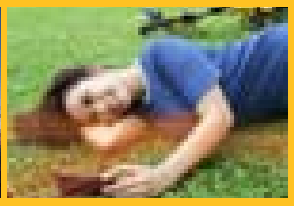
2012 Annual Report

indosat



FAST FORWARD

IN THIS YEAR'S REPORT




FASTER AND FARTHER VALUE CREATION FOR A THRIVING INDONESIA

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Front cover:

Iswandi in action. Iswandi won the 100 meter gold medal with a time of 10.41 seconds at the 2012 National Games (PON), staking his claim as the fastest runner in the Indonesian archipelago.



ACCELERATING GROWTH, SOLID FUNDAMENTALS

In this turnaround year, we ran faster and farther, gaining ground in all aspects

- Accelerate Data Business
- Innovation in Delivering Customer Experience
- Faster in Implementing Efficiency
- Strengthen Employee Engagement
- Financials Growth

Becoming a stronger company, delivering better customer experience, and supporting Indonesia's growth.

INDONESIA, A MARKET FULL OF OPPORTUNITIES



246
million people
4th largest global population

57%
of the population is middle class

US$3,563
GDP
per capita and growing

6%
average economic growth for the past 5 years

50%
of the population is under 30 years old

22%
Internet penetration

15%
Smartphone penetration

INDOSAT IN 2012



- **Services throughout Indonesia, covered by 10 areas, 69 Sales Areas and 338 Sales Clusters**
- **Rp22.4 trillion Operating Revenues**
- **Rp10.5 trillion EBITDA***
- **58.5 million Cellular Subscribers**
- **Rp27.4k ARPU****
- **21,930 number of BTS*****
- **Segmented Revenue: Celullar 83%, Fixed Data (MIDI-Multimedia, Data Communication & Internet) 13% and Fixed Telecommunication 4%**

***) Earnings Before Interest, Taxes, Depreciation and Amortization**
****) Average Revenue per User**
*****) Base Transceiver Station**



ACCELERATE DATA BUSINESS



indosat SUPER 3G+

indosat SUPER WiFi

Indosat Cloud

- Delivered great experience by launching Indosat SuperWiFi seamless connection with up to 20 Mbps speed in more than 2500 spots across major cities
- First ever launch of Indosat Super3G+ service in Indonesia, utilizing cutting edge U900 technology to offer customers access speeds of up to 7.2 Mbps with more convenient data experience
- Promoting new applications and services for the consumer market as part of the digital lifestyle era in line with the trend of growing smartphone services
- Introduced Indosat Cloud-based services for corporate customers access to secure, flexible and global & local ICT services
- Enhanced cooperation and bundling with mobile device manufacturers and other partners


INNOVATION IN DELIVERING CUSTOMER EXPERIENCE
*123#
indosat
im3
indosat
MATRIX
Indosat Care



- Easier Provisioning, Registration and Activation of data services through *123#
- Refreshing IM3 and Mentari brands to cater to youth customers and reflect brand promises
- Introducing Indosat Care, an innovative self-service channel enabling cellular users to manage their services and accounts
- Network modernization includes leveraging the IP-based network to serve different segment needs and implementing best-in-class RAN (Radio Access Network) to deliver better customer experience and cost efficiencies
- Customer satisfaction scores improved from 87% in 2011 to 94% in 2012



COST EFFECTIVENESS PROGRAM HIGHLIGHTS

- Cost optimization program moving to the next level
- Explore infrastructure sharing where possible
- Organizational effectiveness and streamlining business process
- Cost-conscious culture and mindset

TOP 5 OPERATIONAL EFFICIENCY INITIATIVES

Top 5 Initiatives	Key Benefits
Long Term Contractual Commitment	Competitive capex and opex savings for Technology
Infrastructure Sharing	Capex and opex savings for agreed collaborative items
Low BTS Utilization Enhancer	Increase low utilization sites and revenue at rural areas
TRX Rebalancing	Capex savings for Technology
Integrated Contractor for Office Service, Technical and Security	Opex savings by vendor consolidation



FASTER IN IMPLEMENTING EFFICIENCY



STRENGTHEN EMPLOYEE ENGAGEMENT



Managerial Training
▲68%

Employee Productivity
▲10%

300 Internal Promotions
fulfiled by internal Resources through good succession planning

- Launched new corporate culture to elevate customer experience and value-centric behavior.
- Implemented New Performance Management Talent Pool and Merit System.
- People development across all levels to unlock individual potential.
- Creating a young and open environment.

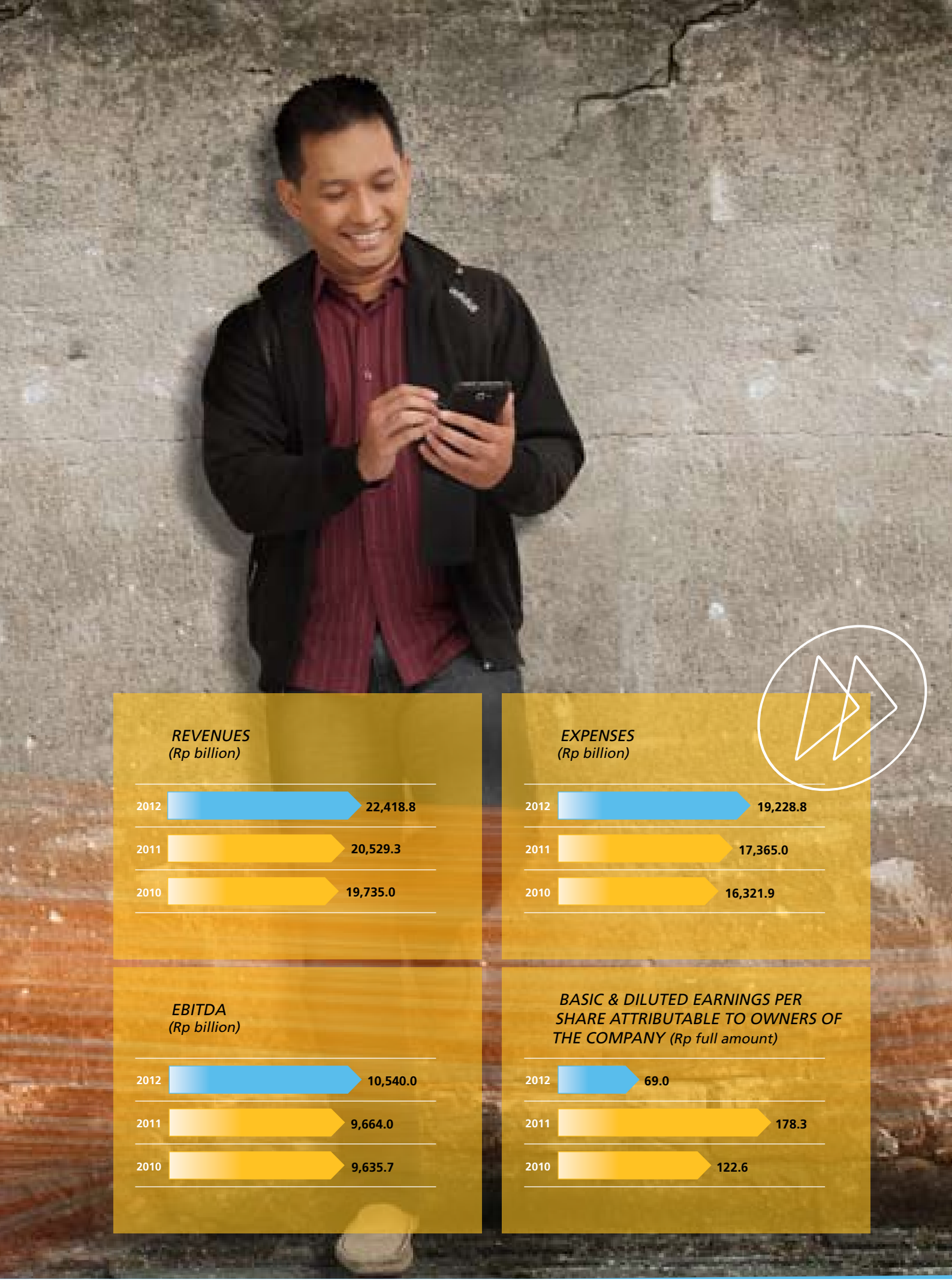


FINANCIAL GROWTH

9.2%
Consolidated Revenue Growth

9.1%
EBITDA Growth

Rp4.3 trillion
Free Cash Flow



REVENUES
(Rp billion)

2012	22,418.8
2011	20,529.3
2010	19,735.0

EXPENSES
(Rp billion)

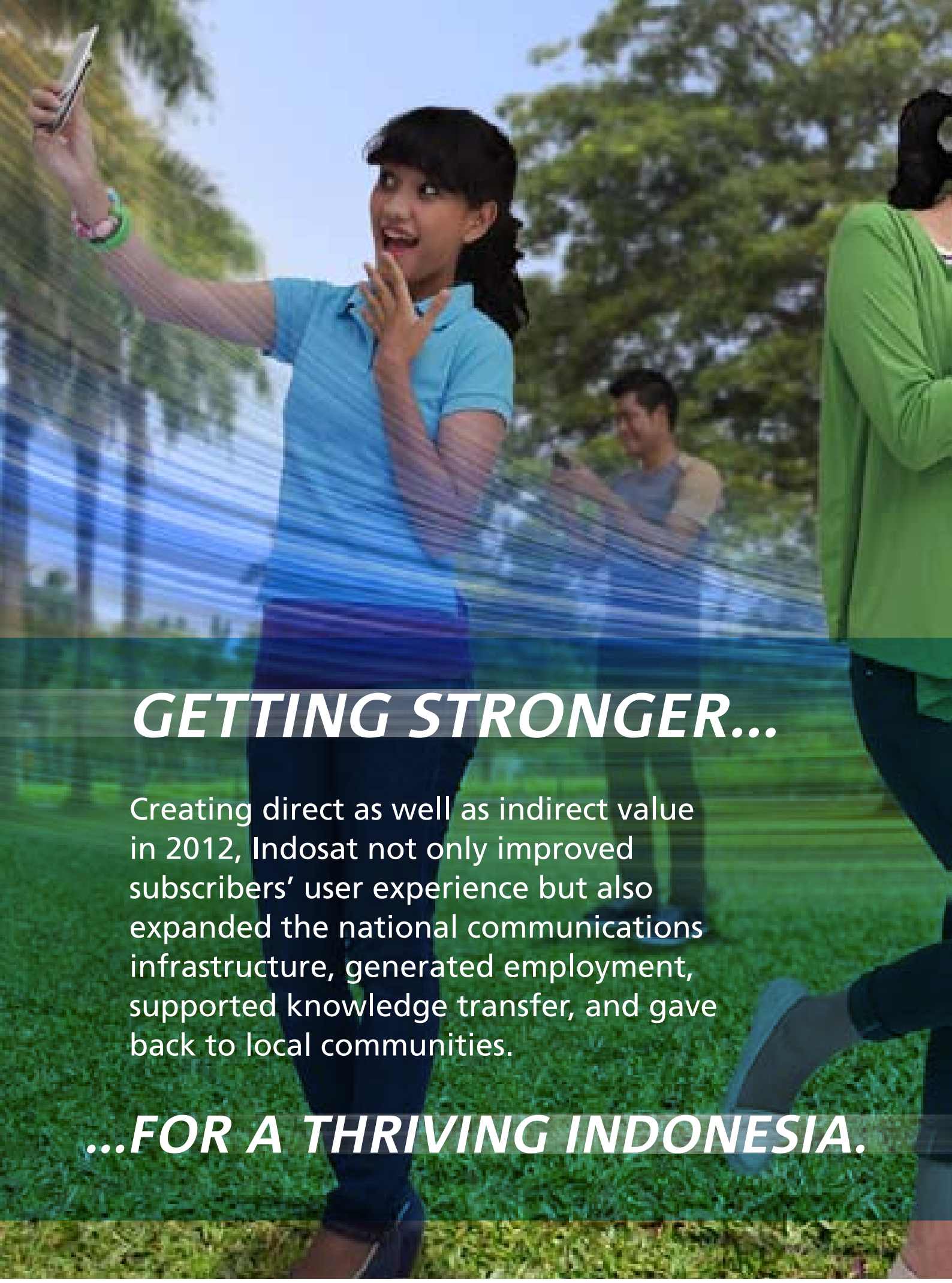
2012	19,228.8
2011	17,365.0
2010	16,321.9

EBITDA
(Rp billion)

2012	10,540.0
2011	9,664.0
2010	9,635.7

BASIC & DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (Rp full amount)

2012	69.0
2011	178.3
2010	122.6



GETTING STRONGER...

Creating direct as well as indirect value in 2012, Indosat not only improved subscribers' user experience but also expanded the national communications infrastructure, generated employment, supported knowledge transfer, and gave back to local communities.

...FOR A THRIVING INDONESIA.



FINANCIAL HIGHLIGHTS

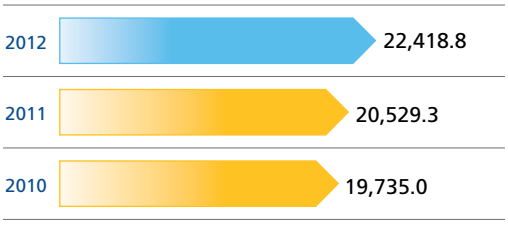
ACCELERATING ANNUAL GROWTH DRIVEN BY STRATEGIC INITIATIVES AND STRONG EXECUTION

(in billion Rupiah)

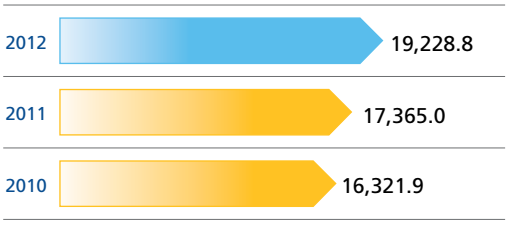
STATEMENTS OF COMPREHENSIVE INCOME	2012	2011*	2010*
Revenues	22,418.8	20,529.3	19,735.0
Expenses	19,228.8	17,365.0	16,321.9
Operating Profit	3,190.0	3,164.3	3,413.1
Other Expenses - Net	(2,728.4)	(1,833.0)	(2,291.7)
Profit before Income Tax	461.6	1,331.3	1,121.4
Income Tax Benefit (Expenses) - Net	25.8	(264.6)	(378.5)
Profit for the Year	487.4	1,066.7	742.9
Profit for The Year Attributable to Non-Controlling Interest	112.3	98.1	76.5
Profit for The Year Attributable to Owners of the Company	375.1	968.6	666.4
Shares Outstanding (in million of shares)	5,433.9	5,433.9	5,433.9
Basic and diluted Earnings per Share attributable to owners of the Company (in Rp full amount)	69.0	178.3	122.6
EBITDA	10,540.0	9,664.0	9,635.7
STATEMENTS OF FINANCIAL POSITION			
Total Assets	55,225.1	53,233.0	53,325.1
Property and Equipment - Net	41,964.8	43,505.7	44,062.0
Working Capital	(2,706.9)	(6,200.5)	(6,569.0)
Total Liabilities	35,829.7	34,263.9	35,069.8
Non-controlling Interest (previously minority interest)	534.0	453.8	385.5
Total Equity Attributable to Owners of the Company (previously total stockholders' equity)	18,861.4	18,515.3	17,869.8
OPERATING RATIOS (%)			
Operating Profit to Operating Revenues	14.23	15.41	17.29
Operating Profit to Equity Attributable to Owner of the Company	16.91	17.09	19.10
Operating Profit to Total Assets	5.78	5.94	6.40
EBITDA Margin	47.01	47.07	48.83
Net Profit Margin	1.67	4.72	3.38
Return on Equity	1.99	5.23	3.73
Return on Assets	0.68	1.82	1.25
FINANCIAL RATIOS (%)			
Current Ratio	75.43	48.19	45.37
Debt to Equity Ratio	114.58	124.79	133.66
Total Liabilities to Total Assets	64.88	64.37	65.77
DIVIDEND PER SHARE (Rp full amount)			
Final	76.83	59.55	137.86
Payment Date	26/6/2012	5/8/2011	2/8/2010

*) Restated

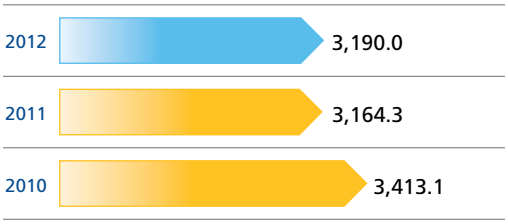
REVENUES
(Rp billion)



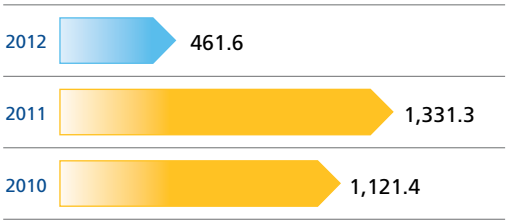
EXPENSES
(Rp billion)



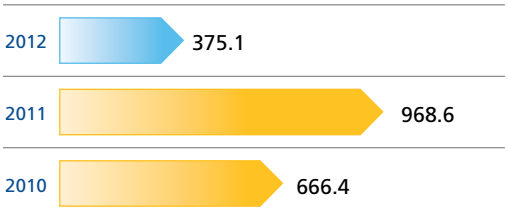
OPERATING PROFIT
(Rp billion)



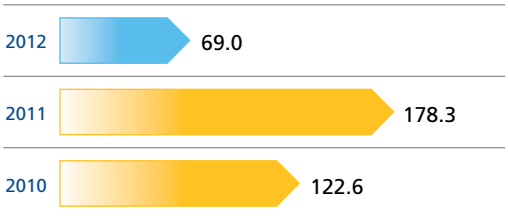
PROFIT BEFORE INCOME TAX
(Rp billion)



PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY
(Rp billion)



BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY
(Rp full amount)

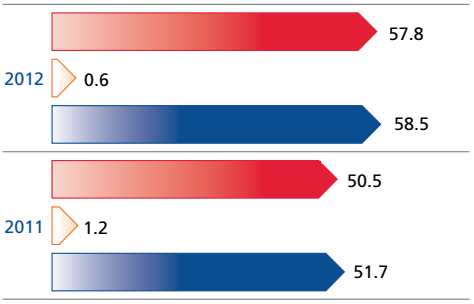


OPERATIONAL HIGHLIGHTS

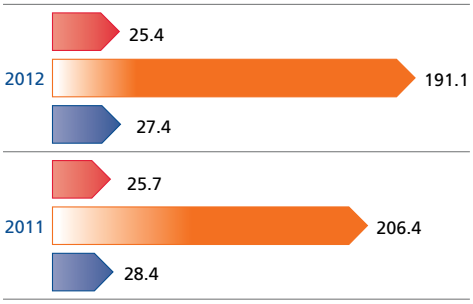
REAL GAINS ON ALL FRONTS, INCREASING OVER THE YEAR

CELLULAR	Unit	2012	2011	Change
Prepaid Subscribers	Million subscribers	57.8	50.5	14.5%
Postpaid Subscribers	Million subscribers	0.6	1.2	-46.5%
Total Subscribers	Million subscribers	58.5	51.7	13.1%
ARPU Prepaid	Rp thousand	25.4	25.7	-1.2%
ARPU Postpaid	Rp thousand	191.1	206.4	-7.4%
ARPU Blended	Rp thousand	27.4	28.4	-3.5%
FIXED WIRELESS				
Prepaid Subscribers	Subscribers	127,374	175,779	-27.5%
Postpaid Subscribers	Subscribers	46,965	53,105	-11.6%
Total Subscribers	Subscribers	174,339	228,884	-23.8%
ARPU Prepaid	Rp thousand	27.4	37.9	-27.7%
ARPU Postpaid	Rp thousand	22.6	24.1	-6.2%
ARPU Blended	Rp thousand	26.3	35.1	-25.1%
IDD				
Outgoing Traffic	Thousand minutes	408,452	445,285	-8.3%
Incoming Traffic	Thousand minutes	1,824,890	1,841,732	-0.9%
Total Traffic	Thousand minutes	2,233,342	2,287,017	-2.3%
Incoming/Outgoing Ratio		4.5	4.1	
MIDI				
Wholesale				
International High Speed Leased Circuit	Mbps	30,765	23,453	31.2%
Domestic High Speed Leased Circuit	Mbps	33,762	18,957	78.1%
Satellite Palapa Transponder Lease	Mhz	1,028	961	7.0%
IPVPN	Mbps	2,935	2,128	37.9%
Internet	Mbps	21,608	15,178	42.4%
LINTASARTA				
High Speed Leased Line SDL	64Kbps	2,055,482	1,383,456	48.6%
Frame Relay	64Kbps	216,663	213,816	1.3%
VSAT	64Kbps	159,340	163,385	-2.5%
IPVPN	64Kbps	936,472	704,145	33.0%
IM2				
Internet Dial Up	users	4,424	7,032	-37.1%
Internet Dedicated	link	627	789	-20.5%
IPVPN	link	310	349	-11.2%
Employees (permanent and non-permanent incl. subsidiaries' employees)	people	4,540	4,461	1.8%
Galeri Indosat service center	service center	112	150	-25.3%
Griya Indosat service center	service center	67	45	48.9%
Indosat Sales & Service Kiosks (KILAT)	service center	129	81	59.3%

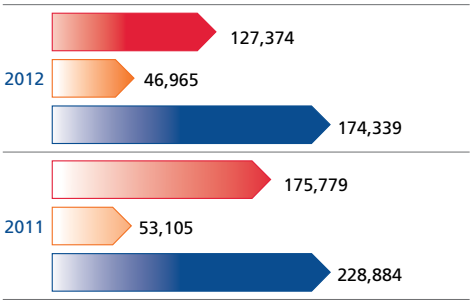
CELLULAR SUBSCRIBER COMPOSITION
(million)



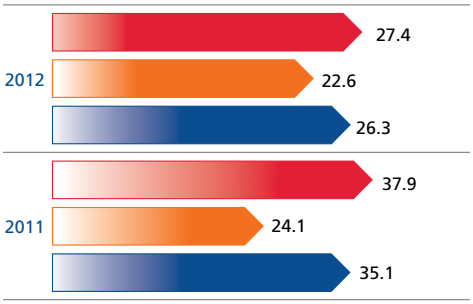
BLENDED ARPU CELLULAR
(Rp thousand)



FIXED WIRELESS SUBSCRIBER COMPOSITION
(subscribers)



BLENDED ARPU FIXED WIRELESS
(Rp thousand)

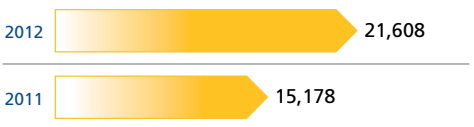




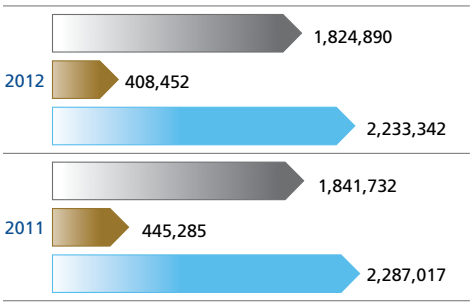
INCOMING/OUTGOING RATIO

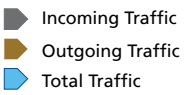


INTERNET
(Mbps)



IDD TRAFFIC
(thousand minutes)





STOCK AND BOND HIGHLIGHTS

STOCK HIGHLIGHTS

Stock Performance

	NEW YORK STOCK EXCHANGE (US$/ADR)		INDONESIA STOCK EXCHANGE (Rp/Share)	
	2012	2011	2012	2011
Highest	35.50	34.43	7,000	6,000
Lowest	18.48	25.99	3,425	4,700
Year end	31.54	31.54	6,450	5,650
Basic Earnings per ADR/Share	-	0.85	-	153.7
Dividend per Share/ADR	-	0.008	-	76.83
Dividend Payout Ratio (%)	-	50%	-	50%
(%) Dividend Yield Dividend per ADR/Share / Year-end ADR/Share Price	-	1.13	-	1.4
P/E Ratio Year-End per ADR/Share Price / Earnings per ADR/Share	-	37.22x	-	36.76x

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

PERIOD	2012		2011		Volume 2012 (ADS)	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
First Quarter	31.01	27.05	33.96	25.38	453.900	300
Second Quarter	31.24	29.61	34.19	25.97	135.000	0
Third Quarter	34.43	28.56	30.46	24.22	104.300	0
Fourth Quarter	31.68	25.99	35.58	28.01	53.200	300

Quarterly Stock Price on the IDX (Rp/ADR)

PERIOD	2012		2011		Volume 2012 (LOT)	
	Highest	Lowest	Highest	Lowest	Highest	Lowest
First Quarter	5,650	4,800	6,200	4,700	18,197	1,518
Second Quarter	5,450	5,050	6,150	4,775	16,894	508
Third Quarter	6,000	5,050	5,500	4,400	14,891	303
Fourth Quarter	5,900	4,700	6,300	5,100	11,237	108

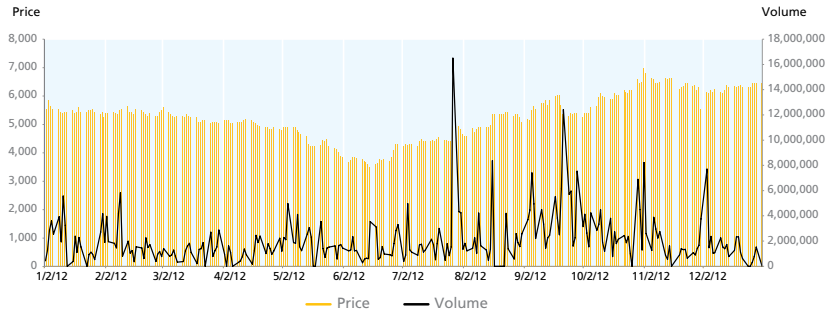
Bond Highlights

DESCRIPTION	RELEASE DATE	Exchange	Total	Interest Rate	Maturity
Indosat Bond II	November 6, 2002	Surabaya Stock Exchange*	Series B : Rp200.0 billion	16.00% per annum	Fully redeemed November 6, 2012
Indosat Bond IV	June 21, 2005	Surabaya Stock Exchange*	Rp815.0 billion	12.00% per annum	Fully redeemed June 21, 2011
Indosat Bond V	May 29, 2007	Surabaya Stock Exchange*	Series A : Rp1,230.0 billion Series B : Rp1,370.0 billion	10.20% per annum 10.65% per annum	May 29, 2014 May 29, 2017
Indosat Bond VI	April 9, 2008	Indonesia Stock Exchange	Series A : Rp760.0 billion Series B : Rp320.0 billion	10.25% per annum 10.80% per annum	April 9, 2013 April 9, 2015
Indosat Bond VII	December 8, 2009	Indonesia Stock Exchange	Series A : Rp700.0 billion Series B : Rp600.0 billion	11.25% per annum 11.75% per annum	December 8, 2014 December 8, 2016
Indosat Bond VIII	June 27, 2012	Indonesia Stock Exchange	Series A : Rp1.200.0 billion Series B : Rp1.500.0 billion	8.625% per annum 8.875% per annum	June 27, 2019 June 27, 2022
Indosat Syariah Ijarah Bond	June 21, 2005	Surabaya Stock Exchange*	Rp285.0 billion	Rp34.2 billion per annum	Fully redeemed June 21, 2011
Sukuk Ijarah Indosat II	May 29, 2007	Surabaya Stock Exchange*	Rp400.0 billion	Rp40.8 billion per annum	May 29, 2014
Sukuk Ijarah Indosat III	April 9, 2008	Indonesia Stock Exchange	Rp570.0 billion	Rp58.4 billion per annum	April 9, 2013
Sukuk Ijarah Indosat IV	December 8, 2009	Indonesia Stock Exchange	Series A : Rp28.0 billion Series B : Rp172.0 billion	Ijarah Return Rp3.2 billion per annum Ijarah Return Rp20.2 billion per annum	December 8, 2014 December 8, 2016
Sukuk Ijarah Indosat V	June 27, 2012	Indonesia Stock Exchange	Rp300.0 billion	Rp25.8 billion per annum	June 27, 2019
Guaranteed Notes Due 2020	July 29, 2010	Singapore Exchange Securities Trading Limited	US$650.0 million	7.38% per annum	July 29, 2020

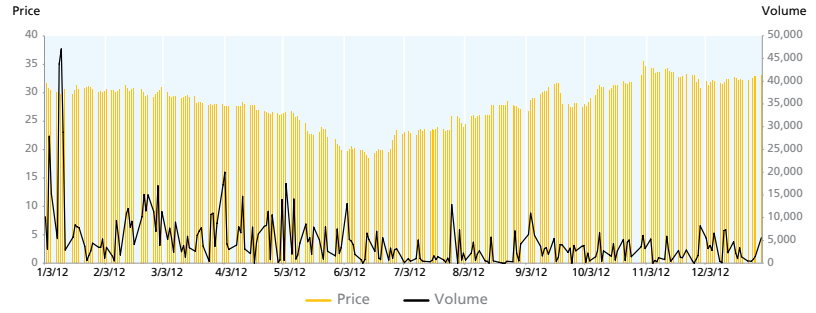
*On 30 November 2007, Surabaya Stock Exchange and Jakarta Stock Exchange have merged into Indonesia Stock Exchange

STOCK PERFORMANCE

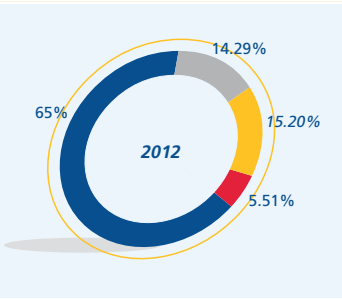
NDONESIA STOCK EXCHANGE (IDX:ISAT)
January 1 - December 31, 2012



NEW YORK STOCK EXCHANGE (NYSE:IIT)
January 1 - December 31, 2012

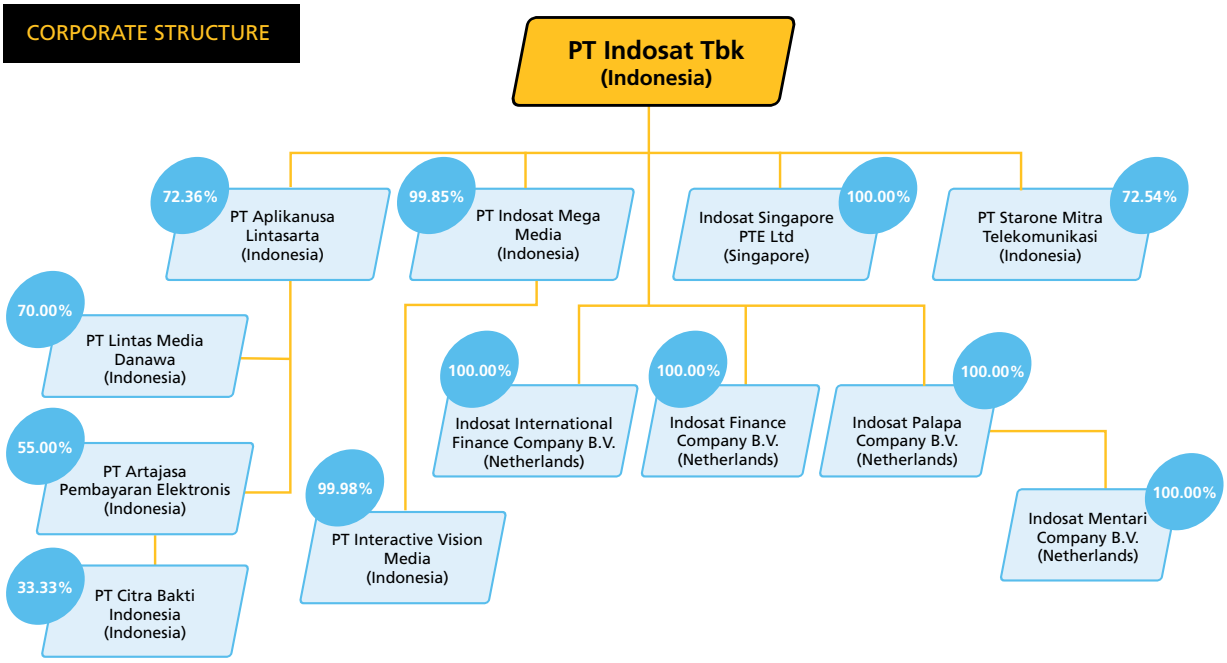


SHAREHOLDERS COMPOSITION
(as of December 31, 2012)



- Ooredoo Asia Pte. Ltd.
- Republic of Indonesia
- Public/Free Float
- Skagen AS

CORPORATE STRUCTURE

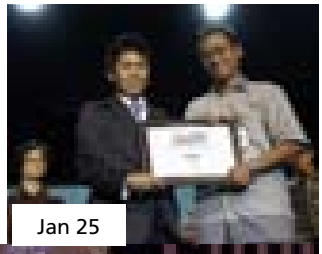


AWARDS

INDOSAT WON A TOTAL OF 43 AWARDS IN 2012 IN RESPONSE TO OUR STRENGTHENED BRANDS, INNOVATIVE PRODUCTS AND IMPROVED CUSTOMER SERVICE. OUR STRONG CORPORATE GOVERNANCE, ENVIRONMENTAL INITIATIVES AND CSR PROGRAMS WERE ALSO RECOGNIZED BY COMMUNITIES. AMONG THE AWARDS WE WON WERE THE FOLLOWING:

1st Quarter	
January 25	Received Indonesia's 20 Most Admired Companies 2011 award from Fortune Indonesia magazine.
February 2	IM3 received the Superbrands 2012 award as a popular public brand.
February 23	IM3 won the Indonesia Brand Champion Award in the category of "Brand Champion of Telecommunication" - Most Widely Used of GSM Operator, and "Brand Champion of Telecommunication - Most Widely Used of Mobile GSM Internet Provider Brand", while StarOne won the "Brand Champion of Telecommunication - Most Widely Used of Mobile CDMA Internet Provider Brand" category.
2nd Quarter	
April 25	The Indosat Wireless Innovation & Application Contest (IWIC) won "Best CSR Program" at the 2012 9th Selular Awards 2012 held by Selular magazine.
May 22	Indosat won the "The Best Contact Center Indonesia 2012" award in 13 categories.
June 10	Indosat's Corporate Social Responsibility (CSR) program was once again recognized as "The Best CSR" at the 2012 Indonesia Cellular Awards (ICA).
June 12	Indosat won "Best Consumer Service Innovation" at the Global Telecoms Business Innovation Award 2012.
3rd QUARTER	
July 10	Indosat was named a Green Telecommunication Company at the Indonesia Green Awards 2012 for planting 43,000 trees along the Cisadane, Citarum and Ciliwung riversheds.
September 18	Indosat won 3rd place on Annual Report Awards 2011, Category Private Non Finance Listed, by Bapepam, IDX, Central Bank, MSOE, GCG Committee, Accountant Association and Tax Office
4th QUARTER	
November 22	Indosat won an IICD 2012 Corporate Governance Award in the category of Best Corporate Governance Non Financial Sector from the Indonesian Institute for Corporate Directorship (IICD).
November 28	Indosat won the Indonesia Brand Champion Award 2012 from MarkPlus Insight dan Majalah Marketeers, namely "Silver Brand Champion of Most Popular Brand Outside Jakarta" and "Bronze Brand Champion of Most Recommended Brand Outside Jakarta".
November 28	Indosat was named "The Biggest Growing Profitable Telecommunication Company Indonesia" as part of the Best Companies 2012 awards from Warta Ekonomi among the companies in Indonesia registered at the Indonesia Stock Exchange (IDX).

Q1



Jan 25

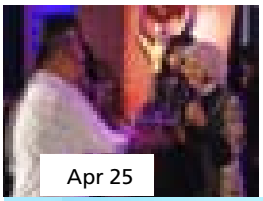


Feb 23



Feb 2

Q2



Apr 25



Jun 10

Q3



Jul 10



Sep 18

Q4



Nov 28



Nov 28



Nov 22

EVENTS

1st QUARTER	
January 19	Indosat held a workshop to raise the competence of physics, chemistry and biology science teachers during January 10-13, 2012, with 100 high school teachers from various areas in West Sumatera.
January 25	153 high schools in Indonesia benefitted from the Indosat Cyber School program, which provided ICT equipment in the form of computers, internet broadband equipment, multimedia projectors and educational software to support the learning process.
March 1	The Indosat Senyum program was expanded to include more merchants for loyal customers. Points may also be redeemed through the Indosat Senyum Application which is installed in BlackBerry phones.
March 2	Indosat collaborated with Nokia as part of the mWomen GSMA Programme in Barcelona.
March 8	The IM3 Seru Anti Galau program was launched, offering 2 exciting packages namely "IM3 SERU SMS & Internetan MURAH" and "IM3 SERU GRATIS Facebook & Social Network SEPUASNYA".
2nd QUARTER	
April 23	A drive test was held to improve the quality of Indosat's network in 4 cities: Jakarta, Bandung, Semarang and Surabaya.
May 4	Indosat launched the Indosat BlackBerry application to help subscribers activate their BlackBerries without memorizing shortcodes or SMS keywords to subscribe to Indosat BlackBerry.
May 7	Indosat supported revitalization of farming in West Sumatera through the use of Information Technology and Telecommunications.
May 14	The Indosat AGMS approved dividends of Rp76.83/share and changes in the composition of the Board of Commissioners and Directors.
June 1	Indosat and NOKIA rolled out "Info Wanita" (Women's Information) in bundled packages consisting of Indosat Mobile and 2 of the newest Nokia Dual SIM handsets namely Nokia Asha 202 Touch & Type and Nokia 110.
June 7	Empowering women through cellular technology, Indosat supported GSMA to create mWomen working groups.
June 28	Welcoming a Blessed Ramadhan 1433H, Indosat launched "3 Day 3 Night FREE CHAT" (*Layanan GRATIS BICARA 3 Hari 3 Malam*) program.

Q1


Jan 25



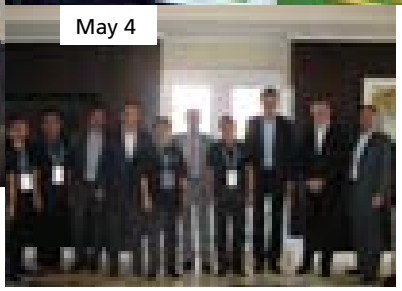
Mar 1


Apr 23



June 28


May 14


May 4

Q2

3rd QUARTER	
July 9	The 5th Indosat IM3 Mobile Academy Grand Final established the King and Queen of IM3 Mobile Academy 2012.
July 19	Indosat rolls out the "Blessed Ramadhan" (Ramadhan Makin Penuh Berkah) program with GRATIS 3 Hari 3 Malam ++, Gratis Nelpon + Gratis SMS + Gratis Internetan promotions.
August 6	Indosat opens a service centers for customers called INDOSAT SHOP at gadget centers in Jakarta and Surabaya.
August 16	Indosat holds a free Ramadhan homecoming program for subscribers, IOC (Indosat Outlet Community), and the School Community.
August 29	Indosat rolls out the Gratis 3 Hari 3 Malam Lanjut program with up to 35MB of free internet, free calls and free SMS.
August 31	Indosat became the first operator to bring anime to subscribers by participating in the 2012 Anime Festival Asia Indonesia (AFA ID), which was held at the Jakarta International Expo between September 1 – 2, 2012.
September 10	Indosat launched a simple, reliable and beneficial telephone, internet & online Application solution for SMEs.
September 12	Indosat launched "Forum NgobrolBareng" for all subscribers, which may be accessed through web or mobile at http://ngobrol.indosat.com, where subscribers can share information and solutions.
September 30	Indosat Super WiFi services enabled the public to express its nationalism at the 2012 LA Lights Java Soulnation event.
4th QUARTER	
October 2	To help support batik in Indonesia, in celebration of National Batik Day, Indosat invited subscribers to donate Rp50, - from each top up taking place on National Batik Day, October 2, 2012.
October 6	Indosat officially launched cutting edge 3G 900 MhZ telecommunication technology and Indosat Super3G+ broadband service for the people of Padang and Bukitinggi, West Sumatera.
October 10	Indosat deployed Indosat Cloud, a total cloud computing solution that is secure, flexible and glocal (part of a global cloud network with a data center in Indonesia as required by the government regulations for ICT services).
October 12	PT Indosat Tbk and PT Bank Rakyat Indonesia Tbk (BRI) collaborated on Mobile Banking and Indosat Internet/ BRI Internet Banking Co-branding using a 3.5G Modem.
October 31	Indosat rolled out the SUPERGADGET Indosat Card for gadget users on Android, iOS, Windows Mobile, Symbian, and more.
November 1	Indosat launched the "IM3 Pake Sekalee, GRATIS Sampe Ribuan Kalee" program, giving FREE calls and SMS to other Indosat subscribers as well as supporting internet service for Indosat subscribers.
December 3	Indosat simultaneously launched the First Card for BlackBerry in 9 cities in Indonesia, providing Full Service & Social Media with Bonus Phone calls and SMS, WiFi and Internet.
December 6	Qtel Group, Indosat, the Cherie Blair Foundation for Women and Nokia launched a mobile application called "Usaha Wanita" (Women's Business) to provide business information to thousands of women entrepreneurs in Indonesia.
December 14	Indosat-Apple launched a SUPER Complete iPhone 5 Package together with Indosat Super WiFi.
December 17	Indosat Mentari, a premium prepaid card for smartphone users with various attractive prizes, was shown with a new name, logo and look as part of the effort to reposition Mentari services.
December 19	As part of its 45th birthday celebrations, Indosat donated 100 Nokia Asha and 311 smartphones apps together with Indosat cards and vouchers valued at Rp200 million to Indonesia Red Cross volunteers, in support of the volunteers' work.

Q3


Aug 16



Aug 6



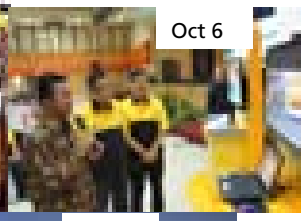
Sep 10



Dec 6


Nov 1


Oct 2


Oct 6


Dec 19



Dec 14


Dec 17


Oct 10


Dec 6


Oct 12

Q4

COMPANY IN BRIEF



PT Indosat Tbk is a leading telecommunication and information service provider in Indonesia that provides nationwide cellular prepaid and postpaid services. Indosat was a pioneer in introducing wireless broadband services using 3.5G with HSDPA technology to Indonesia. It also provides fixed telecommunication or fixed voice offerings including IDD, fixed wireless and fixed phone services.

In addition, together with its subsidiaries PT Indosat Mega Media (IM2) and PT Aplikanusa Lintasarta, Indosat provides fixed data or Multimedia, Internet & Data Communication services such as IPVPN, leased line and internet services.

The Company successfully attained a dual listing for its shares in 1994 and today the Company's Ordinary Shares are listed on the Indonesia Stock Exchange (IDX: ISAT) and American Depositary Receipt (ADR) also listed on the New York Stock Exchange (NYSE:IIT).



VISION

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

MISSION

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

VALUES

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

CARE
Demonstrate concern, respect and serve whole heartedly.

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.

45 YEARS OF INDOSAT MILESTONES



1967

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

1980

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

1994

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

2001

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

2002

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

2003

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

2006

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

2008

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

2009

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

2010

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

2012

Forward momentum as a customer-centric organization to reach 58.5 million subscribers supported by continuing improvements and product innovation.

PRODUCTS AND SERVICES

	PERSONAL	
1	IM3	Prepaid GSM multimedia service for the younger generation that delivers voice, SMS and data packages at very attractive tariffs.
2	INDOSAT MENTARI	Prepaid GSM cellular service targeting mature subscribers that is designed to run on Android, BlackBerry™, Apple iOS and Windows for optimal communication.
3	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.
4	INDOSAT SUPER 3G	Superfast service of up to 7.2 Mbps for all prepaid and postpaid subscribers with a choice of a Quota Package or Unlimited Package.
5	STARONE	Fixed wireless access offering fixed phone service (PRTN), mobile voice, and data service using CDMA 2000 1x technology.

PERSONAL

BUSINESS		
1	INDOSAT SOLUSI UKM	Comprehensive telecommunication solutions to boost the productivity of cooperatives and Small Medium Enterprises (SME) in Indonesia through: • **CUG** A simple and affordable telephony solution for better communication between employees. Choose from CUG Standard Package, CUG Pro Package or Premium Package depending on your needs. • **i-Customer Relationship Management (i-CRM)** An online application designed to help SMEs manage sales, finance, customer data and operational data. • **i-Koperasi** An online management application for loan cooperatives or other micro-loan institutions. • **Indosat Phone** Fixed access telephone service which can be used for high quality voice data, video and voice service including local, cellular and international calls.
2	INDOSAT CORPORATE SOLUTION (ICS)	Integrated telecommunication solutions for businesses that include voice, mobile data, connectivity, connectivity, value added services (VAS) and hosting options. **Mobile & Convergence** Integrated voice and data telecommunications services based on cellular technology that are adjusted to the users' needs. Features include: Mobile Corporate User Group, BlackBerry Enterprise, Indosat Phone Unified Communication, Vehicle Tracking, Wireless EDC, Wireless VPN, Wireless ATM, International Direct Dialing. **Connectivity and Internet** Indosat provides a variety of reliable, high quality telecommunication services aimed at supporting the needs of corporates, including: Private Leased Circuit (Domestic & International), Ethernet Carrier (Domestic & International), IPVPN (Domestic & International), IP Transit, Indosat Dedicated Internet Access (I-DIA), Indosat Broadband Internet. **Satellite** Reliable satellite solutions designed to answer the needs of corporates comprised of TV Link and Transponder. **IT Services** Cutting-edge solutions for data storage, backup, and more comprised of Indosat Cloud, Data Center, and Disaster Recovery Center.
3	INDOSAT CLOUD	Indosat Cloud Infrastructure-as-a-Service (IaaS) from Indosat is the enterprise-class IaaS services which are designed and built using the best and leading infrastructure hardware and software. Cloud Indosat offered through an internet connection or through a closed network of rental (private leased line). Indosat Cloud platform built to support the automatic interaction and overall arrangements and supported by the server, storage and network elements belonging to the application system virtualization technology.

indosat solusi ukm

indosat Corporate Solution

Indosat Cloud

	INTERNATIONAL SERVICES	
1	INDOSAT INTERNATIONAL ROAMING (OUTBOUND)	Indosat International Roaming gives Indosat subscribers the convenience of a simple and affordable call tariff while traveling overseas by dialing Indosat 001. International Roaming services include: 1. Calls to Indonesia; 2. Calls to other countries; 3. Local calls in other countries; 4. Receiving telephone calls; 5. Sending and receiving SMS; 6. BlackBerry and internet service for all types of devices.
2	INDOSAT FLATCALL	International Flatcall allows Indosat subscribers to make overseas calls by dialing Indosat 01016.
3	TRAVELING CONNECT	A program that lets registered Indosat subscribers earn airplane mileage or hotel points, when making calls abroad through participating mobile operators.

INTERNATIONAL SERVICES







	PROGRAMS	
1	INDOSAT COMMUNITY	An interactive communication forum which brings together Indosat (IM3 and Mentari) subscribers with common characteristics such as school background, organization, hobby or occupation. By joining an Indosat Community, subscribers obtain various special benefits and get to know other members of the community.
2	FORUM NGOBROL BARENG	This forum enables users to chat with anyone anytime, in a warm and friendly atmosphere as between friends. It brings together many topics and backgrounds for the sole purpose of sharing.
3	INDOSAT SENYUM	Indosat Senyum is a point-based Loyalty and Retention program. IM3, Mentari, Matrix, Indosat Mobile and StarOne subscribers are entitled to earn Indosat Senyum Points when they use Indosat telecommunication services. Benefits of Poin Senyum include free SMS, free talk minutes, free Internet data and free iRing activation. In addition, Poin Senyum can be exchanged for shopping vouchers, discount vouchers, and other benefits from Indosat merchant partners. In addition, other special programs and promotions are held from time to time.

PROGRAMS

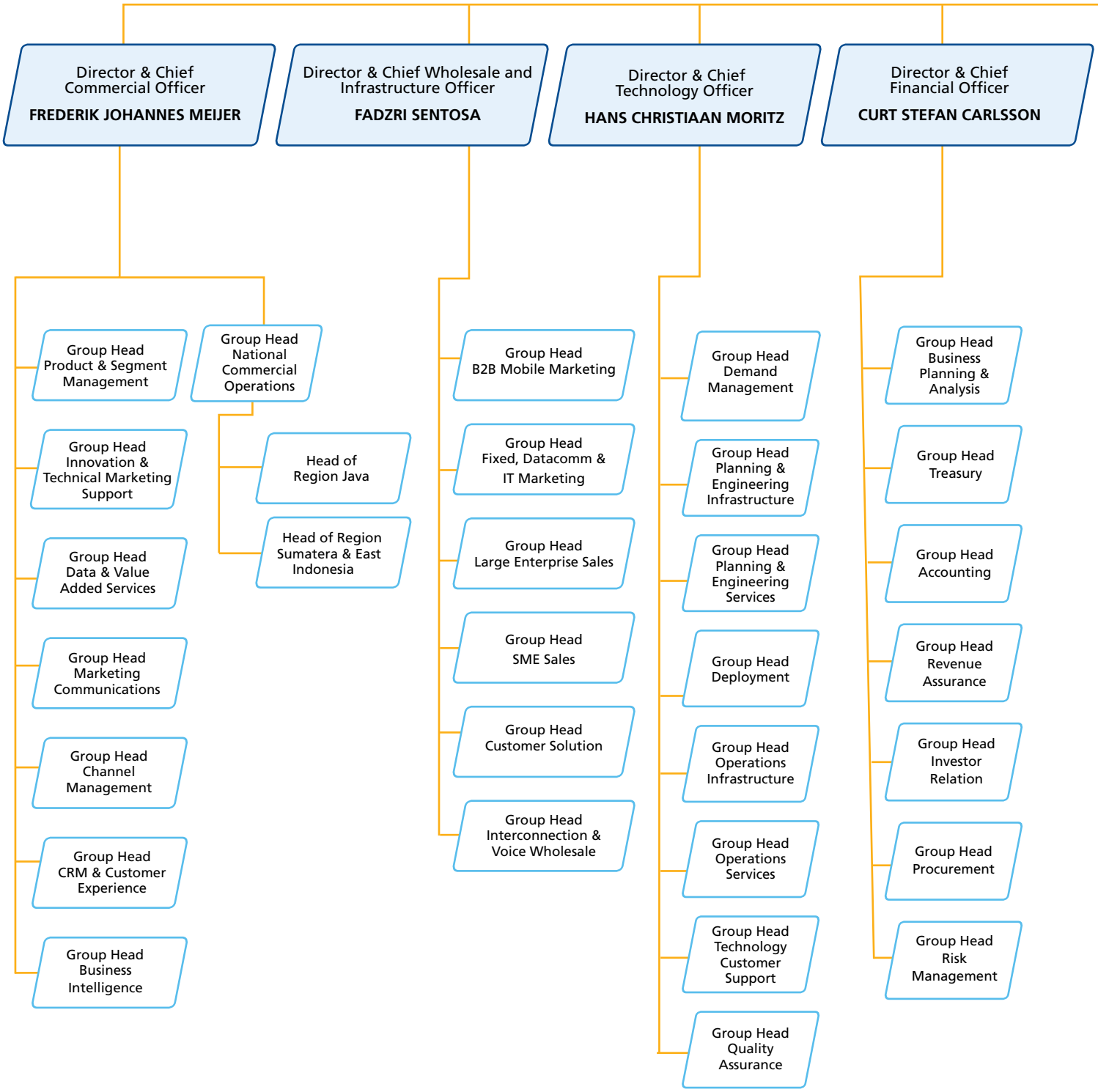


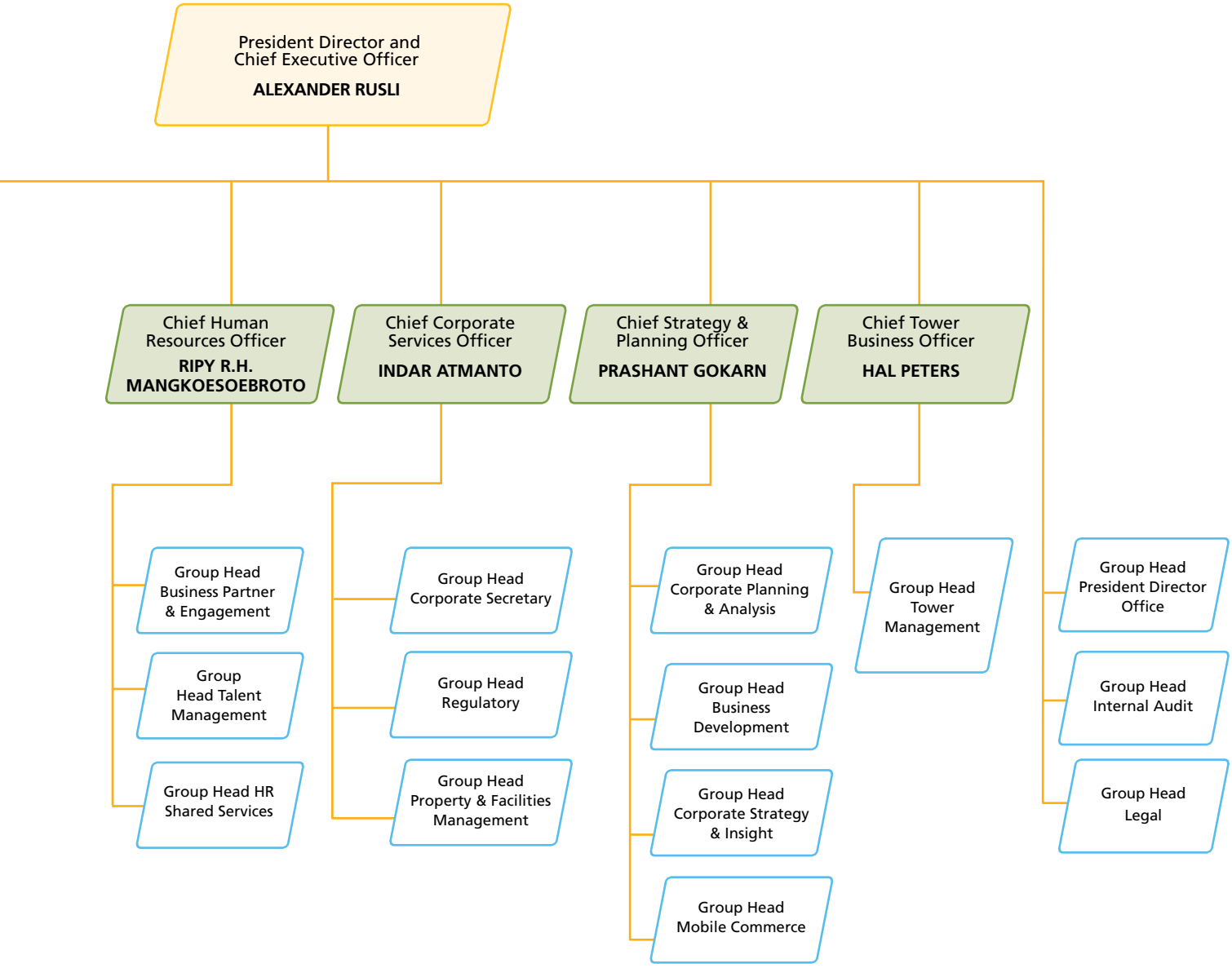




ORGANIZATIONAL STRUCTURE

(EFFECTIVE ON MARCH 1, 2013)




President Director and Chief Executive Officer
ALEXANDER RUSLI
Chief Human Resources Officer
RIPY R.H. MANGKOESOEBROTO
Chief Corporate Services Officer
INDAR ATMANTO
Chief Strategy & Planning Officer
PRASHANT GOKARN
Chief Tower Business Officer
HAL PETERS
Group Head Business Partner & Engagement
Group Head Talent Management
Group Head HR Shared Services
Group Head Corporate Secretary
Group Head Regulatory
Group Head Property & Facilities Management
Group Head Corporate Planning & Analysis
Group Head Business Development
Group Head Corporate Strategy & Insight
Group Head Mobile Commerce
Group Head Tower Management
Group Head President Director Office
Group Head Internal Audit
Group Head Legal

SUCCESS THROUGH TRANSFORMATION

I am delighted to be able to open this review of Indosat's 2012 performance. Throughout 2012, the Company made great strides in its performance across the board as the organisation transformed itself through the implementation of greater efficiencies throughout all aspects of the business.

Despite a continuously challenging competitive landscape we gained market share, improved customer satisfaction, increased revenues and strengthened our financials and prospects ahead. These successes are attributable to our ongoing commitment to our customers.

The initiatives put in place throughout 2012 allowed Indosat to secure its early lead in data services through network roll-out and optimisation, industry collaboration and the introduction of new, data-ready technologies.

UPGRADING OUR BUSINESS

This year we launched a thorough modernisation initiative for the network which will be completed over the next three years. The first phase of this project is to prepare our network for future data readiness including LTE technology and involves reconfiguring the network to the latest standards. In addition, against a backdrop of improved performance our operational excellence scheme made significant gains this year and further cost efficiencies were realized in the Tower Sale programme which remains a strategic priority going into 2013.

Another important development was the granting of a cellular license allowing us to roll out Indonesia's first high performance 3G cellular network on the 900MHz band, significantly increasing our smartphone penetration and accelerating data growth.



REPORT FROM THE BOARD OF COMMISSIONERS



ACHIEVING SUCCESS THROUGH FOCUS

Our years of hard work have effectively streamlined and strengthened the company's fundamentals with real gains in the areas mentioned above as well as corporate governance. This successful execution of our strategy helped our top line growth improve in 2012 as we recorded normalised EBITDA growth of 9.1% to Rp10,540.0bn in 2012 with Company revenues increasing by 9.2% to Rp22,418.8bn in 2012.

Our financial performance and holistic success continues to reflect the strength and expertise of our senior leadership team who successfully implemented the transformation strategy in a short period of time. Their efforts have resulted in the establishment of an organization that is poised for accelerated growth and are noteworthy as it sustains Indosat's position to defend against competitive pressures.

SUPPORT FROM OUR STAKEHOLDERS

On behalf of my colleagues on both the Board of Commissioners and Board of Directors, I would like to express our gratitude to Indosat's shareholders, whose unwavering support has played an instrumental role in the transformation of the business. We are confident that their trust will continue to be rewarded as we remain committed to returning value to shareholders.

Our deep appreciation is also shared with all Indosat employees, whose passion and dedication to the business have allowed the Company to become more agile and responsive to the needs of customers. It is the enthusiasm of our workforce that will take Indosat to the next phase in its evolution. Beyond our shareholders and employees are the many partners, stakeholders and organisations that continue to collaborate with us as we continuously strive to be Indonesia's leading telecommunications provider.

As for the Board of Directors Chief Executive Officer (CEO) Mr. Harry Sasongko Tirtotjondro and Chief Commercial Officer (CCO) Mr. Laszlo Imre Barta were honorably discharged by shareholders at the September 17, 2012 EGMS and the May 14, 2012 AGMS respectively. Their tenure saw Indosat's financial profile dramatically improve as the Company repositioned itself during the transformation. They are replaced by Mr. Frederik Johannes Meijer as CCO and Mr. Alexander Rusli as CEO. Previous to this position, Alex was an independent member of the Board of Commissioners, a post which he held since 2010 until stepping down in 2012.

Modifications to the Board of Commissioners include the addition of Mr. Beny Roelyawan as a Commissioner, Mr. Rudiantara as an Independent Commissioner, and a change in status for Mr. Richard Seney from Commissioner to Independent Commissioner.

INTRODUCING OOREDOO

The 2013 Mobile World Congress offered us a unique opportunity to announce the launch of a brand integration initiative at the Group level aimed at uniting our operating companies around the world under one single identity. We call this new brand Ooredoo, which reflects the aspirations of our customers, including those within the Indosat family, and our core belief that we can enrich people's lives and stimulate human growth in the communities where we operate. For example, we believe that young people should be given the life chances that mobile technology can provide; that under-served communities should be able to access the Internet; that every woman should have an equal opportunity to use a mobile phone; and that entrepreneurs and small businesses should be able to receive business services tailored to their needs.

Our new brand reflects these beliefs and Indonesia's consumer trends speak to the opportunities through which this brand will thrive. During the course of 2013 and 2014 each of its operating companies in emerging markets across the Middle East, North Africa and South East Asia, Indosat included, will adopt the new brand.

LOOKING FORWARD

My Board colleagues and I are extremely proud of the continued progress our organisation has made over the course of the last year. As we move towards adopting the Ooredoo brand, we look forward to our transition to the next level as we unite under one brand to face the new realities for our industry.

Building on the impressive progress seen to date we will accelerate our momentum through 2013 and enhance our value especially in the data market. We will better service our customer base with the combined resources and assets of our unified global business as we anticipate strong growth in Indonesia's communications market. Growth which will continue to be driven by domestic demand and consumer adoption of more sophisticated and demanding mobile applications, particularly where data is concerned. Indosat, and the Indonesian communications market, are both integral to Ooredoo's mission and we are excited about the path which lies ahead.



H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani
President Commissioner



From left to right:

RACHMAT GOBEL, Commissioner
CHRIS KANTER, Independent Commissioner
H.E. SHEIKH ABDULLAH BIN MOHAMMED BIN SAUD AL THANI, President Commissioner
Dr. NASSER MOHAMMED A. MARAFIH, Commissioner
GEORGE THIA PENG HEOK, Independent Commissioner

BOARD OF COMMISSIONERS



From left to right:

BENY ROELYAWAN, Commissioner
RUDIANTARA, Independent Commissioner
SOEPRAPTO S.IP, Independent Commissioner
RIONALD SILABAN, Commissioner
RICHARD FARNSWORTH SENEY, Independent Commissioner

MOVING FASTER ON ALL FRONTS

ADVANCING INDOSAT AS A LEADING NATIONAL TELECOMMUNICATIONS PROVIDER FOR INDONESIA

Following several years of hard, challenging work in which we effectively streamlined and strengthened the company's fundamentals, in 2012 Indosat shifted into fast forward. Value creation accelerated over the course of the year, reaching 18.8% y-o-y growth in the fourth quarter's revenue as the company successfully delivered on its commitment to improve and enhance performance. Real gains were made on all fronts, from customer satisfaction to market share to improved revenues and corporate governance. A total of 43 awards were bestowed on the company for outstanding performance in various areas.

These achievements were not lost on stakeholders. Subscriber numbers reached an all-time record high of 58.5 million at year end and the investor community also took notice, with shares on the IDX and NYSE respectively rising 14.2% and 4.9% in value over the year. The Indosat Bond Year 2012 for Rp3.0 trillion was fully subscribed, and Fitch Ratings and Standard & Poor's respectively upgraded Indosat's debt ratings from BBB- to BBB and from BB to BB+, citing strengthening financials and prospects ahead.



REPORT FROM THE BOARD OF DIRECTORS



Exciting though they are, these achievements are only the beginning of what promises to be an accelerated phase of growth. We are now positioned to innovate and execute faster than ever, strengthening our lead as the number two telecommunications provider in Indonesia. Driving the improvements in 2012 has been the re-energization of the company and return of Indosat to our pioneering roots. We have made it a priority to instill a mindset in our people of disciplined innovation supported by the necessary business and organizational process changes. By empowering and encouraging our people to make smart decisions, we have fundamentally improved our capacity to strategize and maneuver. Finally, and perhaps most importantly, we are now focused on the totality of the customer experience rather than on the technology behind it.

These changes will be key to preserving our competitive edge and customer loyalty in the fast-changing telecommunications landscape as demand shifts to data consumption. Guiding our efforts, we have established corporate goals for leadership to be achieved over the next three years consisting of: smart device and data leadership, best customer experience, best cost structure, highest revenue growth, and best people experience. While this strategy will only begin to be fully implemented in 2013, initial steps in this direction have already begun to bear fruit.

RESULTS AND PERFORMANCE

Indonesia's economy climate in 2012 was conducive overall, with 6.2% growth driven by strong domestic demand including for telecommunications services. Within the industry, consumption of traditional voice and text messaging services continued to shift in favor of data, supported by increased penetration of smart devices.

Indosat performed solidly in this environment. Top line growth improved, achieving double digit growth in 3Q and 4Q. Revenues improved 9.2% y-o-y to Rp22.42 trillion, EBITDA grew 9.1% y-o-y to Rp10.54 trillion and free cash flow increased 237.1% y-o-y to Rp4.3 trillion. The main drivers were improved customer acquisition especially from IM3, savings from the company-wide cost optimization initiative Operation Excellence, and the sale of 2500 towers to PT Tower Bersama Infrastructure Tbk for USD519 million, the proceeds of which will be used to pay down debt and finance capital expenditure, most notably the roll-out of a high performance network. These factors more than offset the negative impact on the balance sheet of unfavorable foreign exchange fluctuations and the accelerated depreciation of cellular network equipment usage life in line with industry practices.

ARPU improved in almost all segments including SMS and data. Viewed by segment, Cellular continued to contribute the bulk of revenues at Rp18.49 trillion, an improvement of 11.5% y-o-y and non-Cellular decreased by 0.3% at Rp3.9 trillion. SMS revenue grew 66.2% y-o-y while data services revenue increased by 10.8% y-o-y due to increased data penetration from smart devices. These results, combined with prudent cashflow management, has given us ample room to invest in and build value capability for the future.

MAJOR INITIATIVES AND DEVELOPMENTS

Our aim in 2012 was to provide increasingly innovative services, in valuable customer segments, over a reliable network for excellent user experience. As such, a number of strategic brand-building initiatives and technological advances were launched during the year, including a thorough modernization of our network which will be completed over the next three years.

Strong commercial execution helped drive momentum in the second half of the year, supported by more targeted and effective marketing and promotions. Our product lineup was revamped with the relaunch of our Mentari and IM3 brands and a number of secondary brands, namely Indosat Mobile, Indosat Internet and IM2 Broom, were dropped. Compensation for sales force and distributors was realigned to emphasize quality over pure volume acquisition, while alternative sales channels such as hypermarts and convenience stores were explored with good results. Higher standards were set for customer service and staff training and new online and social media customer care channels were launched that allowed customers to manage their accounts better and seek staff support faster. Customer satisfaction scores improved substantially from 87% in 2011 to 94% in 2012 as a result of these and other efforts.

The first phase of our network modernization project started at year-end in a bid to prepare our network for future data readiness including LTE technology. This ambitious and capital intensive project involves comprehensively reconfiguring our network to the latest standards. Benefits include strengthened signal, widened coverage area, improved voice, SMS and data quality, greater data speed, and less fuel consumption for long term cost savings. We also installed thousands of Super WiFi hotspots in major cities where Indosat customers can connect without logging in for a "seamless" experience, boosting our profile especially in the minds of premium customers.

In another significant development, Indosat received a cellular license that has allowed us to roll out a high performance 3G cellular network on the 900MHz band, the first of its kind in Indonesia. This 3G900 network, which gives stronger signal and wider coverage area at lower costs, launched on October 6 in Bukit Tinggi and Padang, West Sumatra, and will be an important part of our commitment to delivering best customer experience down the road.

Besides supporting retail customers, we pushed further into the enterprise market, which we view as a major growth area. New products were rolled out for this market such as SME Solutions and Indosat Cloud. The former is a bundled solution for small and medium enterprises (SMEs), a vital part of the Indonesian economy estimated to comprise some 55 million entrepreneurs, while the latter comprises various cloud-based services aimed at improving businesses' productivity. We also supported the government's e-KTP initiative, bringing 7000 regencies and sub-regencies online to issue electronic identification cards last year.

Our ongoing quest to heighten operational efficiency, dubbed Operational Excellence, made significant gains. Besides tactical cost savings, moves such as resource sharing with selected external partners have also been implemented for strategic long term savings. Overall the focus has shifted from a pure cost savings focus to a "smart spending mentality" in which we look at the big picture and what we stand to gain as we commit to investing and building assets for our future. As a result, the ratio of operating expenses to revenue decreased from 55.8% in 2011 to 52.9%.

SUSTAINABILITY AND RESPONSIBLE CORPORATE CITIZENSHIP

As always, Indosat strives to be an exemplary corporate citizen, one that will benefit all stakeholders and strengthen the nation by creating long term sustainable value. Refinements and advances were made over the year in governance and operational sustainability, such as preparations for implementation of ISO 31000 in risk management, and the implementation in Base Transceiver Stations (BTS) of fuel & cost-efficient fluidic batteries and CDC (Charge-Discharger Controller) solutions, for a lower carbon footprint.

In CSR, we focused on education, providing training, facilities and tools to the nationwide Teach for Indonesia (Indonesia Mengajar) movement as an effective means of deepening the nation's productive capacity, particularly in information technology. We also held the first Inspiring Youth and Women Award to recognize outstanding women and youths who have consistently contributed to the nation in selected areas including in Information and Communication Technology. More details of our activities and awards can be found in our 2012 Sustainability Report.

CHANGES TO THE BOARDS

The Board of Directors and Commissioners saw a number of changes in 2012. Chief Executive Officer (CEO) Mr. Harry Sasongko Tirtotjondro and Chief Commercial Officer (CCO) Mr. Laszlo Imre Barta were honorably discharged by shareholders at the September 17, 2012 EGMS and the May 14, 2012 AGMS respectively. During their tenure, the company effectively improved its financial profile, monetized non-core assets and repositioned for sustainable growth.

Taking their respective places are Mr. Frederik Johannes Meijer as CCO and myself as CEO. Previous to this position, I was an independent member of the Board of Commissioners, a post which I have held since 2010 until stepping down in 2012.



Other changes to the Board of Commissioners were the addition of Mr. Beny Roelyawan as a Commissioner, Mr. Rudiantara as an Independent Commissioner, and a change in status for Mr. Richard Seney from Commissioner to Independent Commissioner, bringing the total number of Independent Commissioners for Indosat to five.

OUTLOOK & STRATEGY FOR 2013

The focus in 2013 will be on execution to accelerate our momentum and grow our value creation capability especially in the data market. We aim to grow in line with the industry or better, targeting EBITDA margin in the mid-40s. Our corporate goals effectively map out the strategic objectives to be achieved towards realizing our vision of being the leading cellular, fully integrated telecommunication network and services provider in Indonesia.

Modernization of our network remains is a priority, towards delivering best user experience and positioning to be a data leader. Despite improved performance in 2012, we cannot afford to be complacent. Shifting demand to data and emerging new technologies require us to stay vigilant. Many other challenges also lie ahead, some beyond our control such as the possibility of slowing economic growth, and the always nascent potential for a price war resurgence in the industry.

Fortunately, we are better equipped than ever to navigate these challenges. Our streamlined organization and energized human resources, supported by the processes and tools that we have put in place, is well positioned to compete. Ultimately, the shift to data will also open up many opportunities for the savvy operator and for the development of Indonesia that our corporate goals will help us to capitalize on in developing new sources of value.

Closing out an excellent year, I can confidently say that exciting possibilities lie ahead. With the continued support and input from our majority shareholder Ooredoo, the Board of Commissioners and Board of Directors, partners and customers, I am convinced that we have the ability to compete and gain leadership to become a stronger, more valuable company. Full speed ahead!



Alexander Rusli
President Director and CEO

BOARD OF DIRECTORS

THANK YOU ALL...!

POWERED BY THE DEDICATION AND DRIVE OF THE INDOSAT TEAM, TOGETHER WITH THE SUPPORT OF CUSTOMERS, PARTNERS AND COMMUNITIES.



Front row, from left to right:
FREDERIK JOHANNES (ERIK) MEIJER, Director & Chief Commercial Officer
ALEXANDER RUSLI, President Director & Chief Executive Officer
FADZRI SENTOSA, Director & Chief Wholesale And Infrastructure Officer

Back row, from left to right:
CURT STEFAN CARLSSON, Director & Chief Financial Officer
HANS CHRISTIAAN MORITZ, Director & Chief Technology Officer

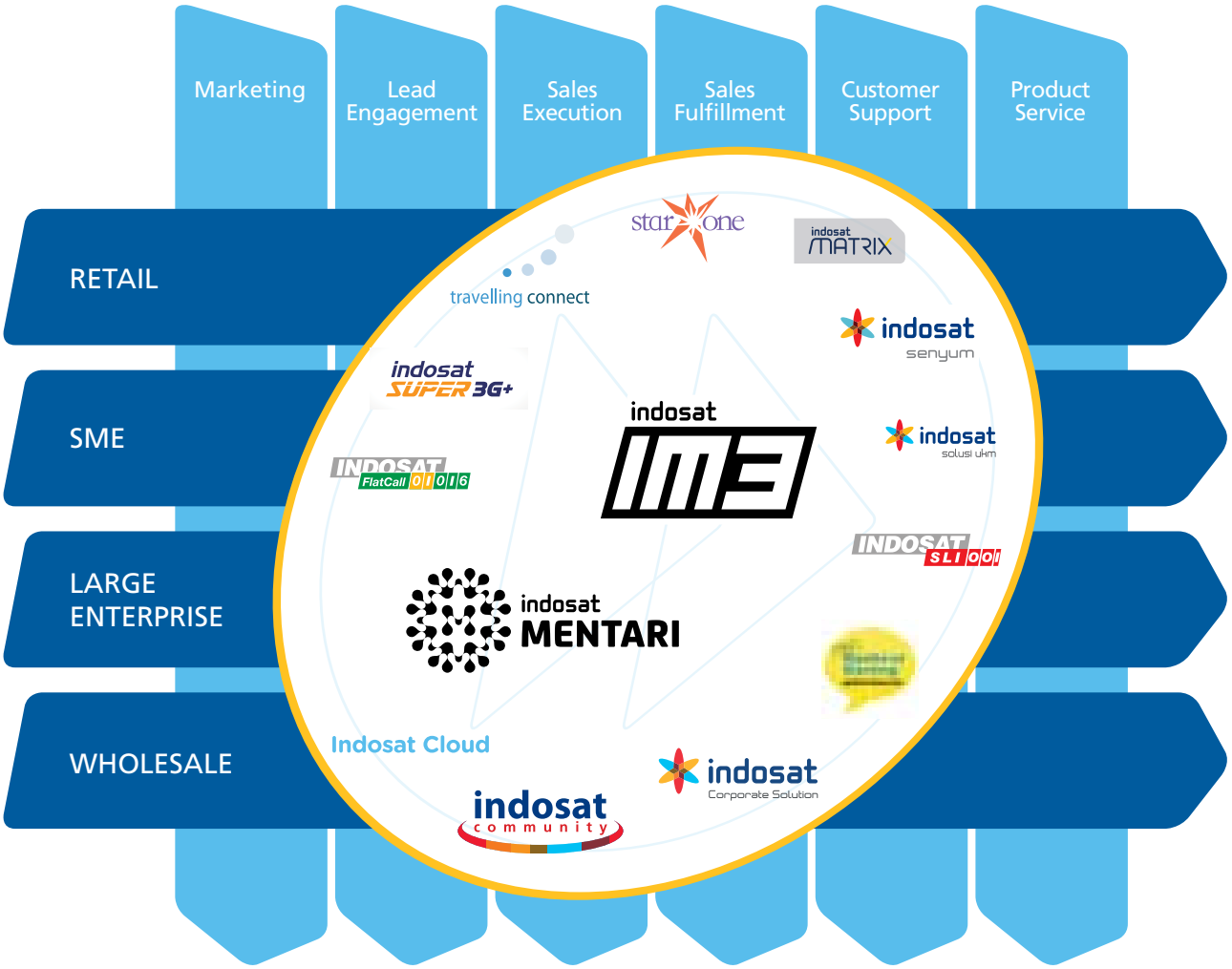
BUSINESS OVERVIEW





ENERGIZED AND EMPOWERED TO LEAP AHEAD

FASTER IMPROVEMENTS IN CUSTOMER EXPERIENCE RESULTED IN IMPROVED SUBSCRIBER SATISFACTION



CELLULAR

The telecommunications industry in 2012 presented both opportunities and challenges. Demand grew overall, supported by stable economic growth, rising GDP and increased smart device penetration, and data usage in particular grew exponentially. On the other hand, the maturity of the current voice and SMS market in Indonesia required development of new business models and value propositions in order to secure customer loyalty. Against this backdrop, our renewed focus on customer experience, supported by an organizational structure that has been realigned to support fast execution and innovation, produced tangible gains in 2012 as we improved significantly through the year.

Indosat's large existing subscriber base registered strong growth starting at the end of 2Q and accelerating to reach a record number of 58.5 million cellular subscribers including wireless broadband subscribers at year end, representing 13.2% growth over 51.7 million the year before. Of this number, 44.9 million were IM3 subscribers, 10.1 million were Mentari subscribers, and 3.5 million came from other segments such as Matrix and dongle users. Successful marketing campaigns and programs supported by distribution model improvements were key to the increase in net add.

Revenues, profits, and operating expenses have all risen over the last two years, directly reflecting the impact of a growing subscriber base. Cellular revenues grew at an annualized rate of 11.5% to reach Rp18,489.3 billion or 82% of total consolidated operating revenues for 2012. Growth accelerated in the second half of the year particularly in the third quarter as strong commercial programs resulted in steadily rising SMS traffic and data usage. Year on year, voice registered negative revenue growth of -2.2% in line with the market, while SMS revenue increased 66.1% and data revenues rose 10.8%. VAS revenues decreased by -65.6%, reflecting the impact of regulatory limitations placed on content providers throughout the industry. ARPU decreased 3.5% to Rp27.4k in 2012 but was offset by strong customer increases primarily from the youth segment with a lower ARPU profile, while Average Minutes of Use (MOU) per subscriber rose 10.0% for the year to 104.4 minutes, with an upswing in 4Q to 111 minutes. Overall the quality of subscribers increased with lower churn and rising reloads improved driven by middle class purchases of vouchers in the Rp10,000 – Rp50,000 range. On the plus side, SMS interconnection fees contributed Rp1,015 billion, while tower leasing revenue contributed Rp487 billion, an increase of 20.3% from 2011.

Customer experience continues to be a differentiating factor in the competitive Indonesian mobile market. Key initiatives in 2012 therefore centered on improving customer fundamentals, maintaining and improving service excellence at all customer touch points while lowering costs, strong commercial execution, and building strong value propositions especially in data service. Device customization, online applications, e-commerce, payment platform, and the enterprise market were all developed further, as were customer service standards, driving forward momentum in a positive cycle of improvements.

PRODUCTS & SERVICES

Indosat is known for its comprehensive range of high quality products in mobile voice and data services, including wireless broadband services. On top of existing GSM 1800 and 3G cellular service, in 2012 we were granted a license for use of the 900 Mhz spectrum following which we rolled out Indosat Super 3G+ service in October, commencing in West Sumatra. Our Super3G+ services delivers internet broadband service for IM3, Mentari and Matrix subscribers supported by 3.5G internet that includes high speed, unlimited data services of up to 7.2 Mbps of data, a first in Indonesia, targeted at supporting internet activities such as e-mailing, chatting, downloading, blogging, browsing and more, all under a clear and affordable tariff. IM3, Mentari and Matrix subscribers can access Indosat Super 3G+ service from their existing cellular telephone numbers without needing to change numbers. This high-speed broadband service is now available in a number of regions throughout Indonesia.

Indosat offers a number of Value Added Services (VAS) which enable subscribers to access a variety of information such as politics, sports and business news. VAS also include value-added SMS such as SMS Alerts for news, sport, traffic updates and horoscopes; mobile downloads such as ringtones, videos, images and games; personalized i-Ring tones; voting; social networking and more.

KEY INITIATIVES IN 2012

The Indosat product line up was revamped and strengthened over the year, and tariff plans were rebalanced to focus on quality consumers. The major brand building initiatives of 2012 were the relaunch of Mentari in December as New Mentari, aimed at smartphone users, and the strengthening of the IM3 brand for the youth segment. Three major commercial campaigns were deployed in support of brand building: IM3 *Anti Galau & IM3 Sekalee* for improving daily

gross authorization, which resulted ARPU improvement; 3Hari-3Malam, producing increased reloads. These were noteworthy achievements in a crowded market facing intense competition for eyeballs.

Meanwhile, secondary brands Indosat Mobile, Indosat Internet and IM2 Broom were dropped in favor of focusing on Mentari and IM3. In addition, several new products and services were launched for both the retail and enterprise market. In the data category, these included Indosat Super 3G+giving speeds of up to 7.2 Mbps as described above, Indosat Supergadget, SP Blackberry, and SuperWiFi hotspots in major urban areas. The latter enables subscribers the convenience of seamlessly connecting through smart devices to the Indosat network without logging on.

