



# Full Year 2004 Results

30 March 2005

## PT Indosat Tbk

JSX : ISAT  
 NYSE : IIT  
 Reuters : ISAT.JK  
 Bloomberg : ISAT.IJ

## Market Capitalization

Rp30.39 trillion (As of 31 Dec 2004)

## Issued shares

5,285,308,500 (after 5:1 Stock Split & Issuance of ESOP)

## Share Price

As of 31 Dec 2004 Rp 5,750  
 Hi/Lo (3 mo) 6,000/Rp4,225

## Major Shareholders (shares)

Indonesia Communication Ltd 41.08%  
 Government of Indonesia 14.69%  
 Public 44.23%

## IDR to USD Conversion,

31 Dec 2004 1USD = IDR 9,290

## Board of Directors

Deputy President Dir. – Ng Eng Ho  
 Finance Dir. – Wong Heang Tuck  
 Consumer Mkt Dir. – Hasnul Suhaimi  
 Corporate Mkt Dir. – Wahyu Wijayadi  
 Business Dev. Dir. – Wityasmoro S. H.  
 Corporate Svc. Dir. – Sutrisman  
 Network Quality & Operations Dir. – Raymond Tan  
 IT Dir. – Joseph Chan

## Consolidated Subsidiaries

PT Lintasarta (69.46%)  
 PT IM2 (99.85%)  
 PT Sisindosat (96.87%)

## Financial Summary

For the Period Ended 31 December

In Billion Rp	2003 (Restated)	2004	(%) Change
Operating Revenues	8,235.3	10,549.1	28.1%
Operating Expense	5,887.4	7,314.4	24.2%
Operating Income	2,347.9	3,234.7	37.8%
Net Income	6,082.0	1,633.2	-73.1%
Net Income (as previously reported)	1,570.0	1,633.2	4.0%
EBITDA *)	4,385.9	6,053.4	38.0%

\*EBITDA: Earning before interest, amortization of goodwill, non-operating income and expense, income tax expense and depreciation as computed under Indonesian GAAP.

## Financial Ratios

	Formula	FY2003	FY-2004
EBITDA Margin	$EBITDA / Operating\ Revenues$	53.3%	57.4%
Interest Coverage	$EBITDA / Interest\ Expense$	531.4%	562.6%
Debt to EBITDA	$(Debt + Procurement\ Payable) / EBITDA$	267.7%	190.7%
Net Debt to Equity	$Net\ Debt / Total\ Equity$	48.9%	41.7%

## Highlights

- As a result of the revision of the Statement of Financial Accounting Standard ("SFAS" or SAK) No 38 and 24 in 2004, we early adopted SAK 38 resulting in the realization of the gain previously credited to "Difference in Value from Restructuring Transactions of Entities under Common Control" from the transactions with Telkom. The consolidated financial statements have been restated for the retrospective recognition of the realized gain to "Extraordinary Item - Realized Gain from Early Adoption of SAK 38" in 2003 due to the loss of common control between the Company and Telkom.
- We also early adopted SAK 24 (revised 2004). As a result, we recalculated our liability relating to employee benefits to conform with the treatment in SAK 24 (revised 2004) which requires retrospective application.
- These are non-cash adjustments and therefore have no impact on the shareholders' funds of the Company and have no tax impact.

## For the year ended 31 December 2004:

- Our mobile cellular subscriber base reached 9,754,607, or a 63.6% increase year-on-year.
- We managed to maintain our total IDD minutes as compared to 2003 despite intensifying competition.
- Our MIDI business recorded a robust 20.8% growth in revenue mainly due to higher demand in the wholesale market both in international and domestic.
- Cellular, fixed telecommunication and MIDI & Other services contributed 70.6%, 14.7%, and 14.7% to operating revenues, respectively.

