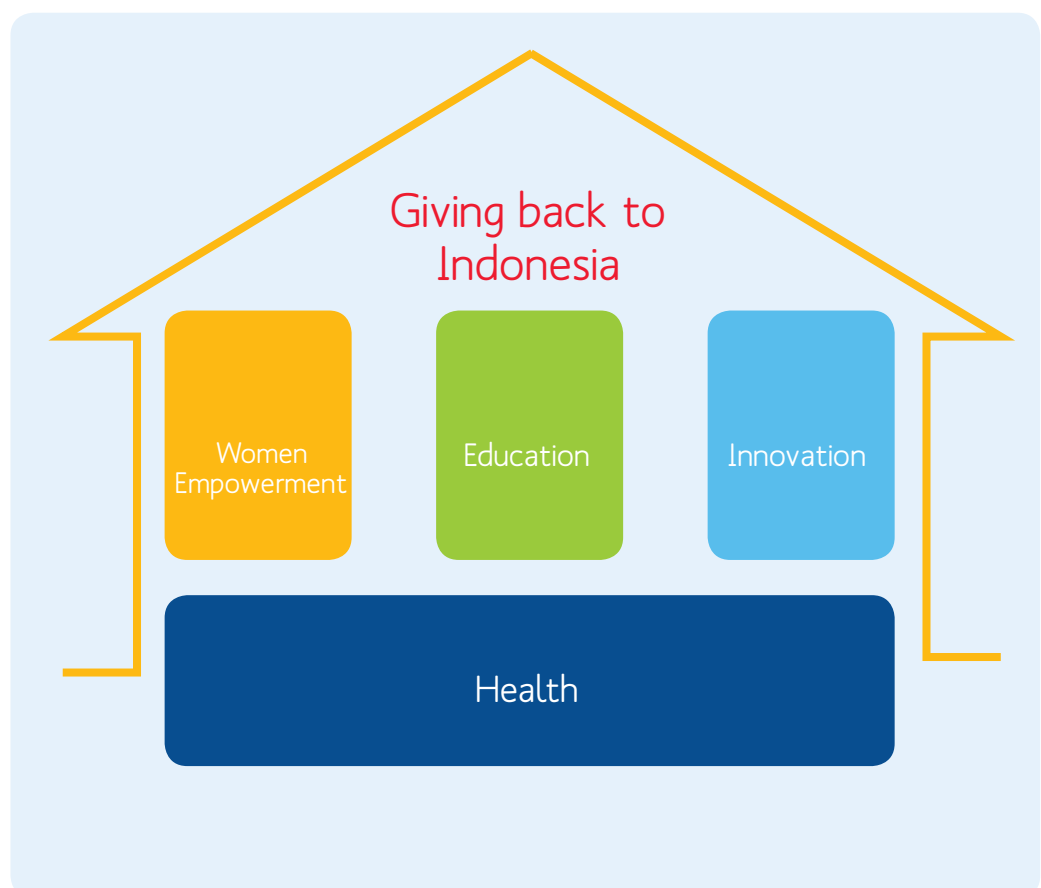
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Corporate Social Responsibility

"We've never had doctors come to our village before, the Indosat Mobile Clinic is amazing!"



Indosat has established a long-running Corporate Social Responsibility (CSR) program, with the objective of giving back to society and the nation that supports it. This CSR program consists of three pillars where Indosat feels it can help to contribute sustainable gains for the nation, namely: health as the foundation for all activities, followed by women's empowerment, education, and innovation. This report details activities in 2014 within the scope of this CSR program. For details on other aspects of sustainability related to our business activities, please refer to the 2014 Indosat Sustainability Report.



HEALTH AS THE FOUNDATION: Indosat Mobile Clinic

Background: Many poor individuals and family in Indonesia have low or no access to formal healthcare especially in remote areas, yet healthcare ranks as one of the major risks that individuals face. Healthcare issues can greatly impact productivity, as well as exacerbating the poverty of families due to associated costs such as treatment and funeral costs, as well as loss of income. Among others, Indonesia suffers from high maternal mortality rates, with 359 deaths per 100,000 live births in 2012 according to the Indonesian Demographic and Health Survey.

Strategy: The Indosat Mobile Clinic program was created in 2007 as a mobile solution to reach underserved communities in rural areas, as well as victims of natural disasters. These mobile clinics, which have the capability to handle procedures up to minor surgery, consist of vehicles that are staffed by healthcare professionals and equipped with modern medical equipment including inhalators, suction pumps, centralized oxygen, ultrasound scanners for pregnant women, and more. They provide a range of free services to these beneficiaries covering medical treatment, vitamin distribution and nutritional advice, and general education regarding the importance of healthy living.

Delivering
health care for
underserved
communities in
Indonesia.



In order to effectively identify communities in need and to socialize visits ahead of time to target segments, Indosat partners with established NGO organizations who have national presence and networks. By embedding the program with partners who are already trusted by the target populations, these gains can hopefully be maintained to some level by the partners who maintain a constant presence in the field.

Execution and Tactics: In 2014, working together with a number of NGO partners, Indosat successfully deployed 16 mobile clinics across Indonesia from West to East, with all beneficiaries treated free of charge. Activities included:

- Health treatment.
- Health counseling & education on hygiene/sanitation plus family nutrition for communities.
- Prenatal care for pregnant women.
- Supplemental nutrition as necessary especially for children.
- Epidemic prevention such as fogging,
- Natural disaster health support.

During 2014 - early 2015, the Indosat Mobile Clinics also assisted disaster victims, providing:

- Evacuation assistance for bodies of the Air Asia QZ8501 crash victims and assistance for the families of victims at the crisis center.
- Health treatment and assistance with logistic needs for victims of landslides in Banjarnegara and Jayapura, flood victims in Jakarta, South Bandung and Manado, and victims of the eruption of Mount Sinabung in Medan and Mount Kelud in East Java

Evaluation: Since 2007 the program has received 3 millennium development Goal Awards and benefited more than 650,000 people, mostly women and children, of which 75,000 were treated in 2014.. In recognition of its effectiveness, the Indosat Mobile Clinic program has been adopted by Ooredoo Group together with the Leo Messi Foundation as a model for mobile healthcare in North Africa, Middle East and South East Asia with a target of reaching 2 million children.

PILLAR 1:

HARNESSING TECHNOLOGY TO EMPOWER WOMEN IN BUSINESS

Background: Studies have shown time and time again that the economic empowerment of women leads to multiple and sustainable gains, especially for their children, who tend to be healthier and better educated. With many Indonesians still living in poverty, empowering underprivileged women is one way to help poor families break the cycle of poverty, while also raising the status of women and giving them more choices. Empowering these women can therefore generate benefits far greater than that of the initial time and resources spent.

Given the extremely high rate of mobile phone penetration in Indonesia even among the poor, modern Information Communication Technology (ICT) solutions such as internet or e-money solutions which can be accessed through mobile phones present themselves as an innovative and cost-efficient way to help carry out these empowerment initiatives.

Strategy: Indosat therefore has established a women's empowerment program called INSPERA (Inspiring Indonesian Women) which incorporates ICT aspects. INSPERA focuses on sustainably improve underprivileged women's capacity to earn income by:

1. Giving underprivileged women skills and capabilities to earn income.
2. Giving unbanked women access to funding, as access to funding is also a major barrier for many women, who are often unbanked.
3. Teaching them to use the internet and other digital solutions that can vastly expand their outreach, knowledge, and opportunities.





Supporting women entrepreneurs by funding and teaching them about women empowerment



Execution: In 2014, the following programs were conducted in line with the strategy, with digital solutions as an integral part of execution:

1. **Women's Empowerment through Cottage Industry**
This program aims to equip and empower women with the knowledge, skills and network exposure necessary to enable them to be independent and resourceful women who can earn income for their families. Over a 9-month period, Indosat taught a group of 50 women and housewives in Sokaraja Kulon Village, Sokaraja Sub-district, Banyumas District, Central Java, to make distinctive Banyumasan batik with a unique pakem motive. The number of direct beneficiaries amounted to 50 women but the indirect impact extended to 200 family members. Needs analysis, workshop training, coaching and mentoring all took place. Participants were also trained to design the products, and learned to market their products.
2. **Micro-Enterprise Funding for Women Entrepreneurs**
Indosat solicited micro-enterprise proposals from women in Tangerang and Bogor, West Java and selected 150 participants for the first program stage using a rigorous selection model. Using an e-money payment solution called Dompotku, working capital loans were transferred to successful participants safely and conveniently over their mobile phones. Participants received coaching and mentoring on developing their businesses, as well as monitoring and evaluation. Borrower repayments on loans were then rolled back into the program to fund new participants, creating a self-funding, sustainable structure.

Participants from both programs were invited to showcase worthy products at the Katumbiri exhibition, an annual and major batik and handicraft expo in Jakarta supported by The Ministry of Women Empowerment and Child Protection that draws thousands of buyers each year.

Evaluation: The INSPERA program stands out for its incorporation of internet and alternative banking solutions that can be accessed over widely available mobile phones. By teaching women to use these features in support of their businesses, participants can gain important benefits of access to knowledge, funding, payment networks and the internet that go beyond the scope of the INSPERA program itself. The successful participation of graduates from both programs successfully in the Katumbiri Expo 2014 shows that they have gained market-worthy skills that will enable them to generate income going forward.

In total, 200 participants took place in the first stage of this INSPERA program, who on average have families consisting of a spouse and two children. Thus, by supporting these 200 participants, total of 800 individuals have benefitted, not just in terms of high income for improved quality of life, but also access to knowledge through the internet, and access to alternative banking services.

Moreover, funds repaid by borrowers to their micro-enterprise loans are rolled back into the program to fund more loans. This, together with high repayment rates, mean that the program can sustain itself and will continue to grow, expanding the number of women who will receive assistance from Indosat.

PILLAR 2: EDUCATION

School Development Program

Background: As in many developing countries, education is a pressing need for the youth of Indonesia. As such, the Ministry of Education has established 8 National Education Standards indicators to be achieved by every school, in an attempt to improve the overall quality of education. However, many schools need assistance in reaching these standards.

Strategy: The Indosat School Development Program (SDP) is designed to help schools achieve these standards and improve the quality of education. Specifically, the SDP targets elementary schools as the frontline of Indonesian education; quality education at the elementary school level is crucial in order to keep students engaged, and give them a solid foundation in the basic competencies required for further study. The objective of the SDP program is to improve the quality of school education, starting with improvements to the skill and creativity of the teachers to create a more enjoyable learning process that encourages the students to learn. This is part of the larger process of helping schools achieving the 8 indicators of National Education Standards.

Specifically, the SDP program consists of four pillars: (1) improving the quality of teachers and education personnel, (2) enhancing school management and governance, (3) empowering the school community, and (4) enhancing student capacity. These four pillars designed to be mutually reinforcing, enhancing the sustainability of gains for schools involved towards the achievement of the 8 National Education Standards.

In total, achievement of these 4 pillars is projected to take 3 years. In the first year, Indosat focused on focused on Teacher and Educational Personnel standards, by assisting the improvement of teaching skills.

Execution and Tactics: The Indosat teaching skills improvement program was conducted from September 2014-February 2015. It enrolled 24 elementary school teachers and principals responsible for a combined total of more than 300 students in two schools, Sekolah Dasar Negeri 02 and Sekolah Dasar Negeri 03 in Boja, Kendal, Central Java. These two schools were selected on the basis of a survey that identified them as being considerably below the National Education Standards, and thus needing additional help.

The program framework consisted of 3 phases:

1. Preparatory Phase - Analysis was done to define the teachers' competency gaps, and the necessary training materials were prepared..
2. Execution Phase - A series of workshops, seminar programs, coaching & mentoring, and consultation services aim to first expose the teachers to new methods of teaching, followed by hands on application in the classroom accompanied by experienced trainers.
3. Monitoring & Evaluation Phase
In practice, the four trainers who had experience previously as a school principle came each month in the two schools to accompany, train and motivate the teachers.

Evaluation of success/ measurement: While many teacher training initiatives exist in Indonesia, the Indosat SDP program stands out for its hands' on mentoring and guidance by experienced trainers over an extended training time, thus enabling teachers to truly absorb and practice new teaching methods.

Ongoing evaluations of gains have taken place through classroom observation of teachers' teaching methods after training, including coaching and counseling to observe how efficiently the teachers have been able to translate their learnings into action. Improvements included:

- Teachers no longer disciplined students physically
- The teachers were able to manage their classes in an orderly manner conducive to learning, with more effective seating patterns in 10 or 12 classes
- Teaching methods for active and enjoyable learning were understood by 80% of the teachers, but only 40% were able to implement them so far as the classes presented different levels of challenge
- The teachers were able to use simple teaching aids to improve students' comprehension.

- The teaching process in class became interactive instead of only one way communication. A class agreement was created and put up on the wall
- Classrooms become livelier with posters and students' creations posted on walls.

Once the teaching skills improvement phase ends, Indosat will continue to develop other aspects of the school to fulfill the National Education Standards, and the program may also be replicated in other schools in the area.

PILLAR 3: INNOVATION

Indosat Wireless Innovation Competition (IWIC)

Background: Technological innovation is an important factor in driving economic growth and improving the quality of life. But while Indonesian consumers enthusiastically embrace digital and technological initiatives in their everyday lives, entrepreneurs and especially technology entrepreneurs ("technopreneurs") still face many barriers to success in Indonesia.

Young Indonesians are a huge potential source of technological innovation and creativity. Indonesians as the largest user of Twitter in the world have shown that they are avid digital users. The challenge is now to provide more support to this segment to encourage innovative and creative technology and digital applications. Major challenges include lack of training, lack of access to funding, subpar digital and physical infrastructure, a lack of formal support mechanisms and platforms, and a lack of mentorship. These challenges tend to be particularly problematic for technopreneurs as information technology (IT) solutions are typically require time to scale and break even. Moreover, the immaturity of the business ecosystem can be discouraging for technopreneurs, who have difficulty finding resources and guidance.

Strategy: Since 2006, Indosat has encouraged the young generation to innovate in the field of wireless digital applications and subsequently become entrepreneurs who can transform these innovations into businesses, through the annual Indosat Wireless Innovation Competition (IWIC) contest. The main event is a competition for the best digital application ideas in a number of categories, supported by a roadshow to leading campuses to socialize the competition.

Indosat is committed to invest in and growing the digital services ecosystem in Indonesia. As such, Indosat has developed a comprehensive digital services infrastructure by providing substantial financial support to the Indonesian entrepreneurs through our IWIC competition, by creating a high speed mobile broadband network, and by establishing dedicated business units focused on mobile finance, payments, advertising and e-commerce to provide customers with digital solutions that go beyond traditional communications.

The immediate focus is to stimulate interest and encourage the youth of Indonesia to innovate and create interesting wireless technological applications. Thereafter, promising technological applications are given exposure and support in the hope that these can grow and develop into viable businesses. By doing this, Indosat hopes to accelerate the digital ecosystem by creating a community of creators and potential startups with access to mentorship, funding, guidance and more.

Execution and Tactics: The 8th IWIC competition was held from June to October 2014, reaffirming its presence as the leading wireless application innovation competition for young Indonesians. Themed "Young Technopreneur, Show Your Solution", the 8th IWIC was notable for its emphasis on stimulating entrepreneurship and providing opportunities to become digital technopreneurs, with the addition of various new features including:

- Young Innovator Category: IWIC added a new category called Young Innovator Category, with winners entitled to opportunities to develop commercial as well as beneficial values for the community.
- Application Category: The first new category created by IWIC since the competition began in 2006. Winning applications will be given opportunities and support to develop their commercial value and value to society.
- Ideas for Disabled Category: A new idea for Disabled category was added, which was open to young people with disabilities as well as the public. It is hoped that ideas in this category can help to benefit the physical disabled and help them to realize their potential in daily life by surmounting their various physical limitations.
- Hackathon: Teams participated in a competition to make an application in 24 hours.
- Entrepreneurship bootcamp: Shortlisted submissions were invited to a bootcamp covering business issues such as product launching, marketing and fund raising.
- Introduction to crowdfunding: The best IWIC ideas or applications will be given the opportunity to access Crowdfunder, a crowdfunding platform which is the fruit of collaboration between Indosat and Singaporean telecommunication Company Starhub.
- HarukaEdu online education in collaboration with Surya University: IWIC participants have access to Technopreneurship online classes through online education portal HarukaEdu, where they could learn how to create a good business pitch. The first 100 participants were entitled to mentorship from the leading lecturers in Technopreneurship at Surya University.
- Founder Institute Scholarship: Founder Institute is a global incubator startup which operates in more than 60 cities in the whole world and has launched over 1000 start-up companies.

Evaluation of success/ measurement:

IWIC has been widely recognized as one of most creative and original efforts to encourage digital entrepreneurship among the Indonesian youth. It is a pioneer in its sector, ahead of its time when launched in 2006, and its consistent application has helped to inspire the interest of Indonesian youths in technological innovation, for a stronger Indonesia.

1. In 2014, there were 1738 submissions, 260% more than IWIC 7, showing that IWIC has successfully piqued the interest of the Indonesian youth in the technology sector.
2. IWIC has also successfully expanding the number of world-class organizations that it partners to include Starhub, major Japanese conglomerate Softbank, and more.
3. The 2014 IWIC winners were taken on a roadshow around the world to meet with global companies such as Huawei and Nokia, which can hopefully help them transform their ideas into a sustainable business.
4. Lastly IWIC has won numerous global and local awards over the years in recognition of its innovative impact.

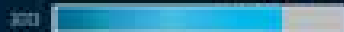


REVENUES (in thousands)

24,085.70



23,855.27

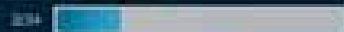


22,418.81

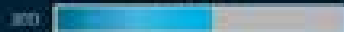


OPERATING PROFIT (in thousands)

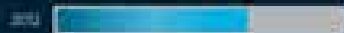
671.93



1,509.25



3,189.90





Financial Statements



Accelerating momentum in Q3 and Q4 shows that the turnaround has finally begun to take hold.

chapter

09

page

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PT INDOSAT TBK DAN ENTITAS ANAK

PT INDOSAT TBK AND ITS SUBSIDIARIES

**SURAT PERNYATAAN DIREKSI
TENTANG TANGGUNG JAWAB ATAS
LAPORAN KEUANGAN KONSOLIDASIAN BESERTA
LAPORAN AUDITOR INDEPENDEN PADA
TANGGAL 31 DESEMBER 2014 DAN TAHUN YANG
BERAKHIR PADA TANGGAL TERSEBUT**

**BOARD OF DIRECTORS STATEMENT ON
CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2014 AND FOR THE YEAR THEN
ENDED WITH INDEPENDENT AUDITORS' REPORT**

No. 009/A00/FIN/15

Kami yang bertanda tangan di bawah ini:

We the undersigned:

1. Nama : Alexander Rusli
Alamat Kantor : Jl. Medan Merdeka Barat No. 21
Jakarta 10110
Alamat Rumah : Jl. Lebak Bulus IV no 7A
Cilandak Barat-Jakarta Selatan
Nomor telepon : 3044 0100
Jabatan : President Director and
Chief Executive Officer
2. Nama : Curt 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 : 3044 0109
Jabatan : Director and
Chief Financial Officer

1. Name : Alexander Rusli
Office Address : Jl. Medan Merdeka Barat No. 21
Jakarta 10110
Home Address : Jl. Lebak Bulus IV no 7A
Cilandak Barat-Jakarta Selatan
Phone Number : 3044 0100
Designation : President Director and
Chief Executive Officer
2. Name : Curt 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 : 3044 0109
Designation : Director and
Chief Financial Officer

Menyatakan bahwa :

hereby declares:

1. Bertanggung jawab atas penyusunan dan penyajian laporan keuangan perusahaan;
1. Responsible to the preparation and the presentation of the company's financial statements;
2. Laporan keuangan perusahaan telah disusun dan disajikan sesuai dengan prinsip akuntansi yang berlaku umum;
2. The company's financial statements are prepared and presented according to the generally acceptable accounting principle;
3. a. Semua informasi dalam laporan keuangan Perusahaan telah dimuat secara lengkap dan benar;
3. a. All information contained in the company's financial statements is complete and true;
- b. Laporan keuangan perusahaan tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material;
- 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. Bertanggung jawab atas sistem pengendalian intern dalam perusahaan.
4. Responsible to the company's internal control system.

Demikian pernyataan ini dibuat dengan sebenarnya

This statement is made truthfully.

Jakarta, 25 Maret 2015 / March 25, 2015

President Director and
Chief Executive Officer

Director and
Chief Financial Officer

Alexander Rusli
NIK. 30000022

Curt Stefan Carlsson
NIK. 30000020



PT Indosat Tbk and its subsidiaries

Consolidated financial statements
as of December 31, 2014 and for the year then ended
with independent auditors' report

These consolidated financial statements are originally issued in the Indonesian language.

**PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014 AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-7095/PSS/2015

The Stockholders and the Boards of Commissioners and Directors PT Indosat Tbk.

We have audited the accompanying consolidated financial statements of PT Indosat Tbk. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-7095/PSS/2015 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Indosat Tbk, and its subsidiaries as of December 31, 2014, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Other matter

Our audit of the accompanying consolidated financial statements of the Group as of December 31, 2014 and for the year then ended was performed for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The accompanying financial information of the Company (parent entity), which comprises the statement of financial position as of December 31, 2014, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Financial Information of the Parent Entity"), which is presented as a supplementary information to the accompanying consolidated financial statements, is presented for the purposes of additional analysis and is not a required part of the accompanying consolidated financial statements under Indonesian Financial Accounting Standards. The Financial Information of the Parent Entity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the accompanying consolidated financial statements. The Financial Information of the Parent Entity has been subjected to the auditing procedures applied in the audit of the accompanying consolidated financial statements in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. In our opinion, the Financial Information of the Parent Entity is fairly stated, in all material respects, in relation to the accompanying consolidated financial statements taken as a whole.

Purwantono, Suherman & Surja



Benyanto Suherman
Public Accountant Registration No. AP.0685

March 23, 2015



These consolidated financial statements are originally issued in the Indonesian language.

PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2014
(Expressed in millions of Indonesian rupiah, except share data)

	Notes	December 31, 2014	December 31, 2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,2n,2s, 4,21,32,39	3,480,011	2,233,532
Accounts receivable	2n,21,39 5		
Trade			
Related parties - net of allowance for impairment of Rp24,433 as of December 31, 2014 and Rp24,316 as of December 31, 2013	2s,2t,32,34k, 34o	518,952	632,203
Third parties - net of allowance for impairment of Rp605,480 as of December 31, 2014 and Rp497,090 as of December 31, 2013		1,573,160	1,636,136
Others - net of allowance for impairment of Rp37,657 as of December 31, 2014 and Rp35,388 as of December 31, 2013		9,015	16,294
Inventories - net of allowance for decline in value of Rp14,907 as of December 31, 2014 and Rp13,213 as of December 31, 2013	2e	49,408	36,004
Derivative assets	2n,20,21,39	75,986	195,569
Advances	34k,34o	23,297	34,867
Prepaid taxes	2p,6	364,063	218,749
Prepaid frequency fee and licenses	2f,2j	2,050,295	1,757,586
Prepaid expenses - others	2f,2j,2m,2s, 31,32	427,720	373,220
Other current financial assets - net	2d,2n,2s,7, 21,32,39	16,287	31,673
Other current assets		3,490	3,184
Total Current Assets		8,591,684	7,169,017

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in the Indonesian language.

PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2014
(Expressed in millions of Indonesian rupiah, except share data)

	Notes	December 31, 2014	December 31, 2013
NON-CURRENT ASSETS			
Due from related parties - net of allowance for impairment of Rp15	2n,2s,21,32,39	3,496	7,167
Deferred tax assets - net	2p,16	85,181	96,057
Property and equipment - net	2h,2i,2j,2l,8,26,34l	40,775,907	42,190,111
Goodwill and other intangible assets - net	2c,2i,9	1,356,562	1,362,600
Long-term prepaid rentals - net of current portion	2f,2s,10,32	897,767	810,354
Long-term prepaid licenses - net of current portion	2f	134,345	200,186
Long-term advances	11,34k,34o	79,107	92,162
Long-term prepaid pension - net of current portion	2m,2s,31,32	75,080	81,826
Long-term receivables	2n	10,177	12,838
Other non-current financial assets - net	2d,2n,2s,2t,12,21,32,34k,34o,39	160,903	1,557,367
Other non-current assets - net	2g,2p,2s,13,16,32	1,084,632	941,206
Total Non-current Assets		44,663,157	47,351,874
TOTAL ASSETS		53,254,841	54,520,891

The accompanying notes form an integral part of these consolidated financial statements.



These consolidated financial statements are originally issued in the Indonesian language.

PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2014
(Expressed in millions of Indonesian rupiah, except share data)

	Notes	December 31, 2014	December 31, 2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term loans	2n,2s,14,21, 32,39	849,448	1,499,849
Accounts payable - trade	2n,21,39		
Related parties	2s,32	30,532	47,603
Third parties		660,027	291,707
Procurement payable	2n,2s,15,21, 32,39	3,095,518	3,064,287
Taxes payable	2p,16	75,368	89,260
Accrued expenses	2n,2s,17, 21,32,39,41	2,150,949	2,085,034
Employee benefit obligations - current portion	2m,31,41	35,240	22,433
Unearned income	2k,34p	1,102,099	922,403
Deposits from customers	2n,21,39	238,338	49,335
Derivative liabilities	2n,20,21,39	31,740	36,903
Current maturities of:			
Loans payable	2n,2s,18,21,32,39	2,613,500	2,443,367
Bonds payable	2n,19,21,39	8,333,611	2,356,310
Provision for legal case	2s,30,32	1,358,643	-
Other current financial liabilities	2j,2n,2s,21, 32,34q,39	423,029	362,448
Other current liabilities	29	149,807	223,498
Total Current Liabilities		21,147,849	13,494,437
NON-CURRENT LIABILITIES			
Due to related parties	2n,2s,21,32,39	30,159	33,301
Obligations under finance lease - net of current maturities	2j,2n,21,34q,39	3,631,591	3,594,112
Deferred tax liabilities - net	2p,16	662,929	893,285
Loans payable - net of current maturities	2n,2s,18,21, 32,39,41	3,727,118	4,346,317
Bonds payable - net of current maturities	2n,19,21,39	7,622,485	13,285,207
Employee benefit obligations - net of current portion	2m,22,31	1,091,315	1,046,414
Other non-current financial liabilities	2j,2n,21,39,41	17,049	81,805
Other non-current liabilities	29	1,128,382	1,228,415
Total Non-current Liabilities		17,911,028	24,508,856
TOTAL LIABILITIES		39,058,877	38,003,293

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in the Indonesian language.

PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2014
(Expressed in millions of Indonesian rupiah, except share data)

	Notes	December 31, 2014	December 31, 2013
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
Premium on capital stock		1,546,587	1,546,587
Retained earnings			
Appropriated		134,446	134,446
Unappropriated		10,889,973	12,877,143
Difference in transactions of equity changes in associated companies/subsidiaries	2b,2g	404,104	404,104
Difference in foreign currency translation	2b,2o	(9,081)	(5,210)
Unrealized changes in fair value of available-for-sale investment	12a	-	413,700
Equity Attributable to owners of the Company		13,509,422	15,914,163
Non-controlling Interests	2b	686,542	603,435
TOTAL EQUITY		14,195,964	16,517,598
TOTAL LIABILITIES AND EQUITY		53,254,841	54,520,891

The accompanying notes form an integral part of these consolidated financial statements.



These consolidated financial statements are originally issued in the Indonesian language.

PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2014
(Expressed in millions of Indonesian rupiah, except share data)

	Notes	Year ended December 31,	
		2014	2013
REVENUES	2j,2k,2q,2s,24, 32,36,37,38		
Cellular		19,480,465	19,374,638
Multimedia, Data Communication, Internet ("MIDI")	2t,34k,34o	3,508,563	3,265,847
Fixed telecommunications		1,096,073	1,214,787
Total Revenues		24,085,101	23,855,272
EXPENSES (INCOME)	2q,38		
Cost of services	2k,2s,25,32,34r, 34u,37	10,408,912	9,956,533
Depreciation and amortization	2h,2j,8,9	8,226,063	8,958,393
Personnel	2l,2m,2s,26,31 32,34j	1,712,518	1,727,594
Provision for legal case	30,32	1,358,643	-
Marketing	2k,2s,32	1,044,884	893,574
General and administration	2k,2s,27,32, 34j	859,529	901,534
Loss (gain) on foreign exchange - net	2n,2o,5,8,12,20	152,247	(224,518)
Gain on sale of available-for-sale investment	12a	(413,700)	-
Amortization of deferred gain on sale and leaseback of towers	29	(141,050)	(141,050)
Others - net	8,12,13,16	204,123	273,996
Net Expenses		23,412,169	22,346,056
OPERATING PROFIT		672,932	1,509,216
Interest income	2q,2s,32,38	142,803	107,193
Financing cost	2j,2q,2s,2t,14,18, 19,28,32,34q,38	(2,406,536)	(2,212,095)
Loss on foreign exchange - net	2n,2o,2q,5,38	(243,173)	(3,011,410)
Gain (loss) on change in fair value of derivatives - net	2n,2q,20,38	(101,927)	273,259
Other Expenses - Net		(2,608,833)	(4,843,053)
LOSS BEFORE INCOME TAX		(1,935,901)	(3,333,837)
INCOME TAX BENEFIT (EXPENSE)	2p,2q,16,38		
Current		(141,577)	(118,156)
Deferred		219,456	785,534
Income Tax Benefit - Net		77,879	667,378
LOSS FOR THE YEAR		(1,858,022)	(2,666,459)

The accompanying notes form an integral part of these consolidated financial statements.

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PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)
For the Year Ended December 31, 2014
(Expressed in millions of Indonesian rupiah, except share data)

	Notes	Year ended December 31,	
		2014	2013
OTHER COMPREHENSIVE INCOME (LOSS)			
Difference in foreign currency translation	2b	(3,871)	226
Unrealized changes in fair value of available-for-sale investment	12a	-	23,982
Income tax effect		-	(1,836)
Net		(3,871)	22,372
NET COMPREHENSIVE LOSS FOR THE YEAR		(1,861,893)	(2,644,087)
PROFIT (LOSS) FOR THE YEAR			
ATTRIBUTABLE TO:			
Owners of the Company		(1,987,170)	(2,781,999)
Non-controlling Interests	2b	129,148	115,540
Net		(1,858,022)	(2,666,459)
OTHER COMPREHENSIVE INCOME (LOSS)			
NET OF TAX ATTRIBUTABLE TO:			
Owners of the Company		(3,871)	22,372
Non-controlling Interests	2b	-	-
Total		(3,871)	22,372
NET COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(1,991,041)	(2,759,627)
Non-controlling Interests		129,148	115,540
Net		(1,861,893)	(2,644,087)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	2r,23	(365.70)	(511.97)

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PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the Year Ended December 31, 2014
(Expressed in millions of Indonesian rupiah)

Description	Notes	Equity Attributable to Owners of the Company									
		Capital Stock - Issued and Fully Paid	Premium on Capital Stock	Retained Earnings		Difference in Transactions of Equity Changes in Associated Companies/Subsidiaries	Difference in Foreign Currency Translation	Unrealized Changes in Fair Value of Available-for-Sale Investment	Total		
				Appropriated	Unappropriated						
Balance as of January 1, 2014		543,393	1,546,587	134,446	12,877,143	404,104	(5,210)	413,700	15,914,163	603,435	16,517,598
Difference in foreign currency arising from the translation of the financial statements of Indosat Palapa Company B.V. and Indosat Singapore Pte. Ltd. from U.S. dollar to rupiah	2b,2o	-	-	-	-	-	(3,871)	-	(3,871)	-	(3,871)
Realization of changes in fair value of available-for-sale investment to profit and loss due to sale of such investment	12a	-	-	-	-	-	-	(413,700)	(413,700)	-	(413,700)
Profit (loss) for the year		-	-	-	(1,987,170)	-	-	-	(1,987,170)	129,148	(1,858,022)
Dividend payments of subsidiaries		-	-	-	-	-	-	-	-	(46,041)	(46,041)
Balance as of December 31, 2014		543,393	1,546,587	134,446	10,889,973	404,104	(9,081)	-	13,509,422	686,542	14,195,964

The accompanying notes form an integral part of these consolidated financial statements.



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PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(Expressed in millions of Indonesian rupiah)

		Year ended December 31,	
	Notes	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from:			
Customers		24,757,946	23,288,619
Interest income		138,909	109,626
Refunds of taxes	6,13	79,450	352,444
Settlement from currency forward contracts	20q-io	32,848	134,477
Settlement from currency swap contracts	20a-g	-	26,149
Cash paid to/for:			
Authorities, other operators, suppliers and others		(13,232,721)	(11,565,027)
Financing cost		(2,378,199)	(2,145,722)
Employees		(1,658,546)	(1,443,524)
Income taxes		(370,543)	(311,134)
Interest rate swap contracts	20h-i	(17,244)	(17,853)
Swap cost from cross currency swap contracts	20a,b,g	(3,111)	(3,926)
Settlement from interest rate swap contracts	20j-p	-	(32,000)
Net Cash Provided by Operating Activities		7,348,789	8,392,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of long-term investment	12a	1,379,114	-
Proceeds from sale of property and equipment	8,29	40,990	208,024
Cash dividend received from other long-term investments	12	23,261	53,141
Acquisitions of property and equipment	8	(6,432,134)	(9,322,410)
Acquisitions of intangible assets	9	(11,306)	(6,732)
Purchase of other long-term investment	12,34g	(3,552)	-
Net Cash Used in Investing Activities		(5,003,627)	(9,067,977)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of bonds payable	19	2,500,000	-
Proceeds of long-term loans	18	1,665,750	2,951,050
Proceeds of short-term loans	14	1,400,000	1,300,000
Payment of bonds payable	19	(2,358,000)	(1,330,000)
Repayment of long-term loans	18	(2,166,163)	(3,366,200)
Repayment of short-term loans	14	(2,050,000)	(100,000)
Cash dividend paid by subsidiaries to non-controlling interests		(46,041)	(31,945)
Decrease (increase) in restricted cash and cash equivalents		(2,968)	15,801
Cash dividend paid by the Company	33	-	(187,579)
Net Cash Used in Financing Activities		(1,057,422)	(748,873)
Net Foreign Exchange Differences from Cash and Cash Equivalents		(41,261)	(221,260)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,246,479	(1,645,981)
CASH AND CASH EQUIVALENT OF A LIQUIDATED SUBSIDIARY		-	(37,723)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,233,532	3,917,236
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,480,011	2,233,532

The accompanying notes form an integral part of these consolidated financial statements.

These consolidated financial statements are originally issued in the Indonesian language.

PT INDOSAT Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2014
(Expressed in millions of Indonesian rupiah)

	Notes	Year ended December 31,	
		2014	2013
DETAILS OF CASH AND CASH EQUIVALENTS:	4		
Time deposits with original maturities of three months or less and deposits on call		3,043,950	1,869,203
Cash on hand and in banks		436,061	364,329
Cash and cash equivalents as stated in the consolidated statement of financial position		3,480,011	2,233,532

The accompanying notes form an integral part of these consolidated financial statements.



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PT INDOSAT Tbk AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2014 and for the Year Then Ended
(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

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 notarial deed No. 55 of Mohamad Said Tadjoeidin, 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") [currently the Indonesian Financial Services Authority ("OJK")] 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 latest amendment relates 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, requirement of Board of Directors' meetings 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;

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PT INDOSAT Tbk AND ITS SUBSIDIARIES
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1. GENERAL (continued)

a. Company's Establishment (continued)

The Company can provide supporting business activities in order to achieve the purposes and objectives, and to support its main businesses, as follows: (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.

For the years ended December 31, 2014 and 2013, the Company had performed all main and supporting business activities as stated in its Articles of Association.

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 of the exclusivity rights on international telecommunications services given to the Company prior to the granting of such license effective August 1, 2003. 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).



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1. GENERAL (continued)

a. Company's Establishment (continued)

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.

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 (*)
504/KEP/M.KOMINFO/08/2012 (previously 252/KEP/M.KOMINFO/07/2011)	August 31, 2012	MOCIT	Evaluated every 5 years	Amended Indosat's Mobile Cellular License which allows Indosat to deploy 3 rd Generation Partnership Project (3G system) at 900 MHz spectrum band. The Ministerial Decree replaces Indosat's previous license No. 252/KEP/M.KOMINFO/07/2011
460/M.KOMINFO/12/2011	December 7, 2011	MOCIT	Satellite end of life	Approval for Indonesian Satellite to utilize Orbital Slot 150.5° EL (East Latitude). On September 19, 2013, the MOCIT issued letter No. 838/KOMINFO/DJSDPPI.2/SP.01/09/2013 regarding the Government's plan to retrieve the Company's right to fill up Orbital Slot 150.5° EL. The Company replied to the letter on September 30, 2013 describing the Company's plan to construct Palapa E Satellite to fill up the Orbital Slot 150.5° EL. However, on March 26, 2014, the Company received a letter stating that the MOCIT decided not to extend the Company's license to utilize the Orbital Slot 150.5° EL and declared that such license utilization will cease as of September 1, 2015. On March 27, 2014, the Company sent a letter to the MOCIT requesting a clarification on such decision. On May 9, 2014, the Company received a response from the MOCIT clarifying and reconfirming its decision. On June 12, 2014, the Company replied to such letter informing the MOCIT that the Company accepted the decision
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

(*) 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 3a) and radio frequency fee (Note 34r).

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(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
KEP No. 799 Year 2014	September 12, 2014	MOCIT	-	Determination of the use of frequency 800 MHz with radio frequency band of 887.5 - 890 MHz paired with radio frequency band of 932.5 - 935 MHz
KEP No. 414 Year 2014 (previously 51/DIRJEN/2008)	September 12, 2014	MOCIT	Evaluated every 5 years	Amended operating license for internet interconnection services (Network Access Point / NAP), which replaces the previous license No. 51/DIRJEN/2008 dated January 9, 2008
KEP No. 418 Year 2014 (previously 01/DIRJEN/2008)	April 7, 2014	MOCIT	Evaluated every 5 years	Amended operating license as internet service provider, which replaces the previous license No. 01/DIRJEN/2008 dated January 7, 2008
KEP No. 416 Year 2014 (previously 52/DIRJEN/2008)	April 7, 2014	MOCIT	Evaluated every 5 years	Amended operating license for telephony internet services, which replaces the previous licenses No. 52/DIRJEN/2008 dated January 9, 2008 and 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
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

(**) PT Indosat Mega Media was obliged to, among others, pay upfront fee of Rp18,408 (Note 3a) and radio frequency fee (Note 34r).

(***) The Company was obliged to, among others, pay upfront fee of Rp320,000 (Note 3a) and radio frequency fee (Note 34r).



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PT INDOSAT Tbk AND ITS SUBSIDIARIES
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1. GENERAL (continued)

a. Company's Establishment (continued)

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, respectively, 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".

On February 12, 2014, the MOCIT issued letter No.11 Year 2014 about the procedure for the imposition of administrative sanction such as fines against a telecommunications provider. Such administrative sanction will be charged if the telecommunications provider fails to fulfill the obligation stated in its operating license (or also known as "modern license" or "*izin penyelenggaraan*") and statutory provisions.

The Company is domiciled at Jalan Medan Merdeka Barat No. 21, Jakarta and has 5 regional offices located in Jakarta, Semarang, Surabaya, Medan and Balikpapan.

Ooredoo QSC, Qatar (previously Qatar Telecom QSC) ("Ooredoo") is the ultimate parent company of the Company and its subsidiaries (collectively referred to hereafter as the "Group"). The immediate parent company of the Company is Ooredoo Asia Pte. Ltd., previously Qatar Telecom (Qtel Asia) Pte. Ltd., Singapore.

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(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)

1. GENERAL (continued)

b. Company's Public Offerings

On September 23, 1994, the Company obtained the effective statement from the Capital Market Supervisory Agency ("BAPEPAM") to conduct the initial public offering in the Jakarta Stock Exchange through BAPEPAM Letter No. S-1656/PM/1994 and in the New York Stock Exchange of its 362,425,000 B shares, consisting of 22,510,870 American Depositary Shares (ADS, each representing 10 B Shares) and 103,550,000 B shares from the divestment of the B shares owned by the Government. The Company's B Shares have been registered in the Indonesia Stock Exchange (new entity after the merger of the Jakarta Stock Exchange and the Surabaya Stock Exchange in November 2007) since October 19, 1994, while the Company's ADS were registered in the New York Stock Exchange from October 19, 1994 until May 17, 2013. On July 25, 2014, the Company filed a 15 F form to the U.S. Securities and Exchange Commission ("SEC") to terminate its registration with the SEC in accordance with the U.S. Securities Exchange Act of 1934. The termination will be effective in 90 days from the filing date. As of December 31, 2014, the 90 day-period has elapsed and the Company's termination process is effective.

Based on a resolution at the Company's Extraordinary General Meeting held on March 8, 2004, the stockholders approved to split the nominal value of the Company's B shares from Rp500 to Rp100 resulting in the increase in the number of authorized shares from 4,000,000,000 to 20,000,000,000 shares and in the number of issued and fully paid shares from 1,035,500,000 to 5,177,500,000 shares.

During the period August 1, 2004 to December 31, 2006, the Company had issued additional 256,433,500 B shares in connection with the exercise of its Employee Stock Option Program ("ESOP") Phases I and II. The ESOP program was approved in the Company's Stockholders' Annual General Meeting held on June 26, 2003.

As of December 31, 2014, the outstanding bonds issued to the public by the Company and a subsidiary are as follows:

Bond (Note 19)	Effective Date	Traded on:
1. Fifth Indosat Bonds in Year 2007 Series B with Fixed Rates	May 29, 2007	Indonesia Stock Exchange
2. Sixth Indosat Bonds in Year 2008 with Fixed Rates	April 9, 2008	Indonesia Stock Exchange
3. Seventh Indosat Bonds in Year 2009 with Fixed Rates	December 8, 2009	Indonesia Stock Exchange
4. Indosat Sukuk Ijarah IV in Year 2009	December 8, 2009	Indonesia Stock Exchange
5. Guaranteed Notes Due 2020	July 29, 2010	Singapore Exchange Securities Trading Limited
6. Eighth Indosat Bonds in Year 2012	June 27, 2012	Indonesia Stock Exchange
7. Indosat Sukuk Ijarah V in Year 2012	June 27, 2012	Indonesia Stock Exchange
8. Shelf Registration Indosat Bond I Phase I in Year 2014	December 12, 2014	Indonesia Stock Exchange
9. Shelf Registration Indosat Sukuk Ijarah I Phase I in Year 2014	December 12, 2014	Indonesia Stock Exchange



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1. GENERAL (continued)

c. Directors, Commissioners and Audit Committee

Based on resolutions at the Stockholders' Annual General Meetings held on May 22, 2014 and June 18, 2013, which are notarized under Deeds No. 98 and No. 84 of Aryanti Artisari S.H., M.Kn. on the same dates, the composition of the Company's Board of Commissioners and Board of Directors as of December 31, 2014 and 2013, respectively, was as follows:

	December 31, 2014	December 31, 2013
<u>Board of Commissioners:</u>		
President Commissioner	H.E Sheikh Abdulla Mohammed S.A. Al Thani ^{(iv),(v)}	H.E Sheikh Abdulla Mohammed S.A. Al Thani
Commissioner	Dr. Nasser Mohammed Marafih ^(v)	Dr. Nasser Mohammed Marafih
Commissioner	- (ii),(v)	Rachmad Gobel
Commissioner	Richard Farnsworth Seney ⁽ⁱ⁾	Richard Farnsworth Seney ⁽ⁱ⁾
Commissioner	- (iii),(v)	Rionald Silaban
Commissioner	- (ii),(v)	Rudiantara ⁽ⁱ⁾
Commissioner	Chris Kanter ⁽ⁱ⁾	Chris Kanter ⁽ⁱ⁾
Commissioner	Cynthia Alison Gordon	Cynthia Alison Gordon
Commissioner	Soeprapto ^{(i),(v)}	Soeprapto ⁽ⁱ⁾
Commissioner	Beny Roelyawan	Beny Roelyawan

(i) Independent Commissioner

(ii) On October 27, 2014, Mr. Rachmad Gobel and Mr. Rudiantara submitted their resignations from their posts as members of the Board of Commissioners due to their appointments by the Government to become Minister of Trade and Minister of Communication and Information, respectively. Their resignations were effective on the same date in accordance with article 23 of the Law No.39 Year 2008 on State Ministries stipulating that Minister is prohibited from occupying other positions in a private company either as a commissioner or a director.

(iii) On October 27, 2014, Mr. Rionald Silaban submitted his resignation from his post as a member of the Board of Commissioners due to his appointment as Executive Director of the World Bank. As of December 31, 2014, the resignation of Mr. Rionald Silaban has become effective through the lapse of 60 days from the date of acceptance of his resignation letter.

(iv) On December 16, 2014, H. E Sheikh Abdulla bin Mohammed Said Al Thani submitted his resignation from his post as President Commissioner. Based on Article 20 paragraphs 6 and 7 of the Company's Articles of Association, it is stated, among others, that in the event that the members of the Board of Commissioners resign, the Company shall convene a General Meeting of Shareholders ("GMS") to determine the resignation of the members of the Board of Commissioners within the period at the latest 60 days after the acceptance of the resignation letter. However, if the Company does not convene the GMS within such period, then by the lapse of the 60-day period, the resignation of the member of the Board of Commissioners will become effective without the approval from the GMS.

(v) Subsequently, the Company's Stockholders' Extraordinary Meeting dated January 28, 2015 resolved, among others, (a) the approval for the resignation of H.E Sheikh Abdulla Mohammed S.A Al Thani, Mr. Rachmad Gobel, Mr. Rudiantara, Mr. Rionald Silaban and Mr. Soeprapto, (b) the appointment of Dr. Nasser Mohammed Marafih as president commissioner, (c) the appointment of Mr. Ahmed Yousef Ebrahim M Al Derbesti, Mr. Khalid Ibrahim A Al Mahmoud, and Mr. Astera Primanto Bhakti as new commissioners, (d) the appointment of Mr. Rinaldi Firmansyah and Mr. Wijayanto Samirin as Independent commissioners and (e) the appointment of Mr. Joy Wahjudi as independent director.

	December 31, 2014	December 31, 2013
<u>Board of Directors:</u>		
President Director and Chief Executive Officer	Alexander Rusli ^{(v),(vi)}	Alexander Rusli
Director and Chief Financial Officer	Curt Stefan Carlsson	Curt Stefan Carlsson
Director and Chief Sales & Distribution Officer (previously Director and Chief Commercial Officer)	Joy Wahjudi	-
Director and Chief Technology Officer	John Martin Thompson	- (vii)
Director and Chief Wholesale and Enterprise Officer (previously Director and Chief Wholesale and Infrastructure Officer)	Fadzri Sentosa	Fadzri Sentosa

(vi) Based on the minutes of the Stockholders' Annual General Meeting ("SAGM") dated May 22, 2014, Mr. Alexander Rusli was also appointed as independent director to comply with Regulation 1-A of the Indonesia Stock Exchange.