All of these campaigns leveraged improved customer insights from the customer service research group, as well as data from the newly enhanced sales information system giving real time sales information, in detail. Our Indosat's brand-building achievements were subsequently recognized by number of external awards including Indonesia Brand Champion for Most Popular Brand Outside Jakarta and Most Recommended Brand Outside Jakarta; Superbrands 2012 for IM3; and two Brand Champion Awards for IM3.

Mobile content continued to be a focus of development as a key means of attracting and retaining customer loyalty in an increasingly competitive market. The rise of smartphone penetration represents growing opportunities for m-money and m-banking, e-commerce portals, games and other digital content. Indosat and mobile application incubator subsidiary Indosat Mega Media (IM2) therefore continued development of m-commerce and m-banking products, including a relaunch of the Dompetku e-wallet service with additional features enabling iPhone, Android and BlackBerry users to conduct payments, purchases and transfer money through the cellular handsets and withdraw cash selected bank partners and merchants; enhanced Toko-On as Indosat's main e-commerce platform; and developed mobile applications and content such as the innovative Info Wanita (Information for Women) and Usaha Wanita (Business Women) mobile applications, which provides women with free business advice through their mobile phones, helping boost women's empowerment and Indonesia's economy. These applications, which was developed in partnership with the Cherie Blair Foundation for Women and Qtel, won the Global Telecoms Business Innovation Award 2012.



New standards of customer service were set during the year with the goal of improving experience at every touch point. More training and revised compensation schemes were established for frontline staff at Griya and Galeri Indosat service centers, with the aim of providing one-stop problem resolution for customers where possible. A new Indosat Self Service customer care online channel was launched in April, empowering subscribers to manage their accounts better and faster. Social media initiatives launched in June, primarily focusing on Twitter as a new contact channel and engagement channel for subscribers. On the back end, the Integrated Digital Distribution Platform (IDDP) helped coordinate Indosat's services to customers including supporting Indosat Galleries to serve customers, including handling electronic transactions such as electronic payments and Dompetku top-ups. These initiatives, supported by improved network quality and reliability stemming from network enhancement over the year, boosted customer satisfaction score from 87% in 2011 to 94% in 2012. In parallel, cost savings were achieved by shifting customers from paper billing to email; encouraging customers to use social media rather than inbound calls as a contact channel; and enabling self service over the Internet rather than requiring call center contact, thus reducing inbound calls to the call center and printing costs.

Customer service and market offerings were also expanded in the corporate market, which we perceive as a growth area. A new Customer Experience Division was created to handle service management function for all corporate market customers, supported by the establishment of warehouses in Bandung and Surabaya to support faster equipment delivery for corporate customers. Strengthened linkages between the commercial wholesale side and the technical divisions have been very helpful in ensuring consistent quality in support of the additional customers and circuits during 2012.

DISTRIBUTION & OUTREACH

Indosat markets its cellular products and services through both direct marketing channels and dealers, with the majority of revenue coming from exclusive area dealers. In total, Indosat has over 362,687 Point of Sales (POS) which may be divided into 307,444 traditional regular outlets, of which more than half have joined the Indosat outlet community; modern and banking outlets consisting of 13,966 modern retail outlets such as Indomaret, Alfamart, Carrefour and so on, plus 40,659 banking POS at ATMs; and various integrated



INDOSAT OUTLET

sales and customer walk-in centers called Galeri Indosat, Griya Indosat, and KILAT. The centers maintained by Indosat are called Galeri Indosat, and those owned by dealers are called Griya Indosat, while the KILAT (Indosat Sales & Service Kiosk) outlets are owned and managed by individual Indosat partners. As of year end there were 112 Galeri Indosat, 67 Griya Indosat and 129 KILAT.

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

Improvements to our distribution model were made by actively leveraging grass root insights, which were fostered through improved communication including formal and informal visits to field teams by personnel in headquarters, all the way up to Director level. These enabled us to act faster and more effectively based on real insights from the field. Compensation structures for direct salesforce and distributors alike were realigned to reward acquisition of higher quality customers, which successfully reduced in lower churn and higher reload frequency. In addition, alternative sales channels such as hypermarkets and convenience stores were explored with good results.

Community outreach continued to be an important supporting commercial activity. Outreaches were divided between school and campus community outreaches and outreaches for othertypes of communities. Examples of community outreaches include the Indosat Blackberry Community and Indosat Android Community, the IM3 Mobile Academy Class of 2012 comprising young high schoolers (called Sahabat IM3) from all over Indonesia who are interested in online entrepreneurship, a partnership with local social networking site Paseban to put SNMPTN (national university entrance exam) test questions online, and various social media outreaches. We also supported various educational activities such as trainings, workshops and coaching clinics.

PLANS FOR 2013

Going forward, we continue to anticipate growth in the market as data penetration and smartphone ownership, including multiple device usage, increases on the relatively low percentage of customers now using data, presenting opportunities for growth and revenue. At the same time, the market presents a challenge to monetize, with data producing lower margins although for the moment, with SMS and voice revenue remain robust at approximately 80% of all revenues. As a result, we view 2013 as a year of investment and development, in which we will focus on maintaining forward momentum by expanding our intellectual assets and services especially in data, and by improving customer experience at all contact points in line with our corporate strategy going forward. Specific initiatives planned for 2013 including refreshing our Matrix brand, actively bundling phone packages, marketing with clear and effective advertisements, pushing online applications and content, completinga revamp of the main service centers in Jakarta, building a second call center for redundancy in Semarang, and further training frontliners for better customer service.

FIXED DATA (MULTIMEDIA, DATACOMMUNICATION AND INTERNET)

FASTER DEPLOYMENT OF INNOVATIVE PRODUCTS AND SERVICES PRODUCED SOLID RETURNS

MIDI performed solidly in 2012, with revenues rising 8.0% y-o-y to achieve total revenue of Rp2,908.0 billion, equivalent to 13.0% of total consolidated revenues. This performance reflects efforts to successfully capitalize on and develop the significant growth potential in the MIDI market, which includes demand for data and other network services including internet-based services. Indosat MIDI services, which are offered directly by Indosat as well as through subsidiaries Lintasarta and IM2, are primarily geared to corporate and wholesale customers, a market which we have also identified as having good growth potential. As such, MIDI has become an increasingly important part of our portfolio, and we anticipate its contributions to increase as we go forward.

Major contributors to MIDI revenue growth, which was achieved despite downward pressure on tariffs and rising competition in this area, included satellite transponder leasing revenues, IPVPN, and the second phase of the government e-KTP electronic identification card project, for which we connected some 7,000 regencies and sub-regencies online during the year including staff training. Total bandwidth for IPLC and DPLC grew by 52% over the year. Continuing the trend of previous years, data usage grew significantly in 2012, reaching 2,107 terabytes on mobile internet and 735 terabytes on wireless broadband as of December 31, 2012. Fixed Data services increased as a result of increased circuit usage for IP (Internet Protocol) and non-IP based services both for international and domestic customers.

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 IP-VPN (Internet Protocol – Virtual Private Network), and MPLS-based services. We also offer satellite-based services such as Transponder leasing and VSAT services and Value Added Services, such as Disaster Recovery Center and Data Center Services and most recently, Indosat Cloud services which were launched in October 2012.

Our overall strategy is to gain market leadership in wireless broadband by becoming the preferred operator for data services through three initiatives as follows. First, by creating a strong network with the highest quality of service levels. Second, by 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.

In parallel, subsidiary Lintasarta is focusing specifically on expanding its market share in segments outside of its core competencies of banking and finance, given the anticipated consolidation and restructuring of those industries in Indonesia. Lintasarta is expanding the existing geographic coverage of its products and services to address the increasing demand for telecommunications infrastructure in outlying regions as a result of Indonesian political developments, including increased regional autonomy. Lintasarta won the Grand Champion in Customer Service Championship Service Star Award 2012, as well as the Corporate Image Award 2012 from Bloomberg Business Week and Frontier Consulting Group.



MRS. CLAIRE BLAIRE TOGETHER WITH THE MANAGEMENT OF INDOSAT VISITING AN SME STAND AT THAMRIN CITY DURING THE LAUNCH OF M-WOMEN

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

In addition, Indosat continues to provide both international and domestic packet-switched Asynchronous Transfer Mode (ATM) and frame relay services to customers for multilateral connectivity, reliable LAN interconnections and the power to support complex distributed computing applications. All these segments generated considerable revenue growth compared with 2011. Revenues from World link and direct link grew 5.0% in that period, while revenues for IP VPN service grew 2.0%, and revenue from combined MPLS services and Indosat National Link rose 239.0%. Transponder leasing revenues also registered an impressive 41.2% increase.

INTERNET

Indosat MIDI services operating revenues consist primarily of revenues from Internet services provided by Indosat, Indosat Mega Media ("IM2") and PT Aplikanusa Lintasarta ("Lintasarta"); Internet dedicated and Internet broadband services provided by Lintasarta; Indosat also acts as an Internet Service Provider for wholesale customers by providing IP transit as well as offering dedicated Internet access. In 2012, we operated three ISPs. Through subsidiary IM2, Indosat also offers 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 2012, revenues from Internet services accounted for 14.6% of consolidated MIDI services operating revenues, approximately flat over 2011.

SATELLITE TRANSPONDER LEASE

Indosat operates the Palapa-D satellite, which was launched in August 2009 to replace the Palapa-C2 satellite that was launched in 1996. By 2010, the Palapa-D was fully operational, while the Palapa-C2, which was moved to an inclined orbit at 150.5E, continues to operate mainly to carry Indosat's cellular backhaul traffic until 2014. The Palapa-D satellite has a 11 Extended C-Band transponders, 24 Standard C-Band transponders and five Ku-Band transponders, all owned by Indosat. Transponder capacity in the Palapa-D is leased to broadcasters and telecommunications operators. Other supplementary satellite services include occasional use for TV services, Indosat TV link, private network services, Internet access and multimedia and video conferencing. Satellite leasing revenue grew 41.12% in 2012, contributing 7.3% of all MIDI revenue, as existing VSAT and broadcast operators upgraded capacity and new customers began contracts, mainly from DTH (Direct to Home) operators.

VSAT NET/IP AND VSAT LINK

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

Indosat services provided valuable support to businesses in Indonesia through telecommunications solutions that boosted productivity and efficiency, for a thriving Indonesia.



VALUE ADDED SERVICES

Value Added Services (VAS), which includes the Indosat Disaster Recovery Center (DRC) and Data Center, is the fastest growing segment by revenue in MIDI. In 2012, VAS charted -34.2% revenue decrease, contributing 6.0% of all MIDI revenue up from 9.8% in 2011.

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 provide backbone or domestic leased line services from our DRC or Data Center locations to customer headquarters, as part of our total telecommunications solutions. Our DRC and Data Center services, which are geared to corporate customers, comprise server co-location, rack, cage, power, and other supporting facilities. Their Information Security Management Systems are ISO 270001 certified for compliance with international standards. In recognition of the high quality of our services, Indosat was named "Indonesia Data Center Services Provider of the Year 2012" by Frost & Sullivan.

In order to meet enterprise market demand for virtual storage, in October 2012 Indosat launched Indosat Cloud, which provides Infrastructure as a Service (IaaS). Indosat Cloud supports on-demand provisioning and management of computing, storage and networking and is targeted primarily at enterprise customers.

CONVERGENCE SOLUTIONS

Indosat's Convergence Solutions creatively combine MIDI and cellular services including wireless broadband to produce flexible new communications products that can be activated on a mobile basis as needed. Our Convergence Solutions use GPRS/GSM as well as CDMA and HSDPA, and can therefore be implemented anywhere in Indonesia within the Indosat cellular network, generating operational cost savings for users. These services can also be tailored to the needs of our customers. At present, the convergence solutions that we offer consist of Indosat Enterprise Resource Planning (I-ERP), Remittance, Internet School Management System (ISMS), Mobile Extension, Wireless EDC, Corporate VPN, Wireless ATM, Multimedia IP Services, and SME Solution. I-ERP, our newest product



offering, was developed to facilitate the business processes of companies in the manufacturing and Food & Beverage (F&B) sectors as well as wholesaler and distributor companies with integrated applications such as sales canvassing, sales order, logistics and warehouse management, and others. It enables better management of real-time data communications using wireless mobile technology that can be accessed from GPRS or HSDPA networks. Growth was particularly good in SME Solution, which was created to meet the needs of SME businesses. SME Solution offers SME businesses broadband Internet access, voice and SMS communications facilities, comprehensive web hosting services including an online payment system, and a range of optional applications and services, all in one easy package.

MARKETING AND OUTREACH ACTIVITIES

MIDI services are largely marketed to corporate customers including the fast-growing market SME market segment, but certain services such as Internet are also marketed to retail and wholesale customers. A microsite for Indosat Corporate Solutions (ICS) is accessible from Indosat web portal at www.indosat.com, which is designed to facilitate access to information on the full range of Indosat products available to corporate customers, as well as to improve brand awareness among customers. Sales and marketing activities held during the year promoted Indosat MIDI products and services included group presentations, direct mail, partner promotions, customer retention programs, public media advertisements, sales promotion programs and marketing campaigns. In addition, various community and communication outreaches were held.

In September 2012, Indosat officially launched Indosat Solusi UKM (SME Solutions) for Small and Medium Size Businesses (SME) together with the State Ministry of Co-operatives and Small/Medium Enterprises to support SMEs in increasing their productivity through IT and telecommunications solutions. The Small and Medium Enterprise (SME) segment is a potential high growth segment with over 55 million entrepreneurs across Indonesia. Our SME solutions comprise integrated telephony (mobile voice), mobile internet/data and IT applications, with the key benefit of free communication among SME employees (free Closed User Groups).

FIXED TELECOMMUNICATION

DEMAND FOR FAST AND CONVENIENT INTERNATIONAL COMMUNICATIONS WAS A DRIVER OF GROWTH

Indosat is one of the leading providers of fixed telecommunications networks in the country. 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 MIDI and cellular services, it continues to make a valuable contribution to customer experience.

As of year end 2012, fixed telecommunications service revenue reached Rp1,021.4 billion, slightly down by -18.3% from 2011, equivalent to 4.5% of Indosat's total consolidated operating revenues in 2012. The largest contribution came from International Calls followed by Fixed Line Services and then Fixed Wireless contributed negatively in part due to competition in CDMA services although this was partially offset by improvement in blended ARPU of 98%, from Rp17,730 to Rp35,140 over the same period.

INTERNATIONAL DIRECT DIAL (IDD)

Within our international long-distance services, we offer a premium IDD service through our "001" and "008" access code. Our premium IDD service can be accessed by any operator in Indonesia. We also offer a discount budgeted international call service under the brand name "FlatCall 01016," which offers affordable tariff rates targeting mass and budget oriented customers, for certain top destination countries, and are only available to our subscribers. "FlatCall 01016" become a unique selling point, diffrentiating us from competitors.

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. In 2012 these included the Pacific Partner Meetings & Pacific Telecommunication conference on January, International Telecommunication Week in May and the ASIAN carrier conference in September.



Our Flat Call 01016 service, which offers attractive rates and bonus call minutes for calls for the most popular destination countries, continues to be popular despite rising competition from dedicated VoIP providers. A number of localized promo programs for Flat Call 01016 was also run that were customized to appeal to the profiles of users in that area. Regular users were also rewarded with various incentives from our customer loyalty program. IDD revenue decrease 14.2% while total traffic grew by 6.8% for 2012, with net additions from incoming and outgoing international calls reaching 2,141.7 million minutes. Supporting IDD, our hubbing business, which provides simplifies the international flow of SMS between operators by providing a connecting hub, grew by 222% over the year.

FIXED LINE SERVICES

Indosat offers local and domestic long distance telephone services under the fixed line 'I-Phone' brand. Currently Indosat offers local and domestic long distance fixed line coverage in most major cities in Indonesia. Fixed Line revenue shrank 1.2% in 2012 compared with 2011, contributing slightly under 10% of total fixed telecommunications services revenue in 2012. This reflected overall shrinking demand in the market as customers move to other forms of telecommunications services.

FIXED WIRELESS SERVICES

Indosat provides fixed wireless access services under the StarOne brand using CDMA 2000 x1 technology in the 800 MHz frequency. StarOne offers a combination of fixed line (PSTN) and mobile telecommunications services at competitive rates including BlackBerry service, email and instant messaging. Post-paid and prepaid versions are available. StarOne, which is positioned as a cost-effective solution to subscribers with limited mobility requirements, was available in over 80 cities as of December 2012, with the majority in Java and Sumatera. As of December 31, 2012, Indosat's Fixed Wireless CDMA Network comprised 1,565 BTSs, approximately flat against last year.

Revenues from fixed wireless, which is a transition phase, significantly declined by 49.0% over the year to Rp98 billion, mainly due to a decrease in outgoing calls and Value Added Services despite being partially offset by a decrease in discounts. StarOne's subscriber base also experienced a decreased from 2011 to reach 127,374 prepaid and 46,964 postpaid subscribers respectively as of yearend. We continue to maintain Star One services as a strategic move to secure bandwidth.

HUMAN RESOURCES

FASTER VALUE CREATION RESULTED FROM HIGHLY ENGAGED AND MOTIVATED HUMAN RESOURCES

Considerable changes took place in Human Resources over the year, reflecting on the central role of human resources in catalyzing the company's transformation and subsequent turnaround. Building on the groundwork of previous years, in which the organization was streamlined and a performance based culture encouraged to grow, various alignments were made in 2012 to energize employees and improve productivity, with good results. Productivity per employee accelerated by 10% over the year.

Priorities in 2012 included bringing on fresh talent to speed up capability building, focusing on talent growth, reviewing and improving HR processes and policies to help the business succeed from an HR perspective, and developing change management and engagement skills among managers towards building a performance based culture. Underscoring the importance that we have placed on having the best human resources as the fifth prong of our new corporate strategy to lead, a new Chief of Human Resources position was created to oversee this area and actively initiate improvements.

Going forward, we will be guided by our Human Resources vision of being a reliable business partner in ensuring sustainable business growth by nurturing a performance based culture through effective organization and robust talent growth. Much effort will still be required in order to achieve our target of long term leadership in human resources, but we are confident that the foundations laid in 2012, including the creation of a 3-year Human Resources roadmap that will be implemented starting 2013, have given us the tools to heighten our human capital potential as the key to sustaining the company's growth momentum.

TALENT MANAGEMENT & TRAINING

Recruitment, identification and development of talent were major areas of focus during the year as part of Indosat's bid to create leading human resources. Some 300 positions were filled over the year through internal promotions as a result. By encouraging upward mobility and intra departmental mobility, motivated employees have the chance to improve their skills and develop their career paths, eventually blossoming into leaders for the company. In parallel, succession planning was intensified to ensure business continuity and leadership sustainability as people shift positions.

Extensive training and development was provided to develop employees' skills and competencies, in support of the company's accelerating momentum. As part of our long term strategy to develop the potential of each individual, in depth training was emphasized. A total of 256 training programs were held during the year which were attended by 3,794 employees at a total cost of Rp19.2 billion, an average of Rp6.5 million per employee or almost double that spent per employee the year before.

In particular, managers' skills were enhanced through training with the goal of developing their business acumen and people management skills, in order to drive performance at a front line level. Training for new managers was tripled, and expanded to include Sales Development Program training to improve the competency of managers as the key to improving the performance of frontline employees. The total spent on management and sales development training for new managers rose to Rp4.4 billion over Rp484 million the previous year, in line with the company's intentions to develop leadership potential and optimize individual career trajectories.

Indosat operates a dedicated training center facility in Jatiluhur equipped with classrooms, computer rooms and libraries, which can handle 16 classes simultaneously for up to 200 participants. It also houses dormitories and exercise facilities including an outbound training area. A number of fully equipped training rooms with a maximum capacity of 80 people are further available at the Indosat headquarters, as well as a computer room with capacity for 25 people.

MANAGEMENT & EMPLOYEE COMMUNICATION

Effective communication between management and employees has been vital to the company's turnaround efforts, particularly as the company's momentum has accelerated. In order to maintain unity, inspire confidence and build engagement, management pro-actively initiated communication with employees through a variety of channels both formal and informal. These included open discussion forums between top management and employees conducted through regular town hall meetings, visits by the Board of Directors to branches and work locations, social gatherings with the CEO, and routine communications with representatives of the employee union (SPI). In addition, Indosat utilized indirect 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 kept employees informed of the company's objectives and gathered support for the transformation.

During 2012, informal meetings and in-person visits by senior management including members of the Board of Directors were intensified to elicit feedback from the field and encourage regional staff, with good results. Previously structured events such as townhall meetings were also made more informal in manner to create a relaxed atmosphere conducive to open discussion.

The initiatives helped communicate information, build awareness, and generate support among employees, which ultimately enabled the company's successful turnaround. In addition, the shift to become more open and informal has helped to stimulate feedback and ideas leading to better execution especially on commercial initiatives, as well as increasing workplace satisfaction.

Number of permanent employees by level

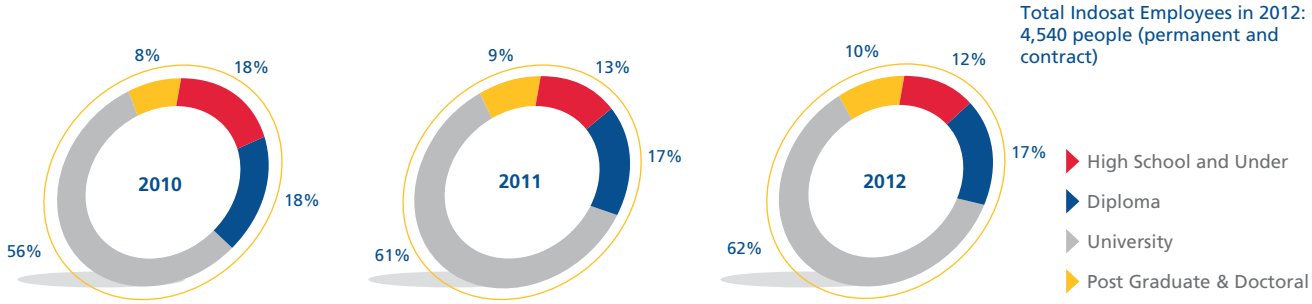
	2011	2012
BOD/Chief	7	9
Group Head	47	60
Division Head/Expert	199	213
Manager	647	675
Senior Staff	1171	1300
Staff	777	710
Total	**2,848**	**2,967**

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. Therefore, Indosat has always striven to be the best place to work for employees by providing a positive work environment and by ensuring the welfare of employees and their family members. Aside from regular monthly wages, employees also receive benefits such as telephone benefit, medical benefit, annual bonus as incentive, and a variety of facilities and rewards. The goal is enable employees to achieve good work life balance between working responsibilities, their home life, and social ties to workers.

To achieve that, 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 some work locations, Indosat provides libraries, medical clinics, canteens, and nursing rooms for the benefit of employees. The company also supports employees in performing religious obligations including observation

% of Permanent Employees by Education



of religious events. Furthermore, the company actively encourages extracurricular activities for employees especially in sport as a healthy, team-building activity. As an example, in 2012, a total of 16 sports organized by employees were deemed eligible for some company funding.

Among the welfare benefits that we carry out are:

1. Medical Care and Treatment Facilities, consisting of:
   a. Outpatient benefits
   b. Inpatient benefits (including hospitalization for infants)
   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. Award given to employees as a reward for service and dedication to the Company or surrounding community.
7. PT Indosat Tbk employees cooperative (Kopindosat) of which all employees of the company are members. The company provide the necessary assistances 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 (Jamsostek).
9. Social security for workers (Jamsostek) whereby Social Security contributions are made by the Company.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT (HSE)

During 2012, Indosat heightened its commitment 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.

Indosat took concrete steps with the formulation of an HSE policy signed by the President Director and CEO, which outline 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.

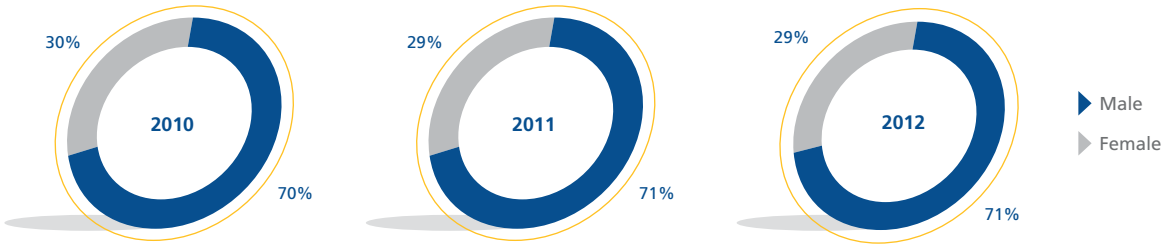
The involvement of management and employees at all levels have yielded good results, and in November 2012, Indosat received OHSAS 18001 international certification related to Occupational Health and Safety management systems, as well as ISO 14001 Certification related to Environmental Management Systems, issued by independent auditing agency Worldwide Quality Assurance (WQA), a member of the United Kingdom Accreditation Service (UKAS).

Health benefits used by Indosat employees in 2012:

- Number of employees who had Medical Check Ups: 2,940
- Number of employees and their families undergoing outpatient treatment: 106,958
- Number of employees and their families who were hospitalized: 5,122
- Number of employees and their families handled by Indosat clinic: 3,305 (dental clinic), 5,007 (health clinic)
- Glasses facility: 2,800

% of Permanent Employees by Gender

Total Indosat Employee 2012: 4,540 people (permanent and contract)



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. Periodically, through the Myinfo intranet, employees must renew their commitment.

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, leave taking, as well as to apply for special employee benefits such as scholarships and other benefits.

Enhancements were made to the HR Information System in 2012 and will continue to be carried out in 2013 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.

INDUSTRIAL RELATIONSHIP

Indosat takes its industrial relationships very seriously. Every two years, Indosat management and the Indosat Employee Union (SPI) renegotiate and sign a Collective Labor Agreement (CLA). 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.

In February 2013, the Collective Labor Agreement (CLA) document for 2013-2014 was signed. This agreement will be subsequently renewed and renegotiated every two years between the management and the Indosat Employee Union (SPI).



INDOSAT MANAGEMENT AND EMPLOYEE TOWN HALL

NETWORK & INFRASTRUCTURE

FASTER SPEED AND BETTER QUALITY CONNECTION THROUGH COMPREHENSIVE MODERNIZATION

Network and infrastructure quality and reliability are vital components of ensuring best customer experience. Indosat maintains an extensive telecommunications infrastructure and network comprising cellular networks as well as fixed voice and fixed data networks that include international gateways, submarine cable systems, satellite circuits and microwave transmission stations, which are continuously expanded and upgraded. Anticipating increased demand for data usage, in 2012 major initiatives were taken to enhance our network and infrastructure with the goals of data readiness and improved quality for better user experience now and in the long term. A third goal was to improve cost efficiency and general productivity as part of the companywide Operation Excellence. At the end of 2012, the Indosat nationwide network comprised 17,344 2G BTS (Base Tranceiver Stations) and 4,596 Node-B or 3G BTS for a total of 21,930 BTS, an increase of 2,677 BTS or 14% over the previous year.

IMPROVED QUALITY AND USER EXPERIENCE

User experience registered tangible over the year as decongestion efforts were successfully applied to the network, resulting in an immediate improvement in quality parameters even as traffic rose. The main driver of decongestion was the implementation of radio buffer stock, ensuring the availability of equipments through immediate replacement of radio, batteries and other necessary items. In parallel, the performance monitoring system was improved to better monitor and flag network elements in order of priority.

As a result, quality improved substantially over the year as measured by improved Call Success Setup Rate (CSSR) and Handover Success Rate (HOSR). CSSR rose from 89.78% in 2011 to 91.26% in 2012, while HOSR stayed approximately flat at 97.69% for the year. Among other achievements, the Indosat network satisfactorily handled the seasonal upsurge in demand during the busy period of Lebaran, Christmas and New Year, without significant problem in the Indosat network.

We rolled out an innovative SuperWiFi service, enabling subscribers with smart devices to connect without logging on for a seamless experience at more than 2,500 hotspots. More of these Super WiFi hotspots will be deployed in major urban areas with high data demand, where they will be also used to offload data during peak hours in support of the overall network.

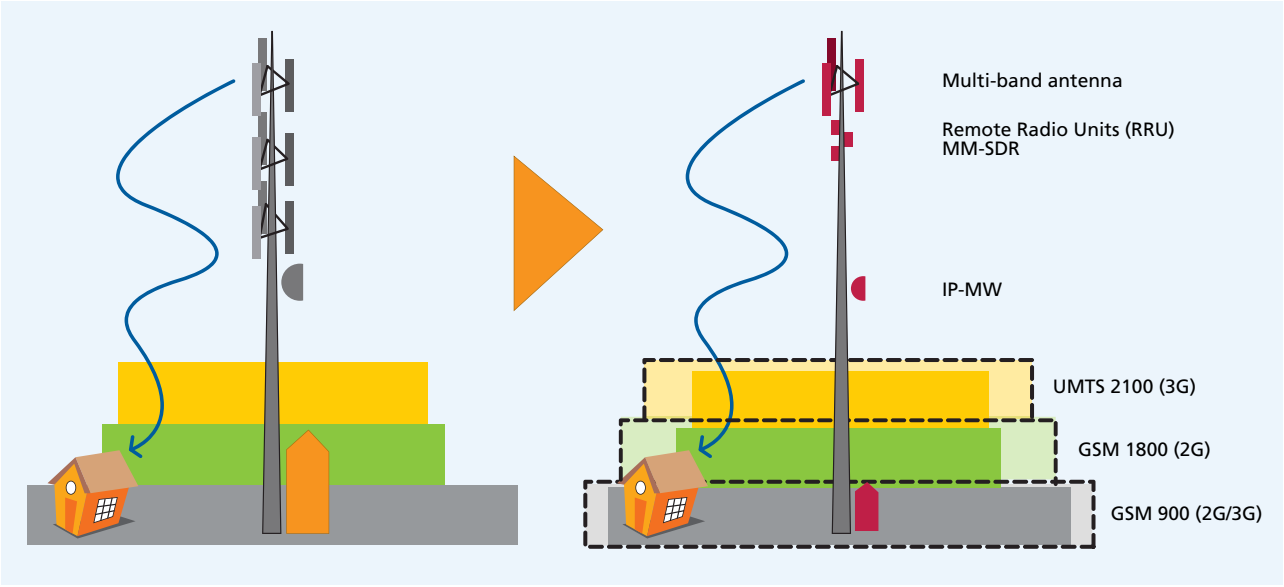
POSITIONING FOR DATA READINESS

After much deliberation and analysis, the decision was taken to thoroughly modernize the Indosat network as the most cost effective solution in the long run. Rather than create another layer on top of the existing network for implementation of U900, the network will be comprehensively rebuilt from ground up to meet the latest standards by best-in-class RAN (Radio Access Network). Besides positioning Indosat for LTE readiness down the road, modernization will double current signal strength, expand coverage area, improve transmission quality and cut out passive intermodulation, thus immediately improving user experience. It also provides the chance to consolidate and standardize vendors and components across the network, do away with obsolete sites, and generally solve a number of lingering quality issues.

Modernization of the network is projected to take place over several years with the first phase successfully initiated in late 2012 in Bali, Bandung and Jabodetabek. As a pioneering project, it has been essential to work together closely with the tower companies to ensure that every site is correctly installed, even to the point of training contractors and checking their work on the front line. In the long run, this upgrade of our network and infrastructure capabilities is an investment in our future that we expect will pay off manifold as we push to become a leader in data.

Also in preparation for data readiness, a complete audit was conducted of our data core, resulting in a four-fold improvement in data output. Work continued on the data

RADICAL CHANGE IN RAN DESIGN





INDOSAT CONSTRUCTS BTS USING NEW TECHNOLOGY THAT ENERGY SAVING FOR REMOTE AREAS

warehouse, with systems and formats finalized for improved security and organization. The data warehouse will continue to be enhanced going forward to keep up with the latest developments and support cloud computing. Our Disaster Recovery Center, which was completed the year before, received ISO 27000 certification in confirmation of compliance with disaster data recovery best practices.

INCREASED PRODUCTIVITY AND SAVINGS

Major efficiencies were achieved in various areas without sacrificing quality, supported by the appropriate business process changes. In addition to savings on tactical cost items, the company has taken steps to improve return on investment through strategic collaboration, infrastructure sharing, network modernization tender, and strategic sourcing.

At an organizational level, decision making and therefore execution was made faster by the simplification of internal bureaucracy. Where applicable, joint procurement was conducted with other telecommunications provider and with other Ooredoo Group operations, resulting in considerable savings.

Historically, Indosat has operated three legacy networks using components from multiple suppliers. The network modernization tender was an effort to rationalize suppliers for greater uniformity in the system and attendant benefits such as time savings from dealing with fewer vendors and ease of controlling and monitoring a network built to a consistent standard The tender was completed in May and vendor contracts for network components were renegotiated for a 3-year period with cost reductions of 48% over existing prices, leading to over USD1 billion in 2012-2015 estimated savings.

Divestment of non-core assets took place with auctions of unused equipment and the sale of 2,500 towers to PT Tower Bersama Infrastructure Tbk for a total consideration of US$519 million including US$406 million cash up front. By transferring ownership of the towers, which we will lease back for a minimum of 10 years, we benefitted from significant ongoing maintenance capital expenditure and operational expenditure savings, while freeing up resources to concentrate on our core wireless. In addition, the cash raised will be strategically redeployed for the modernization project.

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, lower the company's carbon footprint. More fluidic batteries, an eco-friendly alternative to traditional lead-acid batteries whose usage Indosat pioneered in Asia, were also installed. Roll out of CDC switches and fluidic batteries were hampered by a shortage of available stock in the country, but deployment will continue in 2013 as a cost efficient and eco-friendly solution.

Internally, the network and infrastructure department provided support in various aspects. Close to the end of the year, customer interfaces were designed for the wholesale, commercial and enterprise areas. In the commercial department, the latest prepaid billing system from Ericsson, CRS5, was implemented and went operational in 2012.

NEXT STEPS

Going forward, network modernization and Super WiFi hotspot build out are key priorities for 2013 towards achieving best customer experience as part of our corporate goals for the future. In addition, we plan to finish securing remote sites affected by the decline of the Palapa C satellite either by moving them to terrestrial sites or to Palapa D, an initiative which began in 2012.

Other projects such as implementation of CDC switches and fluidic batteries will be also continued, and customer segmentation will be applied to the network, ensuring that valuable customers will get priority service during congestion. Ranking methodology and service standards are being prepared in support of this initiative, and data core components will be rationalized to one vendor for quality and compatibility of service, benefits including easier allocation of radio capacity and transmission under one consistent system.

Lastly, cost efficiencies will continue to be sought, for example by implementing Asset Life Cycle Management for unused equipment, and by conducting more joint tenders and procurement between Indosat and subsidiaries or with parent company Ooredoo for certain commodities.

CORPORATE GOVERNANCE





FASTER PROGRESS MUST BE MATCHED BY STRENGTHENED CORPORATE GOVERNANCE PROCEDURES

Good corporate governance (GCG) is an essential component in creating a business that can deliver excellence and create value over the long run. Consequently, GCG is an important focal point at Indosat. Apart from emulating best practices developed by other global companies, as a dual-listed public company on the Indonesia Stock Exchange (IDX) and the New York Stock Exchange (NYSE) we also adhere to relevant capital market regulations in both Indonesia and the United States, including compliance with Section 404 of the U.S. Sarbanes-Oxley Act regarding internal controls over financial reporting.

CORPORATE GOVERNANCE FRAMEWORK

Indosat's corporate governance framework makes reference to the Organization for Economic Co-operation and Development (OECD)'s five principles of corporate governance, as mapped out below:

- ### 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, including minority and foreign shareholders. 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 stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

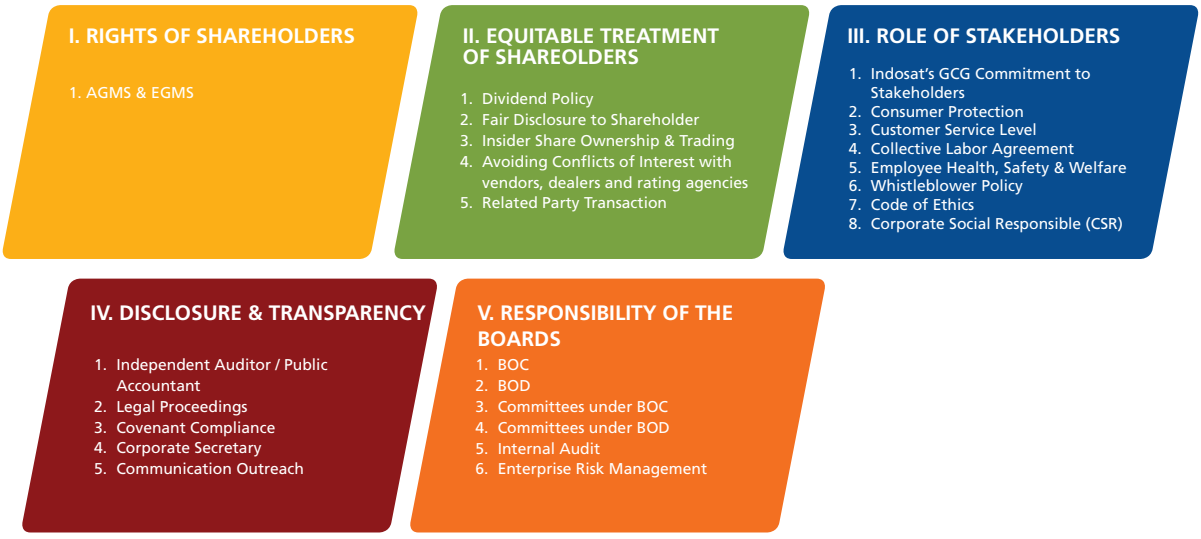
- ### Disclosure and Transparency

  The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

- ### Responsibility of the Boards

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

INDOSAT'S GCG FRAMEWORK



Within this framework, Independence is a key attribute that we do our best to maintain. Indosat defines 'Independence' as being free of subjection, or from the influence of others, and to be exempt from external control or support. In keeping with the spirit of independence, we make every effort to encourage each of our workforce units to be independent and not to be overtly influenced by any particular interest. Some of our efforts include minimizing any conflicts of interest in management and operational activities, by ensuring that multiple appointments undertaken by members of the Board of Commissioners and Board of Directors do not affect their abilities to carry out their responsibilities in the Company.

GCG Assessment

In an effort to improve the quality of our Corporate Governance (CG) practices, Indosat carried out an assessment with reference to the ASEAN CG Scorecard. This assessment was conducted internally and reviewed by the Indonesian Institute for Corporate Directorship (IICD) in January 2013 based on public information, foremost the 2011 annual report and the company website.

This was driven by company initiative to maintain business sustainability through the implementation of best governance practices in all operational and business aspects carried out by the company. In an effort to increase and improve the practical implementation of CG based on CG best practices, Indosat intends to adopt and comply with a comprehensive new assessment instrument that has been widely recognized at international and regional level, namely the ASEAN CG Scorecard. Understanding of this instrument consequently needs to be socialized through the company so that it can be implemented in Indosat.

The assessment of CG practices at Indosat, which is based on the ASEAN CG Scorecard, the company's Total Score and the scores per component are as follows.

For comparison, the average scores for the companies with the largest market capitalization are also presented. The last column presents the contribution of each component to Indosat's total score. The weight of each component in the total score is presented in the second column.

ASEAN CG SCORECARD Total Score and Score per Component – Indosat and Average of the Largest Listed Companies (%)

No	Asean CG Scorecard Component (weight)	Score	Average score for the largest listed companies	Contribution towards Total Score
1	Role of Shareholders (10%)	53.8	33.1	5.4
2	Equitable Treatment of Shareholders (15%)	52.9	35.2	7.9
3	Role of Stakeholders (10%)	76.2	52.2	7.6
4	Disclosure and Transparency (25%)	78.0	53.7	19.5
5	Responsibility of the Boards (40%)	49.3	44.1	19.7
	Total GCG Practices Score	**60.2**	**43.4**	**60.2**

Source from IICD

Based on the total ASEAN CG Scorecard score above, Indosat's CG practices are far better than that of the average listed company. The same is true for all Scorecard components, in which Indosat scored higher than average.

Regulatory Compliance

As a listed telecommunications company, we refer to OECD, OJK/Financial Services Authority, the United States SEC and government regulations. 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 done 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.

I. RIGHTS OF SHAREHOLDERS

1. General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the organ of the Company holding all the authority that have not been delegated to the Board of Commissioners or the Board of Directors to the extent as permitted by law and/or the Articles of Association of the Company. The GMS forum consists of the Annual General Meeting of Shareholders (AGMS) and the Extraordinary General Meeting of Shareholders (EGMS).

1.1. Annual General Meeting of Shareholders

The AGMS was held on May 14, 2012 at the Company's headquarters in Jakarta. The AGMS was chaired by H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani, President Commissioner of Indosat

and attended by shareholders and their proxies representing 94.09% of the paid-in shares. Almost all members of the Board of Directors and Board of Commissioners were present including the President Commissioner, President Director, the head of the Audit Committee and the appointed notary. Results of the AGMS were released within 2 business days.

Announcement	Invitation	AGMS
April 12, 2012 in two daily Indonesian Language newspapers and one daily English-language newspaper	April 27, 2012 in two daily Indonesian Language newspapers and one daily English language newspaper	May 14, 2012

Independent Verification

Notary Aryanti Artisari, S.H. M.Kn, was appointed as an independent party to count and/or validate the result of the vote.

First Agenda: (with total affirmative votes of 100%)

a. To approve the annual report of the Company for the financial year ended 31 December 2011;
b. To ratify the financial statements of the Company for the financial year ended 31 December 2011; and
c. To approve the full release and discharge of the members of the Board of Commissioners from their supervisory responsibilities and of the members of the Board of Directors from its managerial responsibilities in relation to the Company, to the extent that their actions are reflected in the financial statements of the Company for the financial year ended 31 December 2011 and such actions do not conflict with or violate the prevailing laws and regulations.

Second Agenda: (with total affirmative votes of 100%)

a. To determine the allocation of net profit of the Company for the financial year ended December 31, 2011 with the following composition:
   - For dividend, an amount of Rp76.83 per share; and
   - The remaining amount will be allocated for re-investment and working capital

   In accordance with the prevailing capital market regulation, shareholders who are entitled to the dividend shall be those whose names are recorded in the Shareholders Register of the Company as of June 12, 2012 at 4.00 p.m Western Indonesian Time. The dividend will be paid in full on June 26, 2012 in the amount of Rp76.83 per share, while the schedule of payment of dividend for the Government of the Republic of Indonesia will be determined by the Board of Directors of the Company in accordance with the prevailing laws and regulations.
b. To authorize the Board of Directors of the Company with the right of substitution to effect the payment of dividend in accordance with the provisions above and/or subject to the requirements of the prevailing laws and regulations.

Third Agenda: (with total affirmative votes of 99.97%)

To approve the total remuneration of the Company's Board of Commissioners for the year 2012 amounting to Rp23,200,000,000 consists of:

1. The total annual cash remuneration for 2012 starting from January 1, 2012 amounting to Rp7,508,000,000 including honorarium and provisions for committee fees which is to be paid by the Company and is determined proportionally based on the composition of the Board of Commissioners for the year 2012 with the details as follows:
   - President Commissioner : Rp2,187,000,000
   - Commissioner (average) : Rp2,103,000,000

   The remuneration of the member of the Board of Commissioners may differ to take into account each member of the Board of Commissioners' duties and responsibilities on committees of the Board of Commissioners.
2. Attendance in board/committee meeting allowance amounting to Rp2,190,000,000 which is paid based on attendance on official board meeting. This allowance is replacing other board fixed allowances.
3. Allocation year 2012 for Restricted Share Unit Plan year 2011 which is a long term incentive based on virtual share price amounting to Rp2,139,000,000.
4. Allocation year 2012 for Restricted Share Unit Plan year 2012 which is a long term incentive based on virtual share price amounting to Rp2,213,000,000.
5. Allocation for End of Service Benefits for the Board of Commissioners amounting to Rp1,104,000,000. This benefit shall be provided at the end of appointment period as a member of the Board of Commissioners. This is in line with applicable practice in several companies.

6. Income tax facility, and the allocation for Members of Independent Audit Committee that are not a member of Board of Commissioners, Board of Commissioners' secretarial staffs and assistant amounting to Rp8,046,000,000.

Fourth Agenda: (with total affirmative votes of 99.98%)

a. To approve the appointment of Public Accounting Firm Purwantono, Suherman and Surja, as the Company's Independent Auditor to audit the Company's financial statements for the year 2012 as proposed by the Board of Commissioners and the delegation of authority to the Board of Commissioners to determine the terms and conditions of such appointment.
b. To delegate the authority of the General Meeting of Shareholders to the Board of Commissioners to appoint a replacement for the Company's Independent Auditor, including the determination of the terms and conditions of the appointment if the appointed Independent Auditor cannot fulfill or implement its task for any reason whatsoever, based on the prevailing rules and regulation.

Fifth Agenda: (with total affirmative votes of 95.12%)

a. To discharge all members of the Company's Board of Commissioners for the 2008 – 2012 period as at the close of this Meeting with appreciation and gratitude, and release and discharge all members of the Board of Commissioners from their supervisory duties that they may have incurred between 1 January 2012 until the close of this Meeting to the extent that actions taken during such supervisory duties do not conflict with or violate the prevailing laws and regulations.
b. Appoint the following names as members of the Company's Board of Commissioners, therefore the composition of the Company's Board of Commissioners as of the closing of this Meeting until the close of the Annual General Meeting of Shareholders in the year 2016 (in accordance with the Articles of Association of the Company) shall be as follows:
   - H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani, President Commissioner
   - Dr. Nasser Mohammed Marafih, Commissioner
   - Mr. Rachmat Gobel, Commissioner
   - Mr. Rionald Silaban, Commissioner
   - Mr. Richard Farnsworth Seney, Commissioner
   - Mr. Beny Roelyawan, Commissioner
   - Mr. Thia Peng Heok George, Independent Commissioner
   - Mr. Alexander Rusli, Independent Commissioner
   - Mr. Soeprapto, Independent Commissioner
   - Mr. Chris Kanter, Independent Commissioner

c. To honorably discharge Mr. Laszlo Imre Barta as member of the Board of Directors of the Company as of the close of this Meeting with appreciation and gratitude, and release and discharge Mr. Laszlo Imre Barta from his management duties that may have incurred between 1 January 2012 until the close of this Meeting to the extent that actions taken during such management duties do not conflict with or violate the prevailing laws and regulations. To appoint Mr. Frederik Johannes Meijer as new member of the Board of Directors of the Company for the period commencing from the close of this Meeting until the close of the Annual General Meeting of Shareholders in the year 2015 or in accordance with the Articles of Association of the Company therefore, the composition of the Company's Board of Directors as of the closing of this Meeting until the close of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company) shall be as follows:
   - Mr. Harry Sasongko Tirtotjondro, President Director
   - Mr. Curt Stefan Carlsson, Director
   - Mr. Hans Christiaan Moritz, Director
   - Mr. Fadzri Sentosa, Director
   - Mr. Frederik Johannes Meijer, Director
d. Further, to delegate the authority to the Board of Commissioners in accordance with Article 92 paragraph (5) of the Law No 40 of 2007 on Limited Liability Company, based on the President Director's proposal:
   (i) to determine the distribution of duties and responsibilities of the members of the Board of Directors (to the extent not determined by the General Meeting of Shareholders), and/or
   (ii) to change the distribution of duties and responsibilities of the members of the Board of Directors from time to time
e. To appoint and grant the authority with the right of substitution, to the Company's Board of Directors to conduct any action in relation to the resolution of the AGMS, including but not limited to appear before the authorized party, to discuss, to give and/or ask for information, to submit a notification with regard to the

appointment of the Board of Commissioners and Board of Directors of the Company to the Minister of Law and Human Rights of the Republic of Indonesia and any other related authorized institutions, to register the composition of the Board of commissioners and Board of Directors as approved by this AGMS in the Company Registration in the Ministry of Trade, to make or cause to be made and to sign the deeds and letters or any necessary documents including to make amendments and/or additions which required to obtain the approval from the authority, to appear before the notary, to have the deed restating the Company's AGMS resolutions made, prepared and finalized and moreover to take any necessary actions which should be and or could be made for the purpose of implementing/materializing the resolutions of this AGMS.

1.2. Extraordinary General Meeting of Shareholders

The EGMS of the Company was held on September 17, 2012 at the Company's headquarters in Jakarta. The EGMS was chaired by H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani, President Commissioner of Indosat and attended by shareholders and their proxies representing 94.09% of the paid-in shares. All members of the Board of Directors and Board of Commissioners were present including the President Commissioner, President Director, the head of the Audit Committee and the appointed notary.

Independent Verification

Notary Aryanti Artisari, S.H. M.Kn, was appointed as an independent party to count and/or validate the result of the vote.

Announcement	Invitation	EGMS
August 16, 2012 in two daily Indonesian Language newspapers and one daily English-language newspaper	August 31, 2012 in two daily Indonesian language newspapers and one daily English language newspaper	September 17, 2012

Agenda EGMS September 17, 2012

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

Resolutions of the EGMS

The resolutions of this EGMS were as follows, with total affirmative votes of 95.22%.

a. To honorably discharge Mr. Richard Farnsworth Seney as a Commissioner of the Company as of the closing of the Meeting with appreciation and gratitude, and to release and discharge him from his supervision liabilities that may have incurred between 15 May 2012 and the close of the Meeting, to the extent that actions taken in conducting such supervision duties do not conflict with or violate the prevailing laws and regulations.
b. To honorably discharge Mr. Alexander Rusli as an Independent Commissioner of the Company as of 31 October 2012 with appreciation and gratitude, and to release and discharge him from his supervision liabilities that may have incurred between 15 May 2012 and 31 October 2012, to the extent that actions taken in conducting such supervision duties do not conflict with or violate the prevailing laws and regulations.
c. To honorably discharge Mr. Harry Sasongko Tirtotjondro as a President Director and Chief Executive Officer (CEO) of the Company as of 31 October 2012 with appreciation and gratitude, and to release and discharge him from his management liabilities that may have incurred between 1 January 2012 and 31 October 2012, to the extent that actions taken in conducting such management duties do not conflict with or violate the prevailing laws and regulations.
d. To appoint Mr. Richard Farnsworth Seney as an Independent Commissioner of the Company for the period commencing from 18 September 2012 until the close of the Annual General Meeting of Shareholders in the year 2016 (in accordance with the Articles of Association of the Company).
e. To appoint Mr. Rudiantara as an Independent Commissioner of the Company for the period commencing from 1 November 2012 until the close of the Annual General Meeting of Shareholders in the year 2016 (in accordance with the Articles of Association of the Company).
f. To appoint Mr. Alexander Rusli as a President Director and Chief Executive Officer (CEO) of the Company for the period commencing from 1 November 2012 until the close of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company).
g. With due regard to the above resolutions:
   The composition of the Company's Board of Commissioners as of 18 September 2012 until 31 October 2012 shall be as follows:

- H.E. Sheikh Abdullah Mohammed Bin Saud Al Thani, President Commissioner
- Dr. Nasser Mohammed Marafih, Commissioner
- Mr. Rachmat Gobel, Commissioner
- Mr. Rionald Silaban, Commissioner
- Mr. Beny Roelyawan, Commissioner
- Mr. Alexander Rusli, Independent Commissioner
- Mr. Soeprapto, Independent Commissioner
- Mr. Thia Peng Heok George, Independent Commissioner
- Mr. Chris Kanter, Independent Commissioner
- Mr. Richard Farnsworth Seney, Independent Commissioner

And the composition of the Company's Board of Commissioners as of 1 November 2012 until the close of the Annual General Meeting of Shareholders in the year 2016 (in accordance with the Articles of Association of the Company) shall be as follows:

- H.E. Sheikh Abdullah Mohammed Bin Saud Al Thani, President Commissioner
- Dr. Nasser Mohammed Marafih, Commissioner
- Mr. Rachmat Gobel, Commissioner
- Mr. Rionald Silaban, Commissioner
- Mr. Beny Roelyawan, Commissioner
- Mr. Soeprapto, Independent Commissioner
- Mr. Thia Peng Heok George, Independent Commissioner
- Mr. Chris Kanter, Independent Commissioner
- Mr. Richard Farnsworth Seney, Independent Commissioner
- Mr. Rudiantara, Independent Commissioner

Further, the composition of the Company's Board of Directors as of 1 November 2012 until the close of the Annual General Meeting of Shareholders in the year 2015 (in accordance with the Articles of Association of the Company) shall be as follows:

- Mr. Alexander Rusli, President Director and Chief Executive Officer (CEO)
- Mr. Curt Stefan Carlsson, Director
- Mr. Hans Christiaan Moritz, Director
- Mr. Fadzri Sentosa, Director
- Mr. Frederik Johannes Meijer, Director

h. To delegate the authority to the Board of Commissioners in accordance with Article 92 paragraph (5) of the Law No 40 of 2007 on Limited Liability Company, based on the President Director proposal:

(i) to determine the distribution of duties and responsibilities of the members of the Board of Directors (to the extent not determined by the General Meeting of Shareholders), and/or

(ii) to change the distribution of duties and responsibilities of the members of the Board of Directors from time to time

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

II. EQUITABLE TREATMENT OF SHAREHOLDERS

2.1. Dividend Policy

Our shareholders determine dividend payouts at the Annual General Meeting of Shareholders pursuant to recommendations from our Board of Directors. At our 2010, 2011 and 2012 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, 2009, 2010 and 2011, respectively. We intend to continue to recommend paying dividends in such amounts to allow us to meet sound financial governance and investor expectations.

2.2. Fair Disclosure to Shareholders

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

To ensure that all shareholders receive the same information in the Annual Report and in the Annual Report in the Form 20-F, both reports are simultaneously reported to the Indonesian and United States capital market authorities. Both may be downloaded from the Indosat website.

2.3. Insider Share Ownership and Trading

To avoid any insider trading, the Company applies a trading window policy every quarter. The policy is based on the concept that the period following a company's quarterly earnings disclosure is a safe time for insiders to sell (or buy) company stock. The trading window period commences two business days after the Company discloses its quarterly financial report and closes 10 business days after that. The purpose of the two-day interval is to allow the market time to react to the earnings release, and to digest such information. Members of Indosat's Board of Commissioners and Board of Directors are also required to disclose and confirm share ownership in Indosat. This includes share ownership in Indosat by immediate family members. This disclosure is recorded and filed away by the Corporate Secretary. Details of Indosat share ownership in 2012 based on confirmation provided by members of the Board of Directors is Mr. Fadzri Sentosa with 10,000 shares.

2.4. Avoiding conflicts of interest with vendors, dealers and rating agencies

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

2.5. Related Party Transactions

Business decisions must be made in the best interest of our company, not motivated by personal interest or gain. Therefore, as a matter of our company policy, all Directors and employees must avoid any actual or perceived conflict of interest. A "conflict of interest" occurs when an individual's personal interests interfere or conflict in any way (or even appear to interfere or conflict) with the interests of Indosat. A conflict of interest situation can arise when a Director or employee takes actions or has interests (financial or other) that may make it difficult to perform his or her company work objectively and effectively.

Conflicts of interest also may arise when a Director or employee or a member of his or her family receives improper personal benefits as a result of his or her position in Indosat, regardless of whether such benefits are received from Indosat or a third party.

Loans to, or guarantees of obligations of, Directors or employees and their family members are of special concern. U.S. federal law currently prohibits Indosat from making loans to Commissioners, Directors and executive officers. It is difficult to identify exhaustively what constitutes a conflict of interest. For this reason, the Director and employees must avoid any situation in which their independent business judgment might appear to be compromised.

III. ROLE OF STAKEHOLDERS

3.1. Indosat's GCG commitment to Stakeholders

As part of our commitment to be a socially responsible corporate citizen that delivers value to all stakeholders, Indosat upholds the Good Corporate Governance principles of transparency, accountability, responsibility, independence and fairness including anti-corruption in all operational activities, all of which is codified in our Code of Ethics.

3.2. Consumer Protection

Indosat is very concerned about the health and safety of all our customers, both corporate and retail customers. The protections that we provide include various physical and non-physical safety measures, among others:

- Protection of the confidentiality of data and customer profiles
- IT Security Access on IT and Indosat Customer Billing Data Download protection
- Call center recordings are protected
- Commercial advertisements that safeguard customers from confusions or misperceptions
- The use of radio telecommunications equipment that is not hazardous to customer health.

In implementing the above, in addition to implementing various policies in accordance with the standards set by the regulator, Indosat has received numerous certificates to date including ISO 27001 which is an information security management system (ISMS) certification. It covers information technology, security techniques, and information security management systems and requirements. Indosat was also awarded 'Data Center Services Provider of The Year' at the Frost & Sullivan Indonesia Excellence Award, October 2012.

3.3. Customer Service Level

During the year, higher standards were set for customer service and staff training and new online and social media customer care channels were launched that allowed customers to manage their accounts better and seek staff support faster. Other related service levels such as network quality also showed gains, with Call Success Setup Rate (CSSR) rising from 89.78% in the previous year to 91.26% in 2012.Customer satisfaction scores improved substantially from 87% in 2011 to 94% in 2012 as a result of these and other efforts.

3.4. Collective Labor Agreement

The Indosat Labor Union (Serikat Pekerja Indosat/ SPI) was established on August 25, 1999. Historically, a Collective Labor Agreement (CLA) document was negotiated, agreed upon and signed by the Management of Indosat and the SPI for a period of 2 (two) years. On Februari, 2013, the SPI signed an agreement with Indosat management for the 2011-2013 period, the terms of which covered general provisions governing working hours, salary, employee development, Health Safety Security and Environment (HSSE), employee welfare, social benefit, disciplinary procedures and dispute settlement mechanisms. Certain of our employees are entitled to a regulated pension scheme whereby they will receive monthly payments and benefits through PT Asuransi Jiwasraya (Persero). The CLA also covered the formula for reward/compensation based on employees' performance beyond short-term financial measures.

3.5. Employee Health, Safety & Welfare

We believe that a positive work place where employees look forward to coming in plays a crucial role in unlocking their potential. Therefore, Indosat has always striven to be the best place to work for employees by providing a positive work environment and by ensuring the welfare of employees and their family members. In 2012, 2940 employees underwent medical check ups, 106,958 employees/family members participated in outpatient treatment, 5,122 employees/family members were hospitalized, 5007 employees/family members visited the Indosat health clinic, 3,305 employees/family members visited the Indosat dental clinic, and 2,800 employees/family members availed themselves of the facility for glasses.

In addition, during 2012, Indosat heightened its commitment to implementing a culture that promotes Occupational Health, Safety and Environment (HSE) with the formulation of an HSE policy signed by the President Director and CEO, which outline 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. These efforts yielded good results and in November 2012, Indosat received OHSAS 18001 international certification related to Occupational Health and Safety management systems.

3.6. Whistleblower Policy

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

Through various channels in the Company, in 2012 a total of 18 complaints were received. The Internal Audit group is the division appointed by the Audit Committee and Management to carry out investigations of complaints received, in which the whistleblower will have the opportunity to receive information on 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.

3.7. Code of Ethics

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

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 excessive 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.

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.

3.8. Corporate Social Responsibility (CSR)

Indosat continued to operate various CSR programs as part of efforts to be a socially responsible corporate citizen and to deliver value to all stakeholders. Indosat's CSR programs target the areas of education, health, charity, disaster relief, and the environment. For more detail, please refer to the appended Sustainability Report.

IV. DISCLOSURE & TRANSPARENCY

Indosat is committed to ensuring disclosure and transparency of all material matters within the company as recommended by OECD corporate governance guidelines, among others through the following disclosures and procedures

4.1. Independent Auditor/Public Accountant

The Independent Auditor is appointed by Shareholders at the Annual General Meeting of Shareholders (AGMS), based on recommendations from the Board of Commissioners and the Audit Committee. At the May 14, 2012 AGMS, Shareholders approved the appointment of Purwantono, Suherman & Surja (a member of Ernst & Young Global) as Indosat's Independent Auditor for 2012. Shareholders subsequently authorized the Board of Commissioners to stipulate the terms and the conditions of the appointment.

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

The following table contains a summary of the fees paid to Purwantono, Suherman & Surya, the Indonesian member firm of Ernst & Young Global, our independent external auditors for the years ended December 31, 2010, 2011 and 2012:

(in US$)

	2010	2011	2012
Audit Fees	2,287,934	857,724	805,206
Audit-related Fees	1,543,584	448,848	762,219
Tax Fees	–	–	–
All Other Fees	–	–	–
Total Fees	**3,831,518**	**1,306,572**	**1,567,425**

4.2. 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 29, 2013, 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 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 IDR 1.3 trillion 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 14, 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 Indosat of similar corruption charges. Furthermore, on January 3, 2013, the AGO also filed corruption charges against IM2 and Indosat as corporate suspects for the alleged illegal use of Indosat's 2.1 GHz frequency band without proper permission from the Government. IM2, Indosat and their respective former President Directors are seeking to nullify the charges that have been filed against them by arguing that the AGO's charges under the Corruption Law are baseless; violation (if any) of practices in the telecommunication sector should be subject to the Telecommunication Law, including the relevant sanctions thereto. IM2 and the Company are also seeking to nullify charges against their respective former President Directors by arguing that the agreement between IM2 and the Company was an agreement between two companies and was executed in accordance with all applicable laws and regulations, including the prevailing regulations in the telecommunication and the non-tax state revenue sectors. Indosat and IM2 are also stating that IM2 was lawfully using Indosat's cellular telecommunication network, and was not unlawfully using the 2.1 GHz frequency band detached of the cellular telecommunication network, as alleged. The court proceeding against the former President Director of IM2 commenced at the Corruption Court in January 2013. As one of the efforts to contest the allegation of corruption, the former President Director of IM2, together with IM2 and the Company, has been seeking for an annulment of the determination of the state loss by the Finance and Development Supervisory Agency or BPKP before the Jakarta Administrative Court. On February 7, 2013, the Jakarta Administrative Court rendered an interim decision to stay the implementation of BPKP's decision pending its final decision on the annulment request. As of April 24, 2013, the Corruption Court has examined 17 witnesses, including expert witnesses, 15 of whom have testified that the cooperation agreement between IM2 and the Company does not breach the prevailing laws and regulations, and there is no sharing of the 2.1GHz frequency band as alleged, with only two expert witnesses having testified that the agreement is unlawful.

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

We are also currently disputing an assessment of tax overpayment for fiscal year 2005 with the Tax Office. On March 27, 2007, we received an assessment letter for tax overpayment, indicating that the Directorate General of Taxation approved the refund of an overpayment of 2005 corporate income tax amounting to Rp135,766 million, which amount is lower than the amount of Rp176,645 million that we recognize. We filed an objection with the Tax Office on June 22, 2007 and claimed for the difference amounting to Rp40,879 million. On May 27, 2008, we received a Decision Letter from the Directorate General of Taxation which partially accepted our objection, but only for the amount of Rp2,725 million. On August 21, 2008, the Company submitted an appeal letter to the Tax Court concerning the Company's remaining objection on the 2005 corporate income tax. On October 29, 2010, the Company received the Decision Letter from the Tax Court which accepted the Company's objection to the correction of the 2005 corporate income tax amounting to Rp38,155 million, which was offset against the underpayment of the Company's 2008 and 2009 income tax article 26 based on Tax Collection Letters ("STPs") received by the Company on September 17, 2010. On February 24, 2011, we received a copy of a memorandum for reconsideration request from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated October 29, 2010, regarding our 2005 corporate income tax. On March 25, 2011, the Company submitted a counter memorandum for reconsideration request to the Supreme Court. As of April 29, 2013, the Company has not received any decision from the Supreme Court with respect to such request.

On December 24, 2008, we received a Decision Letter from the Directorate General of Taxation which increased the overpayment amount by Rp84,650 million in the assessment letter on tax overpayment for fiscal year 2004, which amount was lower than the amount stated in an earlier Decision Letter received on July 4, 2008. On January 21, 2009, we filed suit objecting to the discrepancy in the amount of tax overpayment during fiscal year 2004. With respect thereto, on December 4, 2009, the Tax Court revoked the Directorate General of Taxation's assessment letter No. KEP-539/WPJ.19/BD.05/2008, dated December 24, 2008. On March 17, 2010, the Directorate General of Taxation issued a decision favorable to the Company, informing it that the tax overpayment for fiscal year 2004 should be Rp126,403 million instead of Rp84,650 million, which would entitle the Company to get a refund of the difference, amounting to Rp41,753 million. The Company then subsequently received the payment of such tax refund amounting to Rp41,753 million from Directorate General of Taxation on April 13, 2010. On March 5, 2012, the Company received a Tax Court's Decision Letter accepting the Company's request for interest compensation related to the issuance of assessment of tax overpayment 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 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 for the interest compensation related to the issuance of such assessment of tax overpayment for fiscal year 2004. On July 27, 2012, the Company submitted a counter-memorandum for reconsideration request to the Supreme Court. As of April 29, 2013, the Company has not received any decision from the Supreme Court on such request.

On June 8, 2009, the Company received an assessment letter on tax underpayment ("assessment letter") from the DGT for Satelindo's corporate income tax for fiscal year 2002 amounting to Rp105,809 million (including penalties and interest). The Company accepted a part of the correction of the 2002 corporate income tax amounting to Rp2,646 million which was charged to current operations in 2009. Under Indonesian Tax Law, a taxpayer is required to pay the tax underpayment amount as stated in the assessment letter within one month from the date of the assessment letter. The taxpayer can reclaim the tax paid through an objection or appeal process. On August 28, 2009, the Company submitted an objection letter to the Tax Office regarding the remaining correction on Satelindo's 2002 corporate income tax. On July 15, 2010, the Company received the Decision Letter No.KEP-357/WPJ.19/BD.05/2010 from the DGT declining the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002. On October 14, 2010, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002. On June 25, 2012, the Company received the Decision Letter from the Tax Court rejecting the Company's appeal on Satelindo's corporate income tax for fiscal year 2002. The Company charged the related claim for tax refund amounting to Rp103,163 million to current operations as part of "Current Income Tax Expense".

On June 8, 2009, the Company also received assessment letters from the DGT for Satelindo's 2002 and 2003 income tax article 26 amounting to Rp51,546 million and Rp40,307 million (including penalties and interests), respectively. On August 27, 2009, the Company submitted an objection letter to the Tax Office for the correction of the Satelindo's 2002 and 2003 income tax article 26. On July 16, 2010, the Company received the Decision Letters No.KEP-367/WPJ.19/BD.05/2010 and KEP-368/WPJ.19/BD.05/2010 from the DGT declining the Company's objection to the correction of the Satelindo's 2002 and 2003 income tax article 26. On October 12, 2010, the Company submitted appeal letters to the Tax Court concerning the Company's objection to the correction of Satelindo's 2002 and 2003 income tax article 26. On November 6, 2012, the Company received the Decision Letter from the Tax Court receiving the Company's appeal on Satelindo's 2002 and 2003 income tax article 26 amounting to Rp87,198 million, which amount is lower than the amount recognized by the Company in its financial statements. The Company accepted the corrections amounting to Rp4,655 million which was charged to current operations as part of "Others-net". On January 28, 2013, the Company has received the restitution.

On September 7, 2009, the Company received the Decision Letter No.KEP-335/WPJ.19/BD.05/2009 from the DGT which declined the Company's objection to the remaining corrections of the 2006 corporate income tax. On December 2, 2009, the Company submitted an appeal letter to the Tax Court regarding the remaining corrections of the Company's 2006 corporate income tax. On April 26, 2011, the Company received the Tax Court's Decision Letter which accepted the Company's appeal on the remaining correction of the 2006 corporate income tax. On June 21, 2011, the Company received a tax refund amounting to Rp82.6 billion. On August 22, 2011, the Company received a copy of a memorandum for reconsideration request from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated April 26, 2011 for the 2006 corporate income tax. On September 21, 2011, the Company submitted a counter-memorandum for reconsideration request to the Supreme Court. As of April 29, 2013, the Company has not received any decision from the Supreme Court on such request.

On September 17, 2010, the Company received STPs from the DGT for the underpayment of the Company's 2008 and 2009 income tax article 26 totaling Rp80,018 million (including interest). On October 13, 2010, the Company submitted cancellation letters to the Tax Office regarding such STPs. Subsequently, on November 16, 2010, the Company was required to pay a certain portion of these STPs by using the approved tax refund claim for the Company's corporate income tax for fiscal year 2005 amounting to Rp38,155 million. On January 7, 2011, the Company paid the remaining amount of Rp41,863 million. On April 11, 2011, the Company received a letter from the Tax Office which declined the request for cancellation of such STPs. On May 5, 2011, the Company submitted an appeal letter to the Tax Court concerning these STPs. On July 30, 2012, the Company received the Tax Court's Decision Letter accepting the Company's appeal. On September 11, 2012, the Company submitted a request for restitution to the Tax Office to transfer the tax overpayment related to these STPs. On December 26, 2012 the Company received a copy of a memorandum for reconsideration request from the Tax Court to the Supreme Court's decision letter dated July 30, 2012

for the underpayment of the Company's 2008¬2009 income tax article 26. On February 6, 2013, the Company submitted a counter-memorandum for reconsideration request to the Supreme Court. As of April 29, 2013, the restitution has not been received.

On April 21, 2011, the Company received the assessment letter on tax underpayment from the DGT for the Company's VAT for the period from January to December 2009, totaling Rp182.8 billion (including penalties). The Company accepted a part of the corrections amounting to Rp4.2 billion, which was charged to current operations. On July 15, 2011, the Company paid the remaining underpayment, amounting to Rp178.6 billion of the VAT for the period from January to December 2009. On July 19, 2011, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's VAT for such period. 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 for additional underpayment for the period January, March, April, June, August to December 2009 totalling Rp57,166 million and overpayment for the period February, May and July 2009 totalling 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 overpayment amounting to Rp3,839 million and Rp188 million, respectively. 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 to December 2009. As of April 29, 2013, the Company has not yet received any decision from the Tax Court on such objection letter.

On April 21, 2011, the Company received the assessment letter on tax overpayment from the DGT for the Company's 2009 corporate income tax amounting to Rp29.3 billion, which amount is lower than the amount recognized by the Company in its financial statements. The Company accepted a part of the corrections amounting to Rp0.8 billion, which was charged to current operations. On May 31, 2011, the Company received a tax refund of Rp23.7 billion, (net of the amount of the VAT correction for the period from January to December 2009 that the Company accepted). On July 20, 2011, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's 2009 corporate income tax. 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 April 29, 2013, the Company has not received any decision from the Tax Court on such letter.

On July 3, 2012, the Company received the assessment of tax overpayment from the DGT for the Company's 2010 corporate income tax amounting to Rp89,381 million, which amount is lower than the amount recognized by the Company in its financial statements. The Company accepted all of the corrections amounting to Rp61 million, which were charged to current operations. On August 24, 2012, the Company received the tax refund of its claim for 2010 corporate income tax amounting to Rp89,381 million. Based on this assessment of tax overpayment, the tax loss carry forward amounting to Rp1,040,083 million, which amount is lower than the amount recognized by the Company in its financial statements. The Company accepted all of the corrections amounting to Rp101,978 million.

On July 3, 2012, the Company received the assessment of tax overpayment 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 recognized by the Company in its financial statements, and the assessments of tax underpayment for the Company's VAT for the period January, February and April to December 2010 totalling 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 an objection letter to the Tax Office regarding the assessment of tax overpayment and the assessment of tax underpayment on the Company's VAT for the period January to December 2010 totalling Rp106,619 million. As of April 29, 2013, the Company has not received any decision from the Tax Office on such objection.

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.

4.3. Covenant Compliance

Based on credit agreements, loan agreements and/or trustee agreements, the Company is required to fulfill certain covenants as set forth in these aforementioned agreements. We agreed to certain covenants in connection with the issuance of Indosat Rupiah Bonds, including, but not being limited to, agreeing to maintain equity capital of at least Rp5,000 billion; a ratio of total debt to EBITDA of less than 3.5:1, as reported in each annual consolidated financial report; a debt to equity ratio of 2.5:1, as reported in each quarterly consolidated financial report; and a ratio of EBITDA to interest expense, as reported in each annual consolidated financial report of at least 3.0:1.

4.4. Corporate Secretary

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

Group Head Corporate Secretary reports to the Chief of Corporate Services Officer under the Office of President Director and Chief Executive Officer and, plays a key role in communicating material information to comply with regulation and keeping the Company transparent. The Corporate Secretary also plays an active role in various Corporate Actions such as Bonds Issuance, Suku Ijarah Issuance, and any merger processes.

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

Relevant training she has undertaken includes "Indosat Financial Awareness" by Indosat in December 2010, "The Impact of IFRS Convergence on Business" by the Indonesian Institute of Accountants of Indonesia in August 2009, and "Indonesian Capital Markets Discussion" at the LMFE Universitas Indonesia in June 2006. She is a member of the Indonesian Corporate Secretary Association (ICSA).

4.5. Communications Outreach

Indosat actively reached out in 2012 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, 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* and the US-SEC, we held conference calls with analysts, investors and others to discuss the Company's performance and the industry more generally, with extensive Q&A sessions. These calls were further recorded and made available on the Company website so as to enable easy access for shareholders and investors who could not yet be present.

In 2012, the company held quarterly results conference calls for analysts and investors, presented to investors, and attended meetings and investor conferences in several financial centers including overseas.

We also monitored and communicated our credit and corporate rating to investors and public in a timely manner by publicizing it in newspapers and on our website. Please refer to the Share Capital Matters section of this Annual Report to see our ratings as of December 31, 2012.

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

4.5.1. Public Expose

Indosat's 2012 Annual Public Expose was held on May 14, 2012 accordance with the conditions stated in IDX Regulation No. 1-E regarding Obligations to Communicating Information at Indosat office, Floor 4, Jl. Merdeka Barat 21, Jakarta 10110, along with the 2012 Annual General Meeting of Shareholders.

This Annual Public Exposé went well and was attended by 46 participants consisting for the most part of the general public and representatives from securities companies.

4.5.2. Internal Communications

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

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

All Company information, policies and activities can be accessed online through the 'MyIndosat' portal, which includes a sub menu called Ice Cube that provides an opportunity for employees to share innovative ideas. Special CEO Messages are periodically sent out to all or relevant employees regarding information on corporate initiatives updates, direction and target achievements.

The company further maximizes internal communication channels such as posters, banners, clear jackets printed with information, text messages, intranet banners and computer wallpaper messages to disseminate information.

4.6. Others

4.6.1 Shareholding of Directors

Mr. Fadzri Sentosa was the only member of the Board of Directors to own shares of Indosat in 2012, in the amount of 10,000 shares.

4.6.2 Qualifications and Training of the Boards

Profiles of the Board of Commissioners and the Board of Directors including their ages are respectively available on pages 44-47 and 54-55 of this report, while details of training and remuneration may be found on pages 94 and 98.

4.6.3. Multiple Appointments

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

V. RESPONSIBILITY OF THE BOARDS

5.1. Board of Commissioners

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

Vision and Mission

Among its other duties, the Board of Commissioners has reviewed and approved the vision and mission of the company.

Structure of the Board of Commissioners

The Board of Commissioners consists of 10 members including 5 Independent Commissioners, in compliance with and exceeding the 30 percent minimum of Independent Commissioners required by Indonesia Stock Exchange regulations. Independent Commissioners are defined as Commissioners with no ties to Indosat. Only Independent Commissioners may act as signatories for certain documents for which independent assurance is required.

Role and Responsibilities of the President Commissioner

The Board of Commissioners is led by a President Commissioner, who chairs meetings and leads decision-making in the board, although his/her role may be delegated to other members of the board upon request. In 2012, the President Commissioner was H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani.

Membership Composition

At the EGMS dated September 17, 2012, Mr. Richard Farnsworth Seney was honorably discharged from his position as a Commissioner and reappointed as an Independent Commissioner effective as the close of the meeting, and Mr. Rudiantara was also appointed as an Independent Commissioner. It was further decided to honorably discharge Mr. Alexander Rusli as Independent Commissioner effective November 1, 2012 in order that he take on duties as CEO of the Company.

Therefore, as of November 1, 2012, the composition of the Board of Commissioners was as follows:

- H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani as President Commissioner
- Mr. Dr. Nasser Mohammed Marafih as Commissioner
- Mr. Rachmat Gobel as Commissioner
- Mr. Rionald Silaban as Commissioner
- Mr. Beny Roelyawan as Commissioner
- Mr. Thia Peng Heok George as Independent Commissioner
- Mr. Soeprapto as Independent Commissioner
- Mr. Chris Kanter as Independent Commissioner
- Mr. Richard Farnsworth Seney as Independent Commissioner
- Mr. Rudiantara as Independent Commissioner

Meetings of the BOC

In 2012 the Board of Commissioners held 4 meetings with the Board of Directors, in line with its duty to supervise and monitors 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. Before each meeting, the Board of Commissioners meets separately in a closed session meeting (4 times) without any member of the Board of Directors.

The attendance record for each Commissioner is as follows:

Name & Position	Meeting Attendance
H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani, President Commissioner	4/4
Dr. Nasser Mohammed A. Marafih, Commissioner	4/4
Rachmat Gobel, Commissioner	4/4
Richard Farnsworth Seney, Commissioner/ Independent Commissioner *	4/4
Rionald Silaban, Commissioner	4/4
Beny Roelyawan as Commissioner **	2/2
George Thia Peng Heok, Independent Commissioner	4/4
Alexander Rusli, Independent Commissioner***	3/3
Soeprapto S.IP, Independent Commissioner	4/4
Chris Kanter, Independent Commissioner	4/4
Mr. Rudiantara, Independent Commissioner****	1/1

* Mr. Richard Farnsworth Seney was honorably discharged as a Commissioner at the September 17, 2012 EGMS and reappointed as an Independent Commissioner effective as of the close of the meeting.
** Mr. Roelyawan was appointed to the Board of Commissioners on May 14, 2012.
*** Mr. Alexander Rusli was honorably discharged at the September 17, 2012 EGMS effective November 1, 2012.
**** Mr, Rudiantara was appointed as an Independent Commissioner at the September 17, 2012 EGMS effective as of the close of the meeting.

BOC Activity Report 2012

Led by the President Commissioner, the Board of Commissioners carried out the following main activities during the 2012 financial year, in line with its supervisory and advisory duties, prevailing laws and regulations, the Articles of Association of the Company and resolutions of the General Meeting of Shareholders:

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

BOC Training and Development

In 2012, members of the BoC attended the GSMA Mobile World Congress 2012 which took place between February 27 and March 1, 2012.

Assessment and Remuneration of the BOC

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 are all brought to the General Shareholders Meeting on the basis of proposal by the Remuneration Committee.

Total remuneration of Rp23,200,000,000 was approved by the AGMS for the Board of Commissioners, consisting of:

- total annual cash remuneration for 2012 starting from January 1, 2012 amounting to Rp7,508,000,000
- honorarium and provisions for committee fees which are to be paid by the Company
- a board/committee meeting allowance amounting to Rp2,190,000,000 which is paid based on attendance at official board meetings
- Allocation year 2012 for Restricted Share Unit Plan year 2011 amounting to Rp2,139,000,000, which is a long term incentive based on virtual share price
- Allocation year 2012 Restricted Share Unit Plan year 2012 amounting to Rp2,213,000,000, which is a long term incentive based on virtual share price
- End of Service Benefits for the Board of Commissioners amounting to Rp1,104,000,000 which shall be provided at the end of appointment period as a member of the Board of Commissioners.

	1st HY 2012	2nd HY 2012	Total
Honorarium	2,694,956,275	2,990,273,354	5,685,229,629
Allowance/Committee Fee	1,402,783,736	1,441,464,674	2,844,248,410
LTI/RSUP	465,276,000	7,853,048,000	8,318,324,000
End of Service	-	-	-
Total	**4,563,016,011**	**12,284,786,028**	**16,847,802,039**

5.2. Board of Directors

Role and Obligation

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

2. The Board of Directors in undertaking their duties shall obey the provisions in the Company Law, prevailing Capital Market regulations and other regulations in relation to the business activities of the Company.
3. The Board of Directors shall represent the Company within and outside a Court of Law and shall carry out all actions and deeds in relation to matters pertaining to management and ownership and shall be authorized to bind the Company to other parties.