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## INDOSAT REPORTS FULL YEAR 2004 AUDITED FINANCIAL RESULTS

Jakarta, 30 March 2005, PT Indosat Tbk (“Indosat” or “the Company”) released its consolidated full year 2004 operating and financial results. The Company recorded operating revenues and operating income for the year ended 31 December 2004 amounting to Rp10,549.1 billion and Rp3,234.7 billion, respectively. Net income was recorded as Rp1,633.2 billion for the year ended 31 December 2004.

For the year ended 31 December 2004, cellular, fixed telecommunication, and MIDI services contributed 70.6%, 14.7%, and 14.1% to operating revenues, respectively. Other services contributed the remaining 0.6% of operating revenues.

The financial statements were prepared in accordance with Indonesian Generally Accepted Accounting Principles.

In 2004, the Company adopted SAK 38 (revised 2004) resulting in the realization of the gain previously credited to “Difference in Value from Restructuring Transactions of Entities under Common Control” from transactions with Telkom. The 2003 consolidated financial statements have been restated for the retrospective recognition of the realized gain to “Extraordinary Item - Realized Gain from Early Adoption of SAK 38” in 2003 due to the loss of the common control between the Company and Telkom (Note 1d of the audited financial statements).

The Company also adopted SAK 24 (revised 2004) in 2004. As a result, the Company recalculated its liability relating to employee benefits to conform with the treatment in SAK 24 (revised 2004) which requires retrospective application (i.e, the shortfall of the liability for the benefits as of the beginning of the earliest comparative period presented in the consolidated financial statements should be charged to retained earnings at the beginning of that period).

### FINANCIAL RESULTS

**Statements of Income** (for the year ended 31 December 2004 compared to the year ended 31 December 2003):

#### Operating revenues

Total operating revenues increased from Rp8,235.3 billion in 2003 to Rp10,549.1 billion in 2004, or 28.1%, primarily as a result of growth in revenues from cellular services. During 2004, revenues from fixed telecommunication services decreased by Rp252.7 billion or 14.0% compared to the prior period, while revenues from MIDI increased by 20.8%. As a result, cellular services revenues represented 70.6% of our total operating revenues for 2004, compared to 62.1% for 2003.

*Cellular services.* For the year ended December 31, 2004, we recorded operating revenues from cellular services totaling Rp7,450.8 billion, or an increase of 45.6% from Rp5,117.6 billion in 2003. Usage charges (comprising revenues from outgoing voice traffic) increased by Rp948.1 billion, or 29.0%, compared to 2003 and represented 56.6% of total operating revenues from cellular services. In addition, value-added features charges (mainly SMS) increased by Rp1,076.7 billion, or 92.6%, compared to 2003 and represented 30.1% of total operating revenues from cellular services. The contribution of value-added features charges to operating revenue from cellular services increased in 2004 compared to the prior year, in which value added features contributed 22.7%. We expect that value-added features charges will continue to increase as a proportion of operating revenues from cellular service, in line with the trend of data traffic increases in the recent periods.

*Fixed Telecommunication services.* Operating revenues from fixed telecommunication services decreased by Rp252.7 billion, or 14.0%, from Rp1,807.7 billion in 2003 to Rp1,554.9 billion in 2004. Operating revenues from fixed telecommunication services represented 14.7% of total operating revenues in 2004, compared to 22.0% in 2003. International calls contributed 99.3% to operating revenues from fixed telecommunication

services. The remaining 0.7% was from fixed wireless access services. Total call volume from our "001" and "008" international gateways increased by 0.5% from 855.6 million minutes in 2003 to 859.5 million minutes in 2004.

The decrease in operating revenues from fixed telecommunication services notwithstanding the increase in total call volume was due to several factors, namely, the declining volume of outgoing calls and the continuing decrease in net settlement rates for incoming calls.

*Multimedia, Data Communications and Internet (MIDI) services.* In 2004, operating revenues from MIDI services increased by Rp255.6 billion, or 20.8%, from Rp1,228.3 billion in 2003 to Rp1,483.9 billion in 2004, despite the increased competition from domestic and international providers. Therefore, MIDI contributed 14.1% to total operating revenues. The increase in operating revenues from MIDI services was attributable to significant growth in the wholesale market, especially for international and domestic high speed leased lines as well as IP based services (IP VPN).