(vii) Mr. Hans Christiaan Moritz submitted his resignation letter to the Board of Directors and Board of Commissioners on August 31, 2013. Based on Article 16 paragraphs 6 and 7 of the Company's Articles of Association, it is stated, among others, that in the event that the Company does not convene the SAGM within a period of 60 days after the acceptance of Mr. Hans Christiaan Moritz's resignation letter, then by the lapse of such period, the resignation of Mr. Hans Christiaan Moritz will become valid without the approval of the SAGM. As of December 31, 2013, the resignation of Mr. Hans Christiaan Moritz has become effective through the lapse of 60 days from the date of acceptance of his resignation letter.

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1. GENERAL (continued)

c. Directors, Commissioners and Audit Committee (continued)

The composition of the Company's Audit Committee as of December 31, 2014 and 2013, was as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Chairman	Richard Farnsworth Seney	Richard Farnsworth Seney
Member	Chris Kanter	Chris Kanter
Member	-	Rudiantara
Member	Unggul Saut Marupa Tampubolon	Unggul Saut Marupa Tampubolon
Member	Kanaka Puradiredja	Kanaka Puradiredja

The Company and its subsidiaries have approximately 4,185 and 4,200 employees (unaudited), including non-permanent employees, as of December 31, 2014 and 2013, respectively.

d. Structure of the Company's Subsidiaries

As of December 31, 2014 and 2013, the Company has direct and indirect ownership in the following Subsidiaries:

<u>Name of Subsidiary</u>	<u>Location</u>	<u>Principal Activity</u>	<u>Start of Commercial Operations</u>	<u>Percentage of Ownership (%) as of December 31, 2014 and 2013</u>
Indosat Palapa Company B.V. ("IPBV") ⁽¹⁾	Amsterdam	Finance	2010	100.00
Indosat Mentari Company B.V. ("IMBV") ⁽¹⁾	Amsterdam	Finance	2010	100.00
Indosat Singapore Pte. Ltd. ("ISPL")	Singapore	Telecommunication	2005	100.00
PT Indosat Mega Media ("IMM")	Jakarta	Multimedia	2001	99.85
PT Interactive Vision Media ("IVM") ⁽²⁾	Jakarta	Pay TV	-	99.83
PT Starone Mitra Telekomunikasi ("SMT") ⁽⁴⁾	Semarang	Telecommunication	2006	84.08
PT Aplikanusa Lintasarta ("Lintasarta")	Jakarta	Data Communication	1989	72.36
PT Lintas Media Danawa ("LMD") ⁽³⁾	Jakarta	Information and Communication Services	2008	50.65
PT Artajasa Pembayaran Elektronik ("APE") ⁽³⁾	Jakarta	Telecommunication	2000	39.80



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1. GENERAL (continued)

d. Structure of the Company's Subsidiaries (continued)

Name of Subsidiary	Total Assets (Before Eliminations)	
	December 31, 2014	December 31, 2013
IPBV ⁽¹⁾	8,317,283	8,128,654
IMBV ⁽¹⁾	8,308,978	8,120,891
ISPL	99,352	116,223
IMM	907,285	854,428
IVM ⁽²⁾	6,054	5,681
SMT ⁽⁴⁾	247,102	236,781
Lintasarta	2,411,028	2,204,471
LMD ⁽³⁾	6,960	7,332
APE ⁽³⁾	497,652	435,088

⁽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 totaling Rp4,999. On July 12, 2011, IVM obtained the license to conduct its Pay TV services. However, as of December 31, 2014, IVM has not started its commercial operations.

⁽³⁾ Lintasarta has direct 55% and 70% ownership in APE and LMD, respectively.

⁽⁴⁾ On July 11, 2013, the Company made additional capital injection to SMT amounting to Rp16,549, resulting in the increase of the Company's ownership in SMT from 72.54% to 84.08%.

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 the Consolidated Financial Statements

The Company's management is responsible for the preparation and presentation of these consolidated financial statements, which were approved and authorized for issuance by the Board of Directors of the Company on March 23, 2015, as reviewed and recommended for approval by the Audit Committee on such date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards, which comprise the Statements and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK") and the Regulation No. VIII.G.7 of the Guidelines on Financial Statement Presentation and Disclosures issued by BAPEPAM-LK and Decision Letter No. KEP-347/BL/2012 of the Chief of BAPEPAM-LK regarding "Financial Statement Presentation and Disclosures for Issuers or Public Companies."

The consolidated financial statements are prepared in accordance with Statement of Financial Accounting Standards ("PSAK") 1 (Revised 2009), "Presentation of Financial Statements".

The consolidated financial statements, except for the consolidated statement of cash flows, have been prepared on the accrual basis using the historical cost concept of accounting, except as disclosed in the relevant notes herein.

The consolidated statement of cash flows, which has been prepared using the direct method, presents receipts and disbursements of cash and cash equivalents classified into operating, investing and financing activities.

The reporting currency used in the consolidated financial statements is the Indonesian rupiah, which is also 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

The consolidated financial statements include the accounts of the Company and its subsidiaries mentioned in Note 1d, in which the Company maintains (directly or indirectly) equity ownership of more than 50% or less than 50% but exercises control over the subsidiary as in the case of APE.

All material intercompany transactions and account balances (including the related significant unrealized gains or losses) have been eliminated.

Subsidiaries are fully consolidated from the date of acquisitions, being the date on which the Group obtains 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 a subsidiary, 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.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation (continued)

Non-controlling interests ("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 statement of comprehensive income and under the equity section of the consolidated statement of financial position, respectively, separately from the corresponding portion attributable to the equity holders of the parent company.

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
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

c. Business Combinations

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 fair value at acquisition date 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PSAK 55 (Revised 2006), is measured at fair value recognized either in profit or loss or as a charge or credit to Other Comprehensive Income. If the contingent consideration is not within the scope of PSAK 55, it is measured in accordance with the appropriate PSAK. Contingent consideration that is classified as equity is not to be re-measured and subsequent settlement is accounted for 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Business Combinations (continued)

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 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.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks and all unrestricted time deposits (including deposits on call) with original maturities of three months or less at the time of placement.

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 Subscriber Identification Module ("SIM") cards, starter packs, broadband modems, 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 Frequency Fee and Licenses and Other Prepaid Expenses

Prepaid frequency fee and licenses and other prepaid expenses, which mainly consist of frequency fee, rentals, upfront fee of 3G and BWA licenses, advertising 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 presented 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

The Group's investments in its associated companies are 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.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Investments in Associated Companies (continued)

The consolidated statement of comprehensive income reflects the share of the results of operations of the associated companies. Where there has been a change recognized directly in the equity of the associated companies, the Group recognizes its share of any such changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies.

The Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associated companies. The Group determines at each reporting date whether there is any objective evidence that the investments in the associated companies are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investments in associated companies and their carrying value, and recognizes the amount in profit or loss.

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.

Property and equipment, except land, are depreciated using the straight-line method, based on the estimated useful lives of the assets, as follows:

	Years
Buildings	20 to 40
Information technology equipment	3 to 5
Office equipment	3 to 5
Building and leasehold improvements	3 to 25
Vehicles	3 to 5
Cellular technical equipment	8
Transmission and cross-connection equipment	3 to 15
Fixed Wireless Access ("FWA") technical equipment	7
Operation and maintenance center and measurement unit	3 to 5
Fixed access network equipment	3 to 10

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.

In accordance with ISAK 25, landrights, including the legal costs incurred at initial acquisition of landrights, are stated at cost and not amortized. Specific costs associated with the renewal or extension of land titles are deferred and amortized over the legal term of the landrights or economic life of the land, whichever is shorter.

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 profit or loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Property and Equipment (continued)

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 plus cash consideration.

Properties under construction and installation are stated at cost, which includes borrowing costs. Under PSAK 26 (Revised 2011), "Borrowing Costs", all borrowing costs such as interest, finance charges in respect of finance leases recognized in accordance with PSAK 30 (Revised 2011) and foreign exchange differences (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. Other borrowing costs are recognized as an expense in the period in which they are incurred. Capitalization of borrowing costs ceases when the construction or installation is completed and the constructed or installed asset is ready for its intended use.

i. Impairment of Non-financial Assets

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 its 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 statement 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 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 profit or loss under expense categories that are consistent with the functions of the impaired assets.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment of Non-financial Assets (continued)

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 exceeds 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 statement 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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Group as a lessee

A finance lease that transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item, is capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in financing cost in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The current portion of obligations under finance lease is presented as part of Other Current Financial Liabilities.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Leases (continued)

Group as a lessor

A lease in which the Group does not transfer substantially all the risks and benefits of the ownership of an asset is classified as an operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents, if any, are recognized as revenue in the period they are earned.

A lease in which the Group transfers substantially all the risks and benefits of the ownership of an asset is classified as a finance lease. The leased asset is recognized as asset held under a finance lease in the consolidated statement of financial position and is presented as a receivable at an amount equal to the net investment in the lease. Selling profit or loss is recognized during the period, in accordance with the policy followed by the Group for outright sales. Costs incurred by the Group in connection with negotiating and arranging a lease are recognized as an expense when the selling profit is recognized.

Sale-and-leaseback transactions

When the Group enters into a sale-and-leaseback transaction, the Group analyzes if the leaseback arrangement meets the criteria of a finance lease or operating lease. Where the classification results in a finance lease, any excess of sales proceeds over the carrying value of the asset sold is deferred and amortized over the lease term. Where the transaction is classified as an operating lease and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately.

k. Revenue and Expense 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:

Cellular

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 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.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and Expense Recognition (continued)

Cellular (continued)

Customer Loyalty Program

The Company operated a customer loyalty program called “*Poin Plus Plus*”, which allowed customers to accumulate points for every reload and payment by the Company’s prepaid and post-paid subscribers, respectively. The points could 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 was replaced with the “*Indosat Senyum*” program. Both programs had similarity in nature and scheme to redeem the points, except that under the new program, the Company no longer included the subscription period as a variable item in calculating the points. Effective March 31, 2013, the Company ceased the “*Indosat Senyum*” program and all outstanding obligations expired as of December 31, 2013. On January 2014, the Company launched “*New Indosat Senyum*” with similarity in nature and scheme to redeem the points with the previous program, except that the Company changed the merchants to offer the non-telecommunication benefits.

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, the redemption period expired or when the program is terminated.

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 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 is recorded as a marketing expense.

Tower Leasing

Revenue arising from tower leasing classified as an operating lease 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.

MIDI

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and Expense Recognition (continued)

MIDI (continued)

Internet Protocol Virtual Private Network (IP VPN), Multiprotocol Label Switching (MPLS), Frame Net, World Link and Direct Link

Revenues arising 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 Operating 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.

Fixed Telecommunications

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.

For post-paid subscribers, monthly service fees are recognized as the services are provided.

For prepaid subscriber, 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.

Agency Relationships

Revenues from agency relationship are recorded based on the gross amount billed to the customer when the Group acts as a principal in the sale of services.

When the Group acts as an agent and earns commission from the supplier of the service, revenue is recorded based on the net amount retained (the amount paid by the customer less the amount paid to the supplier).

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.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and Expense Recognition (continued)

Expenses (continued)

Other Expenses

Expenses are recognized when they are 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 consolidated statement of comprehensive income within personnel expenses.

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 or losses and past service cost that had not previously been recognized.

n. Financial Instruments

The Group has applied PSAK 50 (Revised 2010), "Financial Instruments: Presentation", PSAK 55 (Revised 2011), "Financial Instruments: Recognition and Measurement", and PSAK 60, "Financial Instruments: Disclosures".

n1. Financial assets

Initial recognition

Financial assets within the scope of PSAK 55 (Revised 2011) 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n1. Financial assets (continued)

Initial recognition (continued)

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 assets, and other current and non-current financial assets (quoted and unquoted financial instruments).

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 or loss are carried in the consolidated statement of financial position at fair value, with changes in fair value recognized in profit or loss.

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 statement 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 represent 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 ("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 profit or loss. The losses arising from impairment are also recognized in profit or loss.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n1. Financial assets (continued)

Subsequent measurement (continued)

The subsequent measurement of financial assets depends on their classification as follows:
 (continued)

- Loans and receivables (continued)

The Group's cash and cash equivalents, trade and other accounts receivable, due from related parties, and other current and 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 profit or loss. The losses arising from impairment are recognized in profit or loss.

The Group did not have any HTM investments as of December 31, 2014 and 2013.

- 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 other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is recognized, or determined to be impaired, and is reclassified from other comprehensive income to profit or loss. Interest earned on AFS 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%. 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 available-for-sale. These are recorded at fair value.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n2. Financial liabilities

Initial recognition

Financial liabilities within the scope of PSAK 55 (Revised 2011) 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, obligations under financial lease, loans and bonds payable, due to related parties, derivative liabilities, and other current and non-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 instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PSAK 55 (Revised 2011). 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 profit or loss.

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. The EIR amortization is included in financing cost in profit or loss.

Gains or losses are recognized in profit or loss 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 statement 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.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

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 and discounted cash flow analysis.

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.

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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- 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 the group is collectively assessed 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n6. Impairment of financial assets (continued)

- Financial assets carried at amortized cost (continued)

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 profit or loss. 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 year, 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 profit or loss.

- 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 profit or loss - is recycled from other comprehensive income to profit or loss. Impairment loss on equity investment is not reversed through profit or loss; increase in its fair value after impairment is recognized in other comprehensive income.

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 profit or loss. 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 profit or loss, the impairment loss is reversed through profit or loss.

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.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n7. Derecognition of financial assets and liabilities (continued)

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 profit or loss.

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 2011) 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.

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 profit or loss.

Derivative assets and liabilities are presented under current assets and liabilities, respectively. Embedded derivative is presented with the host contract in the consolidated statement of financial position, which presentation represents an appropriate picture 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 in profit or loss.

o. Foreign Currency Transactions and Balances

The Group considers the primary indicators and other indicators in determining its functional currency. If indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Foreign Currency Transactions and Balances (continued)

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.

The functional currency of IFB and IIFB (which were liquidated in July 2013) was the euro, while that of IPBV, IMBV and ISPL is the U.S. dollar. As at the end of the reporting period, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the spot rate which is the exchange rate prevailing at the end of the reporting period and their statements of comprehensive income are translated at the average exchange rates during the year. The resulting differences arising from the translations of the financial statements of IPBV, IMBV, IFB, IIFB and ISPL are included in other comprehensive income and presented as part of "Difference in Foreign Currency Translation" in the consolidated statement of changes in equity.

For December 31, 2014 and 2013, the foreign exchange rates used (in full amounts) were Rp12,440 and Rp12,189, respectively, per US\$1, which are computed by taking the average of the buying and selling rates of bank notes last published by Bank Indonesia for such dates.

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 assets are realized or the liabilities are settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of 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 operations, except to the extent that they relate to items previously charged or credited to equity.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Income Tax (continued)

The Company recognizes deferred tax liabilities and deferred tax assets associated with its investments in subsidiaries, except:

- In respect of taxable temporary differences, when the timing of the reversals of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- In respect of deductible temporary differences, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The difference between the financial statement carrying amounts of existing assets and liabilities, and their respective final tax bases are not recognized as deferred tax assets or liabilities.

The amounts of additional tax principal and penalty imposed through a tax assessment letter ("SKP") are recognized as part of Income Tax Benefit (Expense) - Current of the current year in the consolidated statement of comprehensive income, unless further settlement is submitted. The amounts of tax principal and penalty imposed through an SKP are deferred as long as they meet the asset recognition criteria.

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.

q. Segment Reporting

Segment reporting enables users of financial statements to evaluate the nature and financial effects of 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 and Diluted Loss per Share

The amount of basic loss per share is computed by dividing loss for the year attributable to owners of the Company by the weighted-average number of shares outstanding during the year.

There were no potentially dilutive shares as of December 31, 2014 and 2013.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Transactions with Related Parties

The Group has transactions with related parties as defined under PSAK 7 (Revised 2010), "Related Party Disclosures".

The details of the accounts and the significant transactions entered into with related parties are presented in Note 32.

t. Concession Financial Assets

The Group constructs or upgrades infrastructure (construction or upgrade services) under arrangements to provide public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include infrastructure used in a public-to-private service concession arrangement for its entire useful life.

The arrangements are accounted for based on the nature of the consideration. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the grantor for the construction services.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortized cost. The amount initially recognized plus the cumulative interest on that amount is calculated using the effective interest method.

The consideration received or receivable is allocated by reference to the relative fair values of the services provided, typically a construction component and a service element for operating and maintenance services performed. Revenue from the concession arrangements earned under the financial asset model consists of: (i) the fair value of the amount due from the grantor; and (ii) interest income related to the capital investment in the project.

Any asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

u. Recent Developments on Accounting Standards

The following are several accounting standards relevant to the financial reporting of the Group, which were issued by the Indonesian Financial Accounting Standards Board ("DSAK") in 2013 and 2014, but these are effective only for financial statements beginning on or after January 1, 2015:

- PSAK 1 (2013): "Presentation of Financial Statements", adopted from International Accounting Standards ("IAS") 1

This PSAK changed the grouping of items presented in Other Comprehensive Income. Items that can be reclassified to profit or loss are to be presented separately from items that will never be reclassified.

- PSAK 4 (2013): "Separate Financial Statements", adopted from IAS 27

This PSAK prescribes only the accounting requirements when a parent entity prepares separate financial statements as additional information. Accounting for consolidated financial statements is determined in PSAK 65.

- PSAK 15 (2013): "Investments in Associates and Joint Ventures", adopted from IAS 28

This PSAK describes the application of the equity method to investments in joint ventures in addition to associates.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Recent Developments on Accounting Standards (continued)

- PSAK 24 (2013): "Employee Benefits", adopted from IAS 19

This PSAK provides, among others, (i) the elimination of the "corridor approach" permitted under the previous version and (ii) significant changes in the recognition, presentation and disclosure of post-employment benefits which, among others, are as follows:

- Actuarial gains and losses are now required to be recognized in other comprehensive income (OCI) and excluded permanently from profit and loss.
- Expected return on plan assets will no longer be recognized in profit or loss. Expected returns are replaced by recognizing interest income (or expense) on the net defined benefit asset (or liability) in profit or loss, which is calculated using the discount rate used to measure the pension obligation.
- Unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs will be recognized at the earlier of when the amendment/curtailment occurs or when the Group recognizes related restructuring or termination costs.

Such changes are made in order that the net pension assets or liabilities are recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Impact of transition to PSAK 24 (Revised 2013) on the Company's consolidated statement of financial position as of January 1, 2014 and December 31, 2014 and comprehensive income for the year ended December 31, 2014:

January 1, 2014

Decrease in defined benefit obligation of Rp364,613
 Increase in deferred tax liabilities of Rp91,153
 Net increase in opening retained earnings of Rp5,747

December 31, 2014

Increase in defined benefit obligation of Rp146,345
 Pension expense with old policy reclassified to other comprehensive income of Rp24,211
 Net effect on defined benefit obligation of Rp170,556
 Net decrease in deferred tax liabilities of Rp42,639
 Net expense recognized in other comprehensive income of Rp127,917
 Net decrease in tax expense of Rp6,053
 Net increase in loss after tax of Rp18,158

- PSAK 46 (2014): "Income Taxes", adopted from IAS 12

This PSAK now provides additional guidance for deferred tax asset or deferred tax liability arising from a non-depreciable asset measured using the revaluation model, and from investment property that is measured using the fair value model.

- PSAK 48 (2014): "Impairment of Assets", adopted from IAS 36

This PSAK provides additional disclosure terms for each individual asset (including goodwill) or a cash-generating unit, for which an impairment loss has been recognized or reversed during the year.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Recent Developments on Accounting Standards (continued)

- PSAK 50 (2014): "Financial Instruments: Presentation", adopted from IAS 32
 This PSAK provides a discussion about the criteria on legally enforceable right to set off recognized amounts and to settle on a net basis.
- PSAK 55 (2014): "Financial Instruments: Recognition and Measurement", adopted from IAS 39
 This PSAK provides additional guidance on the criteria of non-expiration or termination of hedging instrument, and accounting for financial instruments at the measurement date and after initial recognition.
- PSAK 60 (2014): "Financial Instruments: Disclosures", adopted from International Financial Reporting Standards ("IFRS") 7
 This PSAK provides additional discussion on offsetting disclosures with quantitative and qualitative information, and disclosures on transfers of financial instruments from one classification to another.
- PSAK 65: "Consolidated Financial Statements", adopted from IFRS 10
 This PSAK replaces the portion of PSAK 4 (2009) that addresses the accounting for consolidated financial statements and established principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities.

The changes introduced by PSAK 65 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group will consider all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group will reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Recent Developments on Accounting Standards (continued)

- PSAK 65: "Consolidated Financial Statements", adopted from IFRS 10 (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

- PSAK 66: "Joint Arrangements", adopted from IFRS 11

This PSAK replaces PSAK 12 (2009) and Interpretation of Financial Accounting Standards ("ISAK") 12. This PSAK removed the option to account for jointly controlled entities using proportionate consolidation.

- PSAK 67: "Disclosure of Interest in Other Entities", adopted from IFRS 12

This PSAK includes all of the disclosures that were previously in PSAK 4 (2009), PSAK 12 (2009) and PSAK 15 (2009). These disclosures relate to an entity's interests in other entities.

- PSAK 68: "Fair Value Measurement", adopted from IFRS 13

This PSAK provides guidance on how to measure fair value when fair value is required or permitted.

- ISAK 26 (2014): "Reassessment of Embedded Derivatives", adopted from International Financial Reporting Interpretation Committee ("IFRIC") 9

This ISAK provides guidance on the assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative.

The Group is presently evaluating and has not yet determined the effects of these accounting standards on the consolidated financial statements.

3. MANAGEMENT'S USE OF SIGNIFICANT 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 assets or liabilities affected in future periods.

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 in 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.

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3. MANAGEMENT'S USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

a. Judgments (continued)

▪ *Leases*

The Group has various lease agreements where the Group acts as either a lessee or lessor in respect of certain assets. The Group evaluates whether significant risks and rewards of ownership of the leased asset are transferred to the lessee or retained by the Group based on PSAK 30 (Revised 2011), "Leases", which requires the Group to make judgments and estimates of transfer of risks and rewards of ownership of leased asset.

Tower leases

For tower leases, the unit of account is considered at the level of the slot or site space because the lease is dependent on the use of a specific space in the tower where the Company places its equipment.

Licenses

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 34r). 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 34r). 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 Department of General Posts and Telecommunication ("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 prepaid 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.

▪ *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or CGU 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.



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3. MANAGEMENT'S USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

a. Judgments (continued)

▪ *Exchange of asset transactions*

During 2010 to 2013, the Group entered into several contracts for the exchange of assets of a third party supplier with certain existing cellular technical equipment of the Group. For the exchange of asset transactions, the Group evaluated whether the transactions contained commercial substance based on PSAK 16 (Revised 2011), "Property, Plant and Equipment", 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 considers the exchange of asset transactions to have met the criteria of commercial substance; however, the fair value of neither the asset received nor the asset given up could be measured reliably, hence, their value was measured at the carrying amount of the asset given up plus cash consideration paid.

▪ *Sale-and-leaseback transactions*

The Group classifies leases into finance leases or operating leases in accordance with the accounting policies stated in Note 2j. Determining whether a lease transaction is a finance lease or an operating lease is a complex issue and requires substantial judgment as to whether the lease agreement transfers substantially all the risks and rewards of ownership to or from the Group. Careful and considered judgment is required on various complex aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether renewal options are included in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments.

The classification as a finance lease or operating lease determines whether the leased asset is capitalizable and recognized in the consolidated statement of financial position. In sale-and-leaseback transactions, the classification of the leaseback arrangements as described above determines how the gain or loss on the sale transaction is recognized. It is either deferred and amortized (finance lease) or recognized immediately in the consolidated statement of comprehensive income (operating lease).

• *Provision for legal case*

The Group has recently been involved in a significant legal case and subsequently obtained the Supreme Court's decision on the case (Note 30). Management currently decided to provide a provision for legal case as the Supreme Court decision is considered final and binding. Such provision is made based on the amount stated in the Supreme Court's decision. However, management believes that there is still opportunity for judicial review under the prevailing laws. It is possible that future financial performance could be materially affected by the result of the judicial review relating to the case.

• *Allowance for impairment of accounts receivable*

If there is objective evidence that an impairment loss has been incurred on trade accounts receivable, the Group recognizes an allowance for impairment loss related to the trade accounts receivable that are specifically identified as doubtful for collection.

In addition to specific allowance against individually significant accounts receivable, the Group also recognizes a collective impairment allowance against credit exposure of its debtors which are grouped based on common credit characteristics, and although not specifically identified as requiring a specific allowance, have a greater risk of default than when the accounts receivable were originally granted to the debtors.

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3. MANAGEMENT'S USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 reporting 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 statement 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 value. 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 the financial instruments. See Note 21 for further discussion.

- *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.

The amounts and timing of recorded expenses for any period are affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's property and equipment increases the recorded operating expenses and decreases non-current assets. An extension in the estimated useful lives of the Group's property and equipment decreases the recorded operating expenses and increases non-current assets.

- *Goodwill and intangible assets*

The consolidated financial statements reflect acquired businesses after the completion of the respective acquisitions. The Company accounts for the acquired businesses using the acquisition method starting January 1, 2011 and the purchase method for acquisitions prior to this date, 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 value of the net assets acquired is recorded as goodwill in the consolidated statement 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.



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3. MANAGEMENT'S USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

- *Recoverability of deferred tax assets*

The Group reviews the carrying amounts of deferred 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 tax assets to be utilized. The Group's assessment on the recognition of deferred 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 tax assets to be utilized.

- *Estimating allowance for impairment loss on accounts receivable*

The level of a specific allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. 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 accounts receivable to amounts that it expects to collect. These specific reserves are re-evaluated and adjusted as additional information received affects the amounts estimated.

Any collective allowance recognized is based on historical loss experience using various factors such as historical performance of the debtors within the collective group and judgments on the effect of deterioration in the markets in which the debtors operate and identified structural weaknesses or deterioration in the cash flows of debtors.

- *Estimation of pension cost and other employee benefits*

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected long-term return on plan assets, salary growth rate and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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3. MANAGEMENT'S USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

- *Estimation of pension cost and other employee benefits (continued)*

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yields (at the end of the reporting period) on government bonds and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The currency and term of the government bonds is consistent with the currency and estimated term of the post-employment benefit obligations.

The mortality rate is based on Indonesian Mortality Table (TMI) 2011. The mortality table tends to change only at intervals in response to demographic changes. Salary growth rate is based on expected future inflation, productivity and normal progress of employees within a given group and promotions.

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.

Further details about the assumptions used, including a sensitivity analysis, are presented in Note 31.

- *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 require making 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 statement of comprehensive income. Differences between the amounts initially recognized and the actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that the use of such estimates will not result in material adjustments in future periods.



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3. MANAGEMENT'S USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

- *Revenue recognition (continued)*

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.

- *Uncertain tax exposure*

In certain circumstances, the Group may not be able to determine the exact amount of its current or future tax liabilities or recoverable amount of the claim for tax refund due to ongoing investigations by, or discussions with, 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 or the recoverable amount of the claim for tax refund related to uncertain tax positions, the Group applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK 57 (Revised 2009), "*Provisions, Contingent Liabilities and Contingent Assets*". The Group makes an analysis of all uncertain tax positions to determine if a tax liability for uncertain tax benefit or a provision for unrecoverable claim for tax refund should be recognized.

The Group presents interest and penalties for the underpayment of income tax, if any, in Income Tax Expense - Current in profit or loss.

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4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	December 31, 2014	December 31, 2013
Cash on hand		
Rupiah	1,893	2,046
U.S. dollar (US\$5 in 2014 and US\$4 in 2013)	60	45
	1,953	2,091
Cash in banks		
Related parties (Note 32)		
Rupiah		
PT Bank Mandiri (Persero) Tbk ("Mandiri")	42,505	68,195
PT Bank QNB Kesawan Tbk ("QNBK")	31,828	166
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	9,003	4,711
PT Bank Rakyat Indonesia (Persero) Tbk ("BRI") (including PT Bank BRI Syariah ["BRI Syariah"])	3,003	306
PT Bank Pembangunan Daerah DKI Jakarta	1,869	2,314
PT Bank Pembangunan Daerah Sumatera Selatan	1,748	513
PT Bank Pembangunan Daerah Maluku	1,291	1,133
PT Bank Pembangunan Daerah Yogyakarta	1,068	2,073
PT Bank Pembangunan Daerah Jawa Timur	938	1,606
PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk ("BPD - Jawa Barat")	259	1,596
Others (each below Rp1,000)	6,119	3,734
U.S. dollar		
Mandiri (US\$2,887 in 2014 and US\$4,727 in 2013)	35,912	57,621
Others (US\$6 in 2014 and US\$5 in 2013)	77	62
Third parties		
Rupiah		
PT Bank Danamon Indonesia Tbk ("Danamon")	30,724	5,603
PT Bank Muamalat Indonesia Tbk ("Muamalat")	15,614	278
Hongkong and Shanghai Bank Corporation, Jakarta Branch ("HSBC")	15,109	1,149
PT Bank Central Asia Tbk ("BCA")	10,690	5,178
PT Bank CIMB Niaga Tbk ("CIMB Niaga")	9,426	5,198
Citibank N.A., Jakarta Branch ("Citibank")	5,071	5,036
Deutsche Bank AG, Jakarta Branch ("DB")	3,369	98
PT Bank Mega Tbk ("Mega")	3,080	471
PT Bank Permata Tbk ("Permata")	1,256	5,809
PT Bank Internasional Indonesia ("BII")	1,113	1,281
PT Bank Mega Syariah ("Mega Syariah")	580	3,630
Others (each below Rp1,000)	1,638	5,772



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4. CASH AND CASH EQUIVALENTS (continued)

	December 31, 2014	December 31, 2013
Cash in banks (continued)		
Third parties (continued)		
U.S. dollar		
Fortis Bank N.V., The Netherlands		
(US\$7,691 in 2014 and US\$6,330 in 2013)	95,680	77,154
Citibank N.A., Singapore Branch		
(US\$4,655 in 2014 and US\$4,461 in 2013)	57,911	54,375
DB (US\$2,994 in 2014 and US\$2,778 in 2013)	37,249	33,864
Citibank (US\$536 in 2014 and US\$628 in 2013)	6,672	7,652
CIMB Niaga (US\$240 in 2014 and US\$429 in 2013)	2,989	5,225
Others (US\$27 in 2014 and US\$35 in 2013)	317	435
	434,108	362,238
Time deposits and deposits on call		
Related parties (Note 32)		
Rupiah		
Mandiri	961,500	232,897
BRI	227,000	70,000
BTN	124,920	83,658
BNI	123,450	120,755
PT Bank Jawa Barat Banten Syariah and		
BPD - Jawa Barat	69,500	62,500
QNBK	50,000	-
PT Bank Pembangunan Daerah Sumatera Barat	35,000	10,000
PT Bank Syariah Mandiri ("Mandiri Syariah")	25,000	22,000
BRI Syariah	2,500	14,700
Others	27,000	2,000
U.S. dollar		
QNBK (US\$13,000 in 2014 and US\$3,000 in 2013)	161,720	36,567
Mandiri (US\$2,301 in 2014 and US\$1,551 in 2013)	28,627	18,907
Mandiri Syariah (US\$5,000)	-	60,945

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4. CASH AND CASH EQUIVALENTS (continued)

	December 31, 2014	December 31, 2013
Time deposits and deposits on call (continued)		
Third parties		
Rupiah		
PT Bank Tabungan Pensiunan Nasional Tbk	132,000	20,000
Muamalat	131,000	81,500
PT Bank Bukopin Tbk	100,000	36,000
PT Bank MNC Internasional Tbk	83,000	12,000
PT Bank Saudara Tbk		
(previously PT Bank Himpunan Saudara 1906 Tbk)	59,500	52,000
PT Bank Artha Graha Internasional Tbk	50,000	-
Mega Syariah	48,600	43,500
Danamon	47,000	50,000
Mega	41,000	11,000
CIMB Niaga (including CIMB Niaga Syariah)	27,500	47,000
PT Bank Pan Indonesia Tbk	20,000	10,000
DB	16,522	95,899
BII (including BII Syariah)	9,500	8,500
Others	12,600	2,100
U.S. dollar		
DB (US\$32,026 in 2014 and US\$36,039 in 2013)	398,411	439,278
CIMB Niaga (US\$2,500 in 2014 and		
US\$1,000 in 2013)	31,100	12,189
Permata Syariah (US\$15,000)	-	182,835
Muamalat (US\$2,500)	-	30,473
	3,043,950	1,869,203
Total	3,480,011	2,233,532

Time deposits and deposits on call denominated in rupiah earned interest at annual rates ranging from 3.75% to 11.50% in 2014 and from 2.00% to 11.00% in 2013, while those denominated in U.S. dollar earned interest at annual rates ranging from 0.02% to 3.50% in 2014 and from 0.03% to 3.50% in 2013.

The interest rates on deposits on call and time deposits with related parties are comparable to those offered by third parties.



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5. ACCOUNTS RECEIVABLE - TRADE

This account consists of the following:

	December 31, 2014	December 31, 2013
Related parties (Note 32)		
Telkom (including US\$174 in 2014 and US\$70 in 2013)	47,588	99,971
Others (including US\$2,592 in 2014 and US\$6,752 in 2013)	495,797	556,548
Sub-total	543,385	656,519
Less allowance for impairment	24,433	24,316
Net	518,952	632,203
Third parties		
Local companies (including US\$44,317 in 2014 and US\$34,143 in 2013)	1,060,491	801,108
Overseas international carriers (US\$52,538 in 2014 and US\$76,513 in 2013)	653,570	932,619
Post-paid subscribers:		
Cellular	377,218	333,783
Fixed telecommunications	87,361	65,716
Sub-total	2,178,640	2,133,226
Less allowance for impairment	605,480	497,090
Net	1,573,160	1,636,136
Total	2,092,112	2,268,339

The aging schedule of the accounts receivable - trade is as follows:

	December 31, 2014		December 31, 2013	
Number of Months Outstanding	Amount	Percentage (%)	Amount	Percentage (%)
Related parties				
0 - 6 months	488,448	89.89	611,654	93.17
7 - 12 months	10,813	1.99	13,070	1.99
13 - 24 months	18,105	3.33	8,967	1.36
Over 24 months	26,019	4.79	22,828	3.48
Total	543,385	100.00	656,519	100.00
Third parties				
0 - 6 months	1,088,048	49.94	1,296,795	60.79
7 - 12 months	153,961	7.07	80,735	3.79
13 - 24 months	325,077	14.92	270,766	12.69
Over 24 months	611,554	28.07	484,930	22.73
Total	2,178,640	100.00	2,133,226	100.00

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5. ACCOUNTS RECEIVABLE - TRADE (continued)

The changes in the allowance for impairment of accounts receivable - trade are as follows:

	Total	Related Parties	Third Parties
<u>Year Ended December 31, 2014</u>			
Balance at beginning of year	521,406	24,316	497,090
Provision - net (Note 27)	84,816	1,319	83,497
Net effect of foreign exchange adjustment	35,054	302	34,752
Write-offs	(11,363)	(1,504)	(9,859)
Balance at end of year	629,913	24,433	605,480
Individual impairment	120,382	18,041	102,341
Collective impairment	509,531	6,392	503,139
Total	629,913	24,433	605,480
Gross amount of accounts receivable, individually impaired before deducting any individually assessed impairment allowance	258,252	39,469	218,783
<u>Year Ended December 31, 2013</u>			
Balance at beginning of year	564,630	42,632	521,998
Provision (reversal) - net (Note 27)	102,307	(5,369)	107,676
Net effect of foreign exchange adjustment	21,867	1,108	20,759
Write-offs	(167,398)	(14,055)	(153,343)
Balance at end of year	521,406	24,316	497,090
Individual impairment	115,881	18,134	97,747
Collective impairment	405,525	6,182	399,343
Total	521,406	24,316	497,090
Gross amount of accounts receivable, individually impaired before deducting any individually assessed impairment allowance	295,329	69,267	226,062

The aging schedule of the allowance for impairment of accounts receivable - trade is as follows:

	December 31, 2014		December 31, 2013	
	Gross	Allowance for impairment	Gross	Allowance for impairment
Not past due and past due up to 6 months	1,576,496	78,460	1,908,449	28,246
Past due more than 7 to 12 months	164,774	59,710	93,805	21,173
Past due more than 13 to 24 months	343,182	91,032	279,733	54,160
Past due more than 24 months	637,573	400,711	507,758	417,827
Total	2,722,025	629,913	2,789,745	521,406



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5. ACCOUNTS RECEIVABLE - TRADE (continued)

The Group has made provision for impairment of accounts receivable - trade based on the collective assessment of historical impairment rates and individual assessment of its customers' credit history. The Group does not apply a distinction between related party and third party accounts receivable in assessing amounts past due. As of December 31, 2014 and 2013, the carrying amount of trade accounts receivable of the Group considered past due but not impaired amounted to Rp1,311,456 and Rp1,491,450, respectively.

Management believes that trade accounts receivable past due but not impaired, along with trade accounts receivable that are neither past due nor impaired, are due from customers with good credit history and are expected to be recoverable.

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 charged or credited to "Loss (Gain) on Foreign Exchange - Net".

Information about the Group's exposure to credit risk is disclosed in Note 39.

Management believes the established allowance is sufficient to cover impairment of accounts receivable - trade.

6. PREPAID TAXES

This account consists of the following:

	December 31, 2014	December 31, 2013
VAT - net	222,927	214,454
Claims for tax refund	133,895	676
Others	7,241	3,619
Total	364,063	218,749

7. OTHER CURRENT FINANCIAL ASSETS

This account consists of the following:

	December 31, 2014	December 31, 2013
Restricted cash and cash equivalents (including US\$241 in 2014 and US\$205 in 2013)	5,656	25,008
Others (including US\$15 in 2014 and US\$22 in 2013)	10,631	6,665
Total	16,287	31,673

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8. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	December 31, 2014				
	Balance at Beginning of Year	Transactions during the Year			Balance at End of Year
		Additions	Derecognitions	Reclassifications	
<u>Cost</u>					
<u>Direct ownership</u>					
Landrights	547,117	-	(9,091)	-	538,026
Buildings	873,787	715	(10,029)	80,345	944,818
Information technology equipment	4,352,467	204	(310,672)	377,352	4,419,351
Office equipment	1,275,400	12,364	(8,314)	5,177	1,284,627
Building and leasehold improvements	10,802,485	2,495	(57,884)	909,177	11,656,273
Vehicles	18,373	246	(2,374)	399	16,644
Cellular technical equipment	42,984,188	-	(333,424)	5,808,629	48,459,393
Transmission and cross - connection equipment	22,151,806	268,484	(47,598)	2,002,511	24,375,203
FWA technical equipment	1,345,306	-	(2,594)	-	1,342,712
Operation and maintenance center and measurement unit	1,496,098	1,117	-	60,040	1,557,255
Fixed access network equipment	1,207,051	-	-	121,300	1,328,351
Properties under construction and installation	6,119,255	6,320,477	-	(9,364,930)	3,074,802
<u>Under finance lease</u>					
Building and leasehold improvements (Note 2j)	3,891,958	426,664	-	-	4,318,622
Total	97,065,291	7,032,766	(781,980)	-	103,316,077
<u>Accumulated Depreciation</u>					
<u>Direct ownership</u>					
Buildings	383,276	18,176	(1,222)	-	400,230
Information technology equipment	3,417,837	339,738	(104,676)	(151)	3,652,748
Office equipment	1,012,778	44,460	(8,314)	(336)	1,048,588
Building and leasehold improvements	6,015,000	812,787	(51,257)	572	6,777,102
Vehicles	16,279	998	(2,376)	(85)	14,816
Cellular technical equipment	26,353,932	4,503,152	(325,729)	-	30,531,355
Transmission and cross- connection equipment	13,062,827	1,944,104	(47,562)	-	14,959,369
FWA technical equipment	1,327,294	7,453	(2,593)	-	1,332,154
Operation and maintenance center and measurement unit	1,368,162	50,212	-	-	1,418,374
Fixed access network equipment	1,032,904	47,680	-	-	1,080,584
<u>Under finance lease</u>					
Building and leasehold improvements (Note 2j)	786,280	439,959	-	-	1,226,239
Total	54,776,569	8,208,719	(543,729)	-	62,441,559
Impairment in Value	98,611	-	-	-	98,611
Net Book Value	42,190,111				40,775,907



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8. PROPERTY AND EQUIPMENT (continued)

	December 31, 2013				
	Balance at Beginning of Year	Transactions during the Year			Balance at End of Year
		Additions	Derecognitions	Reclassifications	
Cost					
Direct ownership					
Landrights	545,499	1,618	-	-	547,117
Buildings	871,174	2,609	-	4	873,787
Information technology equipment	3,649,793	-	(6,286)	708,960	4,352,467
Office equipment	1,213,413	36,734	(7,474)	32,727	1,275,400
Building and leasehold improvements	10,413,096	-	(81,938)	471,327	10,802,485
Vehicles	22,637	-	(4,264)	-	18,373
Cellular technical equipment	39,953,889	57,069	(397,614)	3,370,844	42,984,188
Transmission and cross - connection equipment	21,164,810	192,428	(219,115)	1,013,683	22,151,806
FWA technical equipment	1,345,306	-	-	-	1,345,306
Operation and maintenance center and measurement unit	1,478,308	-	-	17,790	1,496,098
Fixed access network equipment	1,190,936	-	-	16,115	1,207,051
Properties under construction and installation	2,966,461	8,733,574	-	(5,580,780)	6,119,255
Under finance lease					
Building and leasehold improvements (Note 2j)	3,551,653	340,305	-	-	3,891,958
Information technology equipment	50,670	-	-	(50,670)	-
Total	88,417,645	9,364,337	(716,691)	-	97,065,291
Accumulated Depreciation					
Direct ownership					
Buildings	365,694	17,582	-	-	383,276
Information technology equipment	3,039,529	384,594	(6,286)	-	3,417,837
Office equipment	977,644	42,608	(7,474)	-	1,012,778
Building and leasehold improvements	5,296,960	799,979	(81,939)	-	6,015,000
Vehicles	19,154	1,215	(4,090)	-	16,279
Cellular technical equipment	21,851,774	4,842,704	(340,546)	-	26,353,932
Transmission and cross-connection equipment	11,231,139	1,909,579	(77,891)	-	13,062,827
FWA technical equipment	931,908	395,386	-	-	1,327,294
Operation and maintenance center and measurement unit	1,301,739	66,423	-	-	1,368,162
Fixed access network equipment	975,151	57,753	-	-	1,032,904
Under finance lease					
Building and leasehold improvements (Note 2j)	363,549	422,731	-	-	786,280
Total	46,354,241	8,940,554	(518,226)	-	54,776,569
Less Impairment in Value	98,611	-	-	-	98,611
Net Book Value	41,964,793				42,190,111

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8. PROPERTY AND EQUIPMENT (continued)

Submarine cables (presented as part of transmission and cross-connection equipment) 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 profit or loss amounted to Rp8,208,719 and Rp8,940,554 for the years ended December 31, 2014 and 2013, respectively.

Management believes that there is no further impairment in asset values or recovery of the impairment reserve as contemplated in PSAK 48 (Revised 2009) as of December 31, 2014.

As of December 31, 2014, the Group has no property and equipment pledged as collateral to any credit facilities.

As of December 31, 2014, the Group insured its property and equipment (except submarine cables and landrights) for US\$115,860 and Rp34,110,488 including insurance amounting to US\$85,187 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.

As of December 31, 2014, the Group has property and equipment with total cost amounting to Rp6,586,568 which have been fully depreciated but are still being used.

As of December 31, 2014, the fair value of the Group's property and equipment determined under the income approach amounted to Rp53,413,000.

The details of the Group's properties under construction and installation as of December 31, 2014 and 2013, are as follows:

	Percentage of Completion	Cost	Estimated Date of Completion
<u>December 31, 2014</u>			
Cellular technical equipment	2 - 99	2,170,456	January 2015 - August 2017
Building and leasehold improvements	6 - 99	445,031	January 2015 - May 2017
Transmission and cross-connection equipment	2 - 99	216,991	January 2015 - September 2017
Information technology equipment	5 - 99	156,915	January 2015 - June 2018
Others	60 - 66	85,409	January - December 2015
Total		3,074,802	
<u>December 31, 2013</u>			
Cellular technical equipment	2 - 99	4,555,736	January 2014 - December 2016
Building and leasehold improvements	10 - 99	662,760	January - July 2014
Transmission and cross-connection equipment	1 - 99	661,369	January 2014 - December 2015
Building	98	75,697	April 2014
Information technology equipment	34 - 93	61,312	January - November 2014
Others	50 - 98	102,381	January - April 2014
Total		6,119,255	

There are no borrowing costs capitalized to properties under construction and installation for the years ended December 31, 2014 and 2013.



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8. PROPERTY AND EQUIPMENT (continued)

For the years ended December 31, 2014 and 2013, the exchanges and sales of certain property and equipment were performed as follows:

	Year ended December 31,	
	2014	2013
Exchange of assets		
<u>Sumatra and Java Project (Note 34I)</u>		
Carrying amount of assets received	-	57,069
Carrying amount of assets given up	-	(57,069)
	-	-
Assets under finance lease		
Fair value of assets leased out	-	196,464
Net book value	-	(141,223)
Gain	-	55,241
Sales of assets		
Proceeds	40,990	11,560
Net book value	(32,257)	(173)
Gain	8,733	11,387
Total Gain	8,733	66,628

In the above exchange of assets transaction, the fair value of neither the assets received nor the assets given up can be measured reliably, hence, their values were measured at the carrying amounts of the assets given up plus cash consideration paid.

In accordance with its policy, the Company reviews the estimated useful lives of its fixed assets on an annual basis.

Effective September 1, 2012, the Company changed its estimate of the useful lives of its cellular technical equipment from 10 years to 8 years. The change was made mainly due to the Company's plan to change its network with new updated equipment that will enable the Company to fully utilize its 900 MHz frequency channel for 3G services. The effect of this change in estimate was to increase (decrease) 2014 and 2013 depreciation expense by (Rp624,964) and Rp1,323,176, respectively.

The effect of the change in the useful lives of these assets is to increase (decrease) income before income tax as follows:

Period	Amount
Year ending December 31, 2015	(358,302)
Year ending December 31, 2016	(206,442)
Year ending December 31, 2017	667,750

On January 28, 2013, the Company and PT Link Net (Link Net) entered into an agreement, whereby the Company agreed to grant Link Net an Indefeasible Right of Use ("IRU") for a pair of fiber optics in the Company's Jakarta-Batam-Singapore (JAKABARE) submarine cable network for a non-cancellable period of 12 years starting on January 1, 2013 to December 31, 2024. Link Net agreed to pay the Company the amount of US\$20,300 (equivalent to Rp196,464) for the 12-year period right to use one pair of fiber optics (from the total capacity fiber optics of 4 pairs of JAKABARE submarine cable). The payment was made in a series of installments, with the last one occurring on October 30, 2013.