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

a. purchase and/or sell the shares of other companies in the capital market;
b. enter into, commit enter into, amend and/or terminate a license agreement or cooperation, joint venture, management and similar agreements with other enterprises or parties;
c. purchase, dispose, sell, pledge or encumber all or part of the business, title or the Company's fixed or other assets of the Company (including any interest therein);
d. cease to collect and write off account receivables from the books as well as supplies of goods;
e. bind the Company as guarantor (borg or avalist) or in any other way in which the Company becomes liable to another party's debt obligation, whether by an agreement to take over another party's debt, an agreement to grant financing to another party to purchase goods or services, or by the purchase of shares, capital participation, advance payment or loan to pay in full another party's debt;
f. accept or grant or commit to grant medium/long term loans and accept or grant non-operational short term loans (except for granting loans to subsidiaries and/or employees of the Company which have been approved pursuant to the applicable internal procedures);
g. conduct the expenditure of capital goods in 1 (one) transaction or an inter-related transaction with a nominal value higher than the permitted value determined by the Board of Commissioners from time to time;
h. issue bonds or other securities that can be converted into shares;
i. propose the issuance of new shares of the Company;
j. provide an indemnity to or otherwise guarantee the obligation of any person;
k. determine and/or change the Company's management structure;
l. make a new business plan or change the business plan;
m. change the accounting, financial, or tax practice and system of the Company or its subsidiary;
n. change the Company's name;
o. approve the financial statement provided to the shareholders in the GMS;
p. determine the annual budget of the Company and the annual budget of its subsidiary;
q. carry out capital participation or dispose the capital participation of the Company in other enterprises that is not carried out through the capital market;
r. establish a subsidiary or approve the relinquishment or the reduction of its interest, whether directly or indirectly in each of the subsidiary or take over the shares in any company or relinquish any shares in any company;
s. take any corporate actions or investments related to any subsidiary of the Company;
t. use any right of the shareholders in the Company's subsidiary, or any other company in which the Company has share participation;
u. approve the payment of any bonus or similar payment to the Company's employees or change the remuneration structures of employees;
v. undertake a merger, consolidation, acquisition or separation, each as defined under the Law No 40 of 2007 on Limited Liability Company (as amended from time to time);
w. establish or change the Company's asset liability management policy;
x. establish or change standing delegations among members of the Board of Directors relating to signing authority limits for expenditures, asset purchases and sales, loans and other commitments;
y. engage in any other material transactions or matters as may be determined by the Board of Commissioners from time to time having a value of the lower of 5% (five percent) or more of total revenue, or 2.5% (two and a half percent) or more of non-current assets of the Company on a consolidated basis as set out in its audited consolidated financial statements.

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

Vision and Mission

Among its other duties, the Board of Directors has reviewed and proposed the vision and mission of the company to the Board of Commissioners.

Composition of the Board of Directors

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

The members of the Board of Directors shall be appointed for a period commencing from the date of the GMS that appointed them and ending at the closing of the 5th (fifth) Annual GMS thereafter, without prejudice to the right of the GMS to dismiss the members of the Board of Director at any time. Members of the Board of Directors may be reappointed subsequent to the end of their term of office.

As at November 1, 2012, membership composition of the Board of Directors is as follows for the period of 2012 – 2016:

- Mr. Alexander Rusli, President Director & Chief Executive Director
- Mr. Curt Stefan Carlsson, Director & Chief Financial Officer
- Mr. Hans Christiaan Moritz, Director & Chief Technology Officer
- Mr. Fadzri Sentosa, Director and Chief Wholesale and Infrastructure Officer
- Mr. Frederik Johannes Meijer, Director and Chief Commercial Director

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

President Director & Chief Executive Officer

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

Director & Chief Financial Officer

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

Director & Chief Technology Officer

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

Director & Chief Wholesale and Infrastructure Officer

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

Director & Chief Commercial Officer

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

Meetings and Attendance

The BoD held a total of 40 meetings in 2012 including operational meetings. The BOD also attended meetings with the BOC and Committees. The BOD's attendance list during 2012 is below:

Name	BOD Meetings Attendance/ Number of Meetings
Mr. Harry Sasongko Tirtotjondro, President Director *	21/40
Mr. Alexander Rusli, President Director **	6/40
Mr. Curt Stefan Carlsson, Director	32/40
Mr. Hans Christiaan Moritz, Director	35/40
Mr. Fadzri Sentosa, Director	36/40
Mr. Laszlo Imre Barta, Director ***	15/40
Mr. Frederik Johannes Meijer, Director****	16/40

*) Discharged September 17, 2012 effective November 1, 2012.
**) Effective November 1, 2012.
***) Discharged May 14, 2012.
****) Effective May 14, 2012.

Training for the BOD in 2012

Members of the Board of Directors participated in the GSMA Mobile World Congress 2012 which took place between February 27 and March 1, 2012, and in the Qtel Leadership Development Program, held December 9-12, 2012, in Doha-Qatar.

Assessment of Directors

The performance of Directors is assessed annually based on the KPI which have been previously established together with the BoC.

Remuneration for the BOD

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.

	1st HY 2012	2nd HY 2012	Total
Basic Salary	7,063,848,344	7,431,639,000	14,495,487,344
Fixed Allowance	3,226,905,268	3,180,009,916	6,406,915,184
Initial Service	150,000,000	915,000,000	1,065,000,000
End of Service	2,160,000,000	11,366,787,818	13,526,787,818
Short Term Incentive/ Tantieme 2011	-	1,304,000,100	1,304,000,100
Long Term Incentive/RSUP	-	5,351,808,068	5,351,808,068
Total	**12,600,753,612**	**29,549,244,902**	**42,149,998,514**

5.3. Committees under the BoC

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.

Independence of Committee Members

Members of each 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.

a. Audit Committee

The Audit Committee (the Committee) of PT Indosat Tbk (the Company) operates under a written charter approved by the Board of Commissioners on May 31, 2003 which was reviewed periodically and subsequently amended several times. As established by its Charter, the audit committee's primary function is to assist the BOC in fulfilling its oversight responsibilities to ensure that the Company is in compliance with Capital Market regulations both locally and in the US. The Audit Committee also has primary responsibility for recommendation on the appointment, re-appointment and removal of the external auditor. The Audit Committee further provides recommendation to BOC in the selecting, appointing, and reviewing candidates for the position of Head of Internal Audit. As of December 31, 2012, the Audit Committee was comprised of five members comprised of three independent commissioners and two independent experts

A total of 6 meetings were held including 2 specifically for the purpose of selecting the external auditor. For more detail, please refer to the Audit Committee report contained in this publication.

b. Risk Management Committee

The Risk Management Committee assists the Board of Commissioners in establishing an appropriate policy concerning risk assessment and risk management, as well as in reviewing the adequacy, completeness and affective implementation of the Company's risk management process, and recommends to the Commissioners improvements were deemed necessary. All members of the Risk Management committee are appointed by the Board of Commissioners from amongst its members. As of the December 31, 2012, there were three members of the Risk Management Committee.

A total of 4 meetings were held in 2012, for the purposes of reviewing, discussing, endorsing and monitoring the Company's Risk Profile and related activities.

c. Budget Committee

The Budget Committee assists the Board of Commissioners in performing the Board's supervisory and advisory duties by reviewing and giving its recommendations to the Board in relation to the Company's strategic plans, the Annual Work Plan and Budget (which includes the Capital Expenditure plan). As of December 31, 2012 there were four members of the Budget Committee. A total of 6 meetings were held in 2012, with the primary activities being review of the 2012 Workplan and Budget, and review of the 2012-2016 Business Plan.

d. Remuneration Committee

Responsibilities

The main responsibility of the committee is to advise on remuneration for Commissioners, Directors and other employees of the Company. In addition, in the absence of a dedicated nomination committee, this Committee also nominates candidates to the Board of Directors. The Remuneration Committee does not disclose the exact structure of remuneration for the Board of Commissioners and Board of Directors.

Members

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

Activity in 2012

A total of 4 meetings were conducted.

5.4 Committees under the BOD

Members of these committees are appointed based on various qualifications, including their independence and freedom from any outside influence so as to maintain an objective perspective.

No specific performance assessment process has been established for members of these committees, however their activities are subject to review.

a. Commercial & Pricing Committee

Responsibilities

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

Members

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

Activity in 2012

A total of 11 meetings were conducted.

b. Investment Committee

Responsibilities

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

Members

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

Activity in 2012

A total of 15 meetings were conducted. In addition there were 20 Investment Committee approvals which have been in circulation.

c. Human Capital Committee

Responsibilities

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

Members

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

Activity in 2012

Meetings of this Committee took place on an ad hoc basis as part of BoD meetings.

d. Disclosure Committee

Responsibilities

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

Members

Group Head Corporate Secretary as Chairman, Group Head Treasury, Group Head Accounting, Group Head Risk Management, Group Head Internal Audit, Group Head Business Planning & Analysis, and Group Head Legal. The Disclosure Committee report to the BOD.

Activity in 2012

A total of 4 meetings were conducted. Almost all discussions and Material Information reviews were handled through emails.

Results

The list of materials that were reviewed and disclosed is as follows:

No	Material Information	Announcement Dates (2012)
	Annual Report	
1	2011 Audited Financial Statement under Indonesian Financial Accounting Standards (IFAS)	February 20
2	- Consolidated financial statements under International Financial Reporting Standards as of January 1, 2010 and December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011	April 16
	- Annual Report form 20F 2011	
	- Annual Report 2011	
	Financial Statements	
3	Limited Review 1H 2012 Financial Statements	July 30
4	Limited Review 9M - 2012 Financial Statements	October 25
	Press Release	
5	All Operator Data Performance - Indosat Q3 2011 Business Data	January 12
6	Information on Fiber Optic Network and Network Lease Tariffs	February 3
7	KUPU Data on PPATK Audit Compliance	February 16
8	Info Memo FY 2011 and Press Release FY 2011	March 2
9	Independence Questionnaire From E & Y	March 16
10	Operational Performance Report (*Laporan Kinerja Operasional,* LKO) 2011	March 30
11	Press Release IDR Bond - Indosat Bond VIII and Indosat Sukuk Ijarah V	March 30
12	Draft Summary of IDR Bond Prospectus 2012	April 10
13	Indosat Plans Early Repayment of Bond Issue II Series B Year 2002	April 23
14	Indosat Reports Key Highlights For the Three Months Ended March 31, 2012	April 30
15	Fitch Upgrades Indosat Ratings to 'BBB'; Assigns 'AAA(idn)' National Ratings	April 30
16	1. Info Memo 1Q – 2012 2. Press Release – Indosat Submits Limited Reviewed Financial Results for the Three Months Ended March 31, 2012	May 4
17	Release – Indosat Annual General Meeting of Shareholders (AGMS) Resolutions	May 14
18	Release – Indosat Palapa Company BV Consent Solicitation	May 21
19	Release – Public Expose of Indosat Bond 2012	May 24
20	Summary IDR Bond Prospectus 2012 (in newspaper)	May 25
21	Release - Completion of Consent Solicitation	June 1
22	Bond Prospectus for Indosat VIII and Sukuk Indosat V Year 2012 with Interest Rates	June 14
23	Release - Indosat Issues New Bond and Sukuk Ijarah for Rp3 Trillion	June 19
24	Release - Bond VIII & Sukuk Ijarah V 2012 Listed on the IDX	June 21
25	1. Info Memo 1H – 2012 2. Press Release – Indosat Submits Limited Reviewed Financial Results for the Six Months Ended June 30, 2012	July 27

No	Material Information	Announcement Dates (2012)
26	Release – Indosat Settles Sale and Lease Back Transaction for 2500 Towers with Tower Bersama	August 3
27	Release – The Minister of Communications and Information Technology of The Republic of Indonesia Has Permitted Indosat to Use 3rd Generation Partnership Project (3GPP) Standard in 900 MHz Spectrum	September 4
28	Response to SEC Letter on 20-F FY 2011	September 4
29	PT INDOSAT TBK ANNOUNCEMENT TO THE SHAREHOLDERS (EGMS Resolution)	September 17
30	Release - Indosat EGMS Approves Changes to The Composition of Board of Commissioners and Board of Directors	September 17
31	Response to SEC Supplemental Comments on 20-F FY 2011	October 16
32	Informasi Terkini Rencana Pembangunan Jaringan Serat Optik (Terrestrial dan Kabel Laut) terkait Proyek Palapa Ring	October 17
33	Release – Indosat Reports Key Highlights For the Nine Months Ended September 30, 2012	October 18
34	Letter to SEC on extension notice to submit proposed accounting treatment on tower sale and leaseback transaction with Tower Bersama	October 29
35	1. Info Memo 9M – 2012 2. Press Release – Indosat Submits Limited Reviewed Financial Results For the Nine Months Ended September 30, 2012	October 30
36	Indosat Early Repay Bonds II Series B Year 2002	November 5
37	Data Market Review Analysis & Infrastructure Review	November 7
38	Pre-clearence Letter to SEC OCA on Indosat's Tower Sale Leaseback	November 8
39	Format Table Data - Data of PNBP Operator Payments	November 30
40	Payment Data of PNBP PT Indosat Tbk Tahun 2009 – 2011	December 7
41	Indosat Statement related to presumption on misused of Indosat's 2.1 Ghz radio frequency by IM2	December 12

5.5. Internal Audit

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

IA is responsible to present independent audit assurance and advisory of the adequacy and effectiveness of the Company's risk management, internal controls and good corporate governance processes in order to provide value added to and improve the Company's operations. In performing the audits, IA Group refers to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors ("IIA") and IA Charter, as well as Indonesian Capital Market (Bapepam) and Securities and Exchange Commission (SEC) Regulations. IA Charter consists of IA's Vision & Mission, Requirements for IA's Members, IA's Scope of Work, Requirement of Independency & Reporting, IA's Authority and Responsibility, Professional Standard, Working Relationship with Audit Committee and External Auditor, IA's Mechanism, IA's Code of Ethics, and the arrangement of the appointment, replacement or dismissal of the Head of IA. The IA Charter is regularly reviewed and accordingly updated. The most updated IA Charter was signed off by President Director & CEO on November 9, 2011 after having been approved by Audit Committee, Board of Directors and Board of Commissioners.

IA reports its activities and audit results administratively to the President Director & CEO and functionally to the Audit Committee. As of December 31, 2012, the structure of IA Group consisted of 6 (six) divisions, as follows:

1. Finance & Support Audit Division
2. Business Audit Division
3. IT Audit Division
4. Technical Operation Audit Division
5. SOX TOE (Test of Operating Effectiveness) Audit Division
6. Quality Assurance Audit Division

A total of 50 internal audit employees were employed as of December 31, 2012.

During 2012, the IA Group completed a total of 41 audits consisted of regular, monitoring, and special audits using Risk based Audit Methodology and to respond whistleblower reports. The major areas audited during 2012 were Sales and Revenue, Payables and Disbursements, Product Development and Management, Human Resources Planning, Fixed Assets, Outsourcing, SOX TOE Audit, as well as Information & Technology (IT) and Technical Operation.

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 Group (RM) 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; evaluate the reporting of key risks and controls implementation.

Head of IA Group's Profile

Hanna Sitorus has been the Head of IA Group since January 2010. Ms. Sitorus has more than 13-year experiences in audit function, including external and internal audits. Ms. Sitorus was previously engaged by worldwide leading Accounting Firm, PricewaterhouseCoopers, located in Indonesia and United States of America (in the States of Colorado and California). Previously, she also contributed in Internal Audit function of Indonesia Stock Exchange (ISX) for almost 2 years. Ms. Sitorus earned a Bachelor in Accounting degree from University of Indonesia and holds Indonesian Certified Public Accounting (CPA) degree. Currently, she is a member of Institute of Internal Auditors (IIA) – Indonesian Chapter.

5.6. Risk Management Group

Risk Management Group (RMG) was formed in March 2012 as the result of the merger between Enterprise Risk Management Group and Sarbanes Oxley Act (SOX) Group.

RMG is responsible to asses, analyze, and map out the 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. RMG 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. RMG consists of 4 (four) streams handling commercial risks, technical operation risks, finance & subsidiary risks, and support service & entity-level related risks.

The Company categorizes its enterprise risks into four areas, as follows:

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

The Company produces the entity risk profile and conducts a regular assessment. The Board of Directors reports its assessment on risk on a quarterly basis to the Risk Management Committee. In 2012, Indosat has implemented ISO 31000, the international standard for risk management practice.

In addition, as Indosat's shares are also listed in New York Stock Exchange (NYSE), Indosat is required to comply with the Sarbanes-Oxley Act especially Article 404 and 302. Under

the Act, the management is obliged to assess, test, document and report on the effectiveness of the Company's Internal Control over Financial Reporting (ICFR). Further, Indosat Management should report on any material weaknesses. The President Director and Chief Executive Officer (PD & CEO) and Chief Financial Officer (CFO) are obliged to certify the internal control report.

RMG is responsible in assisting the PD & CEO and CFO in managing the Company's compliance to SOX. It develops and documents the identification of the Risk of Misstatement of Financial Reports, measurement and control assessment. It coordinates with business units and Internal Audit Groups in related exercises. Internal Audit Group performs the Test of Effectiveness (TOE) on identified key controls which mitigating the key of the Risk of Misstatement of Financial Reports. RMG coordinates with the business units in remediation of identified deficiencies. The SOX compliance process and documentation have been done for the position as of December 31, 2012 and reported to SEC.

5.7. Others

Access of Information

Indosat openly discloses material information through public exposes, various communication channels and internal communications. For more information regarding the Company, please contact us at:

Group Corporate Secretary
PT Indosat Tbk
Tel: 62-21 3000 3001 ext. 2614
Fax: 62-21 3000 3002
E-mail: strasfiatri.auliana@indosat.com
Or visit our website at www.indosat.com

BUDGET COMMITTEE REPORT

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

The membership of the Budget Committee comprised of Dr. Nasser Marafih (Chairman), George Thia Peng Heok and Richard F. Seney. During 2012, the Budget Committee held six meetings of which the table of the Commissioners' participation and attendance is set out below:

Commissioners	Numbers of Meetings Attended
Dr. Nasser Marafih	6/6
George Thia Peng Heok	6/6
Richard F. Seney	6/6

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 2012 Workplan and Budget proposed by the Board of Directors; as well as supervise the approved 2012 Workplan and Budget;

2. Review the 2012-2016 Business Plan; and

3. Discuss some strategic plans namely Tower and Satellite Business, Cost Efficiency Program, Network Modernization and strategies on Commercial, Data (including 3G, Device and WiFI), SME and Network Sharing.



Dr. Nasser Mohammed Marafih
Chairman of Bugdet Committee

RISK MANAGEMENT COMMITTEE REPORT

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

The Risk Management Committee is appointed by the Board of Commissioners from amongst its members, comprised of Rachmat Gobel (Chairman), George Thia Peng Heok and Rionald Silaban.

The Risk Management Committee held four meetings in 2012. 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	4/4
Rionald Silaban	4/4
George Thia Peng Heok	4/4

Activities

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

The main activities undertaken by the Committee were as follows:

1. Reviewed and endorsed new Risk Profile for 2012 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.



Rachmat Gobel
Chairman of Risk Management Committee

REMUNERATION COMMITTEE REPORT

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

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

The Remuneration Committee comprised of Dr Nasser Marafih as Chairman, Soeprapto, and Alexander Rusli as Members, until the Extraordinary General Meeting of Shareholders held on 17 September 2012 approved the new composition of the Board of Commissioners. Effective on 1 November 2012, the Remuneration Committee made up of Dr. Nasser Marafih, Soeprapto and Rudiantara, the newly appointed member of the Board of Commissioners replacing Alexander Rusli, who was assigned as the Company's President Director and CEO.

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 four meetings during 2012. A table of the Commissioners' participation and attendance at the Remuneration Committee meetings held during the year is set out below:

Commissioners	Number of Meetings Attended
Dr. Nasser Mohd. Marafih	4/4
Soeprapto	4/4
Alexander Rusli	3/4
Rudiantara	1/4

Activities

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

The main activities undertaken by the Committee in 2012 were as follows:

1. Reviewed and recommended to the Board of Commissioners, the remuneration structure and package of the Board of Commissioners for 2012;

2. Reviewed and recommended to the Board of Commissioners, the remuneration structure and package (including review of salaries, bonuses and long-term incentives) for the Board of Directors for 2012;

3. Based on delegation from Board of Commissioners, (i) reviewed and approved amendment to the organization structure for L2 (Group Heads), (ii) reviewed and approved the appointment and remuneration of CXO, (iii) reviewed and approved employee bonus and incentive scheme and pool bonus.



Dr. Nasser Mohammed A. Marafih
Chairman of Remuneration Committee

AUDIT COMMITTEE REPORT

Background

The Audit Committee (the Committee) of PT Indosat Tbk (the Company) performed its functions under a written charter established by the Board of Commissioners (the BOC) on May 31, 2003 which was subsequently amended several times. The last amendment was made on October 31, 2012.

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

In accordance with its Charter, the Committee is established by the BOC and therefore reports to the BOC. Its primary function is to assist the BOC in fulfilling its oversight responsibilities to ensure that the Company is in compliance with Capital Market regulations both locally and in the US. In particular the Committee is responsible for oversight of the fair presentation of Company's financial statements, the control over financial reporting, the auditing process conducted by both Internal Auditors (IA) and External Auditors (EA) and compliance with the prevailing law and regulations. In addition the Audit Committee has primary responsibility for recommendation on the appointment, re-appointment and removal of the external auditor and also provides recommendation to BOC in the selection, appointment, and review of candidates for the position of Head of Internal Audit.

In performing its duties the Committee has full access to the Company's Management including Board of Director (BOD), the Risk Management Group, particularly for the Sarbanes Oxley implementation, the Internal Audit and External Audit functions.

Audit Committee membership as of January 1, 2012 was comprised of independent commissioners George Thia Peng Heok (Chairman), Soeprapto, Chris Kanter and independent external experts Kanaka Puradiredja and U.S.M. Tampubolon. From July 30, 2012 to October 31, 2012, Alexander Rusli was appointed to succeed Soeprapto who has concluded his 2 terms as a member of the Committee. Effective November 1, 2012, Richard Farnsworth Seney was appointed to succeed Alexander Rusli, who assumed the role of CEO/President Director starting November 1, 2012.

From November 1, 2012, the Audit Committee consists of George Thia Peng Heok, Chris Kanter, Richard Farnsworth Seney, Kanaka Puradiredja and U.S.M. Tampubolon. For the purpose of Bapepam-LK and NYSE requirements, George Thia Peng Heok and Kanaka Puradiredja meet the criteria of financial experts.

During the year, the Committee held 6 regular meetings. The attendance table of respective members of the Audit Committee is as follows:

Attendance	Number of Meetings Attended
George Thia Peng Heok	6/6
Soeprapto	4/6**
Chris Kanter	5/6
Alexander Rusli	2/6**
Richard F. Seney	0/6*
Kanaka Puradiredja	5/6
USM Tampubolon	5/6

* The last meeting of the committee in 2012 was held on October 30, 2012, before Mr. Seney's effective appointment as an Audit Committee member.

** Mr Soeprapto completed his two terms of the Committee's membership on July 20, 2012 and was succeeded by Mr. Alexander Rusli until October 31, 2012.

Furthermore as defined in its Charter, to support its activities the Committee has formed an Audit Committee Working Group (ACWG) to attend to numerous issues relating to the duties of the Committee.The ACWG consists of two independent members of the Committee and one independent advisor. During 2011, the ACWG held 27 meetings.

The Committee summarizes the following report:

Financial Statements

The 2012 consolidated financial statements, as included in the 2012Annual Report, were audited by Purwantono Suherman & Surja (PSS), a member of Ernst & Young Global whose report dated April 29, 2013 expresses that the Company's 2012 consolidated financial statements has been fairly stated, in all material respects. The Committee has reviewed the 2012 audited consolidated financial statements with the

Management and PSS including the critical accounting policies, significant estimates and judgment, alternatives accounting treatment, risk in financial reporting and significant audit adjustments.

The Committee is not aware of any material misstatement in the above mentioned consolidated financial statements and has satisfied itself that all material audit adjustments proposed by PSS have been included in the 2012 consolidated financial statements.

Internal Control

The process of assessing the control over financial reporting conducted by Management has been closely monitored by the Committee and the Committee concludes that the Company, in all material respects, have maintained effective internal control over financial reporting. However, it is noted that certain deficiencies were identified by PSS and the Committee has been monitoring Management's follow ups for remediation.

Whistleblower procedures has been established by the Committee for "(a) the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees regarding questionable accounting or auditing matters." The Committee reviewed any complaints received and monitored the complaints and their appropriate resolution.

External Auditors

The Committee has reviewed the independence of PSS, the Company's external auditors, and concludes that PSS is independent to conduct the audit on Company's consolidated financial statements for the year ended December 31, 2012. PSS was not engaged in any assignments which are prohibited services as defined by Bapepam-LK and US SEC.

Internal Auditors

With respect to the Internal Auditors (IA), the Committee has reviewed the Internal Audit Work Plan. Regular meetings were conducted to monitor the conduct of audits and to discuss audit findings and follow up remediation by management.

Compliance with the Prevailing Laws and Regulations

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

Remuneration Package

The Committee assigned PSS to review the execution of remuneration package of BOD and BOC. PSS has reported that based on its review, the 2012 remuneration package of BOD and BOC has been implemented as determined in the Annual General Meeting of Shareholders dated May 14, 2012 as reported in this Annual Report.



George Thia Peng Heok
Chairman of Audit Committee


indosat
CISCO
ZTE 中兴
indosat innovation
broadband
BlackBerry
Smart Office



FORWARD RISK TAKING REQUIRES PRUDENT OVERSIGHT

OUR MANAGEMENT DECIDED TO DEDICATE RESOURCES AND TAKE STEPS TO STRENGTHEN CONTROL PROCESSES AND PROCEDURES

RISKS RELATING TO INDONESIA

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

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

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

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

Volatility in oil prices and potential food shortages may also cause an economic slowdown in many countries, including Indonesia. An economic downturn in Indonesia could also lead to additional defaults by Indonesian borrowers and could have a material adverse effect on our business, financial condition and results of operations and prospects. The Government continues to have a large fiscal deficit and a high level of sovereign debt. Its foreign currency reserves

are modest and the banking sector is weak and suffers from relatively high levels of non-performing loans. The current high inflation rate in Indonesia may also result in less disposable income available to consumers to spend or cause consumer purchasing power to decrease, which may reduce consumer demand for telecommunication services, including our services.

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

Political and social instability may adversely affect us

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

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

In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 30.0% increase in fuel prices. Similar demonstrations in response to fuel subsidy reductions occurred in 2003, 2005 and 2008. Similar demonstrations also occurred in 2012 in response to the Government's proposal in the first quarter of 2012 to reduce fuel subsidies that would have resulted in a up to 33% increase in fuel prices. 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 and in 2009, elections were held in Indonesia to elect the President, Vice-President and representatives in the Parliament. Although the 2004 and 2009 elections were conducted peacefully, political campaigns in Indonesia may bring a degree of political and social uncertainty to Indonesia. Increased political activity can be expected in Indonesia, in part due to the upcoming presidential election in 2014.

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

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

Many parts of Indonesia are vulnerable to natural disasters such as earthquakes, tsunamis, floods, volcanic eruptions as well as droughts, power outages or other events beyond our control. In recent years, several natural disasters have occurred in Indonesia (in addition to the Asian tsunami in 2004), including volcanic eruptions of Mount Lokon in North Sulawesi in 2011, Mount Merapi in southern Java near Yogyakarta, and Mount Bromo in East Java in 2010, tsunamis in Mentawai in West Sumatera in 2010 and in Pangandaran

in West Java in 2006, an earthquake off the coast of Sumatra in January 2012, separate earthquakes in Papua, West Java, Sulawesi and Sumatra in 2009, an earthquake in Jogyakarta in Central Java in 2006, and a hot mud eruption and subsequent flooding in East Java in 2006. Indonesia also experienced significant flooding in Wasior district, West Papua in 2010, in Jakarta in January 2013 and in 2009 and 2007 and in Solo in Central Java in 2008.

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

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

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

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

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

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

During recent years, large parts of Asia experienced unprecedented outbreaks of avian influenza. As of February 1, 2013, the World Health Organization ("WHO") had confirmed a total of 364 fatalities in a total number of 615 cases reported to the WHO, which only reports laboratory confirmed cases of avian influenza. Of these, the Indonesian Ministry of Health reported to the WHO 160 fatalities in a total number of 192 cases of avian influenza in Indonesia. In addition, the WHO announced in June 2006 that human-to-human transmission of avian influenza had been confirmed in Sumatra, Indonesia. According to the United Nations Food and Agricultural Organization, avian influenza virus is entrenched in 31 of Indonesia's 33 provinces and efforts to contain avian influenza are failing in Indonesia, increasing the possibility that the virus may mutate into a deadlier form. No fully effective avian influenza vaccines have been developed and an effective vaccine may not be discovered in time to protect against a potential avian influenza pandemic.

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

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

Labor activism and unrest may adversely affect our business

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

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

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

One of the most important immediate causes of the economic crisis which began in Indonesia in mid-1997 was the depreciation and volatility of the value of the Indonesian rupiah, as measured against other currencies, such as the U.S. dollar. Although the Indonesian rupiah has appreciated considerably from its low point of approximately Rp17,000 per U.S. dollar in 1998, it may experience volatility again

in the future. During the period between January 1, 2010 through December 31, 2012, the Indonesian rupiah/U.S. dollar exchange rate ranged from a low of Rp9,707 per U.S. dollar to a high of Rp8,460 per U.S. dollar. We cannot assure you that future depreciation or volatility of the Indonesian rupiah against other currencies, including the U.S. dollar, will not occur. To the extent the Indonesian rupiah depreciates further from the exchange rates at December 31, 2012, 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 24, 2013, 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 subject to corporate disclosure and reporting requirements that differ from those in other countries

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

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

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

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

RISKS RELATING TO OUR BUSINESS

We operate in a legal and regulatory environment that 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, has to a certain extent resulted in the liberalization of the telecommunications industry, including facilitation of new market entrants and changes to the competitive structure of the telecommunications industry. However, in recent years, the volume and complexity of regulatory changes has created an environment of considerable regulatory uncertainty. In addition, as the reform of the Indonesian telecommunications sector continues, competitors, potentially with greater resources than us, may enter the Indonesian telecommunications sector and compete with us in providing telecommunications services. For example, since January 2007, the Government, through the Ministry of Communication and Information Technology ("MOCIT"), has been responsible for setting reference tariffs for interconnection services. See "Item 3: Key Information—Risk Factors—Risks Relating to Our Business—We depend on interconnection agreements relating to the use of our competitors' cellular and fixed-line telephone networks." The MOCIT sets interconnection tariffs for dominant service providers on a "cost" basis, based on RIOs submitted by the dominant service providers. In contrast, telecommunications operators which are not designated as dominant operators may simply notify the MOCIT regarding their interconnection tariffs and may implement such tariffs for its customers without MOCIT approval. The disparity in the treatment of dominant and non-dominant telecommunications operators may create opportunities for new entrants in the telecommunications industry, providing them with increased flexibility to establish lower tariffs and offer lower pricing terms to their customers.

In addition, the tariffs in our RIOs have been decreasing in the past few years, and we expect this downward trend to continue. Any decrease in the amount of interconnection costs might reduce our revenue and also our costs for inter-operator traffic. In addition, on December 12, 2011, the Government, through the Indonesian Telecommunication Regulatory Body ("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. 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 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 IDR 1.3 trillion 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 14, 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 Indosat of similar corruption charges. Furthermore, on January 3, 2013, the AGO also filed corruption charges against IM2 and Indosat as corporate suspects for the alleged illegal use of Indosat's 2.1 GHz frequency band without proper permission from the Government. IM2, Indosat and their respective former President Directors are seeking to nullify the charges that have been filed against them by arguing that the AGO's charges under the Corruption Law are baseless; violation (if any) of practices in the telecommunication sector should be subject to the Telecommunication Law, including the relevant sanctions thereto. IM2 and the Company are also seeking to nullify charges against their respective former President Directors by arguing that the agreement between IM2 and the Company was an agreement between two companies and was executed in accordance with all applicable laws and regulations, including the prevailing regulations in the telecommunication and the non-tax state revenue sectors. Indosat and IM2 are also stating that IM2 was lawfully using Indosat's cellular telecommunication network, and was not unlawfully using the 2.1 GHz frequency band detached of the cellular telecommunication network, as alleged. The court proceeding against the former President Director of IM2 commenced at the Corruption Court in January 2013. As one of the efforts to contest the allegation of corruption, the former President Director of IM2, together with IM2 and the Company, has been seeking for an annulment of the determination of the state loss by the Finance and Development Supervisory Agency or BPKP before the Jakarta Administrative Court. On February 7, 2013, the Jakarta Administrative Court rendered an interim decision to stay the implementation of BPKP's decision pending its final decision on the annulment request. As of April 24, 2013, the Corruption Court has examined 17 witnesses, including expert witnesses, 15 of whom have testified that the cooperation agreement between IM2 and the Company does not breach the prevailing laws and regulations, and there is no sharing of the 2.1GHz frequency band as alleged, with only two expert witnesses having testified that the agreement is unlawful. The Company cannot assure you that the corruption case that has been filed against the Company or IM2 or their respective former President Directors will be decided in our favor. An unfavorable court decision relating to these matters may result in 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 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, 2010, 2011 and 2012, our actual consolidated capital expenditures

totaled Rp5,986.0 billion, Rp6,519.8 billion and Rp8,407.5 billion (US$869.4 million), respectively. During 2013, we intend to allocate Rp8,627.5 billion (US$892.2 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2013 for capital expenditure commitments in prior periods, will result in approximately Rp11,358.7 billion (US$1,174.6 million) total actual capital expenditures for 2013. Our ability to fund capital expenditures in the future will depend on our future operating performance, which is subject to prevailing economic conditions, levels of interest rates and financial, business and other factors, many of which are beyond our control, and upon our ability to obtain additional external financing. We cannot assure you that additional financing will be available to us on commercially acceptable terms, or at all. In addition, we can only incur additional financing in compliance with the terms of our debt agreements. Accordingly, we cannot assure you that we will have sufficient capital resources to improve or expand our telecommunications infrastructure technology or update our other technology to the extent necessary to remain competitive in the Indonesian telecommunications market. Our failure to do so could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

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

On June 22, 2008, Qatar Telecom (Qtel) Q.S.C. ("Qtel"), through its subsidiary, Qatar South East Asia Holding S.P.C. purchased all of the issued and outstanding shares of capital stock of each of Indonesia Communications Limited ("ICLM"), and Indonesia Communications Pte. Ltd. ("ICLS") from Asia Mobile Holdings Pte. Ltd. ("AMH"), a company incorporated in Singapore. Following this acquisition, a change of control occurred in the Company, requiring Qtel to conduct a mandatory tender offer. In connection with the tender offer, on 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 BKPM dated December 19, 2008, pursuant to

which BKPM confirmed that the maximum amount of foreign capital ownership in the Company shall be 65.0%, and that the Company may still conduct its cellular network operation and local fixed network business and (ii) permitting Qtel to conduct the tender offer. Following the issuance of such letter, Qtel conducted a mandatory tender offer to acquire up to 1,314,466,775 Series B Shares, representing approximately 24.19% of our total issued and outstanding Series B Shares (including Series B Shares represented by ADSs).

As we are a publicly listed company, we believe that the Negative List restrictions do not apply to us. Article 4 of the Negative List 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. 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, Telkom and Telkomsel. The Government may give priority to Telkom's or Telkomsel's businesses over ours

As of December 31, 2012, the Government had a 14.29% equity stake in us, including the Series A share, which has special voting rights and veto rights over certain strategic matters under our Articles of Association, including decisions on dissolution, liquidation and bankruptcy, and also permits the Government to nominate one Director to our Board of Directors and one Commissioner to our Board of Commissioners.

As of December 31, 2012, the Government also had a 53.90% equity stake in Telkom, which is our foremost competitor in fixed IDD telecommunications services. As of the same date, Telkom owned a 65.0% interest in Telkomsel, one of our two main competitors in the provision of cellular services. The percentage of the Government's ownership interest in Telkom is significantly greater than its ownership interest in us. We cannot assure you that significant Government policies and plans will support our business or that the Government will treat us equally with Telkom and Telkomsel when implementing future decisions, or when exercising regulatory power over the Indonesian telecommunications industry. If the Government were to give priority to Telkom's or Telkomsel's business over ours, our business, financial condition, and results of operations and prospects could be materially and adversely affected.

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

As of December 31, 2012, Ooredoo Asia Pte. Ltd. (previously known as Qatar Telecom (Qtel Asia) Pte. Ltd.) ("Ooredoo Asia"), owned approximately 65.0% of our issued and outstanding share capital. Ooredoo Asia is currently wholly owned and controlled by Qtel, 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 and for class action allegations, we may be subject to substantial liability which could lead to a decrease in our revenue and affect our business, reputation and profitability

On 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.5/1999 on Prohibition Against Monopolistic Practice and Unfair Business Competition ("Anti-monopoly Law" or "Law No. 5 / 1999"). On June 18, 2008, the KPPU determined that PT Telekomunikasi Indonesia Tbk ("Telkom"), PT Telekomunikasi Selular ("Telkomsel"), PT XL Axiata Tbk. ("XL"), PT Bakrie Telecom Tbk ("Bakrie Telecom"), PT Mobile-8 Telecom Tbk ("Mobile-8," and subsequent to March 2011, "Smartfren") and PT Smart Telecom ("Smart Telecom") had jointly breached Article 5 of the Anti-monopoly Law. Mobile-8 appealed this ruling to the Central Jakarta District Court, where Telkomsel, XL, Telkom, Indosat, PT Hutchison CP Telecommunication ("Hutchison"), Bakrie Telecom, Smart Telecom, PT Natrindo Telepon Selular ("Natrindo") were summoned to appear as co-defendants in the hearing, while Telkomsel appealed this ruling to the South Jakarta District Court. Although the KPPU decided in our favor with respect to the allegations of price-fixing of SMS, we cannot assure you that the District Court will affirm the KPPU decision. In 2011, the Supreme Court issued a ruling appointing the Central Jakarta District Court jurisdiction to examine the objections filed in the appeal of the KPPU decision. The District Court will consider objections against the KPPU decision based on a re-examination of the KPPU decision and case files submitted by KPPU. If the District Court issues a verdict against us, we could be subjected to the payment of a fine, the amount of which will be subject to the discretion of the District Court, which could have an adverse effect on our business, reputation and profitability.

In addition, a series of class action lawsuits were filed against us and Telkomsel during 2007 and 2008, which alleged we engaged in price fixing violations. These lawsuits have all been either withdrawn by the plaintiffs or the relevant courts have ruled that such cases were unacceptable, meaning the courts, without ruling on the merits of the case, found that the plaintiffs did not have proper legal standing, there were formal defects in the lawsuit or the allegations were too vague. However, we cannot assure you that other subscribers will not file similar cases in the future, which may subject us to legal damages or other liabilities which could have an adverse effect on our business, reputation and profitability.

We are exposed to interest rate risk

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

We are exposed to counter-party risk

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

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

Changes in exchange rates have affected and may continue to affect our financial condition and results of operations. Our

U.S. dollars-denominated debt obligations higher 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 dollar, to finance further capital expenditures. While a portion of our operating revenues are also 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. In 2005, in an effort to manage our foreign currency exposure and lower our overall funding costs, we entered into several foreign currency swap contracts with three separate international financial institutions. From 2006 to 2009, we also entered into several foreign currency swap contracts with six international financial institutions in an effort to reduce our foreign currency risk exposure. For these contracts, we pay either an upfront or fixed rate premium. In 2011, we entered into a number of foreign currency forward contracts with nine financial institutions to reduce our foreign currency exchange risk exposure. In 2012, we entered into a number of foreign currency forward and option contracts with eight financial institutions to reduce our foreign currency exchange risk exposure. We cannot assure you that we will be able to manage our exchange rate risk successfully in the future or that our business, financial condition or results of operations will not be adversely affected by our exposure to exchange rate risk.

We have identified material weaknesses in our internal controls over financial reporting and cannot assure you that additional material weaknesses will not be identified in the future.

As discussed in "Item 15—Controls and Procedures," as stipulated in our Annual Report on Form 20-F. we identified a material weakness in our internal controls over financial reporting relating to the determination of the accounting treatment for lease arrangements. This resulted in misstatements which have been corrected through the restatement of our 2010 and 2011 IFRS financial statements. Our management likewise concluded that our disclosure controls and procedures were not effective as of December 31, 2012. In addition, Purwantono, Suherman & Surja, a member firm of Ernst & Young Global Limited, the independent registered public accounting firm, also has opined that we have not maintained effective internal control over financial reporting as of December 31, 2012, in our IFRS finance statements because of the same material weakness.

In response to our study and analysis, management plans to dedicate resources and take steps to remediate control processes and procedures in order to prevent a recurrence of the circumstances that resulted in the material weakness and the need to restate our consolidated IFRS financial statements.

We cannot assure you that these steps will be successful in preventing material weaknesses or significant deficiencies in our internal controls over financial reporting in the future. In addition, any such failure could adversely affect our ability to report financial results on a timely and accurate basis, which could have other material effects on our business, reputation, results of operations, financial condition or liquidity. Material weaknesses in internal controls over financial reporting or disclosure controls and procedures could also cause investors to lose confidence in our reported financial information, which could have an adverse effect on the trading price of our securities.

RISKS RELATING TO OUR CELLULAR SERVICES BUSINESS

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

The Indonesian cellular services business is highly competitive. Competition among cellular service providers in Indonesia is based on various factors, including pricing, network quality and coverage, the range of services, features offered and customer service. Our cellular services business competes primarily against Telkomsel and XL. Several other smaller GSM and CDMA operators also provide cellular services in Indonesia, including Hutchison, PT Axis Telekom Indonesia and PT Smartfren Telecom Tbk. In addition to current cellular service providers, the MOCIT may license additional cellular service providers in the future, and such new entrants may compete with us. Moreover, licenses for additional bandwidth may be granted to any existing cellular service providers. For example, in March 2013, the MOCIT announced that Telkomsel and XL were winners of the tender process for an additional 5

Mhz bandwidth at 2.1 GHz radio frequency for the provision of 3G cellular services using IMT-2000 technology, resulting in each of Telkomsel and XL being licensed for an aggregate of 15 Mhz bandwidth at 2.1 Ghz radio frequency. 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.

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 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 widespred 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. Indosat through IM2 has been actively deploying Wi-fi hotspot technology under the SuperWifi project. 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 ARPU from voice services has been decreasing and there is no assurance that we will be successful in extending or launching existing or new products and services, including data services, to offset such decrease

Our ARPU from voice services has 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 has been causing a shift in the demand for basic services (voice services and SMS) in the telecommunications industry. Although demand for data services has been increasing, margins from data services has been lower compared to margins from the provision of basic services due to a competitive market for data services. As part of our strategy, we intend to introduce and continue to develop data products and services for a deeper and wider market segment and to invest heavily on data services because we believe that 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 data services and maintaining our revenue and profit margins.

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

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

The disruption to our premium SMS services due to the ITRA's action has resulted in a substantial reduction of our revenues from these services. Similar action by the ITRA or the MOCIT in the future may likewise reduce or restrict the growth of our revenues from these services or other related or new products. The ITRA or the MOCIT may also take more aggressive action that may lead to disruptions in the delivery of our products or fines or other administrative sanctions. Any of these factors may materially and adversely affect our results of operations and financial condition. ITRA currently still prohibits SMS broadcast promotions for premium SMS services, which is one of the most effective promotions used by content providers to promote their premium SMS services. The continued prohibition of SMS broadcast promotions could adversely affect the revenues from our cellular services business and our business prospects, financial condition and results of operations.

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

We have expended significant financial resources to develop and expand our cellular network and add to our cellular subscriber base. However, the uncertain economic situation in Indonesia and increasing prices of primary goods may decrease our cellular subscribers' purchasing power. Moreover, a continued decline in effective tariffs for voice usage resulting from "free-talk" campaigns and recent tariff discount promotions, increasing SMS usage, the Government mandated deregistration of users from premium SMS services in 2011, and greater cellular penetration in the lower-income segment of the market has led to a decrease in ARPU in 2011. Our cellular subscribers (including wireless broadband subscribers) increased from approximately 44.3 million as of December 31, 2010 to approximately 51.7 million as of December 31, 2011, to approximately 58.5 million as of December 31, 2012. For the years ended December 31, 2010, 2011 and 2012, our ARPU was Rp34,712, Rp28,381 and Rp27,781 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. At the beginning of the second quarter of 2012, we launched a sales program which changed the incentive scheme extended to our dealers as a means of attracting new subscribers. We believe that this program contributed to the decrease in our churn rate to 14.2% in 2012, compared to 14.3% in 2011, but 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 central and 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. See "Item 4: Information on the Company—The Telecommunications Law—Tower Sharing Obligation." Under the regulation, the construction of telecommunications towers requires permits from the relevant governmental institution, while the local government determines the placement and location at which telecommunications towers can be constructed. Moreover, a joint regulation promulgated on March 30, 2009 by the Minister of Home Affairs, the Minister of Public Works, the MOCIT and the Head of the Indonesia Investment Coordinating Board requires a tower construction permit for every tower built and used for telecommunications services, which would demonstrate compliance with certain technical specifications. If a tower owner fails to obtain such a permit, the appropriate regional authorities will be entitled to impose penalties on

the tower owner. Moreover, a telecommunications provider which owns telecommunication towers or tower owner is obligated to allow other telecommunication operators to utilize its telecommunication towers (other than the towers used for its main network), without any discrimination.

Such regulatory requirements may require us to adjust our telecommunications tower construction and leasing plans, relocate our existing telecommunications towers, allow other operators access to our telecommunications towers and perform other measures which may result in the increase of telecommunications tower construction costs, delays in the construction process and potential service disruption for our subscribers. If we cannot fulfill the regulatory requirements for telecommunications towers or meet our own network capacity needs for telecommunications towers, we may face difficulties in developing and providing cellular GSM, fixed wireless access and 3G telecommunications services. Our dependency on our own or others' telecommunications tower infrastructure, combined with the burden of 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 2010, 2011 and 2012, we paid frequency fees amounting to Rp1.6 trillion, Rp1.8 trillion and Rp2.1 trillion (US$217.2 million), respectively. As one of the largest holder of spectrum in Indonesia, we expect to continue to pay a large amount of frequency fees going forward. Future increases in frequency fees are expected to mainly be based on increases in the consumer price index and the population of Indonesia. As a result, changes in macroeconomic conditions in Indonesia could result in increases in frequency fees which, if significant, could adversely affect our business, financial condition and results of operations.

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

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

RISKS RELATING TO OUR FIXED DATA ("MIDI") SERVICES BUSINESS

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

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

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

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

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

We maintain in-orbit insurance on our Palapa-C2 and Palapa-D satellites on terms and conditions consistent with industry practice. As of December 31, 2012, we had an insurance policy with a total coverage limit of US$117.7 million for total loss of our Palapa D satellites. If damage or failure renders our satellites unfit for use, we may elect to cease our satellite operations or lease transponder capacity from a third-party provider rather than acquiring a new satellite. The termination

of our satellite business could increase operating expenses associated with our provision of other telecommunications services and could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO OUR FIXED TELECOMMUNICATIONS SERVICES BUSINESS

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

Telkom, a well-established Indonesian telecommunications incumbent with significant political and financial resources, obtained a license to provide international long-distance services and launched its commercial service in 2004. As a result of Telkom's entry into the international long-distance market, we lost market share and experienced other adverse effects relating to our fixed telecommunications services business. By the end of 2006, Telkom had acquired significant market share for IDD services. In addition, in 2009, the Government issued Bakrie Telecom an international long-distance license in an effort to encourage greater competition in the international long-distance services market. The operations of incumbents and the entrance of new operators into the international long-distance market, including the VoIP services provided by such operators, continue to pose a significant competitive threat to us. We cannot assure you that such adverse effects will not continue or that such increased competition will not continue to erode our market share or adversely affect our fixed telecommunications services operating margins and results of operations.

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

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

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



FAST AND FOCUSED EXECUTION GENERATING FORWARD GAINS



OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes there to as of December 31, 2010, 2011 and 2012. The audited consolidated financial statements have been prepared in accordance with Indonesia Financial Accounting Standards (IFAS). 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 "Forward-Looking Statements" and "Risk Factors" elsewhere in this report.

A. OPERATING RESULTS

We are a fully integrated Indonesian telecommunications network and service provider and provide a full complement of national and international telecommunications services in Indonesia. As of December 31, 2012, we were the second-largest cellular operator in Indonesia in terms of number of cellular subscribers based on available market data. We provide MIDI services to Indonesian and regional corporate and retail customers as well as international long-distance services in Indonesia.

Factors Affecting our Results of Operations and Financial Condition

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

Cellular Subscriber Base and Usage Patterns

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

We are the second-largest cellular provider in Indonesia, as measured by the number of cellular subscribers, with 58.5 million subscribers (including wireless broadband subscribers) as of December 31, 2012.

In 2009, we implemented a strategy to minimize lower-value "calling card" type subscribers, whom we believed were short-term subscribers and were not likely to recharge their SIM cards. Our total subscribers increased by approximately 16.8% from 44.3 million in 2010 to 51.7 million in 2011 and by approximately 13.1% to 58.5 million in 2012.

Competition

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

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

Based on our internal estimates, the three major providers of wireless services in Indonesia, Telkomsel, us and XL, accounted for almost 94% of the wireless subscriber base in Indonesia in 2012. We compete with Telkomsel and XL primarily on the basis of network coverage, quality or service and price. We believe that the size of our subscriber base provides us with a significant competitive advantage over the smaller cellular providers, since we have a larger base of "on net" subscribers and we are able to provide more attractive pricing for on net calls, since we do not pay any interconnection charges to third parties.

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

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

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

Tariff and Pricing Levels

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

For example, on December 12, 2011, the Government, through the ITRA, issued letter No.262/BRTI/XII/2011, under which tariffs for SMS 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.



Indosat plans to partake in the growth of the Indonesian telecommunications industry, as the Indonesian economy continues to develop and modernize.

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

The Indonesian Economy

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

Tower Sale Transaction

On February 7, 2012, the Company entered into an Asset Purchase Agreement with Tower Bersama, whereby the Company agreed to sell 2,500 of its telecommunication towers to Tower Bersama for a total consideration of US$518.5 million, consisting of upfront consideration with a fair value of US$406.0 million and a maximum potential deferred payment of US$112.5 million. The upfront payment includes cash and newly issued TBIG shares of not less than 5% of the increase in TBIG's capital stock (upon the rights issue of TBIG). 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 a fixed monthly lease rate of US$1,300 per tower.

On August 2, 2012, the Company 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 TBIG, which has a fair value of US$103.1 million.



The total consideration received at closing of US$429.4 million (equivalent to approximately Rp4,070,187 million) is allocated for the sale of property and equipment amounting to Rp3,870,600 million and the remainder is 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 as of the closing date amounted to Rp1,534,494 million, which includes the carrying amount of the property and equipment sold as of the closing date of the transaction that amounted to Rp1,372,674 million. As of the closing date, the Company 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 equipments) as "Gain on Sale of Towers" of Rp1,125,192 million, and "Deferred Gain on Sales and Leaseback" of Rp1,410,501 million. As of December 31, 2012, the Company recorded a total gain on the sale of the towers amounting to Rp1,183,963 million (US$122.4 million) as "Gain on Tower Sale". The sale and leaseback transaction has been accounted for as resulting in a finance lease. Rp58,771 million (US$6.1 million) of the deferred gain was amortized to the income statement in 2012. As of December 31, 2012, the balance of the deferred gain from the sale and leaseback transaction amounted to Rp1,351,730.0 million. The deferred gain will be amortized over the term of the lease period of 10 years.

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, 2010, 2011 and 2012, our actual consolidated capital expenditures totaled Rp5,951.8 billion, Rp6,511.3 billion and Rp8,396.6 billion (US$868.3 million), respectively. During 2013, we intend to allocate approximately Rp8,627.5 billion (US$898.7 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2013 for capital expenditure commitments in prior periods, will result in approximately Rp11,358.7 billion (US$1,174.6 million) total actual capital expenditures for 2013, which we intend to use for the development of fixed assets in our cellular, fixed data and fixed telecommunications business lines. See "—Capital Expenditures."

Historically, we have funded our capital expenditures through internal resources and cash flow from operations, as well as debt financings through bank loans and the capital markets. We expect to continue to finance our capital expenditures through such sources. In addition, we also applied a portion of the cash proceeds from the Tower Sale Transaction completed in 2012 towards funding our capital expenditures. 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 2013, 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, 2010 through December 31, 2012, the Indonesian rupiah/U.S. dollar exchange rate ranged from a low of Rp9,707 per U.S. dollar to a high of Rp8,460 per U.S. dollar, and, during the year 2012, the Indonesian rupiah/U.S. dollar exchange rate ranged from a low of Rp9,707 per U.S. dollar to a high of Rp8,892 per U.S. dollar. The prevailing Bank Indonesia exchange rate was Rp9,670 U.S. dollar on December 31, 2012. While a substantial portion of our operating revenues is denominated in Indonesian rupiah, a portion of our operating revenues is U.S. dollar-denominated. In addition, a substantial portion of our borrowings, capital expenditures and operating expenses, including interest payments on our Guaranteed Notes due 2020 and ING/DBS Syndicated Loan Facility, are denominated in currencies other than Indonesian rupiah, principally the U.S. dollar. As of December 31, 2012, 50.0% 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 MIDI services and satellite operations. For the year ended December 31, 2010, we recorded a gain on foreign exchange-net of Rp492.4 billion; for the year ended December 31, 2011, we recorded a loss on foreign exchange-net of Rp36,7 billion; and for the year ended December 31, 2012, we recorded a loss on foreign exchange-net of Rp744.6 billion (US$77.0 million).

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

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

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,

	2010*		2011*		2012		
	Rp	%	Rp	%	Rp	US$	%
	(Rp in billions, US$ in millions, except percentages)						
Cellular services	15,876.9	80.4	16,587.4	80.8	18,489.3	1,912.0	82.5
MIDI services	2,580.0	13.1	2,691.9	13.1	2,908.0	300.8	13.0
Fixed telecommunications	1,278.1	6.5	1,250.0	6.1	1,021.5	105.6	4.5
Total operating revenues	19,735.0	100.0	20,529.3	100.0	22,418.8	2,318.4	100.0

*) Restated

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

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

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

For the years ended December 31,

	2010*		2011*		2012		
	Rp	%	Rp	%	Rp	US$	%
	(Rp in billions, US$ in millions, except percentages)						
Usage charges	7,944.0	50.0	8,203.8	49.5	8,629.7	892.4	46.7
Value-added services	7,039.2	44.3	7,502.1	45.2	7,868.4	813.7	42.6
Interconnection revenues	1,252.8	7.9	1,182.4	7.1	2,175.0	224.9	11.8
Tower leasing	252.0	1.6	419.7	2.5	504.9	52.2	2.7
Monthly subscription charges	200.5	1.3	134.0	0.8	136.4	14.1	0.7
Connection fee	2.9	0.0	14.2	0.1	12.6	1.3	0.1
Sale of Blackberry handsets and modems	35.0	0.2	1.7	0.0	0.2	0.0	0.0
Others	169.1	1.1	246.0	1.5	184.4	19.1	1.0
Up front discount and customer loyalty program	(1,018.6)	-6.4	(1,116.5)	-6.7	(1,022.3)	(105.7)	-5.6
Total cellular services operating revenues	15,876.9	100.0	16,587.4	100.0	18,489.3	1,912.0	100.0

*) Restated

A substantial proportion of our cellular subscribers, approximately 98.9% as of December 31, 2012, are prepaid subscribers. We offer a variety of value-added services to our prepaid subscribers, which have increased cellular services operating revenues from value-added services, particularly SMS and value-added SMS, which allows subscribers to access a variety of information, such as politics, sports and business news. Revenues from value-added services (including SMS) represented 44.3%, 45.2% and 42.6% of our cellular services operating revenues for the years ended December 31, 2010, 2011 and 2012 respectively. We expect the revenues derived from SMS and other value-added services to increase, which we believe will be primarily driven by our wireless broadband services, the popularity of social networking sites and the development of other popular online content.

We recognize cellular revenues as follows:

- cellular revenues arising from airtime and roaming calls are recognized based on the duration of successful calls made through our cellular network;
- for post-paid subscribers, monthly service fees are recognized as the service is rendered;
- for prepaid subscribers, the activation component of starter package sales is deferred and recognized as revenue over the expected average period of the customer relationship. Sales of initial/reload vouchers are recorded as deferred 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;
- revenues from network interconnection with other domestic and international telecommunications carriers are recognized monthly on the basis of the actual recorded traffic for the month.

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

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

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

Fixed Telecommunications Services. Fixed telecommunications services include international long-distance, fixed wireless access services, and fixed line services. International long-distance services, which are comprised of our "001" and "008" IDD services, "Flatcall 01016" as well as operator-assisted and value-added services, represented 78.5% of our operating revenues from fixed telecommunications services for the year ended December 31, 2012, and fixed wireless access and fixed line services represented the balance.

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

Fixed Wireless Access Services. As of December 31, 2011, we had 174,339 fixed wireless access subscribers in 77 cities in Indonesia. By the end of 2010, we expanded our fixed wireless access services to several additional cities in order to create capacity for approximately four million fixed wireless access subscribers.

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

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

Operating Expenses

Our principal operating expenses include cost of services, depreciation and amortization, personnel expenses, marketing expenses, 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—Bapepam rules.

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

Costs of Services. Costs of services expenses include radio frequency fee, interconnection expenses, maintenance, utilities, rents, Blackberry access fee, leased circuits, the cost of SIM cards and pulse reload vouchers, 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, the Company 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 recognize the leased assets on our balance sheet and recognize depreciation expense on the leased assets.

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

Personnel. Personnel expense 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.

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 Rp1,125,192 million (US$116.3 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 Rp58,771 million (US$6.1 million) 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 exchanges incurred from our long term debts as part of financing items in our statement of comprehensive income. We currently hedge a portion of our ING/DBS Syndicated Loan Facility. See "Item 11: Quantitative and Qualitative Disclosures About Market Risk." Financing cost primarily includes interest on loans and finance charges under finance leases.

Taxation

Current tax expense is provided based on the estimated taxable income for the period. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carryover of unused tax losses, are also recognized to the extent that realization

of such benefits is probable. The tax effects for the period are allocated to current operations, except for the tax effects from transactions which are directly charged or credited to stockholders' equity.

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

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

Profit Attributable to Owners of the Company

Our profit attributable to owners of the Company for the years ended December 31, 2010, 2011 and 2012 is not necessarily commensurate to our operating revenues and operating income during such periods, in part due to large fluctuations in several non-operating items, which have impacted our profit attributable to owners of the Company over such periods. Such non-operating items include, among others, fluctuations in income tax deferred, gain or loss on foreign exchange net, and gain or loss on change in the fair value of derivatives net. We expect this trend to continue.

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,

	2010*	2011*	2012
Operating revenues:			
Cellular	80.4%	80.8%	82.5%
MIDI	13.1%	13.1%	13.0%
Fixed telecommunications	6.5%	6.1%	4.5%
Total operating revenues	**100.0%**	**100.0%**	**100.0%**
Operating expenses:			
Cost of services	37.0%	36.7%	39.7%
Depreciation and amortization	30.9%	31.9%	36.9%
Personnel	7.3%	9.3%	6.4%
Marketing	3.9%	4.2%	4.1%
General and administration	3.0%	2.7%	2.8%
Gain on tower sale	–	–	(5.3)%
Gain on foreign exchange	(0.9)%	(0.4)%	(0.2)%
Others – net	0.4%	0.2%	1.4%
Total operating expenses	**81.6%**	**84.6%**	**85.8%**
Net Profit:			
Operating profit	18.4%	15.4%	14.2%
Other expense-net	(12.8)%	(8.9)%	(12.2)%
Profit before income tax	5.6%	6.5%	2.0%
Income tax benefit (expense)-net	(1.9)%	(1.3)%	0.1%
Profit attributable to Owners of the Company	3.4%	4.7%	1.6%
Profit attributable to Non-controlling interest	0.3%	0.5%	0.5%

*) Restated

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

For the years ended December 31,

	2010*		2011*		2012		
	Rp	%	Rp	%	Rp	US$	%
	(Rp in billions, US$ in millions, except percentages)						
Cellular Services							
Usage charges	7,944.0	50.0	8,203.8	49.5	8,629.7	892.4	46.7
Value-added services	7,039.2	44.3	7,502.1	45.2	7,868.4	813.7	42.6
Interconnection revenues	1,252.8	7.9	1,182.4	7.1	2,175.0	224.9	11.8
Tower leasing	252.0	1.6	419.7	2.5	504.9	52.2	2.7
Monthly subscription charges	200.5	1.3	134.0	0.8	136.4	14.1	0.7
Connection fee	2.9	0.0	14.2	0.1	12.6	1.3	0.1
Sale of Blackberry handsets and modems	35.0	0.2	1.7	0.0	0.2	0.0	0.0
Others	169.1	1.1	246.0	1.5	184.4	19.1	1.0
Up front discount and customer loyalty program	(1,033.6)	-6.4	(1,116.5)	-6.7	(1,022.3)	(105.7)	-5.6
Subtotal	**15,876.9**	**100.0**	**16,587.4**	**100.0**	**18,489.3**	**1,912.0**	**100.0**
MIDI							
IP VPN	605.7	23.5	695.9	25.9	711.4	73.6	24.5
Internet	519.6	20.1	375.7	14.0	422.1	43.7	14.5
World link and direct link	278.8	10.8	295.0	11.0	314.9	32.6	10.8
Leased line	189.1	7.3	261.4	9.7	148.6	15.4	5.2
Application services	168.2	6.5	192.6	7.2	251.9	26.0	8.7
Satellite lease	136.0	5.3	150.9	5.6	213.0	22.0	7.3
Value-added service	142.2	5.5	264.6	9.8	173.9	18.0	6.0
Frame net	227.1	8.8	123.2	4.6	135.8	14.0	4.7
Digital data network	94.7	3.7	103.1	3.8	112.6	11.6	3.9
TV Link	5.1	0.2	6.1	0.2	6.0	0.6	0.2
MPLS	66.6	2.6	89.9	3.3	304.9	31.5	10.5
Others	146.9	5.7	133.5	4.9	112.9	11.8	3.7
Subtotal	**2,580.0**	**100.0**	**2,691.9**	**100.0**	**2,908.0**	**300.8**	**100.0**
Fixed Telecommunications							
International Calls	978.2	76.5	934.0	74.7	801.5	82.8	78.5
Fixed Wireless	174.1	13.6	192.8	15.4	98.3	10.2	9.6
Fixed Line	125.8	9.9	123.2	9.9	121.7	12.6	11.9
Others	—	—	—	—	—	—	—
Subtotal	**1,278.1**	**100.0**	**1,250.0**	**100.0**	**1,021.5**	**105.6**	**100.0**
Total	**19,735.0**		**20,529.3**		**22,418.8**	**2,318.4**	

*) Restated

Operating Revenues

Year ended December 31, 2011 compared to Year ended December 31, 2012

Total operating revenues increased from Rp20,529.3 billion in 2011 to Rp22,418.8 billion (US$2,318.4 million) in 2012, or 9.2%, primarily as a result of an increase in our cellular services revenue and our MIDI services revenue. During 2012, operating revenues from cellular services increased by Rp1,901.9 billion, or 11.5%, from Rp16,587.4 billion in 2011. Operating revenues from MIDI services increased by Rp216.1 billion, or 8.0%, from Rp2,691.9 billion in 2011. Operating revenues from fixed telecommunications services in 2012 decreased by Rp228.5 billion, or 18.3%, from Rp1,250.0 billion in 2011.

Cellular Services. In 2012, we recorded cellular services operating revenues of Rp18,489.3 billion (US$1,912.0 million), an increase of 11.5% from Rp16,587.4 billion in 2011. We believe that the increase was primarily a result of an increase in the number of subscribers, SMS interconnection revenue and in the revenue from tower leasing. Operating revenues from cellular services represented 82.5% of our total operating revenues for 2012, which is higher than the percentage for 2011.

Usage charges increased by Rp425.9 billion, or 5.2%, from 2011, and represented 42.6% of our total cellular services operating revenues. This increase in usage was primarily due to an increase in the total Minutes of Usage by our subscribers.

MIDI Services. In 2012, operating revenues from MIDI services increased by Rp216.1 billion from Rp2,691.9 billion in 2011 to Rp2,908.0 billion (US$300.8 million) in 2012. IP VPN operating revenues represent the largest component of MIDI services operating revenue. IP VPN operating revenues increased by Rp15.5 billion from Rp695.9 billion in 2011 to Rp711.4 billion in 2012. The increase in MIDI services operating revenues, including those from international and domestic leased line services, was primarily due to increase in usage by consumers despite a decline in prices of our services as a result of competitive pressure.

Fixed Telecommunications Services. There was a decrease in fixed telecommunications services operating revenues from Rp1,250.0 billion in 2011 to Rp1,021.5 billion (US$105.6 million) in 2012. Operating revenues from international calls and fixed wireless access services represented 78.5% and 9.6%, respectively, of fixed telecommunications services operating revenues in 2012. The remaining 11.9% of fixed telecommunications services operating revenues in 2012 was generated by fixed line. Revenues from international calls decreased from Rp934.0 billion in 2011 to Rp801.5 billion (US$82.8 million) in 2012 due to a decrease in outgoing IDD traffic from Indosat and non-Indosat subscribers.

Operating Expenses

Operating expenses increased by Rp1,866.5 billion, or 10.7%, from Rp17,373.5 billion in 2011 to Rp19,240.0 billion (US$1,988.5 million) in 2012, primarily due to increases in cost of services expenses, depreciation and amortization expenses, marketing expenses, general and administration expenses and others—net expenses. This increase was offset in part by a decrease in personnel expenses, as well as by the gain on tower sale of Rp1,184.0 billion (US$122.4 million) recognized in 2012 as a result of the sale and leaseback transaction on August 2, 2012.

Personnel expenses decreased by Rp485.4 billion, or 25.4%, from Rp1,912.6 billion in 2011 to Rp1,427.2 billion (US$147.6 million) in 2012, primarily due to the decrease in compensation expense related to the severance packages provided to participants in the VSS program, which was launched in January 2011 and completed in June 2011 for the Company and launched in December 2011 and completed in January 2012 for Lintasarta.

Cost of services expenses increased by Rp1,358.3 billion, or 18.0%, from Rp7,547.4 billion in 2011 to Rp8,905.7 billion (US$921.0 million) in 2012, primarily as a result of the implementation of the new SMS interconnection scheme, increased Governmental levies on frequency fees and 3G spectrum fees and increases in BlackBerryTM license fees.

Depreciation and amortization expenses increased by Rp1,714.6 billion or 26.1%, from Rp6,558.2 billion in 2011 to Rp8,272.8 billion (US$855.5 million) in 2012, primarily as a result of the decrease in the useful lives of our cellular technical equipment from 10 years to eight years, with effect from September 2012, 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 from Rp83,056.2 billion in 2011 to Rp88,417.6 billion (US$9,143.5 million) in 2012.

Marketing expenses increased by Rp64.6 billion, or 7.6%, from Rp855.7 billion in 2011 to Rp920.3 billion

(US$95.2 million) in 2012, driven primarily by an increase in advertising expenses and expenses relating to market research.

General and administration expenses increased by Rp76.0 billion, or 13.8%, from Rp549.5 billion in 2011 to Rp625.5 billion (US$64.7 million) in 2012, primarily due to a increase in professional fees mainly relating to legal expenses in connection with litigation relating to the misuse of 3G license.

Gain on tower sale. We recorded a gain on tower sales amounting to Rp1,184.0 billion (US$122.4 million) from the tower sale and leaseback transaction with Tower Bersama that closed in August 2012.

Gain on foreign exchange. We recorded a decrease in gain on foreign exchange from Rp90.9 billion in 2011 to Rp44.8 billion (US$4.6 million) in 2012 primarily due to additional realized loss on foreign exchange from the payment of our U.S.dollar-denominated procurement payable in 2012.

Others—net. Others—net expense increased by Rp273.5 billion or 842.7% from Rp32.4 billion in 2011 to Rp305.9 billion (US$31.6 million) in 2012 mainly due to additional consultancy fees to arrange and negotiate the tower sale and leaseback transaction and additional income tax article 23 paid to tax offices related to the tower sale and leaseback transaction in 2012.

Operating profit

As a result of the above factors, operating profit increased by Rp25.7 billion, or 0.8%, from Rp3,164.3 billion in 2011 to Rp3,190.0 billion (US$329.9 million) in 2012.

Other Expenses-Net

Other expenses-net increased by Rp895.4 billion, from Rp1,833.0 billion in 2011 to Rp2,728.4 billion (US$282.2 million) in 2012, primarily due to an increase in loss on foreign exchange and in financing costs.

Loss on foreign exchange-net of Rp54.2 billion in 2011 increased to Rp789.4 billion (US$81.6 million) in 2012. The exchange rate increased from Rp9,068 : US$1 as of December 31, 2011 to Rp9,670 : US$1 as of December 31, 2012, compared to the increase from Rp8,991 : US$1 as of December 31, 2010 to Rp9,068 : US$1 as of December 31, 2011.

We recorded a gain on change in fair value of derivatives-net of Rp5.0 billion (US$0.5 million), representing a decrease of Rp52.9 billion, over a loss on change in fair value of derivatives-net of Rp57.9 billion in 2011 due to the depreciation of the Indonesian rupiah against the U.S. dollar. due to higher cash balance mainly from the sale and leaseback transaction in 2012.

We recorded an increase in interest income to Rp133.5 billion (US$13.8 million) in 2012, which represented an increase of Rp40.9 billion, or 44.1%, from Rp92.6 billion in 2011, due to higher cash balance mainly from the sale and leaseback transaction in 2012.

We recorded an increase] in financing cost to Rp2,077.4 billion (US$214.8 million) in 2012, which represented an increase of Rp148.0 billion, or 7.7%, from Rp1,929.4 billion in 2011 as a result of an increase in interest expense from our finance lease obligations under the sale and leaseback transaction in 2012.

Income Tax Expense-Net

We recorded income tax benefit—net of Rp25.8 billion (US$2.7 million) in 2012 compared to income tax expenses of Rp264.6 billion in 2011. The decrease in income tax expense-net was primarily due to a decrease in income before tax resulting from a decrease in operating profit and gain on foreign exchange.

Profit attributable to Owners of the Company

Our net profit decreased by Rp593.5 billion, or 61.3%, from Rp968.6 billion in 2011 to Rp375.1 billion (US$38.8 million) in 2012 due to the foregoing factors.

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

Total operating revenues increased from Rp19,735.0 billion in 2010 to Rp20,529.3 billion in 2011, or 4.0%, primarily as a result of an increase in our cellular services revenue and our MIDI services revenue. During 2011, operating revenues from cellular services increased by Rp710.5 billion, or 4.5%, from Rp15,876.9 billion in 2010. Operating revenues from MIDI services increased by Rp112.0 billion, or 4.3%, from Rp2,580.0 billion in 2010. Operating revenues from fixed telecommunications services in 2011 decreased by Rp28.2 billion, or 2.2%, from Rp1,278.1 billion in 2010.

Cellular Services. In 2011, we recorded cellular services operating revenues of Rp16,587.4 billion, an increase of 4.5% from Rp15,876.9 billion in 2010. We believe that the increase was primarily a result of an increase in the number of subscribers and in the revenue from tower leasing. Operating revenues from cellular services represented 80.8% of our total operating revenues for 2011, which is higher than the percentage for 2010.

Usage charges increased by Rp259.8 billion, or 3.3%, from 2010, and represented 49.5% of our total cellular services operating revenues. This increase in usage was primarily due to an increase in the total Minutes of Usage by our subscribers.

In 2011, cellular services operating revenues generated by value-added services increased by Rp462.9 billion, or 6.6%, compared to 2010. The contribution of value-added services to cellular services operating revenues increased by 0.9% from 44.3% in 2010 to 45.2% in 2011. The increase in operating revenues from value-added services, as well as the increase in the contribution of revenues from value-added services to our overall cellular operating revenues, was driven by an increase in SMS usage. The revenue from value added services still increased despite pressure arising from Government's regulations relating to the restrictions on premium SMS services. See "Risk Factors—Risks Relating to our Cellular Services Business—The Government suspension of premium SMS services could adversely affect the revenues from our cellular services business and result in sanctions against us."

MIDI Services. In 2011, operating revenues from MIDI services increased by Rp111.9 billion from Rp2,580.0 billion in 2010 to Rp2,691.9 billion in 2011. IP VPN operating revenues represent the largest component of MIDI services operating revenue. IP VPN operating revenues increased by Rp90.2 billion from Rp605.7 billion in 2010 to Rp695.9 billion in 2011. The increase in MIDI services operating revenues was primarily generated from the "Desa Pinter" Projects (presented as part of "Value Added Service") that was entered in 2010 between Lintasarta and MOCIT.

Fixed Telecommunications Services. There was a decrease in fixed telecommunications services operating revenues from Rp1,278.1 billion in 2010 to Rp1,250.0 billion in 2011. Operating revenues from international calls and fixed wireless access services represented 74.7% and 15.4%, respectively, of fixed telecommunications services operating revenues in 2011. The remaining 9.9% of fixed telecommunications services operating revenues in 2011 was generated by fixed line. Revenues from international calls decreased from Rp978.2 billion in 2010 to Rp934.0 billion in 2011 due to a decrease in outgoing IDD traffic from Indosat and non-Indosat subscribers. The total volume of international calls from our "001" and "008" gateways increased by 11.4% from 2,186.9 million minutes in 2010 to 2,437.0 million minutes in 2011. Total incoming traffic increased by 15.5% from 1,723.9 million minutes in 2010 to 1,991.7 million minutes in 2011, primarily due to volume commitments from foreign telecommunications operators. Outgoing traffic decreased by 3.8% from 463.0 million minutes in 2010 to 445.3 million minutes in 2011 due to the decrease in volume commitments from foreign telecommunications operators.

Operating Expenses

Operating expenses increased by Rp1,269.4 billion, or 7.9%, from Rp16,095.6 billion in 2010 to Rp17,365.0 billion in 2011, primarily due to increases in personnel expenses, cost of services expenses,depreciation and amortization expenses and marketing expenses. This increase was offset in part by a decrease in administration and general expenses, gain on foreign exchange and others—net.

Personnel expenses increased by Rp476.9 billion, or 33.2%, from Rp1,435.7 billion in 2010 to Rp1,912.6 billion in 2011, primarily due to an increase in compensation expense related to the severance packages provided to participants in the VSS program, which was launched in January 2011 and completed in June 2011 for the Company and which was launched in December 2011 by Lintasarta, a subsidiary.

Cost of services expenses increased by Rp248.1 billion, or 3.4%, from Rp7,299.3 billion in 2010 to Rp7,547.4 billion in 2011, primarily as a result of increased Governmental levies on frequency fees and 3G spectrum fees, increases in BlackBerry license fees and the cost of SIM cards and pulse reload vouchers.

Depreciation and amortization expenses increased by Rp467.0 billion or 7.7%, from Rp6,091.1 billion in 2010 to Rp6,558.2 billion in 2011, primarily as a result of the continued growth of our fixed asset base. The total cost of our property and equipment increased from Rp78,537.7 billion in 2010 to Rp83,056.2 billion (US$9,159.3 million) in 2011.

Marketing expenses increased by Rp76.5 billion, or 9.8%, from Rp779.2 billion in 2010 to Rp855.7 billion in 2011, driven primarily by an increase in advertising and promotional expenses in large part related to our "50 Million Customer" campaign, a promotional campaign launched in October 2011 celebrating our attainment of over 50 million customers.

General and administration expenses decreased by Rp35.6 billion, or 6.1%, from Rp585.1 billion in 2010 to Rp549.5 billion in 2011, primarily due to a decrease in provision for the impairment of receivables.

We recorded a lower gain on foreign exchange from Rp174.1 billion in 2010 to Rp90.9 billion in 2011 primarily due to a decrease in our cash and U.S. dollar-denominated cash and cash equivalents due to payment of loans and procurement payable. Our U.S. dollar-denominated cash and cash equivalents significantly decreased from US$111.8 million as of December 31, 2010 to US$53.4 million as of December 31, 2011.

We recorded others—net expenses of Rp32.4 billion in 2011, a decrease of Rp46.8 billion compared to Rp79.2 billion in 2010, primarily due to a decrease in tax expense and related penalties, which was partially offset by a decrease in both submarine cable restoration revenue and dividend income from our investment in equity ASEAN Cableship Pte Ltd.

Operating profit

As a result of the above factors, operating profit decreased by Rp475.2 billion, or 13.1%, from Rp3,639.5 billion in 2010 to Rp3,164.3 billion in 2011.

Other Expenses-Net

Other expenses-net decreased by Rp685.1 billion, from Rp2,518.1 billion in 2010 to Rp1,833.0 billion in 2011, primarily due to an increase gain on foreign exchange, gains on changes in fair value of derivatives and a decrease in financing costs.

Gain on foreign exchange-net of Rp318.2 billion in 2010 decreased to loss on foreign exchange-net of Rp54.2 billion in 2011. The exchange rate decreased from Rp8,991 : US$1 as of December 31, 2010 to Rp9,068 : US$1 as of December 31, 2011.

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

We recorded a decrease in interest income to Rp92.6 billion in 2011, which represented a decrease of Rp53.6 billion, or 36.6%, from Rp146.2 billion in 2010, due to our lower average cash balance.

We recorded a decrease in financing cost to Rp1,929.4 billion in 2011, which represented a decrease of Rp408.7 billion, or 17.5%, from Rp2,338.1 billion in 2010 as a result of lower interest rate for our debt in 2011 and a decrease in total debt overall.

Income Tax Expense-Net

We recorded income tax expense—net of Rp264.6 billion in 2011 compared to Rp378.4 billion in 2010. The decrease in income tax expense-net was primarily due to a decrease in income before tax resulting from a decrease in operating profit and gain on foreign exchange.

Profit attributable to Owners of the Company

Our net profit increased by Rp302.3 billion, or 45.4%, from Rp666.4 billion in 2010 to Rp968.7 billion in 2011 due to the foregoing factors.

Segment Results

For the years ended December 31,

	2010*		2011*		2012		
	Rp	%	Rp	%	Rp	US$	%
	(Rp in billions, US$ in millions, except percentages)						
Segmented Operating Revenues							
Cellular services	15,876.9	80.4	16,587.4	80.8	18,489.3	1,912.0	82.5
MIDI services	2,580.0	13.1	2,691.9	13.1	2,908.0	300.7	13.0
Fixed telecommunications	1,278.1	6.5	1,250.0	6.1	1,021.5	105.6	4.5
Total operating revenues	19,735.0	100.0	20,529.3	100.0	22,418.8	2,318.3	100.0
Segmented Operating Expenses							
Cellular services	12,886.8	79.6	13,785.6	79.1	16,473.0	1,703.5	81.7
MIDI services	1,987.6	12.3	2,299.8	13.2	2,382.4	246.4	11.8
Fixed telecommunications	1,316.1	8.1	1,338.0	7.7	1,296.1	134.0	6.5
Total operating expenses	16,190.5	100.0	17,423.4	100.0	20,151.5	2,083.9	100.0
Segmented Operating profit							
Cellular services	2,990.1	84.4	2,801.8	90.2	2,016.3	208.5	88.9
MIDI services	592.4	16.7	392.1	12.6	525.6	54.4	23.2
Fixed telecommunications	(38.0)	(1.1)	(88.0)	(2.8)	(274.6)	(28.4)	(12.1)
Total operating profit	3,544.5	100.0	3,105.9	100.0	2,267.3	234.5	100.0

*) Restated

Cellular Services

Cellular services operating income decreased by Rp785.5 billion from Rp2,801.8 billion in 2011 to Rp2,016.3 billion (US$208.5 million) in 2012 mainly due to a significant increase in depreciation of cellular equipment resulting from the decrease in useful lives of such equipment from 10 years to 8 years, an increase in SMS interconnection charges as a result of the implementation of the new SMS interconnection scheme, an increase in Governmental levies on frequency fees and 3G spectrum fees and an increase in BlackBerry license fees. Such increases were offset by the increase in cellular services operating revenues mainly due to an increase in usage from a higher number of subscribers, revenues from value-added services driven by higher SMS usage, and SMS interconnection revenues.