#### Operating expenses

In 2004, we were able to manage overall operating expenses resulting in lower growth in total operating expenses (24.2%) compared to the growth in total operating revenues (28.1%). This was achieved through a number of initiatives, mainly the continued network and administrative consolidation of and cost savings following the merger of Satelindo and IM3 into Indosat in late 2003. Some expense items increased due to our efforts in addressing the growing cellular and MIDI markets.

Operating expenses increased by Rp1,427.0 billion, or 24.2%, from Rp5,887.4 billion in 2003 to Rp7,314.4 billion in 2004, primarily due to increased expenses for depreciation and amortization, personnel, maintenance, other cost of services, and marketing.

Depreciation and amortization expenses increased 38.3% from Rp2,038.0 billion in 2003 to Rp2,818.7 billion in 2004. The increase in depreciation expenses relates primarily to the increase in our capital expenditure which increased by 36.8% in 2004 compared to the prior year. The capital expenditure and the resulting depreciation and amortization expenses was mainly related to our cellular businesses.

Personnel expense increased by Rp184.4 billion, or 18.0%, from Rp1,023.0 billion in 2003 to Rp1,207.4 billion in 2004. Personnel costs increased primarily due to increases in incentives & allowance and accrual of bonuses, expenses associated with Employee Stock Ownership Program (ESOP), and outsourced employees made available to serve our growing businesses. Productivity, as measured by revenues per head count/employee, increased from Rp1.30 billion per employee in 2003 to Rp1.35 billion per employee in 2004.

Compensation expenses to telecommunications carriers and service providers, which relates primarily to international call services, decreased from Rp724.2 billion in 2003 to Rp523.6 billion in 2004, or 27.7%. This significant decrease was achieved through initiatives to generate traffic and direct traffic through our own network. This was made possible following the additional roll-out of our network and synergy creation following the merger of Satelindo and IM3 into Indosat.

Administration and general expenses decreased by Rp26.6 billion, or 5.3%, from Rp498.0 billion in 2003 to Rp471.3 billion in 2004, primarily due to the rationalization of accounting policy in the provision on doubtful account policy for receivables from other operators, which was applied starting from the second quarter of 2004 as a result of the merger.

Maintenance expenses increased by Rp176.3 billion, or 59.3%, from Rp297.1 billion in 2003 to Rp473.4 billion in 2004, primarily due to increased maintenance expenses for cellular technical equipment (primarily base transceiver stations) associated with additional cellular equipment being installed during such periods and the

expiry of warranty period of the 2003 roll out. In 2004, we expanded our network by approximately 1,000 BTSs during the year.

Leased circuits expenses mainly relate to the use of leased circuits by our cellular and MIDI businesses. As a result of our programs and initiatives to use own network and circuits, leased circuits expenses increased by only Rp6.0 billion, or 6.5%, from Rp91.7 billion in 2003 to Rp97.7 billion in 2004.

Marketing expenses increased by Rp107.5 billion, or 44.4%, from Rp242.3 billion in 2003 to Rp349.8 billion in 2004, due to increased marketing expenses associated with our aggressive marketing campaign to attract additional cellular subscribers.

Other cost of services expenses increased by Rp399.4 billion, or 41.0%, from Rp973.1 billion in 2003 to Rp1,372.5 billion in 2004. Cost of SIM cards and pulse reload vouchers contributed approximately 31.1% of total other cost of services expenses and was the largest contributor to such item. The second and third largest contributors are radio frequency license fee and rental expense of BTS sites. The increase in SIM card costs and reload pulse vouchers reflects the increase in cellular subscribers during the period.

#### Operating income

As a result of initiatives to manage the increase in overall expenses, the level of growth in operating expenses was maintained below the level of growth in operating revenues. Therefore, we could report that operating income increased by Rp886.8 billion, or 37.8%, from Rp2,347.9 billion in 2003 to Rp3,234.7 billion in 2004.