Accordingly, for the year ended December 31, 2013, the Company derecognized a portion of its assets with carrying value of Rp141,223 and recognized the gain of Rp55,241 from above outright sales.

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9. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in goodwill and other intangible assets, including non-integrated software, for the years ended December 31, 2014 and 2013, are as follows:

	Non-integrated software	Other intangible assets	Goodwill	Total
<u>Cost</u>				
At January 1, 2013	309,024	597,578	2,944,362	3,850,964
Additions	6,703	29	-	6,732
At December 31, 2013	315,727	597,607	2,944,362	3,857,696
Additions	11,306	-	-	11,306
At December 31, 2014	327,033	597,607	2,944,362	3,869,002
<u>Accumulated Amortization</u>				
At January 1, 2013	259,770	597,508	1,619,979	2,477,257
Amortization	17,829	10	-	17,839
At December 31, 2013	277,599	597,518	1,619,979	2,495,096
Amortization	17,339	5	-	17,344
At December 31, 2014	294,938	597,523	1,619,979	2,512,440
<u>Net Book Value</u>				
At December 31, 2013	38,128	89	1,324,383	1,362,600
At December 31, 2014	32,095	84	1,324,383	1,356,562

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 in LMD in 2010.

The details of 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



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9. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

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 indications of impairment. As of December 31, 2014, 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 Public Company Guideline Method).

Key assumptions used in the FVLCTS calculation at December 31, 2014:

Discount rates - The Company has chosen to use the weighted average cost of capital ("WACC") as the discount rate for the discounted cash flows. The estimated pre-tax WACC applied in determining the recoverable amount of the cellular business unit is between 16.27% and 17.36%.

Compounded Annual Growth Rate ("CAGR") - The CAGR projection for the 5-year budget period of the cellular business unit's revenue based on the market analysts' forecast is between 4.2% and 9.6%.

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 1.0% 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.

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.

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12. OTHER NON-CURRENT FINANCIAL ASSETS - NET

This account consists of the following:

	December 31, 2014	December 31, 2013
Other long-term investments	119,859	1,507,299
Less allowance for impairment	113,577	113,577
Net	6,282	1,393,722
Restricted cash and cash equivalents (including US\$184 in 2014 and US\$121 in 2013)	114,598	94,874
Employee loans receivable	7,973	8,890
Others (including US\$1,336 in 2014 and US\$1,317 in 2013)	32,050	59,881
Sub-total	154,621	163,645
Total	160,903	1,557,367

Other long-term investments - net consist of the following:

a. Investment in shares of stock classified as available-for-sale:

	Location	Principal Activity	Ownership (%)	Cost	Unrealized Changes in Fair Value	Carrying Value
December 31, 2013						
PT Tower Bersama Infrastructure Tbk ("Tower Bersama") (Note 29)*	Indonesia	Telecommunication infrastructure service	5.00	977,292	413,700	1,390,992

* The Company received dividend income amounting to Rp14,390 from Tower Bersama on October 3, 2013.

On August 2, 2012, the Company received 5% ownership in Tower Bersama as part of its compensation from the sale and leaseback of telecommunication towers (Note 29). On March 14, 2014, the Company entered into an agreement with Merrill Lynch, Singapore, Pte. Ltd. to sell the Company's investment in 239,826,310 shares of Tower Bersama for a selling price of Rp5,800 per share (in full amount). On March 19, 2014, the Company received the net proceeds from the sale of its shares in Tower Bersama amounting Rp1,379,114 (net of brokerage and legal fees, and related income tax) and the cumulative fair value gain of Rp413,700 recorded in other comprehensive income was recycled to current operations.

b. Investments in shares of stock accounted under the cost method:

	Location	Principal Activity	Ownership (%)	Cost/Carrying Value
December 31, 2014				
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	0.0065	49,977
Asean Cableship Pte. Ltd. ("ACPL")***	Singapore	Repairs and maintenance of submarine cables	16.67	1,265
Others****			12.80 - 18.89	18,518
Total				119,760
Less allowance for impairment				113,577
Net				6,183



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12. OTHER NON-CURRENT FINANCIAL ASSETS - NET (continued)

b. Investments in shares of stock accounted under the cost method: (continued)

	Location	Principal Activity	Ownership (%)	Cost/Carrying Value
December 31, 2013				
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	0.0065	49,977
Asean Cables 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

** On March 15, 2011, the Company's ownership in ICO Global Communication (Holdings) Limited was diluted from 0.0087% to 0.0067% since the Company did not exercise its right in relation to a rights 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, 2014, the Company's ownership in Pendrell has been diluted to 0.0065%.

*** The Company received dividend income from its investment in ACPL totaling US\$1,596 (equivalent to Rp23,228) and US\$3,573 (equivalent to Rp38,751) for the years ended December 31, 2014 and 2013, respectively.

**** The Company received dividend income from its investment in Acasia Communications SDN BHD totaling RM8.86 (equivalent to Rp33) for the year ended December 31, 2014.

The Company has provided allowance for impairment of its investments in shares of stock accounted under the cost method amounting to Rp113,577 as of December 31, 2014 and 2013, which the Company believes is adequate to cover impairment losses on the investments.

c. Investment in equity securities of BNI of Rp89 and Telkom of Rp10 are both classified as available-for-sale as of December 31, 2014 and 2013.

13. OTHER NON-CURRENT ASSETS - NET

This account consists of the following:

	December 31, 2014	December 31, 2013
Investments in associated companies (i)	58,660	56,880
Less allowance for impairment	56,300	56,300
Net	2,360	580
Claims for tax refund		
Corporate income tax		
Current year (Note 16)	120,531	220,575
Previous years (ii)	505,857	230,379
VAT and others (iii) - net of allowance for tax adjustments of Rp159,908 in 2014 and 2013	378,953	424,640
	1,005,341	875,594
Others	76,931	65,032
Total	1,084,632	941,206

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13. OTHER NON-CURRENT ASSETS - NET (continued)

(i) Investments in associated companies - accounted under the equity method:

	Location	Principal Activity	Ownership %	Cost	Accumulated Equity in Undistributed Net Loss	Carrying Value
December 31, 2014						
PT Multi Media Asia Indonesia	Indonesia	Satellite-based telecommunication	26.67	56,512	(212)	56,300
PT Citra Bakti Indonesia	Indonesia	Certified service company for chip-based ATM/debit card and related devices and infrastructure	33.33	1,000	1,360	2,360
Total				<u>57,512</u>	<u>1,148</u>	<u>58,660</u>
Less allowance for impairment						<u>56,300</u>
Net						<u>2,360</u>
December 31, 2013						
PT Multi Media Asia Indonesia	Indonesia	Satellite-based telecommunication	26.67	56,512	(212)	56,300
PT Citra Bakti Indonesia	Indonesia	Certified service company for chip-based ATM/debit card and related devices and infrastructure	33.33	1,000	(420)	580
Total				<u>57,512</u>	<u>(632)</u>	<u>56,880</u>
Less allowance for impairment						<u>56,300</u>
Net						<u>580</u>

(ii) The claims for tax refund with respect to corporate income tax for previous years are as follows:

Fiscal Year	December 31, 2014	December 31, 2013
I. Related to uncertain tax positions		
a. The Company - 2009	65,570	65,570
b. The Company - 2007	110,413	-
c. The Company - 2008	97,132	-
II. Not related to uncertain tax positions		
The Company - 2012	422	132,316
The Company - 2013	231,643	-
IMM - 2012	-	32,493
SMT - 2011	677	-
Total	505,857	230,379



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13. OTHER NON-CURRENT ASSETS - NET (continued)

- (ii) The claims for tax refund with respect to corporate income tax for previous years are as follows:
 (continued)

a. The Company's 2009 corporate income tax

On April 21, 2011, the Company received the assessment letter on tax overpayment ("SKPLB") from the Directorate General of Taxation ("DGT") for the Company's 2009 corporate income tax amounting to Rp29,272. The Company accepted a part of the corrections amounting to Rp836, which was charged to the 2011 operations. On May 31, 2011, the Company received the tax refund of its claim for 2009 corporate income tax amounting to Rp23,695, which was offset against the VAT tax correction amount for the period January - December 2009. 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 amounting to Rp65,570. On June 29, 2012, the Company received the decision letter from the DGT which declined the Company's objection. On September 21, 2012, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction on corporate income tax for fiscal year 2009. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Tax Court on such appeal.

b. The Company's 2007 and 2008 corporate income tax

On December 27, 2013, the Company received the assessment letter on tax underpayment ("SKPKB") from the DGT for the Company's 2007 and 2008 corporate income tax amounting to Rp110,413 and Rp97,132, respectively, which was paid on January 24, 2014. On March 20, 2014, the Company submitted objection letters to the Tax Office regarding this correction on the Company's 2007 and 2008 corporate income tax amounting to Rp110,413 and Rp97,132, respectively. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Tax Office on these objections.

c. The IMM's 2012 corporate income tax

On July 14, 2014, IMM received SKPLB from the DGT for IMM's 2012 corporate income tax amounting to Rp28,498. IMM accepted the corrections amounting to Rp3,995, which were charged to the 2014 operations as part of "Income Tax Expense - Current" (Note 16). On the same date, IMM also received SKPKBs for underpayment of its 2012 income tax articles 21, 23 and 26 and VAT totaling Rp2,327 (including penalties and interest). On August 28, 2014, IMM received the refund of its claim for 2012 corporate income tax amounting to Rp26,171, net of the above underpayment of its 2012 income tax articles 23 and 26 and VAT.

Within this SKPLB, the DGT also corrected all of the tax loss carried forward as of December 31, 2012. Therefore, on June 23, 2014, IMM recalculated the 2013 corporate income tax without recognizing the tax loss carried forward as of December 31, 2012. This recalculation resulted in the underpayment amounting to Rp4,855, which was paid on the same date. IMM charged this underpayment and net of with the 2013 overpayment (before recalculation; amounting to Rp708) amounting to Rp2,459 (after deducting accrued tax expense on 2012 amounting to Rp3,104) to the 2014 operations as part of "Income Tax Expense - Current" (Note 16).

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13. OTHER NON-CURRENT ASSETS - NET (continued)

- (ii) The claims for tax refund with respect to corporate income tax for previous years are as follows:
 (continued)

d. The Company's 2011 corporate income tax

On June 26, 2013, the Company received SKPLB from the DGT for the Company's 2011 corporate income tax amounting to Rp97,600. On August 14, 2013, the Company received this amount as tax refund from the DGT. Within this SKPLB, the Tax Office also made two corrections totaling Rp409,921, which decreased the tax loss carried forward as of December 31, 2011. On September 23, 2013, the Company submitted an objection letter to the Tax Office regarding these two corrections. However, on October 16, 2013, the Company submitted a letter to cancel the objection of one of the corrections amounting to Rp165,944. On September 2, 2014, the Company received the decision letter from the DGT which approved the Company's overpayment amounting to Rp97,600 and corrected the calculation of taxable income from tax loss amounting to Rp266,924 to become taxable income amounting to Rp74,652. In December 2014, the Company decided to accept the correction of Rp175,632 specifically related to promotion expense, which decreased the tax loss carried forward as of December 31, 2011.

e. The Company's 2012 corporate income tax

On November 20, 2014, the Company received SKPLB from the DGT for the Company's 2012 corporate income tax amounting to Rp131,894. On January 20, 2015, the Company received this amount as tax refund from the DGT (Note 40c). Within this SKPLB, the DGT also made two corrections totaling Rp337,325, which decreased the tax loss carried forward as of December 31, 2012. The Company accepted a part of the corrections amounting to Rp5,826. On February 18, 2015, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's 2012 corporate income tax amounting to Rp331,499. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Tax Office on such objection.

- (iii) The claims for tax refund with respect to VAT and others are as follows:

Fiscal Year	December 31, 2014	December 31, 2013
<i>I. Related to uncertain tax positions</i>		
1a. The Company's 2009 VAT	-	50,347
1b. The Company's 2010 VAT	199,786	199,786
1c. The Company's 2011 VAT	119,344	131,091
1d. The Company's 2012 VAT	148,161	148,161
2. The Company's 2005 income tax article 23	1,398	1,398
3. SMT's 2011 VAT	4,660	-
Allowance for tax adjustments	(148,161)	(159,908)
Net	325,188	370,875
<i>II. Not related to uncertain tax positions</i>		
The Company's restitution of VAT 2011 and 2012	53,765	53,765
Total	378,953	424,640



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13. OTHER NON-CURRENT ASSETS - NET (continued)

(iii) The claims for tax refund with respect to VAT and others are as follows: (continued)

1. The Company's 2009, 2010, 2011 and 2012 VAT

- a. On April 21, 2011, the Company received SKPKBs from the DGT for the Company's VAT for the period January - December 2009 totaling Rp182,800 (including penalties), which was paid on July 15, 2011. The Company accepted a part of the corrections amounting to Rp4,160, which was charged to the 2011 operations. 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. On June 4, 2012, the Company received the decision letter from the DGT that declined the Company's objection and, based on its audit, the DGT charged the Company additional underpayment for the periods January, March, April, June, August - December 2009 totaling Rp57,166 and overpayment for the period February, May and July 2009 totaling Rp4,027. On July 4, 2012, the Company paid the additional underpayment amounting to Rp57,166. On August 24 and 31, 2012, the Company received the refund of the overpayments totaling Rp4,027. On September 3, 2012, the Company submitted an appeal letter to the Tax Court regarding the remaining correction on the Company's VAT for the period January - December 2009 amounting to Rp231,779.

On February 12, 19 and 20, 2014, the Company received the Tax Court's Decision Letters for the VAT periods "January - June 2009", "July - August, October - December 2009" and "September 2009", respectively, which accepted the Company's appeal for the VAT period January - December 2009 totaling Rp235,939. However, it also charged for separate VAT underpayments totaling Rp180,930 for the same period, resulting in net overpayment of Rp55,009, which was higher by Rp4,160 than the original amount recognized by the Company in its financial statements. The Company accepted the correction made by the Tax Court and charged it to the 2013 operations. During April 15 - 23, 2014, the Company had received the restitution amounting to Rp53,279 (after offsetting with the Company's tax underpayment for income tax article 21 paid on April 17, 2014).

On October 28, 2014, 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 16, 2014 for the underpayment of the Company's VAT for the periods September 2009. On November 21, 2014, the Company submitted a Counter-Memorandum requesting for Reconsideration to the Supreme Court for the Company's VAT for the September 2009 period (Note 40a). As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Supreme Court on the such request.

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13. OTHER NON-CURRENT ASSETS - NET (continued)

(iii) The claims for tax refund with respect to VAT and others are as follows: (continued)

1. The Company's 2009, 2010, 2011 and 2012 VAT (continued)

- b. On July 3, 2012, the Company received SKPLB from the DGT for the Company's VAT for the March 2010 period amounting to Rp28,545, which was lower than the original amount recognized by the Company in its 2012 financial statements, and SKPKBs for the Company's VAT for the periods January, February and April - December 2010 totaling Rp98,011 (including penalties). On August 2, 2012, the Company paid the underpayment amounting to Rp98,011. On August 24, 2012, the Company received the overpayment amounting to Rp28,545 from the DGT. On October 1 and 2, 2012, the Company submitted objection letters to the Tax Office regarding SKPLB and SKPKBs on the Company's VAT for the period January - December 2010 totaling Rp106,619. On September 17 and 26, 2013, the Company received the decision letters from the DGT which charged the Company for additional underpayments for the period January - December 2010 totaling Rp93,167, which were paid on October 16 and 25, 2013. On December 10, 2013, the Company submitted an appeal letter to the Tax Court with respect to the correction of the Company's VAT for the period January - December 2010 totaling Rp199,786. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Tax Court on such appeal.
- c. On June 26, 2013, the Company received SKPKBs from the DGT for the Company's VAT for the period January - December 2011 totaling Rp133,160 (including penalties), which was paid on July 24, 2013. The Company accepted a part of the corrections on VAT totaling Rp2,069, which was charged to the 2013 current operations. On September 23, 2013, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's VAT for the period January - December 2011. On August 21 and 25 and September 2, 4 and 12, 2014, the Company received the decision letters from the DGT which declined the Company's objection and deducted the penalties for the periods July - December 2011 totaling Rp1,962. On November 20, 2014, the Company submitted an appeal letter to the Tax Court with respect to the correction of the Company's VAT for the period January - December 2011 totaling Rp119,344. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Tax Court on such appeal.
- d. On September 4, 2013, the Company received SKPKBs from the DGT for the Company's VAT for the period January - December 2012 totaling Rp148,161 (including penalties), which was paid on October 3, 2013. On November 29, 2013, the Company submitted objection letters to the Tax Office with respect to the Company's VAT for the period January - December 2012 totaling Rp148,161. On August 21 and 27 and September 1, 2014, the Company received the decision letter from the DGT which declined all of the Company's objections. On November 20, 2014, the Company submitted an appeal letter to the Tax Court with respect to the correction of the Company's VAT for the period January - December 2012 totaling Rp148,161. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Tax Court on such appeal.

Based on the Company's assessment on the above-mentioned uncertain VAT positions, the Company provided an allowance for adjustments on the claims for tax refund amounting to Rp148,161 and Rp159,908 as of December 31, 2014 and 2013 and provided allowance for VAT amounting to Rp231,685 and Rp125,486, all of which have been recorded in the consolidated financial statements in 2014 and 2013, respectively.



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14. SHORT-TERM LOANS

This account consists of the following:

	December 31, 2014	December 31, 2013
Related parties:		
BNi - net of unamortized loan issuance cost of Rp519	599,481	-
Mandiri - net of unamortized loan issuance cost of Rp151	-	1,499,849
Third party:		
Mizuho - net of unamortized loan issuance cost of Rp33	249,967	-
Net	849,448	1,499,849

a. **BNi**

On June 16, 2014, the Company entered into a 1-year Revolving Time Loan Facility agreement with BNi covering a maximum amount of Rp700,000 to finance the Company's operational working capital, capital expenditure and/or refinancing requirements. This loan facility bears interest at 1-month JIBOR plus 2.50% per annum.

Following is the summary of drawdown and payment transactions made by the Company on the loan facility with BNi for the year ended December 31, 2014:

	Amount
Drawdowns	1,150,000
Payments	(550,000)
Net	600,000

b. **Mandiri**

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 was available from June 21, 2011 to June 20, 2014 and drawdowns bore interest at 1-month Jakarta Inter-Bank Offered Rate ("JIBOR") plus 1.4% per annum. Each drawdown matured 3 months from the drawdown date and could be extended for further 3-month periods by submitting a written request for such extension to Mandiri.

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 July 12, 2013, the interest rate was changed to 1-month JIBOR plus 1.75% per annum. On January 12, 2014, the interest rate was changed further to 1-month JIBOR plus 2.00% per annum.

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14. SHORT-TERM LOANS (continued)

b. Mandiri (continued)

Following is the summary of drawdown and payment transactions made by the Company on the loan facility with Mandiri:

	Year ended December 31,	
	2014	2013
Drawdowns	-	1,300,000
Payments	(1,500,000)	(100,000)
Net	(1,500,000)	1,200,000

Voluntary early repayment was permitted subject to 3 days' prior written notice. The Company may early repay the whole or any part of the loan.

c. Mizuho

On November 21, 2014, the Company entered into a 1-year Revolving Time Loan Facility agreement with PT Bank Mizuho Indonesia ("Mizuho") covering a maximum amount of Rp250,000 to finance the Company's operational working capital, capital expenditure and/or refinancing requirements. This loan facility bears interest at 1-month JIBOR plus 1.50% per annum. On December 15, 2014, the Company made a drawdown of the full amount of the facility amounting to Rp250,000.

Based on the facility agreements, the Company is required to comply with certain covenants such as maintaining financial ratios. As of December 31, 2014 and 2013, the Company has complied with all the financial ratios required to be maintained under the loan agreements.

The amortization of the loan issuance cost for the years ended December 31, 2014 and 2013 amounted to Rp755 and Rp320, respectively (Note 28).

15. PROCUREMENT PAYABLE

This account consists of amounts due for capital and operating expenditures procured from the following:

	December 31, 2014	December 31, 2013
Third parties (including US\$74,051 in 2014 and US\$81,178 in 2013)	3,047,553	3,020,299
Related parties (Note 32) (including US\$157 in 2014 and US\$42 in 2013)	47,965	43,988
Total	3,095,518	3,064,287

The billed amount of procurement payable amounted to Rp631,042 and Rp801,308 as of December 31, 2014 and 2013, respectively. The unbilled amount of procurement payable amounted to Rp2,464,476 and Rp2,262,979 as of December 31, 2014 and 2013, respectively.



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16. TAXATION

a. Taxes payable

This account consists of the following:

	December 31, 2014	December 31, 2013
Estimated corporate income tax payable	19,351	6,198
Income tax:		
Article 4(2)	13,416	17,453
Article 21	17,664	37,109
Article 23	11,499	7,369
Article 25	-	9,139
Article 26	10,916	11,315
VAT - net	1,893	674
Others	629	3
Total	75,368	89,260

The computation of the estimated corporate income tax payable / claim for tax refund is as follows:

	Year ended December 31, 2014	2013
Income tax expense - current, at statutory tax rates		
Company	-	-
Subsidiaries		
Income tax expense - current	134,929	120,321
Tax expense (benefit) from tax correction from previous year	6,648	(2,165)
Income tax expense - current - net	141,577	118,156
Less prepayments of income tax of the Company		
Article 22	100,369	203,346
Article 23	16,662	16,521
Total prepayments of income tax of the Company	117,031	219,867
Less prepayments of income tax of Subsidiaries		
Article 23	10,405	4,811
Article 25	108,673	110,020
Total prepayments of income tax of Subsidiaries	119,078	114,831
Total prepayment of income tax	236,109	334,698
Estimated corporate income tax payable - part of "Taxes Payable"		
Subsidiaries, less tax prepayments of Rp115,578 in 2014 and Rp114,123 in 2013	19,351	6,198
Claims for tax refund - part of "Other Non-current Assets - Net" (Note 13)		
Company	117,031	219,867
Subsidiaries	3,500	708
Total claims for tax refund	120,531	220,575
Net	101,180	214,377

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16. TAXATION (continued)

b. Income tax expense (benefit) - net

The reconciliation between loss before income tax and estimated taxable income (tax loss) of the Company is as follows:

	Year ended December 31,	
	2014	2013
Loss before income tax per consolidated statement of comprehensive income	(1,935,901)	(3,333,837)
Company's equity in Subsidiaries' profit (loss) before income tax and reversal of inter-company consolidation eliminations	(279,740)	(250,850)
Loss before income tax of the Company	(2,215,641)	(3,584,687)
Positive adjustments		
Equity in net income of investees	1,008,451	-
Depreciation - net	999,180	2,632,492
Marketing expense	284,107	-
Charges from leasing transactions	125,093	680,635
Tax expenses	122,812	295,936
Provision for impairment of accounts receivable - net	117,064	-
Accrual of employee benefits - net	84,552	170,081
Employee benefits	82,739	79,541
Provision for non-refundable advance payment	27,847	-
Amortization of long-term prepaid licenses	26,198	16,278
Donations	22,294	11,473
Assessments for income taxes and VAT (including penalties)	19,572	187,953
Revenue from Jakabare lease	16,372	16,372
Provision for decline in value of inventories	8,889	-
Others	31,467	35,373

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16. TAXATION (continued)

b. Income tax expense (benefit) - net (continued)

The reconciliation between loss before income tax and estimated taxable income (tax loss) of the Company is as follows: (continued)

	Year ended December 31,	
	2014	2013
Negative adjustments		
Gain on sale of available-for-sale investment - net, already subjected to final tax (Note 12a)	(413,700)	-
Amortization of deferred gain on tower sales - net, already subjected to final tax (Note 29)	(141,050)	(105,787)
Amortization of goodwill and other intangible assets	(113,006)	(128,994)
Interest income already subjected to final tax	(58,439)	(40,113)
Loss on sale and exchange of property and equipment - net	(17,195)	(41,566)
Net periodic pension cost	(2,367)	(5,074)
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 18 and 19)	(2,286)	(16,449)
Equity in net income of investees	-	(257,301)
Gain on outright sale of assets being leased (Note 8)	-	(55,241)
Write-off of allowance for impairment of accounts receivable - net	-	(45,716)
Write-off of short-term investments (Note 7)	-	(25,395)
Reversal of allowance for decline in value of inventories	-	(1,378)
Estimated taxable income (tax loss) of the Company - current year	12,953	(181,567)
Tax losses carry-forward at beginning of year	(783,366)	(867,137)
Adjustment on tax losses carry forward due to tax audit of corporate income tax	191,158	265,338
Tax losses carry-forward at end of year	(579,255)	(783,366)

The components of the income tax expense (benefit) - net are as follows:

	Year ended December 31,	
	2014	2013
Income tax expense - current, at statutory tax rates		
Company		
Income tax expense - current	-	-
Subsidiaries		
Income tax expense - current	134,929	120,321
Tax expense (benefit) from tax correction from previous year	6,648	(2,165)
Income tax expense - current - net	141,577	118,156

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16. TAXATION (continued)

b. Income tax expense (benefit) - net (continued)

The components of the income tax expense (benefit) - net are as follows: (continued)

	Year ended December 31,	
	2014	2013
Income tax expense (benefit) - deferred - effect of temporary differences at enacted maximum tax rate of 25%		
Company		
Equity in net income of investees	55,017	45,511
Adjustment due to tax audit and others	47,711	14,018
Amortization of goodwill and other intangible assets	28,252	32,249
Loss on sale and exchange of property and equipment - net	4,299	10,391
Utilization of tax losses carry-forward (tax loss)	3,238	(45,392)
Net periodic pension cost	592	1,269
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 18 and 19)	572	4,112
Depreciation - net	(249,795)	(658,123)
Charges from leasing transactions	(31,273)	(170,159)
Write-off of allowance for impairment (provision for impairment) of accounts receivable - net	(29,266)	11,429
Accrual of employee benefits - net	(21,138)	(42,521)
Provision for non-refundable advance payment	(6,962)	-
Amortization of long-term prepaid licenses	(6,549)	(4,069)
Reversal of allowance (provision) for decline in value of inventories	(2,222)	344
Gain on outright sale of assets being leased	-	13,810
Write-off of short-term investments (Note 7)	-	6,349
Others	(20,947)	(21,907)
Net	(228,471)	(802,689)
Subsidiaries	9,015	17,155
Net income tax benefit - deferred	(219,456)	(785,534)
Income tax benefit - net	(77,879)	(667,378)



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16. TAXATION (continued)

b. Income tax expense (benefit) - net (continued)

The reconciliation between the income tax benefit calculated by applying the applicable tax rate of 25% to the loss before income tax and the income tax benefit - net as shown in the consolidated statement of comprehensive income is as follows:

	Year ended December 31,	
	2014	2013
Loss before income tax per consolidated statement of comprehensive income	(1,935,901)	(3,333,837)
Income tax benefit at the applicable tax rate of 25%	(483,975)	(833,459)
Company's equity in Subsidiaries' profit (loss) before income tax and reversal of inter-company consolidation eliminations	(241,921)	64,446
Tax effect on permanent differences		
Equity in net income of investees	307,130	(18,814)
Marketing expense	71,027	-
Tax expenses	33,789	75,472
Employee benefits	25,982	27,934
Donations	5,909	5,783
Representation and entertainment	4,969	3,305
Assessment for income taxes and VAT (including penalties)	4,893	46,988
Gain on sale of available-for-sale investment - net, already subjected to final tax (Note 12a)	(103,425)	-
Interest income already subjected to final tax	(35,766)	(26,632)
Amortization of deferred gain on tower sales - net, already subjected to final tax (Note 29)	(35,263)	(35,263)
Others	(6,566)	3,976
Unrecognized deferred tax asset on current fiscal loss	320,979	7,011
Adjustment due to tax audit and others	47,711	19,219
Tax expense (benefit) from tax correction from previous year	6,648	(2,165)
Utilization of tax losses carry-forward	-	(5,179)
Income tax benefit - net per consolidated statement of comprehensive income	(77,879)	(667,378)

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16. TAXATION (continued)

c. Deferred tax assets and liabilities

The tax effects of significant outstanding temporary differences between financial and tax reporting of the Company which are as follows:

	December 31, 2014	December 31, 2013
Deferred tax assets		
Accrual of employee benefits - net	323,691	302,553
Charges from leasing transactions	253,988	222,715
Allowance for impairment of accounts receivable	155,405	126,139
Tax losses carry-forward	144,814	195,842
Allowance for impairment of investment in associated company and other long-term investment	42,469	42,469
Pension cost	15,876	16,468
Allowance for non-refundable advance payment	6,962	-
Others	10,408	4,093
Total	<u>953,613</u>	<u>910,279</u>
Deferred tax liabilities		
Property and equipment	1,190,202	1,435,778
Investments in subsidiaries	266,616	228,451
Goodwill and other intangible assets	131,135	102,883
Long-term prepaid licenses	5,399	11,949
Deferred debt and bonds issuance costs, consent solicitation fees and discount	5,231	4,659
Difference in transactions of equity changes in associated company	1,460	1,460
Total	<u>1,600,043</u>	<u>1,785,180</u>
Deferred tax liabilities - net	<u>646,430</u>	<u>874,901</u>

The breakdown by entity of the deferred tax assets and liabilities for the Group are as follows:

	December 31, 2014		December 31, 2013	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Company	-	646,430	-	874,901
Subsidiaries				
Lintasarta	76,768	16,073	77,860	17,958
IMM	8,413	-	18,197	-
APE	-	-	-	-
ISPL	-	426	-	426
Total	<u>85,181</u>	<u>662,929</u>	<u>96,057</u>	<u>893,285</u>

The deferred tax assets of Lintasarta relate mainly to the deferred tax on the temporary difference with respect to the recognition of depreciation of property and equipment.



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16. TAXATION (continued)

c. Deferred tax assets and liabilities (continued)

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 charges from leasing transactions are realized upon completion of the lease period, the allowance for impairment of accounts receivable is realized upon the write-off of the accounts receivable after fulfilling certain requirements under the Income Tax Law, the allowance for impairment of investment in associated company and other long-term investment 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, goodwill and other intangible assets, long-term prepaid licenses, deferred debt and bonds issuance costs, consent solicitation fees and discount.

As of December 31, 2014 and 2013, the aggregate amounts of temporary differences associated with investments in subsidiaries, for which deferred tax assets (liabilities) have not been recognized, were Rp215,686 and (Rp451,447), respectively.

Realization of the deferred tax assets is dependent upon the Company and subsidiaries' capability in generating future profitable operations. Although realization is not assured, the Company and subsidiaries believe that it is probable that these deferred tax assets will be realized through reduction of future taxable income when temporary differences reverse. The amount of the deferred tax assets is considered realizable; however, it could be reduced if actual future taxable income is lower than estimates.

SMT and IMM did not recognize deferred tax assets on the losses carried-forward as it is not probable that taxable income will be available against which the tax losses carry-forward can be utilized. If SMT and IMM were able to recognize all unrecognized deferred tax assets, the cumulative profit of SMT and IMM as of December 31, 2014 would have increased by Rp46,989 and Rp316,605, respectively.

The tax losses carry-forward of SMT, IMM and the Company as of December 31, 2014 can be carried forward through to 2019 based on the following schedule:

Year of Expiration	IMM	SMT	The Company	Total
2015	-	46,041	296,708	342,749
2016	-	22,770	100,980	123,750
2017	-	32,391	-	32,391
2018	-	25,905	181,567	207,472
2019	1,266,421	17,495	-	1,283,916
Total	1,266,421	144,602	579,255	1,990,278

d. Tax assessment and administration

On June 26, 2013, the Company received SKPKBs from the DGT for the Company's 2011 income tax articles 21, 26 and 4(2) totaling Rp4,171 (including penalties), which were charged to the 2013 operations as part of "Expenses - Others - Net".

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16. TAXATION (continued)

d. Tax assessment and administration (continued)

On November 25, 2013, the Company submitted to the Tax Office a revised 2012 annual corporate income tax return after considering the result of tax audit on 2011 corporate income tax, which increased the estimated taxable income for the year ended December 31, 2012 and decreased the accumulated tax losses carry-forward as of December 31, 2012 by Rp163,561.

On March 24, 2014, the Company received SKPKBs from the DGT for the Company's 2010 income tax articles 21, 22, 23, 26 and 4(2) totaling Rp5,401 (including penalties), which were charged to current operations as part of "Expenses - Others - Net". Subsequently, on April 22-23, 2014, the Company paid such SKPKBs.

On November 20, 2014, the Company received SKPKBs from the DGT for the Company's 2012 income tax articles 26 and 4(2) amounting to Rp313,769 and Rp13,489 (including penalties), respectively. The Company accepted the correction on income tax article 4(2) amounting to Rp13,489 (including penalties) related to tower sale transaction (Note 29), which was charged to the 2014 operations as part of "Expenses - Others - Net". Subsequently, on December 19, 2014, the Company paid such SKPKB. On February 18, 2015, the Company submitted an objection letter to the Tax Office regarding the correction on income tax article 26 amounting to Rp313,769. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Tax Office on the objection.

The taxation laws of Indonesia require that the Company and its local subsidiaries submit individual annual corporate income tax return on the basis of self-assessment. Under the prevailing tax regulations, the DGT may assess or amend taxes within a certain period. For fiscal years 2008 and earlier, this period is within ten years from the time the tax became due, but not later than 2014, while for fiscal years 2009 and onwards, the period is within five years from the time the tax became due.

The estimated tax loss of the Company for the fiscal year 2014 is consistent with the amount reported in the Company's annual income tax return filed to the tax office.

The tax audits on the Company's corporate income tax have been completed for all fiscal years prior to 2013.

17. ACCRUED EXPENSES

This account consists of the following:

	December 31, 2014	December 31, 2013
Interest	337,773	344,019
Employee benefits	332,158	337,312
Network repairs and maintenance	272,568	233,392
Dealer incentives (Note 2k)	264,624	146,355
Rental	210,962	107,898
Marketing	185,420	165,008
Internet circuit	100,246	176,519
Universal Service Obligation ("USO") (Note 36)	98,415	92,711
Utilities	78,892	103,590
Blackberry access fee	59,259	84,914
Consultancy fees	55,752	63,716
Concession fee (Note 36)	40,046	30,667
General and administration	38,325	27,392
Others (each below Rp20,000)	76,509	171,541
Total	2,150,949	2,085,034

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18. LOANS PAYABLE

This account consists of the following:

	December 31, 2014	December 31, 2013
Loans payable:		
Related parties (Note 32)	16,800	1,050
Third parties - net*	6,323,818	6,788,634
Total	6,340,618	6,789,684
Less current maturities:		
Related parties	3,150	-
Third parties - net**	2,610,350	2,443,367
Total	2,613,500	2,443,367
Long-term portion:		
Related parties	13,650	1,050
Third parties	3,713,468	4,345,267
Total	3,727,118	4,346,317

* net of unamortized debt issuance cost and consent solicitation fees of Rp54,809 as of December 31, 2014 and Rp80,364 as of December 31, 2013

** net of unamortized debt issuance cost and consent solicitation fees of Rp426 as of December 31, 2014 and Rp41 as of December 31, 2013

The loans from related parties consist of the following:

	December 31, 2014	December 31, 2013
Loans from non-controlling interests of APE		
Yayasan Kesejahteraan Karyawan ("YKK") Bank Indonesia	12,250	-
Multi Visi Komputama	3,500	-
Loans from non-controlling interests of LMD		
Medialand International	700	700
Danawa Indonesia	350	350
Total	16,800	1,050
Less current maturities:		
Loans from non-controlling interests of APE		
YKK Bank Indonesia	2,450	-
Multi Visi Komputama	700	-
Total	3,150	-
Long-term portion:		
Loans from non-controlling interests of APE		
YKK Bank Indonesia	9,800	-
Multi Visi Komputama	2,800	-
Loans from non-controlling interests of LMD		
Medialand International	700	700
Danawa Indonesia	350	350
Total	13,650	1,050

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18. LOANS PAYABLE (continued)

The details of the loans from related parties are as follows: (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks on Repayment and Others
a. Loans from non-controlling interests of APE:					
i. YKK Bank Indonesia	• Unsecured loan with maximum amount of Rp21,000	November 3, 2017	Rp12,250	• 10.50% p.a. • Payable on monthly basis, which shall commence after 6 months' grace period	• To finance business development, improve quality of service and adaptation to international standard of payment
ii. Multi Visi Komputama	• Unsecured loan with maximum amount of Rp6,000		Rp3,500		
b. Loans from non-controlling interests of LMD :					
i. Medialand International	• Unsecured loan	April 13, 2016	Rp700	• 2% p.a. • Payable on maturity date	• To finance working capital
ii. Danawa Indonesia	• Unsecured loan	August 13, 2016	Rp350		

The loans from third parties consist of the following:

	December 31, 2014	December 31, 2013
AB Svensk Exportkredit ("SEK"), Sweden with Guarantee from Exportkreditnamnden ("EKN") - net of unamortized debt issuance cost of Rp6,530 in 2014 and Rp12,887 in 2013	1,268,570	1,784,991
HSBC France - net of unamortized debt issuance cost and consent solicitation fees of Rp44,794 in 2014 and Rp63,235 in 2013	1,207,831	1,409,586
BCA Revolving Time Loan - net of unamortized debt issuance cost of Rp107 in 2014 and Rp41 in 2013	999,893	1,499,959
BCA Investment Credit Facility - net of unamortized debt issuance cost of Rp1,192 in 2014 and Rp1,558 in 2013	898,808	998,442
PT Indonesia Infrastructure Finance ("IIF") and PT Sarana Multi Infrastruktur ("SMI") Revolving Time Loan - net of unamortized debt issuance cost of Rp704 in 2014 and Rp1,096 in 2013	749,296	298,904
Bank Sumitomo Mitsui Indonesia ("BSMI") Revolving Time Loan - net of unamortized debt issuance cost of Rp319 in 2014 and Rp645 in 2013	649,681	649,355
PT BNP Paribas Indonesia ("BNPP") Revolving Time Loan - net of unamortized debt issuance cost of Rp551	349,449	-
9-Year Commercial Loan - net of unamortized debt issuance cost and consent solicitation fees of Rp428 in 2014 and Rp902 in 2013	100,474	147,397
SMI Revolving Time Loan - net of unamortized debt issuance cost of Rp184	99,816	-
Total	6,323,818	6,788,634
Less current maturities (net of unamortized debt issuance costs and consent solicitation fees totaling Rp426 in 2014 and Rp41 in 2013)	2,610,350	2,443,367
Long-term portion	3,713,468	4,345,267



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18. LOANS PAYABLE (continued)

The details of the loans from third parties are as follows:

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks on Repayment and Others
a. SEK Sweden with Guarantee from 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% London Inter-Bank Offered Rate ("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 obligation of loan repayment in inverse chronological order - On June 18, 2012, the Company amended its credit facility agreement with HSBC Bank Plc, as facility agent. The amendment included changes in definition of certain terms related to sale of asset transactions (Note 29).
b. 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 obligation of loan repayment in inverse chronological order - On June 18, 2012, the Company amended its COFACE credit facility agreement with HSBC France, as facility agent. The amendment included changes in definition of certain terms related to sale of asset transactions (Note 29).

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18. LOANS PAYABLE (continued)

The details of the loans from third parties are as follows: (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks on Repayment and Others
b. HSBC France (continued)	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 obligation of loan repayment in inverse chronological order - On July 23, 2012, the Company amended its SINOSURE credit facility agreement with HSBC France, as facility agent. The amendment included changes in definition of certain terms related to sale of asset transaction (Note 29).
c. BCA	- 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 amount was increased to Rp1,500,000 and the interest rate was changed. - On May 2, 2014, the Company amended the credit facility agreement to extend the maturity up to February 10, 2015.	February 10, 2015	Rp1,500,000	- JIBOR + 1.4% p.a. However, starting December 1, 2011, JIBOR + 1.25% p.a.; starting July 26, 2013, JIBOR + 1.5% p.a.; starting August 26, 2013, JIBOR + 1.75% p.a.; starting December 26, 2013, JIBOR + 2.00% p.a.; starting February 28, 2014, JIBOR + 2.25% p.a.; starting May 27, 2014, JIBOR + 2.75% p.a. - Payable monthly	- Permitted subject to 1 day prior written notice. The Company may repay the whole or any part of the loan. - On June 11, 2012, the Company obtained the consent letter from BCA for the sale of asset transaction (Note 29). - On December 19, 2012, the Company amended its credit facility agreement with BCA. The amendment included changes in definition of certain terms related to sale of asset transaction (Note 29). On December 15, 2014, the Company made payment amounting to Rp1,000,000. - On December 19, 2014, the Company made drawdown amounting to Rp500,000.



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18. LOANS PAYABLE (continued)

The details of the loans from third parties are as follows: (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks on Repayment and Others
d. BCA	• 5-year investment credit facility • Payable annually	December 12, 2018	Rp1,000,000	• 8.70% p.a. However, starting August 26, 2013, 9.00% p.a.; starting September 26, 2013, 9.25% p.a.; starting December 26, 2013, JIBOR + 9.50% p.a.; starting February 28, 2014, 9.75% p.a.; starting May 26, 2014, 10.25% p.a. • Payable quarterly	• The Company may repay the whole or any part of the loan without penalty if the repayment is made on interest payment date and subject to 5 days' prior written notice.
e. IIF and SMI	• Syndicated revolving time loan with maximum amount of Rp750,000 • Each drawdown matures at the maximum of 36 months from the drawdown date, but not exceeding October 18, 2016.	October 18, 2016	Rp750,000	• JIBOR + 2.25% p.a. • Payable quarterly or semi-annually	• Permitted subject to 5 days' prior written notice, the Company may repay the whole or any part of the loan.
f. BSMI	• Revolving time loan with maximum amount of Rp650,000 • Each drawdown matures at the maximum of 36 months from the drawdown date, but not exceeding December 31, 2015.	December 31, 2015	Rp650,000	• JIBOR + 1.25% p.a. • Payable monthly, quarterly or semi-annually	• Permitted subject to 5 days' prior written notice, the Company may repay the whole or any part of the loan.
g. BNP Paribas	• Revolving time loan with maximum amount of Rp350,000 • Each drawdown matures at the maximum of 36 months from the drawdown date, but not exceeding October 15, 2017.	October 15, 2017	Rp350,000	• JIBOR + 2.5% p.a. • Payable monthly or quarterly	• Permitted subject to 5 days' prior written notice, the Company may repay the whole or any part of the loan.

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18. LOANS PAYABLE (continued)

The details of the loans from third parties are as follows: (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks on Repayment and Others
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 obligation of loan repayment proportionately - On June 20, 2012, the Company amended its credit facility agreement with HSBC Ltd, as facility agent. The amendment included changes in definition of certain terms related to sale of asset transaction (Note 29).
i. SMI	- Revolving time loan with maximum amount of Rp100,000 - Each drawdown matures at the maximum of 36 months from the drawdown date, but not exceeding December 10, 2017.	December 10, 2017	Rp100,000	3-month JIBOR + 2.45% p.a. - Payable quarterly	Permitted subject to 5 days' prior written notice, the Company may repay the whole or any part of the loan.



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18. LOANS PAYABLE (continued)

The future scheduled principal payments of all the loans payable as of December 31, 2014 are as follows:

	Year ending December 31,					
	2015	2016	2017	2018	2019 and thereafter	Total
<u>In rupiah</u>						
BCA - revolving time loan	1,000,000	-	-	-	-	1,000,000
BCA - investment credit facility	100,000	150,000	150,000	500,000	-	900,000
IIF and SMI - revolving time loan	-	750,000	-	-	-	750,000
BSMI - revolving time loan	650,000	-	-	-	-	650,000
BNPP - revolving time loan	-	-	350,000	-	-	350,000
SMI - revolving time loan	-	-	100,000	-	-	100,000
Loans from non-controlling interests of APE	3,150	6,300	6,300	-	-	15,750
Loans from non-controlling interests of LMD	-	1,050	-	-	-	1,050
Sub-total	1,753,150	907,350	606,300	500,000	-	3,766,800
<u>In U.S. dollar</u>						
SEK, Sweden (US\$102,500.00)	559,800	470,943	244,357	-	-	1,275,100
HSBC France (US\$100,693.35)	250,525	250,525	250,525	250,525	250,525	1,252,625
9-Year Commercial Facility (US\$8,111.10)	50,451	50,451	-	-	-	100,902
Sub-total	860,776	771,919	494,882	250,525	250,525	2,628,627
Total	2,613,926	1,679,269	1,101,182	750,525	250,525	6,395,427
Less:						
- unamortized debt issuance costs and consent solicitation fees						(54,809)
Net						6,340,618

All loans are neither collateralized by any specific Group assets nor guaranteed by other parties.

The total amortization of debt issuance costs and consent solicitation fees on the loans for the years ended December 31, 2014 and 2013 amounted to Rp29,087 and Rp37,403, respectively (Note 28).

As of December 31, 2014 and 2013, the Group has complied with all financial ratios required to be maintained under the loan agreements.