Cellular services operating income decreased by Rp188.3 billion from Rp2,990.1 billion in 2010 to Rp2,801.8 billion in 2011 mainly due to the increase in BlackBerry license fees, the additional personnel expenses under the VSS program in 2011, and increased Government levies on frequency fees. These increased expenses offset the increase in cellular services operating revenues which were mainly due from the increase in the number of subscribers and from tower leasing activities.

MIDI Services

MIDI services operating income increased by Rp133.5 billion from Rp392.1 billion in 2011 to Rp525.6 billion (US$54.4 million) in 2012 mainly due to higher revenue from IP VPN and increased valueadded services coming from "Desa Pinter" projects entered between Lintasarta and MOCIT. These increased revenues offset the increase in operating expenses from MIDI services, which were mainly due to increased leased circuit and installation expenses related to the "Desa Pinter" projects, which are projects relating to public internet provision in rural areas or villages. ▲

MIDI services operating income decreased by Rp200.3 billion from Rp592.4 billion in 2010 to Rp392.1 billion in 2011 mainly due to the additional personnel expenses under the VSS program in 2011 and an increase in Government levies on concession fees. These increased expenses offset the increase in operating revenues from MIDI services, which were mainly due to an increase in the number of customers.

Fixed Telecommunication Services

Fixed telecommunications services operating losses increased by Rp186.6 billion from Rp88.0 billion in 2011 to Rp274.6 billion (US$28.4 million) in 2012, mainly due to the decrease in fixed telecommunications services operating revenue of Rp228.5 billion, netted with the decrease in fixed telecommunications services operating expenses due to lower interconnection fees that we pay to overseas telecommunication operators.

Fixed telecommunications services operating losses increased by Rp50.0 billion from Rp38.0 billion in 2010 to Rp88.0 billion in 2011, mainly due to the decrease in fixed telecommunications services operating revenue of Rp28.1 billion and the increase in fixed telecommunications services operating expenses, which were,

in turn, driven by higher interconnection fees that we pay to overseas telecommunication operators.

B. LIQUIDITY AND CAPITAL RESOURCES

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

We believe our current cash and cash equivalents, cash flow from operations and available sources of financing, as well as a portion of cash proceeds from the Tower Sale Transaction completed in 2012, 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.

Cash Flows

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

For the years ended December 31,

	2010	2011	2012	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
Net cash flows:				
Provided by operating activities	6,848.6	7,320.1	6,989.4	722.8
Used in investing activities	(5,970.7)	(6,037.9)	(2,688.9)	(278.1)
Used in financing activities	(1,629.7)	(1,135.4)	(2,647.5)	(273.8)
Net Foreign Exchange differences from cash and cash equivalent	(9.7)	2.2	40.0	4.1

Net Cash Provided by Operating Activities

Net cash provided by operating activities amounted to Rp6,848.6 billion, Rp7,320.1 billion and Rp6,989.4 billion (US$722.8 million) for 2010, 2011 and 2012, respectively. In 2012, net cash provided by operating activities decreased primarily due to an increase in cash paid to authorities, other operators and suppliers and others and an increase in financing costs.

Net Cash Used in Investing Activities

Net cash used in investing activities amounted to Rp5,970.7 billion, Rp6,037.9 billion and Rp2,688.9 billion (US$278.1 million) for 2010, 2011 and 2012, respectively. Net cash used in investing activities for 2010, 2011 and 2012 has been driven primarily by acquisitions of property and equipment, totaling Rp6,495.1 billion, Rp6,048.0 billion and Rp5,765.9 billion (US$596.3 million), respectively, as we expanded our network coverage and capacity during those years. In 2012, cash proceeds from the Tower Sale Transaction amounted to US$326.3 million (equal to approximately Rp3,092.9 billion), which was offset by acquisitions of property and equipment of Rp5,765.9 billion (US$596.3 million). The property and equipment purchased consisted primarily of exchange and network assets, subscribers' apparatus and other equipment and buildings and improvements to building leased property.

Net Cash Used in Financing Activities

Net cash used infinancing activities amounted to Rp1,629.7 billion, Rp1,135.4 billion and Rp2,647.5 billion (US$273.8 million) in 2010, 2011 and 2012, respectively. Net cash used in financing activities in 2012 related primarily to repayment of short-term and long-term debts which was partially offset by proceeds from long-term loans and bonds payable.

As of December 31,

	2010*	2011*	2012	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
Short term loan (net of unamortized issuance costs)	—	1,499.3	299.5	31.0
Loans payable (net of unamortized issuance costs and unamortized consent fees, and current maturities)	7,666.8	6,425.8	3,703.8	383.0
Bonds payable (net of unamortized issuance costs, unamortized discount, unamortized consent fees, and current maturities)	12,114.1	12,138.4	13,986.5	1,446.4
Current maturities of loans payable	3,184.1	3,300.5	2,669.2	276.0
Current maturities of bonds payable	1,098.1	42.0	1,329.2	137.5

*) Restated

The decrease in loans payable (net of unamortized issuance cost, unamortized consent fee and current maturities) to Rp3,703.8 billion (US$383.0 million) as of December 31, 2012 from Rp6,425.8 billion as of December 31, 2011 was primarily due to installment payments made with respect to debt during 2012.

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

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

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

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

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

As of and for the years ended December 31,

	Ratio Required	2010*	2011*	2012	
		Rp	Rp	Rp	US$
		(Rp in billions, US$ in millions, except percentages)			
Financial Position and Comprehensive Income Data:					
Short term loan		—	1,499.3	299.5	31.0
Current maturities from:					
Loans payable		3,184.1	3,300.5	2,669.2	276.0
Bonds payable		1,098.1	42.0	1,329.2	137.5
Loans payable—net of current maturities:					
Related party		997.0	—	—	—
Third parties		6,669.8	6,425.8	3,703.8	383.0
Bonds payable—net of current maturities		12,114.1	12,138.4	13,986.5	1,446.4
Unamortized issuance cost, consent solicitation fees and discounts		336.1	266.1	235.2	24.3
Total Debt[1]		24,399.2	23,672.1	22,223.4	2,298.2
Total Assets		53,325.1	53,233.0	55,225.1	5,711.0
Total Liabilities		35,069.7	34,263.9	35,829.7	3,705.2
Total Equity[2]		18,225.4	18,969.1	19,395.4	2,005.7
Operating profit		3,413.1	3,164.3	3,190.0	329.9
Depreciation and Amortization		6,091.1	6,558.2	8,272.8	855.5
EBITDA[3]		9,635.7	9,664.0	10,540.0	1,089.9
Interest Expense[4]		2,080.3	1,700.1	1,709.9	176.8
Financial Ratios:					
Debt to Equity ratio[5]	<2.50x	1.31x	1.22x	1.12x	1.12x
Debt to EBITDA ratio[6]	<3.50x	2.53x	2.45x	2.11x	2.11x
EBITDA to Interest Expense ratio[7]	>3.00x	4.64x	5.68x	6.16x	6.16x

*) Restated

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

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

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

For the years ended December 31,

	2010*	2011*	2012	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
EBITDA under IFAS	9,635.7	9,644.0	10,540.0	1,089.9
Amortization of goodwill	(226.4)	—	—	—
Interest income	146.2	92.6	133.5	13.8
Financing cost (including interest expense)	(2,338.1)	(1,929.3)	(2,077.4)	(214.8)
Gain (loss) on change in fair value of derivatives—net	(418.1)	57.9	4.9	0.5
Others—net	(79.3)	(32.5)	877.7	90.8
Gain on foreign exchange—net	492.4	36.8	(744.7)	(77.0)
Income tax expense—net	(378.4)	(264.6)	25.8	2.7
Depreciation and amortization	(6,091.1)	(6,558.2)	(8,272.8)	(855.5)
Equity in net income of associated company	—	—	0.1	0.0
Profit attributable to non controlling interest	(76.5)	(98.1)	(112.3)	(11.6)
Profit for the year attributable to owners of the Company under IFAS	666.4	968.7	375.1	38.8

*) Restated

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

For the years ended December 31,

	2010*	2011*	2012	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
EBITDA under IFAS	9,635.7	9,664.0	10,540.0	1,089.9
Deferred connection fees	17.0	2.4	1.8	0.2
EBITDA under IFRS**	9,652.7	9,666.4	10,541.8	1,090.1

*) Restated

**See "Item 3: Key Information—Selected Financial and Other Data" for reconciliation of our EBITDA under IFRS to our profit attributable to owners of the Company under IFRS.

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

(5) Using IFRS results, Total Debt would be Rp24,399.2 billion, Rp23,672.1 billion and Rp22,223.4 billion (US$2,298.2 million) as of December 31, 2010, 2011 and 2012, respectively, and Total Equity would be Rp18,689.6 billion, Rp19,392.5 billion and Rp19,809.1 billion (US$2,048.5 million) as of December 31, 2010, 2011 and 2012, respectively, resulting in a Debt to Equity ratio of 131%, 122% and 112% as of December 31, 2010, 2011, and 2012, respectively.

(6) Using IFRS results, Total Debt would be Rp24,399.2 billion, Rp23,672.1 billion and Rp22,223.4 billion (US$2,298.2 million) as of December 31, 2010, 2011 and 2012, respectively, and EBITDA would be Rp9,652.7 billion, Rp9,666.4 billion and Rp10,541.8 billion (US$1,090.1 million) for the year ended December 31, 2010, 2011 and 2012, respectively, resulting in a Debt to EBITDA ratio of 253%, 245% and 211% as of December 31, 2010, 2011 and 2012, respectively.

(7) Using IFRS results, EBITDA would be Rp9,652.7 billion, Rp9,666.4 billion and Rp10,541.8 billion (US$1,090.1 million) for the year ended December 31, 2010, 2011 and 2012, respectively, and Interest Expense would be Rp2,080.3 billion, Rp1,700.1 billion and Rp1,709.9 billion (US$176.8 million) for the year ended December 31, 2010, 2011 and 2012, respectively, resulting in an EBITDA to Interest Expense ratio of 464%, 568% and 616% as of December 31, 2010, 2011, and 2012 respectively.

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

The following table summarizes our primary long-term indebtedness (including short term loans) and bonds payable as of December 31, 2010, 2011 and 2012.

As of December 31,

	2010*	2011*	2012	
	Rp	Rp	Rp	US$
	(Rp in billions, US$ in millions)			
Bonds Payable:				
Guaranteed Notes Due 2020—net of unamortized discount and unamortized notes issuance cost	5,749.6	5,809.6	6,188.9	640.0
Eighth Indosat Bonds—net of unamortized bonds issuance cost	—	—	2,691.5	278.3
Fifth Indosat Bonds—net of unamortized bonds issuance cost	2,589.0	2,590.9	2,592.9	268.1
Seventh Indosat Bonds—net of unamortized bonds issuance cost	1,294.6	1,295.6	1,296.6	134.1
Sixth Indosat Bonds—net of unamortized bonds issuance cost	1,074.6	1,076.4	1,078.4	111.5
Indosat Sukuk Ijarah III—net of unamortized bonds issuance cost and consent solicitation fees	567.4	568.5	569.6	58.9
Indosat Sukuk Ijarah II—net of unamortized bonds issuance cost and consent solicitation fees	398.5	398.9	399.3	41.3
Indosat Sukuk Ijarah V—net of unamortized bonds issuance cost and consent solicitation fees	—	—	299.1	30.9
Indosat Sukuk Ijarah IV—net of unamortized bonds issuance cost	199.1	199.2	199.4	20.6
Second Indosat Bonds—net of unamortized consent solicitation fees	199.3	199.4	—	—
Limited Bonds II issued by Lintasarta	25.0	25.0	—	—
Limited Bonds I issued by Lintasarta	17.0	17.0	—	—
Fourth Indosat Bonds—net of unamortized bonds issuance cost	813.6	—	—	—
Indosat Syari'ah Ijarah Bonds—net of unamortized bonds issuance cost and consent solicitation fees	284.5	—	—	—
Total bonds payable	13,212.2	12,180.4	15,315.7	1,583.7
Less current maturities—net of unamortized bonds issuance cost and consent solicitation fees	1,098.1	42.0	1,329.2	[137.4]
Bonds Payable: Non-current portion	**12,114.1**	**12,138.4**	**13,986.5**	**[1,446.3]**
Loans Payable (including short term loans):				
Related Party—net of unamortized debt issuance cost and consent solicitation fees	1,297.0	2,498.1	299.5	31.0
Third parties—net of unamortized debt issuance cost and consent solicitation fee and unamortized debt discount	9,553.9	8,727.5	6,373.0	659.1
Total loans payable	10,851.0	11,225.6	6,672.5	690.1
Less current maturities	3,184.1	4,799.8	2,968.7	307.1
Loans payable: Non-current portion	**7,666.8**	**6,425.8**	**3,703.8**	**383.0**

*) Restated

Indosat Bonds

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

- equity capital of at least Rp5,000.0 billion;
- a ratio of total debt to EBITDA of less than 3.5 to 1.0, as reported in each annual consolidated financial report, except for the Eighth Indosat Bonds 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, except for the Eighth Indosat Bonds in connection with the issuance of which we agreed to maintain the ratio of total net debt to equity of 2.5 to 1.0; 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" "EBITDA", to include 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, pursuant to the terms of the deed of amendment for the Second, Third, Fourth, Fifth and Sixth Indosat Bonds.

Second Indosat Bonds. On November 6, 2002, we issued our Indosat Bonds II (the "Second Indosat Bonds"), with fixed and/or floating rates, the only outstanding series of which are the Series B bonds. The Series B bonds, with an original face value of Rp200.0 billion, bear interest at a fixed rate of 16.0% per annum and are payable quarterly for 30 years beginning February 6, 2003. We have the right to redeem the Series B bonds, in whole but not in part, on each of the 10th, 15th, 20th and 25th anniversaries of the issuance of the Series B bonds at a price equal to 101% of the Series B bonds' nominal value. Holders of the Series B bonds have a put right that allows such holders to demand early repayment from us at a price equal to 100% of the Series B bonds' nominal value at (i) any time, if the rating of such bonds is reduced to "AA-" or lower or (ii) upon the occurrence of any of the 15th, 20th and 25th anniversaries of the issuance of the Series B bonds. The Series B bonds mature on November 6, 2032. On November 6, 2012, we exercised our right to redeem in full the remaining outstanding aggregate principal amount of Second Indosat Bonds at the redemption price of 101%.

Third Indosat Bonds. On October 22, 2003, we issued our Indosat Bonds III (the "Third Indosat Bonds"). As of January 1, 2010, the only outstanding series of these bonds were the Series B bonds. The Series B bonds had a maturity date of October 22, 2010, a total face value of Rp640.0 billion, bore interest at a fixed rate of 12.875% per annum. Interest on the Third Indosat Bonds was payable on a quarterly basis. On October 22, 2010, we repaid in full the remaining outstanding Third Indosat Bonds. *Fourth Indosat Bonds.* On June 21, 2005, we issued our Indosat Bonds IV (the "Fourth Indosat Bonds"). The Fourth Indosat Bonds had a total face value of Rp815.0 billion and matured on June 21, 2011. The Fourth Indosat Bonds bear interest at a fixed rate of 12.0% per annum, payable on a quarterly basis. On June 21, 2011, we repaid in full the remaining outstanding Fourth Indosat Bonds.

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.

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

Eighth Indosat Bonds. On June 28, 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.

Guaranteed Notes due 2010 and Guaranteed Notes due 2012

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

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

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

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 while or in part, at any time on or after July 29, 2015 at prices equal to 103.6875%, 102.4583%, 101.2292% and 100% of the principal amount during the 12-month period commencing July 29, 2015, 2016, 2017 and 2018 and thereafter, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to July 29, 2013, Indosat Palapa may redeem up to a maximum of 35% of the original aggregate principal amount, with the proceeds of one or more public equity offerings of us at a price equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at option of Indosat Palapa or us, in whole but not in part, at any time, at a price equal to 100% of principal amount thereof, plus any accrued and unpaid interest to (but not including) the redemption date any additional amounts, in the event of certain changes effecting withholding taxes in Indonesia and the Netherlands. Upon a change in control of Indosat (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of our assets), holders of the notes have the right to require Indosat Palapa to repurchase all or any part of such holders' notes at a purchase price equal to 101% of principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fees and offering expenses, were received on 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 Indosat.

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 Indosat may enter into network sharing arrangements, without seeking the consent of holders.

Export Credit Facility

On May 12, 2006, we entered into a term facility agreement with Finnish Export Credit Ltd as the original lender, and The Royal Bank of Scotland, N.V. (formerly known as ABN Amro Bank, N.V.) as the facility agent, for an export credit facility (the "Export Credit Facility") in the aggregate principal amount of US$38.0 million. The Export Credit Facility tenor is 60 months from the date of the agreement and payments must be made in ten equal installments distributed evenly over the life of the facility. The Export Credit Facility has an interest rate of 4.15% per annum, which was calculated with reference to the commercial interest reference rate for U.S. dollars. Once amounts under the Export Credit Facility have been drawn down and repaid, such amounts do not become available for borrowing on a revolving basis. The Export Credit Facility contains certain financial covenants. During 2009 and 2010, we paid installments on this facility in the amount of US$7.6 million and US$7.6 million, respectively and in May 2011, we repaid the remaining outstanding balance under this facility.

Syari'ah Ijarah Bonds (Sukuk Ijarah)

The specific terms of each of our First Syari'ah Ijarah Bonds, Second Syari'ah Ijarah Bonds, Third Syari'ah Ijarah Bonds, Fourth Syari'ah Ijarah Bonds and Fifth Fyari'ah Ijarah Bonds (the "Syari'ah Ijarah Bonds"), are discussed below. The Syari'ah Ijarah Bonds are not secured by any specific assets or guaranteed by other parties and rank *pari passu* with our other unsecured debt.

In connection with the issuance of the Syari'ah Ijarah Bonds, we agreed to maintain certain covenants which are similar to the covenants contained in our Indosat Bonds.

In addition, we are also prohibited from performing activities which contravene Syari'ah principles. Aside from these prohibitions, there are no material differences in the covenants between the Syari'ah Ijarah Bonds and the Indosat Bonds. On 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 to 2.5 to 1 in the trustee agreement governing these bonds.

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

Second Syari'ah Ijarah Bonds. On 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.

Third Syari'ah Ijarah Bonds. On April 9, 2008, we issued our Sukuk Ijarah Indosat III (the "Third Syari'ah Ijarah Bonds"), which contain terms customary for Islamic financing facilities, with Bank Rakyat Indonesia acting as trustee. The Third Syari'ah Ijarah Bonds have a total face value of up to Rp570.0 billion and mature in April 9, 2013. Holders of the Third Syari'ah Ijarah Bonds receive an Ijarah installment fee, payable on a quarterly basis. The total Ijarah installment fee expected to be paid to the holders of the Third Syari'ah Ijarah Bonds is Rp58.4 billion per annum. After the first anniversary of the issuance of the Third Syari'ah Ijarah Bonds, we have the right to buyback part or all of such bonds at the then-prevailing market price. 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.

Fifth Syari'ah Ijarah Bonds. On June 28, 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.

Goldman Sachs International Loan Facility

On May 30, 2007, we received from Goldman Sachs International ("GSI") a loan amounting to Rp434.3 billion, which was received in U.S. dollars amounting to US$50.0 million, for the purchase of telecommunications equipment. The loan will mature on May 30, 2013. The loan bears 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, 2012.

The loan agreement provides 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 is presented as part of long-term debt. If GSI exercises such option, starting May 30, 2012, the loan will bear interest at the fixed annual rate of 6.45% on the principal amount of US$50.0 million. 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. The principal amount in U.S. dollars and interest thereon will be due on May 30, 2013.

We are required to notify GSI regarding of certain events which can result in loan termination, such as (i) certain changes affecting withholding taxes in the United Kingdom or Indonesia, (ii) default under our guaranteed notes due 2012, (iii) default under any notes issued or guaranteed by us where the settlement is in U.S. dollars or default under any notes issued or guaranteed by us where the settlement is in Indonesian rupiah, (iv) redemption, purchase or cancellation of the guaranteed notes due 2012 and there being no other U.S. dollar indebtedness outstanding upon such redemption, purchaser or cancellation and (v) a change of control. On June 24, 2008, GSI waived its rights to terminate the loan as a result of the change of control triggered by Qtel's acquisition of a 40.81% interest in our issued and outstanding share capital in June 2008.

Bank Central Asia Loan Facilities

On August 28, 2007, we obtained a five-year Rp1,600.0 billion unsecured credit facility from Bank Central Asia ("BCA") for the repayment of our Syndicated Loan Facility II and the purchase of telecommunications equipment. The loan bears (i) fixed annual interest rates for the first two years (9.75% on the first year and 10.5% on the second year) and (ii) floating interest rates for the remaining years based on the prevailing annual rate of three-month JIBOR plus 1.5% per annum; all interest is payable quarterly. On September 20, 2007, we obtained an additional credit facility of Rp400.0 billion from BCA. As a result, the aggregate principal amount under our credit facility with BCA is Rp2,000.0 billion. The repayment of the loan drawdowns will be made annually, as follows: (a) 10.0% of the total loan drawdowns in the first and second years after the first drawdown; (b) 15.0% of the total loan drawdowns in the third and fourth years after the first drawdown; and (c) 50.0% of the total loan drawdowns in the fifth year after the first drawdown. On September 27, October 26 and December 27, 2007, we made the first, second and third loan drawdowns totaling Rp2,000.0 billion. Under the loan agreement, we have agreed to certain covenants, including maintenance covenants, which are similar to the covenants contained in the Indosat Bonds. On September 27, 2008, September 25, 2009, September 27, 2010, and September 27, 2011, we paid the first, second, third and fourth semi-annual installment amounting to Rp200.0 billion, Rp200.0 billion, Rp300.0 billion and Rp300.0 billion, respectively. On September 27, 2012, we repaid in full the remaining outstanding amount under this facility amounting to Rp1,000.0 billion.

On September 17, 2008, we entered into a three-year unsecured credit facility agreement with BCA amounting to Rp500.0 billion for the purchase of, and/or the refinancing of debt incurred to purchase, telecommunications equipment. The loan bore interest at 3-month JIBOR plus 2.25% per annum. The repayment of the loan drawdowns were payable annually, as follows: (a) 20% of the total loan drawdowns in the first year, (b) 30% of the total loan drawdowns in the second year, and (c) 50% of the total loan drawdowns in the third year. On March 16, 2009, we made the loan drawdown amounting to Rp500.0 billion. Voluntary early repayment (in whole or for any part of the loan) was permitted with a penalty of 1% of the prepaid amount. Based on the loan agreement, we were required to comply with certain covenants, such as maintaining certain financial ratios. On March 16, 2010, we paid the first annual installment amounting to Rp100.0 billion. On October 19, 2010, we made an early repayment of this credit facility, amounting to Rp400.0 billion.

On February 12, 2009, we amended our five-year and three-year BCA credit facility agreements, based on the consent letter received on February 6, 2009, to change the definitions of "EBITDA", to insert definitions for "Debt", "Equity", and "Group" and to change the ratio of Debt to Equity from 1.75 to 1 to 2.5 to 1 in the loan agreement governing this loan facility. On June 8, 2009, we entered into a five-year unsecured credit facility agreement with BCA amounting to Rp1,000.0 billion for the procurement of, and/or the refinancing of debt incurred to purchase, telecommunications equipment. The loan bore interest at 3-month JIBOR plus 4.00% per annum. The repayment of the loan drawdowns were payable annually, as follows: (a) 10% of the total loan drawdowns in the first and second years, (b) 15% of the total loan drawdowns in the third and fourth years, and (c) 50% of the total loan drawdowns in the fifth year. On June 25, 2009, we made the loan drawdown amounting to Rp1,000.0 billion. On June 25, 2010, we paid the first annual installment amounting to Rp100.0 billion. Voluntary early repayment (in whole or for any part of the loan) is permitted, subject to a

1% penalty of the prepaid amount, except for prepayment to refinance this credit facility. Based on the loan agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On April 28, 2010, we received a letter from BCA regarding the change of interest rate from 3-month JIBOR plus 4.00% per annum to 3-month JIBOR plus 2.25% per annum, effective on June 25, 2010. On October 19, 2010, we made an early repayment of this credit facility, amounting to Rp900.0 billion.

On February 10, 2011, the Company entered into a credit agreement with BCA for a revolving credit facility with a maximum principal amount of Rp1,000.0 billion to fund the Company's capital expenditures and general corporate expenditures. This facility is available from 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. 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 billon, Rp150.0 billion and Rp150.0 billion, respectively.

Bank Mandiri Loan Facilities

On September 18, 2007, we obtained a five-year unsecured credit facility from Bank Mandiri amounting to Rp2,000.0 billion for the purchase of telecommunications equipment. The loan bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year), and (ii) floating rates for the remaining years based on the prevailing annual rate of average three-month JIBOR plus 1.5% per annum; all interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10.0% of the total loan drawdowns in the first and second years after the first drawdown; (b) 15.0% of the total loan drawdowns in the third and fourth years after the first drawdown; and (c) 50.0% of the total loan drawdowns in the fifth year after the signing date of the agreement. On September 27 and December 27, 2007, we made the first and second loan drawdowns totaling Rp2,000.0 billion. Based on the loan agreement, we have agreed to certain covenants, including maintaining certain financial ratios. On September 27, 2008, September 25, 2009, September 27, 2010 and September 27, 2011, we paid the first, second, third and fourth annual installments, amounting to Rp200.0 billion, Rp200 billion, Rp300 billion and Rp300.0 billion, respectively. On March 23, 2009, we entered into an agreement with Bank Mandiri to amend the definitions of "EBITDA", to insert new definitions for "Debt", "Equity", and "Group" and to change the ratio of Debt to Equity in the loan agreement governing this loan facility. On September 14, 2012, we repaid in full the remaining outstanding amount under this facility amounting to Rp1,000.0 billion.

On July 28, 2009, we entered into a five-year unsecured credit facility agreement with Mandiri amounting to Rp1,000.0 billion for general corporate purposes. The loan bears interest at an average rate of 3-month JIBOR plus 4.00% per annum. On July 31, 2009, the Company drew down Rp1,000.0 billion from this credit facility. The repayment of the loan drawdowns are made annually, as follows: (a) 10% of the total loan drawdowns in the first and second years from the first drawdown, (b) 15% of the total loan drawdowns in the third and fourth years from the first drawdown, and (c) 50% of the total loan drawdowns in the fifth year after the signing of the agreement. Voluntary early repayment (in whole or for any part of the loan) is permitted, subject to a 2% penalty of the prepaid amount. Based on the loan agreement, we were required to comply with certain covenants, such as maintaining certain financial ratios. On May 20, 2010, we received a letter from Mandiri regarding the change of interest rate from average 3-month JIBOR plus 4.00% per annum to average 3-month JIBOR plus 2.25% per annum, effective on May 31, 2010. On July 30, 2010, we paid the first annual installment amounting to Rp100.0 billion. On November 15, 2010, we made an early repayment of Rp900.0 billion representing the remaining outstanding balance of loan drawdowns under this credit facility.

On June 21, 2011, we entered into a credit agreement providing for a three-year unsecured revolving credit facility

from Bank Mandiri in a maximum principal amount of Rp1,000.0 billion for working capital, capital expenditures and refinancing purposes. On December 5, 2011, we entered into an amendment of the credit agreement with Bank Mandiri to (i) increase the maximum amount available under the loan facility to Rp1,500.0 billion and (ii) change the interest rate for drawdowns to 1-month JIBOR plus 1.25% per annum, from 1-month JIBOR plus 1.40% per annum. This facility is available from June 21, 2011 to June 20, 2014. Each drawdown under this facility has a term of three months, which may be extended a further three months upon the submission of a written application for such an extension by Indosat to Bank Mandiri. Based on the credit agreement, we are required to comply with certain covenants, such as maintaining certain financial ratios. On August 2, 2011, we made our first drawdown of Rp300.0 billion and on December 14, 2011, we made a drawdown of the remaining Rp1,200.0 billion available under the facility.

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 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.

Bank DBS Indonesia Loan Facility

On November 1, 2007, we obtained a five-year credit facility from Bank DBS Indonesia for Rp500.0 billion for the purchase of telecommunications equipment. The loan bears interest at (i) fixed annual rates for the first two years (9.7% on the first year and 10.4% on the second year), and (ii) floating rates for the remaining years based on the prevailing annual interest rate of three-month certificates of Bank Indonesia plus 1.5% per annum; all interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10.0% of the total loan drawdowns in the first and second years after the first drawdown; (b) 15.0% of the total loan drawdowns in the third and fourth years after the first drawdown; and (c) 50.0% of the total loan drawdowns in the fifth year after the first drawdown. Based on the loan agreement, we have agreed to certain covenants, including maintaining certain financial ratios. On January 31, 2008, we drew down Rp500.0 billion from the facility. On March 25, 2009, we entered into an agreement with Bank DBS Indonesia to insert new definitions for "Debt", "EBITDA", "Equity", and "Group" and to change the ratio of Debt to Equity in the loan agreement governing this loan facility. On January 30, 2009, we paid the first annual installment amounting to Rp50.0 billion, On March 25, 2009, the Company amended the credit facility agreement based on the consent letter received on February 27, 2009. The amendment included changes in the definition of certain terms and the financial ratios required to be maintained. On February 1, 2010, we paid the second annual installment amounting to Rp50.0 billion. On October 30, 2010, we made an early repayment of this credit facility amounting to Rp400.0 billion.

HSBC Satellite Financing and Loan Facility

On November 27, 2007, we signed two unsecured facility agreements with HSBC France and one unsecured facility agreement with The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch ("HSBC Jakarta") to finance our new telecommunications satellite. These combined export credit and commercial financing facilities consist of the following:

- a 12-year term facility agreement amounting to US$157.2 million to finance the payment of 85.0% of the French Content under the Palapa-D satellite contract, plus 100% of the COFACE Premium, as such terms are defined in the facility agreement. The loan bears fixed annual interest at a fixed rate of 5.69% per annum, which is payable semi-annually. On March 29, 2010, September 29, 2010, March 29, 2011, September 29, 2011, March 29, 2012 and September 28, 2012, we paid the first, second, third, fourth, fifth and sixth semi-annual installments amounting to US$7.9 million each; • a 12-year term facility agreement amounting to US$44.2 million to finance the payment of 85.0% of the amounts payable under the Launch Service Contract (as defined in the term facility agreement) with respect to our Palapa D Satellite. The loan bears floating interest rate based on U.S. dollars at LIBOR plus 0.35% per annum, which is payable semi-annually. On March 29, 2010, September 29, 2010, March 29, 2011, September 29, 2011, March 29, 2012 and September 28, 2012, we paid the first, second, third fourth, fifth and sixth semi-annual installments amounting to US$2.2 million each; and

- a nine-year Commercial Facility Agreement amounting to US$27.0 million to finance the construction and launch of the satellite and the payment of the premium associated with the medium-long term buyer credit insurance policy issued in connection with the Sinosure Facility. The loan bears floating interest rate based on U.S. dollars at LIBOR plus 1.45% per annum, which is payable semi-annually. On March 10, 2008, HSBC Jakarta transferred its rights and obligations under the Commercial Facility Agreement to PT Bank CIMB Niaga Tbk and Bank of China Limited, Jakarta Branch. On 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 and November 27, 2012 we paid the sixth and seventh 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 Agreement, Sinosure Term Facility Agreement and Commercial Facility Agreement, as applicable. According to the agreement, we are required to maintain: (i) equity capital in excess of Rp5,000.0 billion, (ii) a debt to equity ratio not to exceed 2.5:1, (iii) an EBITDA to interest ratio not to be less than 2.5:1, and (iv) a Debt to EBITDA ratio not to exceed 3.5:1.

In addition, on July 20, 2005, the Company entered into a Corporate Facility Agreement with HSBC, which has subsequently been amended several times, to finance our short term working capital needs. The facility consists of a combined limit in the amount of US$30.0 million, comprising a revolving loan facility with a limit of US$30.0 million (including revolving loans denominated in rupiah of up to Rp255.0 billion) and an overdraft facility with a limit of US$2.0 million (including a Rupiah-denominated overdraft facility of up to Rp17.0 billion). The expiration date of the facility is April 30, 2013. We have not drawn on this facility as of December 31, 2012.

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 will be the aggregate of (i) the applicable margin of 1.85% per annum for non-Indonesian lenders or 1.90% per annum for lenders resident in Indonesia and (ii) LIBOR. The repayment of the loan drawdowns will be made in semi-annual installments commencing 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 have agreed to certain covenants, including but not limited to the following maintenance covenants:

- a ratio of total debt to EBITDA of less than 3.5 to 1;
- a total debt to equity ratio of 2.5 to 1; and
- a ratio of EBITDA to interest expense, as reported as at the end of each financial year and as at the end of each of the first three quarters of our financial year, of at least 2.5 to 1.

The repayment of the loan drawdowns will be made semi-annually, as follows: (a) 25% of the total loan drawdowns in the third year after the signing date of the agreement (first repayment date), (b) 24% of the total loan drawdowns on the sixth month after the first repayment date, (c) 8% each of the total loan drawdowns on the 12th and 18th months after the first repayment date, and (d) 35% of the total loan drawdowns on the 24th month after the first repayment date.

On September 26 and October 30, 2008, the Company received the first and second drawdowns from this credit facility totaling US$450.0 million. As of December 31, 2012, the outstanding balance owed on this facility totaled US$157.5 million.

AB Svensk Exportkredit ("SEK") Loan Facility Guaranteed by Export Kredit Namnden ("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 and November 30, 2012 the Company paid the first, second, third, fourth, fifth , sixth and seventh semi-annual installments, respectively, for Facility A amounting to US$7.1 million each. On August 28, 2010, February 28, 2011, August 25, 2011, February 28, 2012 and August 28, 2012 the Company paid the first, second, third, fourth and fifth semi-annual installment for Facility B amounting to US$11.1 million each. On May 27, 2011, November 30, 2011, May 27, 2012 and November 30, 2012 we paid the first, second, third and fourth 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 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-months 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 Indosat to 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, 2011, we made our first drawdown of Rp100.0 billion.

Lintasarta

Lintasarta's long-term debt comprises of certain investment credit facilities from CIMB Niaga Tbk, formerly PT Bank Niaga Tbk and unsecured limited bonds. As of December 31, 2012, the investment credit facility from CIMB Niaga was fully repaid.

Investment Credit Facility V. On July 10, 2007, Lintasarta obtained a credit facility from CIMB Niaga amounting to Rp50.0 billion for the purchase of telecommunications equipment, computers and other supporting facilities. The loan bears interest at the prevailing annual rate for one-month certificates of Bank Indonesia plus 2.25% per annum. We commenced quarterly repayment of the principal on October 10, 2008 in the amount of Rp5.0 billion. On January 10, 2011, this facility was fully repaid.

Investment Credit Facility VI. On February 24, 2009, Lintasarta obtained a credit facility from CIMB Niaga amounting to Rp75.0 billion for the purchase of telecommunications equipment, computers and other supporting facilities. The loan bears fixed annual interest at a fixed rate of 14.50% per annum (subject to change by CIMB Niaga based on market conditions), which is payable quarterly. The maturity date of the loan is August 24, 2012. The total outstanding principal amount of the loan as of December 31, 2012 was Rp22.5 billion, which is scheduled to be repaid in three installments on February 24, May 24, and August 24, 2012. On August 24, 2012, this facility was fully repaid.

Limited Bonds I. On June 2, 2003, Lintasarta agreed with its stockholders to issue limited bonds to stockholders totaling Rp40.0 billion, including our portion of Rp9.6 billion. Such limited bonds are unsecured and had an initial maturity date of June 2, 2006. The bonds bear interest at the fixed rate of 16.0% per annum for the first year and floating interest rates for the following years based on the average three-month time deposit rates of PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia

(Persero) Tbk and PT Bank Tabungan Negara (Persero) plus a 3.0% margin, with a maximum rate of 19.0% per annum and a minimum rate of 11.0% per annum. Interest is payable quarterly from September 2, 2003. On June 14, 2006, Lintasarta agreed with the holders to extend the maturity date from June 2, 2006 to June 2, 2009 and the nominal value of the limited bonds became Rp34.9 billion, including our portion of Rp9.6 billion. On June 2, 2009, Lintasarta repaid a portion of the limited bonds amounting to Rp8,303 million. On August 25, 2009, the agreement governing the Limited Bonds I was amended to amend the face value of the bonds to become Rp26.6 billion, including our portion of Rp9.6 billion, extend the maturity date to June 2, 2012 and to amend the floating interest rate to be based on JIBOR plus 4%, not to exceed 19%, with a minimum floating interest rate of 12.75%. On December 28, 2011, Lintasarta repaid a portion of the limited bonds amounting to Rp9.6 billion, which is our portion. On February 29, 2012, Lintasarta repaid the remaining Rp17.0 billion outstanding under these bonds.

Limited Bonds II. On June 14, 2006, Lintasarta entered into an agreement with its stockholders for the former to issue Limited Bonds II amounting to Rp66.2 billion, including our portion of Rp35.0 billion. The limited bonds represent unsecured bonds which were originally set to mature on June 14, 2009 and bore interest at the floating rates determined using the average 3 month rupiah time deposit rates with PT Bank Mandiri (Persero) Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk and PT Bank Tabungan Negara (Persero) plus a fixed premium of 3.0%. The maximum limit of the floating rates was 19.0% per annum and the minimum limit was 11.0% per annum. The interest is payable on a quarterly basis starting September 14, 2006. The proceeds of the limited bonds were used for capital expenditure to expand Lintasarta's telecommunications peripherals.

On July 17, 2006, Lintasarta obtained approval from CIMB Niaga on the issuance of the limited bonds.

On June 14, 2009, Lintasarta paid a portion of the Limited Bonds amounting to Rp6.2 billion. Based on the Minutes of the Joint Meeting of Lintasarta's Boards of Commissioners and Directors held on May 20, 2009, the representatives of Lintasarta's stockholders agreed to extend the maturity date of the remaining Limited Bonds II of Rp60.0 billion, including our portion of Rp35.0 billion, to June 14, 2012 and to increase the minimum limit of the floating interest rates 12.75%. On August 25, 2009, the Limited Bonds II agreement, after being amended to accommodate the changes in maturity date and minimum limit of floating interest rates, was finalized. On December 28, 2011, Lintasarta repaid Rp35.0 billion of the Limited Bonds amounting to Rp35.0 billion, which is our portion. Subsequently, on February 29, 2012, Lintasarta repaid the remaining Rp25.0 billion outstanding under the Limited Bonds.

Dividend Practice

Our shareholders determine dividend payouts at the Annual General Meeting of Shareholders pursuant to recommendations from our Board of Directors. At our 2010, 2011 and 2012 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, 2009, 2010 and 2011, respectively. We intend to continue to recommend paying dividends in such amounts to allow us to meet sound financial governance and investor expectations.

Capital Resources

We believe that our cash flow from operations and drawings from our existing credit facilities, as well as a portion of the cash proceeds from the Tower Sale Transaction completed in 2012, 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, 2010 through December 31, 2012, we had capital expenditures totaling Rp20,859.7 billion (US$2,157.2 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 Rp8,396.6 billion (US$868.3 million) during the year ended December 31, 2012, with such investment predominantly focused on optimizing and enhancing the capacity and quality of our existing cellular, fixed and MIDI network and telecommunications infrastructure.

Capital Expenditures for 2013

Under our capital expenditure program for our various businesses, our planned capital expenditures are slightly more than the amounts spent in 2010, 2011 and 2012. 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, 2010, 2011 and 2012, our actual consolidated capital expenditures totaled Rp5,951.8 billion, Rp6,511.3 billion and Rp8,396.6 billion (US$868.3 million), respectively. During 2013, we intend to allocate approximately Rp8,627.5 billion (US$898.7 million) for new capital expenditures, which, taken together with estimated actual capital expenditures expended for 2013 for capital expenditure commitments in prior periods, will result in approximately Rp11,358.7 billion (US$1,174.6 million) total actual capital expenditures for 2013. We intend to allocate our capital expenditures for 2013 as follows:

- *Cellular network investment:* We plan to apply a large majority of our capital expenditures to finance the continued enhancement and expansion of the capacity and coverage of our cellular network.

- *Other investment:* We plan to invest the remainder of our capital expenditures budget in non-cellular network areas and continue to provide them with voice, long-distance and MIDI services and make improvements to our backbone.

The foregoing amounts represent our budgeted investment plans; actual expenditures on a cash basis will vary depending on several factors, including the method of financing and timing of completion of delivery of equipment and services purchased. Historically, expenditure on a cash basis trails budgeted expense by approximately at least 20.0% of our budget. As of December 31, 2012, we had commitments for capital expenditures of Rp11,358.7 billion (US$1,183.2 million), primarily relating to the enhancement and expansion of the capacity and coverage of our cellular network.

The foregoing capital expenditure plan is based on our understanding of current market and regulatory conditions and we may amend our plans in response to changes in such conditions. In particular, depending on the regulatory framework for other wireless services, we may decide to increase our investment in fixed wireless access networks and services, either through increased capital expenditures, reallocation of our existing planned expenditures, through revenue-sharing schemes or a combination of the foregoing. Revenue-sharing schemes would include partnerships with private investors under which such investors would finance construction of a project in exchange for revenues from the project, similar to a build-operate-transfer structure.

Historically, we have funded our capital expenditures through internal resources and cash flow from operations, as well as debt financings through bank loans and the capital markets. We expect to continue to finance our capital expenditures through such sources. In addition, we also applied a portion of the cash proceeds from the Tower Sale Transaction completed in 2012 towards funding capital expenditures. 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 2013, we may be unable to improve or expand our cellular telecommunications infrastructure or update our other technology to the extent necessary to remain competitive in the Indonesian telecommunications market, which would affect our financial condition, results of operations and prospects.

Critical Accounting Policies

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards which comprise the Statements and Interpretations issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK") and the Regulations No. VIII.G.7 of the Guidelines of Financial Statement Presentation and Disclosures issued by the BAPEPAM-LK and Decision Letter No. KEP-347/BL/2012 of the Chief of the BAPEPAM-LK regarding "Financial Statements Presentation and Disclosure for Issuers or Public Companies".

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.

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 periodically 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 for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that we are not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimation of Pension Cost and Other Employee Benefits

The cost of our defined benefit plan and present value of our pension obligation are determined using the projected-unit-credit method. Actuarial valuation includes making various assumptions which consist of, among other things, discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. Actual results that differ from our assumptions are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. Due to the complexity of valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions.

While we believe that our assumptions are reasonable and appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect the costs and obligations of pension and other long-term employee benefits. All assumptions are reviewed at each reporting date.

Further details about the assumptions are given in Note 29 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 Note 2f11 to our audited consolidated financial statements included elsewhere in this annual report.

Exchange of asset transactions

During 2010 to 2012, 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 IAS 16, 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 finance 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 the consolidated statement of comprehensive income on a straight-line basis over the lease term.

During the year ended December 31, 2012, following the evaluation of a sale and leaseback transaction, we reassessed the classification of all of our lease arrangements. Accordingly, we determined that the majority of our historical lease-in transactions were finance leases and that our historical lease-out transactions should have been classified as operating leases. See Note 2j—Summary of Significant Accounting Policies to our consolidated financial statements included elsewhere in this annual report for the restatement relating to leases.

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, 2012

Please see Note 2u—Summary of Significant Accounting Policies to the accompanying consolidated financial statements attached in this annual report for a discussion of new accounting standards that became effective subsequent to December 31, 2012 and their impact on our consolidated financial statements for the current and future periods.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

For the three years ended December 31, 2010 and 2011, we did not conduct significant research and development activities. In 2012, we obtained the license to use 900MHz for 3G services, which we expect will improve our data services quality as well as our capital expenditure and operational expenditure in the long run.

D. TREND INFORMATION

Please refer to the introductory discussion to "—Operating and Financial Review and Prospects—Operating Results" above for a detailed discussion of significant trends impacting our operating results and financial condition. See also "Item 3: Key Information—Risk Factors" for more information regarding why reported financial information may not necessarily be indicative of future operating results.

In January and December 2011, the Company and Lintasarta, respectively, each introduced an organizational restructuring which forms part of our transformation program that began in 2009 to increase our productivity and improve our longer-term operating results. We and Lintasarta each offered special compensation packages to employees who meet certain criteria as determined by us and Lintasarta respectively, and who opted to end their employment relationship with us or Lintasarta, respectively, as part of such organizational restructuring under our and Lintasarta's voluntary separation scheme ("VSS Program"). As of December 31, 2011, there were 944 and 54 employees of the Company and Lintasarta, respectively, who participated in the VSS Program.

E. OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2012, we had no off-balance sheet arrangements that were reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

As of December 31, 2012, we had contractual obligations in the amount of US$2.111,5 million in foreign currency denominated contracts and Rp17,556.7 billion in Indonesian rupiah-denominated contracts. The foreign currency denominated contractual obligations require payments totaling US$520.3 million in 2013, US$322.7 million from 2014 to 2015, US$275.3 million from 2016 to 2017 and US$993.1 million from 2018 and thereafter. The Indonesian rupiah-denominated contractual obligations require payments totaling Rp3,762.7 billion in 2013, Rp5,752.4 billion from 2014 to 2015, Rp3,556.8 billion from 2016 to 2017 and Rp4,484.9 billion from 2018 and thereafter. The table below sets forth information relating to certain of our contractual obligations as of December 31, 2012:

Payments due by the periods ending December 31

	Total		2013		2014-2015		2016-2017		2018 and thereafter	
	Rp	US$	Rp	US$	Rp	US$	Rp	US$	Rp	US$
	(Rp in billions and US$ in millions)									
Contractual obligations:										
Short-term loan	300.0	–	300.0	–	–	–	–	–	–	–
Loans payable	1,100.0	557.2	–	276.7	1,100.0	138.4	–	101.8	–	40.3
Bonds payable	9,150.0	650.0	1,330.0	–	2,678.0	–	2,142.0	–	3,000.0	650.0
Interest payable on loans and bonds	4,811.9	532.7	1,140.2	84.8	1,602.2	146.8	1,093.4	129.5	976.1	171.6
Obligations under finance lease	1,155.8	229.4	111.2	16.6	214.5	37.5	321.3	44.0	508.8	131.3
Purchase obligations	881.3	142.2	881.3	142.2	–	–	–	–	–	–
Other non-current liabilities and non-current financial liabilities	157.7	–	–	–	157.7	–	–	–	–	–
Total contractual cash obligations	**17,556.7**	**2,111.5**	**3,762.7**	**520.3**	**5,752.4**	**322.7**	**3,556.8**	**275.3**	**4,484.9**	**993.1**





FASTER COMMUNITY PROGRESS FOR A THRIVING INDONESIA

Indosat is committed to carrying out our Corporate Social Responsibility (CSR) activities sincerely, in line with our responsibilities as a leading telecommunications provider in Indonesia. Our stated CSR goal is 'to grow in compliance with laws and regulations and to care for the community.' Since our inception, we have striven to set an example through responsible business practices that support society and by actively engaging and giving back to the community that we operate in.

The five program areas that we have traditionally engaged in are education, healthcare, disaster relief, charity and environmental conservation. Insofar as possible, CSR activities are integrated into operational activities and leverage the company's existing resources, for example using Indosat facilities or through the voluntary participation of Indosat employees, to optimize their impact and funding efficiency.

Our CSR programs garnered a total of five awards in 2011 namely Green CEO at the Social Business Innovation and Green CEO Award, Best Innovative CSR Program at Techlife Award 2012, The Best CSR Program at the Indonesia Cellular Award (ICA) 2012, The Best CSR Program (IWIC) by Selular Magazine, and Green Telecommunication Company at the Indonesia Green Awards 2012.

Major new activities in 2012 included support for the Indonesia Mengajar (Teach Indonesia) program, a nationwide program that focuses on sending bright young teachers to needy communities all over the archipelago. For detailed information on Indosat's CSR activities, please read the 2012 Sustainability Report which is appended at the end of this publication.

FOCUSING ON EDUCATION TO ACCELERATE THE DEVELOPMENT AND KNOWLEDGE CAPACITY OF THE YOUNG GENERATION.



PHOTO CAPTIONS:

1. In order to commemorate the holy month of Ramadan, Indosat provided assistance to 20 orphanages in Jakarta and the surrounding area.
2. Recognizing women and young people in Indonesia who have contributed positively and given the best for the nation, becoming an inspiration to society with the "Indonesia Inspiring Youth and Women 2012" award.
3. Indonesia provides communication devices and Indosat phone numbers to Red Cross throughout Indonesia.
4. As part of the official launch of the 3G900 network in Bukit Tinggi, Indosat provides communication and multimedia devices to SMP 4 Bukit Tinggi and several other schools in West Sumatra, to increase learning competency at the school.
5. *Indonesia Mengajar*
   Indosat supported Indonesia Mengajar ("Teach for Indonesia") in the form of accommodation and facilities for teacher training at the Indosat training & conference center, Jatiluhur, Purwakarta.





A STRENGTHENED BALANCE SHEET AS A FOUNDATION FOR FASTER GROWTH

PT INDOSAT TBK DAN ENTITAS ANAK

SURAT PERNYATAAN DIREKSI TENTANG TANGGUNG JAWAB ATAS LAPORAN KEUANGAN KONSOLIDASIAN BESERTA LAPORAN AUDITOR INDEPENDEN PADA TANGGAL 31 DESEMBER 2012 DAN TAHUN YANG BERAKHIR DENGAN ANGKA PERBANDINGAN PADA TANGGAL 31 DESEMBER 2011 DAN 1 JANUARI 2011 / 31 DESEMBER 2010 DAN TAHUN YANG BERAKHIR PADA TANGGAL 31 DESEMBER 2011

PT INDOSAT TBK AND SUBSIDIARIES

BOARD OF DIRECTORS STATEMENT ON CONSOLIDATED FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT AS OF DECEMBER 31, 2012 AND FOR THE YEAR THEN ENDED WITH COMPARATIVE FIGURES AS OF DECEMBER 31, 2011 AND JANUARY 1, 2011 / DECEMBER 31, 2010 AND FOR THE YEAR ENDED DECEMBER 31, 2011

No.010 /A00/FIN/13

Kami yang bertanda tangan di bawah ini:

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 : 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 : Direktor and Chief Financial Officer

Menyatakan bahwa :

1. Bertanggung jawab atas penyusunan dan penyajian laporan keuangan perusahaan;
2. Laporan keuangan perusahaan telah disusun dan disajikan sesuai dengan prinsip akuntansi yang berlaku umum;
3. a. Semua informasi dalam laporan keuangan Perusahaan telah dimuat secara lengkap dan benar;
   b. Laporan keuangan perusahaan tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material;
4. Bertanggung jawab atas sistem pengendalian intern dalam perusahaan.

Demikian pernyataan ini dibuat dengan sebenarnya

We the undersigned:

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* : *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*

hereby declares:

1. *Responsible to the preparation and the presentation of the company's financial statements;*
2. *The company's financial statements are prepared and presented according to the generally acceptable accounting principle;*
3. a. *All information contained in the company's financial statements is complete and true;*
   b. *The company's financial statement does not contain any false material information or facts, and does not omit any material information or facts;*
4. *Responsible to the company's internal control system.*

This statement is made truthfully.

Jakarta, 30 April 2013 / April 30 , 2013

President Director and Chief Executive Officer

Alexander Rusli
NIK. 30000022

Director and Chief Financial Officer

Stefan Carlsson
NIK. 30000020

PT Indosat Tbk and Subsidiaries

Consolidated financial statements
with independent auditors' report
as of December 31, 2012, December 31, 2011 (restated)
and January 1, 2011 / December 31, 2010 (restated)
and for the years ended December 31, 2012
and 2011 (restated)

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF DECEMBER 31, 2012, DECEMBER 31, 2011 (RESTATED)
AND JANUARY 1, 2011 / DECEMBER 31, 2010 (RESTATED)
AND FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011 (RESTATED)

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****

ERNST & YOUNG

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This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. RPC-3908/PSS/2013

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

We have audited the consolidated statements of financial position of PT Indosat Tbk (the "Company") and its subsidiaries as of December 31, 2012 and 2011, and January 1, 2011/December 31, 2010, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2012 and 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred above present fairly, in all material respects, the consolidated financial position of PT Indosat Tbk and its subsidiaries as of December 31, 2012 and 2011, and January 1, 2011/December 31, 2010, and the consolidated results of their operations and their cash flows for the years ended December 31, 2012 and 2011, in conformity with Indonesian Financial Accounting Standards.

As disclosed in Note 2v to the consolidated financial statements, effective January 1, 2012, the Company and its subsidiaries applied Indonesian Statement of Financial Accounting Standards No. 30 (Revised 2011), "Leases", Indonesian Interpretation of Financial Accounting Standards ("ISAK") No. 16, "Service Concession Arrangements", and ISAK No. 22, "Service Concession Arrangements: Disclosures", on a retrospective basis resulting in the restatement of the consolidated financial statements as of and for the year ended December 31, 2011 and statement of financial position as of January 1, 2011/December 31, 2010.

Purwantono, Suherman & Surja
Registered Public Accountants KMK No. 381/KM.1/2010
A member firm of Ernst & Young Global Limited

ERNST & YOUNG

This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. RPC-3908/PSS/2013 (continued)

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The separate financial statements of the parent entity as of December 31, 2012 and 2011, and for the years then ended, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements in accordance with Indonesian Financial Accounting Standards. The separate financial statements of the parent entity referred to above have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Purwantono, Suherman & Surja

Roy Iman Wirahardja, CPA
Public Accountant Registration No. AP.0699

April 29, 2013

The accompanying financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures, and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2012, December 31, 2011 (Restated) and January 1, 2011/December 31, 2010 (Restated)
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2012	December 31, 2011 (Restated)	January 1, 2011 / December 31, 2010 (Restated)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	2d,2n,2s, 4,21,31,38	3,917,236	2,224,206	2,075,270
Accounts receivable	2n			
Trade	5,21,38			
Related parties - net of allowance for impairment of Rp42,632 as of December 31, 2012, Rp47,107 as of December 31, 2011 and Rp47,640 as of January 1, 2011 / December 31, 2010	2s,31	574,650	318,243	207,289
Third parties - net of allowance for impairment of Rp521,998 as of December 31, 2012, Rp489,544 as of December 31, 2011 and Rp448,470 as of January 1, 2011 / December 31, 2010		1,464,069	1,181,853	1,328,987
Others - net of allowance for impairment of Rp18,748 as of December 31, 2012, Rp16,702 as of December 31, 2011 and Rp15,281 as of January 1, 2011 / December 31, 2010	38	22,441	5,660	10,031
Inventories - net of allowance for obsolescence of Rp14,613 as of December 31, 2012, Rp18,401 as of December 31, 2011 and Rp13,961 as of January 1, 2011 / December 31, 2010	2e	52,556	75,890	105,885
Derivative assets	2n,20,21,38	69,654	159,349	69,334
Advances	33d,33f	36,057	40,485	28,166
Prepaid taxes	2p,6,42	294,343	30,695	49,903
Prepaid frequency fee and licenses	2f	1,528,215	1,353,819	1,202,009
Prepaid expenses - other	2f,2j,2m,2s, 30,31	335,815	351,833	325,245
Other current financial assets - net	2d,2n,2s,7, 21,31,38	13,382	24,790	53,119
Other current assets	2s	392	742	702
Total Current Assets		8,308,810	5,767,565	5,455,940

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of December 31, 2012, December 31, 2011 (Restated) and
January 1, 2011/December 31, 2010 (Restated)
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2012	December 31, 2011 (Restated)	January 1, 2011 / December 31, 2010 (Restated)
NON-CURRENT ASSETS				
Due from related parties - net of allowance for impairment of Rp15 as of December 31, 2012 and December 31, 2011 and Rp646 as of January 1, 2011 / December 31, 2010	2n,2s,21,31,38	10,358	10,654	8,421
Deferred tax assets - net	2p,16	100,693	113,812	94,659
Property and equipment - net	2h,2i,2j,2l,8, 18,26	41,964,793	43,505,698	44,062,036
Goodwill and other intangible assets - net	2c,2i,9	1,373,707	1,366,853	1,374,060
Long-term prepaid rentals - net of current portion	2f,2s,10,31	755,237	766,349	750,472
Long-term prepaid licenses - net of current portion	2f,3a	266,027	331,868	397,708
Long-term advances	2s,11,31,33d,33f	40,994	161,649	213,975
Long-term prepaid pension - net of current portion	2m,2s,30,31	88,845	103,181	111,344
Long-term receivables		17,959	20,677	45,911
Other non-current financial assets - net	2d,2n,2s,12, 21,31,33f,38	1,543,140	212,270	150,604
Other non-current assets - net	2g,2s,13,16, 31,42	754,498	872,436	659,998
Total Non-current Assets		46,916,251	47,465,447	47,869,188
TOTAL ASSETS		**55,225,061**	**53,233,012**	**53,325,128**

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of December 31, 2012, December 31, 2011 (Restated) and
January 1, 2011/December 31, 2010 (Restated)
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2012	December 31, 2011 (Restated)	January 1, 2011 / December 31, 2010 (Restated)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loan	2n,2s,14,21,31,38	299,529	1,499,256	-
Accounts payable - trade	2n,2s,21,31,38			
Related parties		22,650	23,581	22,260
Third parties		209,087	295,477	623,245
Procurement payable	2n,2s,15,21,31,38	2,737,850	3,475,862	3,642,002
Taxes payable	2p,16	95,599	91,206	172,512
Accrued expenses	2n,2s,17,21,31,38	1,961,285	1,895,613	1,796,335
Unearned income	2k,33d,33f,33g	1,073,088	1,032,415	1,106,610
Deposits from customers	2n,21,38	43,825	37,265	50,279
Derivative liabilities	2n,20,21,38	81,241	138,189	215,403
Current maturities of:				
Loans payable	2n,2s,18,21,31,38	2,669,218	3,300,537	3,184,147
Bonds payable	2n,19,21,38	1,329,175	41,989	1,098,131
Other current financial liabilities	2j,2n,2s,21,31,33h,38	289,164	71,828	52,413
Other current liabilities	2s,31,38	204,040	64,849	61,612
Total Current Liabilities		11,015,751	11,968,067	12,024,949
NON-CURRENT LIABILITIES				
Due to related parties	2n,2s,21,31,38	42,789	15,480	22,099
Obligations under finance lease	2j,2n,21,33h,38	3,101,910	770,081	416,587
Deferred tax liabilities - net	2j,2p,16	1,684,270	1,956,352	1,792,629
Loans payable - net of current maturities	2n,2s,18,21,31,38			
Related parties		-	-	997,045
Third parties		3,703,822	6,425,779	6,669,759
Bonds payable - net of current maturities	2n,19,21,38	13,986,507	12,138,353	12,114,104
Employee benefit obligations - net of current portion	2m,22	926,224	787,313	872,407
Other non-current financial liabilities	2j,2n,2s,21,31,38	69,273	107,433	45,815
Other non-current liabilities	2s,29,31,33d,38	1,299,131	95,054	114,360
Total Non-current Liabilities		24,813,926	22,295,845	23,044,805
TOTAL LIABILITIES		**35,829,677**	**34,263,912**	**35,069,754**

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
As of December 31, 2012, December 31, 2011 (Restated) and
January 1, 2011/December 31, 2010 (Restated)
(Expressed in millions of rupiah, except share data)

	Notes	December 31, 2012	December 31, 2011 (Restated)	January 1, 2011 / December 31, 2010 (Restated)
EQUITY				
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Capital stock - Rp100 par value per A share and B share Authorized - 1 A share and 19,999,999,999 B shares Issued and fully paid - 1 A share and 5,433,933,499 B shares	23	543,393	543,393	543,393
Premium on capital stock		1,546,587	1,546,587	1,546,587
Retained earnings				
Appropriated		134,446	134,446	134,446
Unappropriated	2j	15,846,721	15,889,104	15,244,044
Difference in transactions of equity changes in associated companies/subsidiaries	2b,2g	404,104	404,104	404,104
Difference in foreign currency translation	2b	(3,600)	(2,326)	(2,727)
Unrealized changes in fair value of available-for-sale investment	12	389,718	-	-
Total Equity Attributable to:				
Owners of the Company		18,861,369	18,515,308	17,869,847
Non-controlling interests	2b	534,015	453,792	385,527
TOTAL EQUITY		**19,395,384**	**18,969,100**	**18,255,374**
TOTAL LIABILITIES AND EQUITY		**55,225,061**	**53,233,012**	**53,325,128**

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2012 and 2011 (Restated)
(Expressed in millions of rupiah, except share data)

	Notes	2012	2011 (Restated)
REVENUES	2j,2k,2s,24, 31,35,36,37		
Cellular		18,489,329	16,587,385
Multimedia, Data Communication, Internet ("MIDI")		2,908,033	2,691,925
Fixed Telecommunications		1,021,450	1,249,982
Total Revenues		**22,418,812**	**20,529,292**
EXPENSES	2s,31		
Cost of services	2j,2k,25, 33h,33i,33l,35,42	8,905,736	7,547,407
Depreciation and amortization	2h,2j,8,9,37	8,272,824	6,558,177
Personnel	2l,2m,26, 30,42	1,427,194	1,912,647
Marketing	2k	920,296	855,686
General and administration	2k,27,33b,42	625,540	549,530
Gain on sale of towers	8,29,37	(1,183,963)	-
Gain on foreign exchange - net	2n,20,5,37	(44,793)	(90,919)
Others - net	2j,8,12,13,16, 37	305,955	32,455
Net Expenses		**19,228,789**	**17,364,983**
OPERATING PROFIT		**3,190,023**	**3,164,309**
Interest income	2j,2s,31,37	133,544	92,646
Gain on change in fair value of derivatives - net	2n,20,37	4,964	57,944
Financing cost	2j,2s,14,18,19, 28,31,37	(2,077,350)	(1,929,354)
Loss on foreign exchange - net	2n,2o,37	(789,438)	(54,188)
Share of loss of associated companies		(125)	-
Other Expenses - Net		**(2,728,405)**	**(1,832,952)**
PROFIT BEFORE INCOME TAX		**461,618**	**1,331,357**
INCOME TAX BENEFIT (EXPENSE)			
Current	2p,16,37	(234,429)	(120,177)
Deferred	2j	260,227	(144,436)
Income Tax Benefit (Expense) - Net		**25,798**	**(264,613)**
PROFIT FOR THE YEAR		**487,416**	**1,066,744**

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)
Years Ended December 31, 2012 and 2011 (Restated)
(Expressed in millions of rupiah, except share data)

	Notes	2012	2011 (Restated)
OTHER COMPREHENSIVE INCOME			
Difference in foreign currency translation	2b	(36)	534
Income tax effect		(1,238)	(133)
Unrealized changes in fair value of available-for-sale investment	12	389,718	-
Net		**388,444**	**401**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**875,860**	**1,067,145**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		375,106	968,653
Non-controlling interests	2b	112,310	98,091
Total		**487,416**	**1,066,744**
OTHER COMPREHENSIVE INCOME - NET OF TAX ATTRIBUTABLE TO:			
Owners of the Company		388,444	401
Non-controlling interests	2b	-	-
Total		**388,444**	**401**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		763,550	969,054
Non-controlling interests		112,310	98,091
Total		**875,860**	**1,067,145**
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	2r,23	**69.03**	**178.26**
BASIC AND DILUTED EARNINGS PER ADS (50 SHARES PER ADS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	2r,23	**3,451.51**	**8,913.00**

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 SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years Ended December 31, 2012 and 2011 (Restated)
(Expressed in millions of rupiah)

Description	Notes	Equity Attributable to Owners of the Company									
				Retained Earnings							
		Capital Stock - Issued and Fully Paid	Premium of Capital Stock	Appropriated	Unappropriated	Difference in Transactions of Equity Changes in Associated Companies/Subsidiaries	Difference in Foreign Currency Translation	Unrealized Changes in Fair Value of Available-for-Sale investment	Total	Non-controlling Interests	Total Equity
Balance as of January 1, 2011 (previously reported)		**543,393**	**1,546,587**	**134,446**	**15,224,843**	**404,104**	**(2,727)**	-	**17,850,646**	**385,840**	**18,236,486**
Retrospective application of new accounting policy	2v	-	-	-	19,201	-	-	-	19,201	(313)	18,888
Balance as of January 1, 2011 (restated)		**543,393**	**1,546,587**	**134,446**	**15,244,044**	**404,104**	**(2,727)**	-	**17,869,847**	**385,527**	**18,255,374**
Difference in foreign currency translation arising from the translation of the financial statements of Indosat Finance Company B.V. and Indosat International Finance Company B.V. from euro, and Indosat Palapa Company B.V. and Indosat Singapore Pte. Ltd. from U.S. dollar to rupiah - net of applicable income tax benefit (expense) of Rp108, Rp38, Rp87 and (Rp366), respectively	2b	-	-	-	-	-	401	-	401	-	401
Resolution during the Annual Stockholders' General Meeting on June 24, 2011											
Declaration of cash dividend	32	-	-	-	(323,593)	-	-	-	(323,593)	-	(323,593)
Profit for the year		-	-	-	968,653	-	-	-	968,653	98,091	1,066,744
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(29,826)	(29,826)
Balance as of December 31, 2011 (restated)		**543,393**	**1,546,587**	**134,446**	**15,889,104**	**404,104**	**(2,326)**	-	**18,515,308**	**453,792**	**18,969,100**
Balance as of January 1, 2012 (previously reported)		**543,393**	**1,546,587**	**134,446**	**15,736,227**	**404,104**	**(2,326)**	-	**18,362,431**	**453,542**	**18,815,973**
Retrospective application in applying new accounting policy	2v	-	-	-	152,877	-	-	-	152,877	250	153,127
Balance as of January 1, 2012 (restated)		**543,393**	**1,546,587**	**134,446**	**15,889,104**	**404,104**	**(2,326)**	-	**18,515,308**	**453,792**	**18,969,100**
Difference in foreign currency translation arising from the translation of the financial statements of Indosat Finance Company B.V. and Indosat International Finance Company B.V. from euro to rupiah - net of applicable income tax expense of Rp460 and Rp180, respectively, and Indosat Palapa Company B.V. and Indosat Singapore Pte. Ltd. from U.S. dollar to rupiah	2b	-	-	-	-	-	(1,274)	-	(1,274)	-	(1,274)
Unrealized changes in fair value of available-for-sale investment	12	-	-	-	-	-	-	389,718	389,718	-	389,718
Resolution during the Annual Stockholders' General Meeting on May 14, 2012											
Declaration of cash dividend	32	-	-	-	(417,489)	-	-	-	(417,489)	-	(417,489)
Profit for the year		-	-	-	375,106	-	-	-	375,106	112,310	487,416
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(32,087)	(32,087)
Balance as of December 31, 2012		**543,393**	**1,546,587**	**134,446**	**15,846,721**	**404,104**	**(3,600)**	**389,718**	**18,861,369**	**534,015**	**19,395,384**

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011
(Expressed in millions of rupiah)

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from:			
Customers		21,960,377	20,620,790
Refunds of taxes		179,478	141,271
Interest income		131,804	81,336
Settlement from currency forward contracts	20ae-cj	116,147	55,371
Settlement from currency swap contracts	20a-k,z-ad	34,410	20,626
Cash paid to/for:			
Authorities, other operators, suppliers and others		(11,607,302)	(9,102,182)
Financing cost		(2,026,450)	(1,739,810)
Employees		(1,252,470)	(2,003,642)
Income taxes		(424,538)	(563,320)
Interest rate swap contracts	20q-ad	(82,306)	(119,521)
Swap cost from cross currency swap contracts	20c-f,h-o	(39,697)	(70,838)
Net Cash Provided by Operating Activities		**6,989,453**	**7,320,081**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	8,29	3,100,109	6,708
Acquisitions of property and equipment	8	(5,765,942)	(6,047,958)
Acquisitions of intangible assets	9	(23,073)	(10,452)
Cash dividend received from other long-term investment		-	13,790
Net Cash Used in Investing Activities		**(2,688,906)**	**(6,037,912)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bonds payable	19	3,000,000	-
Proceeds from long-term loans	18	1,700,000	2,322,900
Proceeds from short-term loan	14	700,000	1,500,000
Repayment of long-term loans	18	(5,455,925)	(3,505,063)
Repayment of short-term loans	14	(1,900,000)	-
Cash dividend paid by the Company	32	(417,489)	(323,591)
Repayment of bonds payable	19	(241,989)	(1,100,000)
Cash dividend paid by subsidiaries to non-controlling interests		(32,085)	(29,692)
Net Cash Used in Financing Activities		**(2,647,488)**	**(1,135,446)**
Net Foreign Exchange Differences from Cash and Cash Equivalents		**39,971**	**2,213**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,693,030**	**148,936**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,224,206**	**2,075,270**
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**3,917,236**	**2,224,206**

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

PT INDOSAT Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2012 and 2011
(Expressed in millions of rupiah)

	Notes	2012	2011
DETAILS OF CASH AND CASH EQUIVALENTS:	4		
Time deposits with original maturities of three months or less and deposits on call		3,493,467	1,919,227
Cash on hand and in banks		423,769	304,979
Cash and cash equivalents as stated in the consolidated statement of financial position		**3,917,236**	**2,224,206**

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

1. GENERAL

a. Company's Establishment

PT Indosat Tbk ("the Company") was established in the Republic of Indonesia on November 10, 1967 within the framework of the Indonesian Foreign Investment Law No. 1 of 1967 based on the notarial deed No. 55 of Mohamad Said Tadjoedin, S.H. The deed of establishment was published in Supplement No. 24 of State Gazette No. 26 dated March 29, 1968 of the Republic of Indonesia. In 1980, the Company was sold by American Cable and Radio Corporation, an International Telephone & Telegraph subsidiary, to the Government of the Republic of Indonesia ("the Government") and became a State-owned Company (*Persero*).

On February 7, 2003, the Company received the approval from the Capital Investment Coordinating Board ("BKPM") in its letter No. 14/V/PMA/2003 for the change of its legal status from a State-owned Company (*Persero*) to a Foreign Capital Investment Company. Subsequently, on March 21, 2003, the Company received the approval from the Ministry of Justice and Human Rights of the Republic of Indonesia on the amendment of its Articles of Association to reflect the change in its legal status.

The Company's Articles of Association has been amended from time to time. The latest amendment was covered by notarial deed No. 123 dated January 28, 2010 of Aulia Taufani, S.H. (as a substitute notary of Sutjipto, S.H.), as approved in the Stockholders' Extraordinary General Meeting held on January 28, 2010, in order to comply with the Indonesian Capital Market and Financial Institutions Supervisory Agency ("BAPEPAM-LK") Rule No. IX.J.1 dated May 14, 2008 on the Principles of Articles of Association of Limited Liability Companies that Conduct Public Offering of Equity Securities and Public Companies and Rule No. IX.E.1 on Affiliate Transactions and Certain Conflict of Interests Transactions. The latest amendment of the Company's Articles of Association has been approved by, and reported to, the Ministry of Law and Human Rights of the Republic of Indonesia based on its letters No. AHU-09555.AH.01.02 Year 2010 dated February 22, 2010 and No. AHU-AH.01.10-04964 dated February 25, 2010. The amendments relate to, among other matters, the changes in the Company's purposes, objectives and business activities, appointment of acting President Director if the incumbent President Director is unavailable and definition of conflict of interests.

According to article 3 of its Articles of Association, the Company's purposes and objectives are to provide telecommunications networks, telecommunications services as well as information technology and/or convergence technology services by carrying out the following main business activities:

a. To provide telecommunications networks, telecommunications services as well as information technology and/or convergence technology services, including but not limited to providing basic telephony services, multimedia services, internet telephony services, network access point service, internet services, mobile telecommunications networks and fixed telecommunications networks; and

b. To engage in payment transactions and money transfer services through telecommunications networks as well as information technology and/or convergence technology.

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

a. To plan, to procure, to modify, to build, to provide, to develop, to operate, to lease, to rent, and to maintain infrastructures/facilities including resources to support the Company's business in providing telecommunications networks, telecommunications services as well as information technology and/or convergence technology services;

1. GENERAL (continued)

a. Company's Establishment (continued)

b. To conduct business and operating activities (including development, marketing and sales of telecommunications networks, telecommunications services as well as information technology and/or convergence technology services by the Company), including research, customer services, education and courses (both domestic and overseas); and

c. To conduct other activities necessary to support and/or related to the provision of telecommunications networks, telecommunications services as well as information technology and/or convergence technology services including, but not limited to, electronic transactions and provision of hardware, software, content as well as telecommunications-managed services.

The Company started its commercial operations in 1969.

For the years ended December 31, 2010, 2011 and 2012, 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 effective August 1, 2003 of the exclusivity rights on international telecommunications services given to the Company prior to the granting of such license. On August 23, 2001, the Company obtained the operating license from the MOC. Subsequently, based on Decree No. KP.247 dated November 6, 2001 issued by the MOC, the operating license was transferred to the Company's subsidiary, PT Indosat Multi Media Mobile (see "e" below).

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	August 31, 2012	MOCIT	Evaluated every 5 years	Amended Indosat's Mobile Celluler License which allows Indosat to deploy 3rd Generation Partnership Project (3G system) at 900 MHz spectrum band. The Ministerial Decree replaces Indosat's previous licenses No.252/KEP/M.KOMINFO/07/2011 and 102/KEP/M.KEMINFO/10/2006.
252/KEP/ M.KOMINFO/07/2011 (previously 102/KEP/M.KOMINFO/ 10/2006)	July 6, 2011	MOCIT	Evaluated every 5 years	Amended operating license for nationwide GSM cellular mobile network (including its basic telephony services and the rights and obligations relating to 3G services), which replaces the previous license No. 102/KEP/M.KOMINFO/10/2006 dated October 11, 2006
181/KEP/M.KOMINFO/ 12/2006	December 12, 2006	MOCIT	-	Allocation of two nationwide frequency channels, i.e., channels 589 and 630 in the 800 MHz spectrum for Local Fixed Wireless Network Services with Limited Mobility
01/DIRJEN/2008	January 7, 2008	Directorate General of Post and Telecommunications ("DGPT")	Evaluated every 5 years	Operating license as internet service provider
51/DIRJEN/2008	January 9, 2008	DGPT	Evaluated every 5 years	Operating license for internet interconnection services (Network Access Point/NAP), which replaces the previous license given to PT Satelit Palapa Indonesia ("Satelindo")

(*) 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 33i).

1. GENERAL (continued)

a. Company's Establishment (continued)

License No.	Date Issued	Issuing Body	Period of License	Description
52/DIRJEN/2008	January 9, 2008	DGPT	Evaluated every 5 years	Operating license for telephony internet services which replaces the previous license No. 823/DIRJEN/2002 for Voice over Internet Protocol Service with national coverage that expired in 2007
237/KEP/M.KOMINFO/ 7/2009	July 27, 2009	MOCIT	10 years	Operating license for "Packet Switched" local fixed telecommunications network using 2.3 GHz radio frequency spectrum of Broadband Wireless Access (BWA) (**)
268/KEP/M.KOMINFO/ 9/2009	September 1, 2009	MOCIT	10 years	Operating license for one additional block (2 x 5 Mhz) of 3G frequency (***)
198/KEP/M.KOMINFO/ 05/2010	May 27, 2010	MOCIT	Evaluated every 5 years	Amended operating license for nationwide closed fixed communications network (e.g.,VSAT, frame relay, etc.), which replaces the previous license No.KP.69/Thn 2004 given to the Company
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 33i).
(***) The Company was obliged to, among others, pay upfront fee of Rp320,000 (Note 3a) and radio frequency fee (Note 33i).

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 mandates that each of the tower contractor, provider and owner be 100% locally owned companies.

On March 30, 2009, the Ministry of Domestic Affairs, Ministry of Public Works, MOCIT and Head of BKPM jointly issued Decrees No. 18 Year 2009, No. 07/PRT/M/2009, No. 19/PER/M.KOMINFO/03/09 and No. 3/P/2009 on the Detailed Guidelines of Construction and Utilization of Sharing Telecommunications Towers. The Decrees define the requirements and procedures for tower construction. A tower provider can be either a telecommunications operator or a non-telecommunications operator. If a tower provider is a non-telecommunications operator, it is required to be a 100% locally owned company.

1. GENERAL (continued)

a. Company's Establishment (continued)

On September 3, 2010, based on letter No. 12/67/DASP/25 from Bank Indonesia (Central Bank), the Company obtained approval to become a *"money remittance provider"* to customers in the local and international markets.

On December 13, 2010, based on letter No. 2619/BSN/D3-d3/12/2010 from the Badan Standardisasi Nasional (National Standardization Bureau), the Company obtained Issuer Identification Number (IIN) on its applications for *"Indosat m-wallet*" and *"money remittance"*. On March 23, 2011, the President of the Republic of Indonesia issued Regulation or *Peraturan Pemerintah* ("PP") No. 3 year 2011 regarding money remittance. This regulation becomes the operational guidance for the Company as a "money remittance provider".

The Company is domiciled at Jalan Medan Merdeka Barat No. 21, Jakarta and has 2 regional offices located in Jakarta and Medan.

Qatar Telecom QSC, Qatar ("Qatar Telecom") is the ultimate parent company of the Company and subsidiaries. The immediate parent company of the Group is Qatar Telecom (Qtel Asia) Pte. Ltd., Singapore.

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 and ADS 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) and New York Stock Exchange since October 19, 1994.

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") Phase 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, 2012, the outstanding bonds issued to the public by the Company and a subsidiary are as follows:

Bond (Note 19)	Effective Date	Registered with and Traded on:
1. Fifth Indosat Bonds in Year 2007 with Fixed Rates	May 29, 2007	Indonesia Stock Exchange
2. Indosat Sukuk Ijarah II in Year 2007	May 29, 2007	Indonesia Stock Exchange
3. Sixth Indosat Bonds in Year 2008 with Fixed Rates	April 9, 2008	Indonesia Stock Exchange
4. Indosat Sukuk Ijarah III in Year 2008	April 9, 2008	Indonesia Stock Exchange
5. Seventh Indosat Bonds in Year 2009 with Fixed Rates	December 8, 2009	Indonesia Stock Exchange
6. Indosat Sukuk Ijarah IV in Year 2009	December 8, 2009	Indonesia Stock Exchange
7. Guaranteed Notes Due 2020	July 29, 2010	Singapore Exchange Securities Trading Limited
8. Eighth Indosat Bonds in Year 2012	June 27, 2012	Indonesia Stock Exchange
9. Indosat Sukuk Ijarah V in Year 2012	June 27, 2012	Indonesia Stock Exchange

1. GENERAL (continued)

c. Directors, Commissioners and Audit Committee

Based on resolutions of the Stockholders' Extraordinary General Meeting and the Stockholders' Annual General Meetings held on September 17, 2012, May 14, 2012, June 24, 2011 and June 22, 2010 which are notarized under Deeds No. 5 and No. 72 of Aryanti Artisari S.H., M.Kn., and No. 148 and No. 164, respectively, of Aulia Taufani, S.H. (as substitute notary of Sutjipto, S.H.) on the same dates, the composition of the Company's Board of Commissioners and Board of Directors as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, respectively, is as follows:

	December 31, 2012	December 31, 2011	January 1, 2011 / December 31, 2010
Board of Commissioners:			
President Commissioner	Abdulla Mohammed S.A Al Thani	Abdulla Mohammed S.A Al Thani	Abdulla Mohammed S.A Al Thani
Commissioner	Dr. Nasser Mohd. A. Marafih	Dr. Nasser Mohd. A. Marafih	Dr. Nasser Mohd. A. Marafih
Commissioner	Rachmad Gobel	Rachmad Gobel	Rachmad Gobel
Commissioner	Richard Farnsworth Seney*	Richard Farnsworth Seney	Richard Farnsworth Seney
Commissioner	Rionald Silaban	Rionald Silaban	Rionald Silaban
Commissioner	Rudiantara*	Alexander Rusli*	Alexander Rusli*
Commissioner	Chris Kanter*	Chris Kanter*	Chris Kanter*
Commissioner	Thia Peng Heok George*	Thia Peng Heok George*	Thia Peng Heok George*
Commissioner	Soeprapto*	Soeprapto*	Soeprapto*
Commissioner	Beny Roelyawan	-	Jarman

* Independent Commissioner

1. GENERAL (continued)

c. Directors, Commissioners and Audit Committee (continued)

	December 31, 2012	December 31, 2011	January 1, 2011/ December 31, 2010
Board of Directors:			
President Director and Chief Executive Officer	Alexander Rusli	Harry Sasongko Tirtotjondro	Harry Sasongko Tirtotjondro
Director and Chief Financial Officer	Curt Stefan Carlsson	Curt Stefan Carlsson	Peter Wladyslaw Kuncewicz
Director and Chief Commercial Officer	Frederik Johannes Meijer	Laszlo Imre Barta	Laszlo Imre Barta
Director and Chief Technology Officer	Hans Christiaan Moritz	Hans Christiaan Moritz	Stephen Edward Hobbs
Director and Chief Wholesale and Infrastructure Officer	Fadzri Sentosa	Fadzri Sentosa	Fadzri Sentosa

The composition of the Company's Audit Committee as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 is as follows:

	December 31, 2012	December 31, 2011 and January 1, 2011 / December 31, 2010
Chairman	Thia Peng Heok George	Thia Peng Heok George
Member	Chris Kanter	Chris Kanter
Member	Richard Farnsworth Seney	Soeprapto
Member	Unggul Saut Marupa Tampubolon	Unggul Saut Marupa Tampubolon
Member	Kanaka Puradiredja	Kanaka Puradiredja

The Company and subsidiaries (collectively referred to hereafter as "the Group") have approximately 4,540, 4,461 and 6,694 employees (unaudited), including non-permanent employees, as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, respectively.