#### Other expenses

Other expenses-net increased by Rp118.5 billion, or 14.9%, from an expense of Rp795.0 billion in 2003 to an expense of Rp913.4 billion in 2004 mainly due to the followings :

Gain on sale of investment in associated company of Rp286.2 billion in 2004 relating to the sale of our interest in MGTI. We also recorded gain on sale of other long term investment amounting to Rp110.9 billion relating to the sale of our interest in Pramindo Ikat Nusantara.

Interest income increased by Rp39.7 billion from Rp147.7 billion in 2003 to Rp187.4 billion in 2004 due to increase in average of cash and time deposit balances during 2004 compared to 2003.

Financing cost in 2004 was Rp1,097.5 billion, representing a 30.9% increase compared to 2003, principally as a result of interest expense relating to additional debt and bonds issued in late 2003.

We recorded foreign exchange loss-net of Rp66.1 billion in 2004 due to the depreciation of the Rupiah against the U.S. dollar in 2004 compared to 2003 and the higher weighted average balance of U.S. dollar-denominated liabilities in 2004 compared to 2003. The US dollar to Rupiah exchange rate was US\$ 1.00 to Rp9,290 at December 31, 2004 compared to US\$ 1,00 to Rp8,465 at December 31, 2003.

Our amortization expenses related to goodwill were Rp226.3 billion in 2004, a decrease of Rp26.6 billion, or a 10.5% decrease, as a result of the reclassification of amortizing intangible assets in connection with our acquisition of Satelindo from amortization of goodwill to amortization and depreciation.

Our loss on change in value of derivatives net was Rp170.5 billion in 2004, which was the net fair value position at December 31, 2004 of cross-currency swaps and interest rate swaps transactions entered into during 2004.

## Extraordinary Item

As a result of SAK No 38 and 24 in 2004, we adopted SAK 38 resulting in the realization of the gain previously credited to "Difference in Value from Restructuring Transactions of Entities under Common Control" from transactions with Telkom. The 2003 consolidated financial statements have been restated for the retrospective recognition of the realized gain to "Extraordinary Item - Realized Gain from Early Adoption of SAK 38" in 2003 due to the loss of the common control between the Company and Telkom.

We also adopted SAK 24 (revised 2004). As a result, we recalculated our liability relating to employee benefits to conform with the treatment in SAK 24 (revised 2004) which requires retrospective application.

As a result of the adoption of SAK 38 (revised 2004), we realize gain on Difference in Value from Restructuring Transactions of Entities under Common Control amounting to Rp4,499.9. See attachment for more information.

## Taxation

Income tax expenses—net increased by Rp742.4 billion from a benefit of Rp17.8 billion in 2003 to an expense of Rp724.6 billion in 2004. Current income tax expenses represented 36.9% of income before income tax in 2003 and 5.9% in 2004.

Income tax expenses—deferred was an expense of Rp 583.7 billion in 2004 compared to a benefit of Rp603.4 billion in 2003 reflects a reversal of the net deferred tax liabilities relating to our equity in net income (loss) of the merged subsidiaries on the merger date in the amount of Rp1,142.3 billion in 2003.

The overall effective tax rate was closer to the corporate tax rates in 2004 following the merger of Satelindo and IM3 into Indosat in late 2003.

## STATUS OF BORROWINGS

As of 31 December 2004, the Company had outstanding long-term borrowings of Rp9,487.6 billion which includes ;

- Long term debt (net of current maturities) of Rp 1,588.1 billion ;
- Current portion of Long-term Debt of Rp375.4 billion ; and
- Bonds payable - net of unamortized bonds and note issuance cost of Rp7,524.1 billion.

The table below summarizes major long-term debts of Indosat as of 31 December 2004.