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19. BONDS PAYABLE

This account consists of the following:

	December 31, 2014	December 31, 2013
a. Guaranteed Notes Due 2020 - net of unamortized notes issuance cost of Rp55,191 in 2014 and Rp64,407 in 2013, and discount of Rp17,045 in 2014 and Rp20,100 in 2013	8,013,764	7,838,343
b. Eighth Indosat Bonds in Year 2012 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp6,844 in 2014 and Rp7,696 in 2013	2,693,156	2,692,304
c. Shelf Registration Indosat Bond I Phase I in Year 2014 with Fixed Rates - net of unamortized bonds issuance cost of Rp7,054	2,302,946	-
d. Fifth Indosat Bonds in Year 2007 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp2,973 in 2014 and Rp4,657 in 2013	1,367,027	2,595,343
e. Seventh Indosat Bonds in Year 2009 with Fixed Rates - net of unamortized bonds issuance cost of Rp1,049 in 2014 and Rp2,292 in 2013	598,951	1,297,708
f. Sixth Indosat Bonds in Year 2008 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp153 in 2014 and Rp673 in 2013	319,847	319,327
g. Indosat Sukuk Ijarah V in Year 2012 - net of unamortized bonds issuance cost and consent solicitation fees of Rp697 in 2014 and Rp818 in 2013	299,303	299,182
h. Shelf Registration Indosat Sukuk Ijarah I Phase I in Year 2014 - net of unamortized bonds issuance cost of Rp589	189,411	-
i. Indosat Sukuk Ijarah IV in Year 2009 - net of unamortized bonds issuance cost and consent solicitation fees of Rp309 in 2014 and Rp476 in 2013	171,691	199,524
j. Indosat Sukuk Ijarah II in Year 2007 - net of unamortized bonds issuance cost and consent solicitation fees of Rp214	-	399,786
Total bonds payable	15,956,096	15,641,517
Less current maturities (net of unamortized bonds issuance cost and consent solicitation fees totaling Rp72,389 in 2014 and Rp1,690 in 2013)	8,333,611	2,356,310
Long-term portion	7,622,485	13,285,207



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19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
a. Guaranteed Notes Due 2020	US\$650,000	7.375% p.a. - Payable semi-annually	July 29, 2020	The notes are redeemable at the option of IPBV: - Prior to July 29, 2013, the Issuer may redeem up to a maximum of 35% of the original aggregate Notes issued with the proceeds of one or more Public Offerings at a redemption price equal to 107.375% of the principal amount. - Prior to July 29, 2015, the Issuer will be entitled at its option to redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium. - On and after July 29, 2015, the Issuer may redeem the Notes in whole or in part at any time and from time to time at certain redemption prices. - At any time, upon not less than 30 days' nor more than 60 days' prior notice, the Issuer may redeem the Notes 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 July, April and April 2014), the notes had BB+ (stable outlook), Ba1 (stable outlook) and BBB (stable outlook) ratings from Standard & Poor's ("S&P"), Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"), respectively. - Based on IPBV's Managing Board meeting held on January 22, 2015, it was resolved that IPBV would take the opportunity to redeem the Notes on July 29, 2015.
b. Eighth Indosat Bonds in Year 2012				
▪ Series A	Rp1,200,000	8.625% p.a. - Payable quarterly	June 27, 2019	- The Company can 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 November 2014, the bonds had idAAA (stable outlook) rating from PT Pemeringkat Efek Indonesia ("Pefindo").
▪ Series B	Rp1,500,000	8.875% p.a. - Payable quarterly	June 27, 2022	

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19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
c. Shelf Registration Indosat Bonds I Phase I in Year 2014				
▪ Series A	Rp950,000	▪ 10.00% p.a. ▪ Payable quarterly	December 12, 2017	▪ The Company can 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 November 2014, the bonds had idAAA rating from Pefindo.
▪ Series B	Rp750,000	▪ 10.30% p.a. ▪ Payable quarterly	December 12, 2019	
▪ Series C	Rp250,000	▪ 10.50% p.a. ▪ Payable quarterly	December 12, 2021	
▪ Series D	Rp360,000	▪ 10.70% p.a. ▪ Payable quarterly	December 12, 2024	
d. Fifth Indosat Bonds in Year 2007				
▪ Series A	Rp1,230,000	▪ 10.20% p.a. ▪ Paid quarterly	May 29, 2014	▪ The Company can 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. ▪ On May 29, 2014, the Company paid the series A bonds in full. ▪ Based on the latest rating report released in November 2014, the bonds had idAAA rating from Pefindo.
▪ Series B	Rp1,370,000	▪ 10.65% p.a. ▪ Payable quarterly	May 29, 2017	
e. Seventh Indosat Bonds in Year 2009				
▪ Series A	Rp700,000	▪ 11.25% p.a. ▪ Paid quarterly	December 8, 2014	▪ The Company can 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 November 2014, the bonds had idAAA rating from Pefindo. ▪ On December 8, 2014, the Company paid the series A bonds in full.
▪ Series B	Rp600,000	▪ 11.75% p.a. ▪ Payable quarterly	December 8, 2016	
f. Sixth Indosat Bonds in Year 2008				
▪ Series A	Rp760,000	▪ 10.25% p.a. ▪ Paid quarterly	April 9, 2013	▪ The Company can 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. ▪ On April 9, 2013, the Company paid the series A bonds in full. ▪ Based on the latest rating report released in November 2014, the bonds had idAAA rating from Pefindo.
▪ Series B	Rp320,000	▪ 10.80% p.a. ▪ Payable quarterly	April 9, 2015	
g. Indosat Sukuk Ijarah V in year 2012 ("Sukuk Ijarah V")	Rp300,000	▪ Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totaling Rp25,875, payable on a quarterly basis starting September 27, 2012 up to June 27, 2019.	June 27, 2019	▪ The Company can 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 November 2014, the bonds had idAAA _(sy) rating from Pefindo.



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19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
h. Shelf Registration Indosat Sukuk Ijarah I Phase I in Year 2014				
▪ Series A	Rp64,000	▪ Bondholders are entitled to annual fixed ijarah return (“ <i>Cicilan Imbalan Ijarah</i> ”) totaling Rp6,400, payable on a quarterly basis starting March 12, 2015 up to December 12, 2017.	December 12, 2017	▪ The Company can 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 November 2014, the bonds had idAAA _(sy) rating from Pefindo.
▪ Series B	Rp16,000	▪ Bondholders are entitled to annual fixed ijarah return (“ <i>Cicilan Imbalan Ijarah</i> ”) totaling Rp1,648, payable on a quarterly basis starting March 12, 2015 up to December 12, 2019.	December 12, 2019	
▪ Series C	Rp110,000	▪ Bondholders are entitled to annual fixed ijarah return (“ <i>Cicilan Imbalan Ijarah</i> ”) totaling Rp11,550, payable on a quarterly basis starting March 12, 2015 up to December 12, 2021.	December 12, 2021	
i. Indosat Sukuk Ijarah IV in Year 2009 (“Sukuk Ijarah IV”)				
▪ Series A	Rp28,000	▪ Bondholders were entitled to annual fixed ijarah return (“ <i>Cicilan Imbalan Ijarah</i> ”) totaling Rp3,150, paid on a quarterly basis starting March 8, 2010 up to December 8, 2014.	December 8, 2014	▪ The Company could 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 November 2014, the bonds had idAAA _(sy) rating from Pefindo. ▪ On December 8, 2014, the Company paid the series A bonds in full.
▪ Series B	Rp172,000	▪ Bondholders are entitled to annual fixed ijarah return (“ <i>Cicilan Imbalan Ijarah</i> ”) totaling Rp20,210, payable on a quarterly basis starting March 8, 2010 up to December 8, 2016.	December 8, 2016	
j. Indosat Sukuk Ijarah II in year 2007 (“Sukuk Ijarah II”)	Rp400,000	▪ Bondholders were entitled to annual fixed Ijarah return (“ <i>Cicilan Imbalan Ijarah</i> ”) totaling Rp40,800, paid on a quarterly basis starting August 29, 2007 up to May 26, 2014.	May 29, 2014	▪ The Company could 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 March 2014, the bonds had idAA ⁺ _(sy) (stable outlook) rating from Pefindo ▪ On May 26, 2014, the Company paid the bonds in full.

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19. BONDS PAYABLE (continued)

The future scheduled principal payments of all the bonds payable outstanding as of December 31, 2014 are as follows:

	Year ending December 31,					
	2015	2016	2017	2018	2019 and thereafter*	Total
<u>In U.S. dollar</u>						
Guaranteed Notes						
Due 2020 (US\$650,000)*	8,086,000	-	-	-	-	8,086,000
<u>In rupiah</u>						
Eighth Indosat Bonds*	-	-	-	-	2,700,000	2,700,000
Shelf Registration Indosat Bonds I Phase I*	-	-	950,000	-	1,360,000	2,310,000
Fifth Indosat Bonds*	-	-	1,370,000	-	-	1,370,000
Seventh Indosat Bonds*	-	600,000	-	-	-	600,000
Sixth Indosat Bonds*	320,000	-	-	-	-	320,000
Sukuk Ijarah V*	-	-	-	-	300,000	300,000
Shelf Registration Indosat Sukuk Ijarah I Phase I*	-	-	64,000	-	126,000	190,000
Sukuk Ijarah IV*	-	172,000	-	-	-	172,000
Sub-total	320,000	772,000	2,384,000	-	4,486,000	7,962,000
Total	8,406,000	772,000	2,384,000	-	4,486,000	16,048,000
Less:						
-unamortized notes issuance cost						(55,191)
-unamortized notes discount						(17,045)
-unamortized bonds issuance cost and consent solicitation fees						(19,668)
Net						15,956,096

* Refer to previous discussion on early repayment options for each bond/note.

All bonds are neither collateralized by any specific Group assets nor guaranteed by other parties. All of the Group's assets are used as pari-passu security to all of the Group's other liabilities including the bonds.

On June 5, 2012, the Company and IPBV entered into a supplemental indenture with Bank of New York Mellon, as a trustee, for the IPBV Guaranteed Notes Due 2020 based on the consent letter received on May 21, 2012 representing 93.21% of the noteholders. The supplemental indenture included the amendment of certain definition under the previous Guaranteed Notes Due 2020 indentures and the approval for the sale of asset transaction (Note 29).

On June 8, 2012, the Company received the consent letter from BRI, as a trustee, for the Seventh Indosat Bonds, Sixth Indosat Bonds, Fifth Indosat Bonds, Second Indosat Bonds and Sukuk Ijarah IV, III and II regarding the Company's sale of asset transaction (Note 29).

The total amortization of bonds issuance cost, consent solicitation fees, notes issuance cost and discount for the years ended December 31, 2014 and 2013 amounted to Rp17,144 and Rp18,485, respectively (Note 28).

As of December 31, 2014 and 2013, the Group has complied with all financial ratios required to be maintained under the Notes Indenture and Trustee Agreements.



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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):

		Fair Value (Rp)			
		December 31, 2014		December 31, 2013	
		Receivable	Payable	Receivable	Payable
	Notional Amount (US\$)				
Cross Currency Swap Contracts:					
a.	Bank of America Merrill Lynch ("BAML") ⁽⁷⁾	25,000 with decreasing amount	-	-	-
b.	DBS ⁽⁴⁾	25,000 with decreasing amount	-	-	-
c.	HSBC, Jakarta Branch ⁽¹⁾	10,000	-	-	-
d.	Barclays Bank PLC ("Barclays") ⁽¹⁾	14,500	-	-	-
e.	HSBC, Jakarta Branch ⁽²⁾	14,000	-	-	-
f.	HSBC, Jakarta Branch ⁽³⁾	11,000	-	-	-
g.	DBS ⁽⁶⁾	12,000	-	-	-
Sub-total		-	-	-	-
Interest Rate Swap Contracts:					
h.	HSBC, Jakarta Branch	27,037 with decreasing amount	-	4,061	-
i.	HSBC, Jakarta Branch	44,200 with decreasing amount	-	22,938	-
j.	Goldman Sachs International ("GSI") ⁽⁴⁾	100,000	-	-	-
k.	DBS ⁽⁴⁾	25,000 with decreasing amount	-	-	-
l.	DBS ⁽⁵⁾	25,000 with decreasing amount	-	-	-
m.	Bank of Tokyo MUFJ ("BTMUFJ") ⁽⁶⁾	25,000 with decreasing amount	-	-	-
n.	BTMUFJ ⁽⁶⁾	25,000 with decreasing amount	-	-	-
o.	BTMUFJ ⁽⁶⁾	25,000 with decreasing amount	-	-	-
p.	StandChart ⁽⁶⁾	40,000 with decreasing amount	-	-	-
Sub-total		-	26,999	-	36,903
Currency Forward Contracts:					
q.	ING	23,000	-	-	-
r.	GSI	13,000	-	-	-
s.	JP Morgan	10,000	-	-	-
t.	JP Morgan	10,000	-	-	-
u.	BNP Paribas	20,000	-	-	-
v.	Barclays	20,000	-	-	-
w.	BNP Paribas	20,000	-	-	-
x.	JP Morgan	20,000	-	-	-
y.	ING	15,000	-	-	-
z.	Barclays	15,000	-	-	-
aa.	DBS	15,000	-	-	-
ab.	DBS	20,000	-	-	-
ac.	JP Morgan	25,000	-	-	-
ad.	DBS	15,000	-	-	-
ae.	Barclays	26,000	-	-	-
af.	JP Morgan	30,000	-	-	-
ag.	BNP Paribas	25,000	-	-	-
ah.	ING	15,000	-	-	-

⁽¹⁾ contract entered into in August 2012 and settled in January 2013.

⁽²⁾ contract entered into in August 2012 and settled in February 2013.

⁽³⁾ contract entered into in August 2012 and settled in March 2013.

⁽⁴⁾ contract entered into in September 2008 and settled in June 2013.

⁽⁵⁾ contract entered into in October 2008 and settled in June 2013.

⁽⁶⁾ contract entered into in December 2008 and settled in June 2013.

⁽⁷⁾ The Company used the option to exercise US\$8,750 in June 2013, US\$2,000 in December 2012 and US\$2,000 in June 2012 of the contract amount.

⁽⁸⁾ contract entered into in March 2014 and settled in September 2014.

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20. DERIVATIVES (continued)

	Notional Amount (US\$)	Fair Value (Rp)			
		December 31, 2014		December 31, 2013	
		Receivable	Payable	Receivable	Payable
Currency Forward Contracts: (continued)					
ai. StandChart	12,000	-	-	-	-
aj. BTMU Singapore	13,000	-	-	-	-
ak. BNP Paribas	11,000	-	-	-	-
al. ING	28,000	-	-	-	-
am. BTMU Singapore	20,000	-	-	-	-
an. BTMU Singapore	10,000	-	-	-	-
ao. BTMU Singapore	13,000	-	-	-	-
ap. DBS	20,000	-	-	-	-
aq. DBS	20,000	-	-	-	-
ar. Barclays	10,000	-	-	-	-
as. StandChart	15,000	-	-	-	-
at. CIMB Niaga	15,000	-	-	-	-
au. JP Morgan	10,000	-	-	-	-
av. StandChart	20,000	-	-	-	-
aw. DBS	18,000	-	-	-	-
ax. BNP Paribas	20,000	-	-	-	-
ay. Barclays	20,000	-	-	-	-
az. ING	20,000	-	-	-	-
ba. Natixis	15,000	-	-	-	-
bb. JP Morgan	15,000	-	-	-	-
bc. JP Morgan	10,000	-	-	-	-
bd. JP Morgan	15,000	-	-	-	-
be. CIMB Niaga	9,750	-	-	-	-
bf. BNP Paribas	12,000	-	-	-	-
bg. Barclays	25,000	-	-	-	-
bh. CIMB Niaga	20,000	-	-	-	-
bi. CIMB Niaga	20,000	-	-	-	-
bj. BNP Paribas	25,000	-	-	-	-
bk. DBS	20,000	-	-	-	-
bl. Danareksa	10,000	-	-	-	-
bm. BAML	12,000	-	-	-	-
bn. BAML	14,500	-	-	-	-
bo. BAML	12,000	-	-	-	-
bp. DBS	25,000	-	-	-	-
bq. StandChart	12,000	-	-	-	-
br. BTMU	12,000	-	-	-	-
bs. DBS	12,500	-	-	-	-
bt. Danareksa	9,500	-	-	-	-
bu. CIMB Niaga	11,000	-	-	-	-
bv. CIMB Niaga	21,000	-	-	-	-
bw. StandChart	15,000	-	-	-	-
bx. CIMB Niaga	12,000	-	-	22,692	-
by. CIMB Niaga	12,000	-	-	22,728	-
bz. BTMU	10,000	-	-	-	-
ca. DBS	5,000	-	-	-	-
cb. Merrill Lynch	13,000	-	-	-	-
cc. CIMB Niaga	9,500	-	-	-	-
cd. Barclays	14,000	-	-	-	-
ce. BNP Paribas	9,500	-	-	-	-
cf. BNP Paribas	10,000	-	-	4,944	-
cg. Barclays	10,000	-	-	5,154	-
ch. BTMU	10,000	-	-	5,060	-
ci. Barclays	10,000	-	-	5,355	-
cj. BTMU	10,000	-	-	5,200	-
ck. BNP Paribas	10,000	-	-	10,142	-
cl. Barclays	10,000	-	-	-	-
cm. JP Morgan	10,000	-	-	-	-
cn. BTMU	10,000	-	-	-	-
co. ING	10,000	-	-	6,829	-
cp. Barclays	10,000	-	-	7,164	-
cq. DBS	10,000	-	-	7,480	-
cr. ING	10,000	-	-	9,044	-
cs. ING	10,000	-	-	9,718	-
ct. JP Morgan	10,000	-	-	10,032	-
cu. DBS	10,000	-	-	11,667	-
cv. BTMU	10,000	-	-	7,108	-
cw. DBS	10,000	-	-	6,521	-
cx. BTMU	10,000	-	-	7,637	-
cy. BNP Paribas	10,000	-	-	7,732	-
cz. Barclays	10,000	-	-	5,575	-
da. BNP Paribas	10,000	-	-	2,798	-
db. ING	10,000	-	-	7,907	-
dc. DBS	10,000	-	-	3,134	-
dd. DBS	10,000	-	-	3,948	-
de. Barclays	15,000	-	-	-	-
df. BTMU	15,000	-	-	-	-
dg. JP Morgan	15,000	-	-	-	-
dh. BNP Paribas	15,000	-	-	-	-
di. BTMU	15,000	-	-	-	-
dj. Barclays	15,000	-	-	-	-
dk. ING	15,000	-	-	-	-
dl. BNP Paribas	15,000	-	-	-	-



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20. DERIVATIVES (continued)

		Fair Value (Rp)			
	Notional Amount (US\$)	December 31, 2014		December 31, 2013	
		Receivable	Payable	Receivable	Payable
Currency Forward Contracts: (continued)					
dm. BTMU	15,000	-	-	-	-
dn. ING	15,000	-	-	-	-
do. DBS	20,000	-	-	-	-
dp. ING	15,000	-	-	-	-
dq. JP Morgan	20,000	-	-	-	-
dr. Barclays	20,000	-	-	-	-
ds. DBS	20,000	-	-	-	-
dt. BNP Paribas	20,000	-	-	-	-
du. JP Morgan	20,000	-	-	-	-
dv. BTMU	20,000	-	-	-	-
dw. ING	20,000	-	-	-	-
dx. BNP Paribas	20,000	-	-	-	-
dy. Barclays	20,000	-	-	-	-
dz. DBS	20,000	-	-	-	-
ea. DBS	20,000	-	-	-	-
eb. BNP Paribas	20,000	-	-	-	-
ec. JP Morgan	20,000	-	-	-	-
ed. BTMU	20,000	-	-	-	-
ee. ING	20,000	-	-	-	-
ef. BNP Paribas	20,000	-	-	-	-
eg. BTMU	20,000	-	-	-	-
eh. DBS	10,000	-	-	-	-
ei. JP Morgan	10,000	-	-	-	-
ej. JP Morgan	20,000	-	-	-	-
ek. Barclays	20,000	-	-	-	-
el. BNP Paribas	20,000	-	-	-	-
em. Barclays	20,000	-	-	-	-
en. JP Morgan	10,000	-	-	-	-
eo. ING	10,000	-	-	-	-
ep. BTMU	10,000	-	-	-	-
eq. ING	10,000	-	-	-	-
er. JP Morgan	10,000	-	-	-	-
es. ING	10,000	-	-	-	-
et. BTMU	10,000	-	-	-	-
eu. BAML	10,000	-	-	-	-
ev. JP Morgan	10,000	-	-	-	-
ew. ING	10,000	-	-	-	-
ex. BNP Paribas	10,000	-	-	-	-
ey. DBS	10,000	-	-	-	-
ez. JP Morgan	10,000	-	-	-	-
fa. BTMU	10,000	-	-	-	-
fb. BNP Paribas	10,000	-	-	-	-
fc. JP Morgan	10,000	-	-	-	-
fd. BTMU	10,000	-	-	-	-
fe. BTMU	10,000	-	-	-	-
ff. Barclays	10,000	-	-	-	-
fg. Barclays	10,000	-	-	-	-
fh. Natixis	10,000	-	-	-	-
fi. DBS	10,000	-	-	-	-
fj. Barclays	10,000	-	-	-	-
fk. Natixis	10,000	-	-	-	-
fl. DBS	10,000	-	-	-	-
fm. ING	10,000	-	-	-	-
fn. DBS	10,000	-	-	-	-
fo. ING	10,000	-	-	-	-
fp. DBS	10,000	-	-	-	-
fq. DBS	10,000	-	-	-	-
fr. JP Morgan	10,000	-	-	-	-
fs. DBS	10,000	-	-	-	-
ft. BTMU	10,000	-	-	-	-
fu. JP Morgan	10,000	-	-	-	-
fv. DBS	10,000	-	-	-	-
fw. BTMU	10,000	-	-	-	-
fx. BNP Paribas	10,000	-	-	-	-
fy. Barclays	10,000	-	-	-	-
fz. ING	10,000	-	-	-	-
ga. ING	10,000	-	-	-	-
gb. Natixis	10,000	-	-	-	-
gc. BTMU	10,000	-	-	-	-
gd. BNP Paribas	10,000	-	-	-	-
ge. JP Morgan	10,000	-	-	-	-
gf. Natixis	10,000	-	-	-	-
gg. BNP Paribas	10,000	-	-	-	-
gh. JP Morgan	10,000	-	-	-	-
gi. Natixis	10,000	-	-	-	-
gj. BNP Paribas	10,000	-	-	-	-
gk. ING	10,000	-	-	-	-
gl. BNP Paribas	10,000	-	-	-	-
gm. ING	10,000	-	-	-	-
gn. JP Morgan	10,000	-	-	-	-
go. BTMU	10,000	-	-	-	-
gp. Barclays	10,000	-	-	-	-
gq. JP Morgan	10,000	-	-	-	-

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20. DERIVATIVES (continued)

		Fair Value (Rp)			
		December 31, 2014		December 31, 2013	
		Receivable	Payable	Receivable	Payable
Currency Forward Contracts: (continued)	Notional Amount (US\$)				
gr. BTMU	10,000	-	-	-	-
gs. Barclays	10,000	-	-	-	-
gt. ING	10,000	-	-	-	-
gu. Natixis	10,000	-	-	-	-
gv. BNP Paribas	10,000	-	-	-	-
gw. Barclays	10,000	-	-	-	-
gx. DBS	10,000	-	-	-	-
gy. ING	10,000	2,062	-	-	-
gz. BNP Paribas	10,000	2,440	-	-	-
ha. Barclays	10,000	2,625	-	-	-
hb. DBS	10,000	2,536	-	-	-
hc. DBS	10,000	-	-	-	-
hd. Barclays	10,000	-	-	-	-
he. BAML	10,000	-	-	-	-
hf. ING	10,000	-	-	-	-
hg. BTMU	10,000	-	-	-	-
hh. DBS	10,000	-	1,011	-	-
hi. Barclays	10,000	-	924	-	-
hj. BAML	10,000	-	1,301	-	-
hk. BTMU	10,000	-	1,505	-	-
hl. ING	15,000	1,743	-	-	-
hm. CIMB Niaga	6,000	-	-	-	-
hn. Natixis	15,000	2,933	-	-	-
ho. BNP Paribas	15,000	1,935	-	-	-
hp. JP Morgan	15,000	1,789	-	-	-
hq. JP Morgan	15,000	1,715	-	-	-
hr. Natixis	15,000	1,354	-	-	-
hs. DBS	15,000	2,006	-	-	-
ht. BNP Paribas	6,000	-	-	-	-
hu. Barclays	15,000	2,571	-	-	-
hv. BTMU	15,000	2,136	-	-	-
hw. ING	15,000	3,207	-	-	-
hx. BTMU	15,000	3,104	-	-	-
hy. BNP Paribas	15,000	3,152	-	-	-
hz. JP Morgan	15,000	3,095	-	-	-
ia. BTMU	15,000	3,104	-	-	-
ib. BNP Paribas	15,000	3,449	-	-	-
ic. Citibank	9,500	-	-	-	-
id. JP Morgan	15,000	3,234	-	-	-
ie. BTMU	15,000	3,243	-	-	-
if. JP Morgan	6,000	1,192	-	-	-
ig. Danareksa	6,000	1,054	-	-	-
ih. DBS	6,000	1,337	-	-	-
ii. BNP Paribas	10,000	2,525	-	-	-
ij. DBS	15,000	4,611	-	-	-
ik. Barclays	15,000	4,665	-	-	-
il. ING	10,000	1,940	-	-	-
im. ING	10,000	1,543	-	-	-
in. Barclays	10,000	2,076	-	-	-
io. ING	10,000	1,610	-	-	-
Sub-total		75,986	4,741	195,569	-
Total		75,986	31,740	195,569	36,903



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20. DERIVATIVES (continued)

The net changes in fair value of the swap contracts, currency forward contracts and embedded derivative, swap income or cost, termination income or cost, and settlement of derivative instruments for the years ended December 31, 2014 and 2013, totaling (Rp101,927) and Rp273,259, respectively, were credited or charged to "Gain (Loss) on Change in Fair Value of Derivatives - Net", which is presented in profit or loss.

The following are the details of the contracts:

Cross Currency Swap Contracts

No.	Counterparties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					Year ended December 31,	
					2014	2013
a.	BAML ⁽¹⁾	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	-	2,223
b.	DBS ⁽²⁾	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	-	1,703

⁽¹⁾ On June 12, 2013, December 12, 2012, June 13, 2012 and December 12, 2011, the Company used the option to exercise US\$8,750, US\$2,000, US\$2,000 and US\$6,000 of the contract amount, and received settlement gain from the exercise amounting to US\$1,055 or equivalent to Rp10,482 on June 12, 2013, US\$186 or equivalent to Rp1,793 on December 12, 2012, US\$140 or equivalent to Rp1,325 on June 13, 2012 and US\$189 or equivalent to Rp1,716 on December 12, 2011.

⁽²⁾ On June 12, 2013, December 12, 2012, June 12, 2012 and December 12, 2011, the Company used the option to exercise US\$8,750, US\$2,000, US\$2,000 and US\$6,000 of the contract amount, and received settlement gain from the exercise amounting to US\$1,055 or equivalent to Rp10,482 on June 12, 2013, US\$186 or equivalent to Rp1,793 on December 12, 2012, US\$140 or equivalent to Rp1,324 on June 12, 2012 and US\$189 or equivalent to Rp1,716 on December 12, 2011.

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20. DERIVATIVES (continued)

Cross Currency Swap Contracts (continued)

No.	Counterparties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					Year ended December 31,	
					2014	2013
c.	HSBC ⁽³⁾	August 23, 2012 - January 23, 2013 Swap Rp96,000 for US\$10,000	3.00% of US\$10,000	Upfront premium of US\$300 (equivalent to Rp2,851) which was fully paid on August 27, 2012. The premium is amortized over the contract period.	-	429
d.	Barclays ⁽⁴⁾	August 23, 2012 - January 23, 2013 Swap Rp139,200 for US\$14,500	2.94% of US\$14,500	Upfront premium of US\$426 (equivalent to Rp4,052) which was fully paid on August 27, 2012. The premium is amortized over the contract period.	-	609
e.	HSBC ⁽⁵⁾	August 23, 2012 - February 25, 2013 Swap Rp134,400 for US\$14,000	3.20% of US\$14,000	Upfront premium of US\$448 (equivalent to Rp4,258) which was fully paid on August 27, 2012. The premium is amortized over the contract period.	-	1,282
f.	HSBC ⁽⁶⁾	August 23, 2012 - March 25, 2013 Swap Rp105,600 for US\$11,000	3.70% of US\$11,000	Upfront premium of US\$407 (equivalent to Rp3,868) which was fully paid on August 27, 2012. The premium is amortized over the contract period.	-	1,518
g.	DBS ⁽⁷⁾	March 17, 2014 - September 23, 2014 Swap Rp144,000 for US\$12,000	2.30% of US\$12,000	Upfront premium of US\$276 (equivalent to Rp3,111) which was fully paid on March 19, 2014. The premium is amortized over the contract period.	3,111	-
Total					3,111	7,764

⁽³⁾ On January 25, 2013, this contract was terminated and the Company received settlement gain on the cross currency swap amounting to Rp430.

⁽⁴⁾ On February 8, 2013, this contract was terminated and the Company received settlement gain on the cross currency swap amounting to Rp2,204.

⁽⁵⁾ On February 27, 2013, this contract was terminated and the Company received settlement gain on the cross currency swap amounting to Rp1,176.

⁽⁶⁾ On March 27, 2013, this contract was terminated and the Company received settlement gain on the cross currency swap amounting to Rp1,375.

⁽⁷⁾ On September 23, 2014, this contract expired and the Company received zero settlement.



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20. DERIVATIVES (continued)

Interest Rate Swap Contracts

No.	Counter-parties	Contract Period	Annual Interest Swap Rate	Swap Income (Expense) Receipt (Payment) Date	Amount of Swap Premium Paid / Amortized (Rp)	
					Year ended December 31,	
					2014	2013
h.	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	4,870	5,608
i.	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	12,374	12,245
j.	GSI ⁽⁹⁾	September 2, 2008 - June 12, 2013	(8.10% - underlying 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	-	-
k.	DBS ⁽⁹⁾	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	-	-
l.	DBS ⁽¹⁰⁾	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	-	-
m.	BTMUJ ⁽¹¹⁾	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	-	-
n.	BTMUJ ⁽¹²⁾	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	-	-
o.	BTMUJ ⁽¹³⁾	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	-	-
p.	StandChart ⁽¹⁴⁾	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	-	-
Total					17,244	17,853

⁽⁹⁾ On June 12, 2013, this contract expired and the Company paid settlement loss on the interest rate swap amounting to (Rp25,854).

⁽¹⁰⁾ On June 12, 2013, this contract expired and the Company paid settlement loss on the interest rate swap amounting to (Rp1,406).

⁽¹¹⁾ On June 12, 2013, this contract expired and the Company paid settlement loss on the interest rate swap amounting to (Rp1,257).

⁽¹²⁾ On June 12, 2013, this contract expired and the Company paid settlement loss on the interest rate swap amounting to (Rp903).

⁽¹³⁾ On June 12, 2013, this contract expired and the Company paid settlement loss on the interest rate swap amounting to (Rp813).

⁽¹⁴⁾ On June 12, 2013, this contract expired and the Company paid settlement loss on the interest rate swap amounting to (Rp743).

⁽¹⁵⁾ On June 12, 2013, this contract expired and the Company paid settlement loss on the interest rate swap amounting to (Rp1,024).

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20. DERIVATIVES (continued)

Currency Forward Contracts

No.	Counterparties	Contract Period	IDR/USD FixingRate (in full amounts)	Amount of Settlement Gain (Loss) (Rp)	
				Year ended December 31,	
				2014	2013
q.	ING	September 14, 2012 - January 11, 2013	Rp9,631 to US\$1	-	4,564
r.	GSI	September 17, 2012 - January 11, 2013	Rp9,560 to US\$1	-	3,487
s.	JP Morgan	September 28, 2012 - December 21, 2012	Rp9,660 to US\$1	-	-
t.	JP Morgan	October 5, 2012 - December 21, 2012	Rp9,642 to US\$1	-	-
u.	BNP Paribas	November 14, 2012 - February 8, 2013	Rp9,683 to US\$1	-	20
v.	Barclays	November 29, 2012 - March 4, 2013	Rp9,697 to US\$1	-	(560)
w.	BNP Paribas	November 30, 2012 - March 4, 2013	Rp9,669 to US\$1	-	-
x.	JP Morgan	December 3, 2012 - March 5, 2013	Rp9,638 to US\$1	-	862
y.	ING	December 4, 2012 - March 6, 2013	Rp9,666 to US\$1	-	658
z.	Barclays	December 5, 2012 - February 5, 2013	Rp9,690 to US\$1	-	1,175
aa.	DBS	December 5, 2012 - February 5, 2013	Rp9,695 to US\$1	-	1,102
ab.	DBS	December 7, 2012 - February 11, 2013	Rp9,702 to US\$1	-	496
ac.	JP Morgan	December 10, 2012 - March 13, 2013	Rp9,865 to US\$1	-	(4,425)
ad.	DBS	December 10, 2012 - March 12, 2013	Rp9,853 to US\$1	-	(2,475)
ae.	Barclays	December 12, 2012 - February 11, 2013	Rp9,770 to US\$1	-	(1,118)
af.	JP Morgan	December 12, 2012 - February 11, 2013	Rp9,765 to US\$1	-	(1,140)
ag.	BNP Paribas	December 17, 2012 - March 20, 2013	Rp9,775 to US\$1	-	(1,425)
ah.	ING	December 18, 2012 - March 20, 2013	Rp9,770 to US\$1	-	(780)
ai.	StandChart	January 22, 2013 - March 27, 2013	Rp9,815 to US\$1	-	(1,080)
aj.	BTMU Singapore	January 22, 2013 - May 3, 2013	Rp9,834 to US\$1	-	(1,457)
ak.	BNP Paribas	February 27, 2013 - May 3, 2013	Rp9,721 to US\$1	-	11
al.	ING	February 28, 2013 - May 3, 2013	Rp9,697 to US\$1	-	701
am.	BTMU Singapore	February 6, 2013 - May 3, 2013	Rp9,709 to US\$1	-	937
an.	BTMU Singapore	February 25, 2013 - April 9, 2013	Rp9,732 to US\$1	-	239
ao.	BTMU Singapore	February 27, 2013 - May 3, 2013	Rp9,743 to US\$1	-	(273)
ap.	DBS	February 8, 2013 - April 9, 2013	Rp9,694 to US\$1	-	1,236
aq.	DBS	February 21, 2013 - April 9, 2013	Rp9,731 to US\$1	-	498
ar.	Barclays	February 28, 2013 - May 13, 2013	Rp9,708 to US\$1	-	141
as.	StandChart	February 4, 2013 - May 28, 2013	Rp9,795 to US\$1	-	105
at.	CIMB Niaga	February 11, 2013 - May 28, 2013	Rp9,729 to US\$1	-	1,095



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20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counterparties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain (Loss) (Rp)	
				Year ended December 31,	
				2014	2013
au.	JP Morgan	March 6, 2013 - May 10, 2013	Rp9,735 to US\$1	-	60
av.	StandChart	March 11, 2013 - May 28, 2013	Rp9,787 to US\$1	-	300
aw.	DBS	March 13, 2013 - May 28, 2013	Rp9,779 to US\$1	-	414
ax.	BNP Paribas	March 14, 2013 - June 5, 2013	Rp9,790 to US\$1	-	2,387
ay.	Barclays	March 14, 2013 - June 5, 2013	Rp9,788 to US\$1	-	2,427
az.	ING	March 15, 2013 - June 3, 2013	Rp9,784 to US\$1	-	2,506
ba.	Natixis	March 19, 2013 - June 5, 2013	Rp9,793 to US\$1	-	1,745
bb.	JP Morgan	March 19, 2013 - June 5, 2013	Rp9,787 to US\$1	-	1,835
bc.	JP Morgan	March 19, 2013 - July 26, 2013	Rp9,870 to US\$1	-	3,839
bd.	JP Morgan	March 19, 2013 - July 26, 2013	Rp9,870 to US\$1	-	5,759
be.	CIMB Niaga	March 20, 2013 - June 17, 2013	Rp9,835 to US\$1	-	1,014
bf.	BNP Paribas	March 22, 2013 - July 3, 2013	Rp9,900 to US\$1	-	1,004
bg.	Barclays	March 22, 2013 - July 3, 2013	Rp9,899 to US\$1	-	2,116
bh.	CIMB Niaga	March 26, 2013 - June 5, 2013	Rp9,833 to US\$1	-	620
bi.	CIMB Niaga	March 26, 2013 - June 5, 2013	Rp9,817 to US\$1	-	620
bj.	BNP Paribas	March 27, 2013 - June 5, 2013	Rp9,815 to US\$1	-	2,362
bk.	DBS	March 27, 2013 - June 5, 2013	Rp9,814 to US\$1	-	840
bl.	Danareksa	March 26, 2013 - June 5, 2013	Rp9,834 to US\$1	-	220
bm.	BAML	April 9, 2013 - July 3, 2013	Rp9,807 to US\$1	-	3,335
bn.	BAML	April 10, 2013 - July 3, 2013	Rp9,755 to US\$1	-	2,130
bo.	BAML	April 25, 2013 - August 2, 2013	Rp9,805 to US\$1	-	6,172
bp.	DBS	April 26, 2013 - August 2, 2013	Rp9,802 to US\$1	-	12,937
bq.	StandChart	May 27, 2013 - July 26, 2013	Rp9,884 to US\$1	-	4,728
br.	BTMU	May 31, 2013 - July 26, 2013	Rp9,929 to US\$1	-	4,188
bs.	DBS	June 5, 2013 - August 26, 2013	Rp9,965 to US\$1	-	11,988
bt.	Danareksa	June 5, 2013 - September 16, 2013	Rp9,996 to US\$1	-	14,944
bu.	CIMB Niaga	June 12, 2013 - September 16, 2013	Rp9,988 to US\$1	-	15,785
bv.	CIMB Niaga	June 20, 2013 - July 8, 2013	Rp10,015 to US\$1	-	5,523
bw.	StandChart	June 21, 2013 - November 25, 2013	Rp10,240 to US\$1	-	26,055
bx.	CIMB Niaga	June 27, 2013 - January 6, 2014	Rp10,285 to US\$1	22,944	-
by.	CIMB Niaga	June 27, 2013 - January 6, 2014	Rp10,282 to US\$1	22,980	-
bz.	BTMU	July 15, 2013 - August 16, 2013	Rp10,140 to US\$1	-	5,830
ca.	DBS	July 15, 2013 - August 16, 2013	Rp10,125 to US\$1	-	2,990
cb.	Merryl Lynch	August 21, 2013 - November 21, 2013	Rp11,660 to US\$1	-	(4,136)
cc.	CIMB Niaga	August 22, 2013 - December 20, 2013	Rp11,502 to US\$1	-	6,774
cd.	Barclays	August 30, 2013 - October 1, 2013	Rp11,375 to US\$1	-	(1,129)
ce.	BNP Paribas	September 9, 2013 - October 11, 2013	Rp11,538 to US\$1	-	(3,167)
cf.	BNP Paribas	September 12, 2013 - January 6, 2014	Rp11,720 to US\$1	3,772	-
cg.	Barclays	September 13, 2013 - January 6, 2014	Rp11,680 to US\$1	4,175	-
ch.	BTMU	September 13, 2013 - January 6, 2014	Rp11,675 to US\$1	4,226	-
ci.	Barclays	September 18, 2013 - January 6, 2014	Rp11,660 to US\$1	4,377	-
cj.	BTMU	September 18, 2013 - January 6, 2014	Rp11,661 to US\$1	4,367	-
ck.	BNP Paribas	September 19, 2013 - January 6, 2014	Rp11,199 to US\$1	9,026	-

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20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counterparties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain (Loss) (Rp)	
				Year ended December 31,	
				2014	2013
cl.	Barclays	September 24, 2013 - November 6, 2013	Rp11,362 to US\$1	-	(3,365)
cm.	JP Morgan	September 24, 2013 - November 6, 2013	Rp11,407 to US\$1	-	(3,828)
cn.	BTMU	September 24, 2013 - November 1, 2013	Rp11,440 to US\$1	-	(5,939)
co.	ING	October 8, 2013 - January 6, 2014	Rp11,508 to US\$1	5,910	-
cp.	Barclays	October 10, 2013 - January 6, 2014	Rp11,480 to US\$1	6,192	-
cq.	DBS	October 10, 2013 - January 6, 2014	Rp11,452 to US\$1	6,475	-
cr.	ING	October 11, 2013 - February 4, 2014	Rp11,388 to US\$1	7,767	-
cs.	ING	October 11, 2013 - February 4, 2014	Rp11,320 to US\$1	8,441	-
ct.	JP Morgan	October 17, 2013 - January 6, 2014	Rp11,175 to US\$1	9,268	-
cu.	DBS	October 21, 2013 - February 4, 2014	Rp11,135 to US\$1	10,277	-
cv.	BTMU	November 14, 2013 - January 13, 2014	Rp11,495 to US\$1	6,093	-
cw.	DBS	November 18, 2013 - January 13, 2014	Rp11,572 to US\$1	5,323	-
cx.	BTMU	November 19, 2013 - January 13, 2014	Rp11,442 to US\$1	6,623	-
cy.	BNP Paribas	November 19, 2013 - January 13, 2014	Rp11,463 to US\$1	6,413	-
cz.	Barclays	November 26, 2013 - January 29, 2014	Rp11,730 to US\$1	4,343	-
da.	BNP Paribas	November 19, 2013 - January 6, 2014	Rp11,935 to US\$1	1,604	-
db.	ING	November 29, 2013 - January 13, 2014	Rp11,425 to US\$1	6,794	-
dc.	DBS	November 29, 2013 - January 13, 2014	Rp11,887 to US\$1	2,088	-
dd.	DBS	December 2, 2013 - February 4, 2014	Rp11,915 to US\$1	2,539	-
de.	Barclays	January 8, 2014 - March 4, 2014	Rp12,275 to US\$1	(10,091)	-
df.	BTMU	January 10, 2014 - March 4, 2014	Rp12,164 to US\$1	(8,422)	-
dg.	JP Morgan	January 13, 2014 - April 2, 2014	Rp11,997 to US\$1	(8,895)	-
dh.	BNP Paribas	January 29, 2014 - March 4, 2014	Rp12,118 to US\$1	(7,730)	-
di.	BTMU	January 29, 2014 - March 4, 2014	Rp12,140 to US\$1	(8,061)	-
dj.	Barclays	February 5, 2014 - April 2, 2014	Rp12,190 to US\$1	(11,790)	-
dk.	ING	February 5, 2014 - April 2, 2014	Rp12,185 to US\$1	(11,715)	-
dl.	BNP Paribas	February 5, 2014 - May 2, 2014	Rp12,270 to US\$1	(10,165)	-
dm.	BTMU	February 6, 2014 - April 2, 2014	Rp12,098 to US\$1	(10,410)	-
dn.	ING	February 6, 2014 - May 2, 2014	Rp12,186 to US\$1	(10,740)	-
do.	DBS	February 6, 2014 - May 2, 2014	Rp12,168 to US\$1	(11,523)	-
dp.	ING	February 11, 2014 - April 2, 2014	Rp12,120 to US\$1	(8,911)	-
dq.	JP Morgan	February 12, 2014 - April 2, 2014	Rp12,090 to US\$1	(13,720)	-
dr.	Barclays	February 12, 2014 - May 2, 2014	Rp12,149 to US\$1	(11,145)	-
ds.	DBS	February 12, 2014 - May 2, 2014	Rp12,110 to US\$1	(10,369)	-
dt.	BNP Paribas	February 12, 2014 - April 2, 2014	Rp12,033 to US\$1	(12,580)	-
du.	JP Morgan	February 17, 2014 - April 2, 2014	Rp11,627 to US\$1	(4,460)	-
dv.	BTMU	February 17, 2014 - May 2, 2014	Rp11,707 to US\$1	(2,348)	-
dw.	ING	February 20, 2014 - May 2, 2014	Rp11,845 to US\$1	(5,095)	-
dx.	BNP Paribas	February 21, 2014 - May 2, 2014	Rp11,823 to US\$1	(4,657)	-
dy.	Barclays	February 24, 2014 - June 2, 2014	Rp11,898 to US\$1	(5,700)	-
dz.	DBS	February 24, 2014 - June 2, 2014	Rp11,853 to US\$1	(4,800)	-
ea.	DBS	February 27, 2014 - June 2, 2014	Rp11,860 to US\$1	(4,940)	-
eb.	BNP Paribas	February 27, 2014 - July 1, 2014	Rp11,973 to US\$1	(7,920)	-
ec.	JP Morgan	February 28, 2014 - June 2, 2014	Rp11,785 to US\$1	(3,440)	-
ed.	BTMU	March 6, 2014 - June 2, 2014	Rp11,598 to US\$1	303	-
ee.	ING	March 6, 2014 - July 1, 2014	Rp11,689 to US\$1	8,110	-
ef.	BNP Paribas	March 14, 2014 - July 1, 2014	Rp11,497 to US\$1	11,815	-



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20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counterparties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain (Loss) (Rp)	
				Year ended December 31,	
				2014	2013
eg.	BTMU	April 22, 2014 - July 1, 2014	Rp11,639 to US\$1	9,046	-
eh.	DBS	April 24, 2014 - May 20, 2014	Rp11,669 to US\$1	(2,280)	-
ei.	JP Morgan	April 24, 2014 - June 24, 2014	Rp11,740 to US\$1	2,600	-
ej.	JP Morgan	April 25, 2014 - July 1, 2014	Rp11,690 to US\$1	8,052	-
ek.	Barclays	April 25, 2014 - August 13, 2014	Rp11,764 to US\$1	(720)	-
el.	BNP Paribas	April 28, 2014 - July 1, 2014	Rp11,680 to US\$1	8,247	-
em.	Barclays	April 29, 2014 - July 1, 2014	Rp11,673 to US\$1	8,383	-
en.	JP Morgan	April 29, 2014 - July 1, 2014	Rp11,665 to US\$1	4,270	-
eo.	ING	April 29, 2014 - July 1, 2014	Rp11,665 to US\$1	4,290	-
ep.	BTMU	April 29, 2014 - July 1, 2014	Rp11,665 to US\$1	4,270	-
eq.	ING	May 13, 2014 - August 13, 2014	Rp11,670 to US\$1	827	-
er.	JP Morgan	May 13, 2014 - August 13, 2014	Rp11,670 to US\$1	578	-
es.	ING	May 14, 2014 - August 13, 2014	Rp11,645 to US\$1	578	-
et.	BTMU	May 14, 2014 - August 13, 2014	Rp11,645 to US\$1	827	-
eu.	BAML	May 14, 2014 - August 13, 2014	Rp11,645 to US\$1	825	-
ev.	JP Morgan	May 14, 2014 - August 13, 2014	Rp11,545 to US\$1	1,823	-
ew.	ING	May 14, 2014 - August 13, 2014	Rp11,545 to US\$1	1,823	-
ex.	BNP Paribas	May 14, 2014 - September 16, 2014	Rp11,585 to US\$1	2,474	-
ey.	DBS	May 19, 2014 - September 16, 2014	Rp11,500 to US\$1	3,330	-
ez.	JP Morgan	May 30, 2014 - September 16, 2014	Rp11,870 to US\$1	(390)	-
fa.	BTMU	June 24, 2014 - October 28, 2014	Rp12,220 to US\$1	(1,547)	-
fb.	BNP Paribas	June 24, 2014 - October 28, 2014	Rp12,225 to US\$1	(1,597)	-
fc.	JP Morgan	June 24, 2014 - October 28, 2014	Rp12,225 to US\$1	(1,597)	-
fd.	BTMU	June 24, 2014 - October 28, 2014	Rp12,225 to US\$1	(1,597)	-
fe.	BTMU	June 24, 2014 - September 16, 2014	Rp12,130 to US\$1	(2,990)	-
ff.	Barclays	June 25, 2014 - September 16, 2014	Rp12,210 to US\$1	(3,790)	-
fg.	Barclays	June 26, 2014 - September 16, 2014	Rp12,240 to US\$1	(4,090)	-
fh.	Natixis	June 26, 2014 - September 16, 2014	Rp12,240 to US\$1	(4,090)	-
fi.	DBS	June 26, 2014 - September 16, 2014	Rp12,240 to US\$1	(4,090)	-
fj.	Barclays	June 26, 2014 - October 28, 2014	Rp12,335 to US\$1	(2,695)	-
fk.	Natixis	June 26, 2014 - October 28, 2014	Rp12,335 to US\$1	(2,695)	-
fl.	DBS	June 26, 2014 - October 28, 2014	Rp12,333 to US\$1	(2,675)	-
fm.	ING	June 27, 2014 - September 16, 2014	Rp12,220 to US\$1	(3,890)	-
fn.	DBS	June 27, 2014 - September 16, 2014	Rp12,220 to US\$1	(3,890)	-
fo.	ING	June 27, 2014 - October 28, 2014	Rp12,310 to US\$1	(2,445)	-
fp.	DBS	June 27, 2014 - October 28, 2014	Rp12,310 to US\$1	(2,445)	-
fq.	DBS	June 27, 2014 - August 25, 2014	Rp12,127 to US\$1	(4,120)	-
fr.	JP Morgan	June 30, 2014 - September 16, 2014	Rp12,010 to US\$1	(1,790)	-
fs.	DBS	June 30, 2014 - September 16, 2014	Rp12,010 to US\$1	(1,790)	-
ft.	BTMU	June 30, 2014 - September 16, 2014	Rp12,010 to US\$1	(1,790)	-
fu.	JP Morgan	June 30, 2014 - October 28, 2014	Rp12,090 to US\$1	(250)	-
fv.	DBS	June 30, 2014 - October 28, 2014	Rp12,090 to US\$1	(250)	-
fw.	BTMU	June 30, 2014 - October 28, 2014	Rp12,090 to US\$1	(250)	-
fx.	BNP Paribas	July 7, 2014 - September 16, 2014	Rp11,860 to US\$1	(290)	-
fy.	Barclays	July 7, 2014 - September 16, 2014	Rp11,860 to US\$1	(290)	-