1. GENERAL (continued)

d. Structure of the Company's Subsidiaries

As of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010, the Company has direct and indirect ownership in the following subsidiaries:

Name of Subsidiary	Location	Principal Activity	Start of Commercial Operations	Percentage of Ownership (%) December 31, 2012 and 2011	Percentage of Ownership (%) January 1, 2011/ December 31, 2010
Indosat Palapa Company B.V. ("IPBV") [1]	Amsterdam	Finance	2010	100.00	100.00
Indosat Mentari Company B.V. ("IMBV") [1]	Amsterdam	Finance	2010	100.00	100.00
Indosat Finance Company B.V. ("IFB")	Amsterdam	Finance	2003	100.00	100.00
Indosat International Finance Company B.V. ("IIFB")	Amsterdam	Finance	2005	100.00	100.00
Indosat Singapore Pte. Ltd. ("ISPL")	Singapore	Telecommunication	2005	100.00	100.00
PT Indosat Mega Media ("IMM")	Jakarta	Multimedia	2001	99.85	99.85
PT Interactive Vision Media ("IVM") [2]	Jakarta	Pay TV	2011	99.83	-
PT Starone Mitra Telekomunikasi ("SMT")	Semarang	Telecommunication	2006	72.54	72.54
PT Aplikanusa Lintasarta ("Lintasarta")	Jakarta	Data Communication	1989	72.36	72.36
PT Lintas Media Danawa ("LMD") [3]	Jakarta	Information and Communication Services	2008	50.65	50.65
PT Artajasa Pembayaran Elektronis ("APE")[3]	Jakarta	Telecommunication	2000	39.80	39.80

	Total Assets (Before Eliminations)		
Name of Subsidiary	**December 31, 2012**	**December 31, 2011**	**January 1, 2011/ December 31, 2010**
IPBV[1]	6,442,367	6,015,894	5,966,764
IMBV[1]	6,436,524	6,010,359	5,946,885
IFB	21,963	20,923	21,876
IIFB	8,853	8,688	9,635
ISPL	99,519	78,264	54,353
IMM	813,308	746,404	815,130
IVM[2]	5,448	5,198	-
SMT	250,856	209,651	155,297
Lintasarta	2,041,724	1,783,759	1,739,896
LMD[3]	4,026	5,199	2,671
APE[3]	371,603	258,745	221,297

(1) IPBV and IMBV were incorporated in Amsterdam on April 28, 2010 to engage in treasury activities, to lend and borrow money, whether in the form of securities or otherwise, to finance enterprises and companies, and to grant security in respect of their respective obligations or those of their group companies and third parties.

(2) IVM, a subsidiary of IMM, was established on April 21, 2009 to engage in Pay TV services. IMM made capital injections to IVM on March 9 and 30, 2011 totalling Rp4,999. On July 12, 2011, IVM obtained the license to conduct its Pay TV services. However, as of December 31, 2012, IVM has not started its commercial operations.

(3) Lintasarta has direct 55% and 70% ownership in APE and LMD, respectively.

1. GENERAL (continued)

e. Merger of the Company, Satelindo, Bimagraha and IM3

Based on Merger Deed No. 57 dated November 20, 2003 ("merger date") of Poerbaningsih Adi Warsito, S.H., the Company, Satelindo, PT Bimagraha Telekomindo ("Bimagraha") and PT Indosat Multi Media Mobile ("IM3") agreed to merge, with the Company as the surviving entity. All assets and liabilities owned by Satelindo, Bimagraha and IM3 were transferred to the Company on the merger date. These three companies were dissolved by operation of law without the need to undergo the regular liquidation process.

The names "Satelindo" and "IM3" in the following notes refer to these entities before they were merged with the Company, or as the entities that entered into contractual agreements that were taken over by the Company as a result of the merger.

f. Approval and Authorization for the Issuance of Consolidated Financial Statements

The issuance of the consolidated financial statements of the Group as of December 31, 2012 and for the year then ended with comparative figures as of December 31, 2011 and January 1, 2011/ December 31, 2010 and for the year ended December 31, 2011 was approved and authorized by the Board of Directors on April 29, 2013, as reviewed and recommended for approval by the Audit Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation of the 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 Regulations No. VIII.G.7 of the Guidelines on Financial Statement Presentation and Disclosures issued by the BAPEPAM-LK and Decision Letter No. KEP-347/BL/2012 of the Chief of the BAPEPAM-LK regarding "Financial Statements Presentation and Disclosure for Issuers or Public Companies". As disclosed further in the relevant succeeding notes to the consolidated financial statements, several amended and new and published accounting standards and interpretations were adopted effective January 1, 2012.

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 have been except for the consolidated statement of cash flows, are 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and subsidiaries mentioned in Note 1d, in which the Company maintains (directly or indirectly) equity ownership of more than 50%.

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 another 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.

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 the losses 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 acquisition-date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are directly expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PSAK 55 (Revised 2006) either in profit or loss or as other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill forms part of a CGU and 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 comprises cash on hand and in banks and all unrestricted time deposits (including deposits on call) with an 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".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Inventories

Inventories, which mainly consist of Subscriber Identification Module ("SIM") cards, starter packs, wireless 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 rentals, insurance and advertising, are expensed as the related asset is utilized. The non-current portions of prepaid rentals and upfront fee of 3G and BWA licenses are shown as part of "Long-term Prepaid Rentals - Net of Current Portion" and "Long-term Prepaid Licenses - Net of Current Portion", respectively.

g. Investments in Associated Companies

The Group's investment in its associated company is accounted for using the equity method. An associated company is an entity in which the Group has significant influence. Under the equity method, the cost of investment is increased or decreased by the Group's share in net earnings or losses of, and dividends received from, the associated company since the date of acquisition.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associated company. Where there has been a change recognized directly in the equity of the associated company, the Group recognizes its share of any such changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company.

The Group determines whether it is necessary to recognize an additional impairment loss on the Group's investment in its associated company. The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment in associated company and its carrying value, and recognizes the amount in profit or loss.

h. Property and Equipment

Effective January 1, 2012, the Group has implemented PSAK 16 (Revised 2011), "Fixed Assets", which impacts recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them. The revised PSAK No. 16 also prescribes accounting for land and therefore, it also revoked PSAK No. 47, "Accounting the Land". ISAK No. 25 which was effective on the same date, provides further guidance related to the treatments of certain landrights in Indonesia and the related costs.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Property and Equipment (continued)

In accordance with PSAK 16 (Revised 2011), the Group has chosen the cost model for the measurement of its property and equipment. 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 its policy, the Group reviews the estimated useful lives on its property and equipment on an ongoing basis. Based on such review, the Group changed its estimate of the useful lives to better reflect the estimated period these assets remain in service. The Group changed its estimate of the useful lives of tower assets within Building and Leasehold Improvements from 15 years to 25 years. The Group changed its estimate of useful lives of buildings from 20 years to 40 years, and FWA technical equipment from 10 years to 7 years, effective January 1, 2012. In addition, the Group also changed its estimate of useful lives of cellular technical equipment from 10 years to 8 years, effective September 1, 2012.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Property and Equipment (continued)

Properties under construction and installation are stated at cost. Effective January 1, 2012, the Group has implemented PSAK 26 (Revised 2011), "Borrowing Costs". All borrowing costs, which include 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. 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.

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 profit or loss. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment of Non-financial Assets (continued)

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

Effective January 1, 2012, the Group has retrospectively implemented PSAK 30 (Revised 2011), "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 an 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 recognized in financing cost in profit or loss.

A leased asset (presented as part of property and equipment) 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.

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 year 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 year, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Leases (continued)

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 amortised 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 recognised 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 income and recognized as revenue upon usage of the airtime or upon expiration of the airtime.

Sales of wireless broadband and modems cellular handsets are recognized upon delivery to the customers.

Revenues from wireless broadband data communications are recognized based on the duration of usage or fixed monthly charges depending on the arrangement with the customers.

Cellular revenues are presented on a net basis, after compensation to value added service providers.

Customer Loyalty Program

The Company operates a customer loyalty program called *"Poin Plus Plus"*, which allows customers to accumulate points for every reload and payment by the Company's prepaid and post-paid subscribers, respectively. The points can then be redeemed for free telecommunications and non-telecommunications products, subject to a minimum number of points being obtained. Starting July 29, 2011, the *"Poin Plus Plus"* program has been replaced with the *"Indosat Senyum"* program. Both programs have similarity in nature and scheme to redeem the points, except that under the new program, the Company no longer includes the subscription period as a variable item in calculating the points.

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted. The consideration received at the time of reload and payment by the Company's prepaid and post-paid subscribers, respectively, is allocated between the cellular products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points issued is deferred and recognized as revenue when the points are redeemed or when the redemption period expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and Expense Recognition (continued)

Dealer Commissions

Consideration in the form of sales discount given by the Company to a dealer is recognized as a reduction of revenue.

If the Company receives, or will receive, an identifiable benefit in exchange for a consideration given by the Company to a dealer, and the fair value of such benefit can be reasonably estimated, the consideration will be recorded as a marketing expense.

Tower Leasing

Revenue from tower leasing classified as an operating lease is recognized on a straight-line basis over the lease term based on the amount stated in the agreement between the Company and the lessee.

MIDI

Internet

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. Revenues from usage charges are recognized monthly based on the duration of internet usage or based on the fixed amount of charges, depending on the arrangement with the customers.

Frame Net, World Link and Direct Link

Revenues 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 life 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 as revenue 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and Expense Recognition (continued)

Interconnection Revenues

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 an agency relationship are recorded based on the gross amount billed to the customer when the Company and subsidiaries act as a principal in the sale of services.

When the Company and subsidiaries act as an agent and earn commission from the suppliers of the services, revenues are recorded based on the net amount retained (the amount paid by the customer less the amount paid to the suppliers).

Expenses

Interconnection Expenses

Expenses from network interconnection with other domestic and international telecommunications carriers are accounted for as operating expenses in the year these are incurred.

Other Expenses

Expenses are recognized when incurred.

l. Personnel Costs

Personnel costs which are directly related to the development, construction and installation of property and equipment are capitalized as part of the cost of such assets.

m. Pension Plan and Employee Benefits

Effective January 1, 2012, the Group has applied PSAK 24 (Revised 2010), “Employee Benefits”, which regulates the accounting and disclosure for employee benefits, both short-term (e.g., paid annual leave, paid sick leave) and long-term (e.g., long-service leave, post-employment medical benefits). The Group has chosen the 10% corridor method for the recognition of actuarial gains or losses. The Group also requires recognition of liability and expense when an employee has provided service and the entity consumes economic benefit arising from the service.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Pension Plan and Employee Benefits (continued)

Actuarial gains or losses and past service costs from other long-term employee benefits are recognized immediately in the current year's consolidated statement of comprehensive income within personnel expense.

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 consists of 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

Effective January 1, 2012, 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".

PSAK 50 (Revised 2010) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This PSAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

PSAK 55 (Revised 2011) establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This PSAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

PSAK 60 requires disclosures of significance of financial instruments for financial position and performance, and the nature and extent of risks arising from financial instruments to which the Group is exposed during the year and at the end of the reporting period, and how the entity manages those risks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

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.

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 profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

  The Group's financial assets classified at fair value through profit or loss consist of derivative assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n1. Financial assets (continued)

Subsequent measurement (continued)

- 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.

  The Group's cash and cash equivalents, trade and other accounts receivable, due from related parties, other current financial assets, and other non-current financial assets are included in this category.

- Held-to-maturity (HTM) investments

  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in profit or loss. The losses arising from impairment are recognized in profit or loss.

  The Group did not have any HTM investments during the years ended December 31, 2012, 2011 and 2010.

- Available-for-sale (AFS) financial assets

  AFS financial assets are non-derivative financial assets that are designated as available for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in 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, are recorded at fair value.

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 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 costs 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

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.

n4. Fair value of financial instruments

The fair value of financial instruments that are traded in active market at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long position and ask price for short position), without any deduction for transaction costs. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

Credit risk adjustment

The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's own credit risk associated with the instrument is taken into account.

n5. Amortized cost of financial instruments

Amortized cost is computed using the EIR method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the EIR.

n6. Impairment of financial assets

The Group assess 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 has 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 reorganisation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n6. Impairment of financial assets (continued)

- 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.

  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 the 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 year, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial Instruments (continued)

n7. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in 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 assets when the fair value is positive and as 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 represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

The net changes in fair value of derivative instruments, swap cost or income, termination cost or income, and settlement of derivative instruments are credited (charged) to "Gain (Loss) on Change in Fair Value of Derivatives - Net", which is presented in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Foreign Currency Transactions and Balances

Effective January 1, 2012, the Group has applied PSAK 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates", which describes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency. The Group considers the primary indicators and other indicators in determining its functional currency and, 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.

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 and presentation currency of IFB and IIFB are in Euro, while IPBV, IMBV and ISP are in 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 period. The resulting differences arising from the translations of the financial statements of IPBV, IMBV, IFB, IIFB and ISP are included in other comprehensive income and presented as part of "Difference in Foreign Currency Translation" in the consolidated statements of changes in equity.

For December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, the foreign exchange rates used (in full amounts) were Rp9,670, Rp9,068 and Rp8,991, 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 the year.

p. Income Tax

Effective January 1, 2012, the Group has applied PSAK 46 (Revised 2010), which requires the Group to account for the current and future tax consequences of the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the consolidated statement of financial position, and transactions and other events of the current year which are recognized in the consolidated financial statements. The revised PSAK also requires the Group to present interest and penalties for the underpayment / overpayment of income tax, if any, as part of "Income Tax Benefit (Expense) - Current" in the consolidated statement of comprehensive income. Prior to January 1, 2012, the Group presented interest and penalties for the underpayment of income tax, if any, as part of "Others - net" under Expenses in the consolidated statement of comprehensive income.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Income Tax (continued)

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

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 income or expense 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 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

Effective January 1, 2011, the Group has applied PSAK 5 (Revised 2009), "Operating Segments". This revised PSAK requires disclosures that will enable 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 Earnings per Share/ADS

Effective January 1, 2012, the Group has applied PSAK 56 (Revised 2011), "Earnings Per Share" which prescribe principles for the determination and presentation of earnings per share.

The amount of basic earnings per share is computed by dividing profit for the year attributable to owners of the Company by the weighted-average number of shares outstanding during the year.

The amount of basic earnings per ADS attributable to owners of the Company is computed by multiplying basic earnings per share attributable to owners of the Company by 50, which is equal to the number of shares per ADS.

Diluted earnings per share is computed by dividing profit for the year attributable to ordinary owners of the Company (after adjusting for the profit or loss effect related to dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all potentially dilutive ordinary shares.

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 31.

t. Concession Financial Assets

The Group constructs or upgrades infrastructure (construction or upgrade services) used to provide a 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.

These 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 the (i) 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. Adoption of Other Revised Accounting Standards and Interpretations

Other than the revised accounting standards previously mentioned above, the Group also adopted the following revised accounting standards and interpretations on January 1, 2012, which were considered relevant to the consolidated financial statements:

- PSAK 53 (Revised 2010), "Share-Based Payment"
- ISAK 20 (2010), "Income Taxes - Changes in the Tax Status of an Entity or its Shareholder"
- ISAK 23 (2011), "Operating Leases - Incentives"
- ISAK 24 (2011), "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"
- ISAK 26 (2011), "Reassessment of Embedded Derivatives".

v. Restatement of Consolidated Financial Statements

Effective January 1, 2012, the Group has retrospectively adopted PSAK 30 (Revised 2011), "Leases" - Note 2j, ISAK 16, "Service Concession Arrangements", and ISAK 22, "Service Concession Arrangements: Disclosures".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Restatement of Consolidated Financial Statements (continued)

Leases

Prior to January 1, 2012, there was no requirement to separately evaluate lease agreement that contained land and building elements. Accordingly, the Company accounted for the tower lease arrangements as operating leases, as it viewed these as a single package of land and buildings and treated the overall arrangement as a land lease.

Effective January 1, 2012, the Company has applied PSAK 30 (Revised 2011) retrospectively, which requires the Company to assess the classification of land and building elements of tower leasing arrangements separately whether as finance or an operating lease. As a result of the separate assessment made by the Company, taking into consideration comparison of the lease term with the economic life of the assets and comparison of the present value of the minimum lease payments and the fair value of the leased assets, each element might result in different lease classification. Accordingly, the Company determined that the majority of its historical lease transactions, where the Company is the lessee, were finance leases. The main impact of PSAK 30 (Revised 2011) is the recognition of finance lease assets and liabilities on the building element of tower slot leasing arrangements where the Company is the lessee. For the amended lease policy, see Note 2j.

Service Concession

Prior to January 1, 2012, there was no specific guidance on the accounting for service concession arrangement. The Group accounted for this arrangement as an executory contract. The infrastructure assets constructed under this arrangement were accounted for as property and equipment and depreciated over their estimated useful lives.

Effective January 1, 2012, the Group has retrospectively adopted ISAK 16, “Service Concession Arrangements”, and ISAK 22, “Service Concession Arrangements: Disclosures”, to account for its concession contract. Under ISAK 16, revenues relating to construction or upgrade services under a service concession arrangements are recognized based on the stage of completion of the work performed. Operation or service revenue is recognized in the period in which the service is provided. When more than one service is provided in the service concession arrangements, the consideration received is allocated by reference to the relative fair value of the services. The infrastructure assets constructed under this arrangement are not recognized as property and equipment because the contractual arrangement does not convey the right to control the use of the public service infrastructure assets to the Company. In its concession contract, the Company has contractual rights to receive considerations from the grantor. The Company recognizes a financial asset in the consolidated statements of financial position, in consideration for the services it provides. Such financial asset is recognized in the consolidated statements of financial position as a receivable, for the amount of the fair value of the infrastructure on initial recognition and subsequently at amortized cost. The receivable is settled by means of the grantor’s payments received. The financial income calculated on the basis of the effective interest rate is recognized as interest income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Restatement of Consolidated Financial Statements (continued)

As a result of the retrospective application of PSAK 30 (Revised 2011), "Leases", ISAK 16 "Service Concession Arrangements" and ISAK 22, "Service Concession Arrangements: Disclosures", the following adjustments were made retrospectively to the consolidated financial statements:

As of January 1, 2011 / December 31, 2010:

	January 1, 2011/ December 31, 2010 (Previously Reported)	Adjustments/ Reclassifications*	January 1, 2011/ December 31, 2010 (Restated)
ASSETS			
Accounts receivable - trade - net	1,548,426	(12,150)	1,536,276
Advances	67,273	(39,107)	28,166
Property and equipment - net	43,571,010	491,026	44,062,036
Deferred tax assets - net	95,018	(359)	94,659
Long-term advances	216,643	(2,668)	213,975
Other non-current financial assets - net	80,405	70,199	150,604
LIABILITIES			
Procurement payable	3,644,467	(2,465)	3,642,002
Taxes payable	169,445	3,067	172,512
Accrued expenses	1,710,885	85,450	1,796,335
Unearned income	1,143,852	(37,242)	1,106,610
Other current financial liabilities	23,127	29,286	52,413
Obligations under finance lease	-	416,587	416,587
Deferred tax liabilities - net	1,772,337	20,292	1,792,629
Other non-current financial liabilities	-	45,815	45,815
Other non-current liabilities	187,097	(72,737)	114,360
EQUITY			
Retained earnings			
Unappropriated	15,224,843	19,201	15,244,044

As of December 31, 2011:

	December 31, 2011 (Previously Reported)	Adjustments/ Reclassifications*	December 31, 2011 (Restated)
ASSETS			
Accounts receivable - trade - net	1,441,069	59,027	1,500,096
Advances	48,865	(8,380)	40,485
Property and equipment - net	42,573,369	932,329	43,505,698
Deferred tax assets - net	114,114	(302)	113,812
Long-term advances	209,798	(48,149)	161,649
Other non-current financial assets - net	90,416	121,854	212,270
LIABILITIES			
Procurement payable	3,429,921	45,941	3,475,862
Taxes payable	88,563	2,643	91,206
Accrued expenses	1,891,477	4,136	1,895,613
Unearned income	1,124,995	(92,580)	1,032,415
Other current financial liabilities	16,072	55,756	71,828
Obligations under finance lease	-	770,081	770,081
Deferred tax liabilities - net	1,920,787	35,565	1,956,352
Other non-current financial liabilities	-	107,433	107,433
Other non-current liabilities	116,455	(21,401)	95,054
EQUITY			
Retained earnings			
Unappropriated	15,736,227	152,877	15,889,104

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Restatement of Consolidated Financial Statements (continued)

For the year ended December 31, 2011:

	December 31, 2011 (Previously Reported)	Adjustments/ Reclassifications*	December 31, 2011 (Restated)
REVENUES			
Cellular	16,750,879	(163,494)	16,587,385
MIDI	2,576,032	115,893	2,691,925
EXPENSES			
Cost of services	7,587,708	(40,301)	7,547,407
Depreciation and amortization	6,580,754	(22,577)	6,558,177
Marketing	1,023,698	(168,012)	855,686
Interest income	81,477	11,169	92,646
Financing cost	(1,789,687)	(139,667)	(1,929,354)
INCOME TAX EXPENSE			
Deferred	(129,220)	(15,216)	(144,436)

* Including certain accounts which were reclassified in the prior years for consistency and comparability to December 31, 2012 (Note 42)

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts 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 currency of each of the entities under the Group is the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue and cost of rendering services.

- *Leases*

  The Group has various lease agreements whereas the Group acts as a lessor or a lessee in respect of certain property and equipment. The Group evaluates whether significant risks and rewards of ownership of the leased asset are transferred 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 the leased asset.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

a. Judgments (continued)

- *Leases (continued)*

  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 33i). 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 33i). The upfront fee is recorded as part of Long-term Prepaid Licenses for the non-current portion and Prepaid Expenses for the current portion, and amortized over the 10-year license term using the straight-line method.

  Management believes, as supported by written confirmation from the DGPT, that the 3G and BWA licenses may be returned at any time without any financial obligation to pay the remaining outstanding annual radio frequency fees (i.e., the license arrangement does not transfer substantially all the risks and rewards incidental to ownership). Accordingly, the Company and IMM recognize the annual radio frequency fee as 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 cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

a. Judgments (continued)

- *Exchange of asset transactions*

  During 2010 to 2012, the Group entered into several contracts for exchanging of asset for certain of its existing cellular technical equipment with third party supplier. For the exchange of asset transactions, the Group evaluates whether the transactions contain commercial substance based on PSAK 16 (Revised 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 judgement 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.

  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 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 in the consolidated statement of comprehensive income immediately (operating lease).

- *Provision for legal contingency*

  The Group is currently involved in one significant legal proceeding. Management's judgment of the probable cost for the resolution of the claim has been developed in consultation with the Company's counsels handling the defense in this matter and is based upon their analysis of potential result. Management currently does not believe this proceeding could materially reduce the Company's revenues and profitability. It is possible, however, that future financial performance could be materially affected by changes in their judgment or effectiveness of their strategy relating to this proceeding. See Note 33c - Significant Agreements, Commitments and Contingency.

- *Allowance for impairment of receivables*

  If there is objective evidence that an impairment loss has been incurred in trade receivables, the Group will recognize an allowance for impairment losses related to their trade receivables that are specifically identified as doubtful for collection.

  In addition to specific allowance against individually significant receivables, the Group also assesses a collective impairment allowance against credit exposure of their debtors which are grouped based on common credit characteristics, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally granted to debtors.

3. MANAGEMENT'S USE OF 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 financial period are discussed below:

- *Determination of fair values of financial assets and financial liabilities*

  When the fair value of financial assets and financial liabilities recorded in the consolidated 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 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 year will be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Group's property and equipment will increase the recorded operating expenses and decrease non-current assets. An extension in the estimated useful lives of the Group's property and equipment will decrease the recorded operating expenses and increase non-current assets.

- *Goodwill and intangible assets*

  The consolidated financial statements reflect acquired businesses after the completion of the respective acquisition. The Company will account for the acquired businesses using the acquisition method starting January 1, 2011 and the purchase method for prior year acquisitions, which methods require extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. Any excess in the purchase price over the estimated fair market values of the net assets acquired is recorded as goodwill in the consolidated 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.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

- *Recoverability of deferred income 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 receivables*

  The level of a specific allowance is evaluated by management on the basis of factors that affect the collectibility 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 receivables to amounts that they expect 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 defined benefit plan and present value of the pension obligation are determined using the projected-unit-credit method. Actuarial valuation includes making various assumptions which consist of, among other others, discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. Actual results that differ from the Group's assumptions are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the present value of defined benefit obligation and the fair value of plan assets at that date. Due to the complexity of the valuation, the underlying assumptions and their long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions.

  While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in its assumptions may materially affect the costs and obligations of pension and other long-term employee benefits. All assumptions are reviewed at each reporting date.

3. MANAGEMENT'S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

b. Estimates and Assumptions (continued)

- *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 account upon reconciliation. However, there is no assurance that the use of such estimates will not result in material adjustments in future periods.

  The Group recognizes revenues from installation and activation-related fees and the corresponding costs over the expected average periods of customer relationship for cellular, MIDI and fixed telecommunications services. The Group estimates the expected average period of customer relationship based on the most recent churn-rate analysis.

- *Uncertain tax exposure*

  In certain circumstances, the Group may not be able to determine the exact amount of its current or future tax liabilities due to ongoing 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, 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 tax positions related to income taxes to determine if a tax liability for uncertain tax benefit should be recognized.

  As of December 31, 2012, the Company is subject to tax audit for fiscal year 2011.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Cash on hand			
Rupiah	1,837	1,465	1,682
U.S. dollar (US$13 in 2011 and US$12 in 2010)	-	115	110
	1,837	**1,580**	**1,792**
Cash in banks			
Related parties (Note 31)			
Rupiah			
PT Bank Mandiri (Persero) Tbk ("Mandiri")	74,373	45,441	45,792
PT Bank Pembangunan Daerah DKI Jakarta	2,996	1,110	935
PT Bank Pembangunan Daerah Sumatera Selatan	2,231	-	-
PT Bank Tabungan Negara (Persero) Tbk ("BTN")	1,924	500	1,270
PT Bank Pembangunan Daerah Jawa Timur	1,326	743	20
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	1,279	3,022	4,461
PT Bank Pembangunan Daerah Nusa Tenggara Timur	1,234	1,033	4,476
PT Bank Rakyat Indonesia (Persero) Tbk ("BRI")	1,178	1,409	11,345
PT Bank Pembangunan Daerah Yogyakarta ("BPD - Yogyakarta")	685	1,473	256
PT Bank Syariah Mandiri ("Mandiri Syariah")	538	719	1,215
PT Bank Pembangunan Daerah Papua	293	299	2,473
PT Bank Pembangunan Daerah Sumatera Utara	12	1,134	662
Others (each below Rp1,000)	1,009	2,491	700
U.S. dollar			
Mandiri (US$2,746 in 2012, US$3,793 in 2011 and US$4,606 in 2010)	26,557	34,397	41,412
Others (US$8 in 2012, US$12 in 2011 and US$120 in 2010)	72	109	1,090
Third parties			
Rupiah			
PT Bank Central Asia Tbk ("BCA")	159,969	13,247	2,284
PT Bank CIMB Niaga Tbk ("CIMB Niaga")	17,678	4,828	21,845
HSBC	14,076	2,414	592
Citibank N.A., Jakarta Branch ("Citibank")	3,429	52,768	2,848
PT Bank Bukopin Tbk ("Bukopin")	2,325	1,242	9,308
Others (each below Rp5,000)	8,838	12,545	12,867
U.S. dollar			
Fortis Bank N.V., The Netherlands (US$5,258 in 2012, US$6,220 in 2011 and US$6,960 in 2010)	50,846	56,405	62,577
Citibank N.A., Singapore Branch (US$3,411 in 2012, US$5,256 in 2011 and US$4,945 in 2010)	32,983	47,660	44,464
Citibank (US$801 in 2012, US$790 in 2011 and US$677 in 2010)	7,750	7,164	6,087
DB (US$728 in 2012, US$305 in 2011 and US$137 in 2010)	7,042	2,763	1,235

4. CASH AND CASH EQUIVALENTS (continued)

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Cash in banks (continued)			
Third parties (continued)			
U.S. dollar (continued)			
Bukopin (US$59 in 2012 and US$78 in 2011)	569	707	-
CIMB Niaga (US$25 in 2012, US$697 in 2011 and US$160 in 2010)	243	6,323	1,435
HSBC (US$14 in 2012 and US$151 in 2011)	132	1,369	-
Others (US$36 in 2012, US$9 in 2011 and US$6 in 2010)	345	84	46
	421,932	**303,399**	**281,695**
Time deposits and deposits on call			
Related parties (Note 31)			
Rupiah			
Mandiri	198,800	245,820	421,400
BTN	169,372	180,400	88,500
BNI	138,320	143,720	141,185
BRI	71,500	145,000	68,500
PT Bank BRI Syariah	47,500	7,500	5,000
PT Bank Pembangunan Daerah Jawa Barat and Banten Tbk ("BPD - Jawa Barat")	34,850	24,850	8,350
Mandiri Syariah	34,000	35,000	31,000
BPD - Yogyakarta	1,000	1,000	1,000
Others	20,000	-	-
U.S. dollar			
BRI (US$60,000 in 2012, US$5,000 in 2011 and US$80,000 in 2010)	580,200	45,340	719,280
PT Bank QNB Kesawan Tbk (US$10,000)	96,700	-	-
Mandiri (US$2,701 in 2012, US$3,040 in 2011 and US$1,540 in 2010)	26,119	27,566	13,845
Mandiri Syariah (US$3,000)	-	27,204	-
BPD - Jawa Barat (US$75 in 2011 and US$165 in 2010)	-	680	1,484
Third parties			
Rupiah			
PT Bank Syariah Muamalat Indonesia Tbk ("Muamalat")	96,800	249,894	48,500
Bukopin	88,500	27,500	21,400
PT Bank Tabungan Pensiunan Nasional Tbk	82,500	34,500	12,000
Citibank	50,000	-	3,495
PT Bank Saudara Tbk (previously PT Bank Himpunan Saudara 1906 Tbk)	48,000	32,100	15,400
DB	42,485	79,354	5,232

4. CASH AND CASH EQUIVALENTS (continued)

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Time deposits and deposits on call (continued)			
Third parties (continued)			
Rupiah (continued)			
PT Bank Mega Tbk	27,250	5,000	3,000
Mega Syariah	25,500	17,750	13,250
BII (including BII Syariah)	13,500	12,500	13,000
PT Bank ICB Bumiputera Tbk	11,500	9,500	-
CIMB Niaga (including CIMB Niaga Syariah)	4,000	55,000	22,500
PT Bank Danamon Indonesia Tbk	2,000	33,000	15,900
BCA	-	200,000	4,080
DBS	-	50,000	-
Others (each below Rp5,000)	2,100	3,100	2,505
U.S. dollar			
DBS (US$55,000)	531,850	-	-
CIMB Niaga (US$50,000 in 2012 and US$2,000 in 2010)	483,500	-	17,984
DB (US$19,752 in 2012, US$17,917 in 2011 and US$5,454 in 2010)	191,005	162,473	49,038
PT Bank UOB Buana Indonesia (US$15,000)	145,050	-	-
Permata Syariah (US$15,000)	145,050	-	-
Standchart (US$5,000)	48,350	-	-
Fortis Bank N.V., The Netherlands (USD$3,740)	36,166	-	-
Muamalat (US$7,000 in 2011 and US$5,000 in 2010)	-	63,476	44,955
	3,493,467	**1,919,227**	**1,791,783**
Total	**3,917,236**	**2,224,206**	**2,075,270**

Time deposits and deposits on call denominated in rupiah earned interest at annual rates ranging from 2.00% to 9.50% in 2012, from 2.50% to 9.75% in 2011 and from 2.50% to 10.00% in 2010, while those denominated in U.S. dollar earned interest at annual rates ranging from 0.01% to 3.00% in 2012, from 0.01% to 2.75% in 2011 and from 0.05% to 4.75% in 2010.

5. ACCOUNTS RECEIVABLE - TRADE

This account consists of the following:

	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)	
Related parties (Note 31)			
Telkom (including US$436 in 2012, US$51 in 2011 and US$55 in 2010)	73,835	19,977	56,108
Others (including US$7,318 in 2012, US$8,085 in 2011 and US$7,764 in 2010)	543,447	345,373	198,821
Sub-total	617,282	365,350	254,929
Less allowance for impairment	42,632	47,107	47,640
Net	**574,650**	**318,243**	**207,289**
Third parties			
Local companies (including US$24,583 in 2012, US$16,593 in 2011 and US$13,956 in 2010)	902,013	791,178	631,291
Overseas international carriers (US$79,275 in 2012, US$66,532 in 2011 and US$93,755 in 2010)	766,070	603,309	842,954
Post-paid subscribers from:			
Cellular	297,721	254,565	255,973
Fixed telecommunications	20,263	22,345	47,239
Sub-total	1,986,067	1,671,397	1,777,457
Less allowance for impairment	521,998	489,544	448,470
Net	**1,464,069**	**1,181,853**	**1,328,987**
Total	**2,038,719**	**1,500,096**	**1,536,276**

5. ACCOUNTS RECEIVABLE - TRADE (continued)

The aging schedule of the accounts receivable - trade is as follows:

	December 31, 2012		December 31, 2011 (Restated)		January 1, 2011/ December 31, 2010 (Restated)	
Number of Months Outstanding	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Related parties						
0 - 6 months	477,272	77.32	257,348	70.44	186,039	72.98
7 - 12 months	52,246	8.46	35,252	9.65	47,973	18.82
13 - 24 months	30,390	4.92	64,498	17.65	6,913	2.71
Over 24 months	57,374	9.30	8,252	2.26	14,004	5.49
Total	**617,282**	**100.00**	**365,350**	**100.00**	**254,929**	**100.00**
Third parties						
0 - 6 months	1,036,438	52.19	945,410	56.56	790,938	44.50
7 - 12 months	235,844	11.87	208,218	12.46	279,806	15.74
13 - 24 months	259,715	13.08	255,648	15.30	308,808	17.37
Over 24 months	454,070	22.86	262,121	15.68	397,905	22.39
Total	**1,986,067**	**100.00**	**1,671,397**	**100.00**	**1,777,457**	**100.00**

The changes in the allowance for impairment of accounts receivable - trade are as follows:

	Total	Related Parties	Third Parties
December 31, 2012			
Balance at beginning of year	536,651	47,107	489,544
Provision (reversal) - net (Note 27)	56,163	(6,567)	62,730
Net effect of foreign exchange adjustment	7,802	2,092	5,710
Write-offs	(35,986)	-	(35,986)
Balance at end of year	**564,630**	**42,632**	**521,998**
Individual impairment	208,208	37,852	170,356
Collective impairment	356,422	4,780	351,642
Total	**564,630**	**42,632**	**521,998**
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	341,363	111,124	230,239
December 31, 2011			
Balance at beginning of year	496,110	47,640	448,470
Provision (reversal) - net (Note 27)	41,051	(1,509)	42,560
Net effect of foreign exchange adjustment	105	976	(871)
Write-offs	(615)	-	(615)
Balance at end of year	**536,651**	**47,107**	**489,544**
Individual impairment	189,486	44,086	145,400
Collective impairment	347,165	3,021	344,144
Total	**536,651**	**47,107**	**489,544**

5. ACCOUNTS RECEIVABLE - TRADE (continued)

	Total	Related Parties	Third Parties
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	309,556	117,572	191,984
January 1, 2011 / December 31, 2010			
Balance at beginning of year	461,810	57,538	404,272
Provision (reversal) - net	67,041	(9,712)	76,753
Write-offs	(23,586)	-	(23,586)
Net effect of foreign exchange adjustment	(9,155)	(186)	(8,969)
Balance at end of year	**496,110**	**47,640**	**448,470**
Individual impairment	182,175	37,576	144,599
Collective impairment	313,935	10,064	303,871
Total	**496,110**	**47,640**	**448,470**
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	405,926	118,486	287,440

The net effect of foreign exchange adjustment was due to the strengthening or weakening of the rupiah vis-à-vis the U.S. dollar in relation to U.S. dollar accounts previously provided with allowance and was credited or charged to “Gain on Foreign Exchange - Net”.

There are no significant concentrations of credit risk.

Management believes the established allowance is sufficient to cover impairment losses from uncollectible accounts receivable.

6. PREPAID TAXES

This account consists of the following:

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Claims for tax refund	167,216	-	-
VAT - net	124,642	29,677	47,701
Others	2,485	1,018	2,202
Total	**294,343**	**30,695**	**49,903**

6. PREPAID TAXES (continued)

On September 17, 2010, the Company received Tax Collection Letters ("STPs") from the Directorate General of Taxation ("DGT") for the underpayment of the Company's 2008 and 2009 article 26 tax totalling Rp80,018 (including interest). On October 13, 2010, the Company submitted cancellation letters to the Tax Office regarding these STPs. Subsequently, on November 16, 2010, the Company was required to pay a certain portion of these STPs which was performed through an offset against the approved tax refund received on the Company's corporate income tax for the fiscal year 2005 amounting to Rp38,155. On January 7, 2011, the Company paid the remaining amount of Rp41,863 on the underpayment of the Company's 2008 and 2009 income tax article 26. On April 11, 2011, the Company received a letter from the Tax Office which declined the request for cancellation of such STPs. On May 5, 2011, the Company submitted an appeal letter to the Tax Court concerning these STPs. On July 30, 2012, the Company received the Tax Court's Decision Letter accepting the Company's appeal to the cancellation of the underpayment of the Company's 2008 and 2009 income tax article 26 totalling Rp80,018 (including interest). On September 11, 2012, the Company submitted a request of restitution to the Tax Office to transfer the tax overpayment related to 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 article 26 tax. On February 6, 2013, the Company submitted a Counter-Memorandum for Reconsideration Request to the Supreme Court. As of April 29, 2013, the restitution has not yet been received.

On October 12, 2010, the Company submitted appeal letters to the Tax Court concerning the Company's objection to the correction of Satelindo's 2002 and 2003 article 26 tax. On November 6, 2012, the Company received the Decision Letter from the Tax Court accepting the Company's appeal on Satelindo's 2002 and 2003 income tax article 26 amounting to Rp87,198, which is lower than the amount recognized by the Company in its financial statements. The Company accepted the corrections amounting to Rp4,655, which was charged to current operations as part of "Expenses - Others - Net". On January 28, 2013, the Company has received the restitution.

7. OTHER CURRENT FINANCIAL ASSETS - NET

This account consists of the following:

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Short-term investments	25,395	25,395	25,395
Less allowance for impairment	25,395	25,395	25,395
Net	-	-	-
Restricted cash and cash equivalents (including US$231 on December 31, 2012, US$168 on December 31, 2011 and US$1,645 on January 1, 2011/December 31, 2010)	5,483	18,830	48,165
Others (including US$257 on December 31, 2012, US$10 on December 31, 2011 and US$70 on January 1, 2011/December 31, 2010)	7,899	5,960	4,954
Total	**13,382**	**24,790**	**53,119**

8. PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	December 31, 2012				
	Balance at Beginning of Year	Transactions during the Year			Balance at End of Year
		Additions	Derecognitions	Reclassifications	
Cost					
Direct ownership					
Landrights	543,062	2,437	-	-	545,499
Buildings	867,712	-	-	3,462	871,174
Information technology equipment	3,395,355	66	-	254,372	3,649,793
Office equipment	1,242,130	7,958	(36,963)	288	1,213,413
Building and leasehold improvements	12,213,728	-	(2,386,031)	585,399	10,413,096
Vehicles	23,794	2,597	(3,754)	-	22,637
Cellular technical equipment	37,413,004	273,665	(585,293)	2,852,513	39,953,889
Transmission and cross-connection equipment	19,684,883	186,914	(77)	1,293,090	21,164,810
FWA technical equipment	1,345,306	-	-	-	1,345,306
Operation and maintenance center and measurement unit	1,452,593	-	-	25,715	1,478,308
Fixed access network equipment	1,167,401	-	-	23,535	1,190,936
Properties under construction and installation	2,808,976	5,195,859 *	-	(5,038,374)	2,966,461
Assets under finance lease					
Building and leasehold improvements (Note 2j)	898,293	2,653,360	-	-	3,551,653
Information technology equipment	-	50,670	-	-	50,670
Total	83,056,237	8,373,526	(3,012,118)	-	88,417,645
Accumulated Depreciation					
Direct ownership					
Buildings	348,244	17,450	-	-	365,694
Information technology equipment	2,718,609	320,920	-	-	3,039,529
Office equipment	972,372	41,868	(36,596)	-	977,644
Building and leasehold improvements	5,443,328	856,369	(1,002,737)	-	5,296,960
Vehicles	20,431	1,977	(3,254)	-	19,154
Cellular technical equipment	17,535,524	4,627,878	(311,628)	-	21,851,774
Transmission and cross-connection equipment	9,479,255	1,751,961	(77)	-	11,231,139
FWA technical equipment	657,696	274,212	-	-	931,908
Operation and maintenance center and measurement unit	1,219,365	82,374	-	-	1,301,739
Fixed access network equipment	909,355	65,796	-	-	975,151
Assets under finance lease					
Building and leasehold improvements (Note 2j)	147,749	215,800	-	-	363,549
Total	39,451,928	8,256,605	(1,354,292)	-	46,354,241
Less Impairment in Value	98,611	-	-	-	98,611
Net Book Value	**43,505,698**				**41,964,793**

*including additional property and equipment purchased from Lintasarta amounting to Rp1,345 (net of intercompany profit of Rp384)

8. PROPERTY AND EQUIPMENT (continued)

	December 31, 2011 (Restated)				
	Balance at Beginning of Year	Transactions during the Year			Balance at End of Year
		Additions	Derecognitions	Reclassifications	
Cost					
Direct ownership					
Landrights	541,087	-	-	1,975	543,062
Buildings	814,191	2,518	-	51,003	867,712
Information technology equipment	3,046,084	16	(42,816)	392,071	3,395,355
Office equipment	1,239,609	37,596	(37,171)	2,096	1,242,130
Building and leasehold improvements	11,974,442	-	(101,426)	340,712	12,213,728
Vehicles	24,700	160	(1,066)	-	23,794
Cellular technical equipment	34,850,044	400,956	(1,709,433)	3,871,437	37,413,004
Transmission and cross-connection equipment	18,287,587	114,475	(90,488)	1,373,309	19,684,883
FWA technical equipment	1,345,157	-	-	149	1,345,306
Operation and maintenance center and measurement unit	1,355,263	-	(22)	97,352	1,452,593
Fixed access network equipment	1,126,614	-	-	40,787	1,167,401
Properties under construction and installation	3,461,884	5,517,983 *	-	(6,170,891)	2,808,976
Assets under finance lease					
Building and leasehold improvements (Note 2j)	471,051	427,242	-	-	898,293
Total	78,537,713	6,500,946	(1,982,422)	-	83,056,237
Accumulated Depreciation					
Direct ownership					
Buildings	313,721	34,523	-	-	348,244
Information technology equipment	2,349,288	412,137	(42,816)	-	2,718,609
Office equipment	958,324	51,219	(37,171)	-	972,372
Building and leasehold improvements	4,694,662	850,015	(101,349)	-	5,443,328
Vehicles	18,646	2,852	(1,067)	-	20,431
Cellular technical equipment	15,488,516	3,250,203	(1,203,195)	-	17,535,524
Transmission and cross-connection equipment	8,032,100	1,527,191	(80,036)	-	9,479,255
FWA technical equipment	534,842	122,854	-	-	657,696
Operation and maintenance center and measurement unit	1,093,598	125,789	(22)	-	1,219,365
Fixed access network equipment	842,092	67,263	-	-	909,355
Assets under finance lease					
Building and leasehold improvements (Note 2j)	51,277	96,472	-	-	147,749
Total	34,377,066	6,540,518	(1,465,656)	-	39,451,928
Less Impairment in Value	98,611	-	-	-	98,611
Net Book Value	**44,062,036**				**43,505,698**

*including additional property and equipment purchased from Lintasarta amounting to Rp88,371 (net of intercompany profit of Rp27,578)

8. PROPERTY AND EQUIPMENT (continued)

	January 1, 2011/December 31, 2010 (Restated)				
	Balance at Beginning of Year	Transactions during the Year			Balance at End of Year
		Additions	Derecognitions	Reclassifications	
Cost					
Direct ownership					
Landrights	504,620	15,977	-	20,490	541,087
Buildings	652,677	4,088	-	157,426	814,191
Information technology equipment	2,663,672	114	(14,159)	396,457	3,046,084
Office equipment	1,181,738	58,004	(14,998)	14,865	1,239,609
Building and leasehold improvements	10,924,318	-	(70,589)	1,120,713	11,974,442
Vehicles	24,389	635	(1,500)	1,176	24,700
Cellular technical equipment	31,170,449	158,285	(1,741,072)	5,262,382	34,850,044
Transmission and cross-connection equipment	16,349,982	164,216	(324,912)	2,098,301	18,287,587
FWA technical equipment	1,284,431	-	(22,070)	82,796	1,345,157
Operation and maintenance center and measurement unit	1,286,658	-	(1,315)	69,920	1,355,263
Fixed access network equipment	1,069,005	-	(1,851)	59,460	1,126,614
Properties under construction and installation	7,706,513	5,039,357*	-	(9,283,986)	3,461,884
Assets under finance lease					
Building and leasehold improvements (Note 2j)	-	471,051	-	-	471,051
Total	74,818,452	5,911,727	(2,192,466)	-	78,537,713
Accumulated Depreciation					
Direct ownership					
Buildings	283,781	29,940	-	-	313,721
Information technology equipment	1,983,438	379,995	(14,145)	-	2,349,288
Office equipment	912,383	60,931	(14,990)	-	958,324
Building and leasehold improvements	3,952,460	812,768	(70,566)	-	4,694,662
Vehicles	15,761	3,588	(703)	-	18,646
Cellular technical equipment	14,044,917	3,026,386	(1,582,787)	-	15,488,516
Transmission and cross-connection equipment	6,925,779	1,431,233	(324,912)	-	8,032,100
FWA technical equipment	434,990	121,922	(22,070)	-	534,842
Operation and maintenance center and measurement unit	959,924	134,989	(1,315)	-	1,093,598
Fixed access network equipment	777,601	66,342	(1,851)	-	842,092
Assets under finance lease					
Building and leasehold improvements (Note 2j)	-	51,277	-	-	51,277
Total	30,291,034	6,119,371	(2,033,339)	-	34,377,066
Less Impairment in Value	98,611	-	-	-	98,611
Net Book Value	**44,428,807**				**44,062,036**

*including additional property and equipment purchased from Lintasarta amounting to Rp71,423 (net of intercompany loss of Rp11,683)

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 Rp8,256,605 and Rp6,540,518 for the years ended December 31, 2012 and 2011, respectively.

Management believes that there is no impairment in asset value or recovery of the impairment reserve as contemplated in PSAK 48 (Revised 2009) for the current year.

On August 31, 2009, the Company launched its Satellite Palapa-D. The Satellite experienced an under-performance of the launch vehicle during the Satellite's placement to its intended orbital position. Consequently, its orbital lifetime has been reduced. The insurance claim for the partial loss of the Satellite has been made and is recorded as a reduction of the cost of the Satellite. The Satellite has been in operation since November 2009 after going through the process of testing and arranging its orbital position in September and October 2009. On January 4 and 19, 2010, the Company collected the Palapa-D Satellite insurance claim amounting to US$58,008 (equivalent to Rp537,657) as a loss compensation for the decrease in the Satellite's useful life from 15 years to 10.77 years due to the under-performance of the launch vehicle in the Satellite's orbital process.

As of December 31, 2012, the Group has no property and equipment pledged as collateral to any credit facilities.

As of December 31, 2012, the Group insured its property and equipment (except submarine cables and landrights) for US$218,481 and Rp35,504,158 including insurance amounting to US$117,700 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, 2012, the Group has property and equipment with total cost amounting to Rp2,966,002, which have been fully depreciated but are still being used.

As of December 31, 2012, the fair value of the Group's property and equipment determined under the income approach amounted to Rp77,592,149.

The details of the Group's properties under construction and installation as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 are as follows:

	Percentage of Completion	Cost	Estimated Date of Completion
December 31, 2012			
Cellular technical equipment	9 - 99	1,944,855	January - March 2013
Transmission and cross-connection equipment	7 - 99	491,131	January - March 2013
Building and leasehold improvements	10 - 96	279,435	January - March 2013
Information technology equipment	18 - 95	202,740	January - September 2013
Others (each below Rp50,000)	30 - 80	48,300	January - December 2013
Total		**2,966,461**	

8. PROPERTY AND EQUIPMENT (continued)

	Percentage of Completion	Cost	Estimated Date of Completion
December 31, 2011			
Cellular technical equipment	17 - 90	1,775,032	January - June 2012
Transmission and cross-connection equipment	18 - 98	799,321	January - June 2012
Building and leasehold improvements	20 - 95	141,022	January - June 2012
Information technology equipment	40 - 80	91,182	January 2012 - January 2013
Others	40 - 90	2,419	January - September 2012
Total		**2,808,976**	
January 1, 2011 / December 31, 2010			
Cellular technical equipment	5 - 99	2,170,612	January - December 2011
Transmission and cross-connection equipment	5 - 99	955,425	January - December 2011
Building and leasehold improvements	6 - 95	242,194	January - December 2011
Others (each below Rp50,000)	5 - 95	93,653	January - December 2011
Total		**3,461,884**	

Borrowing costs capitalized to properties under construction and installation for the years ended December 31, 2012 and 2011 amounted to Rp nil and Rp2,933, respectively.

For the years ended December 31, 2012 and 2011, exchanges and sales of certain property and equipment were made as follows:

	2012	2011
Exchanges of Assets		
Kalimantan Project		
Carrying amount of assets received	-	400,956
Carrying amount of assets given up	-	(400,956)
Sumatra and Java Project (Note 33e)		
Carrying amount of assets received	273,665	115,734
Carrying amount of assets given up	(273,665)	(115,734)
Sales of 2,500 Towers (Note 29)		
Proceeds	3,870,600	-
Net book value	(1,372,674)	-
Excess of selling price over carrying amount	2,497,926	-
Deferred gain	(1,318,923)	-
Recognized gain	1,179,003	-
Sales of Assets		
Proceeds	7,215	6,708
Net book value	(11,487)	(76)
Gain	**1,174,731**	**6,632**

In the above exchange of asset transactions, the fair values of neither the assets received nor the assets given up could be measured reliably, hence, their values were measured at the carrying amounts of the assets given up plus cash consideration.

8. PROPERTY AND EQUIPMENT (continued)

In accordance with its policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. As a result, effective January 1, 2010, the Company changed its estimate of the useful lives of its towers to better reflect the estimated periods during which these assets will remain in service. The towers that previously averaged 15 years were increased to an average of 25 years. The effect of this change in estimate was to reduce depreciation expense by Rp108,086 in 2010 and by Rp108,807 in 2011.

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 changes 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 2012 depreciation expense by Rp1,256,941.

The effect of the change in the useful lives of these assets were to increase (decrease) income before income tax as follows:

Period	Amount
Year ended December 31, 2013	(1,323,176)
Year ended December 31, 2014	(624,964)
Year ended December 31, 2015	(358,302)
Year ended December 31, 2016	(206,442)
Year ended December 31, 2017	667,750

9. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in goodwill and other intangible assets, including non-integrated software, for the years ended December 31, 2012, 2011 and 2010 are as follows:

	Non-integrated software	Other intangible assets	Goodwill	Total
Cost				
At January 1, 2010	235,577	597,448	2,944,362	3,777,387
Additions	40,052	-	-	40,052
At December 31, 2010	**275,629**	**597,448**	**2,944,362**	**3,817,439**
Additions	10,340	112	-	10,452
At December 31, 2011	**285,969**	**597,560**	**2,944,362**	**3,827,891**
Additions	23,055	18	-	23,073
At December 31, 2012	**309,024**	**597,578**	**2,944,362**	**3,850,964**
Accumulated Amortization				
At January 1, 2010	215,357	588,351	1,393,599	2,197,307
Amortization	10,595	9,097	226,380	246,072
At December 31, 2010	**225,952**	**597,448**	**1,619,979**	**2,443,379**
Amortization	17,608	51	-	17,659
At December 31, 2011	**243,560**	**597,499**	**1,619,979**	**2,461,038**
Amortization	16,210	9	-	16,219
At December 31, 2012	**259,770**	**597,508**	**1,619,979**	**2,477,257**

9. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	Non-integrated software	Other intangible assets	Goodwill	Total
Net Book Value:				
At January 1, 2011/ December 31, 2010	**49,677**	**-**	**1,324,383**	**1,374,060**
At December 31, 2011	**42,409**	**61**	**1,324,383**	**1,366,853**
At December 31, 2012	**49,254**	**70**	**1,324,383**	**1,373,707**

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 the other intangible assets arising from the acquisition of Satelindo in 2002 are as follows:

	Amount
Spectrum license	222,922
Customer base	
- Post-paid	154,220
- Prepaid	73,128
Brand	147,178
Total	**597,448**

Goodwill acquired through business combination has been allocated to the cellular business unit, which is also considered as one of the Group's operating segments.

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As of December 31, 2012, the market capitalization of the Company was above the book value of its equity. The recoverable amount of the cellular business unit has been determined based on fair values less cost to sell ("FVLCTS") calculation that uses the Income Approach (a Discounted Cash Flows Method) and the Market Approach (a Guideline Public Company Method).

Key assumptions used in the FVLCTS calculation at December 31, 2012:

Discount rates - The Company has chosen to use weighted average cost of capital ("WACC") as the discount rate for the discounted cash flow. The estimated WACC applied in determining the recoverable amount of the cellular business unit is between 11% and 12%.

Compounded Annual Growth Rate ("CAGR") - The CAGR projection for the 5-year budget period of the cellular business unit's revenue based on the market analysts' forecast is between 5.6% and 7.8%.

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.

11. LONG-TERM ADVANCES

This account represents advances to suppliers and contractors for the purchase and construction/ installation of property and equipment which will be reclassified to the related property and equipment accounts upon the receipt of the property and equipment purchased or after the construction/installation of the property and equipment has reached a certain percentage of completion.

12. OTHER NON-CURRENT FINANCIAL ASSETS - NET

This account consists of the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011 (Restated)	2010 (Restated)
Other long-term investments	1,483,317	116,307	102,707
Less allowance for impairment	113,577	113,577	99,977
Net	1,369,740	2,730	2,730
Restricted cash and cash equivalents (including US$140 on December 31, 2012, US$290 on December 31, 2011 and US$155 on January 1, 2011 / December 31, 2010)	83,232	50,826	39,595
Employee loans receivable	11,025	13,515	15,679
Others (including US$1,010 on December 31, 2012, US$1,288 on December 31, 2011 and US$1,272 on January 1, 2011 / December 31, 2010)	79,143	145,199	92,600
Sub-total	173,400	209,540	147,874
Total	**1,543,140**	**212,270**	**150,604**

Other long-term investments - net consist of the following:

a. Investments in shares of stock accounted under available for sale:

	Location	Principal Activity	Ownership (%)	Cost	Unrealized changes in fair value	Carrying Value
PT Tower Bersama Infrastructure Tbk ("Tower Bersama") (Note 29)	Indonesia	Telecommunication infrastructure services	5.00	977,292	389,718	1,367,010

On August 2, 2012, the Company received 5% ownership in Tower Bersama as part of compensation from sale-and-leaseback transaction of telecommunication towers (Note 29).

12. OTHER NON-CURRENT FINANCIAL ASSETS - NET (continued)

b. Investments in shares of stock accounted under the cost method:

December 31, 2012 and 2011

	Location	Principal Activity	Ownership (%)	Cost/Carrying Value
PT First Media Tbk	Indonesia	Cable television and internet network service provider	1.07	50,000
Pendrell Corporation [previously ICO Global Communication (Holdings) Limited*]	United States of America	Intellectual property investment, advisory and asset management	0.0067	49,977
Asean Cableship Pte. Ltd. ("ACPL")**	Singapore	Repairs and maintenance of submarine cables	16.67	1,265
Others			12.80 - 18.89	14,966
Total				116,208
Less allowance for impairment				113,577
Net				**2,631**

January 1, 2011/December 31, 2010

	Location	Principal Activity	Ownership (%)	Cost/Carrying Value
PT First Media Tbk	Indonesia	Cable television and internet network service provider	1.07	50,000
ICO Global Communication (Holdings) Limited *	United States of America	Intellectual property investment, advisory and asset management	0.0087	49,977
ACPL**	Singapore	Repairs and maintenance of submarine cables	16.67	1,265
Others			12.80 – 14.29	1,366
Total				102,608
Less allowance for impairment				99,977
Net				**2,631**

* On March 15, 2011, the Company's ownership in ICO Global Communication (Holdings) Limited was diluted to 0.0068% since the Company did not exercise its right in relation to a right issue conducted by ICO Global Communication (Holdings) Limited. On July 21, 2011, ICO Global Communication changed its name to Pendrell Corporation. Furthermore, as of December 31, 2012 and 2011, the Company's ownership in Pendrell has been diluted to 0.0067%.

** The Company received dividend income from its investment in ACPL totaling US$ nil, US$1,574 (equivalent to Rp13,790) and US$2,140 (equivalent to Rp19,281) for the years ended December 31, 2012, 2011 and 2010, respectively.

The Company has provided allowance for impairment of its investments in shares of stock accounted for under the cost method amounting to Rp113,577 as of December 31, 2012 and 2011, and Rp99,977 as of January 1 / December 31, 2010, which the Company believes is adequate to cover impairment losses on the investments.

c. Equity securities from BNI of Rp89 and Telkom of Rp10 are both classified as available for sale as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010.

13. OTHER NON-CURRENT ASSETS - NET

As of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010, this account consists of the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011	2010
Investment in an associated company (i)	57,174	56,300	56,300
Less allowance for impairment	56,300	56,300	56,300
Net	874	-	-
Claims for tax refund			
Corporate income tax			
Current year (Note 16)	162,647	181,717	163,562
Previous years (ii)	248,509	333,217	317,013
VAT and others (iii)	339,995	351,909	171,872
	751,151	866,843	652,447
Others	2,473	5,593	7,551
Total	**754,498**	**872,436**	**659,998**

(i) Investment in an associated company - equity accounted

	Location	Principal Activity	Ownership (%)	Cost	Accumulated Equity in Undistributed Net Loss	Carrying Value
PT Citra Bakti Indonesia	Indonesia	Certification service company for chip-based ATM/debit card and related devices and infrastructures	33.33	1,000	126	874

(ii) The claims for tax refund with respect to corporate income tax for previous years include the following:

- Satelindo's 2002 corporate income tax

  On July 15, 2010, the Company received Decision Letter No. KEP-357/WPJ.19/BD.05/2010 from the DGT declining the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002 amounting to Rp105,809 (including penalties and interest). On October 14, 2010, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002. On June 25, 2012, the Company received the Decision Letter from the Tax Court rejecting the Company's appeal on Satelindo's corporate income tax for fiscal year 2002. The Company charged the related claim for tax refund amounting to Rp103,163 to current operations as part of "Current Income Tax Expense" (Note 16).

13. OTHER NON-CURRENT ASSETS - NET (continued)

- The Company and IMM's 2009 corporate income tax

  On April 21, 2011, the Company received the assessment letter on tax overpayment ("SKPLB") from the DGT for the Company's 2009 corporate income tax amounting to Rp29,272, which is lower than the amount recognized by the Company in its financial statements. The Company accepted a part of the corrections amounting to Rp836, which was charged to current operations. On May 31, 2011, the Company received the tax refund of its claim for 2009 corporate income tax amounting to Rp23,695, after being offset with the accepted amount of tax correction of VAT for the period January - December 2009 (iii). 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 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 April 29, 2013, the Company has not received any decision from the Tax Court on such appeal.

  On April 25, 2011, IMM received SKPLB from the Tax Office for IMM's 2009 corporate income tax amounting to Rp34,950, which is lower than the amount recognized by IMM in its financial statements. IMM charged the unapproved 2009 claim for tax refund amounting to Rp597 to current operations. On the same date, IMM also received the assessment letters on tax underpayment ("SKPKBs") for IMM's 2009 income tax articles 21, 23 and 26 and VAT totalling Rp4,512 (including penalties and interest). On May 26, 2011, IMM received the refund of its claim for 2009 corporate income tax amounting to Rp30,438, after being offset with above underpayment of IMM's 2009 income tax articles 21, 23 and 26 and VAT.

- 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 the tax refund amounting to Rp82,626. On August 22, 2011, the Company received a copy of a Memorandum for Reconsideration Request (Memori Permohonan Peninjauan Kembali) from the Tax Court to the Supreme Court on the Tax Court's Decision Letter dated April 26, 2011 for the 2006 corporate income tax. On September 21, 2011, the Company submitted a Counter-Memorandum for Reconsideration Request to the Supreme Court. As of April 29, 2013, the Company has not received any decision from the Supreme Court on such request.

- The Company and IMM's 2010 corporate income tax

  On April 26, 2012, IMM received SKPLB from the Tax Office for IMM's 2010 corporate income tax amounting to Rp68,657, which is lower than the amount recognized by IMM in its financial statements. IMM charged the unapproved 2010 claim for tax refund amounting to Rp6,422 to current operations as part of current income tax expense (Note 16). On the same date, IMM also received SKPKBs for its 2010 income tax articles 21, 23 and 26 and VAT totalling Rp11,132 (including penalties and interest). On June 22, 2012, IMM received the refund of its claim for 2010 corporate income tax amounting to Rp57,525, after being offset with above underpayment of its 2010 income tax articles 21, 23 and 26 and VAT.

  On July 3, 2012, the Company received SKPLB from the DGT for the Company's 2010 corporate income tax amounting to Rp89,381, which is lower than the amount recognized by the Company in its financial statements. The Company accepted all of the corrections amounting to Rp61, which was charged to current operations (Note 16). On August 24, 2012, the Company received the tax refund of its claim for 2010 corporate income tax amounting to Rp89,381. Based on this SKPLB, the tax loss carry forward was adjusted to became amounting to Rp1,040,083, which is lower than the amount recognized by the Company in its financial statements. The Company accepted all of the corrections amounting to Rp101,978.

13. OTHER NON-CURRENT ASSETS - NET (continued)

(iii) The claims for tax refund with respect to VAT and others include the following:

- The Company's 2010 and 2011 VAT

  On April 21, 2011, the Company received SKPKB from the DGT for the Company's VAT for the period January - December 2009 totalling Rp182,800 (including penalties). The Company accepted a part of the corrections amounting to Rp4,160 which was charged to current operations (Note 13). On July 15, 2011, the Company paid the remaining underpayment amounting to Rp178,640 of the VAT for the period January - December 2009. On July 19, 2011, the Company submitted an objection letter to the Tax Office regarding the remaining correction on the Company's VAT for the period January - December 2009. 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 for additional underpayment for the period January, March, April, June, August - December 2009 totalling Rp57,166 and overpayment for the period February, May and July 2009 totalling Rp4,027. On July 4, 2012, the Company paid the additional underpayment amounting to Rp57,166. On August 24, 2012 and August 31, 2012, the Company received the overpayment amounting to Rp3,839 and Rp188, respectively. 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. As of April 29, 2013, the Company has not received any decision from the Tax Court on such appeal.

  On July 3, 2012, the Company received SKPLB from the DGT for the Company's VAT for the period March 2010 amounting to Rp28,545, whichis lower than the amount recognized by the Company in its financial statements, and SKPKBs for the Company's VAT for the period January, February and April - December 2010 totalling 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 totalling Rp106,619. As of April 29, 2013, the Company has not received any decision from the Tax Office on such objections.

- As of January 1, 2011 and December 31, 2011, this included the claims for tax refund from the Company's 2008 and 2009 income tax article 26 and Satelindo's 2002 and 2003 income tax article 26 which were classified as part of "Other Current Assets" as of December 31, 2012 (Note 6).

14. SHORT-TERM LOAN

The balance of this account amounting to Rp299,529 and Rp1,499,256 as of December 31, 2012 and 2011 (net of unamortized loan issuance cost of Rp471 in 2012 and Rp744 in 2011), respectively represents an unsecured loan from Mandiri, a related party (Note 31).

On June 21, 2011, the Company entered into a Revolving Time Loan Facility agreement with Mandiri covering a maximum amount of Rp1,000,000 to finance the Company's operational working capital, capital expenditure and/or refinancing requirements. This facility is available from June 21, 2011 to June 20, 2014 and drawdowns bear interest at 1-month Jakarta Inter-Bank Offered Rate ("JIBOR") plus 1.4% per annum. Each drawdown matures 3 months from the drawdown date and can be extended for further 3-month periods by submitting a written request for such extension to Mandiri.

14. SHORT-TERM LOAN (continued)

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 August 2 and December 14, 2011, and March 28, June 21, December 12 and 26, 2012, the Company has made several drawdowns to this loan facility totaling Rp2,200,000.

On February 2, May 14, June 29, July 5 and August 2, 2012, the Company repaid the drawdowns made previously totalling Rp1,900,000.

Voluntary early repayment is permitted subject to 3 days' prior written notice. The Company may early repay the whole or any part of the loan.

Based on the facility agreement, the Company is required to comply with certain covenants such as maintaining financial ratios.

The amortization of the loan issuance cost for the years ended December 31, 2012 and 2011 amounted to Rp321 and Rp1,656, respectively (Note 28).

As of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, the Group has complied with all financial ratios required to be maintained under the loan agreements.

15. PROCUREMENT PAYABLE

This account consists of amounts due for capital and operating expenditures procured from the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011 (Restated)	2010 (Restated)
Related parties (Note 31) (including US$78 on December 31, 2012, US$114 on December 31, 2011 and US$404 on January 1, 2011/ December 31, 2010)	43,783	36,073	68,681
Third parties (including US$141,024 on December 31, 2012, US$220,674 on December 31, 2011 and US$246,211 on January 1, 2011/December 31, 2010)	2,694,067	3,439,789	3,573,321
Total	**2,737,850**	**3,475,862**	**3,642,002**

The billed amount of procurement payable amounted to Rp531,799, Rp555,065 and Rp360,508 as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, respectively. The unbilled amount of procurement payable amounted to Rp2,206,051, Rp2,920,797 and Rp3,281,494 as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, respectively.

16. TAXES PAYABLE

This account consists of the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011 (Restated)	2010 (Restated)
Estimated corporate income tax payable, less tax prepayments of Rp97,715 in 2012, Rp106,847 in 2011 and Rp123,281 in 2010	26,137	13,330	4,890
Income tax:			
Article 4(2)	16,676	10,624	14,299
Article 21	25,661	15,366	14,032
Article 23	9,942	4,107	9,177
Article 25	7,888	14,964	18,899
Article 26	8,962	18,863	88,787
VAT	317	13,765	21,174
Others	16	187	1,254
Total	**95,599**	**91,206**	**172,512**

The reconciliation between profit before income tax and estimated taxable income (tax loss) of the Company for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011 (Restated)
Profit before income tax	461,618	1,331,357
Company's equity in Subsidiries' income before income tax and reversal of inter-company consolidation eliminations	(256,634)	(198,899)
Profit before income tax of the Company	204,984	1,132,458
Positive adjustments		
Depreciation - net	856,483	-
5% final tax on sale of towers	185,339	-
Accrual of employee benefits - net	166,539	-
Charges from leasing transaction	134,934	49,190
Gain on sale and exchange of property and equipment	124,595	217,393
Employee benefits	58,571	52,719
Transaction cost for sale of towers subjected to final tax	56,446	-
Write-off of accounts receivable (provision for impairment of receivables) - net	49,983	27,509
Provision for termination, gratuity and compensation benefits of employees	47,926	927
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 18 and 19)	25,238	14,679
Donations	10,479	30,788
Assessments for income taxes and VAT (including penalties)	9,485	5,359
Tax expense	8,772	3,386
Amortization of long-term prepaid licenses	3,433	-
Representation and entertainment	2,619	5,516
Others	73,060	20,557

16. TAXES PAYABLE (continued)

	2012	2011 (Restated)
Negative adjustments		
Gain on tower sale - net already subjected to final tax (Note 29)	(1,183,963)	-
Equity in net income of investees	(234,930)	(145,007)
Amortization of other intangible assets	(150,515)	(173,331)
Interest income already subjected to final tax	(69,817)	(42,008)
Net periodic pension cost	(2,241)	(15,387)
Depreciation - net	-	(1,228,414)
Realization of accrual of employee benefits - net	-	(115,677)
Amortization of long-term prepaid licenses	-	(13,255)
Other	(1,719)	(94,326)
Estimated taxable income (tax loss) of the Company - current year	**375,701**	**(266,924)**
Tax losses carry-forward at beginning of year	**(1,408,985)**	**(1,142,061)**
Adjustment on tax loss carry-forward due to tax audit of 2010 corporate income made in 2012	**166,147**	**-**
Tax losses carry-forward at end of year	**(867,137)**	**(1,408,985)**

The computation of the income tax expense for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Income tax expense (benefit) - current (at statutory tax rates)		
Company		
Income tax expense - current	-	-
Tax correction from previous year paid during the year	103,224	-
Subsidiaries		
Income tax expense - current	123,852	120,177
Tax correction from previous year paid during the year	7,353	-
Income tax expense - current - net	234,429	120,177

16. TAXES PAYABLE (continued)

	2012	2011 (Restated)
Income tax expense (benefit) - deferred - effect of temporary differences at applicable tax rate		
Company		
Utilization of tax loss (gain) carry-forward	93,925	(66,731)
Equity in net income of investees	46,796	33,341
Amortization of other intangible assets	37,629	43,333
Adjustment due to tax audit (Note 13)	824	-
Net periodic pension cost	560	3,847
Depreciation - net	(214,121)	307,104
Reversal of deferred tax liabilities from tower sale transactions (Note 29)	(91,938)	-
Payments of accrual of employee benefits - net	(41,635)	28,919
Charges from leasing transaction	(33,733)	(12,298)
Gain on sale and exchange of property and equipment - net	(31,149)	(54,348)
Write-off of accounts receivable (provision for impairment of receivables) - net	(12,496)	(6,877)
Accrual of provision for termination, gratuity and compensation benefits of employees - net	(11,981)	(232)
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 18 and 19)	(6,310)	(3,670)
Amortization of long-term prepaid licenses	(858)	3,314
Others	(8,858)	(800)
Net	(273,345)	274,902
Deferred income tax benefit - net resulting from the reversal of deferred tax liabilities (DTL) on investment in IMM, ISPL and IPBV	-	(111,097)
	(273,345)	163,805
Subsidiaries	13,118	(19,369)
Net income tax expense (benefit) - deferred	(260,227)	144,436
Income tax expense (benefit) - net	**(25,798)**	**264,613**

16. TAXES PAYABLE (continued)

The computation of the estimated income tax payable for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Income tax expense (benefit) - current		
Company		
Income tax expense - current	-	-
Tax correction from previous year paid during the year	103,224	-
Subsidiaries		
Income tax expense - current	123,852	120,177
Tax correction from previous year paid during the year	7,353	-
Income tax expense - current - net	234,429	120,177
Less prepayments of income tax of the Company		
Article 22	110,523	80,935
Article 23	18,563	14,275
Total prepayments of income tax of the Company	129,086	95,210
Less prepayments of income tax of Subsidiaries		
Article 23	6,368	5,880
Article 25	124,908	187,474
Total prepayments of income tax Subsidiaries	131,276	193,354
Total prepayments of income tax	260,362	288,564
Estimated income tax payable		
Subsidiaries	26,137	13,330
Total estimated income tax payable	**26,137**	**13,330**
Claims for tax refund (Note 13)		
The Company	129,086	95,210
Subsidiaries	33,561	86,507
Total claim for tax refund	**162,647**	**181,717**

16. TAXES PAYABLE (continued)

The reconciliation between the income tax expense (benefit) calculated by applying the applicable tax rate of 25% to the profit before income tax and the income tax expense (benefit) as shown in the consolidated statement of comprehensive income for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011 (Restated)
Profit before income tax per consolidated statement of comprehensive income	**461,618**	**1,331,357**
Income tax expense at the applicable tax rate	115,404	332,839
Company's equity in Subsidiaries' income before income tax and reversal of inter-company consolidation eliminations	58,938	43,854
Tax effect on permanent differences		
5% final tax on sale of towers	46,335	-
Employee benefits	21,070	18,501
Transaction costs for sale of towers subjected to final tax	14,112	-
Unrecognized deferred tax asset on current fiscal loss	13,278	-
Assessment for income taxes and VAT (including penalties)	6,359	3,300
Donation	6,037	9,116
Representation and entertainment	1,679	2,218
Gain on tower sale - net already subjected to final tax (Note 29)	(387,928)	-
Interest income already subjected to final tax	(28,362)	(21,162)
Others	(4,121)	(22,870)
Adjustment due to tax audit and others	824	9,914
Tax expense from tax correction on Satelindo's corporate income tax for fiscal year 2002 (Note 13)	103,163	-
Deferred income tax benefit from the reversal of DTL on investments in IMM, ISPL and IPBV	-	(111,097)
Tax correction from previous year paid during the year	7,414	-
Income tax expense (benefit) - net per consolidated statement of comprehensive income	**(25,798)**	**264,613**

16. TAXES PAYABLE (continued)

The tax effects of significant temporary differences between financial and tax reporting of the Company which are outstanding as of December 31, 2012 and 2011 and January 1, 2011/ December 31, 2010 are as follows:

	December 31,		January 1, 2011/ December 31,
	2012	2011 (Restated)	2010 (Restated)
Deferred tax assets			
Accrual of employee benefits - net	260,033	206,416	235,104
Tax loss	216,784	352,246	285,515
Allowance for impairment of receivables	137,568	125,073	118,195
Charges from leasing transaction	52,556	18,823	6,525
Allowance for decline in value of investment in associated company and other long-term investments	42,469	42,469	39,069
Pension cost	17,736	18,296	22,143
Allowance for decline in value of short-term investments	6,349	6,349	6,349
Others	345	1,549	3,300
Total	733,840	771,221	716,200
Deferred tax liabilities			
Property and equipment	2,122,016	2,499,935	2,247,180
Investments in subsidiaries/associated company - net of amortization of goodwill and other intangible assets	271,388	195,595	229,034
Long-term prepaid licenses	16,018	16,876	13,562
Difference in transactions of equity changes in an associated company	1,460	1,460	1,460
Deferred debt and bonds issuance costs, consent solicitation fees and discount	547	6,856	10,526
Others	463	659	659
Total	2,411,892	2,721,381	2,502,421
Deferred tax liabilities - net	**1,678,052**	**1,950,160**	**1,786,221**

16. TAXES PAYABLE (continued)

The breakdown by entity of the deferred tax assets and liabilities outstanding as of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010 is as follows:

	December 31, 2012		December 31, 2011 (Restated)		January 1, 2011/ December 31, 2010 (Restated)	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Company	-	1,678,052	-	1,950,160	-	1,786,221
Subsidiaries						
Lintasarta	78,593	-	80,094	-	77,396	-
IMM	22,100	-	33,718	-	17,263	-
APE	-	5,438	-	5,165	-	4,383
ISPL	-	780	-	1,027	-	428
SMT	-	-	-	-	-	1,597
Total	**100,693**	**1,684,270**	**113,812**	**1,956,352**	**94,659**	**1,792,629**

The deferred tax assets of Lintasarta relate mainly to the deferred tax on the temporary difference in the recognition of depreciation on property and equipment.

The significant temporary differences on which deferred tax assets have been computed are not deductible for income tax purposes until the accrued employee benefits are paid, the allowance for impairment of receivables is realized upon the write-off of the receivables after fulfilling certain requirements under the Income Tax Law, the allowance for impairment of investments in associated company and other long-term investments is realized upon sale of the investments and the pension cost is paid.

The significant deferred tax liabilities relate to the differences in the book and tax bases of property and equipment, investments in subsidiaries / associated company, long-term prepaid licenses, debt and bonds issuance costs, consent solicitation fees and discount.

Prior to 2011, the Company provided for deferred tax liabilities and deferred tax assets relating to the book-versus-tax-basis differences in its investments in subsidiaries as the Company believed that it was probable the investments for certain subsidiaries would be recovered through the sale of the shares which is a taxable transaction, and for certain subsidiaries the differences would be deductible from ordinary income as a result of a merger. In 2011, the Company re-evaluated its investment strategy including the accounting treatment on the recognition of deferred tax liabilities and deferred tax assets relating to the book-versus-tax-basis differences in investments in subsidiaries and the evaluation of "forseeable future" and the "more likely than not" judgements. Based on the Company's evaluation, the deferred tax liabilities are not recognized for temporary differences between the tax and book bases of investments in certain subsidiaries (IMM, ISPL and IPBV) since the Company believed the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reversed in the foreseeable future. Hence, the balance of the deferred tax liabilities on the taxable temporary differences on the investments in IMM, ISPL and IPBV as of January 1, 2011 totalling Rp111,097 was reversed and credited to current deferred income tax benefit.

16. TAXES PAYABLE (continued)

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. 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 financial statements. 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 for Reconsideration Request to the Supreme Court. As of April 29, 2013, the Company has not received any decision from the Supreme Court on such request.

The tax losses carryover of SMT, IMM and the Company as of December 31, 2012 can be carried forward through 2017 based on the following schedule:

Year of Expiration	Amount
2013	26,660
2014	31,901
2015	715,153
2016	289,695
2017	53,106
Total	**1,116,515**

The Company will submit the corporate income tax calculation above on Annual corporate income tax return (*Surat Pemberitahuan Tahunan* ["SPT"]) for fiscal year 2012 to the Tax Office and reported based on the applicable Indonesia tax regulation. Annual corporate income tax return of the Company for fiscal year 2011 and 2010 has been submitted based on the Company's estimated taxable income above.