Facility	Amount	Maturity	Interest Rate
<b>INDOSAT</b>			
Bonds I (Rp billion)	1,000	2006	Series A Fixed 18.5% per annum Series B Floating Rate Bond , maximum 21% and minimum 16%
Bonds II (Rp billion)	1,250	2007	Various (Fixed, floating and revenue sharing/Syari'ah)
Bonds III (Rp billion)	2,500	2008 and 2010	12.5% and 12.875% fixed
U.S. Bonds (US\$ Million)	300	2010	7.75% (Fixed)

Facility	Amount	Maturity	Interest Rate
<b>INDOSAT</b>			
Secured Loan (Bank Syndicated) (Rp billion)			
- Mandiri	177.8	2008	6.25%+average dep rate (Mandiri, BNI, BCA)
- BNI	763.1	2008	5,83%+average dep rate (Mandiri, BNI, BCA)
- BCA	901.9	2008	5.33%+average dep rate (Mandiri, BNI, BCA)
<b>LINTASARTA</b>			
Bank loan (Rp billion)	151.8	2007	3-month time deposit rate guaranteed by BI + 3% - 3.5%
Convertible Bonds (Rp billion)	36.5	2006 - 2007	Fixed rate and floating rate

For the purpose of the revenue sharing calculation on Indosat's Syari'ah Bond, the table below presents consolidated satellite revenues and IM2's internet revenues which serve as the basis for revenue sharing calculation.

Revenues In Rp (Mio)	Q1-04	Q2-04	Q3-04	Q4-04
Internet (from IM2)	44,763.5	39,956.3	87,885.5	67,888.5
Satellite (Indosat Consolidated)	39,771.9	35,767.8	39,891.4	37,500.6

## CAPITAL EXPENDITURES

In 2004, Indosat committed Rp6,298.4 billion for capital expenditure with the following breakdown :

- (i) Rp4,611.8 billion for cellular network
- (ii) Rp763.7 billion for fixed telecom
- (iii) Rp896.1 billion for MIDI and Backbone
- (iv) Rp26.9 billion for other supporting equipment

In 2005, Indosat plans to commit an amount of US\$800-900 million for capital expenditure of which approximately 80% will be allocated for cellular network development.

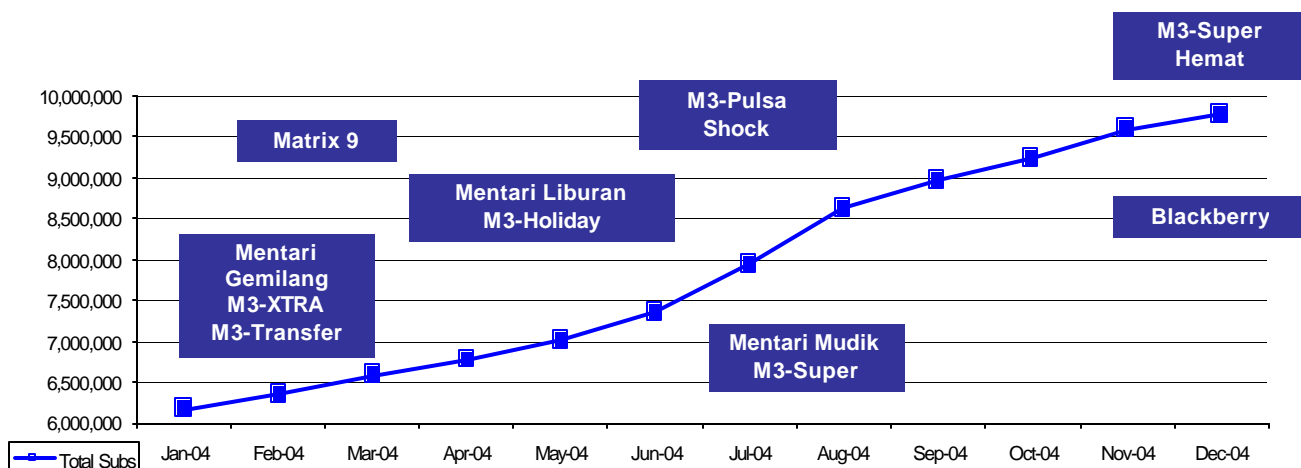
## OPERATIONAL RESULTS

### CELLULAR SERVICES

*3.79 million net additional subscribers in full year 2004*

In 2004, net addition of subscribers were 3.79 million, a 59.4% increase from net addition in 2003 of 2.38 million. This increase was attributable to our aggressive promotional efforts, expansion and enhancement of our cellular network and coverage, as well as introduction of various new cellular features and products.