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20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counterparties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain (Loss) (Rp)	
				Year ended December 31,	
				2014	2013
fz.	ING	July 7, 2014 - September 16, 2014	Rp11,860 to US\$1	(290)	-
ga.	ING	July 7, 2014 - October 28, 2014	Rp11,940 to US\$1	1,260	-
gb.	Natixis	July 23, 2014 - October 28, 2014	Rp11,645 to US\$1	4,232	-
gc.	BTMU	July 23, 2014 - November 4, 2014	Rp11,660 to US\$1	4,237	-
gd.	BNP Paribas	July 25, 2014 - October 28, 2014	Rp11,750 to US\$1	3,174	-
ge.	JP Morgan	July 25, 2014 - October 28, 2014	Rp11,750 to US\$1	3,174	-
gf.	Natixis	July 25, 2014 - October 28, 2014	Rp11,731 to US\$1	3,364	-
gg.	BNP Paribas	July 25, 2014 - November 4, 2014	Rp11,763 to US\$1	3,203	-
gh.	JP Morgan	July 25, 2014 - November 4, 2014	Rp11,765 to US\$1	3,183	-
gi.	Natixis	July 25, 2014 - November 4, 2014	Rp11,765 to US\$1	3,183	-
gj.	BNP Paribas	August 28, 2014 - November 4, 2014	Rp11,790 to US\$1	2,932	-
gk.	ING	August 28, 2014 - November 4, 2014	Rp11,800 to US\$1	2,831	-
gl.	BNP Paribas	August 28, 2014 - November 28, 2014	Rp11,840 to US\$1	3,209	-
gm.	ING	August 28, 2014 - November 28, 2014	Rp11,850 to US\$1	3,109	-
gn.	JP Morgan	August 29, 2014 - November 4, 2014	Rp11,835 to US\$1	2,480	-
go.	BTMU	August 29, 2014 - November 4, 2014	Rp11,835 to US\$1	2,480	-
gp.	Barclays	August 29, 2014 - November 4, 2014	Rp11,835 to US\$1	2,480	-
gq.	JP Morgan	August 29, 2014 - November 28, 2014	Rp11,890 to US\$1	2,708	-
gr.	BTMU	August 29, 2014 - November 28, 2014	Rp11,890 to US\$1	2,708	-
gs.	Barclays	August 29, 2014 - November 28, 2014	Rp11,890 to US\$1	2,708	-
gt.	ING	September 24, 2014 - November 28, 2014	Rp12,120 to US\$1	401	-
gu.	Natixis	September 24, 2014 - November 28, 2014	Rp12,120 to US\$1	401	-
gv.	BNP Paribas	September 24, 2014 - November 28, 2014	Rp12,090 to US\$1	702	-
gw.	Barclays	September 24, 2014 - November 28, 2014	Rp12,090 to US\$1	702	-
gx.	DBS	September 24, 2014 - November 28, 2014	Rp12,090 to US\$1	702	-
gy.	ING	September 24, 2014 - January 14, 2015	Rp12,230 to US\$1	-	-
gz.	BNP Paribas	September 24, 2014 - January 14, 2015	Rp12,195 to US\$1	-	-
ha.	Barclays	September 24, 2014 - January 14, 2015	Rp12,195 to US\$1	-	-
hb.	DBS	September 24, 2014 - January 14, 2015	Rp12,195 to US\$1	-	-
hc.	DBS	September 30, 2014 - November 28, 2014	Rp12,410 to US\$1	(2,500)	-
hd.	Barclays	September 30, 2014 - November 28, 2014	Rp12,410 to US\$1	(2,500)	-
he.	BAML	September 30, 2014 - November 28, 2014	Rp12,410 to US\$1	(2,500)	-
hf.	ING	September 30, 2014 - November 28, 2014	Rp12,450 to US\$1	(2,900)	-
hg.	BTMU	September 30, 2014 - November 28, 2014	Rp12,450 to US\$1	(2,900)	-
hh.	DBS	September 30, 2014 - January 14, 2015	Rp12,550 to US\$1	-	-
hi.	Barclays	September 30, 2014 - January 14, 2015	Rp12,550 to US\$1	-	-
hj.	BAML	September 30, 2014 - January 14, 2015	Rp12,550 to US\$1	-	-
hk.	BTMU	September 30, 2014 - January 14, 2015	Rp12,580 to US\$1	-	-
hl.	ING	October 17, 2014 - January 14, 2015	Rp12,320 to US\$1	-	-
hm.	CIMB Niaga	October 23, 2014 - November 26, 2014	Rp12,095 to US\$1	390	-
hn.	Natixis	October 23, 2014 - January 14, 2015	Rp12,210 to US\$1	-	-
ho.	BNP Paribas	October 29, 2014 - January 14, 2015	Rp12,310 to US\$1	-	-
hp.	JP Morgan	October 29, 2014 - January 14, 2015	Rp12,310 to US\$1	-	-
hq.	JP Morgan	October 29, 2014 - January 14, 2015	Rp12,315 to US\$1	-	-



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20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counterparties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain (Loss) (Rp)	
				Year ended December 31,	
				2014	2013
hr.	Natixis	October 29, 2014 - January 14, 2015	Rp12,315 to US\$1	-	-
hs.	DBS	October 29, 2014 - January 14, 2015	Rp12,315 to US\$1	-	-
ht.	BNP Paribas	October 29, 2014 - November 26, 2014	Rp12,160 to US\$1	-	-
hu.	Barclays	October 29, 2014 - February 25, 2015	Rp12,390 to US\$1	-	-
hv.	BTMU	October 29, 2014 - February 28, 2015	Rp12,390 to US\$1	-	-
hw.	ING	November 18, 2014 - February 25, 2015	Rp12,325 to US\$1	-	-
hx.	BTMU	November 18, 2014 - February 25, 2015	Rp12,325 to US\$1	-	-
hy.	BNP Paribas	November 18, 2014 - February 25, 2015	Rp12,330 to US\$1	-	-
hz.	JP Morgan	November 18, 2014 - February 25, 2015	Rp12,325 to US\$1	-	-
ia.	BTMU	November 18, 2014 - February 25, 2015	Rp12,325 to US\$1	-	-
ib.	BNP Paribas	November 18, 2014 - February 25, 2015	Rp12,310 to US\$1	-	-
ic.	Citibank	November 18, 2014 - December 29, 2014	Rp12,228 to US\$1	1,957	-
id.	JP Morgan	November 18, 2014 - February 25, 2015	Rp12,385 to US\$1	-	-
ie.	BTMU	November 18, 2014 - March 26, 2015	Rp12,385 to US\$1	-	-
if.	JP Morgan	November 19, 2014 - January 23, 2015	Rp12,250 to US\$1	-	-
ig.	Danareksa	November 19, 2014 - January 23, 2015	Rp12,250 to US\$1	-	-
ih.	DBS	November 19, 2014 - January 23, 2015	Rp12,250 to US\$1	-	-
ii.	BNP Paribas	November 20, 2014 - March 26, 2015	Rp12,360 to US\$1	-	-
ij.	DBS	November 24, 2014 - March 26, 2015	Rp12,320 to US\$1	-	-
ik.	Barclays	November 24, 2014 - March 26, 2015	Rp12,320 to US\$1	-	-
il.	ING	November 28, 2014 - February 25, 2015	Rp12,345 to US\$1	-	-
im.	ING	November 28, 2014 - February 25, 2015	Rp12,385 to US\$1	-	-
in.	Barclays	November 28, 2014 - March 26, 2015	Rp12,425 to US\$1	-	-
io.	ING	November 28, 2014 - March 26, 2015	Rp12,450 to US\$1	-	-
Total				32,848	134,477

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21. FINANCIAL ASSETS AND LIABILITIES

The Group has various financial assets such as trade and other accounts receivable and unrestricted and restricted cash and cash equivalents, 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 accounts payable and others. 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, interest rate swaps, and currency forward contracts, for the purpose of managing its foreign exchange and interest rate exposures emanating from the Company's loans and bonds payable in foreign currencies.

The following table sets forth the carrying values and estimated fair values of the Group's financial instruments that are carried in the consolidated statement of financial position:

	Carrying Values		Fair Value	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current Financial Assets				
Cash and cash equivalents	3,480,011	2,233,532	3,480,011	2,233,532
Accounts receivable - trade and others - net	2,101,127	2,284,633	2,101,127	2,284,633
Derivative assets	75,986	195,569	75,986	195,569
Other current financial assets	16,287	31,673	16,287	31,673
Total current financial assets	5,673,411	4,745,407	5,673,411	4,745,407
Non-current Financial Assets				
Due from related parties	3,496	7,167	3,035	6,174
Other non-current financial assets - net	160,903	1,557,367	160,097	1,556,622
Total non-current financial assets	164,399	1,564,534	163,132	1,562,796
Total Financial Assets	5,837,810	6,309,941	5,836,543	6,308,203
Current Financial Liabilities				
Short-term loans	849,448	1,499,849	849,448	1,499,849
Accounts payable - trade	690,559	339,310	690,559	339,310
Procurement payable	3,095,518	3,064,287	3,095,518	3,064,287
Accrued expenses	2,150,949	2,085,034	2,150,949	2,085,034
Deposits from customers	238,338	49,335	238,338	49,335
Derivative liabilities	31,740	36,903	31,740	36,903
Loans payable - current maturities	2,613,500	2,443,367	2,495,952	2,624,742
Bonds payable - current maturities	8,333,611	2,356,310	8,923,659	2,372,560
Other current financial liabilities	423,029	362,448	423,029	362,448
Total current financial liabilities	18,426,692	12,236,843	18,899,192	12,434,468
Non-current Financial Liabilities				
Due to related parties	30,159	33,301	26,178	28,687
Obligations under finance lease - net of current maturities	3,631,591	3,594,112	3,631,591	3,594,112
Loans payable - net of current maturities	3,727,118	4,346,317	3,999,202	3,277,844
Bonds payable - net of current maturities	7,622,485	13,285,207	7,389,600	14,075,516
Other non-current financial liabilities	17,049	81,805	14,589	73,088
Total non-current financial liabilities	15,028,402	21,340,742	15,061,160	21,049,247
Total Financial Liabilities	33,455,094	33,577,585	33,960,352	33,483,715



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21. FINANCIAL ASSETS AND LIABILITIES (continued)

The fair values of the financial assets and liabilities are presented at the amounts at which the instruments 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 loans, 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.

- *Derivative financial instruments*

Cross currency swap contracts

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, obligations under finance lease 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.

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21. FINANCIAL ASSETS AND LIABILITIES (continued)

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: (continued)

Long-term financial assets and liabilities: (continued)

- *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 investment classified as available-for-sale, the fair value of the investment in Tower Bersama (Note 12) which was sold in March 2014 was determined based on the latest market quotation as published by the Indonesia Stock Exchange as of December 31, 2013.

Fair Value Hierarchy

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Company calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.



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21. FINANCIAL ASSETS AND LIABILITIES (continued)

Fair Value Hierarchy (continued)

The Company's fair value hierarchy is as follows:

December 31, 2014				
	TOTAL	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant and observable inputs, directly or indirectly (Level 2)	Significant unobservable inputs (Level 3)
Current Financial Assets				
Derivative assets	75,986	-	75,986	-
Other current financial assets - net	16,287	-	16,287	-
Non-current Financial Assets				
Due from related parties - net	3,035	-	3,035	-
Other non-current financial assets - net	160,097	6,282	153,815	-
Total Financial Assets	255,405	6,282	249,123	-
Current Financial Liabilities				
Derivative liabilities	31,740	-	31,740	-
Loans payable - current maturities	2,495,952	-	2,495,952	-
Bonds payable - current maturities	8,923,659	8,923,659	-	-
Other current financial liabilities	423,029	-	423,029	-
Non-current Financial Liabilities				
Due to related parties	26,178	-	26,178	-
Obligations under finance lease - net of current maturities	3,631,591	-	3,631,591	-
Loans payable - net of current maturities	3,999,202	-	3,999,202	-
Bonds payable - net of current maturities	7,389,600	7,389,600	-	-
Other non-current financial liabilities	14,589	-	14,589	-
Total Financial Liabilities	26,935,540	16,313,259	10,622,281	-
December 31, 2013				
	TOTAL	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant and observable inputs, directly or indirectly (Level 2)	Significant unobservable inputs (Level 3)
Current Financial Assets				
Derivative assets	195,569	-	195,569	-
Other current financial assets - net	31,673	-	31,673	-
Non-current Financial Assets				
Due from related parties - net	6,174	-	6,174	-
Other non-current financial assets - net	1,556,622	1,393,722	162,900	-
Total Financial Assets	1,790,038	1,393,722	396,316	-
Current Financial Liabilities				
Derivative liabilities	36,903	-	36,903	-
Loans payable - current maturities	2,624,742	-	2,624,742	-
Bonds payable - current maturities	2,372,560	2,372,560	-	-
Other current financial liabilities	362,448	-	362,448	-
Non-current Financial Liabilities				
Due to related parties	28,687	-	28,687	-
Obligations under finance lease - net of current maturities	3,594,112	-	3,594,112	-
Loans payable - net of current maturities	3,277,844	-	3,277,844	-
Bonds payable - net of current maturities	14,075,516	14,075,516	-	-
Other non-current financial liabilities	73,088	-	73,088	-
Total Financial Liabilities	26,445,900	16,448,076	9,997,824	-

For the years ended December 31, 2014 and 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

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22. EMPLOYEE BENEFIT OBLIGATIONS - NET OF CURRENT PORTION

This account consists of the non-current portions of employee benefit obligations as follows:

	December 31, 2014	December 31, 2013
Post-retirement healthcare (Note 31)	730,865	715,398
Labor Law 13/2003 (Note 31)	325,752	293,253
Service award	32,628	35,378
Accumulated leave benefits	2,070	2,385
Total	1,091,315	1,046,414

23. CAPITAL STOCK

The Company's capital stock ownership is as follows:

Stockholders	Number of Shares Issued and Fully Paid	Amount	Percentage of Ownership (%)
<u>December 31, 2014</u>			
A Share			
Government	1	-	-
B Shares			
Ooredoo Asia, Pte. Ltd.	3,532,056,600	353,206	65.00
Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)*	292,740,950	29,274	5.39
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	832,500,950	83,250	15.32
Total	5,433,933,500	543,393	100.00
<u>December 31, 2013</u>			
A Share			
Government	1	-	-
B Shares			
Ooredoo Asia, Pte. Ltd.	3,532,056,600	353,206	65.00
Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)	298,880,950	29,888	5.50
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	826,360,950	82,636	15.21
Total	5,433,933,500	543,393	100.00

* based on letter from SKAGEN dated December 18, 2014

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 holder of "A" share also has the right to appoint one director and one commissioner of the Company.



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24. REVENUES

The details of this account consist of the following:

	Year ended December 31,	
	2014	2013
Cellular		
Value-added services	9,583,786	8,408,278
Usage charges	9,263,986	9,281,316
Interconnection services (Note 37)	2,022,722	2,430,823
Tower leasing (Note 34p)	667,178	573,263
Monthly subscription charges	83,618	127,628
Upfront discount and Customer Loyalty Program (Note 2k)	(2,496,136)	(1,671,899)
Others	355,311	225,229
Sub-total	19,480,465	19,374,638
MIDI		
Internet Protocol Virtual Private Network (IP VPN)	864,367	706,005
Internet	580,135	696,238
Multiprotocol Label Switching (MPLS)	427,985	380,804
Satellite lease	301,380	278,244
Application services	299,244	283,760
Leased line	295,319	169,293
World link and direct link	252,497	340,739
Digital data network	115,855	110,117
Value added service	89,755	52,241
Frame net	69,119	93,391
Others	212,907	155,015
Sub-total	3,508,563	3,265,847
Fixed Telecommunications		
International Calls	920,095	1,019,980
Fixed Line	130,887	135,168
Fixed Wireless	45,091	59,639
Sub-total	1,096,073	1,214,787
Total	24,085,101	23,855,272

The details of net revenues (included as part of cellular revenue - value added services) received by the Company from agency relationships are as follows:

	Year ended December 31,	
	2014	2013
Gross revenues	9,985,291	8,593,805
Compensation to value added service providers	(401,505)	(185,527)
Net revenues	9,583,786	8,408,278

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24. REVENUES (continued)

Operating revenues from related parties amounted to Rp2,117,288 and Rp2,059,851 for the years ended December 31, 2014 and 2013, respectively (Note 32). These amounts represent 8.79% and 8.64% of the total operating revenues for the years ended December 31, 2014 and 2013, respectively.

The operating revenues from interconnection services are presented on a gross basis (Note 2k).

25. EXPENSES - COST OF SERVICES

The details of this account consist of the following:

	Year ended December 31,	
	2014	2013
Radio frequency fee (Notes 34r and 36)	2,618,852	2,225,610
Interconnection (Note 37)	2,554,771	2,946,483
Maintenance	1,111,763	981,191
Utilities	963,313	891,951
Rent (Note 34u)	895,336	726,915
Blackberry access fee	404,819	517,993
Leased circuits	395,738	464,438
USO (Note 36)	293,343	330,469
Cost of SIM cards and pulse reload vouchers	249,127	253,343
Cost of handsets and modems	186,546	10,834
Installation	173,563	161,404
Concession fee (Note 36)	152,397	149,354
Delivery and transportation	132,648	129,986
Communication Network	86,095	70,428
License	75,784	45,338
Billing and collection	41,141	28,995
Others	73,676	21,801
Total	10,408,912	9,956,533

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).



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26. EXPENSES - PERSONNEL

The details of this account consist of the following:

	Year ended December 31,	
	2014	2013
Salaries	634,604	605,798
Incentives and other employee benefits	418,243	318,897
Employee income tax	234,713	257,395
Bonuses	200,919	153,160
Medical expense	66,877	59,039
Severance benefits under ESP*	55,413	137,633
Separation, appreciation and compensation expense under Labor Law No. 13/2003 (Note 31)	42,115	55,394
Post-retirement healthcare benefits (Note 31)	33,998	102,572
Net periodic pension cost (Note 31)	16,873	13,504
Early retirement	6,126	5,075
Others	2,637	19,127
Total	1,712,518	1,727,594

* On December 12, 2013, the Company's Directors issued Directors' Decree No. 050/AC0-ACBA/HRD-PKG/13, "Employment Separation Program ("ESP") due to Reorganization". Under this decree, there were 59 employees in 2014 and 214 employees in 2013 of the Company who were qualified for this program after the approval from the Board of Directors, and the benefit paid amounted to Rp55,413 and Rp137,633 during the years ended December 31, 2014 and 2013, respectively.

The personnel expenses capitalized to properties under construction and installation for the years ended December 31, 2014 and 2013 amounted to Rp80,913 and Rp50,623, respectively.

27. EXPENSES - GENERAL AND ADMINISTRATION

The details of this account consist of the following:

	Year ended December 31,	
	2014	2013
Professional fees	289,904	365,348
Rent	145,326	136,205
Provision for impairment of accounts receivable - net (Note 5)	84,816	102,307
Transportation	81,624	69,829
Insurance	36,561	33,857
Training, education and research	36,121	32,033
Direct write-off of accounts receivable	32,813	-
Office administration	31,777	28,051
Utilities	21,761	15,044
Public relations	15,396	22,374
Social activities	7,887	30,269
Land and building taxes	7,722	8,128
Communication	6,676	6,973
Membership	6,047	5,122
Others (each below Rp5,000)	55,098	45,994
Total	859,529	901,534

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28. FINANCING COST

The details of this account consist of the following:

	Year ended December 31,	
	2014	2013
Interest on loans	1,890,632	1,697,679
Finance charges under finance lease	458,405	446,917
Amortization of debt and bonds / notes issuance costs, consent solicitation fees and discount (Notes 14, 18 and 19)	46,986	56,208
Bank charges	5,895	2,900
Interest expense from Lintasarta's USO Project	4,618	8,391
Total	2,406,536	2,212,095

29. GAIN ON TOWER SALES

On February 7, 2012, the Company entered into an Asset Sale 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 lease back the spaces in the 2,500 telecommunication towers for a 10-year period with fixed monthly lease rate of US\$1,300 per tower slot (in full amount). The leases have an option to be renewed for a further 10-year period.

On August 2, 2012, the Company and Tower Bersama closed the deal on the sale-and-leaseback transaction of 2,500 telecommunication towers. On the closing date of such transaction, the Company received cash amounting to US\$326,289 (equal to Rp3,092,894) and obtained 5% ownership (equal to 239,826,310 shares) in Tower Bersama with a value of US\$103,101 (equivalent to Rp977,292) (Note 12a).

The total consideration of US\$429,390 (equal to Rp4,070,187) is allocated to the sales of property and equipment amounting to Rp3,870,600 and the remainder is allocated to prepaid land lease and existing tower lease contracts from the 2,500 towers. The total carrying amount of the separately identifiable components of the transaction is Rp1,534,494 which includes the carrying amount of property and equipment amounting to Rp1,372,674. As of the agreement closing date, the Company recorded the excess of the selling price over the carrying amounts amounting to Rp2,535,693 (including the Rp2,497,926 from the sale of property and equipment) as "Gain on Sale of Towers" of Rp1,125,192, and "Deferred Gain on Sale-and-Leaseback Transactions" of Rp1,410,501. The deferred gain will be amortized over the term of the lease, being 10 years.

As of December 31, 2014 and 2013, the balances of the current portion of outstanding deferred gain on sale-and-leaseback transactions amounting to Rp141,050 each are presented as part of "Other Current Liabilities", while the balances of the long-term portion amounting to Rp928,580 and Rp1,069,630, respectively, are presented as part of "Other Non-current Liabilities".

For the years ended December 31, 2014 and 2013, the Company recorded amortization of deferred gain on sale-and-leaseback transactions amounting to Rp141,050 each.



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30. PROVISION FOR LEGAL CASE

On January 18, 2012, the Company and IMM, a subsidiary, were investigated by the Attorney General's Office (AGO) in connection with the cooperation agreement between the Company and IMM to provide 3G-based broadband internet services. IMM had been accused of illegally using the Company's 3G license (Note 1a) without paying annual frequency fee, concession fee and tender upfront fee (hereafter known as "Litigation Case"). The MOCIT, as well as the Indonesian Telecommunication Regulatory Body ("BRTI"), has made a public statement that IMM has not breached any prevailing law or regulations; nevertheless, the case continued to be investigated by the AGO. During the investigation process, AGO was assisted by *Badan Pengawasan Keuangan dan Pembangunan* [Indonesian Financial and Development Supervisory Agency ("BPKP")] to evaluate the State loss sustained under the Litigation Case. Subsequently, BPKP issued its report No. SR-1024/D6/01/2012 dated November 9, 2012 including the attached BPKP audit report dated October 31, 2012 (collectively referred to as "BPKP Report"). Based on its report, BPKP concluded that there is a State loss amounting to Rp1,358,343 incurred since IMM did not pay concession fee and tender upfront fee to the State.

On July 8, 2013, *Pengadilan Tindak Pidana Korupsi* ("the Corruption Court") issued its final verdict which found Mr. Indar Atmanto (former President Director of IMM), guilty by virtue of representing IMM in signing and entering into a cooperation agreement with the Company and sentenced him to four years imprisonment, and charging him the penalty amounting to Rp200 (if Mr. Indar Atmanto refuses to pay the penalty, he would serve an additional three months imprisonment). Based on the decision, the Corruption Court inconsistently ordered IMM to pay substitution money in the amount of Rp1,358,343, as charged by the prosecutors for the losses sustained by the State, although IMM has not been previously indicted as a defendant.

A petition for an appeal was formally filed by Mr. Indar Atmanto on July 11, 2013 to the High Court of Jakarta (the "appellate court") and subsequently the AGO also filed its appeal on July 15, 2013 to the appellate court. On January 10, 2014, the appellate court examined the case and reaffirmed the decision of the Corruption Court. In addition, the appellate court increased the punishment of Mr. Indar Atmanto from four years to eight years imprisonment. The penalty and additional imprisonment term (if Mr. Indar Atmanto refuses to pay the penalty) remained the same. However, the conviction against IMM to pay substitution money in the amount of Rp1,358,343 was annulled. The appellate court considered IMM as a separate legal entity, and therefore stated that any cases brought against it must be indicted separately as it was not accused yet as a defendant in the original case against Mr. Indar Atmanto.

Under Indonesian Law, the appellate court decision is not yet final and binding as Mr. Indar Atmanto and the AGO have submitted their petitions for cassation. A petition for cassation on behalf of Mr. Indar Atmanto was filed on January 23, 2014 and the Memorandum of Cassation was submitted by the lawyers on February 5, 2014 to the Supreme Court. Mr. Indar Atmanto also submitted his private Memorandum of Cassation on February 5, 2014. The AGO has also filed a petition for cassation since the Appellate Court's verdict is less than the prosecution plan and has annulled the charge of substitution money against IMM. This cassation implies that the AGO will not execute the decision of the appellate court before the Supreme Court issued its decision which, under Indonesian law, is considered as a final and binding decision.

Based on a posting in the official website of the Supreme Court, the Supreme Court reported that it had examined and decided the Litigation Case on July 10, 2014, but no detailed information regarding the exact content of such Supreme Court's decision was available.

On September 16, 2014, the South Jakarta Attorney Office ("*Kejaksaan Negeri Jakarta Selatan*"), without preliminary notification, executed the Supreme Court's decision on Mr. Indar Atmanto. The execution was done based on a quotation of the Supreme Court's decision, which states, among others, that (i) Mr. Indar Atmanto is found guilty and sentenced to eight years imprisonment and charged with penalty of Rp300 (if the penalty is not paid, Mr. Indar Atmanto would serve an additional six months imprisonment), and (ii) IMM to pay the losses sustained by the State amounting to Rp1,358,343.

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30. PROVISION FOR LEGAL CASE (continued)

In relation to the Litigation Case above, the Company, IMM and Mr. Indar Atmanto filed a petition to *Pengadilan Tata Usaha Negara* (administrative court or "TUN") to cancel the BPKP Report used as the basis to calculate the State loss from the Litigation Case. Based on the administrative court's decision No. 231/G/2012/PTUN-JKT dated May 1, 2013, the panel of judges declared that the BPKP Report was illegal and instructed BPKP to withdraw such report. The administrative court's decision related to the BPKP Report had been supported by the High Court's decision No. 167/B/2013/PT.TUN.JKT dated January 28, 2014 and the Supreme Court's decision No. 263 K/TUN/2014 dated July 21, 2014, whereas based on Indonesian Law, the Supreme Court's decision in this administrative stream is considered final and binding ("TUN Case").

Accordingly, the Supreme Court's decision in TUN Case appears to contradict the Supreme Court's decision in Litigation Case regarding whether there is any loss sustained by the State.

In conjunction with the Supreme Court's decision on the Litigation Case, the Company recognized a provision for the legal case amounting to Rp1,358,643 (Note 32) (including the penalty imposed on Mr. Indar Atmanto) in the consolidated financial statements of the Group as of December 31, 2014.

Subsequently, on January 16, 2015, Mr. Indar Atmanto and/or his lawyer received the official copy of the Supreme Court's decision No. 787K/PID.SUS/2014 dated July 10, 2014 regarding the Litigation Case. Then, on March 16, 2015, Mr. Indar Atmanto's submission of judicial review [Peninjauan Kembali ("PK")] was officially registered at the Corruption Court under No. 08/AKTA.PID.SUS/PK/TPK/2015/PN.Jkt.Pst. As of the issuance date of the consolidated financial statements, the Supreme Court has not yet made any decision on such judicial review.

31. PENSION PLAN

The Company, Satelindo and Lintasarta have defined benefit and defined contribution pension plans covering substantially all of their respective 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 fourteen 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.



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31. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

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, January to December 2011, January to December 2012, January to December 2013 and January to December 2014, 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, Rp378 for additional 41 employees, Rp883 for additional 143 employees, Rp782 for additional 117 employees and Rp1,120 for additional 190 employees, respectively.

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 totaling 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, 2014 and 2013.

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31. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

The net periodic pension cost for the pension plans of the Company and Lintasarta for the years ended December 31, 2014 and 2013 was calculated based on actuarial valuations as of December 31, 2014 and 2013, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	Year ended December 31,	
	2014	2013
Annual discount rate	8.0 and 8.5%	9.0%
Expected annual rate of return on plan assets	4.5, 6.0 and 9.0%	4.5, 6.0 and 9.0%
Annual rate of increase in compensation	3.0, 6.0 and 9.0%	3.0, 6.0 and 9.0%
Mortality rate (Indonesian Mortality Table - TMI)	TMI 2011	TMI 2011

a. The composition of the net periodic pension cost is as follows:

Year ended December 31, 2014

	The Company	Lintasarta	Total
Interest cost	33,214	4,352	37,566
Service cost	21,986	3,102	25,088
Return on plan assets	(41,254)	(4,421)	(45,675)
Amortization of unrecognized actuarial loss (gain)	(961)	765	(196)
Curtailment loss	763	356	1,119
Settlement loss (gain)	(1,700)	671	(1,029)
Net periodic pension cost (Note 26)	12,048	4,825	16,873

Year ended December 31, 2013

	The Company	Lintasarta	Total
Interest cost	28,829	3,434	32,263
Service cost	28,310	3,722	32,032
Immediate recognition of past service cost - vested benefit	-	(2,803)	(2,803)
Return on plan assets	(42,033)	(4,014)	(46,047)
Amortization of unrecognized actuarial loss	-	1,797	1,797
Curtailment loss	6,723	-	6,723
Settlement gain	(10,461)	-	(10,461)
Net periodic pension cost (Note 26)	11,368	2,136	13,504

b. The funded status of the plans is as follows:

	December 31, 2014	December 31, 2013
Plan assets at fair value	576,053	549,859
Projected benefit obligation	(486,301)*	(422,206)*
Excess of plan assets over projected benefit obligation	89,752	127,653
Unrecognized actuarial gain	(11,652)	(41,988)
Total prepaid pension cost	78,100	85,665

* net of curtailment effect during 2014 and 2013 due to ESP (Note 26)

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31. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

c. The movements in the fair value of plan assets are as follows:

Year ended December 31, 2014

	<u>The Company</u>	<u>Lintasarta</u>	<u>Total</u>
Fair value of plan assets			
at beginning of year	478,909	70,950	549,859
Expected return on plan assets	41,254	4,421	45,675
Actuarial loss on plan assets	5,021	413	5,434
Contributions	1,120	9,653	10,773
Benefit payments	(31,516)	(4,172)	(35,688)
Fair value of plan assets at end of year	494,788	81,265	576,053

Year ended December 31, 2013

	<u>The Company</u>	<u>Lintasarta</u>	<u>Total</u>
Fair value of plan assets			
at beginning of year	513,316	63,019	576,335
Expected return on plan assets	42,033	4,014	46,047
Actuarial loss (gain) on plan assets	5,877	(3,860)	2,017
Contributions	782	9,653	10,435
Benefit payments	(83,099)	(1,876)	(84,975)
Fair value of plan assets at end of year	478,909	70,950	549,859

d. The movements in the present value of the defined benefit obligation are as follows:

Year ended December 31, 2014

	<u>The Company</u>	<u>Lintasarta</u>	<u>Total</u>
Defined benefit obligation at beginning of year	372,182	50,024	422,206
Interest cost	33,214	4,352	37,566
Current service cost	21,986	3,102	25,088
Actuarial loss on obligation	1,632	947	2,579
Benefits payment outside settlement	(6,294)	(1,469)	(7,763)
Effect of changes in actuarial assumption	27,883	4,091	31,974
Effect of curtailment	841	271	1,112
Effect of settlement	(24,328)	(2,133)	(26,461)
Defined benefit obligation at end of year	427,116	59,185	486,301

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31. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

d. The movements in the present value of the defined benefit obligation are as follows: (continued)

Year ended December 31, 2013

	The Company	Lintasarta	Total
Defined benefit obligation at beginning of year	493,854	60,355	554,209
Interest cost	28,829	3,434	32,263
Current service cost	28,310	3,722	32,032
Actuarial loss (gain) on obligation	1,763	(473)	1,290
Immediate recognition of prior service cost	-	(2,803)	(2,803)
Benefit payments outside settlement	(14,586)	(629)	(15,215)
Effect of changes in actuarial assumption	(105,924)	(13,582)	(119,506)
Effect of curtailment	8,129	-	8,129
Effect of settlement	(68,193)	-	(68,193)
Defined benefit obligation at end of year	372,182	50,024	422,206

e. The movements in the prepaid pension cost are as follows:

Year ended December 31, 2014

	The Company	Lintasarta	Total
Prepaid pension cost at beginning of year	49,224	36,441	85,665
Contribution to Jiwasraya	1,120	9,653	10,773
Net periodic pension cost	(12,048)	(4,825)	(16,873)
Refund from Jiwasraya	(894)	(571)	(1,465)
Prepaid pension cost at end of year	37,402	40,698	78,100

Year ended December 31, 2013

	The Company	Lintasarta	Total
Prepaid pension cost at beginning of year	60,130	30,171	90,301
Contribution to Jiwasraya	782	9,653	10,435
Net periodic pension cost	(11,368)	(2,136)	(13,504)
Refund from Jiwasraya	(320)	(1,247)	(1,567)
Prepaid pension cost at end of year	49,224	36,441	85,665



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31. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

f. Prepaid pension cost consists of:

	December 31, 2014	December 31, 2013
Current portion (presented as part of "Prepaid expenses - others")		
Company	484	1,276
Lintasarta	2,536	2,563
	3,020	3,839
Long-term portion (presented as "Long-term prepaid pension - net of current portion") (Note 32)		
Company	36,918	47,948
Lintasarta	38,162	33,878
	75,080	81,826
Total prepaid pension cost	78,100	85,665

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	December 31, 2014	December 31, 2013
Investments in shares of stock and properties	45.90%	46.17%
Investments in mutual fund	43.92%	43.93%
Investments in time deposits	8.40%	6.33%
Investments in debt securities	1.75%	3.57%
Other investments	0.03%	0.00%

The overall expected rate of return on assets is determined based on the market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

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. 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, 2014 and 2013 amounted to Rp51,690 and Rp53,473, respectively, which include total contributions for key management personnel amounting to Rp2,421 and Rp2,436 for the years ended December 31, 2014 and 2013, 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.

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31. PENSION PLAN (continued)

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 under either this law or the defined benefit pension plan whichever is higher.

The net periodic pension cost of the Company and its subsidiaries under the Labor Law for the years ended December 31, 2014 and 2013 was calculated based on actuarial valuations as of December 31, 2014 and 2013, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	Year ended December 31,	
	2014	2013
Annual discount rate	8.5%	9.0 and 9.5%
Annual rate of increase in compensation	7.5%	7.5 and 8.5%

a. The composition of the periodic pension cost under the Labor Law is as follows:

Year ended December 31, 2014

	The Company	Lintasarta	IMM	Total
Service cost	19,984	3,749	1,984	25,717
Interest cost	17,141	4,318	1,287	22,746
Amortization of unrecognized past service cost	-	651	28	679
Amortization of unrecognized actuarial loss (gain)	(3,477)	115	(359)	(3,721)
Curtailment gain	(2,411)	(139)	(189)	(2,739)
Settlement loss (gain)	(410)	29	-	(381)
Cost of employee transferred in (out)	387	-	(573)	(186)
Net periodic pension cost under the Labor Law (Note 26)	31,214	8,723	2,178	42,115

Year ended December 31, 2013

	The Company	Lintasarta	IMM	Total
Service cost	30,321	4,160	2,917	37,398
Interest cost	19,427	2,944	1,279	23,650
Amortization of unrecognized past service cost	-	653	28	681
Amortization of unrecognized actuarial loss	4,485	740	167	5,392
Immediate recognition of past service cost - vested benefit	-	728	-	728
Curtailment gain	(9,265)	-	-	(9,265)
Settlement gain	(3,190)	-	-	(3,190)
Net periodic pension cost under the Labor Law (Note 26)	41,778	9,225	4,391	55,394



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31. PENSION PLAN (continued)

Labor Law No. 13/2003 (continued)

b. The composition of the accrued pension cost under the Labor Law is as follows:

	December 31, 2014	December 31, 2013
Projected benefit obligation	307,480*	244,877*
Unrecognized actuarial gain	37,674	60,887
Unrecognized past service cost	(12,884)	(7,115)
Net accrued pension cost under the Labor Law	332,270	298,649

* net of curtailment effect during 2014 and 2013 due to ESP (Note 26)

c. The movements in the present value of the pension cost obligation under the Labor Law are as follows:

Year ended December 31, 2014

	The Company	Lintasarta	IMM	Total
Benefit obligation				
at beginning of year	182,905	48,316	13,656	244,877
Current service cost	19,984	3,749	1,984	25,717
Interest cost	17,141	4,318	1,287	22,746
Immediate recognition of service cost	-	-	6,489	6,489
Actuarial gain on obligation	(1,455)	(5,833)	(475)	(7,763)
Actual benefits paid	(4,944)	(342)	(205)	(5,491)
Effect of change in actuarial assumption	25,027	2,564	(1,218)	26,373
Effect of curtailment	(2,108)	(171)	-	(2,279)
Effect of settlement	(2,849)	(154)	-	(3,003)
Cost of employee transferred in (out)	387	-	(573)	(186)
Benefit obligation at end of year	234,088	52,447	20,945	307,480

Year ended December 31, 2013

	The Company	Lintasarta	IMM	Total
Benefit obligation				
at beginning of year	299,410	48,489	19,742	367,641
Current service cost	30,321	4,160	2,917	37,398
Interest cost	19,427	2,944	1,279	23,650
Immediate recognition of past service cost	-	728	-	728
Actuarial loss (gain) on obligation	(682)	10,904	(3,000)	7,222
Actual benefits paid	(1,074)	(463)	(143)	(1,680)
Effect of changes in actuarial assumptions	(148,064)	(18,446)	(7,139)	(173,649)
Effect of curtailment	(6,935)	-	-	(6,935)
Effect of settlement	(9,498)	-	-	(9,498)
Benefit obligation at end of year	182,905	48,316	13,656	244,877

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31. PENSION PLAN (continued)

Labor Law No. 13/2003 (continued)

d. The movements in the accrued pension cost under the Labor Law are as follows:

Year ended December 31, 2014

	<u>The Company</u>	<u>Lintasarta</u>	<u>IMM</u>	<u>Total</u>
Accrued pension cost under the Labor Law at beginning of year	244,345	35,194	19,110	298,649
Periodic Labor Law cost	31,214	8,723	2,178	42,115
Benefit payment	(7,793)	(496)	(205)	(8,494)
Accrued pension cost under the Labor Law at end of year	267,766	43,421	21,083	332,270

Year ended December 31, 2013

	<u>The Company</u>	<u>Lintasarta</u>	<u>IMM</u>	<u>Total</u>
Accrued pension cost under the Labor Law at beginning of year	213,139	26,432	14,862	254,433
Periodic Labor Law cost	41,778	9,225	4,391	55,394
Benefit payment	(10,572)	(463)	(143)	(11,178)
Accrued pension cost under the Labor Law at end of year	244,345	35,194	19,110	298,649

The current portion of accrued pension cost under the Labor Law included in employee benefit obligations - current amounted to Rp6,518 and Rp5,396 as of December 31, 2014 and 2013, respectively. The non-current portion included in employee benefit obligations amounted to Rp325,752 and Rp293,253 (Note 22) as of December 31, 2014 and 2013, respectively.

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31. PENSION PLAN (continued)

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, 2014 and 2013 was calculated based on actuarial valuations as of December 31, 2014 and 2013, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	Year ended December 31,	
	2014	2013
Annual discount rate	9.0%	9.5%
Ultimate cost trend rate	6.0%	6.0%
Next year trend rate	6.0%	8.0%
Period to reach ultimate cost trend rate	0 year	1 year

a. The composition of the periodic post-retirement healthcare cost - net is as follows:

	Year ended December 31,	
	2014	2013
Interest cost	45,161	70,832
Service cost	15,876	40,321
Amortization of unrecognized actuarial loss (gain)	(15,908)	20,728
Amortization of unrecognized past service cost	-	7,662
Curtailment gain	(11,388)	(31,752)
Settlement gain	(240)	(5,219)
Cost of employee transferred in	497	-
Net periodic post-retirement healthcare cost (Note 26)	33,998	102,572

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31. PENSION PLAN (continued)

Post-retirement Healthcare (continued)

- b. The composition of the accrued post-retirement healthcare cost is as follows:

	December 31, 2014	December 31, 2013
Projected benefit obligation	640,551*	482,526*
Unrecognized actuarial gain	105,898	245,671
Net accrued post-retirement healthcare cost	746,449	728,197

* net of curtailment effect during 2014 and 2013 due to ESP (Note 26).

- c. The movements in the present value of defined benefit obligation are as follows:

	Year ended December 31, 2014	2013
Balance at beginning of year	482,526	1,017,673
Interest cost	45,161	70,832
Service cost	15,876	40,321
Actual benefits paid	(14,296)	(11,569)
Effect of changes in actuarial assumptions	53,850	(317,082)
Effect of curtailment	(9,773)	(21,046)
Effect of settlement	(1,450)	(10,700)
Actuarial loss (gain) on obligation	68,160	(285,903)
Projected benefit obligation of employee transferred in	497	-
Balance at end of year	640,551	482,526

- d. The movements in the accrued post-retirement healthcare cost are as follows:

	Year ended December 31, 2014	2013
Balance at beginning of year	728,197	647,895
Net periodic post-retirement healthcare cost	33,998	102,572
Benefit payment	(15,746)	(22,270)
Balance at end of year	746,449	728,197

The current portion of the accrued post-retirement healthcare cost included in employee benefit obligations - current amounted to Rp15,584 and Rp12,799, as of December 31, 2014 and 2013, respectively. The non-current portion included in employee benefit obligations amounted to Rp730,865 and Rp715,398 as of December 31, 2014 and 2013, respectively (Note 22).