17. ACCRUED EXPENSES

This account consists of the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011 (Restated)	2010 (Restated)
Interest	331,101	319,880	339,957
Marketing	235,957	214,907	120,092
Network repairs and maintenance	229,921	288,731	265,428
Radio frequency fee (Note 35)	214,653	283,588	195,686
Employee benefits (Notes 22 and 30)	200,033	180,441	216,732
Dealer incentives (Note 2k)	170,115	82,615	125,836
Rental	95,200	59,929	28,090
Universal Service Obligation ("USO") (Note 35)	92,916	59,716	59,899
Utilities	87,669	58,609	85,650
Link	60,646	55,593	31,111
Blackberry access fee	48,666	79,627	20,679
Consultancy fees	44,331	35,309	65,288
Concession fee (Note 35)	41,277	39,507	123,455
General and administration	34,772	31,119	27,706
Others (each below Rp20,000)	74,028	106,042	90,726
Total	**1,961,285**	**1,895,613**	**1,796,335**

18. LOANS PAYABLE

This account consists of the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011	2010
Third parties - net*	6,373,040	8,727,473	9,553,906
Related party (Note 31)			
Mandiri - net**	-	998,843	1,297,045
Total loans payable	6,373,040	9,726,316	10,850,951
Less current maturities - net***			
Third parties	2,669,218	2,301,694	2,884,147
Related party	-	998,843	300,000
Total current maturities	2,669,218	3,300,537	3,184,147
Long-term portion			
Third parties	3,703,822	6,425,779	6,669,759
Related party	-	-	997,045
Total long-term portion	**3,703,822**	**6,425,779**	**7,666,804**

* *net of unamortized debt issuance cost and consent solicitation fee of Rp111,333 on December 31, 2012, Rp146,511 on December 31, 2011 and Rp189,979 on January 1, 2011 / December 31, 2010; and unamortized debt discount of Rp3,682 on December 31, 2012, Rp11,891 on December 31, 2011 and Rp19,267 on January 1, 2011 / December 31, 2010*

** *net of unamortized debt issuance cost and consent solicitation fee of Rp1,157 on December 31, 2011 and Rp2,955 on January 1, 2011 / December 31, 2010*

*** *net of unamortized debt issuance cost and consent solicitation fees of Rp6,415 on December 31, 2012, Rp2,295 on December 31, 2011 and Rp373 on January 1, 2011 / December 31, 2010*

18. LOANS PAYABLE (continued)

The loans from third parties consist of the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011	2010
AB Svensk Exportkredit ("SEK"), Sweden with Guarantee from Exportkreditnamnden ("EKN") - net of unamortized debt issuance cost of Rp21,351 in 2012, Rp26,434 in 2011 and Rp27,593 in 2010	1,840,124	2,127,216	1,972,905
Syndicated U.S. Dollar Loan Facility - net of unamortized debt issuance cost and consent solicitation fees of Rp2,733 in 2012, Rp11,621 in 2011 and Rp27,122 in 2010	1,520,292	2,069,484	4,018,828
HSBC France - net of unamortized debt issuance cost and consent solicitation fees of Rp84,315 in 2012, Rp104,536 in 2011 and Rp129,167 in 2010	1,278,872	1,356,403	1,500,434
BCA Revolving Time Loan - net of unamortized debt issuance cost of Rp413 in 2012 and Rp736 in 2011	999,587	1,499,264	-
Goldman Sachs International ("GSI")			
Principal, net of unamortized debt discount of Rp3,682 in 2012, Rp11,891 in 2011 and Rp19,267 in 2010	479,818	422,409	415,033
Foreign Exchange (FX) Conversion Option	-	49,518	54,595
9-Year Commercial Loan - net of unamortized debt issuance cost and consent solicitation fees of Rp1,550 in 2012, Rp2,046 in 2011 and Rp2,821 in 2010	155,318	181,834	203,805
Bank Sumitomo Mitsui Indonesia ("BSMI") Revolving Time Loan - net of unamortized debt issuance cost of Rp971	99,029	-	-
BCA - net of unamortized debt issuance cost and consent solicitation fees of Rp1,138 in 2011 and Rp2,903 in 2010	-	998,862	1,297,097
Investment Credit Facility 6 from CIMB Niaga	-	22,483	52,483
Finnish Export Credit Ltd. - net of unamortized debt issuance cost and consent solicitation fees of Rp373	-	-	33,793
Investment Credit Facility 5 from CIMB Niaga	-	-	4,933
Total	6,373,040	8,727,473	9,553,906
Less current maturities (net of unamortized debt issuance costs and consent solicitation fees totaling Rp6,415 in 2012, Rp2,295 in 2011 and Rp373 in 2010)	2,669,218	2,301,694	2,884,147
Long-term portion	**3,703,822**	**6,425,779**	**6,669,759**

18. LOANS PAYABLE (continued)

The details of the loans from the related party and third parties are as follows:

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks
a. Mandiri*	▪ 5-year unsecured credit facility 1 ▪ Loan drawdowns are payable annually	September 18, 2012	Rp2,000,000	▪ Year 1: 9.75% p.a. ▪ Year 2: 10.5% p.a. ▪ Years 3-5: Average 3-month JIBOR + 1.5% p.a. ▪ Payable quarterly	▪ Without penalty if the repayment is made after the 24th month after the agreement date subject to 7 days' prior written notice ▪ With penalty of 2% of the prepaid amount for repayment prior to the 24th month after the agreement date ▪ On June 21, 2012, the Company obtained the consent letter from Mandiri for the sale of asset transaction (Note 29). ▪ On September 14, 2012, the Company paid the remaining outstanding Mandiri Loan, amounting to Rp1,000,000.
b. 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%, LIBOR, SEK Funding Cost of 1.05% and EKN Premium Margin of 1.57% ▪ Facility B: Margin of 0.05%, Commercial Interest Reference Rate ("CIRR") and EKN Premium Margin of 1.61% ▪ Facility C: Margin of 0.05%, CIRR and EKN Premium Margin of 1.59% ▪ Payable semi-annually	▪ Permitted only in proportionate amount for each of Facilities A, B and C, after the last day of the availability period and on a repayment date subject to 20 days' prior written notice ▪ In minimum amount of US$5,000 and in an amount divisible by US$500 ▪ Any repayment shall satisfy the obligations of loan repayment in inverse chronological order ▪ 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).

* Related party (Note 31)

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks
c. Syndicated U.S. Dollar Loan Facility - 12 Financial Institutions**	▪ 5-year unsecured credit facility ▪ Loan drawdowns are payable semi-annually	June 12, 2013	US$450,000	▪ USD London Inter-Bank Offered Rate ("LIBOR") + 1.9% p.a. (onshore lenders); USD LIBOR + 1.85% p.a. (offshore lenders) ▪ Payable semi-annually	▪ Permitted only after the 6th month from the date of loan agreement subject to 15 days' prior written notice (in the minimum amount of US$10,000 and in an amount divisible by US$1,000) ▪ On June 19, 2012, the Company amended its credit facility agreement with PT Bank DBS Indonesia, as facility agent. The amendment included changes in definition of certain terms related to sale of asset transactions (Note 29).
d. HSBC France	▪ 12 year - COFACE term facility ▪ Payable in twenty semi-annual installments	September 30, 2019	US$157,243	▪ 5.69% p.a. ▪ Payable semi-annually	▪ Permitted with a corresponding proportionate voluntary prepayment under the SINOSURE Facility after the last day of the availability period and on a repayment date subject to 30 days' prior written notice ▪ In minimum amount of US$10,000 and in an amount divisible by US$1,000 ▪ Any repayment shall satisfy the obligations of loan repayment in inverse chronological order ▪ On 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).

** On October 14, 2011, PT Bank UOB Indonesia (one of lenders under the Syndicated U.S. Dollar Loan Facility) transferred its portion of the loan to UOB Limited (another lender under the Syndicated U.S. Dollar Loan Facility), hence the number of lenders became 12.

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks
d. 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 obligations 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).
e. BCA	▪ The revolving time loan with maximum amount of Rp1,000,000 ▪ Each drawdown matures 1 month from the drawdown date. Subsequently, on August 9, 2011, the Company obtained an approval from BCA to amend the maturity date of each drawdown to become at the latest on February 10, 2014 ▪ On December 1, 2011, the facility was amended to increase the facility amount up to Rp1,500,000 and change the interest rate	February 10, 2014	Rp1,500,000	▪ JIBOR + 1.4% p.a. However, starting December 1, 2011, JIBOR + 1.25% p.a. ▪ Payable monthly	▪ Permitted subject to 1 day prior written notice. The Company may repay the whole or any part of the loan ▪ 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).

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks
f. GSI***	▪ Investment loan ▪ Provides an "FX Conversion Option" for GSI to convert the loan payable into U.S. dollar loan of US$50,000 on May 30, 2012 ("FX Conversion Option") ▪ Fair value of FX Conversion Option as of December 31, 2011 and December 31, 2010 amounting to US$5,460.78 (equivalent to Rp49,518) and US$6,072.20 (equivalent to Rp54,595), respectively (Note 20)	May 30, 2013	US$50,000	▪ 8.75% p.a. ▪ Payable quarterly ▪ If GSI takes FX Conversion Option, starting May 30, 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US$50,000 principal	▪ Certain changes affecting withholding taxes in the United Kingdom or Indonesia ▪ Default under Guaranteed Notes due 2012 ▪ Default under the Company's USD Notes and IDR Bonds ▪ Redemption, purchase or cancellation of the Guaranteed Notes Due 2012 and there are no USD Indosat Notes outstanding upon such redemption, purchase or cancellation ▪ Change of control in the Company.
g. HSBC Jakarta Branch, CIMB Niaga and Bank of China Limited Jakarta Branch	▪ 9-year unsecured commercial facility ▪ Payable in fifteen semi-annual payments after 24 months from the date of loan agreement. For the 1st five installments: US$1,351.85 each; and US$2,027.78 each for the remaining installments thereafter	November 28, 2016	US$27,037	▪ USD LIBOR + 1.45% p.a. ▪ Payable semi-annually	▪ Permitted only on each repayment date after the first repayment date subject to 30 days' prior written notice ▪ In minimum amount of US$5,000 and in an amount divisible by US$1,000 ▪ Any prepayment shall satisfy the obligations of loan repayment proportionately ▪ 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 transactions (Note 29).

*** On May 30, 2012, GSI exercised the FX conversion option to convert the loan into U.S. dollar loan of US$50,000. The Company earned gain from the exercise amounting to Rp5,319 and charged the gain to Gain (Loss) on Change in Fair Value of Derivatives - Net.

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks
h. BSMI	▪ The revolving time loan with maximum amount of Rp650,000 ▪ Each drawdown matures maximum 36 months from the drawdown date, but not exceeds 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
i. BCA	▪ 5-year unsecured credit facility 1 ▪ Loan drawdowns are payable annually	September 27, 2012	Rp2,000,000	▪ Year 1: 9.75% p.a. ▪ Year 2: 10.5% p.a. ▪ Years 3-5: 3-month JIBOR + 1.5% p.a. ▪ Payable quarterly	▪ Without penalty if the repayment is made after the 24th month after the agreement date subject to 7 days' prior written notice ▪ With penalty of 2% of the prepaid amount for repayment prior to the 24th month after the agreement date ▪ On June 11, 2012, the Company obtained the consent letter from BCA for the sale of asset transaction (Note 29) ▪ On September 27, 2012, the Company paid the remaining outstanding BCA Loan, amounting to Rp1,000,000.
j. CIMB Niaga	▪ Investment credit facility 6 obtained by Lintasarta ▪ Payable quarterly	August 24, 2012	Rp75,000	▪ 14.5% p.a., subject to change by CIMB Niaga depending on the market condition ▪ Payable quarterly	▪ Permitted only on interest payment date subject to 15 days' prior written notice. Lintasarta may repay the whole or any part of the loan before the due date only by using the fund from Lintasarta's operational activities. Repayment using the fund from loans obtained from other parties is allowed with penalty determined by CIMB Niaga. ▪ The loan is collateralized by all equipment (Note 8) purchased from the proceeds of credit facility. ▪ In April 2012, this loan was fully paid.

18. LOANS PAYABLE (continued)

Counterparties	Loan Type	Maturity	Amount	Interest Structure	Remarks
k. Finnish Export Credit Ltd.	▪ 5-year credit facility ▪ Paid semi-annually	May 12, 2011	US$38,000	▪ 4.15% p.a. ▪ Paid semi-annually	▪ Permitted only after 60 days of the loan agreement subject to 15 days' prior written notice (in the minimum amount of US$10,000 and in an amount divisible by US$1,000) ▪ In May 2011, this loan was fully paid.
l. CIMB Niaga	▪ Investment credit facility 5 obtained by Lintasarta ▪ Paid quarterly	January 10, 2011	Rp50,000	▪ 1-month SBI + 2.25% p.a. ▪ Paid quarterly	▪ Permitted only on interest payment date subject to 13 days' prior written notice. Lintasarta may repay the whole or any part of the loan before the due date only by using the fund from Lintasarta's operational activities. Repayment using the fund from loans obtained from other parties was allowed with 1% penalty of the early repaid amount. ▪ In January 2011, this loan was fully paid.

The scheduled principal payments from 2013 of all the loans payable as of December 31, 2012 are as follows:

	Twelve months ending December 31,					
	2013	**2014**	**2015**	**2016**	**2017 and thereafter**	**Total**
In rupiah						
BCA - revolving time loan	-	1,000,000	-	-	-	1,000,000
BSMI - revolving time loan	-	-	100,000	-	-	100,000
Sub-total	**-**	**1,000,000**	**100,000**	**-**	**-**	**1,100,000**
In U.S. dollar						
SEK, Sweden (US$192,500)	435,150	435,150	435,150	366,079	189,946	1,861,475
Syndicated U.S. Dollar Loan Facility (US$157,500)	1,523,025	-	-	-	-	1,523,025
HSBC France (US$140,970.68)	194,741	194,741	194,741	194,741	584,223	1,363,187
GSI (US$50,000)	483,500	-	-	-	-	483,500
9-Year Commercial Facility (US$16,222.20)	39,217	39,217	39,217	39,217	-	156,868
Sub-total	**2,675,633**	**669,108**	**669,108**	**600,037**	**774,169**	**5,388,055**
Total	**2,675,633**	**1,669,108**	**769,108**	**600,037**	**774,169**	**6,488,055**
Less:						
- unamortized debt issuance costs and consent solicitation fees						(111,333)
- unamortized debt discount						(3,682)
Net						**6,373,040**

18. LOANS PAYABLE (continued)

All loans are neither collateralized by any specific Group assets nor guaranteed by other parties, except for the assets that have been specifically used as security in Note 18j.

The total amortization of debt issuance, discount and consent solicitation fees on the loans for the years ended December 31, 2012 and 2011 amounted to Rp65,269 and Rp63,731, respectively (Note 28).

As of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, the Group has complied with all financial ratios required to be maintained under the loan agreements.

19. BONDS PAYABLE

This account consists of the following:

	December 31,		January 1, 2011/ December 31,
	2012	2011	2010
a. Guaranteed Notes Due 2020 - net of unamortized notes issuance cost of Rp73,454 in 2012, Rp58,420 in 2011 and Rp64,885 in 2010 and discount of Rp23,154 in 2012, Rp26,208 in 2011 and Rp29,666 in 2010	6,188,892	5,809,572	5,749,599
b. Eighth Indosat Bonds in Year 2012 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp8,478	2,691,522	-	-
c. Fifth Indosat Bonds in Year 2007 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp7,061 in 2012, Rp9,102 in 2011 and Rp11,041 in 2010	2,592,939	2,590,898	2,588,959
d. Seventh Indosat Bonds in Year 2009 with Fixed Rates - net of unamortized bonds issuance cost of Rp3,454 in 2012, Rp4,442 in 2011 and Rp5,362 in 2010	1,296,546	1,295,558	1,294,638
e. Sixth Indosat Bonds in Year 2008 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp1,609 in 2012, Rp3,603 in 2011 and Rp5,414 in 2010	1,078,391	1,076,397	1,074,586
f. Indosat Sukuk Ijarah III in Year 2008 - net of unamortized bonds issuance cost and consent solicitation fees of Rp353 in 2012, Rp1,545 in 2011 and Rp2,625 in 2010	569,647	568,455	567,375
g. Indosat Sukuk Ijarah II in Year 2007 - net of unamortized bonds issuance cost and consent solicitation fees of Rp698 in 2012, Rp1,124 in 2011 and Rp1,517 in 2010	399,302	398,876	398,483
h. Indosat Sukuk Ijarah V in Year 2012 - net of unamortized bonds issuance cost and consent solicitation fees of Rp930	299,070	-	-
i. Indosat Sukuk Ijarah IV in Year 2009 - net of unamortized bonds issuance cost of Rp627 in 2012, Rp754 in 2011 and Rp873 in 2010	199,373	199,246	199,127
j. Second Indosat Bonds in Year 2002 with Fixed and Floating Rates - net of unamortized consent solicitation fees of Rp649 in 2011 and Rp652 in 2010	-	199,351	199,348

19. BONDS PAYABLE (continued)

This account consists of the following (continued):

	December 31,		January 1, 2011/ December 31,
	2012	2011	2010
k. Limited Bonds II issued by Lintasarta*	-	25,000	25,000
l. Limited Bonds I issued by Lintasarta**	-	16,989	16,989
m. Fourth Indosat Bonds in Year 2005 with Fixed Rate - net of unamortized bonds issuance cost and consent solicitation fees of Rp1,382	-	-	813,618
n. Indosat Syari'ah Ijarah Bonds in Year 2005 - net of unamortized bonds issuance cost and consent solicitation fees of Rp487	-	-	284,513
Total bonds payable	15,315,682	12,180,342	13,212,235
Less current maturities (net of unamortized bonds issuance cost and consent solicitation fees totalling Rp825 in 2012 and Rp1,869 in 2010)	1,329,175	41,989	1,098,131
Long-term portion	**13,986,507**	**12,138,353**	**12,114,104**

* After elimination of Limited Bonds II amounting to Rp35,000 issued to the Company on January 1, 2010 and December 31, 2010. Lintasarta made early repayment of such amount on December 29, 2011.
**After elimination of Limited Bonds I amounting to Rp9,564 issued to the Company on January 1, 2010 and December 31, 2010. Lintasarta made early repayment of such amount on December 29, 2011.

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 the certain redemption prices.

19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
				▪ 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, February and April 2012), the notes have 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.
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 June 2012, the bonds have idAA+ rating from PT Pemeringkat Efek Indonesia ("Pefindo").
▪ Series B	Rp1,500,000	▪ 8.875% p.a. ▪ Payable quarterly	June 27, 2022	
c. Fifth Indosat Bonds in Year 2007				
▪ Series A	Rp1,230,000	▪ 10.20% p.a. ▪ Payable quarterly	May 29, 2014	▪ 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 June 2012, the bonds have idAA+ rating from Pefindo.
▪ Series B	Rp1,370,000	▪ 10.65% p.a. ▪ Payable quarterly	May 29, 2017	

19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
d. Seventh Indosat Bonds in Year 2009				
▪ Series A	Rp700,000	▪ 11.25% p.a. ▪ Payable quarterly	December 8, 2014	▪ 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 June 2012, the bonds have idAA+ rating from Pefindo.
▪ Series B	Rp600,000	▪ 11.75% p.a. ▪ Payable quarterly	December 8, 2016	
e. Sixth Indosat Bonds in Year 2008				
▪ Series A	Rp760,000	▪ 10.25% p.a. ▪ Payable quarterly	April 9, 2013	▪ 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 December 2012, the bonds have idAA+ rating from Pefindo.
▪ Series B	Rp320,000	▪ 10.80% p.a. ▪ Payable quarterly	April 9, 2015	
f. Indosat Sukuk Ijarah III in Year 2008 ("Sukuk Ijarah III")	Rp570,000	▪ Bondholders are entitled to annual fixed Ijarah return ("*Cicilan Imbalan Ijarah*") totalling Rp58,425, payable on a quarterly basis starting July 9, 2008 up to April 9, 2013.	April 9, 2013	▪ The Company can buy back part or all of the bonds, after the 1st anniversary of the bonds, at market price. ▪ Based on the latest rating report released in December 2012, the bonds have idAA+ (sy) (stable outlook) rating from Pefindo.
g. Indosat Sukuk Ijarah II in Year 2007 ("Sukuk Ijarah II")	Rp400,000	▪ Bondholders are entitled to annual fixed Ijarah return ("*Cicilan Imbalan Ijarah*") totalling Rp40,800, payable on a quarterly basis starting August 29, 2007 up to May 29, 2014.	May 29, 2014	▪ The Company can buy back part or all of the bonds, after the 1st anniversary of the bonds, at market price. ▪ Based on the latest rating report released in June 2012, the bonds have idAA+ (sy) rating from Pefindo.
h. Indosat Sukuk Ijarah V in Year 2012 ("Sukuk Ijarah V")	Rp300,000	▪ Bondholders are entitled to annual fixed Ijarah return ("*Cicilan Imbalan Ijarah*") totalling 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 1st anniversary of the bonds, at market price. ▪ Based on the latest rating report released in June 2012, the bonds have idAA+ (sy) rating from Pefindo.

19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
i. Indosat Sukuk Ijarah IV in Year 2009 ("Sukuk Ijarah IV")				
▪ Series A	Rp28,000	▪ Bondholders are entitled to annual fixed ijarah return ("*Cicilan Imbalan Ijarah*") totalling Rp3,150, payable on a quarterly basis starting March 8, 2010 up to December 8, 2014.	December 8, 2014	▪ The Company can buy back part or all of the bonds, after the 1st anniversary of the bonds, at market price. ▪ Based on the latest rating report released in June 2012, the bonds have $_{id}AA+_{(sy)}$ rating from Pefindo.
▪ Series B	Rp172,000	▪ Bondholders are entitled to annual fixed ijarah return ("*Cicilan Imbalan Ijarah*") totalling Rp20,210, payable on a quarterly basis starting March 8, 2010 up to December 8, 2016.	December 8, 2016	
j. Second Indosat Bonds in Year 2002 - Series B	Rp200,000	▪ 16% p.a. ▪ Payable quarterly	November 6, 2032	▪ The Company had call option on the 10th, 15th, 20th and 25th anniversaries of the bonds at 101% of the bonds' nominal value and the bondholder had sell option if the rating of the bonds decreased to $_{id}AA-$ or lower or on the 15th, 20th and 25th anniversaries of the bonds. ▪ Based on the latest rating report released in June 2012, the bonds had $_{id}AA+$ rating from Pefindo. ▪ On November 6, 2012, the Company exercised the right to redeem in full the remaining outstanding of Second Indosat Bonds at 101% price.
k. Limited Bonds II issued by Lintasarta (amended on August 25, 2009)	Rp66,150, with the remaining amount of Rp60,000 since June 14, 2009	▪ Average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3% (The maximum limit of floating rates was 19% and the minimum limit was 11% p.a. and starting June 14, 2009, the minimum limit increased to 12.75%.) ▪ Payable quarterly	June 14, 2009 extended to June 14, 2012	▪ On February 29, 2012, Lintasarta paid these bonds in full.

19. BONDS PAYABLE (continued)

Bond	Nominal Amount	Interest	Maturity	Remarks
l. Limited Bonds I issued by Lintasarta (amended on August 25, 2009)	Rp34,856, with the remaining amount of Rp26,553 since June 2, 2009	▪ Average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3% (The maximum limit of floating rates was 19% and the minimum limit was 11% p.a. and starting June 14, 2009, the minimum limit increased to 12.75%.) ▪ Payable quarterly	June 2, 2009 extended to June 2, 2012	▪ On January 31, 2012, Lintasarta paid these bonds in full.
m.Fourth Indosat Bonds in Year 2005	Rp815,000	▪ 12% p.a. ▪ Paid quarterly	June 21, 2011	▪ The Company had call option on the 4th anniversary of the bonds at 100% of the bonds' nominal value and could buy back part or all of the bonds after the 1st anniversary of the bonds at market price. ▪ On June 21, 2011, the Company paid these bonds in full.
n. Indosat Syari'ah Ijarah Bonds in Year 2005 ("Syari'ah Ijarah Bonds")	Rp285,000	▪ Bondholders were entitled to annual fixed Ijarah return (*"Cicilan Imbalan Ijarah"*) totalling Rp34,200, paid on a quarterly basis starting September 21, 2005 up to June 21, 2011.	June 21, 2011	▪ The Company had call option on the 4th anniversary of the bonds at 100% of the bonds' nominal value and could buy back part or all of the bonds after the 1st anniversary of the bonds at market price. ▪ On June 21, 2011, the Company paid these bonds in full.

The scheduled principal payments of all the bonds payable outstanding as of December 31, 2012 are as follows:

	Twelve months ending December 31,					
	2013	2014	2015	2016	2017 and thereafter *	Total
In U.S. dollar						
Guaranteed Notes Due 2020* (US$650,000)	-	-	-	-	6,285,500	6,285,500
In Rupiah						
Eighth Indosat Bonds*	-	-	-	-	2,700,000	2,700,000
Fifth Indosat Bonds*	-	1,230,000	-	-	1,370,000	2,600,000
Seventh Indosat Bonds*	-	700,000	-	600,000	-	1,300,000
Sixth Indosat Bonds*	760,000	-	320,000	-	-	1,080,000
Sukuk Ijarah III*	570,000	-	-	-	-	570,000
Sukuk Ijarah II*	-	400,000	-	-	-	400,000

19. BONDS PAYABLE (continued)

	Twelve months ending December 31,					
	2013	**2014**	**2015**	**2016**	**2017 and thereafter** *	**Total**
Sukuk Ijarah V*	-	-	-	-	300,000	300,000
Sukuk Ijarah IV*	-	28,000	-	172,000	-	200,000
Sub-total	**1,330,000**	**2,358,000**	**320,000**	**772,000**	**4,370,000**	**9,150,000**
Total	**1,330,000**	**2,358,000**	**320,000**	**772,000**	**10,655,500**	**15,435,500**
Less:						
- unamortized notes issuance cost						(73,454)
- unamortized bonds issuance costs and consent solicitation fees						(23,210)
- unamortized notes discount						(23,154)
Net						**15,315,682**

* 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, except for the assets that have been specifically used as security (Note 18j) to its other creditors, 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 notesholders. 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 Eighth Indosat Bonds, Seventh Indosat Bonds, Sixth Indosat Bonds, Fifth Indosat Bonds, Second Indosat Bonds and Sukuk Ijarah V, 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, 2012 and 2011 amounted to Rp23,288 and Rp18,057, respectively (Note 28).

As of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, the Group has complied with all financial ratios required to be maintained under the Notes Indenture and Trustee Agreements.

20. DERIVATIVES

The Company entered into several swap and forward contracts. Listed below is information related to the contracts and their fair values (net of credit risk adjustment) as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010:

	Notional Amount (US$)	Fair Value (Rp)					
		December 31,				January 1, 2011 / December 31, 2010	
		2012		2011			
		Receivable	Payable	Receivable	Payable	Receivable	Payable
Cross Currency Swap Contracts:							
a. GSI[1]	100,000	-	-	-	-	-	-
b. GSI[1]	25,000	-	-	-	-	-	-
c. GSI[1]	75,000	-	-	-	-	50,866	-
d. Standard Chartered ("StandChart")[7]	25,000	-	-	-	6,981	-	12,055
e. StandChart[8]	25,000	-	-	1,620	-	-	1,731
f. StandChart[9]	25,000	-	-	12,608	-	9,443	-
g. HSBC, Jakarta Branch[2]	25,000	-	-	-	-	-	-
h. Merrill Lynch International Bank Limited, London Branch ("MLIB")[2]	50,000	-	-	-	-	-	2,234
i. MLIB[6]	25,000 with decreasing amount	7,919	-	3,639	-	2,154	-
j. MLIB[3]	25,000	-	-	-	-	3,778	-
k. DBS[6]	25,000 with decreasing amount	7,962	-	4,271	-	3,093	-
l. HSBC, Jakarta Branch	10,000	2,631	-	-	-	-	-
m. Barclays Bank PLC ("Barclays")	14,500	3,295	-	-	-	-	-
n. HSBC, Jakarta Branch	14,000	4,338	-	-	-	-	-
o. HSBC, Jakarta Branch	11,000	3,762	-	-	-	-	-
p. GSI[3]	84,000	-	-	-	-	-	-
Sub-total		**29,907**	**-**	**22,138**	**6,981**	**69,334**	**16,020**
Interest Rate Swap Contracts:							
q. HSBC, Jakarta Branch	27,037 with decreasing amount	-	11,613	-	13,254	-	13,100
r. HSBC, Jakarta Branch	44,200 with decreasing amount	-	38,260	-	35,370	-	29,027
s. GSI	100,000	-	25,287	-	60,869	-	90,273
t. DBS	25,000 with decreasing amount	-	1,391	-	4,174	-	9,238
u. DBS	25,000 with decreasing amount	-	1,244	-	3,678	-	9,343
v. Bank of Tokyo MUFJ ("BTMUFJ")	25,000 with decreasing amount	-	894	-	2,649	-	6,656
w. BTMUFJ	25,000 with decreasing amount	-	804	-	2,347	-	5,885
x. BTMUFJ	25,000 with decreasing amount	-	735	-	2,118	-	5,297
y. StandChart	40,000 with decreasing amount	-	1,013	-	2,692	-	6,814
z. DBS[11]	26,000 with decreasing amount	-	-	-	1,486	-	4,966
aa. DBS[12]	26,000 with decreasing amount	-	-	-	1,282	-	4,303
ab. BTMUFJ[10]	36,500 with decreasing amount	-	-	-	1,289	-	7,347
ac. International Netherlands Group ("ING") Bank N.V.[5]	25,000 with decreasing amount	-	-	-	-	-	4,014
ad. ING Bank N.V.[4]	33,500	-	-	-	-	-	3,120
Sub-total		**-**	**81,241**	**-**	**131,208**	**-**	**199,383**

(1) contract entered into in August 2005 and terminated in June 2011
(2) contract entered into in August 2008 and terminated in June 2011
(3) contract entered into in September 2008 and terminated in June 2011
(4) contract entered into in April 2009 and settled in June 2011
(5) contract entered into in March 2009 and settled in December 2011
(6) In June 2012 and December 2011, the Company used the option to exercise US$2,000 in June 2012 and US$6,000 in December 2011 of the contract amount.
(7) contract entered into in January 2006 and settled in June 2012
(8) contract entered into in March 2006 and settled in June 2012
(9) contract entered into in May 2006 and settled in June 2012
(10) contract entered into in March 2009 and settled in June 2012
(11) contract entered into in December 2008 and settled in December 2012
(12) contract entered into in January 2009 and settled in December 2012

20. DERIVATIVES (continued)

	Notional Amount (US$)	Fair Value (Rp)					
		December 31,				January 1, 2011 / December 31, 2010	
		2012		2011			
		Receivable	Payable	Receivable	Payable	Receivable	Payable
Currency Forward Contracts:							
ae. JP Morgan[13]	10,000	-	-	-	-	-	-
af. DBS[13]	20,000	-	-	-	-	-	-
ag. Deutsche Bank[13]	20,000	-	-	-	-	-	-
ah. Deutsche Bank[13]	10,000	-	-	-	-	-	-
ai. JP Morgan[13]	10,000	-	-	-	-	-	-
aj. StandChart[13]	5,000	-	-	-	-	-	-
ak. JP Morgan[13]	10,000	-	-	-	-	-	-
al. PT Danareksa (Persero) ("Danareksa")[13]	5,000	-	-	-	-	-	-
am. JP Morgan[13]	5,000	-	-	-	-	-	-
an. StandChart[13]	5,000	-	-	-	-	-	-
ao. JP Morgan[13]	5,000	-	-	-	-	-	-
ap. HSBC, Jakarta Branch[14]	5,000	-	-	-	-	-	-
aq. HSBC, Jakarta Branch[15]	5,000	-	-	-	-	-	-
ar. JP Morgan[14]	5,000	-	-	-	-	-	-
as. HSBC, Jakarta Branch[14]	1,000	-	-	-	-	-	-
at. HSBC, Jakarta Branch[14]	3,000	-	-	-	-	-	-
au. HSBC, Jakarta Branch[16]	10,000	-	-	5,231	-	-	-
av. JP Morgan[16]	2,000	-	-	1,011	-	-	-
aw. StandChart[16]	7,000	-	-	3,902	-	-	-
ax. JP Morgan[16]	9,500	-	-	4,832	-	-	-
ay. HSBC, Jakarta Branch[17]	6,000	-	-	3,222	-	-	-
az. HSBC, Jakarta Branch[17]	7,500	-	-	4,021	-	-	-
ba. JP Morgan[18]	13,750	-	-	6,771	-	-	-
bb. StandChart[19]	8,000	-	-	4,542	-	-	-
bc. StandChart[19]	6,600	-	-	3,666	-	-	-
bd. StandChart[20]	3,000	-	-	1,486	-	-	-
be. DBS[16]	10,000	-	-	5,010	-	-	-
bf. ING[16]	7,000	-	-	3,538	-	-	-
bg. DBS[16]	7,000	-	-	3,528	-	-	-
bh. DBS[20]	10,000	-	-	5,497	-	-	-
bi. JP Morgan[20]	10,000	-	-	5,523	-	-	-
bj. HSBC, Jakarta branch[20]	10,000	-	-	4,909	-	-	-
bk. ING[16]	10,000	-	-	5,330	-	-	-
bl. ING[16]	13,000	-	-	6,960	-	-	-
bm. DBS[17]	13,000	-	-	6,859	-	-	-
bn. ING[18]	13,500	-	-	7,386	-	-	-
bo. ING[16]	10,000	-	-	5,478	-	-	-
bp. ING[16]	10,000	-	-	5,508	-	-	-
bq. GSI[16]	8,000	-	-	4,558	-	-	-
br. GSI[16]	13,000	-	-	7,550	-	-	-
bs. Royal Bank of Scotland ("RBS")[17]	12,000	-	-	6,370	-	-	-
bt. GSI[17]	12,000	-	-	7,185	-	-	-
bu. GSI[17]	12,500	-	-	7,338	-	-	-
bv. HSBC[21]	2,000	-	-	-	-	-	-
bw. HSBC[21]	14,000	-	-	-	-	-	-
bx. StandChart[22]	20,000	-	-	-	-	-	-
by. HSBC[22]	18,500	-	-	-	-	-	-
bz. DBS[21]	2,000	-	-	-	-	-	-
ca. BNP Paribas[22]	2,000	-	-	-	-	-	-
cb. GSI[22]	5,000	-	-	-	-	-	-
cc. ING[22]	5,000	-	-	-	-	-	-
cd. Barclays[23]	10,000	-	-	-	-	-	-
ce. Barclays[23]	20,000	-	-	-	-	-	-
cf. BNP Paribas[23]	20,000	-	-	-	-	-	-
cg. ING	23,000	4,137	-	-	-	-	-
ch. GSI	13,000	3,278	-	-	-	-	-
ci. JP Morgan[23]	10,000	-	-	-	-	-	-
cj. JP Morgan[24]	10,000	-	-	-	-	-	-
ck. BNP Paribas	20,000	2,981	-	-	-	-	-
cl. Barclays	20,000	3,254	-	-	-	-	-

[13] Contracts entered into in July 2011 and settled in December 2011
[14] Contracts entered into in August 2011 and settled in November 2011
[15] Contract entered into in August 2011 and settled in December 2011
[16] Contracts entered into in August 2011 and settled in January 2012
[17] Contracts entered into in August 2011 and settled in February 2012
[18] Contracts entered into in August 2011 and settled in March 2012
[19] Contracts entered into in August 2011 and settled in May 2012
[20] Contracts entered into in August 2011 and settled in June 2012
[21] Contracts entered into in August 2012 and settled in November 2012
[22] Contracts entered into in August 2012 and settled in December 2012
[23] Contracts entered into in September 2012 and settled in December 2012
[24] Contracts entered into in October 2012 and settled in December 2012

20. DERIVATIVES (continued)

		Notional Amount (US$)	Fair Value (Rp)					
			December 31,				January 1, 2011/ December 31, 2010	
			2012		2011			
			Receivable	Payable	Receivable	Payable	Receivable	Payable
Currency Forward Contracts (continued) :								
cm.	BNP Paribas	20,000	3,675	-	-	-	-	-
cn.	JP Morgan	20,000	4,427	-	-	-	-	-
co.	ING	15,000	2,956	-	-	-	-	-
cp.	Barclays	15,000	2,166	-	-	-	-	-
cq.	DBS	15,000	1,983	-	-	-	-	-
cr.	DBS	20,000	2,621	-	-	-	-	-
cs.	JP Morgan	25,000	77	-	-	-	-	-
ct.	DBS	15,000	140	-	-	-	-	-
cu.	Barclays	26,000	1,850	-	-	-	-	-
cv.	JP Morgan	30,000	2,231	-	-	-	-	-
cw.	BNP Paribas	25,000	2,356	-	-	-	-	-
cx.	ING	15,000	1,615	-	-	-	-	-
Sub-total			**39,747**	**-**	**137,211**	**-**	**-**	**-**
Total			**69,654**	**81,241**	**159,349**	**138,189**	**69,334**	**215,403**

The net changes in fair value of the swap contracts, currency forward contracts and embedded derivative (Note 18g), totalling Rp4,964 and Rp57,944 in 2012 and 2011, respectively, were credited or charged to "Gain (Loss) on Change in Fair Value of Derivatives - Net", which is presented under Other Income (Expenses) in the consolidated statements of comprehensive income.

The following are the details of the contracts:

Cross Currency Swap Contracts

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					2012	2011
a.	GSI [(1)]	May 13, 2005 - November 5, 2010 Swap Rp832,250 for US$100,000	(i) Fixed rate of 6.96% per annum for US$50,000 and (ii) 6-month U.S. dollar LIBOR plus 2.62% per annum for US$50,000, netted with (a) 6-month U.S. dollar LIBOR per annum multiplied by US$11,750 during the period May 13, 2005 through May 13, 2008 and (b) the amount of US$11,750 on May 13, 2008. On May 14, 2008, the Company received from GSI the fixed amount of US$11,750 (equivalent to Rp109,099) related to the cross currency swap contract.	Every May 5 and November 5	-	-
b.	GSI [(2)]	May 13, 2005 - November 5, 2010 Swap Rp245,000 for US$25,000	4.30% of US$25,000	Every May 5 and November 5	-	-
c.	GSI[(4)]	August 22, 2005 - June 22, 2012 The Company will swap the following: • US$75,000 which is equal to US$75,000 multiplied by the lowest IDR/USD exchange rate within the period of August 22, 2005 - June 22, 2012 if the IDR/USD spot rate at termination date is less than or equal to the lowest of IDR/USD exchange rate mentioned above plus Rp4,300 (in full amounts) • US$75,000 which is equal to US$75,000 multiplied by IDR/USD spot rate at termination date minus Rp4,300 (in full amount) if IDR/USD spot rate at termination date is greater than the lowest of IDR/USD exchange rate mentioned above plus Rp4,300 (in full amounts)	3.28% of US$75,000	Every June 22 and December 22	-	10,689
d.	StandChart[(6)]	January 11, 2006 - June 22, 2012 Swap Rp236,250 for US$25,000	4.78% of US$25,000	Every June 22 and December 22	5,754	10,672

(1) On November 5, 2010, this contract expired and the Company received settlement gain on the cross currency swap amounting to Rp59,925.
(2) On November 5, 2010, this contract expired and the Company paid settlement loss on the cross currency swap amounting to (Rp21,881).
(4) On June 28, 2011, this contract was terminated and the Company received settlement gain on the cross currency swap amounting to US$3,650 or equivalent to Rp31,379 on July 1, 2011.
(6) On June 22, 2012, this contract expired and the Company received settlement gain on the cross currency swap amounting to Rp575.

20. DERIVATIVES (continued)

Cross Currency Swap Contracts (continued)

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					2012	2011
e.	StandChart[7]	March 15, 2006 - June 22, 2012 Swap Rp228,550 for US$25,000	3.75% of US$25,000	Every June 22 and December 22	4,515	8,372
f.	StandChart[8]	May 12, 2006 - June 22, 2012 Swap Rp217,500 for US$25,000	3.45% of US$25,000	Every June 22 and December 22	4,153	7,702
g.	HSBC [3]	August 8, 2006 - November 5, 2010 Swap Rp225,000 for US$25,000	4.00% of US$25,000	Every May 5 and November 5	-	-
h.	MLIB[5]	August 8, 2008 - June 22, 2012 The Company will receive the following: • zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp8,950 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$50,000 multiplied by (1 - Rp8,950 divided by IDR/USD spot rate) (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp8,950 but is less than or equal to Rp11,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$50,000 multiplied by (Rp11,000 - Rp8,950) divided by IDR/USD spot rate (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp11,000 to US$1 (in full amounts)	4.22% of US$50,000	Every June 22 and December 22	-	11,326
i.	MLIB[9][10][11]	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) divided by IDR/USD spot rate (in full amount) 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 divided by IDR/USD spot rate) (in full amount) 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	5,806	9,968
j.	MLIB[12]	September 8, 2008 - June 22, 2012 The Company will receive the following: • zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp9,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$25,000 multiplied by (1 - Rp9,000 divided by IDR/USD spot rate) (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp9,000 but is less than or equal to Rp11,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$25,000 multiplied by (Rp11,000 - Rp9,000) divided by IDR/USD spot rate (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp11,000 to US$1 (in full amounts)	2.52% of US$25,000	Every June 22 and December 22	-	3,382

(3) On November 5, 2010, this contract expired and the Company paid settlement loss on the cross currency swap amounting to (Rp2,550).
(5) On June 28, 2011, this contract was terminated and the Company paid settlement loss on the cross currency swap amounting to (US$1,456) or equivalent to (Rp12,519) on July 1, 2011.
(7) On June 22, 2012, this contract expired and the Company received settlement gain on the cross currency swap amounting to Rp8,275.
(8) On June 22, 2012, this contract expired and the Company received settlement gain on the cross currency swap amounting to Rp19,325.
(9) On December 12, 2011, the Company used the option to exercise US$6,000 of the contract amount, and received settlement gain on the cross currency swap amounting to US$189 or equivalent to Rp1,716.
(10) On June 12, 2012, this contract expired and the Company received zero settlement.
(11) On December 12, 2012, these contracts expired and the Company received zero settlement.
(12) On June 28, 2011, this contract was terminated and the Company paid settlement loss on the cross currency swap amounting to (US$194) or equivalent to (Rp1,666) on July 1, 2011.

20. DERIVATIVES (continued)

Cross Currency Swap Contracts (continued)

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					2012	2011
k.	DBS[13][14][15]	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) divided by IDR/USD spot rate (in full amount) 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) divided by IDR/USD spot rate (in full amounts) 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	4,440	8,727
l.	HSBC	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.	2,423	-
m.	Barclays	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.	3,443	-

(13) On December 12, 2011, the Company used the option to exercise US$6,000 of the contract amount and received settlement gain on the cross currency swap amounting US$189 or equivalent to Rp1,716
(14) On June 12, 2012 , the Company used the option to exercise US$2,000 of the contract amount and received settlement gain from the exercise amounting to US$140 or equivalent to Rp1,324.
(15) On December 12, 2012, the Company used the option to exercise US$2,000 of the contract amount and received settlement gain from the exercise amounting to US$186 or equivalent to Rp1,793.

20. DERIVATIVES (continued)

Cross Currency Swap Contracts (continued)

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid / Amortized (Rp)	
					2012	2011
n.	HSBC	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.	2,976	-
o.	HSBC	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.	2,350	-
p.	GSI [16]	December 16, 2008 - November 5, 2010 The Company will receive the following: • zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp11,500 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$84,000 multiplied by (IDR/USD spot rate - Rp11,500 divided by IDR/USD spot rate) (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp11,500 but is less than or equal to Rp15,000 to US$1 (in full amounts) • certain U.S. dollar amount which is equal to US$84,000 multiplied by (Rp3,500 divided by IDR/USD spot rate) (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp15,000 to US$1 (in full amounts)	Upfront premium of US$9,500 (equivalent to Rp105,212) which was fully paid on December 19, 2008. The premium is amortized over the contract period.	-	-	-
Total					**35,860**	**70,838**

[16] On November 5, 2010, this contract expired and the Company received zero settlement on the cross currency swap.

Cross currency swap contract with GSI (contract No. a, b and c) are structured to include credit-linkage with the Company as the reference entity and with the Company's (i) bankruptcy, (ii) failure to pay on certain debt obligations or (iii) restructuring of certain debt obligations as the relevant credit events. Upon the occurrence of any of these credit events, the Company's obligations and those of GSI under these swap contracts will be terminated without any further payments or settlements being made by or owed to either party, including a payment by either party of any marked-to-market value of the swap contracts.

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 Expense Paid (Rp)	
					2012	2011
q.	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	5,949	7,034
r.	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	12,439	13,799
s.	GSI	September 2, 2008 - June 12, 2013	(8.10% - underlyer return) of US$100,000 per annum, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every June 10 and December 10 up to June 2011, and every June 12 and December 12 up to termination date	45,178	38,978
t.	DBS	September 5, 2008 - June 12, 2013	5.625% of US$25,000 per annum, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every June 10 and December 10 up to December 2010, and every June 12 and December 12 up to termination date	3,405	7,463
u.	DBS	October 23, 2008 - June 12, 2013	5.28% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	3,017	8,426
v.	BTMUFJ	December 1, 2008 - June 12, 2013	4.46% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	2,094	5,052
w.	BTMUFJ	December 4, 2008 - June 12, 2013	4.25% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	1,858	5,000
x.	BTMUFJ	December 12, 2008 - June 12, 2013	4.09% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	1,678	4,381
y.	StandChart	December 19, 2008 - June 12, 2013	3.85% of US$40,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	2,252	6,066
z.	DBS[10]	December 22, 2008 - December 12, 2012	4.02% of US$26,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	1,663	5,068
aa.	DBS[18]	January 21, 2009 - December 12, 2012	3.83% of US$26,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	1,452	4,510
ab.	BTMUFJ[17]	March 2, 2009 - June 12, 2012	4.10% of US$36,500, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	1,321	6,432
ac.	ING Bank N.V.	March 3, 2009 - December 12, 2011	4.0094% of US$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	-	4,185
ad.	ING Bank N.V.	April 14, 2009 - June 12, 2011	3.75% of US$33,500, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and on June 12, 2011	-	3,127
			Total		**82,306**	**119,521**

[17] On June 12, 2012, this contract expired and the Company received zero settlement.
[18] On December 12, 2012, these contracts expired and the Company received zero settlement.

20. DERIVATIVES (continued)

Currency Forward Contracts

No.	Counter-parties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain / (Loss) (Rp)	
				2012	2011
ae.	JP Morgan	July 14, 2011 - December 12, 2011	Rp8,699 to US$1	-	3,860
af.	DBS	July 19, 2011 - December 12, 2011	Rp8,699 to US$1	-	7,720
ag.	Deutsche Bank	July 19, 2011 - December 12, 2011	Rp8,714 to US$1	-	7,420
ah.	Deutsche Bank	July 21, 2011 - December 12, 2011	Rp8,665 to US$1	-	4,200
ai.	JP Morgan	July 21, 2011 - December 12, 2011	Rp8,665 to US$1	-	4,200
aj.	StandChart	July 22, 2011 - December 12, 2011	Rp8,623 to US$1	-	2,310
ak.	JP Morgan	July 22, 2011 - December 12, 2011	Rp8,637 to US$1	-	4,480
al.	Danareksa	July 26, 2011 - December 12, 2011	Rp8,604 to US$1	-	2,405
am.	JP Morgan	July 26, 2011 - December 12, 2011	Rp8,614 to US$1	-	2,355
an.	StandChart	July 26, 2011 - December 12, 2011	Rp8,614 to US$1	-	2,355
ao.	JP Morgan	July 29, 2011 - December 12, 2011	Rp8,568 to US$1	-	2,585
ap.	HSBC	August 1, 2011 - November 30, 2011	Rp8,533 to US$1	-	3,185
aq.	HSBC	August 1, 2011 - December 12, 2011	Rp8,541 to US$1	-	2,720
ar.	JP Morgan	August 2, 2011 - November 30, 2011	Rp8,538 to US$1	-	3,160
as.	HSBC	August 4, 2011 - November 28, 2011	Rp8,547 to US$1	-	553
at.	HSBC	August 4, 2011 - November 30, 2011	Rp8,549 to US$1	-	1,863
au.	HSBC	August 10, 2011 - January 24, 2012	Rp8,698 to US$1	3,200	-
av.	JP Morgan	August 10, 2011 - January 24, 2012	Rp8,696 to US$1	578	-
aw.	StandChart	August 10, 2011 - January 24, 2012	Rp8,696 to US$1	966	-
ax.	JP Morgan	August 11, 2011 - January 24, 2012	Rp8,693 to US$1	2,774	-
ay.	HSBC	August 11, 2011 - February 28, 2012	Rp8,714 to US$1	2,226	-
az.	HSBC	August 11, 2011 - February 28, 2012	Rp8,715 to US$1	2,775	-
ba.	JP Morgan	August 12, 2011 - March 29, 2012	Rp8,764 to US$1	5,830	-
bb.	StandChart	August 15, 2011 - May 30, 2012	Rp8,785 to US$1	5,495	-
bc.	StandChart	August 15, 2011 - May 30, 2012	Rp8,787 to US$1	5,168	-
bd.	StandChart	August 16, 2011 - June 12, 2012	Rp8,788 to US$1	5,280	-
be.	DBS	August 19, 2011 - January 27, 2012	Rp8,708 to US$1	3,173	-
bf.	ING	August 19, 2011 - January 27, 2012	Rp8,706 to US$1	2,235	-

20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counter-parties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain / (Loss) (Rp)	
				2012	2011
bg.	DBS	August 19, 2011 - January 27, 2012	Rp8,705 to US$1	2,242	-
bh.	DBS	August 19, 2011 - June 12, 2012	Rp8,819 to US$1	6,430	-
bi.	JP Morgan	August 19, 2011 - June 12, 2012	Rp8,826 to US$1	6,365	-
bj.	HSBC	August 19, 2011 - June 12, 2012	Rp8,832 to US$1	6,160	-
bk.	ING	August 22, 2011 - January 12, 2012	Rp8,662 to US$1	5,405	-
bl.	ING	August 22, 2011 - January 30, 2012	Rp8,679 to US$1	4,053	-
bm.	DBS	August 22, 2011 - February 28, 2012	Rp8,715 to US$1	4,786	-
bn.	ING	August 22, 2011 - March 28, 2012	Rp8,737 to US$1	6,070	-
bo.	ING	August 23, 2011 - January 12, 2012	Rp8,644 to US$1	5,585	-
bp.	ING	August 23, 2011 - January 12, 2012	Rp8,647 to US$1	5,555	-
bq.	GSI	August 23, 2011 - January 12, 2012	Rp8,640 to US$1	4,500	-
br.	GSI	August 24, 2011 - January 27, 2012	Rp8,645 to US$1	4,940	-
bs.	RBS	August 24, 2011 - February 10, 2012	Rp8,666 to US$1	3,901	-
bt.	GSI	August 24, 2011 - February 29, 2012	Rp8,663 to US$1	6,005	-
bu.	GSI	August 24, 2011 - February 29, 2012	Rp8,675 to US$1	6,107	-
bv.	HSBC	August 16, 2012 - November 23, 2012	Rp9,647 to US$1	(38)	-
bw.	HSBC	August 16, 2012 - November 28, 2012	Rp9,654 to US$1	(644)	-
bx.	StandChart	August 16, 2012 - December 10, 2012	Rp9,681 to US$1	(560)	-
by.	HSBC	August 16, 2012 - December 10, 2012	Rp9,670 to US$1	(407)	-
bz.	DBS	August 23, 2012 - November 26, 2012	Rp9,616 to US$1	62	-
ca.	BNP Paribas	August 24, 2012 - December 21, 2012	Rp9,690 to US$1	46	-
cb.	GSI	August 24, 2012 - December 21, 2012	Rp9,694 to US$1	95	-
cc.	ING	August 24, 2012 - December 21, 2012	Rp9,695 to US$1	90	-
cd.	Barclays	September 6, 2012 - December 5, 2012	Rp9,695 to US$1	(890)	-
ce.	Barclays	September 7, 2012 - December 5, 2012	Rp9,694 to US$1	(1,760)	-
cf.	BNP Paribas	September 12, 2012 - December 13, 2012	Rp9,653 to US$1	1,112	-
cg.	ING	September 14, 2012 - January 11, 2013	Rp9,631 to US$1	-	-
ch.	GSI	September 17, 2012 - January 11, 2013	Rp9,560 to US$1	-	-
ci.	JP Morgan	September 28, 2012 - December 21, 2012	Rp9,660 to US$1	619	-
cj.	JP Morgan	October 5, 2012 - December 21, 2012	Rp9,642 to US$1	618	-
ck.	BNP Paribas	November 14, 2012 - February 8, 2013	Rp9,683 to US$1	-	-
cl.	Barclays	November 29, 2012 - March 4, 2013	Rp9,697 to US$1	-	-
cm.	BNP Paribas	November 30, 2012 - March 4, 2013	Rp9,669 to US$1	-	-
cn.	JP Morgan	December 3, 2012 - March 5, 2013	Rp9,638 to US$1	-	-
co.	ING	December 4, 2012 - March 6, 2013	Rp9,666 to US$1	-	-
cp.	Barclays	December 5, 2012 - February 5, 2013	Rp9,690 to US$1	-	-
cq.	DBS	December 5, 2012 - February 5, 2013	Rp9,695 to US$1	-	-
cr.	DBS	December 7, 2012 - February 11, 2013	Rp9,702 to US$1	-	-

20. DERIVATIVES (continued)

Currency Forward Contracts (continued)

No.	Counter-parties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Amount of Settlement Gain/ (Loss) (Rp)	
				2012	2011
cs.	JP Morgan	December 10, 2012 - March 13, 2013	Rp9,865 to US$1	-	-
ct.	DBS	December 10, 2012 - March 12, 2013	Rp9,853 to US$1	-	-
cu.	Barclays	December 12, 2012 - February 11, 2013	Rp9,770 to US$1	-	-
cv.	JP Morgan	December 12, 2012 - February 11, 2013	Rp9,765 to US$1	-	-
cw.	BNP Paribas	December 17, 2012 - March 20, 2013	Rp9,775 to US$1	-	-
cx.	ING	December 18, 2012 - March 20, 2013	Rp9,770 to US$1	-	-
	Total			**116,147**	**55,371**

21. FINANCIAL ASSETS AND LIABILITIES

The Group has various financial assets such as trade and other accounts receivable, cash and cash equivalents and short-term investments, which arise directly from the Group's operations. The Group's principal financial liabilities, other than derivatives, consist of loans and bonds payable, procurement payable, and trade and other accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Company also enters into derivative transactions, primarily cross currency swaps and interest rate swaps, for the purpose of managing its foreign exchange and interest rate exposures emanating from the Company's loans and bonds payable in foreign currencies.

The following table sets forth the Group's financial assets and financial liabilities as of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010:

	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)	
Financial Assets			
Held for trading			
Derivative assets	69,654	159,349	69,334
Loans and receivables			
Cash and cash equivalents	3,917,236	2,224,206	2,075,270
Accounts receivable - trade and others - net	2,061,160	1,505,756	1,546,307
Other current financial assets - net	13,382	24,790	53,119
Due from related parties - net	10,358	10,654	8,421
Other non-current financial assets - others	173,400	209,540	147,874
Available for sale			
Other current financial assets - short-term investments - net	-	-	-
Other non-current financial assets - other long-term investments - net	1,369,740	2,730	2,730
Total Financial Assets	**7,614,930**	**4,137,025**	**3,903,055**

21. FINANCIAL ASSETS AND LIABILITIES (continued)

	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)	
Financial Liabilities			
Held for trading			
Derivative liabilities	81,241	138,189	215,403
Liabilities at amortized cost			
Short-term loan	299,529	1,499,256	-
Accounts payable - trade	231,737	319,058	645,505
Procurement payable	2,737,850	3,475,862	3,642,002
Accrued expenses	1,961,285	1,895,613	1,796,335
Deposits from customers	43,825	37,265	50,279
Loans payable - current maturities	2,669,218	3,300,537	3,184,147
Bonds payable - current maturities	1,329,175	41,989	1,098,131
Other current financial liabilities	289,164	71,828	52,413
Due to related parties	42,789	15,480	22,099
Obligation under finance lease	3,101,910	770,081	416,587
Loans payable - net of current maturities	3,703,822	6,425,779	7,666,804
Bonds payable - net of current maturities	13,986,507	12,138,353	12,114,104
Other non-current financial liabilities	69,273	107,433	45,815
Total Financial Liabilities	**30,547,325**	**30,236,723**	**30,949,624**

The following table sets forth the carrying values and estimated fair values of the Group financial instruments that are carried in the consolidated statements of financial position:

	Carrying Amount			Fair Value		
	December 31,		January 1, 2011 / December 31, 2010 (Restated)	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)		2012	2011 (Restated)	
Current Financial Assets						
Cash and cash equivalents	3,917,236	2,224,206	2,075,270	3,917,236	2,224,206	2,075,270
Accounts receivable - trade and others - net	2,061,160	1,505,756	1,546,307	2,061,160	1,505,756	1,546,307
Derivative assets	69,654	159,349	69,334	69,654	159,349	69,334
Other current financial assets - net	13,382	24,790	53,119	13,382	24,790	53,119
Total current financial assets	**6,061,432**	**3,914,101**	**3,744,030**	**6,061,432**	**3,914,101**	**3,744,030**
Non-current Financial Assets						
Due from related parties	10,358	10,654	8,421	9,539	8,967	7,176
Other long-term Investments - net	1,369,740	2,730	2,730	1,369,740	2,730	2,730
Other non-current financial assets - net	173,400	209,540	147,874	171,648	205,261	141,380
Total non-current financial assets	**1,553,498**	**222,924**	**159,025**	**1,550,927**	**216,958**	**151,286**
Total Financial Assets	**7,614,930**	**4,137,025**	**3,903,055**	**7,612,359**	**4,131,059**	**3,895,316**

21. FINANCIAL ASSETS AND LIABILITIES (continued)

	Carrying Amount			Fair Value		
	December 31,		January 1, 2011/ December 31, 2010 (Restated)	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)		2012	2011 (Restated)	
Current Financial Liabilities						
Short-term loan	299,529	1,499,256	-	299,529	1,499,256	-
Accounts payable - trade	231,737	319,058	645,505	231,737	319,058	645,505
Procurement payable	2,737,850	3,475,862	3,642,002	2,737,850	3,475,862	3,642,001
Accrued expenses	1,961,285	1,895,613	1,796,335	1,961,285	1,895,613	1,796,335
Deposits from customers	43,825	37,265	50,279	43,825	37,265	50,279
Derivative liabilities	81,241	138,189	215,403	81,241	138,189	215,403
Loans payable - current maturities	2,669,218	3,300,537	3,184,147	2,791,147	3,927,062	3,155,634
Bonds payable - current maturities	1,329,175	41,989	1,098,131	1,343,205	43,137	1,110,737
Other current financial liabilities	289,164	71,828	52,413	289,164	71,828	52,413
Total current financial liabilities	**9,643,024**	**10,779,597**	**10,684,215**	**9,778,983**	**11,407,270**	**10,668,307**
Non-current Financial Liabilities						
Due to related parties	42,789	15,480	22,099	39,405	13,030	18,833
Obligations under finance lease	3,101,910	770,081	416,587	3,101,910	770,081	416,587
Loans payable - non-current portion	3,703,822	6,425,779	7,666,804	3,331,132	5,864,354	7,510,510
Bonds payable - non-current portion	13,986,507	12,138,353	12,114,104	15,318,676	13,334,903	13,228,171
Other non-current financial liabilities	69,273	107,433	45,815	66,433	101,068	43,281
Total non-current financial liabilities	**20,904,301**	**19,457,126**	**20,265,409**	**21,857,556**	**20,083,436**	**21,217,382**
Total Financial Liabilities	**30,547,325**	**30,236,723**	**30,949,624**	**31,636,539**	**31,490,706**	**31,885,689**

The fair values of the financial assets and liabilities are presented at the amounts at which the instruments could be exchanged in 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 instrument for which it is practicable to estimate such value:

Short-term financial assets and liabilities:

- Short-term financial instruments with remaining maturities of one year or less (cash and cash equivalents, trade and other accounts receivable, other current financial assets, short-term loan, trade accounts payable, procurement payable, accrued expenses, deposits from customers and other current financial liabilities).

21. FINANCIAL ASSETS AND LIABILITIES (continued)

These financial instruments approximate their carrying amounts largely due to their short-term maturities.

- *Derivative financial instruments*

  Cross currency swap contracts (including bifurcated embedded derivative)

  These derivatives are measured at their fair values using internal valuation techniques as no quoted market prices exist for such instruments. The principal technique used to value these instruments is the use of discounted cash flows. The key inputs include interest rate yield curves, foreign exchange rates, Credit Default Spread ("CDS"), and the spot price of the underlying instruments.

  Interest rate swap contracts

  These derivatives are measured at their fair values, computed using discounted cash flows based on observable market inputs which include interest rate yield curves and payment dates.

  Currency forward contracts

  These derivatives are measured at their fair values, computed using discounted cash flows based on observable market inputs which include foreign exchange rates, payment dates and the spot price of the underlying instruments.

Long-term financial assets and liabilities:

- *Long-term fixed-rate and variable-rate financial liabilities (unquoted loans and bonds payable)*

  The fair value of these financial liabilities is determined by discounting future cash flows using applicable rates from observable current market transactions for instruments with similar terms, credit risk and remaining maturities.

- *Other long-term financial assets and liabilities (due from/to related parties, finance lease receivable/ obligation under finance lease, other long-term investments and other non-current financial assets)*

  Estimated fair value is based on discounted value of future cash flows adjusted to reflect counterparty risk (for financial assets) and the Group's own credit risk (for financial liabilities) and using risk-free rates for similar instruments.

- *Financial instruments quoted in an active market*

  The fair value of the bonds issued by the Company which are traded in an active market is determined with reference to their quoted market prices.

  For equity investments classified as available-for-sale, the fair value is determined based on the latest market quotation as published by the Indonesia Stock Exchange as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010.

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.

21. FINANCIAL ASSETS AND LIABILITIES (continued)

Fair Value Hierarchy (continued)

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.

The Company's fair value hierarchy as of December 31, 2012 and 2011 and January 1, 2011/ December 31, 2010 are as follows:

	December 31, 2012			
	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	69,654	-	69,654	-
Non-Current Financial Assets				
Other non-current financial assets - net	1,367,010	1,367,010	-	-
Total Financial Assets	**1,436,664**	**1,367,010**	**69,654**	**-**
Current Financial Liabilities				
Derivative liabilities	81,241	-	81,241	-
Total Financial Liabilities	**81,241**	**-**	**81,241**	**-**

21. FINANCIAL ASSETS AND LIABILITIES (continued)

Fair Value Hierarchy (continued)

	December 31, 2011			
	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	159,349	-	159,349	-
Total Financial Assets	**159,349**	**-**	**159,349**	**-**
Current Financial Liabilities				
Derivative liabilities	138,189	-	138,189	-
Embedded derivatives	49,518	-	49,518	-
Total Financial Liabilities	**187,707**	**-**	**187,707**	**-**

	January 1, 2011 / December 31, 2010			
	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	69,334	-	69,334	-
Total Financial Assets	**69,334**	**-**	**69,334**	**-**
Current Financial Liabilities				
Derivative liabilities	215,403	-	215,403	-
Embedded derivatives	54,595	-	54,595	-
Total Financial Liabilities	**269,998**	**-**	**269,998**	**-**

During the years ended December 31, 2012, 2011 and 2010, there were no transfers between Level 1 and Level 2 fair value measurements.

22. EMPLOYEE BENEFIT OBLIGATIONS

This account consists of the non-current portions of employee benefit obligations as follows:

	December 31,		January 1, 2011 / December 31, 2010
	2012	2011	
Post-retirement healthcare (Note 17 and 30)	632,735	555,752	639,271
Labor Law 13 (Note 17 and 30)	249,313	194,329	187,944
Service award (Note 17)	41,479	35,071	43,058
Accumulated leave benefits	2,697	2,161	2,134
Total	**926,224**	**787,313**	**872,407**

23. CAPITAL STOCK

The Company's capital stock ownership as of December 31, 2012 and 2011 and January 1, 2011/ December 31, 2010 are as follows:

Stockholders	Number of Shares Issued and Fully Paid	Amount	Percentage of Ownership (%)
December 31, 2012			
A Share			
Government	1	-	-
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd.	3,532,056,600	353,206	65.00
Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)	299,382,400	29,938	5.51
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	825,859,500	82,586	15.20
Total	**5,433,933,500**	**543,393**	**100.00**
December 31, 2011			
A Share			
Government	1	-	-
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd.	3,532,056,600	353,206	65.00
Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)	305,498,450	30,550	5.62
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	819,743,450	81,974	15.09
Total	**5,433,933,500**	**543,393**	**100.00**
January 1, 2011 / December 31, 2010			
A Share			
Government	1	-	-
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd.	3,532,056,600	353,206	65.00
Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)	277,824,400	27,782	5.11
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	847,417,500	84,742	15.60
Total	**5,433,933,500**	**543,393**	**100.00**

The "A" share is a special share held by the Government and has special voting rights. The material rights and restrictions which are applicable to the "B" shares are also applicable to the "A" share, except that the Government may not transfer the "A" share, which has a veto right with respect to (i) amendment to the objective and purposes of the Company; (ii) increase of capital without pre-emptive rights; (iii) merger, consolidation, acquisition and demerger; (iv) amendment to the provisions regarding the rights of "A" share as stipulated in the Articles of Association; and (v) dissolution, bankruptcy and liquidation of the Company. The "A" share also has the right to appoint one director and one commissioner of the Company.

24. REVENUES

This account consists of the following:

	2012	2011 (Restated)
Cellular		
Usage charges	8,629,697	8,203,788
Value-added services	7,868,391	7,502,140
Interconnection services (Note 36)	2,174,964	1,182,384
Tower leasing (Note 33g)	504,857	419,720
Monthly subscription charges	136,429	134,032
Connection fee	12,588	14,217
Sale of Blackberry handsets	233	1,706
Upfront discount and customer loyalty program (Note 2k)	(1,022,262)	(1,116,470)
Others	184,432	245,868
Sub-total	**18,489,329**	**16,587,385**
MIDI		
Internet Protocol Virtual Private Network (IP VPN)	711,427	695,947
Internet	422,099	375,743
World link and direct link	314,878	294,956
Multiprotocol Label Switching (MPLS)	304,868	89,937
Application services	251,893	192,562
Satellite lease	213,052	150,894
Value-added services	173,940	264,570
Leased line	148,635	261,376
Frame net	135,761	123,249
Digital data network	112,597	103,098
TV link	6,016	6,127
Others	112,867	133,466
Sub-total	**2,908,033**	**2,691,925**
Fixed Telecommunications		
International Calls	801,442	934,021
Fixed Line	121,735	123,185
Fixed Wireless	98,273	192,776
Sub-total	**1,021,450**	**1,249,982**
Total	**22,418,812**	**20,529,292**

The details of net revenues received from agency relationships consist of the following:

	2012	2011
Gross revenues	7,966,505	8,081,500
Compensation to value added service providers	(98,114)	(579,360)
Net revenues	**7,868,391**	**7,502,140**

24. REVENUES (continued)

The revenues from related parties amounted to Rp1,812,619 and Rp1,554,780 for the years ended December 31, 2012 and 2011, respectively. These amounts represent 8.09% and 7.57% of the total revenues in 2012 and 2011, respectively (Note 31).

The revenues from interconnection services are presented on a gross basis (Note 2k).

25. COST OF SERVICES

The balance of this account for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011 (Restated)
Interconnection (Note 36)	2,557,775	1,706,521
Radio frequency fee (Notes 33h and 35)	1,961,377	1,755,852
Utilities	842,963	822,784
Maintenance	829,757	921,990
Rent	726,872	612,348
Blackberry access fee	519,611	371,229
Leased circuits (Note 33l)	349,114	331,390
USO (Note 35)	273,943	228,693
Cost of SIM cards and pulse reload vouchers	234,239	285,812
Installation	169,440	141,420
Concession fee (Note 35)	141,111	122,178
Delivery and transportation	122,348	83,073
License	54,177	32,225
Communication network	53,956	6,221
Billing and collection	41,767	57,780
Cost of handsets and modems	12,392	12,500
Others	14,894	55,391
Total	**8,905,736**	**7,547,407**

Interconnection relates to the expenses for the interconnection between the Company's telecommunications networks and those owned by Telkom or other telecommunications carriers (Note 2k).

26. PERSONNEL

The balance of this account for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011
Salaries	547,923	472,826
Incentives and other employee benefits (Note 42)	325,312	282,860
Employee income tax	167,205	260,104
Bonuses	127,746	199,043
Post-retirement healthcare benefits (Note 30)	92,656	(74,253)
Separation, appreciation and compensation expense under Labor Law No.13/2003 (Note 30)	57,758	10,344
Medical expense	56,782	60,819
Pension (Note 30)	24,719	15,943
Severance benefits under Voluntary Separation Scheme ("VSS")*	6,330	579,301
Early retirement**	1,210	15,170
Others	19,553	90,490
Total	**1,427,194**	**1,912,647**

***** On January 20, 2011 and January 2, 2012, the Company's and Lintasarta's Boards of Directors issued Directors' Decree No. 003/Direksi/2011 and Directors' Decree No. 015/Direksi/40000/2012, regarding the Organizational Restructuring Program through an offering scheme on the basis of mutual agreement between the Company / Lintasarta and certain employees (VSS), that became effective on the same date. For the year ended December 31, 2011, there were 994 employees of the Company and 54 employees of Lintasarta who availed themselves of the scheme, and the benefits paid amounted to Rp566,034 and Rp13,267, respectively. For the year ended December 31, 2012, there were 24 employees of Lintasarta who availed themselves of the scheme and the benefits paid amounted to Rp6,330.

******On June 27, 2006, the Company's Directors issued Decree No. 051/DIREKSI/2006, "Additional Benefits for Voluntarily Resigned Employees". Under this decree, employees qualified for early retirement and who voluntarily resigned after the approval from the Board of Directors were given benefits of additional remuneration, traveling and training package. For the year ended December 31, 2011, there were 9 employees who took the option.

The personnel expenses capitalized to properties under construction and installation for the years ended December 31, 2012 and 2011 amounted to Rp52,339 and Rp46,575, respectively.

27. GENERAL AND ADMINISTRATION

The balance of this account for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011
Professional fees (Note 33b)	186,886	109,523
Rent	117,845	113,277
Transportation	61,231	65,807
Provision for impairment of receivables - net	56,163	41,051
Insurance	37,582	44,539
Office	28,705	34,956
Social activities	27,683	16,620
Training, education and research	26,443	23,371
Utilities (Note 42)	14,636	14,068
Public relations	13,084	9,262
Communications	7,589	10,433
Others (each below Rp5,000)	47,693	66,623
Total	**625,540**	**549,530**

28. FINANCING COST

The balance of this account for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011 (Restated)
Interest on loans	1,709,946	1,700,091
Finance charges under finance lease	261,458	133,322
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 14, 18 and 19)	88,878	83,444
Interest expense from Lintasarta's USO Project	11,256	6,345
Bank charges	5,812	6,152
Total	**2,077,350**	**1,929,354**

29. GAIN ON SALE OF TOWERS

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 to be 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 10 years 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 years.

29. GAIN ON SALE OF TOWERS (continued)

On August 2, 2012, the Company and Tower Bersama closed 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 the value of US$103,101 (equal to Rp977,292) (Note 12).

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 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 equipments) as "Gain on Sale of Towers" of Rp1,125,192, and "Deferred Gain on Sales and Leaseback" of Rp1,410,501. As of December 31, 2012, the Company recognized total "Gain on Sale of Towers" of Rp1,183,963, which includes the amortization of the "Deferred Gain on Sales and Leaseback" whose outstanding balance as of December 31, 2012 is Rp1,351,730. The deferred gain will be amortized over the term of the lease, being 10 years.

30. 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 14 days before Idul Fitri ("Moslem Holiday").

The amendment covers employees registered as participants of the pension plan as of September 1, 2000 and includes an increase in basic salary pension by 9% compounded annually starting from September 1, 2001. The amendment also stipulates that there will be no increase in the premium even in cases of mass employee terminations or changes in marital status.

The total premium installments based on the amendment amounted to Rp355,000 and were paid on due dates.

30. 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 and January to December 2012, 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 and Rp883 for additional 140 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 totalling Rp1,653 which are payable starting 2005 until 2015.

30. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

The contributions made by Lintasarta to Jiwasraya amounted to Rp9,653 each for the years ended December 31, 2012 and 2011, respectively.

Lintasarta expects to contribute Rp9,653 to its defined benefit pension plan for the year ending December 31, 2013.

The net periodic pension cost for the pension plans of the Company and Lintasarta for the years ended December 31, 2012 and 2011 was calculated based on actuarial valuations as of December 31, 2012 and 2011, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2012	2011
Annual discount rate	6.0%	7.0 - 7.5%
Expected annual rate of return on plan assets	4.5 - 8.0%	4.5 - 9.0%
Annual rate of increase in compensation	3.0 - 9.0%	3.0 - 9.0%
Mortality rate (Indonesian Mortality Table - TMI)	TMI 2011	TMI 1999

a. The composition of the net periodic pension cost for the years ended December 31, 2012 and 2011 is as follows:

December 31, 2012

	The Company	Lintasarta	Total
Interest cost	28,346	3,590	31,936
Service cost	25,617	3,219	28,836
Amortization of unrecognized actuarial loss	-	1,185	1,185
Return on plan assets	(37,479)	(3,607)	(41,086)
Curtailment loss	-	1,441	1,441
Settlement loss	-	2,407	2,407
Net periodic pension cost (Note 26)	**16,484**	**8,235**	**24,719**

December 31, 2011

	The Company	Lintasarta	Total
Interest cost	43,786	4,189	47,975
Service cost	27,167	3,839	31,006
Amortization of unrecognized actuarial loss	-	1,194	1,194
Return on plan assets	(47,175)	(5,038)	(52,213)
Curtailment loss (gain)	(18,998)	2,324	(16,674)
Settlement loss	1,107	3,548	4,655
Net periodic pension cost (Note 26)	**5,887**	**10,056**	**15,943**

30. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

b. The funded status of the plans as of December 31, 2012 and 2011 and January 1, 2011/ December 31, 2010 is as follows:

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Plan assets at fair value	576,335	538,902	852,958
Projected benefit obligation	(554,209)	(463,074)*	(750,625)
Excess of plan assets over projected benefit obligation	22,126	75,828	102,333
Unrecognized actuarial loss	68,175	29,464	10,928
Total prepaid pension cost	**90,301**	**105,292**	**113,261**

* net of curtailment effect during 2011 due to VSS (Note 26)

c. Movements in the fair value of plan assets for the years ended December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 are as follows:

December 31, 2012

	The Company	Lintasarta	Total
Fair value of plan assets at beginning of year	476,890	62,012	538,902
Expected return on plan assets	37,479	3,607	41,086
Actuarial gain (loss) on plan assets	7,815	(3,175)	4,640
Contributions	883	9,653	10,536
Actual benefits paid	(9,751)	(9,078)	(18,829)
Fair value of plan assets at end of year	**513,316**	**63,019**	**576,335**

December 31, 2011

	The Company	Lintasarta	Total
Fair value of plan assets at beginning of year	793,664	59,294	852,958
Expected return on plan assets	47,175	5,038	52,213
Actuarial gain (loss) on plan assets	14,651	(610)	14,041
Contributions	378	9,653	10,031
Actual benefits paid	(378,978)	(11,363)	(390,341)
Fair value of plan assets at end of year	**476,890**	**62,012**	**538,902**

30. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

January 1, 2011/December 31, 2010

	The Company	Lintasarta	Total
Fair value of plan assets at beginning of year	763,244	50,344	813,588
Expected return on plan assets	67,149	4,320	71,469
Contributions	120	9,653	9,773
Actuarial loss on plan assets	(12,283)	(2,677)	(14,960)
Actual benefits paid	(24,566)	(2,346)	(26,912)
Fair value of plan assets at end of year	**793,664**	**59,294**	**852,958**

d. Movements in the present value of the defined benefit obligation for the years ended December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 are as follows:

December 31, 2012

	The Company	Lintasarta	Total
Defined benefit obligation at beginning of year	409,808	53,266	463,074
Interest cost	28,346	3,590	31,936
Current service cost	25,617	3,219	28,836
Actuarial loss on obligation	2,434	7,632	10,066
Effect of settlement	-	(4,360)	(4,360)
Actual benefit paid	(9,751)	(3,909)	(13,660)
Effect of curtailment	-	917	917
Effect of changes in actuarial assumptions	37,400	-	37,400
Defined benefit obligation at end of year	**493,854**	**60,355**	**554,209**

December 31, 2011

	The Company	Lintasarta	Total
Defined benefit obligation at beginning of year	700,410	50,215	750,625
Interest cost	43,786	4,189	47,975
Current service cost	27,167	3,839	31,006
Actuarial loss (gain) on obligation	(12,066)	4,315	(7,751)
Effect of settlement	(358,597)	(9,080)	(367,677)
Actual benefits paid	(18,750)	(1,857)	(20,607)
Effect of curtailment	(18,886)	1,645	(17,241)
Effect of changes in actuarial assumptions	46,744	-	46,744
Defined benefit obligation at end of year	**409,808**	**53,266**	**463,074**

30. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

January 1, 2011/December 31, 2010

	The Company	Lintasarta	Total
Defined benefit obligation at beginning of year	684,611	41,816	726,427
Interest cost	70,279	4,279	74,558
Current service cost	38,375	3,374	41,749
Actuarial loss (gain) on obligation	(156,345)	2,912	(153,433)
Actual benefits paid	(24,102)	(2,166)	(26,268)
Effect of changes in actuarial assumptions	87,592	-	87,592
Defined benefit obligation at end of year	**700,410**	**50,215**	**750,625**

e. Movements in the prepaid pension cost for the years ended December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 are as follows:

December 31, 2012

	The Company	Lintasarta	Total
Prepaid pension cost at beginning of year	75,731	29,561	105,292
Contribution to Jiwasraya	883	9,653	10,536
Net periodic pension cost	(16,484)	(8,235)	(24,719)
Refund from Jiwasraya	-	(808)	(808)
Prepaid pension cost at end of year	**60,130**	**30,171**	**90,301**

December 31, 2011

	The Company	Lintasarta	Total
Prepaid pension cost at beginning of year	82,871	30,390	113,261
Contribution to Jiwasraya	378	9,653	10,031
Net periodic pension cost	(5,887)	(10,056)	(15,943)
Refund from Jiwasraya	(1,631)	(426)	(2,057)
Prepaid pension cost at end of year	**75,731**	**29,561**	**105,292**

January 1, 2011/December 31, 2010

	The Company	Lintasarta	Total
Prepaid pension cost at beginning of year	124,720	25,100	149,820
Contribution to Jiwasraya	120	9,653	9,773
Net periodic pension cost	(41,505)	(4,183)	(45,688)
Refund from Jiwasraya	(464)	(180)	(644)
Prepaid pension cost at end of year	**82,871**	**30,390**	**113,261**

30. PENSION PLAN (continued)

Defined Benefit Pension Plan (continued)

f. Prepaid pension cost consists of:

	December 31,		January 1, 2011/ December 31,
	2012	2011	2010
Current portion (presented as part of "Prepaid expenses")			
Company	1,224	1,730	1,401
Lintasarta	232	381	516
	1,456	**2,111**	**1,917**
Long-term portion (presented as "Long-term prepaid pension - net of current portion")			
Company	58,906	74,001	81,470
Lintasarta	29,939	29,180	29,874
	88,845	**103,181**	**111,344**
Total prepaid pension cost	**90,301**	**105,292**	**113,261**

The major categories of plan assets as a percentage of the fair value of total plan assets as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 are as follows:

	December 31,		January 1, 2011/ December 31,
	2012	2011	2010
Investment in mutual fund	75.34%	78.11%	78.90%
Investment in time deposits	12.13%	12.50%	12.16%
Investment in shares and properties	7.10%	4.19%	3.87%
Investment in debt securities	5.43%	5.19%	5.06%
Other investments	0.00%	0.01%	0.01%

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. There has been a significant change in the expected rate of return on assets due to the improved stock market scenario.

30. PENSION PLAN (continued)

Defined Contribution Pension Plan

In May 2001 and January 2003, the Company and Satelindo assisted their employees in establishing their respective employees' defined contribution pension plans, in addition to the defined benefit pension plan as mentioned above. Starting June 2004, the Company also assisted ex-IM3 employees in establishing their defined contribution pension plan. Under the defined contribution pension plan, the employees contribute 10% - 20% of their basic salaries, while the Company does not contribute to the plans. Total contributions of employees for the years ended December 31, 2012 and 2011 amounted to Rp49,836 and Rp43,709, respectively. The plan assets are being administered and managed by seven financial institutions appointed by the Company and Satelindo, based on the choice of the employees.

Labor Law No. 13/2003

The Company, Lintasarta and IMM also accrue benefits under Labor Law No. 13/2003 ("Labor Law") dated March 25, 2003. Their employees will receive the benefits which are higher under either this law or the defined benefit pension plan.