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31. PENSION PLAN (continued)

Post-retirement Healthcare (continued)

- e. The effect of a one percentage point change (increase or decrease) in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the years ended December 31, 2014 and 2013, and in the accumulated post-retirement healthcare benefit obligation as of December 31, 2014 and 2013, as follows:

	December 31, 2014	December 31, 2013
Increase in trend rate		
Service and interest costs	61,037	111,153
Accumulated post-retirement healthcare benefit obligation	774,245	579,778
Decrease in trend rate		
Service and interest costs	61,037	111,153
Accumulated post-retirement healthcare benefit obligation	535,758	406,023

Amounts of employee benefits for previous five annual periods:

	Defined Benefit Pension Plan				
	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
The Company					
Plan assets	494,788	478,909	513,316	476,890	793,664
Projected benefit obligation	(427,116)	(372,182)	(493,854)	(409,808)	(700,410)
Excess of plan assets over projected benefit obligation	67,672	106,727	19,462	67,082	93,254
Experience gain (loss) adjustments arising on plan liabilities	(1,632)	(1,763)	(2,434)	12,066	156,063
Experience gain (loss) adjustments arising on plan assets	(5,021)	(5,877)	(7,815)	(14,651)	12,000
Lintasarta					
Plan assets	81,265	70,950	63,019	62,012	59,294
Projected benefit obligation	(59,185)	(50,024)	(60,355)	(53,266)	(50,215)
Excess of plan assets over projected benefit obligation	22,080	20,926	2,664	8,746	9,079
Experience gain (loss) adjustments arising on plan liabilities	(947)	473	(356)	560	486
Experience gain (loss) adjustments arising on plan assets	(412)	3,861	3,175	610	2,677

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31. PENSION PLAN (continued)

Amounts of employee benefits for previous five annual periods: (continued)

Labor Law No. 13/2003					
	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
The Company					
Projected benefit obligation	(234,088)	(182,905)	(299,410)	(250,988)	(182,572)
Experience gain (loss) adjustments arising on plan liabilities	1,455	682	889	(75,163)	(1,166)
Lintasarta					
Projected benefit obligation	(52,447)	(48,316)	(48,489)	(24,160)	(24,340)
Experience gain (loss) adjustments arising on plan liabilities	5,833	(10,904)	(16,734)	5,182	890
IMM					
Projected benefit obligation	(20,945)	(13,656)	(19,742)	(15,987)	(10,842)
Experience gain (loss) adjustments arising on plan liabilities	474	3,000	(57)	1,442	(804)
Post-retirement Healthcare					
	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
The Company					
Projected benefit obligation	(640,551)	(482,526)	(1,017,673)	(687,789)	(846,636)
Experience gain (loss) adjustments arising on plan liabilities	(68,160)	285,903	(21,453)	160,703	38,574

32. 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 (%)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cash and cash equivalents				
(Note 4)				
<u>Government-related entities:</u>				
<u>State-owned banks</u>	1,971,837	878,959	3.70	1.61
Accounts receivable - trade				
(Note 5)				
<u>Government-related entities:</u>				
State-owned companies	420,637	600,185	0.79	1.10
State-owned banks	113,901	-	0.21	-
<u>Ultimate parent company:</u>				
Ooredoo	8,847	56,334	0.02	0.10
Total	543,385	656,519	1.02	1.20
Less allowance for impairment	24,433	24,316	0.05	0.04
Net	518,952	632,203	0.97	1.16
Prepaid expenses				
<u>Government-related entities:</u>				
State-owned companies	23,819	18,990	0.05	0.04
Governmental departments	574	335	0.00	0.00
<u>Entity under common significant influence:</u>				
Kopindosat	2,420	1,944	0.00	0.00
Total	26,813	21,269	0.05	0.04
Other current and non-current assets - financial and non-financial				
<u>Government-related entities:</u>				
State-owned banks	124,922	149,868	0.24	0.28
Governmental departments	87	87	0.00	0.00
Total	125,009	149,955	0.24	0.28



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32. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

The details of the accounts and the significant transactions entered into with related parties are as follows: (continued)

	Amount		Percentage to Total Assets/Liabilities (%)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Due from related parties				
<u>Key management personnel:</u>				
Senior management	1,928	1,688	0.01	0.00
<u>Government-related entities:</u>				
State-owned companies	1,583	2,325	0.00	0.00
<u>Entity under common significant influence:</u>				
Kopindosat	-	3,169	-	0.01
Total	3,511	7,182	0.01	0.01
Less allowance for impairment	15	15	0.00	0.00
Net	3,496	7,167	0.01	0.01
Long-term prepaid rentals - net of current portion				
<u>Government-related entities:</u>				
State-owned companies	19,007	21,082	0.04	0.04
<u>Entity under common significant influence:</u>				
Kopindosat	6,046	6,212	0.01	0.01
Total	25,053	27,294	0.05	0.05
Long-term prepaid pension - net of current portion (Note 31)				
<u>Government-related entities:</u>				
State-owned companies	75,080	81,826	0.14	0.15
Short-term loan (Note 14)				
<u>Government-related entity:</u>				
State-owned bank	599,481	1,499,849	1.53	3.95
Accounts payable - trade				
<u>Government-related entities:</u>				
State-owned companies	16,605	41,603	0.04	0.11
<u>Entity under significant influence:</u>				
PT Personel Alih Daya	6,757	-	0.02	-
Kopindosat	-	5,941	-	0.02
<u>Ultimate parent company:</u>				
Ooredoo	7,170	59	0.02	0.00
Total	30,532	47,603	0.08	0.13
Procurement payable (Note 15)				
<u>Government-related entities:</u>				
State-owned companies	19,032	14,473	0.05	0.04
<u>Entities under common significant influence:</u>				
Kopindosat	16,582	13,581	0.04	0.04
PT Personel Alih Daya	12,351	15,934	0.03	0.04
Total	47,965	43,988	0.12	0.12
Accrued expenses				
<u>Government-related entities:</u>				
State-owned companies	265,859	112,464	0.68	0.30
Governmental departments	2,842	-	0.01	-
<u>Entities under common significant influence:</u>				
PT Personel Alih Daya	83,283	46,118	0.21	0.12
Kopindosat	68,491	14,464	0.18	0.04
Total	420,475	173,046	1.08	0.46

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32. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

The details of the accounts and the significant transactions entered into with related parties are as follows: (continued)

	Amount		Percentage to Total Assets/Liabilities (%)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Due to related parties				
<u>Government-related entities:</u>				
State-owned companies	6,653	6,709	0.02	0.02
State-owned banks	-	55	-	0.00
<u>Entities under common significant influence:</u>				
PT Personel Alih Daya	5,124	3,006	0.01	0.01
Kopindosat	2,311	6,486	0.01	0.02
<u>Ultimate parent company:</u>				
Ooredoo	16,071	17,045	0.04	0.04
Total	30,159	33,301	0.08	0.09
Other current financial liabilities - dividend payable				
<u>Government-related entities:</u>				
State-owned companies	-	11,025	-	0.03
Provision for legal case (Note 30)				
<u>Government-related entities:</u>				
Government of the Republic of Indonesia	1,358,643	-	3.48	-
Loans payable - including current maturities (Note 18)				
Non-controlling interests of APE and LMD	16,800	1,050	0.04	0.00
	Amount		Percentage to Total Operating Revenue or Expenses (%)	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Revenues (Note 24)				
<u>Government-related entities:</u>				
State-owned companies	1,247,297	1,325,268	5.18	5.56
State-owned bank	446,172	404,093	1.85	1.69
Governmental departments	312,991	240,842	1.30	1.01
<u>Ultimate parent company:</u>				
Ooredoo	110,371	88,982	0.46	0.38
<u>Entity under common significant influence:</u>				
Kopindosat	457	666	0.00	0.00
Total	2,117,288	2,059,851	8.79	8.64
Expenses				
Cost of services				
<u>Government-related entities:</u>				
State-owned companies	337,282	2,454,551	1.44	10.98
<u>Entities under common significant influence:</u>				
PT Personel Alih Daya	194,764	115,913	0.83	0.52
Kopindosat	187,943	138,768	0.80	0.62
<u>Ultimate parent company:</u>				
Ooredoo	46,306	72,789	0.20	0.33
Total	766,295	2,782,021	3.27	12.45
Personnel				
<u>Key management personnel:</u>				
Senior management				
Short-term employee benefits	350,222	165,498	1.50	0.74
Termination benefits	19,216	11,701	0.08	0.05
Other long-term benefits	8,808	10,748	0.04	0.05
Sub-total	378,246	187,947	1.62	0.84
<u>Government-related entities:</u>				
State-owned companies	16,874	13,504	0.07	0.06
Total	395,120	201,451	1.69	0.90



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32. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

The details of the accounts and the significant transactions entered into with related parties are as follows: (continued)

	Amount		Percentage to Total Operating Revenue or Expenses (%)	
	Year ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Marketing				
<u>Entities under common significant influence:</u>				
PT Personel Alih Daya	82,894	108,100	0.35	0.48
Kopindosat	25,319	27,092	0.11	0.13
Total	108,213	135,192	0.46	0.61
General and administration				
<u>Government-related entities</u>				
State-owned companies	48,209	37,737	0.21	0.17
<u>Entities under common significant influence:</u>				
Kopindosat	26,739	26,699	0.11	0.12
PT Personel Alih Daya	14,863	25,127	0.07	0.11
Total	89,811	89,563	0.39	0.40
Interest income (financing cost) - net				
<u>Government-related entities</u>				
State-owned banks	(21,393)	(26,656)	(0.82)	(0.55)

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, accounts receivable - trade, other current and non-current assets - financial and non-financial, short-term loan, due to related parties, revenues and interest income (financing cost) - net
2.	State-owned companies	Government-related entities	Accounts receivable - trade, prepaid expenses, due from related parties, long-term prepaid rentals, long-term prepaid pension, accounts payable - trade, procurement payable, accrued expenses, due to related parties, other current financial liabilities - dividend payable, revenues, expenses - cost of services, expenses - personnel and expenses - general and administration
3.	Ooredoo	Ultimate parent company	Accounts receivable - trade, accounts payable - trade, due to related parties, revenues and expenses - cost of services

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32. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

The relationship and nature of account balances/transactions with related parties are as follows:
(continued)

No	Related Parties	Relationship	Nature of Account Balances/Transactions
4.	Governmental departments	Government-related entities	Prepaid expenses, other current and non-current assets - financial and non-financial, accrued expenses and revenues
5.	Kopindosat	Entity under common significant influence	Prepaid expenses, due from related parties, long-term prepaid rentals, accounts payable - trade, procurement payable, accrued expenses, due to related parties, revenues, expenses - cost of services, expenses - marketing and expenses - general and administration
6.	Senior management (consisting of members of the Boards of Directors and Commissioners and those who directly report to the Board of Directors)	Key management personnel	Due from related parties and expenses - personnel
7.	PT Personel Alih Daya	Entity under common significant influence	Accounts payable - trade, procurement payable, accrued expenses, due to related parties, expenses - cost of services, expenses - marketing and expenses - general and administration
8.	Non-controlling interests of APE and LMD	Non-controlling interests	Loans payable - including current maturities
9.	Government of the Republic of Indonesia	Government-related entities	Provision for legal case



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33. DISTRIBUTION OF PROFIT AND APPROPRIATION OF RETAINED EARNINGS

At the Company's SAGM, the shareholders approved, among others, the appropriation of 2012 annual profit for cash dividend distribution, as follows, and the utilization of the remaining amount for reinvestment and working capital:

SAGM Date	Dividend per Share (Rp)
June 18, 2013	34.52

On July 29, 2013, the Company paid dividend amounting to Rp26,809 and Rp160,770 to the Government and other stockholders, respectively, for the dividend declared on June 18, 2013. Dividend for the Government was paid in accordance with the prevailing laws and regulations in Indonesia.

34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY

- a. As of December 31, 2014, commitments on capital expenditures which are contractual agreements not yet realized relate to the procurement and installation of property and equipment totaling US\$64,767 and Rp1,114,369 (Note 40i).

The significant commitments on capital expenditures as of December 31, 2014 are as follows:

Contract Date	Contract Description	Vendor	Amount of Contract/Purchase Orders ("POs") Already Issued	Amount of Contract/POs Not Yet Served
October 1, 2010 and December 10, 2012	Procurement of Telecommunications Equipment and Related Services	PT Ericsson Indonesia and Ericsson AB	US\$645,113 and Rp2,471,464	US\$13,199 and Rp246,519
June 16, 2010 and December 10, 2012	Procurement of Telecommunications Infrastructure	PT Nokia Siemens Networks and Nokia Siemens Networks Oy	US\$621,118 and Rp2,589,781	US\$7,660 and Rp286,883
August 2, 2010 and December 21, 2012	Procurement of Telecommunications Infrastructure	PT Huawei Tech Investment	US\$235,015 and Rp784,011	US\$5,880 and Rp148,244

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34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

- b. On December 22, 2014, the Company and SMAATO Inc., USA ("Smaato") agreed to incorporate a joint venture entity in Indonesia, called PT Portal Bursa Digital, which will engage in establishing and managing a web portal and platforms to allow local and international business to provide information and incentives to their existing and potential customers. The initial shareholding composition will be 51.4% owned by the Company and 48.6% owned by Smaato. As of December 31, 2014, the Company has not yet made any capital contribution to such entity.
- c. On December 10, 2014, the Company entered into a 2-year Revolving Time Loan facility agreement with BTMUFJ for a maximum amount of US\$50,000 with interest at the rate of LIBOR + 1.02% per annum. As of December 31, 2014, the Company has not made any drawdown from this facility.
- d. On September 24, 2014, the Company and PT Pasifik Satelit Nusantara ("PSN") entered into an agreement on the relocation and lease of Palapa C satellite transponder. Under the agreement, the Company agreed to lease out certain transponder capacity to PSN totalling US\$ 2,500 until August 16, 2016. During 2014, the Company earned the revenues from PSN amounting to US\$104.2.
- e. On June 18, 2014, the Company entered into a Revolving Time Loan facility agreement with Mandiri for a maximum amount of Rp1,500,000 with interest at the rate of JIBOR + 3.0% to replace the existing agreement that expired on June 20, 2014 (Note 14b). Based on the agreement, each loan drawdown made by the Company will mature 3 months from the drawdown date and can be extended for further 3-month periods with the written request from the Company. This facility is available from June 20, 2014 to June 19, 2015. As of December 31, 2014, the Company has not made any drawdown from this facility.
- f. On April 24, 2014, the Company entered into a cooperation agreement with Mandiri, Telkom and PT XL Axiata Tbk ("XL Axiata") to establish a joint operation on the development and implementation of mobile money platform. Based on the agreement, each party committed to bear 25% of the total cost to be incurred on such joint operation. As of December 31, 2014, the Company has made advance cost contribution amounting to Rp2,700.
- g. On April 9, 2014, the Company and Bodhi Indonesia Corporation, Cayman Islands (an entity controlled by SoftBank Corporation) entered into a limited partnership agreement. Based on the limited partnership agreement, the parties agreed to establish an investment fund called SB ISAT Fund, L.P., to manage the partners' investments, with initial commitment period of 4 years. Subsequently, on May 22, 2014, the Company entered into a subscription agreement with Bodhi Indonesia Corporation, Cayman Islands. Based on the subscription agreement, the Company committed to make capital contribution totalling US\$14,500 to SB ISAT Fund, L.P. As of December 31, 2014, the Company has made capital contribution to the fund amounting to US\$301.4 (equivalent to Rp3,552) (Note 12).
- h. On May 1, 2013, the Company and XL Axiata entered into a cooperation agreement on the construction and use of optic cable for 6 links.



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34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

- i. On March 5, 2012, the Company received the Tax Court's Decision Letter accepting the Company's request for interest compensation related to the issuance of 2004 SKPLB amounting to Rp60,674. On June 29, 2012, 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 March 5, 2012 for the interest compensation related to the issuance of 2004 SKPLB. On July 27, 2012, the Company submitted a Counter-Memorandum Requesting for Reconsideration to the Supreme Court. Based on the Company's evaluation for the year ended December 31, 2012, the realization of income related to the interest compensation was only probable, instead of virtually certain. Therefore, the interest compensation was not recognized in the Company's financial statements for the year ended December 31, 2012. As of the issuance date of these consolidated financial statements, the Company has not received any decision from the Supreme Court on such request.
- j. In 2012, the Company and Ooredoo, the Group's ultimate parent company, entered into a cooperation agreement, whereas Ooredoo agreed to provide its personnel to work as professional experts and to place them in the Group's offices (referred to as "seconded personnel" or "secondees") based on the Group's request. The period of this agreement covers five years starting from January 1, 2012 and shall be automatically extended for additional terms of one year unless terminated by mutual agreement of the parties thereto or upon the liquidation or insolvency of any of the parties thereto. For the years ended December 31, 2014 and 2013, the Company recorded the cost for the secondees totaling Rp52,016 and Rp44,273, respectively, as part of "Expenses - Personnel" (Note 26).

In 2012, the Company and Ooredoo also entered into a cooperation agreement, whereas Ooredoo agreed to make available its personnel to provide project management and consultancy services at the Company's request. This agreement has an unlimited term until terminated by mutual agreement of the parties thereto or upon the liquidation or insolvency of any of the parties thereto. Terms and conditions of such services are to be provided on an arm's length basis which are to be agreed upon on a project-by-project basis. For the years ended December 31, 2014 and 2013, the Company recorded the cost for the project management and consultancy services totaling Rp6,669 and Rp21,475 respectively, as part of "General and Administration Expenses - Professional Fees" (Note 27).

- k. On December 30, 2011, Lintasarta, entered into agreements with MOCIT-Balai Telekomunikasi dan Informasi Pedesaan ("MOCIT-BTIP"), 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 cover a four-year concession period and have contract values of Rp71,992 and Rp44,422 for Work Packages 3 and 6, respectively. In accordance with the contract, Lintasarta received advance payments representing 15% of the contract value. Fixed payment for services is received on a quarterly basis based on performance evaluation. At the end of the concession period, Lintasarta must transfer the assets subject to the concession agreement back to the local government.

Subsequently on January 10, 2012, Lintasarta, also entered into an agreement with MOCIT-BTIP 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 Rp91,491. The terms and conditions of this agreement are consistent with those of the earlier agreements discussed above.

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34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

On February 8, 2012, Lintasarta entered into an agreement with PT Widtech Indonesia, for the procurement of equipment and infrastructure required for the construction of WiFi, as agreed with MOCIT-BTIP above, with total contract value amounting to Rp121,927. On May 29, 2013, the agreement was amended to change the determination of the payment for work progress.

On July 9, 2012, the agreements were amended to extend the period of pre-operational stage from six months to sixteen months for WiFi 3 and 4 and to fourteen months for WiFi 6 starting from the issuance of work order letter. On December 12, 2014, the second amendment agreements cover amendment on standard of operational service.

The consideration received or receivable in exchange for Lintasarta's infrastructure construction services or its acquisition of infrastructure to be used in the arrangements was recognized as a financial asset to the extent that Lintasarta has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the discretion of the grantor.

As of December 31, 2014, the current portions of outstanding receivables arising from this service concession arrangement amounting to Rp24,500 is classified as part of "Accounts Receivable - Trade - Related Parties".

- I. In May 2011 to March 2012, the Company issued several POs to PT Nokia Siemens Network and Nokia Siemens Network OY with total amounts of US\$34,829 and Rp208,948 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\$11,462 and Rp171,844 to Nokia for the installation services and additional equipment. For the year ended December 31, 2013, the carrying amount of the cellular technical equipment units given up amounted to Rp57,069 (Note 8) and the accumulated carrying amount of such equipment up to December 31, 2013 amounted to Rp446,468. As of December 31, 2014, the transaction has been completed.
- m. On May 5, 2011, the Company submitted an appeal letter to the Tax Court concerning the Company's request for cancellation of Tax Collection Letters ("STPs") for the underpayment of the Company's 2008 and 2009 income tax article 26 totaling Rp80,018 (including interest), which the Company paid. On July 30, 2012, the Company received the Tax Court's Decision Letter which accepted the Company's appeal concerning these STPs. On December 26, 2012, 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 July 30, 2012 for the underpayment of the Company's 2008 and 2009 income tax article 26. On February 6, 2013, the Company submitted a Counter-Memorandum for Reconsideration Request to the Supreme Court. On October 25 and November 4, 2013, the Company received the refund from the Tax Office.

On September 4, 2014, the Company received a decision letter from the Supreme Court dated August 27, 2014, which rejected the reconsideration request from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated July 30, 2012 for the underpayment of the Company's 2008 and 2009 income tax article 26. The Supreme Court decided to maintain the Tax Court's Decision Letter which accepted the Company's appeal.



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34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

- n. 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 Requesting for Reconsideration (*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 Requesting for Reconsideration to the Supreme Court. On September 22, 2014, the Company received a decision letter dated December 9, 2013 from the Supreme Court, which rejected the reconsideration request from the Tax Court to the Supreme Court. The Supreme Court decided to maintain the Tax Court's Decision Letter which accepted the Company's appeal.
- o. On April 15, 2010, Lintasarta, a subsidiary, entered into agreements with MOCIT-BTIP, whereby Lintasarta agreed to provide 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 are non-cancellable and cover four years starting from October 15, 2010 with contract values 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 totaling Rp18,200 as a performance bond for the four-year contract period. These deposits are classified as part of "Other Non-current Financial Assets". In accordance with the agreements, Lintasarta received advance payments representing 20% of the contract value. Fixed payment for services is received on a quarterly basis based on performance evaluation. At the end of the agreements, Lintasarta and MOCIT-BTIP plan to renegotiate the terms and conditions of any new arrangements.

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 are non-cancellable and 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. In accordance with the agreements, Lintasarta received advance payments representing 15% of the contract value. Fixed payment for services is received on a quarterly basis based on performance evaluation. At the end of the concession period, Lintasarta must transfer all assets subject to the concession agreement to the local government.

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 MOCIT-BTIP above, with total contract value amounting to Rp189,704. The agreement had been amended several times, with the latest amendment dated March 9, 2011 increasing the contract value to 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 MOCIT-BTIP above, with total contract values amounting to Rp276,274 and Rp60,739, respectively.

On January 3, 2014, the agreement for PLIKB of Work Package 2 was amended to, among others, revise the clause on performance-related compensation.

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34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

As of December 31, 2014, the current portions of outstanding receivables is classified as part of "Accounts Receivable - Trade - Related Parties", amounting to Rp141,192.

On May 8, 2014, the Company submitted arbitration requests to the Indonesia National Board of Arbitration ("Badan Arbitrase Nasional Indonesia" or BANI) in connection with the dispute of BPPPTI's receivable for period until December 2013 arising from PLIK and MPLK agreements. Based on BANI's decree No. 585 and 586/V/ARB-BANI/2014 dated December 8, 2014, the Company has written off the uncollectible portion of BPPPTI's receivable amounting to Rp32,813 (Note 18).

- p. 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, to PT Axis Telekom (previously PT Natrindo Telepon Selular) ("Axis") for a period of 10 years, to XL Axiata for a period of 10 years, to PT Berca Global Access ("Berca") for a period of 10 years, to PT Dayamitra Telekomunikasi ("Mitratel") for a period of 10 years and to PT First Media Tbk ("FM") for a period of 5 years, respectively. Hutchison, Axis 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 to be paid to landlords or residents around the leased site shouldered by the Company, penalty to be charged for overdue payments and effective lease period.

On December 11, 2012, the Company agreed to sublease a part of its In-Building Coverage telecommunication infrastructure and sites to Hutchison for a period of 5 years.

On June 10, 2014, the Company and XL Axiata amended their tower leasing agreement covering changes in certain arrangements with respect to, among others, the rental fee.

Future minimum lease receivables under the agreements as at December 31, 2014 and 2013, are as follows:

	December 31, 2014	December 31, 2013
Within one year	490,691	444,932
After one year but not more than five years	1,875,134	1,729,048
More than five years	1,182,885	1,339,623
Total	3,548,710	3,513,603

- q. During 2008-2013, the Company entered into several agreements with PT Solusi Menara Indonesia, PT Professional Telekomunikasi Indonesia ("Protelindo"), PT Solusindo Kreasi Pratama, XL Axiata, Mitratel, PT BIT Teknologi Nusantara, PT Solusi Tunas Pratama, PT Corona Telecommunication Services, PT Mitrayasa Sarana Informasi, and Tower Bersama (Note 29) for the Company 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.



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34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

Future minimum rentals payable under the finance lease agreements as at December 31, 2014 are as follows:

	Minimum payments	Present value of payments
Within one year	854,327	420,674
After one year but not more than five years	3,228,738	2,082,877
More than five years	1,785,803	1,548,714
Total	5,868,868	4,052,265
Less amount representing finance charge	1,816,603	-
Present value of minimum lease payments	4,052,265	4,052,265
Current portion (presented as part of Other Current Financial Liabilities)		420,674
Long-term portion (presented as Obligations under Finance Lease)		3,631,591
Total		4,052,265

- r. 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 Rp680,793 and Rp620,417, respectively, for the years ended December 31, 2014 and 2013.
- s. On July 20, 2005, the Company obtained facilities from HSBC to fund the Company's short-term working capital needs. The facilities agreement has been amended several times. On September 20, 2011, the expiration date of the facilities was extended up to April 30, 2012 and the interest rate and certain provisions of the agreement were changed 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.
 - The facilities are considered uncommitted facilities 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.

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34. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

On March 27, 2012, the Company received a letter from HSBC extending these facilities up to April 30, 2013. Furthermore, on July 8, 2013, the Company received a letter from HSBC extending these facilities up to June 30, 2014. Subsequently, on July 15, 2014, the Company received a letter from HSBC extending these facilities up to April 30, 2015.

- t. 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.

As of December 31, 2014, the balance of the funds (including interest earned) which are under the Company's custody amounted to US\$4,055. 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.

- u. 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 period of the agreement may be extended based on mutual agreement.

The aforementioned 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 transponders to Lintasarta. This agreement has been amended several times, the latest amendment of which is based on the eleventh amendment agreement dated May 22, 2014. Transponder lease expense charged to operations amounting to Rp33,044 for the year ended December 31, 2014 is presented as part of "Expenses - Cost of Services - Rental" (Note 25) in the consolidated statement of comprehensive income.



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35. 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.

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

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35. TARIFF SYSTEM (continued)

b. Cellular services (continued)

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 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.

36. 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



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36. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

1. Structure of Interconnection Tariffs (continued)

b. Between domestic PSTN and another domestic PSTN

Interconnection charges for domestic telecommunications traffic local and (*Sambungan Langsung Jarak Jauh* ["SLJJ"]) between a domestic PSTN and another domestic PSTN are based on agreements made between them.

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.

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 "origin" 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.

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36. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

1. Structure of Interconnection Tariffs (continued)

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 37).

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 operators to 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 37).

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 would be used by all telecommunications operators effective January 1, 2011. The Company has adopted the new tariffs starting January 1, 2011.



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36. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

1. Structure of Interconnection Tariffs (continued)

On June 27, 2011, the MOCIT issued Regulation No.16/PER/M.KOMINFO/06/2011 regarding the amendment of the 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.

Prior to 2012, the interconnection for SMS applied the “Senders Keep All” scheme. Under this old scheme, the telecommunication operators may keep all of the revenue received from their subscribers from services of sending SMS to other operators without any interconnection cost paid to other operators. Starting June 1, 2012, BRTI issued letter No. 262/BRTI/XII/2011 replacing the previous “Senders Keep All” scheme with the new cost-based scheme. Under the new scheme, the telecommunication operators are obliged to pay interconnection cost with maximum amount of Rp23 (in full amount) for every SMS sent to other telecommunication operators.

Effective June 1, 2012, the Company has applied this new regulation.

On January 30, 2014, the MOCIT issued letter No. 118/KOMINFO/DJPPI/PI.02.04/01/2014 related to 2014 interconnection fee implementation. This new interconnection tariff should be implemented by telecommunication network providers in 2014 and became valid starting one month after the date the letter was signed until December 2016 and will be evaluated yearly by BRTI.

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 on 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).

On July 26, 2013, the MOCIT issued Decree No. 21 Year 2013 on the Provision of Content Provider Services on Cellular Network and Fixed Local Wireless Network with Limited Mobility. The Decree regulates, among others, the cooperation between content provider carriers and telecommunication operators, roles and responsibilities of the content provider carriers and telecommunication operators, the type of contents allowed, service subscription mechanism, content offerings, protection for users, access number, content provider license, concession fee [*Biaya Hak Penyelenggaraan* (“BHP”)] and USO obligation, data storage, claims, dispute resolutions, supervision and monitoring and administrative sanctions. Under this new Decree, the content provider carriers are obliged to pay the USO and concession fee obligations in accordance with the regulations. The payments of the concession fee and USO obligations are done by the content provider carriers through the telecommunication operators.

On February 18, 2014, the MOCIT issued letter No. 94/DJPPI.3/PI.02.02/2/2014 regarding the notification for the extension of the transition period of Decree No. 21 Year 2013 from February 6, 2014 to August 6, 2014.

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36. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

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.

37. 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. Starting January 1, 2009, Telkom bills the Company service charge of Rp1,200 per minute of outgoing call.

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 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 (Note 36) regarding the implementation of the new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.



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37. INTERCONNECTION AGREEMENTS (continued)

1. Telkom (continued)

The following are significant interconnection agreements/transactions with Telkom: (continued)

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.

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.

On May 30, 2012, the Company and Telkom signed "*Berita Acara Kesepakatan*" to meet the requirement in the BRTI letter No. 262/BRTI/XII/2011 dated December 12, 2011 (Note 36) regarding the implementation of the new cost-based scheme for SMS interconnection for fixed telecommunications and cellular services which became effective starting June 1, 2012.

On February 17, 2014, the Company and Telkom signed memorandum of understanding to meet the requirement in the MOCIT letter No. 118/KOMINFO/DJPPI/PI.02.04/01/2014 dated January 30, 2014 (Note 36) regarding implementation of new interconnection tariff.

2. XL Axiata, PT Smartfren Telecom Tbk (previously PT Mobile-8 Telecom Tbk) ("Smartfren"), Hutchison, Axis 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.
- 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) and the above operators still continue their business under the agreements by applying the original compensation formula, except for interconnection fee.

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37. INTERCONNECTION AGREEMENTS (continued)

2. XL Axiata, PT Smartfren Telecom Tbk (previously PT Mobile-8 Telecom Tbk) ("Smartfren"), Hutchison, Axis and Telkomsel (continued)

The agreements between the Company and each of Telkomsel, XL Axiata, Hutchison, Axis and Smartfren have been amended several times, with the latest amendments dated May 28, May 29, June 1, May 29, 2012 and March 13, 2013 for Telkomsel, XL Axiata, Hutchison, Axis and Smartfren, respectively, to meet the requirement in the BRTI letter No. 262/BRTI/XII/2011 dated December 12, 2011 (Note 36) regarding the implementation of the new cost-based scheme for SMS interconnection which became effective starting June 1, 2012.

On February 11, 18, 11, 17 and 12, 2014, the Company and each of Telkomsel, XL Axiata, Hutchison, Axis and Smartfren signed memorandum of understanding to meet the requirement in the MOCIT letter No. 118/KOMINFO/DJPPI/PI.02.04/01/2014 dated January 30, 2014 (Note 36) regarding implementation of new interconnection tariff. Furthermore, on February 11, September 17 and 19, 2014, the Company and each of Telkomsel, Hutchison and XL Axiata have amended their interconnection agreements to comply with the new interconnection tariff implementation.

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 (Note 36) regarding the implementation of new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

On May 31, 2012, the Company and Bakrie Telecom signed "*Berita Acara Kesepakatan*" to meet the requirement in the BRTI letter No. 262/BRTI/XII/2011 dated December 12, 2011 (Note 36) regarding the implementation of the new cost-based scheme for SMS interconnection which became effective starting June 1, 2012.

On February 21, 2014, the Company and Bakrie Telecom signed memorandum of understanding to meet the requirement in the MOCIT Letter No. 118/KOMINFO/DJPPI/PI.02.04/01/2014 dated January 30, 2014 (Note 36) regarding implementation of new interconnection tariff. Furthermore, on October 29, 2014, the Company and Bakrie Telecom have amended their interconnection agreement to comply with the new interconnection tariff implementation.

Net interconnection revenues (charges) from (to) major operators are as follows:

	Year ended December 31,	
	2014	2013
Telkom	50,833	59,890
Smartfren	506	5,461
XL Axiata	(84,495)	(92,447)
Telkomsel	(47,735)	(89,686)
Hutchison	(3,571)	(7,551)
Bakrie Telecom	(2,295)	(3,522)
Axis	-	(17,346)
Net charges	(86,757)	(145,201)



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38. 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.

The cellular segment currently provides the network coverage in all major cities and population centers across Indonesia by using GSM 900, DCS 1800 and 3G 2100 technology. Its primary service is the provision of voice and data transfer which is sold through post-paid and prepaid plans.

The fixed telecommunication segment is the provider of international long-distance services, fixed wireless services, SLJJ services and local fixed telephony services.

The MIDI segment offers products and services which include internet, high-speed point-to-point international and domestic digital leased line broadband and narrowband services, a high-performance packet-switching service and satellite transponder leasing and broadcasting services.

Refer to Notes 2k and 24 for the description of the type of products and services under each reporting segment.

No operating segments have been aggregated to form the above reportable operating segments.

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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. The Group's financing (including financing cost and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

Operating segments are reported based on financial information determined in conformity with Indonesian Financial Accounting Standards (IFAS), which reporting is also consistent with the internal reporting provided to the chief operational decision maker. The chief operational decision maker is responsible for allocating resources and assessing performance of the operating segments, and has been identified as a steering committee that makes strategic decisions.

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38. SEGMENT INFORMATION (continued)

Consolidated information by industry segment follows:

	Major Segments			Segment Total
	Cellular	Fixed Telecommunications	MIDI	
<u>As of December 31, 2014</u> <u>and for the year then ended</u>				
<u>Revenues</u>				
Revenues from external customers	19,480,465	1,096,073	3,508,563	24,085,101
Inter-segment revenues	-	-	713,978	713,978
Total revenues	19,480,465	1,096,073	4,222,541	24,799,079
Inter-segment revenues elimination				(713,978)
Revenues - net				24,085,101
Expenses	18,255,146	1,133,186	2,863,574	22,251,906
Operating income	1,225,319	(37,113)	644,989	1,833,195
Gain on sale of available-for-sale investment				413,700
Amortization of deferred gain on sale and leaseback towers				141,050
Provision for legal case				(1,358,643)
Loss on foreign exchange - net				(152,247)
Others - net				(204,123)
Operating profit				672,932
Interest income				142,803
Income tax benefit - net				77,879
Financing cost				(2,406,536)
Loss on foreign exchange - net				(243,173)
Loss on change in fair value of derivatives - net				(101,927)
Loss for the year				(1,858,022)
Depreciation and amortization	7,276,931	118,508	830,624	8,226,063
Capital expenditures	6,056,904	86,530	900,638	7,044,072
<u>Other Information</u>				
Segment assets	51,252,424	993,838	8,320,027	60,566,289
Unallocated assets				2,866,849
Inter-segment assets elimination				(10,178,297)
Assets - net				53,254,841
Segment liabilities	32,130,389	699,116	4,293,463	37,122,968
Unallocated liabilities				11,236,413
Inter-segment liabilities elimination				(9,300,504)
Liabilities - net				39,058,877



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38. SEGMENT INFORMATION (continued)

Consolidated information by industry segment follows: (continued)

	Major Segments			Segment
	Cellular	Fixed Telecommunications	MIDI	Total
<u>As of December 31, 2013</u>				
<u>and for the year then ended</u>				
<u>Revenues</u>				
Revenues from external customers	19,374,638	1,214,787	3,265,847	23,855,272
Inter-segment revenues	-	-	724,704	724,704
Total revenues	19,374,638	1,214,787	3,990,551	24,579,976
Inter-segment revenues elimination				(724,704)
Revenues - net				23,855,272
Expenses	18,153,802	1,486,404	2,797,422	22,437,628
Operating income	1,220,836	(271,617)	468,425	1,417,644
Gain on foreign exchange - net				224,518
Amortization of deferred gain on sales and leaseback of towers				141,050
Others - net				(273,996)
Operating profit				1,509,216
Income tax benefit - net				667,378
Gain on change in fair value of derivatives - net				273,259
Interest income				107,193
Loss on foreign exchange - net				(3,011,410)
Financing cost				(2,212,095)
Loss for the year				(2,666,459)
Depreciation and amortization	7,561,378	523,183	873,832	8,958,393
Capital expenditures	8,084,870	112,790	1,173,381	9,371,041
<u>Other Information</u>				
Segment assets	52,963,887	969,366	8,707,074	62,640,327
Unallocated assets				2,429,234
Inter-segment assets elimination				(10,548,670)
Assets - net				54,520,891
Segment liabilities	31,522,602	640,188	3,072,679	35,235,469
Unallocated liabilities				11,341,875
Inter-segment liabilities elimination				(8,574,051)
Liabilities - net				38,003,293

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39. 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 payable by entering into interest rate swap contracts.

As of December 31, 2014 and 2013, more than 81% and 79%, respectively, 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 profit or loss 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 loss for the years ended December 31, 2014 and 2013 (through the impact on floating rate borrowings which is based on LIBOR for U.S. dollar borrowings and on JIBOR for rupiah borrowings).

	Year ended December 31	
	2014	2013
Increase/decrease in basis points:		
U.S. dollar	4	4
Rupiah	152	77
Effect on profit or loss for the year:		
U.S. dollar	US\$19 (equivalent to Rp231)	US\$27 (equivalent to Rp329)
Rupiah	Rp33,287	Rp15,198



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Interest rate risk (continued)

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, 2015 and 2014. The outlook is that the LIBOR and JIBOR interest rates may move 4 and 4 basis points higher or lower and 152 and 77 basis points higher or lower, respectively, as compared to the interest rates as of December 31, 2014 and 2013 respectively.

Following is the impact of lower and higher LIBOR and JIBOR interest rate for the years ended December 31, 2014 and 2013:

	2014	2013
a. If LIBOR interest rate is higher for:	4 basis points	4 basis points
The Group's consolidated loss for the year ended December 31 will be	1,991,272	2,759,956
The Group's consolidated equity as of December 31 will be	13,509,191	15,913,834
b. If LIBOR interest rate is lower for:	4 basis points	4 basis points
The Group's consolidated loss for the year ended December 31 will be	1,990,810	2,759,298
The Group's consolidated equity as of December 31 will be	13,509,653	15,914,492
c. If JIBOR interest rate is higher for:	152 basis points	77 basis points
The Group's consolidated loss for the year ended December 31 will be	2,024,328	2,774,825
The Group's consolidated equity as of December 31 will be	13,476,135	15,898,965
d. If JIBOR interest rate is lower for:	152 basis points	77 basis points
The Group's consolidated loss for the year ended December 31 will be	1,957,754	2,744,429
The Group's consolidated equity as of December 31 will be	13,542,709	15,929,361

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

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 its U.S. dollar-denominated loans and bonds payable, accounts receivable, accrued expenses 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 fair value are credited or charged directly to profit or loss for the year.

The Group's procurement payable is primarily denominated in foreign currencies payable to suppliers and contractors for the purchase and construction or installation of property and equipment, while a significant part of the Group's accounts receivable represents Indonesian rupiah-denominated collectibles from domestic operators.

To the extent the Indonesian rupiah depreciated further from the exchange rates in effect at December 31, 2014 and 2013, the Group's obligations denominated in foreign currencies would increase in Indonesian rupiah terms. However, the increases in these obligations would be offset in part by increases in the values of foreign currency-denominated time deposits and accounts receivable. As of December 31, 2014 and 2013, 50.27% and 26.22%, respectively, of the Group's U.S. dollar-denominated debts were covered by several currency forward contracts.

The following table shows the Group's consolidated U.S. dollar-denominated assets and liabilities:

	December 31, 2014		December 31, 2013	
	U.S. Dollar	Rupiah*	U.S. Dollar	Rupiah*
Assets:				
Cash and cash equivalents	68,868	856,724	83,487	1,017,623
Accounts receivable - trade	99,621	1,239,283	117,478	1,431,942
Derivative assets	6,108	75,986	16,045	195,569
Other current financial assets - net	256	3,177	227	2,762
Due from related parties - net	54	677	45	553
Other non-current financial assets - net	1,520	18,904	1,438	17,528
Total assets	176,427	2,194,751	218,720	2,665,977
Liabilities:				
Accounts payable - trade	25,002	311,029	10,412	126,913
Procurement payable	74,208	923,144	81,220	989,989
Accrued expenses	40,745	506,870	46,170	562,764
Deposits from customers	3,197	39,770	2,696	32,866
Derivative liabilities	2,551	31,740	3,028	36,903
Other current financial liabilities	19,479	242,315	17,974	219,091
Due to related parties	1,291	16,057	1,552	18,915
Loans payable (including current maturities)	211,304	2,628,627	280,499	3,418,998
Bonds payable (including current maturities)	650,000	8,086,000	650,000	7,922,850
Obligations under finance lease	175,304	2,180,779	194,783	2,374,205
Other non-current financial liabilities	-	-	3,669	44,726
Total liabilities	1,203,081	14,966,331	1,292,003	15,748,220
Net liabilities position	1,026,654	12,771,580	1,073,283	13,082,243

* The exchange rates used to translate the U.S. dollar amounts into rupiah were Rp12,440 and Rp12,189 to US\$1 (in full amounts) as published by the Indonesian Central Bank as of December 31, 2014 and 2013, respectively.



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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Foreign exchange rate risk (continued)

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 loss:

	Year ended December 31,	
	2014	2013
Change in U.S. dollar exchange rate	1.13%	2.90%
Effect on consolidated loss for the year	Rp108,569	Rp284,152

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, 2015 and 2014. The outlook is that the U.S. dollar exchange rate may strengthen or weaken by 1.13% and 2.90%, as compared to the exchange rate as of December 31, 2014 and 2013, respectively.

Following is the impact of the strengthening and weakening of the U.S. dollar exchange rate to the Group's consolidated loss and equity:

	2014	2013
If the U.S. dollar exchange rate strengthens by:	1.13%	2.90%
The Group's consolidated loss for the year ended December 31 will be	2,099,610	3,043,779
The Group's consolidated equity as of December 31 will be	13,400,853	15,630,011
If the U.S. dollar exchange rate weakens by:	1.13%	2.90%
The Group's consolidated loss for the year ended December 31 will be	1,882,472	2,475,475
The Group's consolidated equity as of December 31 will be	13,617,991	16,198,315

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.

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

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 Group places its funds in a number of different financial institutions, including state-owned and internationally recognized banks because they have the most extensive branch networks in Indonesia and are considered to be financially sound banks.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Maximum Exposure (1)	
	December 31, 2014	December 31, 2013
Loans and receivables:		
Cash and cash equivalents	3,480,011	2,233,532
Accounts receivable		
Trade - net	2,092,112	2,268,339
Others - net	9,015	16,294
Other current financial assets - net	16,287	31,673
Due from related parties - net	3,496	7,167
Other non-current financial assets	154,621	163,645
Held-for-trading:		
Currency forward	75,986	195,569
Available-for-sale investments:		
Other non-current financial assets - other long-term investments - net	6,282	2,730
Total	5,837,810	4,918,949

(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 that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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.



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39. 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 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,							
	2015	2016	2017	2018	2019 and thereafter	Total contractual cash flows	Carrying amount
December 31, 2014							
Short-term loans	850,000	-	-	-	-	850,000	849,448
Accounts payable - trade	690,559	-	-	-	-	690,559	690,559
Procurement payable	3,095,518	-	-	-	-	3,095,518	3,095,518
Accrued expenses	2,150,949	-	-	-	-	2,150,949	2,150,949
Deposits from customers	238,338	-	-	-	-	238,338	238,338
Derivative liabilities	31,740	-	-	-	-	31,740	31,740
Other current financial liabilities	856,683	-	-	-	-	856,683	423,029
Due to related parties	-	30,159	-	-	-	30,159	30,159
Obligations under finance lease	-	853,220	845,481	790,824	2,525,017	5,014,542	3,631,591
Other non-current financial liabilities	17,049	-	-	-	-	17,049	17,049
Loans payable	2,613,926	1,679,269	1,101,182	750,525	250,525	6,395,427	6,340,618
Bonds payable	8,406,000	772,000	2,384,000	-	4,486,000	16,048,000	15,956,096
Total	18,950,762	3,334,648	4,330,663	1,541,349	7,261,542	35,418,964	33,455,094

Expected maturity as of December 31,							
	2014	2015	2016	2017	2018 and thereafter	Total contractual cash flows	Carrying amount
December 31, 2013							
Short-term loans	1,500,000	-	-	-	-	1,500,000	1,499,849
Accounts payable - trade	339,310	-	-	-	-	339,310	339,310
Procurement payable	3,064,287	-	-	-	-	3,064,287	3,064,287
Accrued expenses	2,085,034	-	-	-	-	2,085,034	2,085,034
Deposits from customers	49,335	-	-	-	-	49,335	49,335
Derivative liabilities	36,903	-	-	-	-	36,903	36,903
Other current financial liabilities	788,124	-	-	-	-	788,124	362,448
Due to related parties	-	33,301	-	-	-	33,301	33,301
Obligations under finance lease	-	771,409	770,925	763,186	2,821,359	5,126,879	3,594,112
Other non-current financial liabilities	11,181	50,294	10,131	11,181	-	82,787	81,805
Loans payable	2,443,408	1,593,408	1,207,394	634,897	990,941	6,870,048	6,789,684
Bonds payable	2,358,000	320,000	772,000	1,370,000	10,922,850	15,742,850	15,641,517
Total	12,675,582	2,768,412	2,760,450	2,779,264	14,735,150	35,718,858	33,577,585

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b. Capital Management

The Group aims to achieve an optimal capital structure in pursuit of its 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 compliance with certain 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 has 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 its debt-to-equity ratio at a maximum of 2.50 as of December 31, 2014 and 2013.

As of December 31, 2014 and 2013, the Group's debt-to-equity ratio accounts are as follows:

	December 31, 2014		December 31, 2013	
	Loans and Bonds Payables	Guaranteed Notes Due 2020	Loans and Bonds Payables	Guaranteed Notes Due 2020
Short-term loans	850,000	850,000	1,500,000	1,500,000
Loans and bonds payable - including				
current maturities	22,443,427	22,443,427	22,612,898	22,612,898
Obligations under finance lease	-	4,052,265	-	3,940,469
Total debts	23,293,427	27,345,692	24,112,898	28,053,367
Total equity	14,195,964	14,195,964	16,517,598	16,517,598
Debt-to-equity-ratio	1.64	1.93	1.46	1.70

c. Collateral

Except as discussed in Notes 8 and 18 to the consolidated financial statements, 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, 2014 and 2013.



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40. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. On January 5, 2015, 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 December 19, 2014 for the underpayment of the Company's VAT for the periods January - March and June 2009. On January 30, 2015, the Company submitted a Counter-Memorandum requesting for reconsideration to the Supreme Court for the Company's VAT for the January-March and June 2009 period (Note 13).
- b. On January 7, 2015, the Company received its corporate credit rating from Standard & Poor's at BB+ (stable outlook).
- c. On January 20, 2015, the Company received the tax refund of its claim for 2012 corporate income tax amounting to Rp131,894. On February 18, 2015, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's 2012 corporate income tax amounting to Rp331,499 (Note 13).
- d. On February 5, 2015, the Company entered into a two-year Revolving Time Loan facility with Mizuho Bank, Ltd. with maximum amount of US\$60,000. This loan bears interest at LIBOR + 0.90% per annum.
- e. On February 9, 2015, the Company entered into a two-year Revolving Time Loan facility with Citibank N.A., Jakarta with maximum amount of US\$40,000. This loan bears interest at LIBOR + 1.35% per annum.
- f. On February 13, 2015, the Company received rating from Moody's for its Guaranteed Notes 2020 at Ba1 (stable outlook).
- g. During January, February and March 2015, the Company entered into 13, 7 and 10 currency forward contracts with several counterparties with total notional amounts of US\$229,500, US\$126,000 and US\$120,000, respectively.
- h. On March 12, 2015, the Company entered into a three-year Revolving Time Loan facility with HSBC, Jakarta with maximum amount of US\$200,000. This loan bears interest at LIBOR + 1.68% per annum.
- i. As of March 23, 2015, the prevailing exchange rate of the rupiah to the United States dollar is Rp13,076 to US\$1 (in full amounts), while as of December 31, 2014, the prevailing exchange rate was Rp12,440 to US\$1 (in full amounts). Using the exchange rate as of March 23, 2015, the Group suffered from exchange loss amounting to approximately Rp652,952 (excluding the effect of revaluing derivative contracts on March 23, 2015) on the foreign currency liabilities, net of foreign currency assets, as of December 31, 2014 (Note 39).

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 United States dollar as of December 31, 2014 or at any other rate of exchange.

The commitments for the capital expenditures denominated in foreign currencies as of December 31, 2014 as disclosed in Note 34a are approximately Rp846,893 if translated at the prevailing exchange rate as of March 23, 2015.