The net periodic pension cost of the Company and the subsidiaries under the Labor Law for the years ended December 31, 2012 and 2011 was calculated based on actuarial valuations as of December 31, 2012 and 2011, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2012	2011
Annual discount rate	6.0 - 6.5%	7.5%
Annual rate of increase in compensation	8.0 - 8.5%	8.0 - 9.0%

a. The composition of the periodic pension cost under the Labor Law for the years ended December 31, 2012 and 2011 is as follows:

December 31, 2012

	The Company	Lintasarta	IMM	Total
Service cost	25,711	3,289	2,632	31,632
Interest cost	18,776	1,775	1,166	21,717
Amortization of unrecognized actuarial loss (gain)	4,729	(237)	110	4,602
Amortization of unrecognized past service cost	-	653	28	681
Immediate recognition of past service cost	-	-	(523)	(523)
Curtailment gain	-	(351)	-	(351)
Net periodic pension cost under the Labor Law (Note 26)	**49,216**	**5,129**	**3,413**	**57,758**

30. PENSION PLAN (continued)

Labor Law No. 13/2003 (continued)

December 31, 2011

	The Company	Lintasarta	IMM	Total
Service cost	24,740	2,003	2,612	29,355
Interest cost	12,855	2,064	969	15,888
Amortization of unrecognized actuarial loss	-	(10)	28	18
Amortization of unrecognized past service cost	-	688	28	716
Curtailment gain	(34,841)	(792)	-	(35,633)
Net periodic pension cost under the Labor Law (Note 26)	**2,754**	**3,953**	**3,637**	**10,344**

b. The composition of the accrued pension cost under the Labor Law as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 is as follows:

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Projected benefit obligation	367,641	291,135*	217,754
Unrecognized actuarial loss	(105,413)	(83,494)	(17,245)
Unrecognized past service cost	(7,795)	(8,612)	(9,632)
Net accrued pension cost under the Labor Law	**254,433**	**199,029**	**190,877**

* net of curtailment effect during 2011 due to VSS (Note 26)

c. Movements in the present value of pension cost obligation under the Labor Law for the years ended December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 are as follows:

December 31, 2012

	The Company	Lintasarta	IMM	Total
Benefit obligation at beginning of year	250,988	24,160	15,987	291,135
Current service cost	25,711	3,289	2,632	31,632
Interest cost	18,776	1,775	1,166	21,717
Actuarial loss (gain) on obligation	(889)	16,734	57	15,902
Actual benefits paid	(1,290)	(186)	(878)	(2,354)
Effects of curtailment	-	(395)	-	(395)
Immediate recognition of past service cost	-	-	(523)	(523)
Effects of changes in actuarial assumptions	6,114	3,112	1,301	10,527
Benefit obligation at end of year	**299,410**	**48,489**	**19,742**	**367,641**

30. PENSION PLAN (continued)

Labor Law No. 13/2003 (continued)

December 31, 2011

	The Company	Lintasarta	IMM	Total
Benefit obligation at beginning of year	182,572	24,340	10,842	217,754
Current service cost	24,740	2,003	2,612	29,355
Interest cost	12,855	2,064	969	15,888
Actuarial loss (gain) on obligation	75,163	(5,182)	(1,442)	68,539
Actual benefits paid	(1,826)	(111)	(255)	(2,192)
Effect of curtailment	(38,828)	(890)	-	(39,718)
Effect of changes in actuarial assumptions	(3,688)	1,936	3,261	1,509
Benefit obligation at end of year	**250,988**	**24,160**	**15,987**	**291,135**

January 1, 2011/December 31, 2010

	The Company	Lintasarta	IMM	Total
Benefit obligation at beginning of year	159,055	22,173	6,660	187,888
Current service cost	17,661	1,967	2,119	21,747
Interest cost	16,574	2,319	693	19,586
Actuarial loss (gain) on obligation	1,166	(890)	804	1,080
Actual benefits paid	(2,150)	(97)	(102)	(2,349)
Effect of changes in actuarial assumptions	(9,734)	(1,132)	668	(10,198)
Benefit obligation at end of year	**182,572**	**24,340**	**10,842**	**217,754**

d. Movements in the accrued pension cost under the Labor Law for the years ended December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 are as follows:

December 31, 2012

	The Company	Lintasarta	IMM	Total
Accrued pension cost under the Labor Law at beginning of year	165,213	21,489	12,327	199,029
Periodic Labor Law cost	49,216	5,129	3,413	57,758
Benefit payment	(1,290)	(186)	(878)	(2,354)
Accrued pension cost under the Labor Law at end of year	**213,139**	**26,432**	**14,862**	**254,433**

30. PENSION PLAN (continued)

Labor Law No. 13/2003 (continued)

December 31, 2011

	The Company	Lintasarta	IMM	Total
Accrued pension cost under the Labor Law at beginning of year	164,285	17,648	8,944	190,877
Periodic Labor Law cost	2,754	3,952	3,638	10,344
Benefit payment	(1,826)	(111)	(255)	(2,192)
Accrued pension cost under the Labor Law at end of year	**165,213**	**21,489**	**12,327**	**199,029**

January 1, 2011 / December 31, 2010

	The Company	Lintasarta	IMM	Total
Accrued pension cost under the Labor Law at beginning of year	131,416	12,771	6,206	150,393
Periodic Labor Law cost	35,019	4,974	2,840	42,833
Benefit payment	(2,150)	(97)	(102)	(2,349)
Accrued pension cost under the Labor Law at end of year	**164,285**	**17,648**	**8,944**	**190,877**

The current portion of pension cost under the Labor Law included in accrued expenses (Note 17) amounted to Rp5,120, Rp4,700 and Rp2,933 as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, respectively. The non-current portion included in employee benefit obligations amounted to Rp249,313, Rp194,329 and Rp187,944 (Note 22) as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, respectively.

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 retired after July 1, 2003 and does not receive Jiwasraya monthly pension.

30. PENSION PLAN (continued)

Post-retirement Healthcare (continued)

The net periodic post-retirement healthcare cost for the years ended December 31, 2012 and 2011 was calculated based on actuarial valuations as of December 31, 2012 and 2011, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	2012	2011
Annual discount rate	7.0%	8.0%
Ultimate cost trend rate	6.0%	6.0%
Next year trend rate	10.0%	12.0%
Period to reach ultimate cost trend rate	2 years	3 years

a. The composition of the periodic post-retirement healthcare cost - net for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Interest cost	54,484	68,955
Service cost	27,712	24,149
Amortization of unrecognized past service cost	7,740	9,096
Amortization of unrecognized actuarial loss	2,720	5,369
Curtailment gain	-	(181,822)
Net periodic post-retirement healthcare cost - net (Note 26)	**92,656**	**(74,253)**

b. The composition of the accrued post-retirement healthcare cost as of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010 is as follows:

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Projected benefit obligation	1,017,673	687,789*	846,636
Unrecognized actuarial loss	(362,116)	(103,679)	(161,443)
Unrecognized past service cost	(7,662)	(15,401)	(31,253)
Net accrued post-retirement healthcare cost	**647,895**	**568,709**	**653,940**

* net of curtailment effect during 2011 due to VSS (Note 26)

30. PENSION PLAN (continued)

Post-retirement Healthcare (continued)

c. Movements in the present value of defined benefit obligation during the years ended December 31, 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Balance at beginning of year	687,789	846,636	605,660
Interest cost	54,484	68,955	65,919
Service cost	27,712	24,149	28,229
Actual benefits paid	(13,470)	(10,978)	(12,465)
Effect of changes in actuarial assumptions	239,705	150,330	197,867
Effect of curtailment	-	(230,600)	-
Actuarial gain (loss) on obligation	21,453	(160,703)	(38,574)
Balance at end of year	**1,017,673**	**687,789**	**846,636**

d. Movements in the accrued post-retirement healthcare cost during the years ended December 31, 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Balance at beginning of year	568,709	653,940	561,805
Net periodic post-retirement healthcare cost (income)	92,656	(74,253)	104,600
Benefit payment	(13,470)	(10,978)	(12,465)
Balance at end of year	**647,895**	**568,709**	**653,940**

The current portion of post-retirement healthcare cost included in accrued expenses amounted to Rp15,160, Rp12,957 and Rp14,669 as of December 31, 2012 and 2011 and January 1, 2011/ December 31, 2010, respectively. The non-current portion included in employee benefit obligations amounted to Rp632,735, Rp555,752 and Rp639,271 as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010, respectively (Note 22).

e. The effect of a one percentage point change in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the years ended December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 and in accumulated post-retirement healthcare benefit obligation as of December 31, 2012 and 2011 and January 1, 2011 / December 31, 2010 as follows:

	December 31,		January 1, 2011/ December 31, 2010
	2012	2011	
Increase			
Service and interest costs	82,196	118,454	116,581
Accumulated post-retirement healthcare benefit obligation	1,270,669	844,612	1,030,938
Decrease			
Service and interest costs	82,196	73,626	76,868
Accumulated post-retirement healthcare benefit obligation	824,853	566,627	702,632

30. PENSION PLAN (continued)

Post-retirement Healthcare (continued)

Amounts of employee benefits for the current year and previous four annual periods:

	Defined Benefit Pension Plan				
	December 31, 2012	December 31, 2011	January 1, 2011/ December 31, 2010	December 31, 2009	December 31, 2008
The Company					
Plan assets	513,316	476,890	793,664	763,244	763,700
Projected benefit obligation	(493,854)	(409,808)	(700,410)	(684,611)	(512,513)
Excess of plan assets over projected benefit obligation	19,462	67,082	93,254	78,633	251,187
Experience gain (loss) adjustments arising on plan liabilities	(2,434)	12,066	156,345	(624)	10,588
Experience loss (gain) adjustments arising on plan assets	(7,815)	(14,651)	12,283	(37,546)	11,209
Lintasarta					
Plan assets	63,019	62,012	59,294	50,344	41,499
Projected benefit obligation	(60,355)	(53,266)	(50,215)	(41,816)	(28,726)
Excess of plan assets over projected benefit obligation	2,664	8,746	9,079	8,528	12,773
Experience gain (loss) adjustments arising on plan liabilities	(7,632)	(4,315)	(2,912)	(7,808)	8,144
Experience loss (gain) adjustments arising on plan assets	3,175	610	2,677	1,632	2,026

	Labor Law No. 13/2003				
	December 31, 2012	December 31, 2011	January 1, 2011/ December 31, 2010	December 31, 2009	December 31, 2008
The Company					
Projected benefit obligation	(299,410)	(250,988)	(182,572)	(159,055)	(141,316)
Experience gain (loss) adjustments arising on plan liabilities	889	(75,163)	(1,166)	3,316	(27,284)
Net	**(298,521)**	**(326,151)**	**(183,738)**	**(155,739)**	**(168,600)**
Lintasarta					
Projected benefit obligation	(48,489)	(24,160)	(24,340)	(22,173)	(11,464)
Experience gain (loss) adjustments arising on plan liabilities	(16,734)	5,182	890	78	(2,285)
Net	**(65,223)**	**(18,978)**	**(23,450)**	**(22,095)**	**(13,749)**
IMM					
Projected benefit obligation	(19,742)	(15,987)	(10,842)	(6,660)	(3,674)
Experience gain (loss) adjustments arising on plan liabilities	(57)	1,442	(804)	368	666
Net	**(19,799)**	**(14,545)**	**(11,646)**	**(6,292)**	**(3,008)**

	Post-retirement Healthcare				
	December 31, 2012	December 31, 2011	January 1, 2011/ December 31, 2010	December 31, 2009	December 31, 2008
The Company					
Projected benefit obligation	(1,017,673)	(687,789)	(846,636)	(605,660)	(492,615)
Experience gain (loss) adjustments arising on plan liabilities	(21,453)	160,703	38,574	37,176	150,730

31. 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,		January 1, 2011 / December 31, 2010	December 31,		January 1, 2011 / December 31, 2010
	2012	2011		2012	2011	
Cash and cash equivalents (Note 4)						
Government-related entities:						
State-owned banks	**1,534,068**	**977,960**	**1,615,651**	**2.78**	**1.84**	**3.03**
Accounts receivable - trade (Note 5)						
Government-related entities:						
State-owned companies	593,773	358,423	252,102	1.08	0.68	0.47
Ultimate parent company:						
Qatar Telecom	23,509	6,927	2,827	0.04	0.01	0.01
Total	**617,282**	**365,350**	**254,929**	**1.12**	**0.69**	**0.48**
Less allowance for impairment of receivables	42,632	47,107	47,640	0.08	0.09	0.09
Net	**574,650**	**318,243**	**207,289**	**1.04**	**0.60**	**0.39**
Prepaid frequency fee and licenses and others						
Government-related entities:						
State-owned companies	6,543	8,222	11,683	0.01	0.01	0.02
Governmental departments	84	205	-	0.00	0.00	-
Entity under common significant influence:						
Kopindosat	2,579	3,681	3,294	0.01	0.01	0.01
Total	**9,206**	**12,108**	**14,977**	**0.02**	**0.02**	**0.03**
Other current and non-current assets - financial and non-financial						
Government-related entities:						
State-owned banks	162,071	193,679	161,430	0.36	0.36	0.30
Governmental departments	87	87	87	0.00	0.00	0.00
Total	**162,158**	**193,766**	**161,517**	**0.36**	**0.36**	**0.30**
Due from related parties						
Entity under common significant influence:						
Kopindosat	6,188	6,012	5,958	0.01	0.01	0.01
Government-related entities:						
State-owned companies	1,870	1,583	1,693	0.01	0.00	0.01
Key management personnel:						
Senior management	1,621	3,020	1,362	0.00	0.01	0.00
Ultimate parent company:						
Qatar Telecom	694	54	54	0.00	0.00	0.00
Total	**10,373**	**10,669**	**9,067**	**0.02**	**0.02**	**0.02**
Less allowance for impairment of receivables	15	15	646	0.00	0.00	0.00
Net	**10,358**	**10,654**	**8,421**	**0.02**	**0.02**	**0.02**

31. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Amount			Percentage to Total Assets/Liabilities (%)		
	December 31,		January 1, 2011 / December 31, 2010	December 31,		January 1, 2011 / December 31, 2010
	2012	2011		2012	2011	
Long-term prepaid rentals - net of current portion						
Government-related entities:						
State-owned companies	21,346	21,587	24,672	0.04	0.04	0.05
Entity under common significant influence:						
Kopindosat	4,275	9,962	12,817	0.01	0.02	0.02
Total	**25,621**	**31,549**	**37,489**	**0.05**	**0.06**	**0.07**
Advance and long-term advances						
Entities under common significant influence:						
PT Personel Alih Daya	-	12,148	-	-	0.02	-
Kopindosat	-	-	1,016	-	-	0.00
Government-related entities:						
State-owned companies	-	44	3,705	-	0.00	0.01
Total	**-**	**12,192**	**4,721**	**-**	**0.02**	**0.01**
Long-term prepaid pension - net of current portion (Note 30)						
Government-related entities:						
State-owned companies	**88,845**	**103,181**	**111,344**	**0.16**	**0.19**	**0.21**
Short-term loan (Note 14)						
Government-related entity:						
State-owned bank	**299,529**	**1,499,256**	-	**0.84**	**4.38**	**-**
Accounts payable - trade						
Government-related entities:						
State-owned companies	22,614	23,233	22,260	0.06	0.07	0.06
Ultimate parent company						
Qatar Telecom	36	348	-	0.00	0.00	-
Total	**22,650**	**23,581**	**22,260**	**0.06**	**0.07**	**0.06**
Procurement payable (Note 15)						
Entities under common significant influence:						
PT Personel Alih Daya	17,993	16,319	13,210	0.05	0.05	0.04
Kopindosat	11,875	9,872	22,123	0.03	0.03	0.06
Government-related entities:						
State-owned companies	13,915	9,882	33,348	0.04	0.03	0.10
Total	**43,783**	**36,073**	**68,681**	**0.12**	**0.11**	**0.20**
Accrued expenses						
Government-related entities:						
State-owned companies	56,590	66,399	82,641	0.15	0.19	0.23
Entities under common significant influence:						
PT Personel Alih Daya	40,420	18,222	16,906	0.12	0.05	0.05
Kopindosat	10,265	5,817	13,838	0.03	0.02	0.04
Key management personnel:						
Senior management	43,610	37,851	33,553	0.12	0.11	0.10
Total	**150,885**	**128,289**	**146,938**	**0.42**	**0.37**	**0.42**
Due to related parties						
Ultimate parent company:						
Qatar Telecom	25,968	552	-	0.07	0.00	-
Government-related entities:						
State-owned companies	16,821	14,928	20,609	0.05	0.05	0.06
Entity under common significant influence:						
Kopindosat	-	-	1,490	-	-	0.00
Total	**42,789**	**15,480**	**22,099**	**0.12**	**0.05**	**0.06**

31. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Amount			Percentage to Total Assets/Liabilities (%)		
	December 31,		January 1, 2011 / December 31, 2010	December 31,		January 1, 2011 / December 31, 2010
	2012	2011		2012	2011	
Other current and non-current liabilities - financial and non-financial						
Government-related entities:						
Governmental departments	4,131	2,141	3,895	0.01	0.01	0.01
State-owned companies	-	6,455	8,118	-	0.02	0.02
Total	**4,131**	**8,596**	**12,013**	**0.01**	**0.03**	**0.03**
Loan payable (including current maturities) (Note 18)						
Government-related entity:						
State-owned bank	**-**	**998,843**	**1,297,045**	**-**	**2.92**	**3.70**

	Amount		Percentage to Total Revenue (%) or Expenses (%)	
	2012	2011	2012	2011
Revenues (Note 24)				
Government-related entities:				
State-owned companies	1,509,179	1,459,979	6.74	7.11
Governmental departments	224,219	24,823	1.00	0.12
Ultimate parent company:				
Qatar Telecom	78,672	69,978	0.35	0.34
Entity under common significant influence:				
Kopindosat	549	-	0.00	-
Total	**1,812,619**	**1,554,780**	**8.09**	**7.57**
Expenses				
Cost of services				
Government-related entities:				
State-owned companies	1,810,335	1,567,294	9.41	9.03
Entities under common significant influence:				
PT Personel Alih Daya	70,967	93,190	0.37	0.54
Kopindosat	24,298	121,456	0.13	0.70
Ultimate parent company:				
Qatar Telecom	52,737	66,619	0.27	0.38
Total	**1,958,337**	**1,848,559**	**10.18**	**10.65**
Personnel				
Key management personnel:				
Senior management				
Short-term employee benefits	147,439	102,156	0.76	0.59
Termination benefits	1,210	46,316	0.01	0.27
Other long-term benefits	14,860	16,481	0.08	0.09
Sub-total	**163,509**	**164,953**	**0.85**	**0.95**
Government-related entities:				
State-owned companies	24,719	22,185	0.13	0.13
Entity under common significant influence:				
PT Personel Alih Daya	-	21,028	-	0.12
Total	**188,228**	**208,166**	**0.98**	**1.20**
Marketing				
Entities under common significant influence:				
PT Personel Alih Daya	88,688	75,905	0.46	0.44
Kopindosat	21,230	15,953	0.11	0.09
Government-related entities:				
State-owned companies	2	62	0.00	0.00
Total	**109,920**	**91,920**	**0.57**	**0.53**

31. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

	Amount		Percentage to Total Revenue (%) or Expenses (%)	
	2012	2011	2012	2011
General and administration				
Entities under common significant influence:				
Kopindosat	22,676	24,294	0.12	0.14
PT Personel Alih Daya	14,838	17,971	0.08	0.10
Government-related entities:				
State-owned companies	31,023	100,234	0.16	0.58
Total	**68,537**	**142,499**	**0.36**	**0.82**
Interest income (financing cost) - net				
Government-related entities:				
State-owned banks	**(20,491)**	**(53,281)**	**(0.75)**	**(2.91)**

The relationship and nature of account balances/transactions with related parties are as follows:

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
1.	State-owned banks	Government-related entities	Cash and cash equivalents, other current and non-current financial and non-financial assets, short-term loan, loan payable and other income (expenses) - net
2.	State-owned companies	Government-related entities	Accounts receivable - trade, prepaid expenses, due from related parties, long-term prepaid rentals, advances and long-term advances, long-term prepaid pension, accounts payable - trade, procurement payable, accrued expenses, due to related parties, other current and non-current financial and non-financial liabilities, operating revenues, operating expenses - cost of services, operating expenses - personnel, operating expenses - marketing and operating expenses - general and administration

31. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
3.	Qatar Telecom	Ultimate parent company	Accounts receivable - trade, due from related parties, accounts payable - trade, due to related parties, revenues - fixed telecommunications and cellular and operating expenses - cost of services
4.	Governmental departments	Government-related entities	Prepaid expenses, other current and non-current financial and non-financial assets, other current and non-current financial and non-financial liabilities, revenues - MIDI
5.	Kopindosat	Entity under common significant influence	Prepaid expenses, due from related parties, long-term prepaid rentals, advances and long-term advances, procurement payable, accrued expenses, due to related parties, revenues, operating expenses - cost of services, operating expenses - marketing and operating expenses - general and administration
6.	Senior management (consists of members of the Boards of Directors and Commissioners and those directly reporting to the Board of Directors)	Key management personnel	Due from related parties, accrued expenses and operating expenses - personnel
7.	PT Personel Alih Daya	Entity under common significant influence	Advances and long-term advances, procurement payable, accrued expenses, operating expenses - cost of services, operating expenses - personnel, operating expenses - marketing and operating expenses - general and administration

32. DISTRIBUTION OF PROFIT AND APPROPRIATION OF RETAINED EARNINGS

At the Company's Annual Stockholders' General Meeting ("ASGM"), the stockholders approved, among others, the appropriation of annual profit for cash dividend distribution, as follows, and the utilization of the remaining amount for reinvestment and working capital:

ASGM Date	Dividend per Share (Rp)	Dividend Payment Date
2010 Profit		
June 24, 2011	59.55	August 5, 2011*
2011 Profit		
May 14, 2012	76.83	June 26, 2012**

* Dividend for the Government was paid in accordance with the prevailing laws and regulations in Indonesia. On July 22 and August 5, 2011, the Company paid dividend amounting to Rp46,248 and Rp277,343, respectively, to the Government and other stockholders for the dividend declared on June 24, 2011.

** Dividend for the Government was paid in accordance with the prevailing laws and regulations in Indonesia. On June 11 and June 26, 2012, the Company paid dividend amounting to Rp59,668 and Rp357,821, respectively, to the Government and other stockholders for the dividend declared on May 14, 2012.

33. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY

a. As of December 31, 2012, commitments on capital expenditures which are contractual agreements not yet realized relate to the procurement and installation of property and equipment amounting to US$142,195 (Note 40) and Rp881,274.

The significant commitments on capital expenditures are as follows:

Contract Date	Contract Description	Vendor	Amount of Contract/Purchase Orders ("POs") Already Issued	Amount of Contract/POs Not Yet Served
October 1, 2010 & December 10, 2012	Procurement of Telecom-munications Equipment and Related Services	PT Ericsson Indonesia and Ericsson AB	US$415,288 and Rp1,361,320	US$72,781 and Rp275,225
June 16, 2010 & December 10,2012	Procurement of Telecommunications Infrastructure	PT Nokia Siemens Networks and Nokia Siemens Networks Oy	US$359,648 and Rp1,480,234	US$17,863 and Rp141,150
August 2,2010 & December 21, 2012	Procurement of Telecommunications Infrastructure	PT Huawei Tech Investment	US$87,186 and Rp204,746	US$25,673 and Rp92,460

33. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

b. In 2012, the Company and Qatar Telecom Q.S.C, the Group's ultimate parent company, entered into a cooperation agreement, whereby Qatar Telecom agreed to provide the Group with several professional experts to work in the Company, and the professional experts will provide the Group with their experience and knowledge to increase the effectiveness of the Group's operational and business activities. The agreement covers a 10-year period. For the year ended December 31, 2012, the Company recorded the cost for the provision of the professional experts totaling Rp76,596 as part of "Expenses - General and Administration Expenses".

c. On January 18, 2012, the Company and IMM, a subsidiary, were investigated by the Attorney General's Office 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. The MOCIT, as well as the Indonesian Regulatory Body (BRTI), has made a public statement that IMM has not breached any laws / prevailing rules; nevertheless, the case is still being continued to be investigated by the State Attorney General (Note 40).

   As of December 31, 2012, the Company did not accrue any liabilities related to the legal case because the Company believes, as supported by the MOCIT, that the cooperation agreement with IMM does not breach any laws.

d. On December 30, 2011, Lintasarta, a subsidiary, entered into agreements with MOCIT-Balai Penyedia dan Pengelola Pembiayaan Telekomunikasi dan Informatika (MOCIT-BPPPTI), whereby Lintasarta agreed to provide Public Access Services for Wireless Fidelity (WiFi) Internet in *Kewajiban Pelayanan Umum*/ Universal Service Obligation (KPU/USO) Regencies (*Kabupaten*) (*Penyediaan Jasa Akses Publik Layanan Internet WiFi Kabupaten KPU/USO*) for Work Packages (*Paket Pekerjaan*) 3 and 6 that cover the provinces of West Kalimantan, South Kalimantan, Central Kalimantan, East Kalimantan, Bali, West Nusa Tenggara and East Nusa Tenggara. The agreements cover four years concession period and have contract values of Rp71,992 and Rp44,422 for Work Packages 3 and 6, respectively. In accordance with the contract, 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, assets subject to the concession agreement back to the local government.

   Subsequently on January 10, 2012, Lintasarta, also entered into an agreement with MOCIT-BPPPTI for the provision of Public Access Services for Wireless Fidelity (WiFi) Internet in KPU/USO Regencies (*Kabupaten KPU/USO*) (*Penyediaan Jasa Akses Publik Layanan Internet WiFi Kabupaten KPU/USO*) for Work Package (*Paket Pekerjaan*) 4 that covers the provinces of Gorontalo, West Sulawesi, South Sulawesi, Central Sulawesi, South East Sulawesi and North Sulawesi with contract value of Rp91,491. The terms and conditions for this are consistent to the earlier agreement above.

   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 direction of the grantor. As of December 31, 2012, the long-term portion of the outstanding receivables arising from this service concession arrangement amounted to Rp8,974 and was classified as part of "Other Non-current Financial Assets". Revenue from construction services earned by Lintasarta for the year ended December 31, 2012 amounted to Rp37,175 and is classified as part of "Revenues from MIDI services".

   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 the MOCIT-BTIP above, with total contract value amounting to Rp121,927.

33. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

e. In May 2011 to March 2012, the Company had issued several POs to PT Nokia Siemens Network and Nokia Siemens Network OY with total amount 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, 2012, the carrying amount of the cellular technical equipment units given up amounted to Rp273,665 and the accumulated carrying amount of such equipment up to December 31, 2012 amounted to Rp389,399 (Note 8).

f. On April 15, 2010, Lintasarta, a subsidiary, entered into agreements with MOCIT-BTIP, whereby Lintasarta agreed to provide *Pusat Layanan Jasa Akses Internet Kecamatan* (Center for Internet Access and Services in Rural Areas) (PLIK) for Work Packages (*Paket Pekerjaan*) 7, 8 and 9 that cover the provinces of Bali, West Nusa Tenggara, East Nusa Tenggara, West Kalimantan, South Kalimantan, East Kalimantan, Central Kalimantan, Maluku and Papua. On December 22, 2010, the agreements were amended to increase the contract value. The agreements are non-cancellable and cover four years starting from October 15, 2010 with contract value amounting to Rp91,895, Rp143,668 and Rp116,721 for Work Packages 7, 8 and 9, respectively. In accordance with the agreements, Lintasarta placed its time deposits totalling Rp18,200 as a performance bond for the four-year contract period, which deposits are classified as part of other non-current financial assets. In accordance with the agreements, Lintasarta received advance payments representing 20% of contract value. Fixed payment for services is received on a quarterly basis based on performance evaluation. At the end of the agreement, 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 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 the MOCIT-BTIP above, with total contract value amounting to Rp189,704. The agreement has been amended several times, with the latest amendment dated March 9, 2011 increasing the contract value to become Rp208,361.

   On March 23, 2011, Lintasarta entered into agreements with WEB and PT Personel Alih Daya (a related party), for the procurement of equipment and infrastructure required for the construction of PLIKB, as agreed with MOCIT-BTIP above, with total contract values amounting to Rp276,274 and Rp60,739, respectively.

   As of December 31, 2012, 2011, and 2010 the current portions of outstanding receivables amounting to Rp283,945, Rp91,113, and Rp nil respectively, are classified as part of “Trade Receivables - Related Parties” while the long-term portions amounting to Rp70,199, Rp121,854, and Rp45,097, respectively, are classified as part of “Other Non-current Financial Assets”. For the years ended December 31, 2012, 2011 and 2010, revenue from construction services, are included under Revenue from MIDI services, amounted to Rp33,439, Rp163,264 and Rp128,490, respectively.

33. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

g. On January 29, April 15, May 24 and June 3 in 2010, and February 4 and 10 in 2011, the Company agreed to lease part of its telecommunications towers and sites to PT Hutchison CP Telecommunications ("Hutchison") for a period of 12 years, PT Natrindo Telepon Selular ("NTS") for a period of 10 years, PT XL Axiata Tbk ("XL Axiata") for a period of 10 years, PT Berca Global Access ("Berca") for a period of 10 years, PT Dayamitra Telekomunikasi ("Mitratel") for a period of 10 years and PT First Media Tbk ("FM") for a period of 5 years, respectively. Hutchison, NTS, and XL Axiata (on annual basis), Berca and Mitratel (on quarterly basis) and FM (on semi-annual basis) are required to pay the lease and maintenance fees in advance, which are recorded as part of unearned income.

On August 18, 2011, the Company and Hutchison amended their tower leasing agreement covering changes in certain arrangements with respect to, among others, amount of compensation paid to landlords or residents around the leased site shouldered by the Company, penalty charged for overdue payments and effective lease period.

Future minimum lease receivables under the agreements as at December 31, 2012 and 2011 and January 1, 2011/December 31, 2010 are as follows:

	December 31,		
	2012	2011	January 1, 2011 December 31, 2010
Within one year	655,894	471,284	370,780
After one year but not more than five years	2,597,263	1,874,860	1,481,461
More than five years	2,211,422	1,817,218	1,792,424
Total	**5,464,579**	**4,163,362**	**3,644,665**

h. During 2008-2012, the Company entered into several agreements with PT Solusi Menara Indonesia, PT Professional Telekomunikasi Indonesia ("Protelindo"), XL Axiata, PT Solusindo Kreasi Pratama, PT Dayamitra Telekomunikasi, PT Bit Teknologi Nusantara, PT Batavia Towerindo, PT Mitrayasa Sarana Informasi, PT Gihon Telekomunikasi Indonesia 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.

Future minimum rentals payable under the finance lease agreements as at December 31, 2012 are as follows:

	Minimum payments	Present value of payments
Within one year	622,020	240,349
After one year but not more than five years	2,488,022	1,323,315
More than five years	2,205,538	1,778,595
Total	5,315,580	3,342,259
Less amount representing finance charge	1,973,321	-
Present value of minimum lease payments	**3,342,259**	**3,342,259**
Current portion (presented as part of Other Current Financial Liabilities)		240,349
Long-term portion (presented as Obligations under Finance Lease)		3,101,910
Total		**3,342,259**

33. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

i. 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 Rp548,154 and Rp442,511 for the years ended December 31, 2012 and 2011, respectively.

j. 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 facility based on guidelines No.12/516/DPNP/DPnP dated September 21, 2010 issued by the Central Bank of Indonesia; consequently, these facilities can be automatically cancelled by HSBC in the event that the Company's credit collectibility declines to either substandard, doubtful or loss based on HSBC's assessment pursuant to the general criteria set out by the Central Bank of Indonesia.

On March 27, 2012, the Company received the letter from HSBC to extend these facilities up to April 30, 2013.

k. 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, 2012, the balance of the funds (including interest earned) which are under the Company's custody amounted to US$5,276. 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.

33. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCY (continued)

l. Other agreements made with Telkom are as follows:

- Under a cooperation agreement, the compensation to Telkom relating to leased circuit/channel services, such as world link and bit link, is calculated at 15% of the Company's collected revenues from such services.

  The Company and Satelindo also lease circuits from Telkom to link Jakarta, Medan and Surabaya.

- In 1994, Satelindo entered into a land transfer agreement for the transfer of Telkom's rights to use a 134,925-square meter land property located at Daan Mogot, West Jakarta, where Satelindo's earth control station is currently situated. The land transfer agreement enables Satelindo to use the land for a period of 30 years from the date of the agreement, for a price equivalent to US$40,000 less Rp43,220. The term of the agreement may be extended based on mutual agreement.

  The agreement was subsequently superseded by a land rental agreement dated December 6, 2001, generally under the same terms as those of the land transfer agreement.

- In 1999, Lintasarta entered into an agreement with Telkom, whereby Telkom agreed to lease transponder to Lintasarta. This agreement has been amended several times, the latest amendment of which is based on the ninth amendment agreement dated May 24, 2010. Transponder lease expense charged to operations amounting to Rp27,371 for the year ended December 31, 2012 is presented as part of "Operating Expenses - Cost of Services" in the consolidated statement of comprehensive income.

34. 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.

34. TARIFF SYSTEM (continued)

b. Cellular services

The basic telephony tariffs for cellular mobile network service are set on the basis of Regulation No. 12/PER/M.KOMINFO/02/2006 dated February 28, 2006 of the MOCIT. Under this regulation, the cellular tariffs consist of the following:

- Connection fee
- Monthly charges
- Usage charges
- Additional facilities fee

Cellular providers should implement the new tariffs referred to as “floor price”. For usage charges, the floor price should be the originating fee plus termination fee (total interconnection fee), while for connection fee and monthly charges, the floor price depends on the cost structure of each cellular provider.

In April 2008, the MOCIT issued Ministerial Decree No. 09/PER/M.KOMINFO/04/2008 about guidelines on calculating basic telephony service tariffs through cellular mobile network. Under this new Decree, the cellular providers should implement the new tariffs referred to as “price cap”. The types of tariffs for telecommunications services through cellular network consist of the following:

- Tariff for basic telephony services
- Tariff for roaming
- Tariff for multimedia services

The retail tariffs should be calculated based on Network Element Cost, Activation Cost of Retail Services and Profit Margin.

The implementation of the new tariffs for a dominant operator has to be approved by the Government. A dominant operator is an operator that has revenue of more than 25% of the total industry revenue for a certain segment.

Starting May 2008, the Company has fully adopted the new cellular tariff system.

c. Fixed telecommunications services

In February 2006, the MOCIT released Regulation No. 09/PER/M.KOMINFO/02/2006 regarding basic telephony tariffs for fixed network service.

In April 2008, the MOCIT issued Ministerial Decree No. 15/PER/M.KOMINFO/04/2008 about the guidelines on calculating basic telephony service tariffs through fixed network. This Decree also applies to fixed wireless access (FWA) network.

Under this new decree, the tariffs for basic telephony services and SMS (short message service) must be calculated based on the formula stated in the Decree. The fixed network providers should implement the new tariffs referred to as “price cap”.

Starting May 2008, the Company has fully adopted the new fixed telecommunications tariff system.

35. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING

Interconnection tariffs among domestic telecommunications operators are regulated by the MOC through its Decree No. KM.108/PR.301/MPPT-94 dated December 28, 1994. The Decree was updated several times with the latest update being Decree No. KM.37 Year 1999 ("Decree No. 37") dated June 11, 1999. This Decree, along with Decree No. KM.46/PR.301/MPPT-98 ("Decree No. 46") dated February 27, 1998, prescribed interconnection tariff structures between mobile cellular telecommunications network and Public Switched Telephone Network ("PSTN"), mobile cellular telecommunications network and international telecommunications network, mobile cellular telecommunications network and other domestic mobile cellular telecommunications network, international telecommunications network and PSTN, and between two domestic PSTNs.

Based on the Decree of the MOC, the interconnection tariff arrangements are as follows:

1. Structure of Interconnection Tariffs

   a. Between international and domestic PSTN

      Based on Decree No. 37 dated June 11, 1999, the interconnection tariffs are as follows:

	Tariff	Basis
Access charge	Rp850 per call	Number of successful outgoing and incoming calls
Usage charge	Rp550 per paid minute	Duration of successful outgoing and incoming calls

   b. Between domestic PSTN and another domestic PSTN

      Interconnection charges for domestic telecommunications traffic (local and SLJJ) between a domestic PSTN and another domestic PSTN are based on agreements made by those domestic PSTN telecommunications carriers.

   c. Between cellular telecommunications network and domestic PSTN

      Based on Decree No. 46 dated February 27, 1998 which became effective starting April 1, 1998, the interconnection tariffs are as follows:

      (1) Local Calls

          For local calls from a cellular telecommunications network to a PSTN subscriber, the cellular operator pays the PSTN operator 50% of the prevailing tariffs for local calls. For local calls from the PSTN to a cellular subscriber, the cellular operator receives the airtime charged by the PSTN operator to its subscribers.

      (2) SLJJ

          For SLJJ which originates from the PSTN to a cellular subscriber, the cellular operator receives a portion of the prevailing SLJJ tariffs, which portion ranges from 15% of the prevailing SLJJ tariffs plus the airtime charges in cases where the entire long-distance portion is not carried by the cellular operator, to 60% of the tariffs plus the airtime charges in cases where the entire long-distance portion is carried by the cellular operator.

35. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

1. Structure of Interconnection Tariffs (continued)

   c. Between cellular telecommunications network and domestic PSTN (continued)

      (2) SLJJ (continued)

      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.

   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 36).

   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.

35. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

1. Structure of Interconnection Tariffs (continued)

Decree No. 37 and Decree No. 46 were subsequently superseded by Decree No. 32 Year 2004 of the MOC which provides cost-based interconnection to replace the current revenue-sharing arrangement. Under the new Decree, the operator of the network on which calls terminate determines the interconnection charge to be received by it based on a formula mandated by the Government, which is intended to have the effect of requiring that operators charge for calls based on the cost of carrying such calls.

The effective date of the new Decree, which was originally set to start on January 1, 2005, was subsequently postponed until January 1, 2007 based on Regulation No. 08/PER/M.KOMINFO/02/2006 dated February 8, 2006 of the MOCIT (Note 36).

The implementation of interconnection billing between operators starts from the time they sign their interconnection agreements. All interconnection agreements are 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.

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 Short Message Services ("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, the Indonesian Telecommunication Regulation Body (*Badan Regulasi Telekomunikasi Indonesia* or "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.

35. INTERCONNECTION TARIFFS, USO, SPECTRUM FREQUENCY FEES AND REVENUE SHARING (continued)

2. USO and Spectrum Frequency Fees

   On January 16, 2009, the Government issued Regulation No. 7 Year 2009 increasing the USO development contribution from 0.75% to 1.25% and decreasing the concession fee from 1% to 0.50% of annual gross revenue (after deducting bad debts and interconnection charges) effective January 1, 2009.

   On December 13, 2010, the President of the Republic of Indonesia issued PP No.76/2010 regarding the amendment of PP No.7/2009 on types and tariffs of non-tax state income imposed by the MOCIT. This regulation affects the computation method and payment of the spectrum fee allocated to the Company (800 Mhz, 900 Mhz and 1,800 Mhz frequency bands).

3. Revenue Sharing

   Revenue from access and usage charges from international telecommunications traffic with telecommunications networks owned by more than one domestic telecommunications carrier which is not regulated by Decree No. 08/PER/M.KOMINFO/02.2006, is to be proportionally shared with each carrier, which proportion is to be bilaterally arranged between the carriers.

36. 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.

36. INTERCONNECTION AGREEMENTS (continued)

1. Telkom (continued)

   a. Fixed telecommunications services (continued)

      - Each party handles subscriber billing and collection for the other party's international calls service used by the other party's subscribers. Each party has to pay the other party 1% of the collections made by the other party, plus the billing process expenses which are fixed at Rp82 per record of outgoing call as compensation for billing processing. However, the collection and billing process expense was changed to "service charge", which was computed at Rp1,250 per minute of outgoing call starting April 1, 2008. Based on the latest agreement, the service charge rate has been reduced to Rp1,200 per minute of outgoing call starting January 1, 2009.

      On December 28, 2006, the Company entered into a memorandum of understanding with Telkom applying the new interconnection rates under cost-based regime that were effective starting January 1, 2007. This memorandum of understanding was replaced by 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 the new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

   b. Cellular services

      On December 1, 2005, the Company and Telkom signed an agreement regarding the interconnection between the Company's cellular telecommunications network and Telkom's fixed telecommunications network. Under this agreement, the interconnection between the Company's cellular telecommunications network and Telkom's fixed telecommunications network enables the Company's cellular subscribers to make or receive calls to or from Telkom's fixed telecommunications subscribers.

      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 35) regarding the implementation of the new cost-based scheme for SMS interconnection for fixed telecommunications and cellular services effective June 1, 2012.

2. XL Axiata, PT Smartfren Telecom Tbk (previously PT Mobile-8 Telecom Tbk) ("Smartfren") and Telkomsel

   The principal matters covered by the agreements with these operators are as follows:

   - The Company's and Satelindo's international gateway exchanges are interconnected with the mobile cellular telecommunications operators' networks to make outgoing or receive incoming international calls through the Company's and Satelindo's international gateway exchanges.

36. INTERCONNECTION AGREEMENTS (continued)

2. XL Axiata, PT Smartfren Telecom Tbk (previously PT Mobile-8 Telecom Tbk) ("Smartfren") and Telkomsel (continued)

   - 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.

   On December 8, 27 and 28, 2006, the Company entered into a memorandum of understanding with each of Telkomsel, Smartfren and XL Axiata, respectively, applying the new interconnection rates under cost-based scheme effective January 1, 2007 to comply with Regulation No. 08/PER/M.KOMINFO/02/2006 of the MOCIT. The memorandum of understanding with Smartfren, XL Axiata and Telkomsel were subsequently replaced by agreements dated September 14 and December 17 and 19, 2007, respectively. The agreements with Smartfren and XL Axiata were amended on March 31, 2008, while the agreement with Telkomsel was amended on February 18, 2008. Subsequently, the agreements with Smartfren and XL Axiata were further amended on March 15, 2011 and March 3, 2011, respectively, while the agreement with Telkomsel was further amended on July 19, 2011, to meet the requirement in the BRTI letter No. 227/BRTI/XII/2010 dated December 31, 2010 regarding the implementation of new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

   On May 28, 2012, the Company amended the agreement with Telkomsel to meet the requirement in the BRTI letter No. 262/BRTI/XII/2011 dated December 12, 2011 (Note 35) regarding the implementation of the new cost-based scheme for SMS interconnection effective June 1, 2012.

3. PT Bakrie Telecom Tbk ("Bakrie Telecom")

   The principal matters covered by the latest amendment of the agreement dated June 10, 2009 are related to interconnection of the Company's mobile cellular network and international gateway exchanges to Bakrie Telecom's network, including SLI 009 network. Subsequently, the agreement with Bakrie Telecom was further amended on February 9, 2011 to meet the requirement in the BRTI letter No. 227/BRTI/XII/2010 dated December 31, 2010 regarding the implementation of new interconnection tariffs in 2011. The Company has adopted the new tariffs starting January 1, 2011.

   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 35) regarding the implementation of the new cost-based scheme for SMS interconnection effective June 1, 2012.

36. INTERCONNECTION AGREEMENTS (continued)

Net interconnection revenues (charges) from (to) major operators for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Telkom	71,434	134,324
Smartfren	10,255	11,564
Telkomsel	(97,723)	(120,488)
XL Axiata	(81,665)	(117,369)
Bakrie Telecom	(7,382)	(5,137)
Net charges	**(105,081)**	**(97,106)**

37. 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 and GSM 1800 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, DLD 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 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 finance costs 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 IFAS, which 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.

37. SEGMENT INFORMATION (continued)

Consolidated information by industry segment follows:

	Major Segments			
	Cellular	Fixed Telecommunications	MIDI	Segment Total
December 31, 2012				
Revenues				
Revenues from external customers	18,489,329	1,021,450	2,908,033	22,418,812
Inter-segment revenues	-	-	597,914	597,914
Total revenues	18,489,329	1,021,450	3,505,947	23,016,726
Inter-segment revenues elimination				(597,914)
Revenues - net				**22,418,812**
Expenses	16,473,013	1,296,127	2,382,450	20,151,590
Operating profit (loss)	2,016,316	(274,677)	525,583	2,267,222
Gain on tower sale				1,183,963
Gain on foreign exchange - net				44,793
Others - net				(305,955)
Income before financing activities				**3,190,023**
Interest income				133,544
Income tax benefit - net				25,798
Gain on change in fair value of derivatives - net				4,964
Financing cost				(2,077,350)
Loss on foreign exchange - net				(789,438)
Equity in net loss of associated companies				(125)
Profit for the year				**487,416**
Depreciation and amortization	7,078,187	415,410	779,227	8,272,824
As of December 31, 2012				
Other Information				
Segment assets	51,599,983	1,417,859	8,460,772	61,478,614
Unallocated assets				2,219,928
Inter-segment assets elimination				(8,473,481)
Assets - net				**55,225,061**
Segment liabilities	29,495,438	448,908	2,521,525	32,465,871
Unallocated liabilities				10,004,614
Inter-segment liabilities elimination				(6,640,808)
Liabilities - net				**35,829,677**
Capital expenditures	7,449,614	123,983	822,984	8,396,581

37. SEGMENT INFORMATION (continued)

	Major Segments			
	Cellular	Fixed Telecommunications	MIDI	Segment Total
December 31, 2011 (Restated)				
Revenues				
Revenues from external customers	16,587,385	1,249,982	2,691,925	20,529,292
Inter-segment revenues	-	-	609,497	609,497
Total revenues	16,587,385	1,249,982	3,301,422	21,138,789
Inter-segment revenues elimination				(609,497)
Revenues - net				**20,529,292**
Expenses	13,785,603	1,338,073	2,299,771	17,423,447
Operating profit (loss)	2,801,782	(88,091)	392,154	3,105,845
Gain on foreign exchange - net				90,919
Others - net				(32,455)
Income before financing activities				**3,164,309**
Interest income				92,646
Gain on change in fair value of derivatives - net				57,944
Financing cost				(1,929,354)
Income tax expense - net				(264,613)
Loss on foreign exchange - net				(54,188)
Profit for the year				**1,066,744**
Depreciation and amortization	5,418,955	292,140	847,082	6,558,177
As of December 31, 2011 (Restated)				
Other Information				
Segment assets	48,913,656	2,068,759	8,185,387	59,167,802
Unallocated assets				1,994,640
Inter-segment assets elimination				(7,929,430)
Assets - net				**53,233,012**
Segment liabilities	27,073,313	742,444	3,042,387	30,858,144
Unallocated liabilities				9,674,836
Inter-segment liabilities elimination				(6,269,068)
Liabilities - net				**34,263,912**
Capital expenditures	5,576,208	228,834	706,244	6,511,286

37. SEGMENT INFORMATION (continued)

	Major Segments			
	Cellular	Fixed Telecommunications	MIDI	Segment Total
As of January 1, 2011 / December 31, 2010				
Other Information				
Segment assets	48,795,807	2,111,239	8,264,175	59,171,221
Unallocated assets				1,955,636
Inter-segment assets elimination				(7,801,729)
Assets - net				**53,325,128**
Segment liabilities	27,933,214	629,741	3,205,273	31,768,228
Unallocated liabilities				9,521,051
Inter-segment liabilities elimination				(6,219,525)
Liabilities - net				**35,069,754**
Capital expenditures	4,965,191	209,100	777,488	5,951,779

38. 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 their loans and bonds payable with fixed and 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, and

(2) Manage interest rate exposure on its loans and bonds payable by entering into interest rate swap contracts.

As of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010, more than 82%, 65% and 60%, respectively, of the Group's debts are fixed-rate.

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 profit or loss for the year ended December 31, 2012 (through the impact on floating rate borrowings which is based on LIBOR for U.S. dollar borrowings and on JIBOR for rupiah borrowings).

	2012	2011	2010
Increase or (decrease) in basis points:			
U.S. dollar	(18)	33	31
Rupiah	(19)	2	41

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Interest rate risk (continued)

	2012	2011	2010
Effect on profit for the year			
U.S. dollar	USD437 (equivalent to Rp4,229)	USD(1,298) (equivalent to Rp(11,774)	USD(1,445) (equivalent to Rp(12,994))
Rupiah	Rp4,535	Rp(432)	Rp(9,490)

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 dates of March 31, 2013. The outlook is that the LIBOR and JIBOR interest rates may move 18 basis points lower and 33 and 31 basis points higher and 19 basis point lower and 2 and 41 basis point higher respectively, as compared to the year-end interest rates of 2012, 2011 and 2010, respectively.

If LIBOR interest rates were 18 basis point lower and 33 and 31 basis points higher than the market levels for the years ended December 31, 2012, 2011 and 2010, respectively, with all other variables held constant, the Group's profit or loss for the years then ended and the consolidated equity would be Rp767,779, Rp957,288 and Rp653,380 and Rp18,865,598, Rp18,503,534 and Rp17,856,853, respectively, which are higher, lower and lower than the actual results for the years ended December 31, 2012, 2011 and 2010, respectively, mainly due to the lower, higher and higher interest expense on floating rate borrowings.

If JIBOR interest rates were 19 basis point lower and 2 and 41 basis points higher than the market levels for the years ended December 31, 2012, 2011 and 2010, respectively, with all other variables held constant, the Group's profit or loss for the years then ended and the consolidated equity would be Rp768,085, Rp968,622 and Rp656,884 and Rp18,865,904, Rp18,514,876 and Rp17,860,357, respectively, which are higher, lower and lower than the actual results for the years ended December 31, 2012, 2011 and 2010, respectively, mainly due to the lower, higher and higher interest expense on floating rate borrowings.

Foreign exchange rate risk

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to exchange rate fluctuations results primarily from U.S. dollar-denominated loans and bonds payable, accounts receivable, accounts payable and procurement payable.

To manage foreign exchange rate risks, the Company entered into several cross currency swap and currency forward contracts and other permitted instruments. 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 Group's accounts payable are primarily foreign currency net settlement payables to foreign telecommunications operators, while most of the Group's accounts receivable are Indonesian rupiah-denominated amounts due from domestic operators.

To the extent the Indonesian rupiah depreciated further from the exchange rates in effect at December 31, 2012 and 2011 and January 1, 2011/December 31, 2010, the Group's obligations under such loans and bonds payable, accounts payable and procurement payable 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, 2012 and 2011 and January 1, 2011/December 31, 2010, 31.81%, 27.33% and 17.90%, respectively, of the Group's U.S. dollar-denominated debts were protected from exchange rate risk by entering into several cross currency swap and currency forward contracts.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Foreign exchange rate risk (continued)

The following table shows the Group's consolidated U.S. dollar-denominated assets and liabilities as of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010:

	December 31, 2012		December 31, 2011 (Restated)		January 1, 2011 December 31, 2010 (Restated)	
	U.S. Dollar	Rupiah *	U.S. Dollar	Rupiah *	U.S. Dollar	Rupiah *
Assets:						
Cash and cash equivalents	249,279	2,410,529	53,356	483,835	111,782	1,005,042
Accounts receivable						
Trade	111,612	1,079,285	91,260	827,553	115,530	1,038,726
Others	-	-	-	-	544	4,893
Derivative assets	7,203	69,654	17,573	159,349	7,711	69,334
Other current financial assets - net	488	4,719	178	1,613	1,715	15,418
Other current assets	-	-	15	138	-	-
Due from related parties	106	1,028	317	2,871	117	1,047
Other non-current financial assets - net	1,150	11,121	1,578	14,306	1,427	12,833
Total assets	**369,838**	**3,576,336**	**164,277**	**1,489,665**	**238,826**	**2,147,293**
Liabilities:						
Accounts payable - trade	9,343	90,347	13,010	117,971	32,788	294,797
Procurement payable	141,102	1,364,458	220,788	2,002,110	246,615	2,217,320
Accrued expenses	46,424	448,918	45,156	409,476	46,263	415,953
Deposits from customers	2,478	23,962	1,834	16,629	1,477	13,275
Derivative liabilities	8,401	81,241	15,239	138,189	23,958	215,403
Other current financial liabilities	16,676	161,255	41	371	67	602
Due to related parties	2,685	25,968	9	83	-	-
Loans payable (including current maturities)	557,193	5,388,055	653,848	5,929,093	886,602	7,971,436
Bonds payable (including current maturities)	650,000	6,285,500	650,000	5,894,200	650,000	5,844,150
Obligation under finance lease	212,757	2,057,362	-	-	-	-
Total liabilities	**1,647,059**	**15,927,066**	**1,599,925**	**14,508,122**	**1,887,770**	**16,972,936**
Net liabilities position	**1,277,221**	**12,350,730**	**1,435,648**	**13,018,457**	**1,648,944**	**14,825,643**

* *The exchange rates used to translate the U.S. dollar amounts into rupiah were Rp9,670 to US$1.00 (in full amounts), Rp9,068 to US$1.00 (in full amounts) and Rp8,991 to US$1.00 (in full amounts) as published by the Indonesian Central Bank as of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010, respectively.*

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 profit for the years ended December 31, 2012, 2011 and 2010:

	2012	2011	2010
Change in U.S. dollar exchange rate	1.83%	1.24%	-3%
Effect on consolidated profit for the year	(169,551)	(122,342)	336,582

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, 2013, 2012 and 2011. The outlook is that the U.S. dollar exchange rate may strengthen by 1.83% and 1.24% as compared to the exchange rate at December 31, 2012 and 2011, respectively, and weaken by 3% as compared to the exchange rate as of December 31, 2010.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Foreign exchange rate risk (continued)

If the U.S. dollar exchange rate strenghtened by 1.83% and 1.24% as compared to the exchange rate at as of December 31, 2012 and 2011, respectively, and weakened by 3% as compared to the exchange rate as of December 31, 2010, with all other variables held constant, the Group's profit for the years then ended and the consolidated equity would be Rp593,999, Rp846,712 and Rp1,002,956 and Rp18,691,818, Rp18,392,966 and Rp18,206,428, respectively, which are lower, lower and higher than the actual results as of December 31, 2012 and 2011 and January 1, 2011/ December 31, 2010, respectively, mainly due to the consolidated foreign exchange gain and loss on the translation of U.S. dollar-denominated net liabilities.

Equity price risk

The Group's long-term investments consist primarily of minority investment in the equity of private Indonesian entities and equity of foreign entities. With respect to the Indonesian entities in which the Group has investments, the financial performance of such entities may be adversely affected by the economic conditions in Indonesia.

Credit risk

Credit risk is the risk that the Group will incur a loss arising from their customers, clients or counterparties that fail to discharge their contractual obligations. There are no significant concentrations of credit risk. The Group manage and control this credit risk by setting limits on the amount of risk they are willing to accept for individual or collective customers and by monitoring exposures in relation to such limits.

The Group trade 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 Company and subsidiaries place their cash and cash equivalents 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, 2012	December 31, 2011 (Restated)	January 1, 2011/ December 31, 2010 (Restated)
Loans and receivables:			
Cash and cash equivalents	3,917,236	2,224,206	2,075,270
Accounts receivable			
Trade - net	2,038,719	1,500,096	1,536,276
Others - net	22,441	5,660	10,031
Other current financial assets - net	13,382	24,790	53,119
Due from related parties - net	10,358	10,654	8,421
Other non-current financial assets – net	173,400	209,540	147,874
Held-for-trading:			
Cross currency swaps	29,907	22,138	69,334
Currency forward	39,747	137,211	-
Available-for-sale investments:			
Other non-current financial assets - other long-term investments - net	1,369,740	2,730	2,730
Total	**7,614,930**	**4,137,025**	**3,903,055**

(1) *There are no collaterals held or other credit enhancements or offsetting arrangements that affect this maximum exposure.*

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Liquidity risk

The liquidity risk is defined as a 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 their 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. Although the Group have substantial existing network infrastructure, the Group expect to incur additional capital expenditures primarily in order to focus cellular network development in areas they anticipate will be high-growth areas, as well as to enhance the quality and coverage of their existing network.

In the management of liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. The Group also regularly evaluate the projected and actual cash flows, including their loan maturity profiles, and continuously assess 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,							
	2013	2014	2015	2016	2017 and thereafter	Total contractual cash flows	Interest value	Carrying amount
December 31, 2012								
Short-term loan	315,736	-	-	-	-	315,736	(16,207)	299,529
Accounts payable - trade	231,737	-	-	-	-	231,737	-	231,737
Procurement payables	2,737,850	-	-	-	-	2,737,850	-	2,737,850
Accrued expenses	1,961,285	-	-	-	-	1,961,285	-	1,961,285
Deposits from customers	43,825	-	-	-	-	43,825	-	43,825
Derivative liabilities	81,241	-	-	-	-	81,241	-	81,241
Other current financial liabilities	670,834	-	-	-	-	670,834	(381,670)	289,164
Due to related parties	-	42,789	-	-	-	42,789	-	42,789
Obligation under financial lease	-	622,020	622,020	622,020	2,827,500	4,693,560	(1,591,650)	3,101,910
Other non-current financial liabilities	-	71,592	4,588	-	-	76,180	(6,907)	69,273
Loans payable	2,924,722	1,793,139	856,839	654,973	830,089	7,059,762	(686,722)	6,373,040
Bonds payable	2,643,553	3,520,261	1,299,951	1,734,671	13,638,300	22,836,736	(7,521,054)	15,315,682
Total	**11,610,783**	**6,049,801**	**2,783,398**	**3,011,664**	**17,295,889**	**40,751,535**	**(10,204,210)**	**30,547,325**

	Expected maturity as of December 31,							
	2012	2013	2014	2015	2016 and thereafter	Total contractual cash flows	Interest value	Carrying amount
December 31, 2011								
Short-term loan	1,579,092	-	-	-	-	1,579,092	(79,836)	1,499,256
Accounts payable - trade	319,058	-	-	-	-	319,058	-	319,058
Procurement payables	3,475,862	-	-	-	-	3,475,862	-	3,475,862
Accrued expenses	1,895,613	-	-	-	-	1,895,613	-	1,895,613
Deposits from customers	37,265	-	-	-	-	37,265	-	37,265
Derivative liabilities	138,189	-	-	-	-	138,189	-	138,189
Other current financial liabilities	196,675	-	-	-	-	196,675	(124,847)	71,828
Due to related parties	-	15,480	-	-	-	15,480	-	15,480
Obligation under financial lease	-	180,602	180,602	180,602	696,670	1,238,476	(468,395)	770,081
Other non-current financial liabilities	-	84,186	34,631	-	-	118,817	(11, 384)	107,433
Loans payable	3,732,456	2,774,662	2,245,335	706,241	1,396,047	10,854,741	(1,128,425)	9,726,316
Bonds payable	1,167,023	2,384,195	3,260,902	1,040,592	11,263,104	19,115,816	(6,935,474)	12,180,342
Total	**12,541,233**	**5,439,125**	**5,721,470**	**1,927,435**	**13,355,821**	**38,985,084**	**(8,748,361)**	**30,236,723**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

a. Risk Management (continued)

Liquidity risk (continued)

	Expected maturity as of January 1,							
	2011	2012	2013	2014	2015 and thereafter	Total contractual cash flows	Interest value	Carrying amount
January 1, 2011								
Accounts payable - trade	645,505	-	-	-	-	645,505	-	645,505
Procurement payables	3,642,002	-	-	-	-	3,642,002	-	3,642,002
Accrued expenses	1,796,335	-	-	-	-	1,796,335	-	1,796,335
Deposits from customers	50,279	-	-	-	-	50,279	-	50,279
Derivative liabilities	215,403	-	-	-	-	215,403	-	215,403
Other current financial liabilities	113,270	-	-	-	-	113,270	(60,857)	52,413
Due to related parties	-	22,099	-	-	-	22,099	-	22,099
Obligation under financial lease	-	90,143	90,143	90,143	378,337	648,766	(232,179)	416,587
Other non-current financial liabilities	-	47,916	3,444	-	-	51,360	(5,545)	45,815
Loans payable	3,692,378	3,533,927	2,619,642	647,505	1,866,778	12,360,230	(1,509,279)	10,850,951
Bonds payable	2,290,020	1,163,332	2,380,454	3,257,211	12,231,499	21,322,516	(8,110,281)	13,212,235
Total	**12,445,192**	**4,857,417**	**5,093,683**	**3,994,859**	**14,476,614**	**40,867,765**	**(9,918,141)**	**30,949,624**

b. Capital Management

The Group aim to achieve an optimal capital structure in pursuit of their business objectives, which include maintaining healthy capital ratios and strong credit ratings, and maximizing stockholder value.

Some of the Group's debt instruments contain covenants that impose maximum leverage ratios. In addition, the Group's credit ratings from the international credit ratings agencies are based on its ability to remain within certain leverage ratios. The Group have complied with all externally imposed capital requirements.

Management monitors capital using several financial leverage measurements such as debt-to-equity ratio. The Group's objective is to maintain its debt-to-equity ratio at a maximum of 2.50 each as of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010.

The Group continue to manage their debt covenants and capital structure based on financial information determined under IFAS.

As of December 31, 2012 and 2011 and January 1, 2011/December 31, 2010, the Group's debt-to-equity ratio accounts are as follows:

	December 31, 2012		December 31, 2011 (Restated)		January 1, 2011/ December 31, 2010 (Restated)	
	Loans and Bonds Payable	Guaranteed Notes Due 2020	Loans and Bonds Payable	Guaranteed Notes Due 2020	Loans and Bonds Payable	Guaranteed Notes Due 2020
Short-term loan - gross	300,000	300,000	1,500,000	1,500,000	-	-
Loans and bonds payable-including current maturities - gross	21,923,555	21,923,555	22,172,064	22,172,064	24,399,291	24,399,291
Obligation under finance lease	-	3,374,139	-	825,836	-	445,874
Total debts	**22,223,555**	**25,597,694**	**23,672,064**	**24,497,900**	**24,399,291**	**24,845,165**
Total equity	**19,395,384**	**19,395,384**	**18,969,100**	**18,969,100**	**18,255,374**	**18,255,374**
Debt to equity ratio	**1.15**	**1.32**	**1.25**	**1.29**	**1.34**	**1.36**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c. Collateral

The loans of Lintasarta, a subsidiary, which were obtained from CIMB Niaga, are collateralized by all equipment (Notes 8, 18j and 18l) purchased by Lintasarta from the proceeds of the credit facilities. There are no other significant terms and conditions associated with the use of collateral.

The Company did not hold any collateral as of December 31, 2012 and 2011 and January 1, 2011/ December 31, 2010.

39. RECONCILIATION BETWEEN IFAS AND IFRS

	Notes	IFAS	Reconciliation / Reclassification	IFRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION As of December 31, 2012				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		3,917,236	-	3,917,236
Accounts receivable				
Trade				
Related parties - net of allowance for impairment		574,650	-	574,650
Third parties - net of allowance for impairment		1,464,069	-	1,464,069
Others - net of allowance for impairment		22,441	-	22,441
Inventories - net of allowance for obsolescence		52,556	-	52,556
Derivative assets		69,654	-	69,654
Advances		36,057	-	36,057
Prepaid taxes	2	294,343	(294,343)	-
Prepaid frequency fee and licenses		1,528,215	-	1,528,215
Prepaid expenses		335,815	-	335,815
Other current financial assets - net		13,382	-	13,382
Other current assets	2	392	294,343	294,735
Total Current Assets		8,308,810	-	8,308,810

39. RECONCILIATION BETWEEN IFAS AND IFRS (continued)

	Notes	IFAS	Reconciliation / Reclassification	IFRS
NON-CURRENT ASSETS				
Due from related parties - net of allowance for impairment		10,358	-	10,358
Deferred tax assets - net		100,693	-	100,693
Property and equipment - net	1a	41,964,793	(103,947)	41,860,846
Goodwill and other intangible assets - net	1b	1,373,707	689,118	2,062,825
Long-term prepaid rentals - net of current portion		755,237	-	755,237
Long-term prepaid licenses - net of current portion		266,027	-	266,027
Long-term advances		40,994	-	40,994
Long-term prepaid pension - net of current portion		88,845	-	88,845
Long-term receivables		17,959	-	17,959
Other non-current financial assets - net		1,543,140	-	1,543,140
Other non-current assets - net		754,498	-	754,498
Total Non-current Assets		46,916,251	585,171	47,501,422
TOTAL ASSETS		**55,225,061**	**585,171**	**55,810,232**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loan		299,529	-	299,529
Accounts payable - trade				
Related parties		22,650	-	22,650
Third parties		209,087	-	209,087
Procurement payable		2,737,850	-	2,737,850
Taxes payable	2	95,599	(61,574)	34,025
Accrued expenses		1,961,285	-	1,961,285
Unearned income	1c	1,073,088	618	1,073,706
Deposits from customers		43,825	-	43,825
Derivative liabilities		81,241	-	81,241
Current maturities of:				
Loans payable		2,669,218	-	2,669,218
Bonds payable		1,329,175	-	1,329,175
Other current financial liabilities		289,164	-	289,164
Other current liabilities	2	204,040	61,574	265,614
Total Current Liabilities		11,015,751	618	11,016,369

39. RECONCILIATION BETWEEN IFAS AND IFRS (continued)

	Notes	IFAS	Reconciliation / Reclassification	IFRS
NON-CURRENT LIABILITIES				
Due to related parties		42,789	-	42,789
Obligations under finance lease		3,101,910	-	3,101,910
Deferred tax liabilities - net	1b,1c	1,684,270	170,859	1,855,129
Loans payable - net of current maturities		3,703,822	-	3,703,822
Bonds payable - net of current maturities		13,986,507	-	13,986,507
Employee benefit obligations - net of current portion		926,224	-	926,224
Other non-current financial liabilities		69,273	-	69,273
Other non-current liabilities		1,299,131	-	1,299,131
Total Non-current Liabilities		24,813,926	170,859	24,984,785
TOTAL LIABILITIES		**35,829,677**	**171,477**	**36,001,154**
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		543,393	-	543,393
Premium on capital stock		1,546,587	-	1,546,587
Retained earnings				
Appropriated		134,446	-	134,446
Unappropriated		15,846,721	415,640	16,262,361
Difference in transactions of equity changes in associated companies/subsidiaries		404,104	-	404,104
Difference in foreign currency translation		(3,600)	-	(3,600)
Unrealized changes in fair value of available-for-sale investment		389,718	-	389,718
Total Equity Attributable to:				
Owners of the Company		18,861,369	415,640	19,277,009
Non-controlling interests		534,015	(1,946)	532,069
TOTAL EQUITY		**19,395,384**	**413,694**	**19,809,078**
TOTAL LIABILITIES AND EQUITY		**55,225,061**	**585,171**	**55,810,232**

39. RECONCILIATION BETWEEN IFAS AND IFRS (continued)

	Notes	IFAS	Reconciliation/ Reclassification	IFRS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year Ended December 31, 2012				
REVENUES				
Cellular		18,489,329	-	18,489,329
MIDI	1c	2,908,033	1,765	2,909,798
Fixed Telecommunications		1,021,450	-	1,021,450
Total Revenues		**22,418,812**	**1,765**	**22,420,577**
EXPENSES				
Cost of services		8,905,736	-	8,905,736
Depreciation and amortization	1a	8,272,824	11,188	8,284,012
Personnel		1,427,194	-	1,427,194
Marketing		920,296	-	920,296
General and administration		625,540	-	625,540
Gain on sale of towers		(1,183,963)	-	(1,183,963)
Gain on foreign exchange - net		(44,793)	-	(44,793)
Others - net		305,955	-	305,955
Net Expenses		**19,228,789**	**11,188**	**19,239,977**
OPERATING PROFIT		**3,190,023**	**(9,423)**	**3,180,600**
FINANCE INCOME (EXPENSES)				
Interest income		133,544	-	133,544
Gain on change in fair value of derivatives - net		4,964	-	4,964
Financing cost		(2,077,350)	-	(2,077,350)
Loss on foreign exchange - net		(789,438)	-	(789,438)
Equity in net loss of associated companies		(125)	-	(125)
Other Expenses - Net		**(2,728,405)**	**-**	**(2,728,405)**
PROFIT BEFORE INCOME TAX		**461,618**	**(9,423)**	**452,195**
INCOME TAX BENEFIT (EXPENSE)				
Current		(234,429)	-	(234,429)
Deferred	1a,1c	260,227	(280)	259,947
Income Tax Benefit (Expense) - Net		**25,798**	**(280)**	**25,518**
PROFIT FOR THE YEAR		**487,416**	**(9,703)**	**477,713**

39. RECONCILIATION BETWEEN IFAS AND IFRS (continued)

	Notes	IFAS	Reconciliation/ Reclassification	IFRS
OTHER COMPREHENSIVE INCOME				
Difference in foreign currency Translation		(36)	-	(36)
Income tax effect		(1,238)	-	(1,238)
Unrealized changes in fair value of available-for-sale investment		389,718	-	389,718
Net		**388,444**	**-**	**388,444**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**875,860**	**(9,703)**	**866,157**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the Company		375,106	(9,457)	365,649
Non-controlling interests		112,310	(246)	112,064
Total		**487,416**	**(9,703)**	**477,713**
OTHER COMPREHENSIVE INCOME -NET OF TAX ATTRIBUTABLE TO:				
Owners of the Company		388,444	-	388,444
Non-controlling interests		-	-	-
Total		**388,444**	**-**	**388,444**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the Company		763,550	(9,457)	754,093
Non-controlling interests		112,310	(246)	112,064
Total		**875,860**	**(9,703)**	**866,157**

The reconciliation between IFAS and IFRS has not had a material impact on the consolidated statements of cash flows.

1. Reconciliation:

a. Landrights

Under IFAS, landrights are stated at cost. Other expenses associated with the acquisition of the government permit to use the land (i.e., notary fee, tax, etc.) should be amortized over the period the holder is expected to retain the landrights which, in the case of the Group, is an initial period ranging from approximately 20 to 30 years.

Before January 1, 2010, under IFRS as issued by IASB, the costs to acquire the landrights as well as other expenses associated with the acquisition were capitalized as prepaid landrights lease, and were amortized over the period of the right to use the land obtained from the Government, which ranged from 20 to 30 years.

Based on amendment to IAS 17, “Leases”, (as part of the Improvements Project), starting January 1, 2010, the Group classifies land leases as finance leases and presents them in the consolidated financial statements as part of property and equipment. The Group applied retrospectively IAS 17 amendment and amortized land leases over 50 years (i.e., over the initial lease term of 30 years plus one extension of 20 years).

39. RECONCILIATION BETWEEN IFAS AND IFRS (Continued)

1. Reconciliation (continued):

b. Goodwill

Before January 1, 2011, under IFAS, goodwill was amortized using the straight-line method over the useful life of the goodwill. Starting January 1, 2011, goodwill is no longer amortized but is tested for impairment annually (as at December 31) and when circumstances indicate the carrying value may be impaired. The change in accounting policy resulted from the revision of PSAK 22, "Business Combinations", which is applied prospectively.

Under IFRS as issued by IASB, goodwill is not amortized but subjected to annual impairment test under IAS 36, "Impairment of Assets". The carrying amount of goodwill in the opening financial position as of January 1, 2008 is stated as the carrying amount under IFAS as of that date.

c. Revenue Recognition

Under IFAS, up to December 31, 2009 revenue from service connection is recognized as income at the time the connection takes place (for post-paid service) or at the time of activation of starter packs by customers (for prepaid service). Starting January 1, 2010, the activation component of starter package sales has been deferred and recognized as revenue over the expected average period of the customer relationship. The change in accounting policy resulted from the revocation of PSAK 35, "Accounting for Revenues from Telecommunication Services", which was applied prospectively.

Under IFRS as issued by IASB, revenue from service connection should be deferred and recognized over the expected term of the customer relationship. Starting January 1, 2010, there is no reconciliation adjustment for such service connection, except for the recognition from the outstanding balance as of December 31, 2009.

2. Reclassification:

Certain accounts were reclassified to conform with IFRS presentation requirements in the 2012 consolidated financial statements. The following discusses the significant reclassifications:

Under IFAS, prepaid taxes and taxes payable consist of receivables and payables related to Corporate Income Tax, VAT and Other Income Tax.

Under IFRS as issued by IASB, prepaid taxes and taxes payable include only domestic and foreign taxes which are based on taxable profits and withholding taxes, which are payable by a subsidiary, associate or joint venture on distributions to the reporting entity. All other taxes receivable or payable are recorded under other current assets or other current liabilities.

40. EVENTS AFTER REPORTING PERIOD

a. On January 3, 2013, as the continuation of the investigation from the General Attorney Office (AGO) in regard to the allegation of frequency 2.1 Ghz misuse by the Company and IMM due to cooperation agreement on broadband internet services, the AGO released the warrant investigation No.Prin-01/F.2/Fd.1/01/2013 (for the Company) and No.Prin-02/F.2/Fd.1/01/2013 (for IMM) since both of the Company and IMM were determined as suspects in this legal case. Subsequently, on January 10, 2013, the AGO released the letter calling for the witnesses from the Company and IMM in order to come to the AGO on January 14 - 17, 2013.

b. On January 15, 2013, the Company repaid partially the Revolving Time Loan facility from Mandiri amounting to Rp100,000 (Note 14).

c. On January 22, 2013, the Company entered into 2 currency forward contracts with Standard Chartered and BTMU Ltd with total notional amount of US$25,000.

d. On January 28, 2013, the Company repaid partially the Revolving Time Loan facility from BCA amounting to Rp300,000.

e. On January 28, 2013, the Company received the claim for tax refund on Satelindo's 2002 and 2003 income tax article 26 amounting to Rp87,198 (Note 6).

f. On February 4, 6, 8, 11, 21, 25, 27 and 28, 2013, the Company entered into 1 currency forward contract each with Standard Chartered, CIMB, BNP, ING and Barclay, 2 forward currency contracts with DBS and 3 forward currency contracts with BTUMFJ with total notional amount of US$162,000.

g. On February 19, 2013, the Company repaid partially the Revolving Time Loan facility from BCA amounting to Rp300,000.

h. On February 28, 2013, the Company paid the sixth installment of SEK credit facility B amounting to US$11,071.43.

i. On March 6, 11, 13, 14, 15, 19, 20, 22, 26 and 27, the Company entered into 17 currency forward contracts with JP Morgan, Stanchard, DBS Indonesia, BNP Paribas, Barclays, ING, Natixis, CIMB Niaga and Danareksa with total notional amount of US$284,750.

j. On March 7, 2013, the Company's major stockholder - Qatar Telecom (Qtel Asia) Pte. Ltd officially changed its name into Ooredoo Asia Pte. Ltd (Note 23).

k. On March 27, 2013, the Company drew an amount of Rp300,000 from its Revolving Time Loan with BSMI.

l. On March 27, 2013, the Company paid the seventh semi-annual installment of its COFACE and SINOSURE facilities from HSBC France amounting to US$7,859.34 and US$2,210, respectively.

m. On April 5, 2013, the Company drew an amount of Rp500,000 from its Revolving Time Loan with BCA and Rp250,000 each from the Loan with Mandiri and BSMI, respectively.

n. On April 8, 2013, the Company fully repaid IDR Bond VI Year 2008 Seri A including Sukuk Ijarah III Year 2008 totaling IDR1,330,000.

o. On April 9, 10 and 25, 2013, the Company entered into 3 currency forward contracts with Merrill Lynch International with notional amount of US$12,000, US$14,500 and US$12,000, respectively.

40. EVENTS AFTER REPORTING PERIOD (continued)

p. On April 22, 2013, the Company made public release on the Company's plan of delisting from New York Stock Exchange (NYSE). Such delisting has obtained approval from the Board of Commissioners and Directors on April 18 and 17, 2013, respectively.

q. On April 25 and 26, 2013, the Company entered into 1 currency forward contract each with Merrill Lynch International and DBS with total notional amount of US$12,000 and US$25,000.

r. As of April 25, 2013, after going through several changes in its ownership in the Company, SKAGEN Funds owns 5.41% ownership in the Company as stated in its letter dated on the same date which was sent to the BAPEPAM (Note 23).

s. As of April 29, 2013, the prevailing exchange rate of the rupiah to U.S. dollar is Rp9,721 to US$1 (in full amounts), while as of December 31, 2012, the prevailing exchange rate was Rp9,670 to US$1 (in full amounts). Using the exchange rate as of April 29, 2013, the Group suffered from exchange loss amounting to approximately Rp65,138 (excluding the effect of revaluing derivative contracts on April 29, 2013) on the foreign currency liabilities, net of foreign currency assets, as of December 31, 2012 (Note 38).

   The translation of the foreign currency liabilities, net of foreign currency assets, should not be construed as a representation that these foreign currency liabilities and assets have been, could have been, or could in the future be, converted into rupiah at the prevailing exchange rate of the rupiah to U.S. dollar as of December 31, 2012 or at any other rate of exchange.

   The commitments for the capital expenditures denominated in foreign currencies as of December 31, 2012 as disclosed in Note 33a are approximately Rp1,382,278 if translated at the prevailing exchange rate as of April 29, 2013.

41. RECENT DEVELOPMENT AFFECTING ACCOUNTING STANDARDS

On October 19, 2012, DSAK issued a revision to PSAK 60 (Revised 2010), “Financial Instrument: Disclosure”, which is effective for financial statements period beginning on or after January 1, 2013. Early adoption is permitted. Management believes that the impact of the revision is not significant to the consolidated financial statements of the Group.

42. RECLASSIFICATION OF ACCOUNTS

Following are the accounts in the consolidated statement of comprehensive income for the year ended December 31, 2011 and the consolidated statements of financial position as of December 31, 2011 and January 1, 2011/December 31, 2010 which were reclassified in accordance with the BAPEPAM-LK Regulation No VIII.G.7:

As Previously Reported	As Reclassified	Amount	Reason
December 31, 2011			
Operating expenses - general and administration	Expenses - cost of services	92,457	Reclassification to conform with the 2012 presentation
	Expenses - personnel	20,707	Reclassification to conform with the 2012 presentation
Other income (expenses) - Gain on foreign exchange - net	Expenses - Gain on foreign exchange - net	90,919	Reclassification to conform with the 2012 presentation
Other income (expenses) - Others - net	Expenses - Others - net	34,664	Reclassification to conform with the 2012 presentation
Prepaid expenses	Prepaid frequency fee and licenses	1,353,819	Reclassification to conform with the 2012 presentation
Prepaid taxes	Other non-current assets	866,843	Reclassification to conform with the 2012 presentation
January 1, 2011 / December 31, 2010			
Account receivable - Trade - Third parties	Prepaid taxes	4,322	Reclassification to conform with the 2012 presentation
Prepaid expenses	Prepaid frequency fee and licenses	1,202,009	Reclassification to conform with the 2012 presentation
Prepaid taxes	Other non-current assets	651,657	Reclassification to conform with the 2012 presentation

PT INDOSAT Tbk
STATEMENTS OF FINANCIAL POSITION
PARENT ENTITY
December 31, 2012, December 31, 2011 (Restated) and
January 1, 2011 / December 31, 2010 (Restated)
(Expressed in millions of rupiah, except share data)

The following information is the separate financial statements of PT Indosat Tbk, the Parent Entity, which is additional information to the consolidated financial statements of PT Indosat Tbk and subsidiaries as of December 31, 2012 and 2011, and January 1, 2011/December 31, 2010 and for the years ended December 31, 2012 and 2011.