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41. RECLASSIFICATION OF ACCOUNTS

The following are the accounts in the consolidated statement of financial position as of December 31, 2013, which were reclassified to conform with the presentation in the consolidated statement of financial position as of December 31, 2014:

<u>As Previously Reported</u>	<u>As Reclassified</u>	<u>Amount</u>	<u>Reason</u>
Accrued expenses	Employee benefit obligations - current	22,433	Reclassification to conform with the 2014 presentation
Other non-current financial liabilities	Loans payable - net of current maturities	1,050	Reclassification to conform with the 2014 presentation

Appendix 1

PT INDOSAT Tbk
STATEMENT OF FINANCIAL POSITION
As of December 31, 2014
(Expressed in millions of rupiah, except share data)

	December 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,889,446	1,179,554
Accounts receivable		
Trade		
Related parties - net of allowance for impairment of Rp21,357 as of December 31, 2014 (2013: Rp19,144)	201,923	229,063
Third parties - net of allowance for impairment of Rp562,590 as of December 31, 2014 (2013: Rp450,009)	1,623,587	1,687,517
Others - net of allowance for impairment of Rp37,657 as of December 31, 2014 (2013: Rp35,388)	8,712	15,801
Inventories	49,406	34,596
Derivative assets	75,986	195,569
Advances	17,357	31,701
Prepaid taxes	349,109	196,609
Prepaid frequency fee and licenses	2,021,687	1,730,507
Prepaid expenses - other	379,920	332,727
Other current financial assets - net	2,819	2,936
Other current assets	991	244
Total Current Assets	6,620,943	5,636,824

PT INDOSAT Tbk
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2014
(Expressed in millions of rupiah, except share data)

	December 31, 2014	December 31, 2013
NON-CURRENT ASSETS		
Due from related parties - net of allowance for impairment of Rp15	11,037	9,191
Property and equipment - net	39,733,513	41,058,148
Goodwill and other intangible assets - net	1,327,095	1,334,892
Long-term prepaid rentals - net of current portion	873,021	806,155
Long-term prepaid licenses - net of current portion	127,289	191,289
Long-term advances	71,048	78,104
Long-term prepaid pension - net of current portion	36,918	47,948
Long-term receivables	10,177	12,838
Other non-current financial assets - net	139,194	1,507,973
Other non-current assets - net	2,060,855	1,890,158
Total Non-current Assets	44,390,147	46,936,696
TOTAL ASSETS	51,011,090	52,573,520
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term loans	849,448	1,499,849
Accounts payable - trade		
Related parties	152,620	210,306
Third parties	590,550	279,036
Procurement payable	3,002,268	2,880,756
Taxes payable	42,114	63,741
Accrued expenses	1,787,843	1,720,881
Employee benefit obligations - current portion	34,426	21,720
Unearned income	1,094,558	916,694
Deposits from customers	238,338	49,335
Derivative liabilities	31,740	36,903
Current maturities of:		
Loans payable	2,610,350	2,443,367
Bonds payable	302,652	2,356,310
Other current financial liabilities	8,637,560	346,694
Other current liabilities	144,376	217,994
Total Current Liabilities	19,518,843	13,043,586



PT INDOSAT Tbk
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2014
(Expressed in millions of rupiah, except share data)

	December 31, 2014	December 31, 2013
NON-CURRENT LIABILITIES		
Due to related parties	30,147	8,084,776
Obligations under finance lease	3,631,591	3,594,112
Deferred tax liabilities - net	377,679	644,315
Loans payable - net of current maturities	3,713,468	4,345,267
Bonds payable - net of current maturities	7,622,485	5,427,260
Employee benefit obligations - net of current portion	1,025,554	990,438
Other non-current financial liabilities	16,867	44,726
Other non-current liabilities	1,113,151	1,208,754
Total Non-current Liabilities	17,530,942	24,339,648
TOTAL LIABILITIES	37,049,785	37,383,234
EQUITY		
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	543,393	543,393
Premium on capital stock	1,546,587	1,546,587
Retained earnings		
Appropriated	134,446	134,446
Unappropriated	11,332,374	12,147,655
Difference in transactions of equity changes in associated companies/subsidiaries	404,104	404,104
Difference in foreign currency translation	(619)	(619)
Unrealized changes in fair value of available-for-sale investment	-	413,700
Difference in transactions with entities under common control	1,020	1,020
NET EQUITY	13,961,305	15,190,286
TOTAL LIABILITIES AND EQUITY	51,011,090	52,573,520

PT INDOSAT Tbk
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2014
(Expressed in millions of rupiah, except share data)

	Year ended December 31,	
	2014	2013
REVENUES		
Cellular	19,511,222	19,409,806
Multimedia, Data Communication, Internet ("MIDI")	1,953,028	1,889,658
Fixed telecommunications	1,082,497	1,200,800
Total Revenues	22,546,747	22,500,264
EXPENSES (INCOME)		
Cost of services	10,186,889	9,838,920
Depreciation and amortization	7,988,037	8,660,518
Personnel	1,393,393	1,423,719
Marketing	1,000,579	842,293
General and administration	693,381	748,018
Loss (gain) on foreign exchange - net	152,157	(237,634)
Gain on sale of available-for-sale investment	(413,700)	-
Amortization of deferred gain on sale and leaseback of towers	(141,050)	(141,050)
Others - net	69,505	188,743
Net Expenses	20,929,191	21,323,527
OPERATING PROFIT	1,617,556	1,176,737
Interest income	58,439	40,113
Financing cost	(2,412,812)	(2,221,380)
Loss on foreign exchange - net	(243,173)	(3,011,410)
Gain (loss) on change in fair value of derivatives - net	(101,927)	273,259
Other Expenses - Net	(2,699,473)	(4,919,418)
LOSS BEFORE INCOME TAX	(1,081,917)	(3,742,681)
INCOME TAX BENEFIT		
Current	-	-
Deferred	266,636	830,385
Income Tax Benefit - Net	266,636	830,385
LOSS FOR THE YEAR	(815,281)	(2,912,296)
OTHER COMPREHENSIVE INCOME		
Unrealized changes in fair value of available-for-sale investment	-	23,982
NET COMPREHENSIVE LOSS FOR THE YEAR	(815,281)	(2,888,314)
BASIC AND DILUTED LOSS PER SHARE	(150.04)	(535.95)

PT INDOSAT Tbk
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2014
(Expressed in millions of rupiah, except share data)

Description	Capital Stock - Issued and Fully Paid	Premium on Capital Stock	Retained Earnings		Difference in Transactions of Equity Changes in Associated Companies/ Subsidiaries	Difference in Foreign Currency Translation	Unrealized Changes in Fair Value of Available-for-Sale Investment	Difference in Transactions with Entities under Common Control	Total
			Appropriated	Unappropriated					
Balance as of January 1, 2013	543,393	1,546,587	134,446	15,247,530	404,104	(619)	389,718	1,020	18,266,179
Unrealized changes in fair value of available-for-sale investment	-	-	-	-	-	-	23,982	-	23,982
Resolution during the Stockholders' Annual General Meeting on June 18, 2013	-	-	-	(187,579)	-	-	-	-	(187,579)
Declaration of cash dividend	-	-	-	(2,912,296)	-	-	-	-	(2,912,296)
Loss for the year	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2013	543,393	1,546,587	134,446	12,147,655	404,104	(619)	413,700	1,020	15,190,286
Balance as of January 1, 2014	543,393	1,546,587	134,446	12,147,655	404,104	(619)	413,700	1,020	15,190,286
Realization of changes in fair value of available-for-sale investment to profit and loss due to sale of such investment	-	-	-	-	-	-	(413,700)	-	(413,700)
Loss for the year	-	-	-	(815,281)	-	-	-	-	(815,281)
Balance as of December 31, 2014	543,393	1,546,587	134,446	11,332,374	404,104	(619)	-	1,020	13,961,305

PT INDOSAT Tbk
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(Expressed in millions of rupiah, except share data)

	Year ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Customers	23,565,822	22,058,397
Interest income	58,076	42,504
Refunds of taxes	53,279	264,816
Settlement from currency forward contracts	32,848	134,477
Settlement from currency swap contracts	-	26,149
Cash paid to/for:		
Authorities, other operators, suppliers and others	(13,080,416)	(11,064,742)
Financing cost	(2,399,190)	(2,215,713)
Employees	(1,359,356)	(1,153,756)
Income taxes	(210,175)	(85,225)
Interest rate swap contracts	(17,244)	(17,853)
Swap cost from cross currency swap contract	(3,111)	(3,926)
Settlement of interest rate swap contracts	-	(32,000)
Net Cash Provided by Operating Activities	6,640,533	7,953,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of available-for-sale investment	1,379,114	-
Proceeds from sale of property and equipment	39,718	207,192
Cash dividend received from other long-term investment	23,261	53,141
Acquisitions of property and equipment	(6,299,224)	(8,842,836)
Purchase of other long-term investment	(3,552)	-
Net Cash Used in Investing Activities	(4,860,683)	(8,582,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of bonds payable	2,500,000	-
Proceeds of long-term loans	1,650,000	2,950,000
Proceeds of short-term loans	1,400,000	1,300,000
Repayment of bonds payable	(2,358,000)	(1,330,000)
Repayment of long-term loans	(2,166,163)	(3,366,200)
Repayment of short-term loans	(2,050,000)	(100,000)
Cash dividend paid	-	(187,579)
Net Cash Used in Financing Activities	(1,024,163)	(733,779)
Net Foreign Exchange Differences from Cash and Cash Equivalents	(45,795)	(260,981)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	709,892	(1,624,135)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,179,554	2,803,689
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,889,446	1,179,554
DETAILS OF CASH AND CASH EQUIVALENTS:		
Time deposits with original maturities of three months or less and deposits on call	1,724,153	1,046,486
Cash on hand and in banks	165,293	133,068
Cash and cash equivalents as stated in the statement of financial position	1,889,446	1,179,554

PT INDOSAT Tbk
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2014 and
for the Year Then Ended
(Expressed in millions of rupiah, except share data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Separate Financial Statements of the Parent Entity

The separate financial statements of the Parent Entity have been prepared in accordance with PSAK 4 (Revised 2009), "Consolidated and Separate Financial Statements", adopted on January 1, 2011.

PSAK 4 (Revised 2009) provides that an entity choosing to present the separate Parent Entity financial statements can only present such financial statements as additional information to the consolidated financial statements. The separate financial statements are the financial statements prepared by the Parent Entity to record its investments in subsidiaries, associated company and jointly controlled entities through direct equity ownership and not to report on the results of operations and net assets of these investees.

The accounting policies adopted in the preparation of the separate financial statements of the Parent Entity are consistent with those made in the preparation of the Group's consolidated financial statements as disclosed in Note 2 to the consolidated financial statements, except for investments in shares of subsidiaries and associated entity.

Investments in shares of subsidiaries and associated entity are recorded at cost. The Parent Entity recognizes dividends from subsidiaries and associated entity in the separate statement of comprehensive income when the right to receive the dividend is determined.

2. INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED COMPANY

The information regarding the Company's associated company is disclosed in Note 13 to the consolidated financial statements.

The Parent Entity has investments in shares of the following subsidiaries and associated company:

Entity Name	December 31, 2014				
	Percentage of Ownership	Cost Acquisition January 1, 2014	Increase	Decrease	Acquisition Cost December 31, 2014
<u>Subsidiaries</u>					
IPBV	100.00%	23,862	-	-	23,862
ISPL	100.00%	5,962	-	-	5,962
IMM	99.85%	277,974	-	-	277,974
SMT	84.08%	151,258	-	-	151,258
Lintasarta	72.36%	543,296	-	-	543,296
<u>Associated Company</u>					
PT Multi Media Asia ("M2A")	26.67%	56,512	-	-	56,512
Allowance for impairment		(56,512)	-	-	(56,512)
Net		1,002,352	-	-	1,002,352

PT INDOSAT Tbk
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2014 and
for the Year Then Ended
(Expressed in millions of rupiah, except share data)

2. INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED COMPANY (continued)

The Parent Entity has investments in shares of the following subsidiaries and associated company:
(continued)

	December 31, 2013				
Entity Name	Percentage of Ownership	Cost Acquisition January 1, 2013	Increase	Decrease	Acquisition Cost December 31, 2013
<u>Subsidiaries</u>					
IPBV	100.00%	23,862	-	-	23,862
IFB	-*	22,377	-	(22,377)	-
IIFB	-*	10,447	-	(10,447)	-
ISPL	100.00%	5,962	-	-	5,962
IMM	99.85%	277,974	-	-	277,974
SMT**	84.08%	134,709	16,549	-	151,258
Lintasarta	72.36%	543,296	-	-	543,296
<u>Associated Company</u>					
PT Multi Media Asia ("M2A")	26.67%	56,512	-	-	56,512
Allowance for impairment		(56,512)	-	-	(56,512)
Net		1,018,627	16,549	(32,824)	1,002,352

* As of November 4, 2013, IFB and IIFB have been formally liquidated and deregistered from the Netherlands Chamber of Commerce.

** On July 11, 2013, the Company made additional capital injection to SMT amounting to Rp16,549, resulting in the increase of the Company's ownership in SMT from 72.54% to 84.08%.



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Fri, Feb 20



Mon, Feb 23



yummmm....makan sedap harga bersahabat!

Send



Corporate Data

Dealoka is my go-to place for great deals on food and travel.



SHAREHOLDER INFORMATION

Shareholder and Public inquiries should be addressed to:

Group Investor Relations & Corporate Secretary

Indosat Building, 2nd floor, Podium Depan
Jl. Medan Merdeka Barat No. 21, Jakarta
10110, Indonesia

Tel. : +62 21 3000 3001 ext. 2615

Fax. : +62 21 3000 3002

Email : investor@indosat.com;
publicrelations@indosat.com

Website : www.indosat.com

Capital Stock (as of December 31, 2014)

Authorized Capital of
Rp2,000,000,000,000 divided into
20,000,000,000 shares consisting of 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, 2014)

5,433,933,500 comprised 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. Ooredoo Asia Pte. Ltd.
(3,532,056,600 Series B Shares)
3. SKAGEN AS (292,740,950 Series B
Shares)
4. Public (832,510,950 Series B Shares)

Share Ownership Above 5% (as of December 31, 2014)

1. Ooredoo Asia Pte. Ltd (65.00%)
2. The Government of Indonesia (14.29%)
3. SKAGEN AS (5.39%)
4. Public (15.32%)

Stock Exchanges where Indosat shares are listed

Indonesia Stock Exchange (IDX)

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, Floor 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 3rd Floor
 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

Moody's

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

The Indosat 2015 Annual General Meeting of Shareholders will be held on 10 June 2015.

SUBSIDIARY COMPANIES

PT Aplikanusa Lintasarta ("Lintasarta")

Indosat holds 72.36% of the shares in Lintasarta, which provides high-speed communication and corporate network services. Specifically, Lintasarta, which was established in 1988, engages in the business of providing system data telecommunication and information technology services and network application services, which include providing physical infrastructure and software application and consultation services in data communication and information system for banking, finance and other industries.

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 ("IM2")

Indosat hold 99.85% of its shares in IM2, which was established in 1996 to provide internet and multimedia services which include IP-based multimedia, Internet, and IP-based LAN & WAN network communications services.

Address : Jl. Kebagusan Raya No. 36 Pasar 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 Singapore Pte. Ltd ("ISPL")

ISPL was established in Singapore on December 21, 2005. ISPL is wholly owned 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) 6235 5155
 Fax. : (65) 6337 4838
 Contact person: Fuad Fachroeddin
 Email : info@indosat.com.sg

PT Star One Mitra Telekomunikasi ("SMT")

SMT was established on June 15, 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 84.08% of the shares in this Company.

Address : Gedung Indosat 2 floor, Jl. Pandanaran 131 Semarang 50134
 Phone : (62-24) 33040000
 Fax. : (62-24) 33002345
 Contact person: Suharso W Sulistyono
 Email : suharso.sulistyono@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 2020.

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



Indosat Mentari Company B.V. ("IMBV")

IMBV was established in Amsterdam, the Netherlands, in April 28, 2010 and amendment in July 30, 2010 and operates as a financing Company. Indosat indirectly holds 100% shares via IPBV.

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

PT Lintas Media Danawa ("LMD")

PT LMD was established in Jakarta, in July 8, 2008 to provide information and communication services, such as data center services, e-learning and distance learning for public education services. Indosat indirectly holds 50.65% shares via Lintasarta.

Address : Graha LMD Jl. Lebak Bulus Raya
(d/h Jl. Batan) No.7 Rt.003/002. Lebak
Bulus Cilandak-Jakarta Selatan
Phone : (62-21) 75901212
Fax. : (62-21) 75901216
Website : www.lintasmediadanawa.com
Contact person : Sahroji/Admin Dept Head
Phone : (62-21) 75901212
Email : sahoji@lintasmediadanawa.com

PT Artajasa Pembayaran Elektronik ("Artajasa")

PT Artajasa was established in Jakarta, in February 10, 2000 which provides general trade and application services to industry, particularly the banking industry, information technology consultation services and and telecommunication services. Indosat indirectly holds 39.80% via Lintasarta.

Address : Jl. Letnan Sutopo, No.B1/3 Sektor
Komersial 3B, BSD City, Tangerang
Selatan
Phone : (62-21) 39830040
Fax. : (62-21) 29177017
Contact person : Yakin Tahnuji
Phone : (62-21) 39830040
Email : yakint@artajasa.co.id

PT Interactive Vision Media ("IVM")

PT IVM was established in Jakarta, in April 21, 2009 to provide pay TV services. Indosat indirectly holds 99.83% shares via IM2.

Address : Jl. Kebagusan Raya No. 36 Pasar Minggu,
Jakarta 12550
Phone : (62) 855 1082101, (62-21) 7854 6969,
ext. 103.
Contact person : Sukria
Email : sukria@indosatm2.com

PROFILE OF THE BOARD OF COMMISSIONERS

Indosat
12.02
75%

in
Search
1



Dr. Nasser Mohammed Marafih
President Commissioner

Message
Contact info

Summary

Dr. Nasser Mohammed Marafih, 54, has been a Commissioner at Indosat since August 2008 and was appointed as the President Commissioner in January 2015. Currently he is the Chief Executive Officer of the Ooredoo Group since 2006. He also served as Ooredoo Qatar CEO from 2002 until 2011.

Born in Doha, Qatar, 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. Nasser 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. He joined Ooredoo Qatar in February 1994 as a Director for Strategic Planning & Development and led a number of strategic projects including the introduction of the Internet service in Qatar in 1996 and the privatization of Ooredoo Qatar from a government owned company to a publicly listed company in 1999.

In his role as CEO, Dr. Nasser has spearheaded Ooredoo's global growth in recent years to expand to 15 operations in Middle East, North Africa and South East Asia, including Ooredoo's acquisition of Wataniya Telecom, Ooredoo's strategic partnership with ST Telemedia in Singapore, as well as the company's purchase of a controlling stake in Indosat of Indonesia.

Dr. Marafih serves as a board member in a number of other Ooredoo Group companies including Ooredoo in Myanmar and Asiacell in Iraq. In addition, Dr. Marafih serves as Chairman of the Board of the GSMA Mobile for Development Foundation and as a member of the Board of GSMA. He is also the chairman of the South Asia, Middle East, North Africa region's SAMENA Telecommunication Council.

Dr. Nasser ranked #41 among the 100 powerful Arab leaders in 2015 and he has appeared in the ranking since the launch of the list in 2013.



Indosat

14.32

20%

in

Search

Ahmed Yousef Ebrahim M Al-Derbesti

Commissioner

Summary

Ahmed Yousef Ebrahim M Al-Derbesti, 56, was appointed as Commissioner of Indosat in January 2015. Currently he is the Chief Operation Officer of Ooredoo Group. He was previously Executive Director of the International Services Business unit at Qtel for 8 years. He has held various senior management positions at the Ministry of Communications of Qatar, Qatar Telecom (Qtel) and Ooredoo during his 27-year career, with a focus on telecommunications and management. He also serves as Executive Director for several departments and serves as a member of various Boards at Satellite Global Companies of Qtel Group Companies and their management committees.

Khalid Ibrahim A Al-Mahmoud

Commissioner

Summary

Khalid Ibrahim A Al-Mahmoud, 51, was appointed as Commissioner of Indosat in January 2015. He holds several positions as Group Chief Officer of Ooredoo Group's Small & Medium Companies and Chairman/ Co-chairman for four Ooredoo subsidiaries, namely Wataniya Mobile Palestine, Ooredoo Maldives, Wi-tribe Pakistan and Wi-tribe Philippines. Previously he was Chief Operating Officer at Wi-tribe Group from March 2011 to January 2012, and Chief Operating Officer at Nawras (Ooredoo's subsidiary in Oman) from 2005 until March 2011. He has also held various positions at Ooredoo Qatar as Manager - Marketing and Product Management, General Manager - Data Services (iSp) Business unit, IT Divisional Manager, and Head of Information Systems - Business Applications from 1989 to 2005.



Indosat 17.07 45%

in Search

 **Chris Kanter**
Commissioner

[Message](#) [Share](#) [Contact info](#)

 **Summary**

Chris Kanter has been an Independent Commissioner of Indosat 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, a major player and turnkey contractor in transportation and logistics.

Mr. Kanter's commitment and devotion to national economic development and reform is shown through his role in the Indonesian Chamber of Commerce and Industry (KADIN Indonesia), of which he has been Vice President from 1994- 2010, and of which he has been appointed as Vice Chairman for Trade and International Relations of Indonesian Chamber of Commerce and Industry (KADIN Indonesia) since early 2013.

His contributions also extend more widely to include: Chairman of Board of Founders of the Swiss German University (SGU), Vice President of International Federation of Freight Forwarders Associations (FIATA), Secretary Board of Founders of the Employers Association of Indonesia (APINDO), Chairman of Board of Founders of Global Entrepreneurship Program Indonesia (GEPI), Chairman of Board of Founders of Indonesian Services Dialogue (ISD), Chairman of Advisory Board of Indonesian Forwarders Association (INFA/GAFEKSI) and Vice President Commissioner of PT Bank BNP Paribas Indonesia and Senior Advisor of Ministry of Trade. From 2007 to 2009, he was President of The German Indonesian Chamber of Industry & Commerce (EKONID). In addition to these high profile tasks, he was appointed by the Indonesian government as Economic Advisor to the President in the National Economic Council (KEN) and as a member of the Investment Coordination Board Committee (BKPM) since 2010. Mr. Kanter was a member of the Monitoring Team for Inpres (Presidential Instruction) on The Policy Package for Improving Investment Climate in Indonesia and has been appointed by Government to chair a number of Indonesia's most prominent events such as Indonesia Infrastructure Conference & Exhibitions I & II, Presidential Lectures featuring Bill Gates, a Global Entrepreneurship Summit featuring Hillary Clinton and various other international leaders forums in Indonesia. He frequently participates as a speaker for high level regional meetings in the Asia Pacific and is often invited as guest speaker, panelist or moderator for international investment seminars. Mr. Kanter previously served as member of the People's Consultative Congress (MPR) of the Republic of Indonesia from 1998 to 2002.



Indosat

19.59

30%

Search

Beny Roelyawan

Commissioner

Message

Contact info

Summary

Beny Roelyawan, 58, has been a Commissioner since June 2012. Mr. Roelyawan served as Deputy III at the State Intelligence Agency, Republic of Indonesia from January 2006 until July 2013, when he then serves as Deputy VII of Analysis and Production until now. He received Honorary Award of Satyalancana Karya Satya X in 2001 and Satyalancana Karya Satya XX in 2005. He holds a Bachelor degree in Economic Enterprise from the University of Diponegoro in Indonesia.

Cynthia Alison Gordon

Commissioner

Message

Contact info

Summary

Cynthia Alison Gordon, 52, has been a Commissioner since June 2013. Ms. Gordon is Group Chief Commercial Officer for Ooredoo. Ms. Gordon has more than 20 years of experience at leading mobile, broadband and fixed-line operations in emerging and developed markets. Ms. Gordon started her career at British Telecom and has held senior management positions at AT&T, Mobile TeleSystems OJSC ("MTS"), and Orange.

Indosat
20.34
55%

in
Search
3



Richard Farnsworth Seney

Independent Commissioner

Message
Contact info



Summary

Richard Farnsworth Seney, 60, has been a Commissioner since June 2009 and was appointed as the Chairman of the Audit Committee from June 2013 and the Chairman of the Remuneration Committee from January 2015. 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.



Rinaldi Firmansyah

Independent Commissioner

Message
Contact info



Summary

Rinaldi Firmansyah, 55, was appointed as Independent Commissioner of Indosat since January 2015. Currently he is the President Commissioner of PT PLN Batam and Commissioner of PT Blue Bird, Tbk and PT Elnusa, Tbk. He was previously President Director and CEO at PT Telekomunikasi Indonesia (TELKOM) in 2007-2012, Finance Director and CFO of TEKOM in 2004-2007, and Commissioner and Head of Audit Committee at PT Semen Padang from 2003-2004. Mr. Firmansyah has held positions at PT Bahana Securities as a Director (1997-2001), President Director (2001-2003) and Vice President Commissioner (2003-2004), and has served as a Commissioner for certain subsidiaries. He also served as Vice President of Finance at PT Tirtamas Comexindo (Prima Comexindo) from 1991-1997. He started his career at Schlumberger Overseas at North-Sea, Scotland (1985) before moving to Siemens/PT Dian Graha ElektriKA (1968-1987) followed by the Corporate Banking Division at Citibank (1988-1991).

Mr. Firmansyah holds a bachelor's degree in Electrical Engineering from Bandung Institute of Technology (ITB), West Java and a Master of Business Administration from IPMI Jakarta. He is a Chartered Financial Analyst (CFA) and the first President of Indonesian CFA Institute, and obtained his doctorship of Management from Padjadjaran University, Bandung, Indonesia. He was awarded NARARYA medal from the Government of Indonesia in August 2012 and was voted as Best CEO and Best CFO by some leading business magazines during 2004-2010. Mr. Firmansyah also attended many trainings on leadership, strategic management and finance, telco-related and more held by leading institutions worldwide.



Indosat
22.44
65%

in
Search
4

Astera Primanto Bhakti

Commissioner

Message
Contact info

Summary

Astera Primanto Bhakti, 47, was appointed as a Commissioner of Indosat in January 2015. His current position is Assistant to Minister of Finance for State Revenue. He was the Chief of Tax Treaty Negotiator and Secretary of Tariff Team at the Ministry of Finance from 2012 to 2015 and Director of the Centre for State Revenue Policy at the Fiscal Policy Office (Ministry of Finance) in 2012. Previously he joined Directorate General of Taxes in 1992 where he held several positions, with his last position as Deputy Director of Tax Treaty and International Cooperation in 2009.

Mr. Bhakti holds a Bachelor in Management from the University of Jenderal Soedirman, Purwokerto, Indonesia. He then studied at the Economic Institute of the University of Boulder, Colorado, USA and earned a Master of Taxation from the University of Denver, Colorado, USA. He has also attended various training sessions on Taxation and Team Performance in leading universities worldwide.

Wijayanto Samirin

Independent Commissioner

Message
Contact info

Summary

Wijayanto Samirin, 44, was appointed as an Independent Commissioner of Indosat since January 2015. Currently he is a Special Staff of Vice President of Indonesia, for Economic and Finance. Mr. Samirin is also the co-founder and Director of Paramadina Public Policy Institute (PPPI), and was Vice Rector and Lecturer at Paramadina University, Jakarta, from 2007 to 2015.

Before joining Paramadina, he spent 9 years of his career in the investment banking and hedge fund industries, where he held various positions at Farindo/Farallon Capital LLC, ABN AMRO Asia Securities and Makindo Securities.

Mr. Samirin is a Fulbright Scholar who earned a Master's degree in Public Policy from Georgetown University, Washington, D.C., USA and Bachelor's degree in Civil Engineering from Gadjah Mada University, Yogyakarta. He has published 4 books, more than 100 articles and a list of academic papers.

PROFILE OF THE BOARD OF DIRECTORS

Indosat

05.05

80%



Search







Alexander Rusli

President Director and Chief Executive Officer

   Contact info

 Summary

Alexander Rusli , 44, assumed the role of President Director and CEO of Indosat in November 2012 after serving as an Independent Commissioner since January 2010. Before November 2012, Mr. Rusli was a Managing Director in Northstar Pacific, a private equity fund which focuses on Indonesian and Southeast Asian opportunities. Prior to his role in Northstar Pacific, Mr. Rusli served the Government of Indonesia for nine years. In his first six years in government, 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 Telecommunication, Media and Postal industries. In his last three years in government services, he was an Expert Staff to the Minister of State-Owned Enterprises, overseeing approximately 140 state-owned enterprises with more than 500 subsidiaries. During that period, he also held various positions at certain state-owned companies including serving as commissioner of PT Krakatau Steel (Persero), a steel producer, PT Geodipa Energi, a geothermal company and PT Kertas Kraft Aceh, a paper manufacturer. Prior to his posts in the Government, Mr. Rusli was Principal Consultant for PricewaterhouseCoopers Management Consulting in Indonesia. Mr. Rusli completed all his formal tertiary education in Curtin University, Western Australia. He holds a Doctor of Philosophy degree in Information Systems.



Indosat

05.12

70%

Search

Curt Stefan Carlsson

Director and Chief Financial Officer

[Message](#)

[Contact info](#)

Summary

Curt Stefan Carlsson, 44, 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, 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 Mobysen, Norway from May 2000 to July 2001 and an Auditor at PricewaterhouseCoopers, Sweden, from September 1997 to April 2000. He holds an MSc degree in Business and Economics from the University of Uppsala, Sweden in 1997.



Indosat

06.36

93%

in

Search

2



Joy Wahjudi

Independent Director and Chief Sales and Distribution Officer

Message

Contact info

Summary

Joy Wahjudi, 44, was appointed as Director and Chief Sales & Distribution officer of Indosat in May 2014. Mr. Wahjudi brings 20 years of experience in the Indonesian telecommunications industry to the position, starting in 1995 as the GM Finance & Treasury for Mobile Selular Indonesia. In 1997 he joined XL Axiata as GM Finance Controller, where he was subsequently appointed to a variety of senior positions including GM Corporate Strategy from 2000 to 2003, GM Sales Business Solution from 2003 to 2005, VP Region from 2005 to 2006, and Chief Commerce Officer from 2006 to February 2014. Mr. Wahjudi holds a Master of Business Administration in International Business from California State East Bay, USA.



Indosat

07.23

67%

Search

John Martin Thompson

Director and Chief Technology Officer

[Message](#)

[Contact info](#)

Summary

John Martin Thompson, 52, was appointed Director and Chief Technology Officer in November 2014. In his 25-year telecommunications career, he has held positions with major telecommunications companies all over the globe. He was most recently Director Vodafone Core Network & Operations from 2013 to February 2014. He began his career in telecommunications as a Senior Engineer with Microtel (now Orange), United Kingdom, in 1990, and then joined Telecel in Lisbon (Vodafone Portugal) in 1992. In 1993, he joined Tokyo Digital phone (J-Phone) in Japan. Subsequently he served as CTO for RPG Cellular Madhya Pradesh, India from 1995 until 1997, Head of Fixed network D2 Mannesmann, Dusseldorf, Germany from 1997 until 1999, President & CEO of J-Phone Hokkaido Ltd, Japan from 1999 until 2000, CTO of J-Phone East Ltd, Tokyo from 2000 until 2001, Alliance Director at Bharti-Airtel in Delhi, India from 2006 to 2007, Chief Technology Officer for Vodafone K.K. Tokyo, Japan from 2001 to 2006, Director at Vodafone Group for the Network Service unit from 2007 until 2012, and CTO of Cable & Wireless Worldwide, Bracknell from 2012 until 2013. Mr. Thompson earned a Bachelor degree in Electrical Engineering from the University of Birmingham, United Kingdom, in 1984.

PROFILE OF CHIEFS

Indosat

08.31

57%

in

Search

4



Indar Atmanto

Chief Corporate Services Officer

Message

Contact info

Summary

Indar Atmanto has been the Chief Corporate Services Officer since August 2011. Currently Mr. Atmanto is also President Commissioner of PT Indosat Mega Media. Previously, Mr. Atmanto was CEO of PT Indosat Mega Media (IM2) from 2006-2012. Many initiatives were taken during his tenure to position IM2 as the prime mover of Mobile Broadband services in Indonesia, during which IM2 was well respected by other operators in the market and achieved both national and international recognition such as winner of The Most Innovative Broadband Wireless from WBA (World Broadband Alliance), a Top Brand Award, and a Call Center Award from respected institutions in Indonesia. Prior joining PT Indosat Mega Media, Mr. Atmanto served as Commercial Director of PT Aplikasi Lintasarta where company growth outperformed the market during his tenure. In the past, he has held board-level positions at various companies such as Commissioner of PT EDI (Electronic Data Interchange), Commissioner of PT Indosat Mutimedia Mobile (IM3), Commissioner of PT Satelindo, and Director of PT Bimagraha Telekomindo. He has also held various management positions at PT Indosat including Corporate Secretary, Strategic Corporate Development-General Manager, and Marketing-General Manager. Mr. Atmanto graduated from Bandung Institute of Technology-ITB-Indonesia in 1986. He received a scholarship from OTO Bapenas of the Government of Indonesia to continue his studies, and earned a Master degree in Business Administration specializing in Telecommunication Management and Finance, from the University of Miami, USA in 1993. Mr. Atmanto is a member of the Internet & Data Board as well as Executive Chairman of the MASTEL Indonesian Telecommunication and Information Community.



Indosat

09.54

64%

Search

Loong Tuck Weng

Chief Marketing Officer

Message

Contact info

Summary

Loong Tuck Weng was appointed as Chief Marketing Officer Indosat in May 2014. He has extensive marketing experience, with specialization in pricing, product management and customer management. His experience in telecommunication industry began in 2000 as Head of Product Management for 6 years at DiGi Telecommunication, where he was subsequently, appointed as Head of Marketing and Segments in 2007. In 2008, Mr. Weng became Director Marketing of Ooredoo for 5 years. He received a Master degree majoring in Education Media from the University of Mississippi, USA, in 1988.



Indosat

10.12

72%

in

Search

1



Herfini Haryono

Chief Information Officer

Message

Contact info

Summary

Appointed as has been Chief Information Officer since February 2015, as well as Acting Chief Technical Officer (CTO) from May 2014 to October 2014 in Indosat. She joined Indosat in early 2013, where she led various major projects including the Mobile Financial Project and Market Bite Size Project. She has concurrently serves as a Commissioner at Indosat subsidiary PT Lintasarta since June 2014.

With more than 20 years of IT, network engineering and technical experience, Ms. Haryono has held many senior positions including as a Director and Commissioner of PT Telkom Metra from 2007 to 2013, Chief Technology and Information Officer and Director of Planning and Development of PT Telkomsel from 2009 to 2012, and Vice President at PT Telkomsel from 2004 to 2008. Previous to this she worked at StarHub Singapore and in PT. Motorola Indonesia. She has also won multiple awards including the Hitachi Award for the Indonesian CIO of the Year 2009, the Satya Lencana Pembangunan Medal of Development in 2011 from the President of the Republic of Indonesia, and the Amdocs Award for the global Telco CIO of the year in 2011.

Ms. Haryono received a Diplomengineuer degree (Dipl.-Ing.) in Electrical Engineering specializing in Telecommunication from the Technical University of Braunschweig, Germany in 1992. Subsequently she participated in various training courses including a Financial Management Course at Prasetya Mulya University, Jakarta, and an Innovation Course at MIT, Cambridge, USA.



Indosat
11.51
84%

in
Search
3

Prashant Gokarn
Chief Strategy and Planning Officer

Message
Contact info

Summary

Prashant Gokarn was appointed as Chief Strategy & Planning Officer in July 2011. Currently, Mr. Gokarn is a member of the Board of Commissioners of PT Indosat Mega Media. Mr. Gokarn previously held various senior 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.

Ripy R.H. Mangkoesoebroto
Chief Human Resources Officer

Message
Contact info

Summary

Ripy R.H. Mangkoesoebroto is the Chief Human Resources Officer of Indosat. She joined Indosat in November 2012, bringing over 18 years of experience in Human Resources in the consumer goods, pharmaceutical and consulting industries with leading national and multinational organizations. She was most recently Chief Human Resources at AXA Indonesia, part of the AXA Group, one of the largest insurance companies in the world. Prior to that she was Human Resources Director at MSD Group, which is owned by Merck & Co, the second largest pharmaceutical company worldwide. Ms. Mangkoesoebroto is a graduate of the faculty of Psychology of the University of Indonesia, with a post-graduate MsC. in Education and Training System Design from the University of Twente, the Netherlands.

PROFILE OF AUDIT COMMITTEE INDEPENDENT EXPERTS

Indosat

12.42

66%

in

Search

5



Kanaka Puradiredja

Audit Committee

Message

Contact info

Summary

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 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 and Senior Partner of KPMG Indonesia during 1978-1999, last position the Chairman of the firm. Previously he 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. He is a Chartered Accountant, a Chartered Member of Indonesian Institute of Commissioners and Directors (LKDI) and a Certified Risk Management Professional.



Unggul Saut Marupa Tampubolon

Audit Committee

Message

Contact info

Summary

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 Nickel Indonesia from 1980 to 1983.. Mr. Tampubolon earned a degree in International Law from the Faculty of Law, University of Indonesia in 1977.

STATEMENTS OF RESPONSIBILITY OF THE BOARD OF COMMISSIONERS AND THE BOARD OF DIRECTORS ON PT INDOSAT Tbk's 2014 ANNUAL REPORT

We the undersigned hereby declare that all information provided in the PT Indosat Tbk's ("Company") 2014 Annual Report has been presented in its entirety and that we assume full responsibility for the accuracy of the content of the Company's Annual Report.

This statement is made in all truthfulness.

BOARD OF COMMISSIONERS



Dr. Nasser Mohammed Marafih
President Commissioner



Ahmed Yousef Ebrahim M. AL-Derbesti
Commissioner



Khalid Ibrahim A. AL-Mahmoud
Commissioner



Chris Kanter
Commissioner



Astera Primanto Bhakti
Commissioner



Beny Roelyawan
Commissioner



Cynthia Alison Gordon
Commissioner



Richard Farnsworth Seney
Independent Commissioner



Rinaldi Firmansyah
Independent Commissioner



Wijayanto Samirin
Independent Commissioner

BOARD OF DIRECTORS



Alexander Rusli
President Director
and Chief Executive Officer



Curt Stefan Carlsson
Director and
Chief Financial Officer



Fadzri Sentosa
Director and Chief Wholesale and
Enterprise Officer



Joy Wahjudi
Director and Chief Sales
and Distribution Officer
(also assume the role as Independent Director)



John Martin Thompson
Director and
Chief Technology Officer

CROSS REFERENCE
WITH FINANCIAL SERVICE AUTHORITY
(OTORITAS JASA KEUANGAN)
2014 ANNUAL REPORT AWARD CRITERIA

NO.	CATEGORY	DESCRIPTION	PAGE
I.	GENERAL		
1.	The annual report must be presented in proper Bahasa Indonesia, and it is recommended to also submit it in English		✓
2.	The annual report is printed with good quality with a font type and size that is easy to read		✓
3.	The annual report clearly states the Company's identity	The Company name and the annual report year is shown in the: a. Cover; b. Side; c. Back cover; and d. Each page.	✓
4.	The annual report is published on the Company's website	The annual report shall be available to the shareholders at the time of the Annual General Meeting invitation, and shall be posted on the Company website page where it can be accessed at any time.	✓
II.	FINANCIAL HIGHLIGHTS		
1.	Information on the Company's operating income in the form of comparison for 3 (three) financial years, or since starting its business if the Company has been in business for less than 3 (three) years	Information on Company's operating income in the form of comparison for 5 (five) financial years. The information includes among others: a. Revenues; b. Profit (Loss); c. Net profit (Loss); and Earnings per share.	04-05
2.	Information on the Company's financial position in the form of comparison for 3 (three) financial years, or since starting its business if the Company has been conducting its business for less than 3 (three) years	Information Company's financial position in the form of comparison for 5 (five) financial years. The information includes among others: a. Revenues; b. Total Assets; c. Total Liabilities, and d. Total Equity	04-05

NO.	CATEGORY	DESCRIPTION	PAGE
3.	Comparison of financial ratios for 3 (three) financial years, or since starting its business if the Company has been conducting its business for less than 3 (three) years	Financial ratios in the form of comparison for 5 (five) financial years. Contains general information and financial ratios relevant to the Company and type of industry, including: - Gross Profit/Revenues Ratio; - Income Before Tax/Revenues Ratio; - Net Income/Revenues Ratio; - Net Income/Average Equity Ratio; - Net Income/Average Assets Ratio; - Current Assets/Curent Liabilities Ratio; - Liabilities/Equity Ratio; - Liabilities/Assets Ratio.	04-05
4.	The share price information in the form of tables and graphics	Information in the form of tables and graphics, including: - The number of shares outstanding; - The market capitalization; - The highest, lowest, and closing stock price; - Trading volume.	08-09
5.	Share price information in case of corporate actions such as stock splits, reverse stock split, stock dividend, bonus shares, and the reduction of par value.	Information among others on: - The date of the corporate action - Ratio of the stock split, reverse stock split, share dividend, bonus shares and reduction of par value; - The number of shares in circulation before and after a corporate action; - The share price before and after a corporate action.	04, 09, 31
III. REPORT OF THE BOARD OF COMMISSIONERS AND DIRECTORS			
1.	Report of the Board of Commissioners	Includes the following: - Assessment of the Board of Directors' performance in managing the Company; - View on the Company's business prospects as prepared by the Board of Directors and the basis for this opinion; - Assessment on the performance of committees under the Board of Commissioners; and - Changes in the Board of Commissioners' composition and reasons why (if available).	14-17
2.	Report of the Board of Directors	Includes the following: - Analysis of the Company's performance including strategic policies, comparison of results achieved vs. targets, and obstacles faced by the Company; - Description of business prospects; - Implementation of good corporate governance; - Changes in the Board of Directors' composition and reasons why (if available)	20-25

NO.	CATEGORY	DESCRIPTION	PAGE
3.	Signature of directors and commissioners	Include the following: 1. Signatures are placed in a separate page; 2. A statement that the Board of Directors and Board of Commissioners are fully responsible for the accuracy of the Annual Report's content; 3. Signed by all members of the Board of Commissioners and the Board of Directors, with name and title; 4. Written explanation in a separate letter by any member of the Board of Commissioners or Board of Directors who did not sign the annual report, or a written explanation in a separate letter by other members in the case that the a written explanation is not available from the individual in question.	389
IV. COMPANY PROFILE			
1.	Name and full address of the Company	Information containing among others name and address, zip code, telephone & fax number, email, and website.	28
2.	Brief history of the Company	Including: date/year of establishment, name, and change(s) to the Company's name (if any).	28
3.	Business Field	Descriptions of, among others: 1. The Company's business activities according to the latest Articles of Association; 2. Business activities; and 3. Description of products and/or services;	28, 213
4.	Organization Structure	In a chart, including the positions to at least up to one level below the Board of Directors.	38-39
5.	Vision and Mission	Includes: 1. The Company's vision; 2. The Company's mission.	29
6.	Identity and brief resume of members of the Board of Commissioners	Information includes, among others: 1. Name; 2. Position (including position(s) in other companies or institutions); 3. Age; 4. Education; 5. Working experience; and 6. Date of first appointment as a member of the Board of Commissioners	374-379

NO.	CATEGORY	DESCRIPTION	PAGE
7.	Identification and brief biography of members of the Board of Directors	Information includes, among others: 1. Name; 2. Position (including position(s) in other companies or institutions); 3. Age; 4. Education; 5. Working experience; and 6. Date of first appointment as a member of the Board of Directors	380-383
8.	Inclusive of changes in the composition of the Board of Commissioners and/or Directors that took place after the end of the financial year until the deadline for the submission of annual reports.	The composition that shall be listed is the most recent and previous composition of the Boards of Commissioners and/or the Board of Directors.	23, 39, 158, 165, 167
9.	Number of Employees (2 year comparison) and description of competency development (e.g. education and training aspects for employee)	Information includes, among others: 1. The number of employees at each level of the organization; 2. The number of employees at each level of education; 3. Employee training that has been conducted to reflect equal opportunities for all employees 4. Incurred costs	65-70
10.	Composition of Shareholders	Includes, among others: 1. Names of shareholders with 5% or more shares; 2. Name of Directors and Commissioners who own shares; 3. Groups of community stakeholders with share ownership of less than 5% each, along with their respective percentage of ownership; dan 4. The 20 Largest Shareholders	36, 370
11.	List of Subsidiaries and / or Associates	Information includes, among others: 1. Name of Subsidiaries and/or Associates; 2. Percentage of share ownership; 3. Description of the Subsidiaries and/or Associates' business; 4. Information on Subsidiaries and/or Associates operational status (has operated or not yet)	36, 220, 372-373
12.	Chronology of share listing	Information includes: - Chronological share listing; - Changes in the number of shares from the start of the recording period until the end of the financial year, as well as - Name(s) of the Stock Exchange where the shares are listed (if any).	30-31



NO.	CATEGORY	DESCRIPTION	PAGE
13.	The structure of group companies	The Company group structure in the form of a chart that describes subsidiaries, associate entities, joint venture and special purpose vehicles (SPV), or a statement that the Company has no group.	36
14.	Chronology of share listing	Includes the following: 1. Share listing chronology; 2. Types of corporate actions that prompt changes in the number of shares; 3. Changes to number of shares from the start of bookkeeping to the end of fiscal year; 4. Names of stock markets where the shares are listed	04, 09, 30-31, 370
15.	Name and address of the agency and/or supporting capital market professionals	Includes the following: 1. Name and address of the Securities Administration Agency 2. Name and address of the Public Accounting Firm	370
16.	Awards received in the last year and/or certifications that are still valid both nationally and internationally	Includes the following: 1. Name of awards and/or certificates 2. Year received 3. Award and/or certification issuer	10-11
17.	Name and address of subsidiaries and or branches or representative offices in the last financial year (if any)	1. Name and address of subsidiary; and 2. Name and address of branch offices/representatives	372-373
V. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE COMPANY			
1.	Overview of operations per business segment	Important information related to the operations of the Company in accordance with the Company's industry type, at least covering: 1. Production/operations; 2. Sales / revenue; 3. Profitability. (if any)	44-99
2.	Description of the financial performance of the Company	Financial performance analysis that includes a comparison between the financial performance of the relevant year and previous years (in both narrative form and tables), among others regarding: 1. Current assets, non-current assets, and total assets; 2. Short-term liabilities, long term liabilities and total liabilities; 3. Equity; 4. Sales/revenues, expenses, and net income (loss), other comprehensive income, and total Comprehensive Income (loss); 5. Cash Flow.	78-125

NO.	CATEGORY	DESCRIPTION	PAGE
3.	Level of collectibility.	Information on Company's receivables collectibility period by presenting the relevant ratio calculations	99-103
4.	Ability to pay debts	Information on its ability to pay debt with the relevant ratio calculations presented.	99-103
5.	Discussion on the capital structure, management policy on capital structure (capital structure policy)	The information consist of: 1. Capital structure 2. Management policies over capital structure.	356
6.	Discussion on material commitments for capital investments in the last financial year	Explanation of: 1. The purpose of the commitment; 2. Expected source of funds to fulfil these commitments; 3. Currency denomination; 4. Steps taken by the Company to protect the risk of related foreign currency positions. Note: Should be disclosed if the Company has no material ties in investments in capital goods	83, 100
7.	Discussion on capital investments result in the last financial year	Explanation of: 1. Type of capital goods investment 2. Purpose of the capital good investment; and 3. Value of the investment in capital good that was realized in the last book year Note: if there was no capital goods investment was realized, to be disclosed.	83, 100
8.	A comparison between targets at the beginning of the financial year and the results achieved (realization), and the desired target or project to be achieved in the next year regarding revenue, earnings, capital structure, or others items that are considered important for the Company	Information disclose among others, : 1. Comparison between targets at the beginning of fiscal year and the realization; 2. Desired targets or projection over the coming year	118
9.	Information and material facts occurring after the date of the auditor's report	Description regarding significant events subsequent to the accountant's reporting date, including their impact on future business performance and risks. Note: Disclosed if there is no significant subsequent event after accountant's reporting date.	357