	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2,803,689	1,304,453	1,195,387
Accounts receivable			
Trade			
Related parties - net of allowance for impairment of Rp38,030 as of December 31, 2012, Rp46,094 as of December 31, 2011 and Rp46,960 as of January 1, 2011 / December 31, 2010	223,238	172,576	115,506
Third parties - net of allowance for impairment of Rp493,480 as of December 31, 2012, Rp437,479 as of December 31, 2011 and Rp409,893 as of January 1, 2011 / December 31, 2010	1,297,460	1,009,733	1,177,882
Others - net of allowance for impairment of Rp18,748 as of December 31, 2012, Rp16,702 as of December 31, 2011 and Rp15,281 as of January 1, 2011 / December 31, 2010	19,643	3,720	6,873
Inventories - net of allowance for obsolescence of Rp1,378 as of December 31, 2012, Rp3,098 as of December 31, 2011 and Rp9,564 as of January 1, 2011 / December 31, 2010	51,192	74,196	93,585
Derivative assets	69,654	159,349	69,334
Advances	33,278	24,449	19,819
Prepaid taxes	284,671	29,079	43,548
Prepaid frequency fee and licenses	1,509,739	1,335,343	1,184,828
Prepaid expenses - other	305,624	314,532	290,937
Other current financial assets - net	5,058	2,010	25,493
Other current assets	244	244	244
Total Current Assets	6,603,490	4,429,684	4,223,436

PT INDOSAT Tbk
STATEMENTS OF FINANCIAL POSITION (continued)
PARENT ENTITY
December 31, 2012, December 31, 2011 (Restated) and
January 1, 2011/December 31, 2010 (Restated)
(Expressed in millions of rupiah, except share data)

	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)	
NON-CURRENT ASSETS			
Due from related parties - net of allowance for Impairment of Rp15 as of December 31, 2012 and 2011, and Rp646 as of January 1, 2011 / December 31, 2010	37,019	32,717	72,095
Property and equipment - net	41,017,251	42,656,981	43,030,290
Goodwill and other intangible assets - net	1,345,164	1,355,165	1,365,362
Long-term prepaid rentals - net of current portion	751,046	761,938	749,512
Long-term prepaid licenses - net of current portion	255,289	319,289	383,289
Long-term advances	31,607	154,515	211,434
Long-term prepaid pension - net of current portion	58,905	74,001	81,470
Long-term receivables	17,959	20,677	44,824
Other non-current financial assets - net	1,453,343	53,075	86,185
Other non-current assets - net	1,651,617	1,724,860	1,565,238
Total Non-current Assets	46,619,200	47,153,218	47,589,699
TOTAL ASSETS	**53,222,690**	**51,582,902**	**51,813,135**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term loan	299,529	1,499,256	-
Accounts payable - trade			
Related parties	48,966	66,519	57,388
Third parties	200,394	296,512	583,634
Procurement payable	2,590,857	3,419,671	3,653,372
Taxes payable	50,296	41,108	123,225
Accrued expenses	1,643,884	1,574,523	1,447,792
Unearned income	875,891	882,679	955,396
Deposits from customers	43,825	37,265	47,766
Derivative liabilities	81,242	138,189	215,403
Current maturities of:			
Loans payable	2,669,218	3,278,054	3,149,213
Bonds payable	1,329,175	-	1,098,131
Other current financial liabilities	252,619	70,333	49,679
Other current liabilities	200,893	62,553	61,494
Total Current Liabilities	10,286,789	11,366,662	11,442,493

PT INDOSAT Tbk
STATEMENTS OF FINANCIAL POSITION (continued)
PARENT ENTITY
December 31, 2012, December 31, 2011 (Restated) and
January 1, 2011/December 31, 2010 (Restated)
(Expressed in millions of rupiah, except share data)

	December 31,		January 1, 2011/ December 31, 2010 (Restated)
	2012	2011 (Restated)	
NON-CURRENT LIABILITIES			
Due to related parties	6,429,464	6,003,374	5,958,009
Obligations under finance lease	3,101,910	770,081	416,588
Deferred tax liabilities - net	1,476,999	1,788,510	1,547,563
Loans payable - net of current maturities	3,703,822	6,425,779	7,644,322
Bonds payable - net of current maturities	7,775,774	6,328,782	6,322,516
Employee benefit obligations - net of current portion	882,520	751,534	843,823
Other non-current liabilities	1,299,233	95,537	103,054
Total Non-current Liabilities	24,669,722	22,163,597	22,835,875
TOTAL LIABILITIES	**34,956,511**	**33,530,259**	**34,278,368**
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	543,393
Premium on capital stock	1,546,587	1,546,587	1,546,587
Retained earnings			
Appropriated	134,446	134,446	134,446
Unappropriated	15,247,530	15,423,712	14,905,836
Difference in transactions of equity changes in associated companies/subsidiaries	404,104	404,104	404,104
Difference in foreign currency translation	(619)	(619)	(619)
Unrealized changes in fair value of available-for-sale investment	389,718	-	-
Difference in transactions under common control	1,020	1,020	1,020
TOTAL EQUITY	**18,266,179**	**18,052,643**	**17,534,767**
TOTAL LIABILITIES AND EQUITY	**53,222,690**	**51,582,902**	**51,813,135**

PT INDOSAT Tbk
STATEMENTS OF COMPREHENSIVE INCOME
PARENT ENTITY
Years Ended December 31, 2012 and 2011 (Restated)
(Expressed in millions of rupiah, except share data)

	2012	2011 (Restated)
REVENUES		
Cellular	18,535,365	16,464,109
Multimedia, Data Communication, Internet ("MIDI")	1,484,649	1,258,004
Fixed telecommunications	1,001,552	1,214,892
Total Revenues	**21,021,566**	**18,937,005**
EXPENSES		
Cost of services	8,633,393	7,124,729
Depreciation and amortization	8,017,048	6,184,049
Personnel	1,158,733	1,629,910
Marketing	875,224	793,310
General and administration	500,044	422,082
Gain on sale of towers	(1,183,963)	-
Gain on foreign exchange - net	(44,934)	(93,340)
Others - net	252,118	(68,985)
Net Expenses	**18,207,663**	**15,991,755**
OPERATING PROFIT	**2,813,903**	**2,945,250**
Interest income	69,817	47,738
Gain on change in fair value of derivatives - net	4,963	57,943
Financing cost	(2,066,224)	(1,914,331)
Loss on foreign exchange - net	(789,438)	(54,187)
Other Expenses - Net	**(2,780,882)**	**(1,862,837)**
PROFIT BEFORE INCOME TAX	**33,021**	**1,082,413**
INCOME TAX BENEFIT (EXPENSE)		
Current	(103,224)	-
Deferred	311,510	(240,946)
Income Tax Benefit (Expense) - Net	**208,286**	**(240,946)**
PROFIT FOR THE YEAR	**241,307**	**841,467**

PT INDOSAT Tbk
STATEMENTS OF COMPREHENSIVE INCOME (continued)
PARENT ENTITY
Years Ended December 31, 2012 and 2011 (Restated)
(Expressed in millions of rupiah, except share data)

	2012	2011 (Restated)
OTHER COMPREHENSIVE INCOME		
Unrealized changes in fair value of available-for-sale investment	389,718	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**631,025**	**841,467**
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**241,307**	**841,467**
OTHER COMPREHENSIVE INCOME - NET OF TAX ATTRIBUTABLE TO OWNERS OF THE COMPANY	**389,718**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**631,025**	**841,467**
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	**44.41**	**154.85**
BASIC AND DILUTED EARNINGS PER ADS (50 SHARES PER ADS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	**2,220.37**	**7,742.71**

PT INDOSAT Tbk
STATEMENTS OF CHANGES IN EQUITY
PARENT ENTITY
Years Ended December 31, 2012 and 2011 (Restated)
(Expressed in millions of rupiah)

Description	Capital Stock - Issued and Fully Paid	Premium of 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 under Common Control	Total
			Appropriated	Unappropriated					
Balance as of January 1, 2011 (previously reported)	**543,393**	**1,546,587**	**134,446**	**14,885,817**	**404,104**	**(619)**	-	**1,020**	**17,514,748**
Retrospective application in applying new accounting policy	-	-	-	20,019	-	-	-		20,019
Balance as of January 1, 2011 (restated)	**543,393**	**1,546,587**	**134,446**	**14,905,836**	**404,104**	**(619)**	-	**1,020**	**17,534,767**
Resolution during the Annual Stockholders' General Meeting on June 24, 2011									
Declaration of cash dividend	-	-	-	(323,591)	-	-	-	-	(323,591)
Profit for the year	-	-	-	841,467	-	-	-	-	841,467
Balance as of December 31, 2011 (restated)	**543,393**	**1,546,587**	**134,446**	**15,423,712**	**404,104**	**(619)**	-	**1,020**	**18,052,643**
Balance as of January 1, 2012 (previously reported)	**543,393**	**1,546,587**	**134,446**	**15,271,490**	**404,104**	**(619)**	-	**1,020**	**17,900,421**
Retrospective application of new accounting policy	-	-	-	152,222	-	-	-	-	152,222
Balance as of January 1, 2012 (restated)	**543,393**	**1,546,587**	**134,446**	**15,423,712**	**404,104**	**(619)**	-	**1,020**	**18,052,643**
Unrealized changes in fair value of available-for-sale investment	-	-	-	-	-	-	389,718	-	389,718
Resolution during the Annual Stockholders' General Meeting on May 14, 2012									
Declaration of cash dividend	-	-	-	(417,489)	-	-	-	-	(417,489)
Profit for the year	-	-	-	241,307	-	-	-	-	241,307
Balance as of December 31, 2012	**543,393**	**1,546,587**	**134,446**	**15,247,530**	**404,104**	**(619)**	**389,718**	**1,020**	**18,266,179**

PT INDOSAT Tbk
STATEMENTS OF CASH FLOWS
PARENT ENTITY
Years Ended December 31, 2012 and 2011
(Expressed in millions of rupiah)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Customers	20,635,014	19,101,410
Refunds of taxes	121,953	141,271
Settlement from currency forward contracts	116,147	55,371
Interest income	70,464	47,777
Settlement from currency swap contracts	30,212	20,626
Cash paid to/for:		
Authorities, other operators, suppliers and others	(9,360,781)	(8,391,927)
Financing cost	(2,035,630)	(1,741,941)
Employees	(977,154)	(1,737,906)
Income taxes	(342,748)	(385,965)
Interest rate swap contracts	(82,305)	(119,519)
Swap cost from cross currency swap contract	(35,858)	(70,838)
Net Cash Provided by Operating Activities	**8,139,314**	**6,918,359**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	3,004,639	6,689
Acquisitions of property and equipment	(6,499,034)	(5,803,806)
Purchase of short-term/long-term investments	(624,679)	-
Acquisitions of intangible assets	(576)	(1,923)
Proceeds from sale of other long-term investment	-	44,565
Cash dividend received from other long-term investment	-	13,790
Net Cash Used in Investing Activities	**(4,119,650)**	**(5,740,685)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bonds payable	3,000,000	-
Proceeds from long-term loans	1,700,000	2,322,900
Proceeds from short-term loan	700,000	1,500,000
Settlement of derivatives contract	361	-
Repayment of long-term loans	(5,433,443)	(3,470,130)
Repayment of short-term loans	(1,900,000)	-
Cash dividend paid by the Company	(417,489)	(323,591)
Repayment of bonds payable	(200,000)	(1,100,000)
Net Cash Used in Financing Activities	**(2,550,571)**	**(1,070,821)**
Net Foreign Exchange Differences from Cash and Cash Equivalents	**30,143**	**2,213**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,499,236**	**109,066**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,304,453**	**1,195,387**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,803,689**	**1,304,453**
DETAILS OF CASH AND CASH EQUIVALENTS:		
Time deposits with original maturities of three months or less and deposits on call	2,554,577	1,184,709
Cash on hand and in banks	249,112	119,744
Cash and cash equivalents as stated in the statement of financial position	**2,803,689**	**1,304,453**

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 entities and jointly controlled entities through direct equity ownership and not to report on the results of operations and net assets of the investee.

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 subsidiaries and associated entities.

Starting January 1, 2012, based on PSAK 30 (Revised 2011), when a lease includes both land and building elements, an entity should assess the classification of each element separately whether as a finance or an operating lease. As a result of the separate assessment made by the Company, taking into consideration comparison of the lease term with the reassessed economic life of the respective element and other relevant factors, each element might result in different lease classification.

As a result of the retrospective application of the PSAK 30 (Revised 2011), the Company restated its separate financial statements previously reported and disclosed an additional separate statement of financial position at the earliest comparative period as of January 1, 2011 / December 31, 2010 as required by PSAK 1 (Revised 2009):

As of January 1, 2011 / December 31, 2010:

	Previously Reported	Restated
ASSETS		
Accounts receivable - trade - net	1,174,814	1,177,881
Property and equipment - net	42,502,431	43,030,290
Other non-current assets - net	1,024,169	1,565,238*
LIABILITIES		
Taxes payable	120,158	123,225
Accrued expenses	1,364,450	1,447,792
Unearned income	997,063	955,396
Other current financial liabilities	20,393	49,679
Obligations under finance lease	-	416,588
Deferred tax liabilities - net	1,527,272	1,547,563
EQUITY		
Retained earnings		
Unappropriated	14,885,817	14,905,836

* including reclassification

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of December 31, 2011:

	Previously Reported	Restated
ASSETS		
Accounts receivable - trade - net	1,183,988	1,182,309
Property and equipment - net	41,689,543	42,656,981
Other non-current assets - net	1,019,564	1,724,860*
LIABILITIES		
Taxes payable	38,465	41,108
Unearned income	928,863	882,679
Other current financial liabilities	14,578	70,333
Obligations under finance lease	-	770,081
Deferred tax liabilities - net	1,752,946	1,788,510
EQUITY		
Retained earnings		
Unappropriated	15,271,490	15,423,712

For the Year Ended December 31, 2011:

REVENUES		
Cellular	16,627,604	16,464,109
EXPENSES		
Cost of services	7,296,216	7,124,729*
Depreciation and amortization	6,196,385	6,184,049
Marketing	961,322	793,310
General and administration	535,245	422,082
Financing cost	(1,781,009)	(1,914,331)
INCOME TAX EXPENSE		
Deferred	(225,673)	(240,946)

* including reclassification

Investments in shares of subsidiaries and associated entity are recorded at cost. The Parent Entity recognizes dividends from subsidiaries and associated entities in the separate statement of comprehensive income when the right to receive the dividend is determined.

2. INVESTMENTS IN SHARES OF SUBSIDIARIES AND ASSOCIATED ENTITY

The information regarding the Company's associated entity is disclosed in Note 13 to the consolidated financial statements.

As of December 31, 2012 and 2011, and January 1, 2011 / December 31, 2010, the Parent Entity has investments in shares in the following subsidiaries and associated entity:

	December 31, 2012 and 2011				
Entity Name	Percentage of Ownership	Cost Acquisition January 1, 2012	Increase	Decrease	Cost Acquisition December 31, 2012
Subsidiaries					
IPBV	100.00%	23,862	-	-	23,862
IFB	100.00%	22,377	-	-	22,377
IIFB	100.00%	10,447	-	-	10,447
ISPL	100.00%	5,962	-	-	5,962
IMM	99.85%	277,974	-	-	277,974
SMT	72.54%	134,709	-	-	134,709
Lintasarta	72.36%	543,296	-	-	543,296
Associated Entity					
PT Multi Media Asia (“M2A”)	26.67%	56,513	-	-	56,513
Allowance for impairment		(56,513)	-	-	(56,513)
Total		**1,018,627**	**-**	**-**	**1,018,627**

	January 1, 2011 / December 31, 2010				
Entity Name	Percentage of Ownership	Cost Acquisition January 1, 2010	Increase	Decrease	Cost Acquisition December 31, 2010
Subsidiaries					
IPBV	100.00%	-	23,862	-	23,862
IFB	100.00%	22,377	-	-	22,377
IIFB	100.00%	10,447	-	-	10,447
ISPL	100.00%	5,962	-	-	5,962
IMM	99.85%	277,974	-	-	277,974
SMT	72.54%	134,709	-	-	134,709
Lintasarta	72.36%	543,296	-	-	543,296
Associated Entity					
PT Multi Media Asia (“M2A”)	26.67%	56,513	-	-	56,513
Allowance for impairment		(56,513)	-	-	(56,513)
Total		**994,765**	**23,862**	**-**	**1,018,627**

Statements of Responsibility of The Board of Commissioners and The Board of Directors PT Indosat Tbk Annual Report 2012

We the undersigned hereby declare that all the information in the PT Indosat Tbk 2012 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

H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani
President Commissioner

Dr. Nasser Mohammed Marafih
Commissioner

Rachmat Gobel
Commissioner

Rionald Silaban
Commissioner

Beny Roelyawan
Commissioner

Soepraprto S.IP
Independent Commissioner

George Thian Peng Heok
Independent Commissioner

Chris Kanter
Independent Commissioner

Richard Farnsworth Seney
Independent Commissioner

Rudiantara
Independent Commissioner

Board of Directors

Alexander Rusli
President Director and Chief Executive Officer

Curt Stefan Carlsson
Director and Chief Financial Officer

Hans Christiaan Moritz
Director and Chief Technology Officer

Fadzri Sentosa
Director and Chief Wholesale and Infrastructure Officer

Frederik Johanner (Erik) Meijer
Director and Chief Commercial Officer





CORPORATE DATA

SHAREHOLDER INFORMATION

Shareholders and Public inquiries should be addressed to:

Group Investor Relations
Gedung Indosat Lantai 2 Podium Depan
Jl. Medan Merdeka Barat No. 21, Jakarta 10110, Indonesia
Tel. : +62 21 3000 3001, 3044 2615
Fax. : +62 21 30003757
Email : investor@indosat.com

Website : www.indosat.com

Capital Stock (as of December 31, 2012)

Authorized Capital Rp2,000,000,000,000 comprises of 20,000,000,000 shares that include 1 Series A share and 19,999,999,999 Series B shares with nominal value of Rp100 per share.

Share issued and fully paid (as of December 31, 2012)
5,433,933,500 comprise of 1 Series A Share and 5,433,933,499 Series B Shares with a nominal value of Rp543,393,350,000 owned by:

1. The Government of Indonesia
   (1 Series A Share and 776,624,999 Series B Share)
2. Ooredoo Asia Pte. Ltd.
   (3,532,056,600 Series B Shares)
3. SKAGEN AS (299,382,400 Series B Shares)
4. Public (825,869,500 Series B Shares)

Share Ownership Above 5% (as of December 31, 2012)

1. Ooredoo Asia Pte. Ltd (65.00%)
2. The Government of Indonesia (14.29%)
3. SKAGEN AS (5.51%)
4. Public (15.20%)

Annual Report on Form 20-F

The Report mostly contains the Company's corporate and financial information that is presented in the 20-F Format which is filed to the United States Securities and Exchange Commission.

Stock Exchanges where Indosat shares are listed

Indonesia Stock Exchange (IDX)
New York Stock Exchange (NYSE)

Name and Address of Capital Market Professional Support

ADR Custodian Bank
The Bank of New York Mellon
Mellon Depositary Receipt Division
101 Barclay Street New York, New York 10286, USA
Tel. : +1 212 815 2293 (International Caller)
Fax. : +1 212 571 3050/1/2
1-888-BNY-ADRs (Toll Free within USA)
Email : shareowners@bankofny.com

Stock Administration Bureau

PT EDI Indonesia
Wisma SMR, 10th Floor
Jl. Yos Sudarso Kav. 89, Jakarta 14350, Indonesia
Tel. : +62 21 651 5130
Fax. : +62 21 651 5131

Independent Auditor

Purwantono, Suherman & Surja, a member of Ernst & Young
Global Gedung Bursa Efek Indonesia Tower 2, 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

Moodys
Moody's Investors Service
50 Raffles Place #23-06
Singapore Land Tower, Singapore, 048623
www.moodys.com

PT Fitch Ratings Indonesia
Prudential Tower 20th Floor
Jl. Jend. Sudirman Kav. 79, Jakarta Selatan 12910, Indonesia
Tel: +62 21 5795 7755
Fax: +62 21 5795 7750
www.fitchratings.com

Annual General Meeting of Shareholders

The Indosat 2013 Annual General Meeting of Shareholders will be held on June 18, 2013 (Tentative).

SUBSIDIARY COMPANIES

AS OF DECEMBER 31, 2012

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 Finance Company B. V. ("IFB")

IFB was established in Amsterdam, the Netherlands, in October 2003 and operates as a financing company. Indosat holds 100% of the shares in this company. In 2003, IFB issued guaranteed notes which are due in 2010.

Address : Netherlands Prins Bernhardplein 2001097 JB Amsterdam, The Netherlands
Phone : (31-20) 521 4777
Fax. : (31-20) 521 4888
post address : P.O. Box 9901000 AZ Amsterdam
The Netherlands
Contact person : Gert Jan van Nieuwpoort, Financial Account Manager
Phone : (31-20) 521 4830
Fax. : (31-20) 521 4825
Email : gertjan.van.nieuwpoort@intertrustgroup.com

Indosat International Finance Company B. V. ("IIFB")

IIFB was incorporated in Amsterdam, the Netherlands, in April 2005 and operates as a financing company. Indosat holds 100% of the shares in this company. In 2005, IIFB issued guaranteed notes which are due in 2012.

Address : Netherlands Prins Bernhardplein 2001097 JB Amsterdam, The Netherlands
Phone : (31-20) 521 4777
Fax. : (31-20) 521 4888
post address : P.O. Box 990, 1000 AZ Amsterdam, The Netherlands
Contact person : Gert Jan van Nieuwpoort, Financial Account Manager
Phone : (31-20) 521 4830
Fax. : (31-20) 521 4825
Email : gertjan.van.nieuwpoort@intertrustgroup.com

Indosat Singapore Pte. Ltd ("ISPL")

ISPL was established in Singapore on December 21, 2005. ISPL is whollyowned by Indosat. This company provides telecommunications services. Indosat holds 100% of the shares in this company.

Address : 8 Temasek Boulevard, Suntec City Tower 3, #15-05
Singapore 038988
Phone : (65) 6235 5155
Fax. : (65) 6337 4838
Contact person : Fuad Fachroeddin
Email : info@indosat.com.sg

PT Starone 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 72.54% of the shares in this company.

Address : Gedung Grinatha Fl. 1
Jl. Pemuda No. 142, Semarang 50132
Phone : (62-21) 6235 5155
Fax. : (62-24) 356 0806
Contact person : Ariehte Miranda
Email : ariehte.miranda@ptsmt.com

Indosat Palapa Company B.V. ("IPBV")

IPBV was established in Amsterdam, the Netherlands, in April 28, 2010 and operates as a financing company. Indosat holds 100% of the shares in this company. In 2010, IPBV issued guaranteed notes which are due in 2010.

Address : Jan Luijkenstraat 12
1071 CM Amsterdam The Netherlands
Phone : (31) 20 890 6931
Fax. : (31) 20 890 6930
Contact person : John Peter van Leeuwen
Email : john@indosatpalapaco.com; info@indosatpalapaco.com

PROFILE OF THE BOARD OF COMMISSIONERS



H.E. SHEIKH ABDULLAH BIN MOHAMMED BIN SAUD AL THANI

H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al Thani, 53, has been the President of Commissioner at Indosat since August 2008. Sheikh Abdullah is the Chairman of the Board of Directors for Ooredoo Qatar (formerly known as Qtel) and Ooredoo (formerly known as Qtel Group). In his capacity as the Chairman, Sheikh Abdullah represents a wide range of business skills, experience and knowledge. He has enhanced Ooredoo Qatar corporate governance system to ensure the company is directed and controlled in the most efficient manner in line with international practices, thereby reinforcing both corporate accountability and the sustained creation of shareholder wealth. Sheikh Abdullah has previously held several high profile positions in Qatar including the Chief of the Royal Court (Amiri Diwan), a role he filled from 2000 to 2005. His Excellency enjoys the status of a minister, and he is also a member of the Qatari Planning Council. He graduated as a Pilot in the British Army Air Corps and completed his studies at the Senior Military War College for the Armed Forces in the United States of America.



Dr. NASSER MOHAMMED MARAFIH

Dr. Nasser Mohammed Marafih, 52, has been a Commissioner at Indosat since August 2008 and is the Chairman of the Remuneration and Budget Committee. He is the Group Chief Executive Officer (CEO) of Ooredoo (formerly known as Qtel Group). Dr. Nasser 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 Ooredoo Qatar in 1992 as expert advisor from the University of Qatar and was involved in the introduction of the first GSM service in the Middle East in February 1994. Dr. Nasser has spearheaded Ooredoo's global growth in recent years, including Ooredoo's acquisition of Wataniya Telecom, its strategic deal with AT&T to gain an equity stake in NavLink, Ooredo's strategic partnership with ST Telemedia in Singapore, as well as the company's purchase of a controlling stake in Indosat of Indonesia. Dr. Nasser serves as Chairman of the Board of the GSMA Mobile for Development Foundation and he is member of the Board of the GSMA (the GSM Association represents the interests of the worldwide mobile communications industry).



BENY ROELYAWAN

Beny Roelyawan, 56, has been a Commissioner since June 2012. Since January 2006, Mr. Roelyawan has been serving as Deputy III in the State Intelligence Agency, Republic of Indonesia from January 2006. He received Honorary Award of Satyalancana Karya Satya X in 2001 and Satyalancana Karya Satya XX in 2005. He holds a Bachelor degree in Economy Enterprises from the University of Diponegoro in Indonesia.



RIONALD SILABAN

Rionald Silaban, 47, has been a Commissioner since June 2008 and was appointed as a member of the Risk Management Committee in the same year. He currently serves as Senior Advisor to the Minister of Finance and, since 2008, as the Director of the Center for Policy Analysis and Harmonization of the Ministry of Finance in Indonesia. In the past he held several positions including Director of Fiscal Risk Management of the Ministry of Finance from 2006 to 2008, Senior Advisor at the World Bank in Washington D.C., U.S. from 2004 to 2006, Division Head in Secretariat General of the Ministry of Finance from 2002 to 2004, Head of the Assets Monitoring Division of the Indonesian Banking Restructuring Agency from 2000 to 2002, Division Head for Financial Service of the Legal Bureau of the Ministry of Finance from 1998 to 2000, Deputy Director for Privatization of Directorate General State-Owned Enterprise of the Ministry of Finance from 1997 to 1998, Head of Section of the Legal Bureau of the Ministry of Finance from 1994 to 1997 and Head of Secretariat for Privatization Committee of Ministry of Finance from 1994 to 1997. Mr. Silaban received a law degree from the University of Indonesia in 1989 and a LL.M. degree from the Georgetown University Law Center, Washington D.C. in the United States, in 1993.



RACHMAT GOBEL

Rachmat Gobel, 50, has been a Commissioner of PT Indosat Tbk, since 2008. Currently, he is the Chairman of the Gobel Group of companies that has operations in manufacturing, trading, services, integrated logistics management, as well as food and hospitality including industrial catering. In 1960, Gobel Group entered into a technical assistance agreement with Matsushita Electric Industrial Co., Ltd. (currently - Panasonic Corporation), one of the world's global leaders in electronics and electrical goods. Since 1970 Gobel Group has been the Indonesian joint venture partner with Matsushita. Mr. Gobel also holds other key positions including as Commissioner of PT SMART Tbk, Commissioner of PT Visi Media Asia Tbk, the Vice Chairman of the Indonesian Chamber of Commerce and Industry (KADIN INDONESIA/ *Kamar Dagang dan Industri Indonesia*), the Vice Chairman of the Employers' Association of Indonesia (APINDO/Asosiasi Pengusaha Indonesia), the Chairman of the Federation of the Indonesian Electronic and Telematic Industry Associations (FGABEL) and the Chairman of the Indonesian Renewable Energy Society ("METI"). He has also been appointed as a member of the National Innovation Committee (KEN/ Komite Inovasi Nasional) by President Susilo Bambang Yudhoyono. Mr. Gobel graduated with a Bachelor of Science Degree in International Trade from Chuo University, Tokyo, Japan in 1987 and was awarded an Honorary Doctorate Degree from Takushoku University, Tokyo, Japan in 2000. In 2009, he received the prestigious "Distinguished Engineering Award in the Field of Manufacturing Technology" ("*Perekayasa Utama Kehormatan dalam Bidang Teknologi Manufaktur*") from the Agency for the Assessment and Application Technology (BPPT/*Badan Pengkajian dan Penerapan Teknologi*). In 2009, he also received the "BNSP-Competency Award" from the National Agency for Certification of Professions (BNSP/*Badan Nasional Sertifikasi Profesi*)- Ministry of Manpower and Transmigration of the Republic of Indonesia. In 2011, he received the prestigious "Asian Productivity Organization Regional Award", for his contributions to improving productivity in Indonesia's industry sector and demonstrating the significant role of private-sector leaders in introducing sustainable development through Green Productivity and forging strategic partnerships with the rest of Asia and the Pacific, from the Asian Productivity Organization, Tokyo, Japan. Mr. Gobel is also actively involved in numerous social activities, including the Indonesian Red Cross.



RICHARD FARNSWORTH SENEY

Richard Farnsworth Seney, 58, has been a Commissioner since June 2009. Mr. Seney served as Chief Operating Officer of Qtel International (QI) from 2007 to 2011, President and Chief Executive Officer of MCT Corp. (including predecessors) from 1992 to 2007, Executive Vice President and General Manager of MCT Investors, L.P. from 1987 to 2002, and Executive Vice President and Chief Financial Officer of Charisma Communications Corporation from 1985 to 1987. Mr. Seney received a Bachelor degree in Commerce from the University of Virginia McIntire School of Commerce.



SOEPRAPTO S.IP

Soeprapto S.IP, 66, has been an Independent Commissioner and a member of the Audit Committee from June 2005-October 2012. In the past, Mr. Soeprapto has held several positions including as Assistant Personnel to the Army Chief of Staff of the Republic of Indonesia from 2000 to 2001, and currently serves as Commissioner of PT Padangbara Sukses Makmur from 2008 to now and PT Sawit Kaltim Lestari from 2010 to now. He earned a degree in Political Science from the Terbuka University, Jakarta and Participant Reguler Course (KRA 29) at the Indonesian National Resiliance Institute (LEMHANAS) in 1996.



GEORGE THIA PENG HEOK

George Thia Peng Heok, 64, has been an Independent Commissioner and Chairman of the Audit Committee since June 2008. Mr. Thia currently serves as Director/Consultant in Asiainc Private Limited. In the past he has held several positions including as Consultant/Director, Strategic Advisory Private Limited from 2003 to 2006, Executive Chairman, MediaStream Limited from 1999 to 2003, Director/Consultant, Phoenix Capital Private Limited from 1995 to 1998, Executive Chairman, Asia Matrix Limited from 1993 to 1995, Managing Director, Lum Chang Securities Private Limited from 1991 to 1993, Managing Director, Sun Hung Kai Securities Private Limited from 1989 to 1991, Managing Director, Merrill Lynch International Bank Limited from 1987 to 1989, Executive Director/Partner, Kay Hian Private Limited from 1985 to 1987 and Managing Director, Morgan Grenfell (Asia) Limited from 1975 to 1985. Mr. Thia is a Certified Public Accountant and a Fellow Member of both the Chartered Association of Certified Accountants (United Kingdom) and the Singapore Institute of Directors. He is currently also the Chairman of the Board of Directors of Mount Alvernia Hospital, a Trustee of both the Community Cancer Fund and the NCC Research Fund under the National Cancer Centre of Singapore and a Governor of the Singapore Institute of Management.



CHRIS KANTER

Chris Kanter, 61, has been an Independent Commissioner since January 2010. Mr. Kanter is an Indonesian businessman and business community leader, who is at the forefront of the national economic reform agenda in Indonesia. A trained engineer, he is Chairman and Founder of Sigma Sembada Group; major player as a turnkey contractor as well as in transportation and logistics. Chris' commitment and devotion to nation economic development and reform is shown through his role as a member of National Economic Council that has been appointed by the government of Republic of Indonesia. His contributions also extend more widely to include: Deputy Chairman of Trade and International Relations of Indonesian Chambers of Commerce (Kadin Indonesia), Chairman of Board of Founders of the Swiss German University, Vice Chairman of National Board of the Employers Association of Indonesia (APINDO), Chairman of Board of Founders of Global Entrepreneurship Program Indonesia and Vice President Commissioner of PT Bank BNP Paribas Indonesia. Chris also served as member of the Peoples Consultative Congress (MPR) of the Republic of Indonesia (1998 – 2002).



RUDIANTARA

Rudiantara, 53, has been an Independent Commissioner since November 2012. Currently, Mr. Rudiantara is the Chief Executive Officer of PT Bukitasam Transpacific Railways and PT Rajawali Asia Resources. Mr. Rudiantara previously held various positions, including Independent Commissioner and Chairman of the Audit Committee of PT Telekomunikasi Indonesia Tbk from 2011 to 2012, Deputy Chief Executive Officer of PT PLN (Persero), Deputy Chief Executive Officer PT Semen Gresik (Persero) Tbk, Director PT Excelcomindo Pratama Tbk, Chief Operating Officer PT Telekomindo Primabhakti, Commissioner PT Excelcomindo Pratama, Commissioner Bank Pos and Director PT Telekomunikasi Seluler Indonesia-Telkomsel. He received an MBA degree from IPPM (Institut Pendidikan dan Pembinaan Manajemen) and Bachelor degree in Statistic from the University of Padjadjaran in Indonesia.

PROFILE OF THE BOARD OF DIRECTORS



ALEXANDER RUSLI

Alexander Rusli, 42, assumed the role of President Director and CEO as of 1st of 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 South East Asian opportunities. Prior to his role in Northstar Pacific, Mr. Rusli served for the Government of Indonesia for nine years. In the 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 the last three years he was an Expert Staff to the Minister of State-Owned Enterprises, overseeing 140 State-owned enterprises with more than 500 subsidiaries. During that period he also held numerous state-owned corporate positions including: Commissioner of PT Krakatau Steel (Persero), PT Geodipa Energi, PT Kertas Kraft Aceh. Prior to his posts in government, Mr. Rusli has held a position as a Principal Consultant for PricewaterhouseCoopers Management Consulting, Indonesia. Mr. Rusli completed all his formal tertiary education in Curtin University, Western Australia. He holds a Doctor of Philosophy degree in Information Systems.



CURT STEFAN CARLSSON

Curt Stefan Carlsson, 42, was appointed as Director & Chief Financial Officer in September 2011. Mr. Carlsson has previously held various positions, including Chief Operations Advisor at wi-tribe Philippines since January 2011, he held a transitional advisory role at Telenor Asia from August 2010 to December 2010, Chief Financial Officer at DiGi.Com Bhd and at DiGi Telecommunications Sdn Bhd, Selangor, Malaysia from November 2006 to July 2010, Chief Financial Officer at Telenor Pakistan Pvt. Ltd (TP) from June 2004 to October 2006, Chief Financial Officer at Telenor Mobile Sverige (TMS), Sweden, from August 2001 to May 2004, Chief Financial Officer at Mobyson, Norway from May 2000 to July 2001 and an Auditor at PricewaterhouseCoopers, Sweden, from September 1997 to April 2000, He holds a MSc degree in Business and Economics from the University of Uppsala, Sweden in 1997.



FADZRI SENTOSA

Fadzri Sentosa, 49, was appointed as a Director in June 2007 and as Director & Chief Wholesale and Infrastructure Officer in June 2009. Currently, Mr. Sentosa is a member of the Board of Commissioners of PT Aplikanusa Lintasarta. Mr. Sentosa has previously held various positions with us, including as member of the Board of Commissioners of PT Indosat Mega Media from 2005 to 2009, Group Head of National Card and Channel Management from 2006 to 2007, Senior Vice President of Commerce, Jabotabek Region from 2005 to 2006 and Senior Vice President of Cellular Sales from 2003 to 2004, member of the Board of Directors of Satelindo in 2003 and a member of the Board of Director of IM3 from 2002 to 2003. Mr. Sentosa received a Master degree in International Business Management from the University of Technology, Sydney in 2001 and a Bachelor degree in Telecommunications Engineering from the Bandung Institute of Technology in 1986.



HANS CHRISTIAAN MORITZ

Hans Christiaan Moritz, 59, was appointed as Director & Chief Technology Officer in February 2011 and assumed his duties on May 1, 2011. Mr. Moritz has 25 years experience in the Mobile Telecom industry and has previously held various positions, including Head Corporate Project Officer at Vodafone India from 2009 to 2011, Group Operations Director Africa/Chief Technology Officer at Zain from 2006 to 2009, Chief Technology Officer at Zain Uganda from 2004 to 2006, Chief Operating Officer at KPN Internet, from 2003 to 2004, General Manager of the Business Unit Broadband Network at KPN Telecom from 2001 to 2003, Chief Operating Officer at BASE and from 1998 to 2000, Operations Director Asia (based in Indonesia) at KPN Asia from 1994 to 1997. Mr. Moritz received a Master degree in Mathematics in 1986 and various Bachelor degrees, i.e Electronics in 1978, Feedback and Control Systems in 1984 and Water Management in 1984.



FREDERIK JOHANNES (ERIK) MEIJER

Frederik Johannes (Erik) Meijer, 42, was appointed as Director & Chief Commercial Officer in May 2012. He has a total of approximately 20 years of telecommunication industry experience. After his initial start at KPN Royal Dutch Telecom, he spent 12 years working at Telkomsel in progressively senior roles in the commercial area up to the level of Vice President (Marketing & CRM), as well as leading the 3G initiative for Telkomsel when it was introduced in 2006. In the subsequent 5 years, he worked at Bakrie Telecom in the role of Deputy President Director, as well as President Director of wireless broadband company Bakrie Connectivity, CEO of one of Indonesia's largest internet portals VIVAnews, and Director at media company VIVA. Mr. Meijer is or has also been active in the Indonesia Marketing Association (IMA), the Indonesian Advertisers Association (APPINA) and others. He was awarded a Lifetime Achievement Award at the Indonesia Cellular Awards 2007, and is a regular guest lecturer at several universities and a speaker at seminars and conferences.

PROFILE OF CHIEF OFFICERS



INDAR ATMANTO

is the Chief Corporate Services Officer since August 2011. Currently Mr. Atmanto is also The President Commissioner of PT Indosat Mega Media. Previously, Mr. Atmanto was the CEO of PT Indosat Mega Media (IM2) in 2006-2012. Many initiatives have been taken during his tenure to position IM2 as the prime mover of Broadband Mobile services in Indonesia. IM2 performance is well respected by other operator in the market and received both national and international recognitions such as Winner of The Most Innovative Broadband Wireless from WBA (World Broadband Alliance, Top Brand Award, and Call Center Award from respected institutions in Indonesia. Prior joining PT Indosat Mega Media, Mr. Atmanto served as Commercial Director of PT Aplikanusa Lintasarta where during his tenure, the company had managed to grow surpassing the market growth. In the past, he has held board level position in various companies such as Commissioner of PT EDI (Electronic Data Interchange), Commissioner of PT IndosatMutimediaMobile (IM3), Commissioner of PT Satelindo, as well as Director of PT Bimagraha Telekomindo. He has also spent his professional experience in various management positions at PT Indosat including Corporate Secretary, Strategic Corporate Development-General Manager, and Marketing-General Manager. Mr. Atmanto graduated from Bandung Institute of Technology-ITB-Indonesia in 1986. He received scholarship form OTO Bapennas of government of Indonesia to continue graduate program, and earned Master degree in Business Administration with specialization in Telecommunication Management and Finance, from University of Miami, USA in 1993. Mr. Atmanto is now a member of Board and Executive Chairman of Internet & Data of MASTEL-Indonesian Telecommunication and Information Community.



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 has previously held various positions, including Head of 3G Business, Reliance Communications, India from May 2010 to June 2011, Head of Corporate Strategy, Reliance Communication, India from April 2008 to June 2011 and Partner in Spectrum Value Partners, London, UK from September 2000 to March 2008. Mr. Gokarn received a Postgraduate in Management Studies from the Indian Institute of Management



HAROLD (HAL) WALTER PETERS

was appointed as Chief Tower Business Officer of Indosat in February 2012 to manage the company's tower related activities. He has broad experience in telecommunications and finance. Most recently he was employed in business development functions for Zain Group based in Bahrain and Saudi Telecom Company based in Saudi Arabia. In the past three years he gained extensive experience with forming captive tower operations for mobile network operators. Prior to the commencement of his international experience in the Middle East in 2009, he was employed in various senior corporate and investment banking roles in Canada with Royal Bank of Canada and Bank of Montreal. In 1998 and 1999 he managed corporate development activities for a Manitoba Telecom Services Inc. Mr. Peters holds a Master of Business Administration from the Richard Ivey School of Business at the University of Western Ontario in Canada and he is also a Chartered Financial Analyst.



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 across consumer goods, pharmaceutical and consulting industries of 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 from the faculty of Psychology of the University of Indonesia, with post-graduate MsC. in Education and Training System Design from the University of Twente, the Netherlands.

PROFILE OF INDEPENDENT EXPERTS IN AUDIT COMMITTEE



KANAKA PURADIREDJA

has been a member of the Audit Committee since January 2009. He is the founder of Kanaka Puradiredja, Suhartono Public Accounting Firm and was Senior Partner from 2000 to October 2007. He currently is the Chairman of Honorary Board of the Indonesian Institute of Audit Committee and former Chairman of Honorary Board of Indonesian Accountants Association (2002-2010), Member of Honorary Board of Professionals in Risk Management Association (PRIMA) and Vice Chairman of Executive Board of Indonesian Institute of Commissioners and Directors. Previously he held several positions, including member of Marketing & Communication Committee of KPMG International in 1995, member of KPMG Asia Pacific Board 1994-1998, Managing Partner of KPMG Indonesia during 1978-1999 with last position as Chairman and previously worked at Peat Marwick Mitchell (predecessor of KPMG) in Melbourne, Australia during 1975-1977 and at the Directorate General of Financial Supervisory Board (now BPKP) during 1971-1974. He graduated from Faculty of Economics, majoring in Accounting, at Padjajaran University, Bandung in 1971, Chartered Member of Indonesian Institute of Commissioners and Directors (LKDI) and Certified Risk Management Professional.



UNGGUL SAUT MARUPA TAMPUBOLON

has been a member of the Audit Committee since 2008. In the past, he has held several positions, including President Director of PT Satelindo from 2001 to 2002, General Manager, Legal Affairs of PT Indosat from 2000 to 2001, Commissioner of PT MGTI (Indosat Group) from 2000 to 2001, President Director of PT Indosel from 1997 to 1999, Commissioner of PT Sisindosat (Indosat Group) from 1997 to 1999, Director of PT Menara Jakarta from 1996 to 1997, Commissioner of PT Patrakom (Indosat Group) from 1996 to 1997 and General Manager, Legal and General Affairs of PT Indosat from 1988 to 1997. Prior to joining Indosat he was the Corporate Attorney of PT Nickel Indonesia from 1980 to 1983 and a lawyer at Imam & Associates Law Firm, Jakarta from 1977 to 1979. Mr. Tampubolon earned a degree in International Law from the Faculty of Law, University of Indonesia in 1977.

BAPEPAM-LK NO. X.K.6 CROSS REFERENCE

Annual Report content in conformity with Bapepam-LK Decision No. X.K.6 on "Annual Report Format".

Criteria	Description	Page
I. General		
1. Written in good and correct Indonesian, and it is recommended to present the report in English as well		√
2. Printed with good quality, using readable type and size of font		√
3. Corporate identity should be stated clearly	Company name and year of annual report on: 1. Front cover 2. Side cover 3. Back cover 4. Every page	√
4. Posted on the Company's website		√
II. Financial Highlights		
1. Financial information in comparative form over a period of three financial years or since operation commence date if company has been operational less than three years	Information covers at least: 1. Sales/operating income 2. Profit (loss) 3. Comprehensive total profit (loss) 4. Profit (loss) per share	16
2. Financial information in comparative form over a period of three financial years or since operation commence date if company has been operational less than three years	Information includes: 1. Net working capital 2. Total investment in associates and/or joint ventures 3. Total assets 4. Total liabilities 5. Total equity	16, 338
3. Financial ratios in comparative form over a period of three financial years or since operation commence date if company has been operational less than three years	Information includes 5 (five) general financial ratios that are relevant to the company's industry	16
4. Information on share price in tabel or graph form	Information in tables and graphs depicts: 1. Number of shares in circulation 2. Market capitalization; 3. Highest, lowest and closing share prices; and 4. Share transaction volume for every quarter in the last two financial years (if any)	16, 20, 21
5. Information on total bonds, sukuk or convertible bonds outstanding in the last two financial years.	Information describes: 1. Total outstanding bonds/sukuk/convertible bonds 2. Coupon rate 3. Maturity date 4. Bond/sukuk rating	20, 140, 143-146

Criteria	Description	Page
III. Board of Commissioners and Directors Report		
1. Board of Commissioners Report	Information includes: 1. Evaluation of Board of Directors performance 2. Review of business prospects stated by Board of Directors 3. Changes in Board of Commissioners composition (if any)	38-41
2. Board of Directors Report	Contains the following information: 1. Analysis of company performance: strategic policy, comparison of result and target, problems facing the company 2. Business prospects 3. Good corporate governance practice 4. Changes in Board of Directors composition (if any)	44-49
3. Signatures of Board of Commissioners and Board of Directors members	Provides the following information: 1. Signatures are printed on a separate sheet 2. Statement of Board of Commissioners and Board of Directors that they are fully responsible for the validity of annual report 3. Signatures, names and positions of all members of Board of Commissioners and Board of Directors 4. Separate written statement of any member of Board of Commissioners or Board of Directors not signing the report, or separate written statement of other members in case there is no explanation from the member who does not sign the report.	169
IV. Corporate Profile		
1. Name and address	Information includes name, address, postal code, telephone and/or fax number (s), e-mail and website	97
2. Brief history	Description includes date of establishment, name and change of name (if any)	30-31
3. Line of business	Description regarding: 1. line of business in accordance with articles of association 2. products or services provided	28, 32-35,
4. Organization structure	In the form of a chart, depicting names and positions at least to one level below board of directors.	36-37
5. Vision and mission	Elaborates on: 1. Corporate vision and mission 2. Statement that corporate vision and mission are approved by Board of Directors/Board of Commissioners	29, 87, 90

Criteria	Description	Page
6. Identity and brief curriculum vitae of Board of Commissioners Members	Information includes: 1. Name 2. Position (incl. position in any other company or institution) 3. Age 4. Education 5. Working experience 6. Date of first appointment as member of Board of Commissioners	346-349
7. Identity and brief curriculum vitae of Board of Directors members	Information includes: 1. Name 2. Position (incl. position in any other company or institution) 3. Age 4. Education 5. Working experience 6. Date of first appointment as member of Board of Directors	350-351
8. Total employees (two-year comparison) and description of potential development (e.g. education and training)	Information describes: 1. Number of employees in each organization level 2. Number of employees in each education level 3. Accomplished training reflecting equal opportunity for all employees 4. Total costs incurred	62-64
9. Shareholding composition	Information includes among other things: 1. Name of shareholders owning 5% or more ownership 2. Directors and Commissioners owning shares 3. Public shareholders each owning less than 5% and the percentage of their ownership	78, 172
10. Subsidiaries and/or affiliates	Information contains at least: 1. Name of subsidiaries/affiliates 2. Percentage of share ownership 3. Core business of subsidiaries/ affiliates 4. Operating status of subsidiaries/ affiliates (operational or non operational)	21, 174-175
11. Company Group Structure	Structure describes the subsidiary, affiliates, joint ventures, special purpose vehicle (SPV) or statement of not owning any group	21, 174-175
12. Share listing chronology	Information describes at least: 1. Share listing chronology 2. Corporate action affecting total number of shares 3. Changes of share total number from initial listing to end of financial year 4. Name of bourse(s) where company shares are listed	28, 30-31, 172

Criteria	Description	Page
13. Other securities listing chronology	Description includes among other things: 1. Other securities listing chronology 2. Corporate action affecting total number of other securities 3. Changes of securities total number from initial listing to end of financial year 4. Name of bourse(s) where securities are listed Securities rating	n/a
14. Name & address of capital market institutions and professionals	Information with regard to: 1. Name & address of Share Registrar 2. Name & address of Public Accountant 3. Office name & address of Rating Agency	342-343
15. Awards and/or certifications received by company at national and international level	Information includes, among other things: 1. Name of award and/or certification 2. Year awarded 3. Agency issuing the award and/or certification 4. Validity period (for certification)	22-23, 54, 58, 68
16. Name and address of subsidiaries or branches or representative offices (if any)		174
V. Management Discussion And Analysis		
1. Review of business operations per business segment	Contains information on: 1. Production or business activity 2. Increase/decrease of production capacity 3. Sales/operating income 4. Profitability of each business segment presented in financial statement, if any	53-61, 136, 138-139
2. Description of financial performance	Comparative financial analysis of current and previous years (in narration and table), covering: 1. Current assets, non-current assets, total assets 2. Current liabilities, non-current liabilities, total liabilities 3. Equity 4. Total comprehensive profit (loss) net profit 5. Cash flow	16, 138-142, 154
3. Discussion and analysis of debt service ratio and turnover rate	Explanation on: 1. Ratio solvability 2. Account receivable collectability ratio	16, 139-142
4. Discussion of capital structure and capital structure policy	Explanation on: 1. Capital structure 2. Capital structure policies	127-128, 138-143, 153-154

Criteria	Description	Page
5. Material commitment in capital expenditure	Description of: 1. Purpose of commitment 2. Funding sources to honor commitment 3. Currency 4. Action plans to hedge foreign currency risks Note: if company has no commitment in capital expenditure, it should be stated	111, 115 126-128, 154
6. If financial statement discloses material increase or decrease in net sales/ income, discussion of the extent of such changes if related to total goods or services sold, and whether or not there are new goods or services	Explanation on: 1. Amount of increase/decrease of net sales/income 2. Causes of material increase/ decrease of net sales/ income related to total goods/services sold	46,129-138
7. Comparative information between targets in beginning of financial year and results achieved, also targets or projection for one year to come of revenue, profit, capital structure and others deemed important by company	Information includes, among other things: 1. Comparison between targets in beginning of financial year and results achieved 2. Targets or projections for one year to come	44, 48,127-129, 153-155
8. Material information and fact subsequent to date of accountant report	Description of significant events subsequent to accountant report including the effects on company's future performance and business risk. Note: if there is no significant event subsequent to accountant report, state so	326-327
9. Description of company business prospects	Description of business prospects in relation to industry and general economic condition, with supporting quantitative data from reliable sources	46, 125, 126
10. Description of marketing aspect	Description of marketing of products and/or services, covering marketing strategy and market share of the company	46-60, 131, 132, 134
11. Description of dividend policy, total cash dividend per share and total dividend per year declared and paid for the past two financial years	Description includes: 1. Total cash dividend 2. Total cash dividend per share 3. Payout ratio for each year Note: if no dividend is paid, state the reason	16, 20, 74, 77, 154
12. Application of public offering proceeds (if company is still required to make such report)	Description of the following: 1. Total fund acquired 2. Proposed application of fund 3. Detail of fund application 4. Balance of fund 5. Date of GMS approval for revised fund application, if any	n/a

Criteria	Description	Page
13. Material information on investment, expansion, divestment, acquisition or debt/ capital restructuring	Information on the following: 1. Purpose of transaction 2. Value of transaction or restructuring 3. Source(s) of fund Note: if there is no such transaction, state so	126-128
14. Information on material transaction involving conflict of interest and/or transaction with affiliated parties	Description of the following: 1. Name of party making transaction and nature of affiliation 2. Explanation on transaction fairness 3. Reason for making transaction 4. Realized transaction in current period 5. Company policy in relation to mechanism of transaction review 6. Compliance with related rules and regulations Note: if there is no such transaction, state so	78
15. Description of changes in laws and regulations significantly affecting the company	Describe changes in government policy and the effects on the company Note: if there are no significant changes in laws and regulations, state so	53, 125, 136, 109-110
16. Description of changes in accounting policies	Describe changes in accounting policies, reasons and effects on financial statement Note: if there are no changes in accounting policies, state so	155
VI. Good Corporate Governance		
1. Description of Board of Commissioners	Description contains: 1. Board of Commissioners responsibility 2. Procedures of fixing remuneration 3. Remuneration structure showing remuneration components and nominal amount per component for each member of Board of Commissioners 4. Frequency and attendance rate of Board of Commissioners meeting 5. Training program for enhancing Board of Commissioners' competence 6. Disclosure of Board Charter (work guidelines and procedures of Board of Commissioners)	86-88
2. Description of Board of Directors	Description include: 1. Scope of duty and responsibility of each member of Board of Directors 2. Frequency of Board of Directors meeting 3. Attendance rate of Board of Directors meeting 4. Training program for enhancing Board of Directors' competence 5. Disclosure of Board Charter (work guidelines and procedures of Board of Directors)	88-92

Criteria	Description	Page
3. Assessment of members of Board of Commissioners and Board of Directors	Description with regard to: 1. Assessment process of Board of Commissioners and Board of Directors performance 2. Assessment criteria of Board of Commissioners and Board of Directors performance 3. Name of party making the assessment	88, 91
4. Description of remuneration policy for Board of Directors	Description includes: 1. Procedures of fixing remuneration 2. Remuneration structure showing type and amount of short-term, long-term and post employment benefits for each member of Board of Directors 3. Performance indicator of Board of Directors	91-92
5. Information on Principal Shareholders and Controlling Shareholders, either directly or not directly, through to individuals	In the form of chart or diagram.	21
6. Disclosure of affiliate relation between Board of Commissioners, Directors, and principal shareholders and/or controlling shareholders	Information includes among other things: 1. Affiliate relation between Board of directors member and other Board of directors member 2. Affiliate relation between Board of directors member and Board of commissioners member 3. Affiliate relation between Board of directors member and Principal shareholder and/or Controlling Shareholder 4. Affiliate relation between Board of commissioners member and other Board of commissioners member 5. Affiliate relation between Board of commissioners member and Principal shareholder and/or Controlling Shareholder Note: if no such affiliate relation exists, state so	78
7. Audit Committee	Information includes: 1. Name and position of members 2. Qualification and experience of members 3. Independence of members 4. Duty and responsibility 5. Activity report 6. Audit Committee meeting frequency and attendance rate	92, 101, 376-378
8. Nomination and Remuneration Committee	Description includes: 1. Name, position, brief curriculum vitae of members 2. Independence of members 3. Duty and responsibility 4. Activity report 5. Meeting frequency and attendance rate	93, 367-311
9. Other Committees under Board of Commissioners	Information covers at least: 1. Name, position, brief curriculum vitae of members 2. Independence of members 3. Duty and responsibility 4. Activity report 5. Other Committees meeting frequency and attendance rate	176-179

Criteria	Description	Page
10. Job and function of Corporate Secretary	Description includes: 1. Name and brief curriculum vitae of Corporate Secretary 2. Activity report	85
11. Internal Audit Unit	Description of: 1. Name of head of internal audit unit 2. Total employees of internal audit unit 3. Professional internal audit qualification/ certification 4. Structure and position of internal audit unit 5. Activity report 6. Party appointing/terminating head of internal audit unit	37, 95-96
12. Accountant	Information on: 1. Number of periods accountant has audited company's annual financial statements 2. Number of periods public accountant office has audited company's annual financial statements 3. Amount of audit fee and other attestation fees (if accountant provides attestation concurrently with audit) 4. Other accountant services besides financial audit Note: if no other service exists, state so	80
13. Description of company's risk management	Description includes: 1. Risk management system 2. Evaluation of effectiveness of risk management system 3. Risks facing the company 4. Efforts to manage such risks	96-98, 104-121
14. Description of internal control system	Information includes: 1. Brief report on internal control system, including financial and operational control 2. Explanation on internal control system suitability with internationally acknowledged frameworks/ COSO (control environment, risk assessment, control activities, information and communication, and monitoring activities) 3. Evaluation of effectiveness of internal control system	95, 97, 101
15. Description of corporate social responsibility related to environment	Description includes information on: 1. Policy 2. Activities 3. Financial effect of environmental program activities, such as usage of recyclable material and ecofriendly energy, waste treatment system, etc. 4. Environmental certification owned by the Company	69, 162

Criteria	Description	Page
16. Description of corporate social responsibility related to employment, work safety and health	Information includes: 1. Policy 2. Activities 3. Financial effect of these activities in relation to employment, work safety and health, gender equality and equal opportunity, working facilities, employee turnover, work-related accident rate, training, etc.	62-64, 70
17. Description of corporate social responsibility related to social and community development	Information covers: 1. Policy 2. Activities 3. Financial effect of these activities in relation to customer's safety and health, product information, means of handling customer complaints, total number of customer complaints settled, etc.	55, 80, 162
18. Description of corporate social responsibility in relation to customer	Information covers: 1. Policy 2. Activities 3. Financial effect of these activities in relation to customer's safety and health, product information, means of handling customer complaints, total number of customer complaints settled, etc.	78-79
19. Description of significant cases faced by the company, subsidiaries, incumbent members of Board of Directors and Board of Commissioners	Description includes: 1. Subject of cases/claims 2. Status of cases/claims settlement 3. Effects on company's financial condition 4. Administrative penalty imposed on subsidiary, members of Board of Directors and Board of Commissioners, by the related authority (capital market, bank, etc) in the last financial year Note: if there is no significant case, state so	80-85
20. Public access to corporate data and information	Elaboration on availability of public access to corporate data and information, through website, mass media, mailing list, bulletin, analyst meeting, etc.	85, 97, 172

Criteria	Description	Page
21. Discussion of code of conduct	Discussion includes: 1. Content of code of conduct 2. Statement that code of conduct is applicable to all organization levels 3. Efforts to implement and enforce code of conduct 4. Statement of corporate culture	65, 79-80
22. Elaboration on whistleblowing system	Elaboration on whistle-blowing mechanism: 1. Method of reporting 2. Protection of whistle-blower 3. Handling of reports 4. Party that handles reports 5. Output of reports handled	79
VII. Financial Information		
1. Statement of Board of Directors regarding its responsibility of financial statement	In conformity with related regulations on Financial Statement	166
2. Independent auditor's opinion on financial statement		100
3. Description of independent auditor in opinion	Description contains: 1. Name and signature 2. Date of audited report 3. License number of Public Accountant office and license number of Public Accountant	100, 169-170
4. Full financial statement	Contains all financial statement elements: 1. Balance sheet 2. Comprehensive income statement 3. Changes in equity report 4. Cash flow report 5. Notes to financial statement 6. Financial statement at the beginning of comparative periods when the company implements accounting policy retrospectively or restates financial statement accounts, or reclassifies financial statement accounts (if applicable).	173-338
5. Disclosure in notes to financial statement when the company implements accounting policy retrospectively or restates financial statement accounts, or reclassifies financial statement accounts	State whether or not there is disclosure according to SFAS	188
6. Comparison of profitability ratio	Comparison of current and previous year profit (loss)	16, 175-176

Criteria	Description	Page
7. Presentation of cash flow report	In compliance with the following: 1. Classification of activities in three categories: operating, investing and financing activities 2. Usage of direct method in reporting cash flow from operating activities 3. Separate presentation of cash income/expense in current year in operating, investing and financing activities 4. Disclosure of non-cash activities in notes to financial statement	335
8. Description of accounting policy	Description contains at least: 1. Statement of compliance with SFAS 2. Basis of financial statement measurement and presentation 3. Recognition of income and expense 4. Fixed assets 5. Financial instruments	188-215
9. Disclosure of related-party transactions	Items to be disclosed include: 1. Name of related parties, nature of relationship to related parties 2. Value of transactions and percentage to relevant total income and expense 3. Transaction balance and percentage to total assets or liabilities	141-143, 207, 244-247, 294-297
10. Disclosure of tax obligations	Items to be disclosed include: 1. Relation between tax expense (income) and accounting profit 2. Reconciliation between fiscal and current tax assessment 3. Statement that reconciled taxable profit is the basis of making corporate annual income tax return 4. Breakdown of deferred tax assets and liabilities recognized in balance sheet for each period and total deferred tax expense (income) recognized in income statement if such amount is not shown in total deferred tax assets or liabilities recognized in financial statement 5. Statement whether or not there is any tax dispute	171-177, 195,07, 209, 215, 221-222, 236-243

Criteria	Description	Page
11. Disclosure of fixed assets	Items to be disclosed: 1. Depreciation method applied 2. Description of accounting policy adopted between fair value model and cost model 3. Significant method and assumption adopted in estimating fair value of fixed assets (revaluation model) or disclosure of fair value of fixed assets (cost model) 4. Reconciliation of recorded gross amount and cumulative depreciation of fixed assets at beginning and at end of period by showing addition, reduction and reclassification	40, 191,131-137, 175, 191, 223-228, 325
12. Accounting policies related to employee benefits	Items to be disclosed: 1. Type of employee benefits for employee 2. Brief description on company's post-employment benefits 3. Company's accounting policies in recognizing actuarial profit and loss; and 4. Recognition of profit and loss for curtailment and resolution	273, 277, 289-292
13. Disclosure of financial instruments	Items to be disclosed include: 1. Accounting requirements, conditions and policies for each group of financial instruments 2. Classification of financial instruments 3. Fair value of each group of financial instruments 4. Purpose and policy of financial risk management 5. Explanation on risks related to financial instruments: market risks, credit risks and liquidity risks 6. Quantitative analysis on risks related to financial instruments	198-204, 289-269, 314-315, 327
14. Publication of financial statement	Items to be disclosed include: 1. Date of authorization for financial statement publication 2. Party responsible for authorizing financial statement	166, 169-170





MOVING FORWARD FOR A THRIVING INDONESIA

This report sets forth Indosat's progress in 2012 towards long term sustainability, for the benefit of all stakeholders and the Indonesian nation.

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, 2012 to December 31, 2012. The previous report covered the period between January 1, 2011 to December 31, 2011.

Scope and Content of Report: This report discusses aspects of Indosat's business which have significant impact in the areas of governance, community, environment, and economy. 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. There have been no substantial changes in reporting method or restatement from the previous sustainability report.

Guidelines & References

This report refers to the Sustainability Reporting Guidelines (SRG) that are released by the Global Reporting Initiatives (GRI).

Contact

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MOVING FORWARD FOR INDONESIA

Since our inception 45 years ago, Indosat has been committed to sustainable growth for the Indonesian people. As our business has grown and accelerated, we have become ever more aware of the responsibility we have to stakeholders and the society that has nurtured our growth. We are determined to grow in harmony with our environment and contribute positive benefits to our surroundings.

This is reflected in our commitment to run a sound, profitable, and fast growing business that upholds the highest standards of corporate governance practices and carries out corporate social responsibility (CSR) activities nationwide of the benefit of shareholders, customers, employees, business partners, communities and the environment.

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1. Introduction
2. Profile & Background
3. Good Governance
4. Economic Impact
5. Environmental Impact
6. Social & Community Impact

I. INTRODUCTION

Exciting challenges and changes took place in 2012 as Indosat gained momentum throughout the year to reach a record 58.5 million subscribers, supported by a strengthened balance sheet and an enhanced product line up and network. Sustainability continued to be a key concept in our business operations and Corporate Social Responsibility (CSR) activities in line with our commitment to give back to society and support the development of the Indonesian nation and people.

It is our intention that this report, which lays out and documents our approach and progress using the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines as a reference, should serve to improve transparency and stakeholder understanding of Indosat's efforts to achieve sustainability. We define 'sustainability' by the ability to create long term value for all stakeholders with minimal impact on our environment.

Over the year, in step with our expanding capabilities and value creation, our contributions to stakeholders and the Indonesian people have similarly increased. Apart from our CSR activities, which directly give back to the community, Indosat also contributed to developing the national infrastructure, creating employment, generating tax revenue for the government, supporting local economy and developing the knowledge and skills of the Indonesian people. In addition, fuel saving initiatives in our network tower solutions have helped to decrease our impact on the environment. Reflecting these achievements, in total we won a total of five CSR awards during the year for our work, which are listed on page XXX of this publication.

In closing, we thank all stakeholders for their generous support. It is our great hope this report further serves as an invitation to our shareholders, customers, employees, business partners, communities and the government to discuss and provide feedback on our efforts and where we could improve. May we continue to grow together in future years.

II. PROFILE & BACKGROUND

Since being established in 1967, PT Indosat Tbk (Indosat) has been a leading telecommunications provider in Indonesia in both technological innovation and social responsibility. Our commitment to sustainable operations and social responsibility is reflected by our Vision & Mission and Corporate Values and Code of Conduct which are outlined in the appended Annual Report.

Since then, we have striven to increase our contribution to all stakeholders and shareholders with tangible results. Among others, Indosat was one of the first signatories of the UN Global Compact in Indonesia, and Indosat is also one of the few companies in Indonesia that has achieved Sarbanes-Oxley (SOX) 404 compliance.

UN Global Compact Signatory

Since 2006, we have supported the United Nations (UN) initiative called the UN Global Compact, including committing to implement its 10 Principles of ethical behavior in the areas of human rights, labor, the environment, and anti-corruption. As part of this commitment, we routinely submit a 'communication on progress' each May to the UN Global Compact, to coincide with the publication of our Sustainability Report. In 2009, Indosat subsequently joined the Indonesian Global Compact Network (IGCN).

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values as follows:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

SUSTAINABILILITY FRAMEWORK

Indosat's comprehensive approach to sustainability is based on the 3P triple bottom line, in which "3P" stands for Profit, People, Planet. This 3P bottom line represents a comprehensive spectrum of values and criteria for measuring economic, social and ecological impacts, and are further broken down into ten principles, seven pillars and five focus areas.

10 Principles, 7 Pillars, 5 Focus Areas

Specifically, Indosat implements its sustainability initiatives comprehensively based on the ten principles of social responsibilities as outlined in the UN Global Compact, and on the seven pillars of the ISP 26000 Social Responsibility Guidelines.

Ten principles of social responsibility: legal compliance, respect for internationally recognized instruments, recognition of stakeholders and their concerns, accountability, transparency, sustainable development, ethical conduct, precautionary approach, respect for fundamental human rights, respect of diversity.

Seven pillars of ISO 126000: organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, social development.

Five focus areas: Of the seven ISO 126000 pillars, five have been selected by the Indosat CSR Committee to be pillars of Indosat's Social Responsibility programs, namely: Consumer Issues, Community Involvement, Organizational Governance, Labor Practices, and Environment.

These initiatives are further carried out with reference to the Good Corporate Governance principles of transparency, accountability, responsibility, interdependence and fairness, and through our CSR program.

Implementation through CSR and Corporate Strategy

At Indosat, 3P concerns are holistically addressed through longstanding corporate social responsibility (CSR) programs and embedded in the following areas of our corporate business strategy:

- Financial performance and long term value
- Good Corporate Governance (GCG)
- Corporate Social Responsibility (CSR)
- Workplace talent & culture
- Delivering on promises to customers
- Regulatory compliance
- Commercial management.

OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT (HSE)

During 2012, Indosat heightened its commitment 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.
Indosat took concrete steps with the formulation of an HSE policy signed by the President Director and CEO, which outline 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.

The involvement of management and employees at all levels have yielded good results, and in November 2012, Indosat received OHSAS 18001 international certification related to Occupational Health and Safety management systems, as well as ISO 14001 Certification related to Environmental Management Systems, issued by independent auditing agency Worldwide Quality Assurance (WQA), a member of the United Kingdom Accreditation Service (UKAS).

CSR FRAMEWORK

Indosat's stated CSR goal is to grow, to comply with laws and regulations and to care for the community.

As part of becoming a sustainable business, Indosat has developed comprehensive Corporate Social Responsibility (CSR) programs, reflecting our commitment towards helping to realize Indonesia's potential. Our commitment is implemented through a number of activity programs in the area of education (*Indonesia Belajar*), healthcare (*Indonesia Sehat*), fundraising for social charities (*Berbagi Bersama*), disaster relief (*Indosat Peduli*), and environment preservation (*Indonesia Hijau*). All CSR programs

undertaken by Indosat will be evaluated periodically to verify that such programs are truly providing value to communities and to the Indonesian people in keeping with Indosat's CSR goals.

In 2012, we focused our efforts in education as detailed in Chapter 6: Community Contributions, where we felt our support would have maximum impact.

CSR Awards in 2012

- SOCIAL BUSINESS INNOVATION AND GREEN CEO AWARD 2012
  Green CEO
- TECHLIFE AWARD 2012
  Best Innovative CSR Program
- INDONESIA CELLULAR AWARD (ICA) 2012
  The Best CSR Program
- INDONESIA GREEN AWARDS 2012
  Green Telecommunication Company

III. GOOD GOVERNANCE

Indosat is committed to implementing the highest standards of good corporate governance based on the five principles of transparency, accountability, responsibility, independence and fairness. This approach extends to all our business operations as well as our CSR programs. Clear reporting structures and strong internal procedures and controls have been established, refined and enhanced over the years related to our dual listed status on the New York Stock Exchange (NYSE) and the Indonesia Stock Exchange (IDX). Furthermore, external assurance is also sought through an independent external auditor.

For more information on Indosat's corporate governance procedures, please refer to the 2012 Annual Report.

CSR Oversight

To ensure proper implementation of our CSR initiatives in a responsible, ethical and effective manner, a CSR Committee was established by the Board of Directors (BoD) in 2009 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.

Scope of Work:
- Defining the objectives, strategy and policies for CSR
- Monitoring system implementation
- Approve annual budget and main programs
- Review regular reports

Activities:
- Regular meetings once every 6 months
- Regular reports at BoD meeting

IV. ECONOMIC IMPACT

Indosat turned in a solid year of performance in 2012, delivering increased economic value for Indonesia through both direct means such as employment and tax revenue, and indirect means such as enhancing subscribers' productivity.

Accelerating value creation:

	2011	2012
Revenues (billion rupiah)	20,529.3	22,418.8
EBITDA (billion rupiah)	9,664.0	10,540.0
Total Assets (billion rupiah)	53,233.0	55,225.1
Subscribers (million)	51.7	58.5
BTS	19,253	21,930

Contribution to National Infrastructure Development

As a national telecommunications company, Indosat makes major contributions to developing national telecommunications infrastructure, including helping to connect people in isolated or rural areas to the network. Indosat maintains an extensive telecommunications infrastructure and network comprising cellular networks as well as fixed voice and fixed data networks that include international gateways, submarine cable systems, satellite circuits and microwave transmission stations, which are continuously expanded and upgraded. At the end of 2012, our nationwide network comprised 17,344 2G BTS (Base Tranceiver Stations) and 4,596 Node-B or 3G BTS for a total of 21,930 BTS, an increase of 2,677 BTS or 14% over the previous year.

In 2012 Indosat became the first operator in Indonesia to implement commercial 3G broadband services Indosat (Super3G) on the 900 MHz frequency, using cutting edge UMTS (Universal Mobile Telecommunications System) technology. In parallel, the first phase was rolled out of a modernization project which will comprehensively overhaul the Indosat network in readiness for Long Term Evolution (LTE) using the 900MHz spectrum, a first in Indonesia; and approximately 2,500 SuperWiFi hotspots were built out in major urban areas which will enable subscribers to log on seamlessly to the Indosat network without keying in their password.

We also contributed to the development of e-commerce in Indonesia through our e-commerce platform Toko-On, which was enhanced over the year. The relaunch of the Dompetku e-wallet service with additional features enabling iPhone, Android and BlackBerry users to conduct payments, purchases and transfer money through the cellular handsets and withdraw cash also provided subscribers with payment solutions that could boost productivity.

We further supported the second phase of the government's e-KTP electronic identification card project, connecting 7,000 regencies and sub-regencies with more to come in 2013.

Employment and Knowledge Transfer

As of the end of 2012, the company directly employed 2,933 employees, directly supporting the economy and enabling these employees to earn a decent livelihood. In addition, Indosat committed considerable time and resources in the amount of Rp19.2 billion to hold 256 training sessions during the year in order to develop their capacity and knowledge further.

As part of being a good employer, Indosat strives to provide a good work environment with non-discriminatory hiring policies, good career development, health care, and low rates of injuries. Related to our efforts, in November 2012, Indosat received OHSAS 18001 international certification related to the Occupational Health and Safety management systems that we have successfully established.

Sourcing from Local Suppliers

Indosat has moved to source components where possible from local suppliers rather than importing these components. One is example is the implementation of fluidic batteries, which are manufactured locally in Indonesia. By expanding use of these batteries, we are further supporting local suppliers and the Indonesian economy.

Connecting Rural Areas

Indosat's products and services enable millions of customers and businesses to be more productive and create value. This is especially important in isolated areas. For example, in 2012 Indosat installed a Base Transceiver Station (BTS) in the village of Mambi, Sulawesi. Residents of Mambi, who previously had to trek five hours to the nearest town can now phone doctors in the regional capital, Makassar, check market prices for goods they produce, and order supplies by phone, thus enhancing their economic productivity.

Boosting SME Productivity

In September 2012, Indosat officially launched Indosat Solusi UKM (SME Solutions) for Small and Medium Size Businesses (SME) together with the State Ministry of Co-operatives and Small/Medium Enterprises to support SMEs in increasing their productivity through IT and telecommunications solutions Growth was particularly good in SME Solution, which was created to meet the needs of SME businesses. SME Solution offers SME businesses broadband Internet access, voice and SMS communications facilities, comprehensive web hosting services including an online payment system, and a range of optional applications and services, all in one easy package.

Supporting Enterprise in Indonesia

We continued to develop innovative solutions to support largest enterprise customers. As part of that, in order to meet enterprise market demand for virtual storage, in October 2012 Indosat launched Indosat Cloud, which provides Infrastructure as a Service (IaaS). Indosat Cloud supports on-demand provisioning and management of computing, storage and networking and is targeted primarily at enterprise customers.

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.

Lastly, existing enterprise services such as our Disaster Recovery Center were rolled out and/or enhanced, supporting enterprise customers to boost their productivity and mitigate risk. The Disaster Recovery Center received ISO 27000 certification in confirmation of compliance with disaster data recovery best practices.

Empowering Women Entrepreneurs

Thousands of women entrepreneurs in Indonesia are now able to access a variety of information about business freely through their mobile phones thanks to a collaboration between Indosat with Qtel Group, the Cherie Blair Foundation, and Nokia. In December 2012, Indosat rolled out a mobile application called "Usaha Wanita" (Women's Business) for Indosat subscribers which is available bundled through Nokia handsets. This service makes information to women on a variety of business topics such as management, banking, market development characteristics, financial management, human resources and more, with the aim of supporting female entrepreneurs.

Agricultural Revitalization of West Sumatra

Indosat as a leading telecommunications provider in Indonesia supported efforts to improve the national economy by helping agricultural sector through Information and Communication Technology (ICT) programs that supported the national revitalization of agriculture. Through the use of ICT, farmers can easily obtain the latest information about a variety of agriculture topics, not only local agricultural information in but also national and international, which can help them to be more economically productive for the good of the nation.

V. ENVIRONMENTAL IMPACT

As a socially responsible company and bearing in mind that the communications industry is a growing contributor to global energy consumption, Indosat does its best to mitigate the impact of its business activities on the environment, in line with the principles of the UN Global Compact. We do this in a number of ways, including through the following initiatives which will help save fuel and decrease the greenhouse effect for a reduced carbon footprint. In 2012, our efforts earned ISO 14001 Certification related to Environmental Management Systems, issued by independent auditing agency Worldwide Quality Assurance (WQA), a member of the United Kingdom Accreditation Service (UKAS).

Energy Saving Initiatives

A three-year network modernization project kicked off in 2012 whose benefits include overall increased efficiency including reduced power consumption as a proportion of output. Energy efficient power solutions were also 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.

Alternative Energy

Using innovative new technologies, Indosat has installed more than 100 solar-powered BTS to date in places like Mambi, Sulawesi, which is 5 hours from town. More of these solar-powered BTS will be deployed down the road. These base stations are particularly suited to rural and isolated areas where it is difficult to bring in shipments of diesel for power.

Decreasing Hazardous Waste

By replacing traditional lead-acid batteries in the BTS backup generators with environmentally friendly fluidic batteries, Indosat measurably lowers the amount to hazardous waste generated and decreases potential risk to the environment and human populations of leached chemicals and lead contamination/poisoning, Indosat is the first telecommunications operator in the world to use fluidic batteries in operation, which we successfully piloted in 2011 and continued to roll out in 2012.



VI. SOCIAL & COMMUNITY IMPACT

Indosat supports society in a number of way through our dedicated CSR programs and other operational activities, as follows.

Improved Customer Service

Indosat proved its products and services in 2013. Customers enjoyed better customer service through initiatives such as Indosat self service, an initiaitive giving customers automated access to manage their accounts, and better network quality and reliability overall as shown by indicators like Call Success Setup Rate (CSSR), which improved from 89.78% in 2011 to 91.26% in 2012.

a. Ramadhan and Lebaran Mudik programs

- *Mudik Makin Penuh Berkah bersama Indosat* ("A Blessed Homecoming with Indosat")
  Indosat held a free homecoming program for subscribers, the Indosat frontliner service community and Indosat school community in appreciation of their loyalty in supporting and using Indosat service. The *Mudik Bareng* ("Joint Homecoming") kicked off on Thursday, August 16, 2012 at the Purna Bhakti Pertiwi Museum, Taman Mini Indonesia Indah, with 1,010 people.
- Indosat Network Command Center
  Monitoring the condition of the national telecommunications network during Lebaran Homecoming 2012, the Indosat Network Command Center operated from 3 days before Lebaran to 2 days after, operating 24 hours a day. The Command Center quickly detected any network disturbances and dealt with it quickly in an integrated manner. Facing the 2012 Lebaran Homecoming, Indosat also increased voice traffic capacity to 924 million minutes / day, SMS capacity to 1.4 billion SMS / day, and increased data capacity to 120 terabytes / day.

b. Consumer Protection

Indosat is very concerned about the safety of all our customers, both corporate and retail customers. The protections that we provide include various physical and non-physical safety measures, among others protection of the confidentiality of data and customer profiles and use of radio telecommunications equipment that is not hazardous to customer health.

In implementing the above, in addition to implementing various policies in accordance with the standards set by the regulator, Indosat has received numerous certificates to date including ISO 27001 which is an information security management system (ISMS) certification. It covers information technology, security techniques, and information security management systems and requirements.

c. Supporting Education

In 2012, Indosat supported *Indonesia Mengajar* ("Teach for Indonesia"), a movement that recruits and places some of Indonesia's best young graduates to remote areas to as elementary school teachers. The objective of this program is to resolve education issues in remote areas of Indonesia which stem from a lack of qualified teachers. These teachers help to educate, inspire and connect isolated villages and to centers of progress. Indosat facilitated the program by giving the teachers accommodations and providing training facilities at Wisma Indosat, Jatiluhur, West Java.

d. Batik for Indonesia

On National Batik Day, October 2, 2012, Indosat donated funds collected from subscribers in the amount of Rp263,410,650 to the Indonesia Batik Foundation in support of various activities for the conservation and development of Indonesian batik. This reflects Indosat's commitment to preserve batik as a cultural heritage of Indonesia. An working agreement was also singned between Indosat and the Indonesia Batik Foundation to support the Gelar Batik Nusantara event which will be held in mid 2013.

As part of the launch of Indosat's Super3G+ services in West Sumatera, Indosat also donated telecommunication equipment to 100 schools and 25 Small and Medium Enterprises (SMEs) in Padang and Bukittinggi, enabling them to try Indosat Super3G+ services. This was done as Indosat recognizes the growing need of schools and SMEs for data services.

e. Indonesia's Indosat awarded Inspiring Youth and Women 2012

Indosat created an Indonesia's Inspiring Youth and Women award in support of the younger generation and women who have inspired the nation through outstanding achievements and contributions in areas such as ICT (Information and Communication Technology), Entrepreneurship, Art, Education, and Social Commitment. It is hoped that this award will encourage more young people and women Indonesia to work for the progress of the nation.

g. Donations to Orphanages

In the month of Ramadhan 1433 H (2012), Indosat carried out a program of assistance to 20 orphanages located in Jakarta and the surrounding area. This program aimed to enable the children in these orphanages to carry out their religious fasting obligations properly and celebrate the Eid el Fitr holiday joyfully.

Disclaimer

This is the Annual Report for the year ended December 31, 2012 and prepared in accordance with Bapepam-LK Rule X.K.6 and X.K.7.

In this Annual Report, references to "Indosat", "Company", "we", "us", and "our" are to PT Indosat Tbk and its consolidated subsidiaries. All references to "Indonesia" are references to the Republic of Indonesia. All references to the "Government" herein are references to the Government of Indonesia. References to "United States" or "U.S." are to the United States of America. References to "Indonesian Rupiah" or "Rp" are to the lawful currency of Indonesia and references to "U.S. dollars" or "US $" are to the lawful currency of the United States. Certain figures (including percentages) have been rounded for convenience, and therefore indicated and actual sums, quotients, percentages and ratios may differ. Unless otherwise indicated, all financial information with respect to us has been presented in Indonesian Rupiah in accordance with Indonesian GAAP.

This Annual Report contains certain financial information and results of operations, and may also contain certain projections, plans, strategies, and objectives of Indosat, that are not statements of historical fact which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements are subject to risks and uncertainties that may cause actual events and the Company,s future results to be materially different than expected or indicated by such statements. No assurance can be given that the results anticipated by Indosat, or indicated by any such forward looking statements, will be achieved. No information herein should be reproduced without the express written permission of the Company. For updated information, please contact the Investor Relations Group at Jl. Medan Merdeka Barat No.21, Jakarta 10110, Indonesia. Tel. (62-21) 3000 3001, Fax. (62-21) 3000 3002 or E-mail: investor@indosat.com.

We are committed to communicating openly with each of our stakeholders. All stakeholders can visit our website at www.indosat.com for more information about Indosat. An online version of this document is also available at www.indosat.com.



2012 Annual Report

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