NO.	CATEGORY	DESCRIPTION	PAGE
10.	Description of the Company's business prospects	Description of Company's business prospects related to the industry and economy in general, supported by quantitative data from reliable data sources	24
11.	Description of marketing aspects	Information regarding the marketing aspect of the Company's products and services, namely marketing and market share strategy	46-49, 51
12.	Description of dividend policy and the amount of cash dividends per share and the dividend amount per year are declared or paid during the two (2) recent financial years	Contains information on: 1. Policy of dividend payout; 2. Amount of dividend; 3. Amount of cash dividend per share; 4. Payout ratio; 5. Date of announcement and cash dividend payout.	04, 08, 117
13.	Material Information regarding investment, expansion, divestment, acquisition or restructuring of debt/equity	Contains information on: 1. The purpose of the transaction(s); 2. The value of the transactions's or restructuring; 3. Source of funds Note: if there are no such transactions, should be disclosed.	82-83
14.	Information on material transactions which contain conflicts of interest and/or transactions with affiliates	Contains information on: 1. Name of person performing the transaction and nature of affiliated transaction; 2. Explanation on the fairness of the s transaction; 3. Reason for the transaction; 4. Transaction realization in the last book year; 5. The Company's policy related to transaction review mechanisms; 6. Compliance with regulations and related provisions. Note: Disclose if there are no respective transactions.	n/a
15..	Description of the changes in legislation that significantly affect the Company	The description should contain, among others: any changes in regulation and their impact on the Company Note: If there is no change in regulation which significantly affects the Company, disclose this fact..	81, 82, 133
16.	Description of the changes in accounting policies applied by the Company in the last financial year	Description should contain among others: changes in accounting policy as well as its reason and impact on the financial statement Note: if there is no change in accounting policy, disclose this fact.	123

NO.	CATEGORY	DESCRIPTION	PAGE
VI. CORPORATE GOVERNANCE			
1.	Description of the Board of Commissioners:	Include: - Description of the duties of the Board of Commissioners; - Disclosure of the procedure, the basis for determination, and the amount of remuneration for the Board of Commissioners; and - Disclosure of the policy regarding including the frequency of Board of Commissioner meetings meetings and its implementation, including joint meetings with the Board of Directors, and the attendance of the Commissioners at these meetings.	159-161
2.	Information regarding the Independent Commissioner	Includes the following: - Criteria for the assignment of an independent commissioner; and - Statement of independence of each Independent Commissioner.	161
3.	Description of Directors	Includes among others: - Description of the duties and responsibilities of each Board member; - Disclosure of the procedure, the basis for determination, and the remuneration amount for the Directors, as well as the relationship between the remuneration to the Company's performance; - Disclosure of the Company's policy and its implementation regarding the frequency of Director meetings, including joint meetings with the Board of Commissioners, and the attendance of the Directors at these meeting; - Decisions of the previous year's General Meeting of Shareholders and their realization during the financial year, as well as the reasons for decision that were yet realized; and - Disclosure of the Company's policy on assessment of the performance of members of the Board of Directors.	166-167
4.	Information on the Main Shareholder and Controlling Shareholder, both directly and indirectly, down to the individual ownership level	In the form of a schematic or diagram	36
5.	Disclosure of the affiliate relationships between members of the Board of Directors, Board of Commissioners, and Main and/or Controlling Shareholders	Includes the following: - Affiliated relationship(s) between Board of Directors members; - Affiliated relationship(s) between Board of Directors and Board of Commissioners members; - Affiliated relationship(s) between Board of Directors members with Majority and/or Controlling Shareholders; - Affiliated relationship(s) between Board of Commissioners members; - Affiliated relationship(s) between Board of Commissioners members with Majority/Controlling Shareholders.	n/a

NO.	CATEGORY	DESCRIPTION	PAGE
6.	The Audit Committee	Includes the following: 1. Name and position of Audit Committee members; 2. Educational qualification and employment history of Audit Committee members; 3. Independence of audit committee members; 4. Description of duties and responsibilities; 5. A brief report on the implementation of the audit committee's activities 6. Audit committee meeting frequency and attendance level	161-162, 181
7.	The function of the Nomination and Remuneration Committee	The duties and functions of a Nomination and Remuneration Committee are carried out by the Remuneration Committee, including the following: 1. Name, position, and brief profile of Nomination and/or Remuneration Committee members; 2. Nomination and/or remuneration committee members' independency; 3. Description of duties and responsibilities; 4. Nomination and/or remuneration committee duties implementation report; 5. Nomination and/or remuneration committee meeting frequency and attendance level	164, 185
8.	Other committees under the Board of Commissioners are owned by the Company	Includes the following: 1. Name, title, and brief profile of the members of the committees; 2. Independency of other committees' members; 3. Duties and responsibilities description; 4. Other committees' duties implementation report; 5. Other committees' meeting frequency and attendance level.	161-164
9.	Description of the tasks and functions of the Corporate Secretary	Includes the following: 1. Name and brief profile of Corporate Secretary officer; 2. Description of the implementation of the Corporate Secretary's duties .	168-169
10.	Description of the Internal Audit unit	Includes among others: 1. Name of the head of internal audit; 2. Number of internal audit employees; 3. Qualifications/certifications as an internal audit professionals; 4. Pposition of the internal audit unit within the Company's organizational structure; 5. Short report of the activities of the internal audit unit; 6. Party that appoints or dismisses the Head of Internal Audit.	169-170

NO.	CATEGORY	DESCRIPTION	PAGE
11.	External Auditor	Information discloses among others: 1. Number of audit periods that the accountant has audited the Company's financial statements; 2. Number of audit periods for which the public accountant firm has audited the Company's financial statements; 3. The amount of fees for each type of service provided by the public accountant; 4. Other services provided by the accountant apart from audit services for the financial statements. Notes: Disclose if there no other service were provided	170
12.	Description of corporate risk management	Consisting at a minimum of: 1. An overview of the Company's risk management system; 2. The types of risks and its management; and 3. Review of the effectiveness of the Company's risk management system.	128-151, 170-171, 183
13.	Description of the internal control system adopted by the Company.	Consisting at a minimum of: 1. Financial and operational control, and compliance with other laws and regulations; and 2. Review of the effectiveness of the internal control system.	169-171
14.	Description of Corporate Social Responsibility related to the environment	Information should include: 1. Policy determined by the management; 2. Activities performed and financial cost related to the environmental program that related with Company's operational; 3. Certification related to the environment (if any)	171
15.	Description of Corporate Social Responsibility related to employment, health and safety	Information should include: 1. Policy determined by the management; 2. Activities performed and financial cost related to employment practice, occupational health and safety.	172
16.	Description of Corporate Social Responsibility related to social and community development	Information should include: 1. Policy determined by the management; 2. Activities performed and costs incurred related to social and community empowerment activities.	173
17.	Description of Corporate Social Responsibility related to responsibility to consumers	Information should include: 1. Policy established by the management; 2. Activities performed and financial costs related to product responsibility.	173

NO.	CATEGORY	DESCRIPTION	PAGE
18.	Material cases faced by by Company, subsidiaries of Directors and the Board of Commissioners who served during the period of the annual report	Information should include among others: 1. Description of the case/litigation; 2. Case/litigation settlement status; 3. Impact on the Company's financial condition; 4. Administration sanctions that have been applied to the entity, Board of Commissioners, Board of Directors, by relevant authorities (capital market, banking, or others) during the last fiscal year (or a statement that no administration sanctions were applied).	174-179
19.	Information access and corporate data	Description of public access to corporate information and data , for example through the website, mass media, mailing list, bulletin etc.	180
20.	Discussion on the Company's code of ethics	Containing descriptions of, among others: 1. The Code of Conduct content; 2. Statement that the Code of Conduct is applicable for all organizational level; 3. Efforts to implement and enforce it; 4. Corporate Culture statement	179
21.	Disclosure regarding whistleblowing system	Description of the Company's whistleblowing system which may negatively impact the Company and stakeholders (if any), such as: 1. The submissions of allegation of infringement; 2. Protection for whistleblowers; 3. Handling of complaints; 4. Party responsible for managing complaints; 5. The results of the handling of complaints.	180
22.	The diversity of the composition of the Board of Commissioners and Board of Directors	Description of Company diversity policy regarding the composition of the Board of Commissioners and Directors as related to their working experience and education, ages, gender and nationalities.	161
VII. FINANCIAL INFORMATION			
1.	Statement of the Board of Directors and/or Board of Commissioners on Responsibility for Financial Statements	Compliance with related regulations regarding responsibility for the financial statement.	198
2.	Independent Auditor's Opinion on financial statements		201-202

NO.	CATEGORY	DESCRIPTION	PAGE
3.	Description of the Independent Auditor in Opinion	The description should contain: 1. Name and signature; 2. Audit report date; 3. Public Accountant Office and Individual Public Accountant license numbers	201-202
4.	The financial statements are complete	The descriptions should contain comprehensive details of the following financial statement aspects: 1. Financial position (balance sheet) report; 2. Comprehensive income statement; 3. Changes in Equity Report; 4. Cash Flow Report; 5. Notes on Financial Statements; 6. Report of the comparative financial position at the beginning of period, presented when the respective entity implements particular accounting policy retrospectively or restates the financial report posts, or when the entity reclassifies the posts in their financial statement (if considered relevant).	199-366
5.	Comparison of the profitability level	Comparison of current year's profit/loss with previous year	199-366
6.	Statement of Cash Flows	Should comply with the following provisions: 1. Categorization within three activities: operating, investing, and financing activities; 2. Using the direct method to present cash flow from operating activity; 3. Separating the presentation of cash acquisition and/ or cash expenses from operating, investing and financing activities in current year; 4. Non-cash activity disclosure has to be presented in financial statement notes.	199-366
7.	Summary of Accounting Policies	Should include at a minimum: 1. Statement of compliance with PSAK; 2. Basis for measurement and formulation of financial statements; 3. Income and expense recognition; 4. Employment benefits; 5. Financial instruments	199-366
8.	Disclosure of related party transactions	Aspects to be disclosed include among others: 1. Name of related party parties, as well as the nature and relationship of the relationships with the related parties; 2. Value of the transaction and the percentage of total related income or expenses; 3. Total balance and the percentage of total asset or liabilities.	203

NO.	CATEGORY	DESCRIPTION	PAGE
9.	Disclosure relating to Taxation	Several aspects that shall be disclosed, as follows: 1. Fiscal reconciliation and calculation of current tax; 2. Statement on the relationship between Tax expense (income) and accounting income; 3. Taxable Profit as calculated through reconciliation is in accordance with the Tax Return statement; 4. Details of deferred tax assets and liabilities presented in the balance sheet in each period of presentation, and amount of deferred tax expense (income) recognized in the profit loss statement if the said amount is not evident in the asset or liability of deferred tax recognized in the financial position report; and 5. Tax dispute disclosure or lack thereof	199-366
10.	Disclosure relating to Fixed Assets	Must include disclosure on: 1. Depreciation method used; 2. Description of the accounting policies selected, either the revaluation model and the cost model; 3. Methods and significant assumptions used in estimating the fair value of fixed assets (revaluation model) or disclosure of the fair value of fixed assets (for the cost model); 4. A reconciliation of the gross carrying amount and accumulated depreciation of fixed assets at the beginning and end of the period that featuring: addition, subtraction and reclassification.	199-366
11.	Disclosure relating to operating segments	Must include disclosure on: 1. General information which includes the factors used to identify the reported segments; 2. Information on profit and loss, assets, and the liabilities of the reported segments; 3. Reconciliation of the segments' total revenues, reported segments' profit and loss, assets, liabilities, and other segments that materially contribute to the relevant amount within the entity; and 4. Disclosure of information on product and/or services, geographical location, and major customers at entity level	199-366
12.	Disclosure relating to Financial Instruments	Must disclose the following: 1. Details of the financial instruments used by classification 2. Fair value for each type of financial instrument; 3. Policy for financial instruments; risk and liquidity risk; 4. Quantitative analysis on risks related to financial instruments.	199-366
13.	Publication of financial statements	Several aspects shall be disclosed, as follows: 1. Date of financial statement issuance; 2. The party responsible for authorizing the financial statements.	198-366

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Added by **Eka Puji Astuti**



Rizki Ramadhani

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Sustainability Report



This report sets forth Indosat's progress in 2014 towards long term sustainability, for the benefit of all stakeholders and the Indonesian nation.

Report Parameters

Reporting Cycle:

Indosat produces this report on a yearly basis to communicate its economic, environmental and social impacts to its stakeholders, which include employees, customers, suppliers, dealers, community groups, and government in Indonesia.

Period Covered:

This report covers the period between January 1, 2014 to December 31, 2014. The previous report covered the period between January 1, 2013 to December 31, 2013.

Content of Report:

This report discusses aspects of Indosat's business which have significant impact in the areas of governance, community, environment, and economy, and is therefore considered material. Quantitative data is provided where possible, supplemented or substituted by qualitative data.

This information in this report is not subject to specific limitations but there may be also information that is not disclosed in this report because it is not believed to be of major significance to our stakeholders namely our customers, partners, employees, shareholders, community and the government.

The content of this report is already in compliance with the core GRI 3.1 indicators which may be found at the GRI website www.globalreporting.org.

Scope of Report:

The material provided pertains to the operations of Indosat and its subsidiaries in Indonesia. There were no significant changes from the previous reporting period in terms of the scope or boundary applied in this report

Measurement and Reporting:

There have been no substantial changes in reporting method or restatement from the previous sustainability report that would significantly affect comparability between this year's sustainability report and the previous year's. Financial figures are based on Indonesian Generally Accepted Accounting Principles (GAAP) accounting standards. There were no significant in accounting methods or restatement from the previous Sustainability Report.

Guidelines & Assurance

This report refers to the Sustainability Reporting Guidelines (SRG) that are released by the Global Reporting Initiatives (GRI). This report has not been submitted to external assurance, however it is submitted to the Financial Services Authority and Indonesia Stock Exchange (IDX).

Contact

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CEO MESSAGE

Dear Shareholders,

Looking back at 2014, it is clear that we made important steps towards strengthening the sustainability of our business during the year. The completion of our network modernization project, which has been ongoing since the end of 2012, has delivered major improvements in quality, capacity and coverage for the benefit of our customers. In parallel, the project also delivers structural cost savings and decreases fuel usage through more efficient technology, thus improving the bottom line while also decreasing our environmental footprint. This project has clearly added value for all shareholders, and we expect to see subscriber and revenue growth based on these improvements.





Key Impacts, Risks and Opportunities

Despite growing subscriber numbers and revenue, Indosat returned a loss of Rp1,858.0 billion for the year, including one time charges and substantial realized consolidated capex of Rp7,044.1 billion mostly for our network modernization project. However, improved performance following mid-year completion of the modernization project has validated our strategy and shown that we are on the track to compete.

These improvements are crucial as demand for telecommunication services in Indonesia continues to grow, supported by its growing economy and expanding population. In order to strengthen our position as the telecommunications provider in choice, in 2014 we therefore continued to pursue our 4+1 data strategy for leadership consisting of: leader in data and smart device, best customer experience, best cost structure, and best people experience to deliver highest revenue growth—a strategy that the network modernization will finally allow us to deliver on. In particular, the improved quality of our network will enable us to capture opportunities in the data market, which is where growth will occur given the saturated market for voice and SMS services.

At the same time, we have taken care to execute our operations in a way that supports the interests of stakeholders and mitigates any negative impacts. From supporting the growth of Small and Medium Enterprise (SME) businesses through SME business applications to implementing energy efficient technology to reduce our environmental footprint, Indosat is committed to improving the welfare and development of the Indonesian people in a holistic manner.

Corporate Governance

Supporting our business progress, our goals of being a responsible corporate citizen is reflected in the quality of the corporate governance structures and mechanisms that have been established. Internal oversight and controls have been firmly implemented with reference to the good corporate governance principles of transparency, accountability, responsibility, independence and fairness so as to promote stakeholder confidence in our operations.

This assesement has been confirmed by our score of 68.80 according to the ASEAN Corporate Governance Scorecard, a comprehensive new assessment instrument that has been widely recognized at international and regional level. By comparison, the average score of the 100 largest listed companies in Indonesia was only 57.27. We will continue to enhance the corporate governance function going forward in line with the international standards of Oordeo Group, of which we are a proud member.

Summary

Based on the improvements detailed above, we are confident that we enter 2015 with an enhanced platform capable of generating more value, towards achieving long term sustainability. As such, the Board of Directors extends its thanks and appreciation to the Board of Commissioners, employees of Indosat, and all stakeholders for their support in enabling this achievement. Together, we look forward to achieving more in the coming years.

Alexander Rusli
President Director and CEO

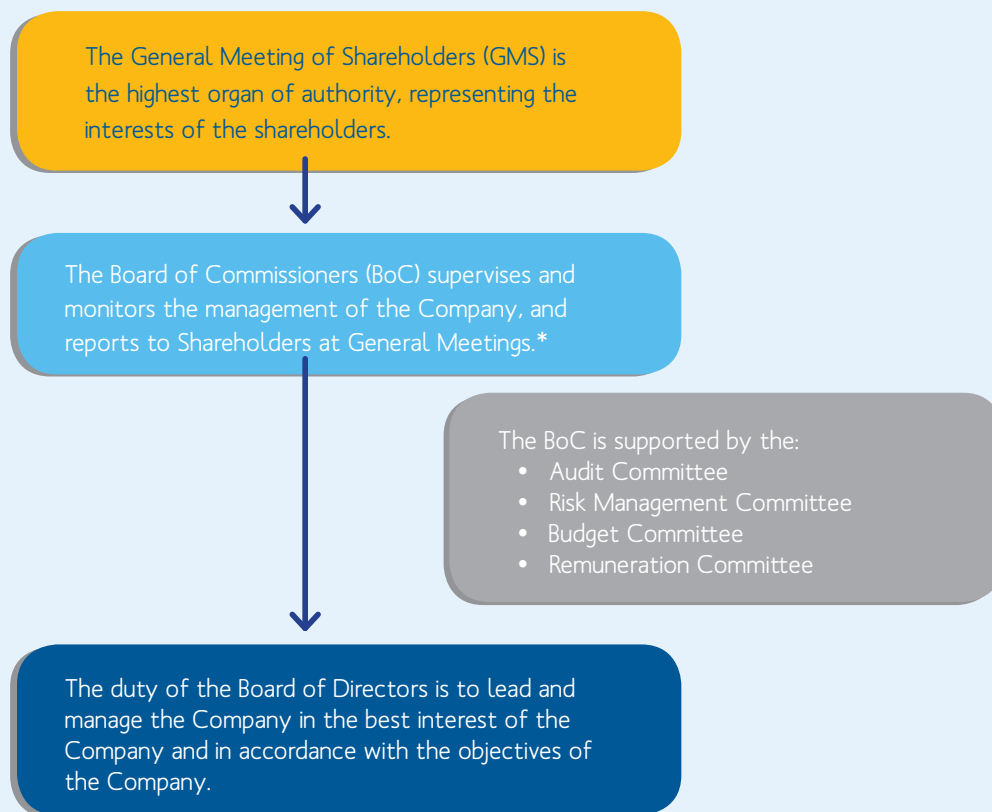
ORGANIZATIONAL PROFILE

Name of the organization	PT Indosat Tbk
Primary brands, products and/or services	• Postpaid and Prepaid Cellular Services under the Mentari, Matrix and IM3 brands • Fixed data services, which include multimedia, data communications and Internet (MIDI) services marketed primarily to business customers. We also offer satellite-based services such as transponder leasing and VSAT services and IT services, such as Disaster Recovery Center, Data Center services, and Indosat Cloud Services with infrastructure-as-a-service. We provide these services directly and through our subsidiaries, Lintasarta and IM2. • Fixed telecommunications (voice) services. • Digital services.
Location of the organization's headquarters	Jakarta, Indonesia
Operational area and markets served	Indosat serves both retail and business customers across the Republic of Indonesia.
Nature of ownership and legal form	Publically listed Indonesian legal entity
Scale of the Company	
Number of cellular subscribers	63.2 million
Number of employees	3,049 (not including subsidiaries)
Number of customer service points	270,000+ traditional regular outlets 48,000+ banking POS at ATMs 18,000+ modern channels consisting of modern retail outlets such as convenience stores and hypermarts 900+ Gadget Retail Chain outlets 250+ integrated sales and customer walk-in centers (Galeri Indosat, Griya Indosat, KILAT)

Number of BTS	40,229
Revenues	Rp24,085.10 billion
Total capitalization	Rp21,382.53 billion
Total assets	Rp53,254.84 billion
Identity and percentage of largest shareholders	Ooredoo Asia Pte Ltd. is the largest shareholder with 65% ownership.
Significant changes in size or ownership	No significant changes took place during the reporting period with regard to ownership or share capital structure. Certain assets/ facilities were strategically closed while new ones were opened such as Base Tower Stations and Sales Clusters, towards growing Indosat's operations, but the scale of the overall organization did not change materially during the year.
Operational structure of the organization	For the complete Organizational Structure chart of Indosat, please refer to the Company Profile section of the attached Annual Report.

GOVERNANCE, COMMITMENT & ENGAGEMENT

Governance Structure



* The Chairman of the Board of Directors is not an executive officer at Indosat.



Composition of the BoC and BoD by Independent Members, Nationality, Gender and Age as of January 28, 2015

Organ / Committee	Independent Members/ Total Members	Indonesian citizen / Foreign	Female / Male	Youngest Member	Oldest Member
Board of Commissioners	3/10	5 / 5	1 / 9	47	63
Board of Directors	1 / 4	2 / 2	0 / 3	44	52

Composition of Supporting Committees by Independent Members, Nationality and Gender

Organ / Committee	Independent Members/ Total Members	Indonesian citizen / Foreign	Female / Male
Audit Committee	2 independent commissioners, 2 independent experts/4 total members	3/ 1	0 / 4
Risk Management Committee	1 / 3	2 / 2	0 / 4
Budget Committee	2 / 5	2 / 3	1 / 4
Remuneration Committee	1 / 3	2 / 2	1 / 3

Mechanisms for Recommendations to the Highest Governance Bodies

- All shareholders including minority shareholders are able to express their opinions at the General Meeting of Shareholders.
- All employees are able to express opinions to the management through:
 - The Indosat Employees Union (Serikat Pekerja Indosat)
 - Formal mechanisms such as periodic Townhall meetings
 - Employee interviews and surveys by the Human Capital
 - Informal communications channels
 - Anonymous reports through the Whistle Blower mechanism

Performance-Linked Compensation

In establishing remuneration of the Board of Directors, the Board of Commissioners takes into consideration input from the Remuneration Committee, of which one component is the performance of the Company.

Avoiding Conflicts of Interest

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. Our Articles of Association, or the Articles, state that any transaction involving a conflict of interest as defined in prevailing capital market regulations should obtain the approval of the independent shareholders in a general meeting of shareholders especially convened for such purpose.

Composition of the Highest Governance Body and its Committee

The primary factor in determining the composition, qualifications, and expertise of the members of the Board of Commissioners and its committees is competence and qualification. Other factors such as age, nationality and gender are secondary.

Guiding Principles

Indosat's vision, mission, corporate values, Code of Ethics and Code of Conduct all reflect the commitment to create value in terms of economic, environmental or social benefits to stakeholders. These principles are in line with the Millennium Development Goals (MDG) established by the United Nations, of which Indosat is a signatory.

Across the organization, all employees are expected to understand and embrace these principles. Additionally, employees must annually sign the Code of Conduct.

Oversight of Indosat's Performance

Indosat's economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles, is periodically reviewed by the Board of Commissioners (BoC) as the highest governance body. The BoC is aided in this task by the Audit Committee and Risk Committee, which function to identify relevant risks and help ensure compliance. In parallel, the Board of Directors is

assisted in its management of the Company's economic, environmental and social performance by the Internal Audit unit.

In addition, to ensure proper implementation of Indosat's Corporate Social Responsibility initiatives in a responsible, ethical and effective manner, a CSR Committee was established by the Board of Directors (BoD) in 2009 and its structure was subsequently revised at the May 10, 2011 BoD meeting. Comprising members of the Directors and Group Head personnel, the CSR Committee is responsible for guiding, leading and assessing our CSR activities. The CSR Committee is comprised of the Chief Executive Officer, Chief Financial Officer, Chief Corporate Services Officer, and various Group Heads.

Oversight of the Board of Commissioners' Performance

The Board of Commissioners is answerable to the shareholders at the Annual General Shareholders Meeting with regard to the economic, environmental and social performance of Indosat.

Endorsement of External Principles

As mentioned above, in 2011 Indosat became one of the first Indonesian signatories of the Millennium Development Goals (MDGs), a set of eight principles established by the United Nations with the goal of ending poverty. Indosat also upholds best practices as reflected by its multiple international certifications including ISO 9001:2000 for quality management (since 2006), ISO 27001 for IT security management (since 2013), and ISO 31000 for risk management (since 2013).

Memberships in Associations

Indosat is an active member of various industry associations and/or national/international advocacy organizations such as Apnatel (Indonesian Telecommunications Association), MASTEL (Masyarakat Telematika Indonesia), APJII (Indonesia ISP Association) and others.



Stakeholder Groups Engaged by Indosat

These stakeholders groups were identified based on the fact that Indosat actively engages with them in the process of creating its products and services, and/or Indosat can actively affects the wellbeing of these groups by contributing positive or negative impact.

Stakeholder groups engaged by Indosat	Engagement method
Customers	Customers interact constantly with Indosat's products and/or services. Promotions are held and targeted offerings are created to attract customer interest. Customer surveys are held to determine satisfaction.
Employees, other workers and their trade unions	Besides implementing good labor practices and periodic performance reviews, periodic employee surveys are held, and frequent talks are also held with the Indosat Employee Union. In addition a Collective Labour Agreement is negotiated every 2 years.
Suppliers	Working together to improve quality and ensure correct working procedures
Business partners	Working together on various initiatives
Local communities	Indosat helps connect local communities including in remote areas. In addition, Indosat supports local communities through initiatives such as disaster relief, seminars for university students, and more.
Civil society	Indosat supports the development of civil society at large by supporting knowledge transfer and supporting activities through its telecommunications network.
Shareholders	Indosat actively communicates its status to shareholders in a variety of ways including through formal General Shareholder Meetings. Material information is also publically disclosed on the website. Indosat strives to provide optimal returns to shareholders, among others through dividend payouts.
Government and regulatory bodies	Indosat strives to comply with governmental and regulatory regulations. Indosat also strives to support the government's targets for example the government target of establishing a safe working culture by 2015. Indosat also supports the government by providing infrastructure and services in support of certain government projects.

ECONOMIC IMPACT

As a leading listed Company and the second largest telecommunications provider in Indonesia, Indosat makes a significant economic contribution, both directly and indirectly.

Economic Performance

Direct Value Creation (EC1)

	2014 (Rp billion)	2013 (Rp billion)
Revenues	24,085.1	23,855.3
Expenses	23,412.2	22,346.1
Investing Activities (actual consolidated capital expenditures)	7,044.1	9,371.0
Employee Compensation	1,712.5	1,727.6
Loss Attributable to Shareholders	(1,987.2)	(2,782.0)
Taxes	(77.9) (credit)	(667.4) (credit)

Impact of Climate Change

Indosat's operational activities are not directly dependent on the weather. However, 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 and which may be affected by climate change. Most recently, in 2014, floods in Jakarta resulting from excessive rainfall resulted in disruptions to businesses and extensive evacuations in the city. In addition, the economy could be impacted by agricultural disruptions caused by changing weather patterns as a result of climate change. Such weather-related issues could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

Defined Benefit Obligations

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.



For the year ended December 31, 2013 and 2014, Indosat and its subsidiaries incurred a total benefit of Rp171.5 billion and Rp93.0 billion respectively, including pension, post-retirement benefits (i.e., benefit under Labor Law 13) and post-retirement healthcare benefits for employees.

Indosat does not receive significant financial assistance from the government.

Market Presence

Standard entry level wages are determined by position rather than by gender. Indosat is committed to paying at least local minimum wage at the locations where it operates, in compliance with government regulations.

The Company generally gives preference to local (domestic) suppliers were economically feasible, rather than foreign suppliers. Besides saving transportation costs and energy, this helps to support the local economy. The level of locally supplied content (Domestic Content Rate - TKDN) for Indosat's operational expenditure and capital expenditure reached 83.93% and 38.61% respectively in 2014.

Given that Indosat operates across the nation, Indosat supports diversity in hiring. Specifically for regional sales offices, preference may be given to local hires who are already familiar with the local market.

While Indosat develops its network primarily for the benefit of its customers, its infrastructure also provides a public benefit it helps connect communities and boost productivity, especially in remote and isolated areas that Indosat has connected such as rural Kalimantan, Papua and Sumatera. Indosat also supports thousands of jobs at dealerships and suppliers.



ENVIRONMENTAL

Energy

One of Indosat's primary uses of energy is for the operation of its Base Transceiver Stations (BTS).

Fuel Consumption by BTS with Power Generators, outside of MSC/DRC/Core Locations in 2014

Number of Locations (nationally)	4,271
Amount of fuel consumed (liters)	10,615,226
Average national consumption (liters)	2,485

Number of Sites in Java	9,000
Total Fuel Consumption for Java (liters)	630,844
Average Fuel Consumption per Site for Java (liters)	70

Number of Sites outside Java	4,000
Total Fuel Consumption outside Java	11,974,779
Average Fuel Consumption per Site outside Java (liters)	2,994

In addition, many other facets of its operations such as commercial promotions, transportation, network expansion, call center, data center, and more, consume energy indirectly. However, the total amount of indirect energy consumption is not measured.

Indosat is always looking to save energy through conservation and efficiency improvements. As an example, the new modernized network that Indosat is implementing will deliver cost savings of more than 25% over the original design. In addition, the usage of fluidic batteries can save up to 60% in fuel costs used by BTS. Indosat has also moved to reduce indirect energy consumption through measures such as decreasing unnecessary travel.

Water

Water is not a significantly factor in Indosat's operations, and thus Indosat does not calculate or track total water withdrawal by source, nor does it recycle and reuse water in large quantities. No water sources were significantly affected by Indosat's operations in 2014.

Biodiversity

The majority of Indosat's infrastructure is found in inhabited areas. In general, Indosat's infrastructure does not infringe on protected areas or areas of high biodiversity value outside protected areas. In 2014, the Company's activities, products and services did not significantly impact protected areas or areas of high biodiversity value outside protected areas.

Emissions, Effluents and Waste

Indosat does not measure total direct and indirect greenhouse gas emissions produced, or other relevant indirect greenhouse gas emissions. Initiatives to reduce greenhouse gas emissions included using fluidic batteries to power BTS, thereby reducing fuel usage by up to 60%.

The total amount of emissions of ozone-depleting substances by weight NO, SO, and other significant air emissions by type and weight, have not yet been measured at this time.

Indosat's operations do not involve or generate significant amounts of effluents or waste. Consequently the total water discharged was irrelevant as a measure of Indosat's operations and not measured. Nor was total waste by weight recorded in 2014, including transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and the percentage of transported waste shipped internationally. No spills of waste took place in 2014.



Products and Services

Indosat continuously tries to make its infrastructure and network more fuel efficient. By switching out fluidic batteries and modernizing the network, and by using solar-powered BTS in remote areas, Indosat strives to provide better quality service while using fewer resources. At this point in time, packaging materials from products sold are not reclaimed/recycled.

Compliance

Indosat was not subject to any significant fines and or non-monetary sanctions for noncompliance with environmental laws and regulations in 2014.

LABOR PRACTICES

As part of its commitment to becoming an employer of choice and retaining the best people, Indosat is committed to implementing good labor practices.

Employment

COMPOSITION OF TOTAL WORKFORCE

Note: Figures are for Indosat employees only, not including subsidiary Company employees, unless otherwise stated.

Number of Employees by Level

	2013	2014
BOD/Chief	6	9
Group Head/Advisor	63	58
Division Head/Expert	231	218
Manager/Expert	697	670
Senior Staff	1,296	1,298
Staff	753	796
Total	3,046	3,049

Number of Managerial vs. Non-Managerial Employees as of December 31, 2014

	Managerial Level	Non-Managerial Level	Total
2014	955	2,049	3,049
2013	997	2,049	3,046



Number of Employees by Employment Contract on a Consolidated Basis (including subsidiaries) as of December 31, 2014

	Permanent	Contract
2014	4,094	85
2013	3,956	244

Employee Turnover

Our turnover rate for employees during 2014 was 10% per annum, representing an increase from 3.0% in 2013. As of December 31, 2014, our employees had worked for us for an average of 12 years.

Number of Years Worked	2012	2013	2014
0-5	406	421	685
6-10	480	410	366
11-15	1,073	1,158	1,081
16-20	788	713	585
21-25	120	225	240
26-30	76	93	74
31-35	23	26	18
36-40	1	0	0
Total	2,967	3,046	3,049

Employee Benefits

Certain benefits are provided to full-time employees who meet eligibility requirements that are not provided to temporary or part-time employees. These include:

- A pension plan, benefits and pension plan provisions for employees who receive fully funded facilities from the Company as laid forth in the provisions agreed upon between the Company and pension scheme administrator (Jamsostek).
- Social security for workers (Jamsostek) whereby Social Security contributions are made by the Company.
- Medical Care and Treatment Facilities, consisting of:
 - a. Outpatient benefits
 - b. Inpatient benefits (including maternity hospitalization)
 - c. Dental care & medical benefits
 - d. Glasses benefit
 - e. General Benefits Check Up (GCU)
- Life Insurance
- Marriage Assistance for Employees.
- Funeral & Burial Assistance

Parental Retention Rate

Indosat has not measured the return to work and retention rates of employees following parental leave.

Labor/Management Relations

Collective Labor Agreement All Indosat employees are covered by the Collective Labour Agreement (CLA). The CLA is renegotiated and signed every two years between Indosat management and the Indosat Employee Union (SPI). The purpose of the CLA is to support business success for the Company while also safeguarding employee rights.



Notice of Operational Changes

In order to give employees sufficient notice to prepare in the interests of maintaining optimal productivity, Indosat strives to give adequate notice beforehand of major operational changes, as well as for individual staffing assignments abroad.

Occupational Health & Safety

Indosat has established a Safety and Health Guidance Committee that functions to help protect employees against the risk of accidents and illness related to work.

Work Injury Rates

There were no work related fatalities, serious injuries, or incidents of occupational diseases among Indosat employees in 2014.

Prevention and Treatment of Disease

To assist with prevention and early treatment of diseases, eligible Indosat employees and their families may go for medical check ups and visits to the Indosat general health clinic as well as the Indosat dental clinic.

Topics covered with Trade Unions The Collective Labor

Agreement signed with the Indosat Employees Union covers issues related health and safety including working hours and occupational safety and health issues such as As such, the CLA covers issues related to 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

Training & Education

Indosat continued to prioritize employee training and development in 2014 as part of its drive to create a high performance culture and strengthen employee engagement.

Average Training

In 2014 a total of 483 training programs were held at a total cost of Rp29.0 billion or average cost of Rp4.7 million per employee, up from Rp2.5 million per employee spent in 2013. These funds were mostly deployed on soft skills and leadership development.

Lifelong Learning Programs

Indosat has implemented programs to assist employees with skills management and lifelong learning to support the continued employability of employees and assist them in managing career endings. These programs will continue to be developed so as part of pension and career transition preparations.

Performance and Career Development Reviews

All full time employees of Indosat receive regular performance and career development reviews.

Diversity & Equal Opportunity

Indosat is committed to embracing diversity and providing all employees with equal opportunities.

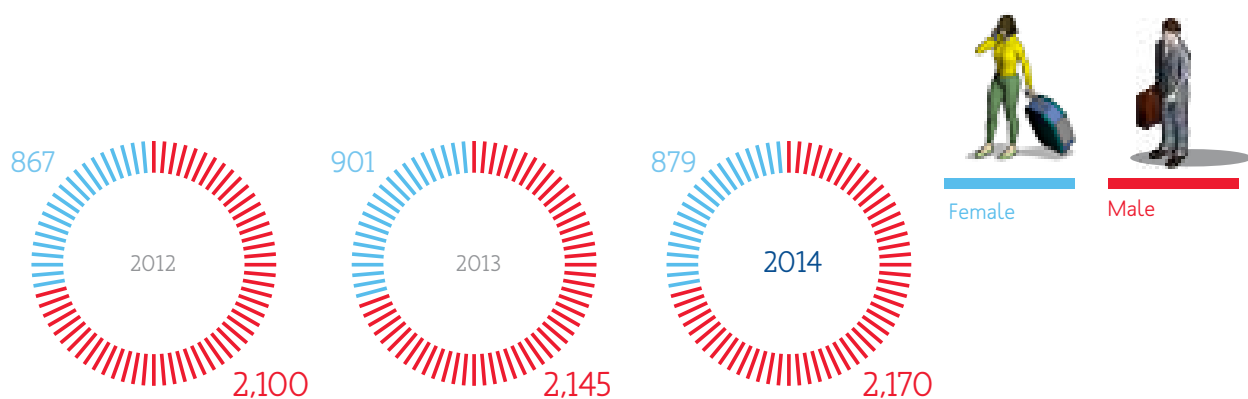
Composition of Highest Governance Bodies

	Indonesian Citizen/ Foreign	Male/ Female	Youngest Member	Oldest Member
Board of Commissioners	6/4	1/9	48	67
Board of Directors	3/0	0/3	43	50

Breakdown of All Employees by Age

Age	2012	2013	2014
< 25 Years	66	91	144
25-35 Years	874	814	931
35-45 Years	1,668	1,680	1,590
45-50 Years	269	354	309
> 50 Years	90	107	75
Grand Total	2,967	3,046	3,049

Breakdown of all Employees by Gender



Remuneration

Employees are rewarded based on performance, regardless of gender or race, in accordance with the guidelines of the Company.



HUMAN RIGHTS

Indosat has a general commitment to uphold human rights in line with the Millennium Development Goals. At this time, referencing standard industry practices in the Indonesian telecommunications sector, Indosat does not require human rights screening or clauses incorporating human rights concerns in its investment agreements and contracts, or human rights screening of its suppliers. Nor are employees required to undergo training on human rights as this aspect is generally considered not relevant to our operations. However, all employees are expected to behave ethically and respectfully of others.

Non Discrimination

No significant human rights incidents of discrimination or corrective actions were recorded in 2014.

Freedom of association and collective bargaining
Indosat employees have the right to exercise freedom of association and carry out collective bargaining. The Indosat Labor Union (Serikat Pekerja Indosat/ SPI) was established on August 25, 1999.

A Collective Labor Agreement (CLA) document is negotiated, agreed upon and signed by the Management of Indosat and the SPI for a period of 2 (two) years, every two years the terms of which cover general provisions governing working hours, salary, employee development, Health Safety Security and Environment (HSSE), employee welfare, social benefit, disciplinary procedures and dispute settlement mechanisms.

Child Labor

Indosat does not hire underage employees. All employees are above the minimum working age.

Prevention of Forced and Compulsory Labor

Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.

Security Practices

Indosat's security personnel do not receive specific human rights training as this is not considered relevant to Indosat's core operations.

Indigenous Rights

No incidents of violations involving the rights of indigenous people were recorded in 2014.

Assessment

Indosat does not conduct human rights reviews or impact assessments of its operations, as its operations do not significantly involve human rights issues.

Remediation

No grievances related to human rights were filed against Indosat in 2014.

SOCIETY

As a leading telecommunications provider and listed Company, Indosat has a responsibility to act as an ethical corporate citizen and contribute to society.

Local Community

Indosat has implemented many community engagement and development programs at both national and local levels. As such the Company has not categorized its community programs by operational unit and thus the percentage of operations which has implemented local community development programs is not considered a valid measure. Overall, Indosat's operations in 2014 were not considered to have significant potential or actual negative impacts on local communities. Rather, the net impact of Indosat's activities at the community level tended to be positive as it facilitated access to telecommunication services and/or associated digital products, for example:

- holding the 8th Indosat Wireless Innovation Contest (IWIC) to encourage technological innovation amongst young Indonesians.
- establishing the US\$14.5 million IB-ISAT venture capital fund together with Japanese partner Softbank, to help accelerate the Indonesian digital ecosystem.
- providing health care services to underserved populations, with more than 600,000 beneficiaries since the program began in 2006.
- teaching 200 women entrepreneurs to use the internet to market their products and carry out e-money transactions over handphones.

Indosat also continued to carry out its standard prevention and mitigation measures with regard to its operations such as ensuring that new BTS are constructed in areas where they do not negatively impact the surrounding community or environment.

Corruption

Business units at Indosat are selectively examined by the Internal Audit function for risks related to corruption. Any findings will be presented to the Audit Committee for further evaluation and possible action.

All employees (100% of full time employees) have been socialized in Indosat's anti-corruption policies and procedures. The Indosat Code of Ethics strictly prohibits conflicts of interests, acceptance of gratuities, corruption, 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 periodically through the Company Intranet.

Any Director or employee found to have violated the Code of Ethics will be disciplined accordingly, up to and including termination of employment.

Public Policy

Indosat is an active member of various industry associations and/or national/international advocacy organizations such as Apnatel (Indonesian Telecommunications Association), MASTEL (Masyarakat Telematika Indonesia), APJII (Indonesia ISP Association) and others.

Anti-Competitive Behavior

Indosat refrains from anti-competitive behavior as prohibited by the regulator. However, on November 1, 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 Law No. 5 of 1999 on Prohibition Against Monopolistic Practice and Unfair Business Competition ("Anti-monopoly Law"). On June 18, 2008, the KPPU



determined that Telkom, 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. As of April 24, 2014, we have not received any notification from the District Court with respect to the resolution of this case. This case is still ongoing.

PRODUCT RESPONSIBILITY

Customer health and safety

Indosat strives to ensure that its products and services are safe for customers to use at all stages. Specifically, Indosat strives to ensure that it uses radio telecommunications equipment that is not hazardous to customer health, in line with acceptable industry practices. It also strives to protect the confidentiality of data and customer profiles by maintaining a secure network and data center as reflected by our ISO 27001 information security management system (ISMS) certification covering information technology, security techniques, and information security management systems and requirements.

There were no number of incidents of major non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services in 2014.

Product and service labeling

All Indosat prepaid subscription vouchers are accurately labeled for ease of use including information on tariffs and user instructions. We also try to give accurate information on all our products and services to customers, for more

In 2014, there were no incidents of major non-compliance with regulations and voluntary codes concerning product and service information and labeling.

Customer satisfaction

Maintaining and improving customer satisfaction is at the forefront of Indosat's efforts. A variety of initiatives were taken in 2014 to improve customer satisfaction, foremost among them the launch of the 4G LTE network giving better quality, quantity and network coverage for improved user experience.

Marketing communications

Indosat is committed to complying with all relevant laws and standards related to marketing communications, including advertising, promotion, and sponsorship. Indosat also voluntarily strives to ensure that all its commercial advertisements safeguard customers from confusion or misperceptions. As such, in 2014 there were no major incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, or sponsorship.

Customer privacy

In 2014, Indosat received no substantiated complaints regarding breaches of customer privacy and losses of customer data.

Compliance

Indosat strives to comply with all relevant laws and regulations. Nonetheless, on January 13, 2012, the former President Director of IM2, a subsidiary of the Company, was accused of corruption by the Attorney General's Office ("AGO"). According to the AGO, a state loss amounting to Rp1,358.3 billion was caused by an agreement between IM2 and the Company, which relates to the alleged illegal use by IM2 of the Company's 2.1 GHz frequency band. The MOCIT issued letter No. 65/M. KOMINFO/02/2012 on February 24, 2012 stating that there was no breach of law, crime committed, and no state loss resulting from the agreement between the Company and IM2. Moreover the MOCIT has also sent a letter to the AGO directly which states that neither our Company nor our subsidiary, IM2, has violated any regulation and the collaboration between Indosat and IM2 is lawful under the prevailing laws and regulations, and also common practices in the telecommunication industry. In addition, the ITRA publicly stated that IM2 had not breached any laws or prevailing rules. However, the AGO ignored the letters from the MoCit and,

on November 30, 2012, named our former President Director as a suspect and, on January 3, 2013, also named IM2 and our Company as corporate suspects. on July 8, 2013, the Corruption Court found Mr. Atmanto guilty of corruption and sentenced him to four years imprisonment and a monetary fine of Rp200 million (or an additional three months' imprisonment). Furthermore, the Corruption Court found IM2 liable for restitution for state losses caused by such transaction and imposed a monetary fine of Rp1,358.3 billion. On July 11, 2013, Mr. Atmanto lodged his appeal against the Corruption Court's ruling. on January 10, 2014, the Central Jakarta's High Court affirmed the Corruption Court's decision and imposed a higher sentence of eight years' imprisonment and a separate monetary fine of Rp200 million (or an additional three months' imprisonment). However, the High Court found that the Corruption Court could not impose a monetary sanction against IM2 which, as a separate legal entity, had not been separately indicted in the AGO's litigation against Mr. Atmanto, and reversed the Corruption Court's decision with respect to IM2. On January 23, 2014, Mr. Atmanto filed a petition for appeal to the Supreme Court and, on February 5, 2014 submitted memoranda of appeal. On July 10, 2014, the Supreme Court issued a verdict that sentenced Mr. Atmanto



for eight years' imprisonment, monetary fine of Rp300 million and ordered IM2 to pay restitution in the amount of Rp1,358.3 million. On September 16, 2014, the South Jakarta District Court has enforced the execution against Mr. Atmanto based on the Supreme Court's verdict. In addition, the Supreme Court has conversely affirmed the Administrative Court's verdict stating that the letter of the Deputy Head of Financial and Development Supervisory Agent ("BPKP") Investigation Sub-division No. SR-1024/d6/01/2012 dated November 9, 2012 concerning Audit Report of Financial State Loss Calculation on Corruption Allegation in the Utilization of 2.1 GHz (3G) Radio Frequency by PT Indosat Tbk and IM2 along with its attachments made by BPKP team is unlawful and BPKP is instructed to revoke such letter. Mr. Atmanto is seeking to submit a judicial review to nullify the Supreme Court's verdict. In addition to the cases mentioned above, IM2, the Company and the former President Director of the Company are still under investigation by the AGO. As of April 6, 2015, there is no further process on those cases.

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Disclaimer

This is the Annual Report for the year ended December 31, 2014 and prepared in accordance with OJK Rules.

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 "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 & Corporate Secretary Group at Jl. Medan Merdeka Barat No. 21, Jakarta 10110, Indonesia. Tel. (62-21) 3000 3001 ext. 2615, Fax. (62-21) 3000 3002 or E-mail: investor@indosat.com.

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2014 ANNUAL REPORT

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