The addition of cellular subscribers and the increase in penetration towards a lower end segment resulted in a blended ARPU of Rp89,489 for 2004, or a 15.9% decline from 2003.



We have been very active in launching a number of cellular marketing and promotion initiatives, among others :

- “Mentari Mudik Asik”, a starter package with a nominal price of Rp25.000,- that offers a Rp65.000 value (pulse value Rp25.000,- plus Bonus pulse value Rp25.000,- and free SMS info worth of Rp15.000)
- “IM3 Super” , a starter package with nominal price of Rp. 20.000,- that offers Rp15.000 pulse value plus Free 30 SMS and 30 SMS info worth Rp15.000.
- Launched IM3 in new areas namely Sumatera, Kalimantan and Sulawesi.
- Personal ring-back tone for Mentari subscribers in outside Java (September 2004)
- “IM3 Pulsa Shock” which offers SMS tariff of Rp100 (on net), voice Rp1.000 (on-net), GPRS Rp10/Kb, and free roaming from any operators (Juni 2004).
- “IM3 Holiday” with starter package price Rp20.000,- and get benefit pulses Rp15.000,-, content bonuses Rp30.000,- (Rp15.000,- in first month activation and Rp15.000,- in the following month) in May 2004.
- “Mentari Liburan” with starter package price Rp50.000,- and get benefit pulses Rp30.000,-content bonuses Rp30.000,- (Rp15.000,- in first month activation and Rp15.000,- in the following month) in May 2004.
- “Matrix 9”, offering 2 packages: Free Roaming or Free Monthly Fee. This package also offers 9 benefits such as free activation, low SMS, Flat GPRS tariff, local count per 15 second, DLD per 10 second, IDD per 6 second and discount until 35% in IDD “001” & “008”, airtime discount 20% in May 2004
- “M3-Transfer”, which allows customers in pulses transfer to other IM3 subscriber via short-message in January 2004.
- “Mentari Gemilang Package”, with starter package price of Rp50.000,- and containing Rp25.000,- airtime/pulse, additional Rp10.000, airtime bonus , and 25 SMSs in the 31<sup>st</sup> day following activation.

We also pioneered the provision Blackberry® service for our Matrix users in cooperation with StarHub and Research-In-Motion in December 2004.

### Network Development & Integration

As of 31 December	2003	2004
Base stations sites	3,077	4,026
Base station controllers	141	156
Mobile switching centers	29	36

During 2004, we have expanded and enhanced our networks to meet the increased demands and to broaden our coverage. As of December 31, 2004, we had 4,026 base stations sites, 156 base stations controllers, and 36 mobile switching centers. Following the merger of Satelindo and IM3 into Indosat, through December 2004, we have finalized the integration of Network Ex-IM3 and Ex-Satelindo for areas of Southern Central Java, East Java and Batam. Meanwhile, the rest of Indonesia is expected to be finalized in 2005.

## **FIXED TELECOMMUNICATION SERVICES**

### *IDD Services*

Total traffic of Indosat IDD (Outgoing and Incoming) for the year ended 31 December 2004 was 859.5 million minutes, an increase of 0.5% from 2003. However, our outgoing traffic decreased as a result of tighter competition, especially for traffic originated from PSTN and other cellular operators.

The increase in incoming traffic (7.8%) resulted from the implementation of volume commitment and wholesale scheme which offered competitive termination rates in 2004.

To defend our IDD business, Indosat has several key initiatives in 2004 such as:

1. Special Discount program (50%) for IDD "001" and "008" originated from Indosat 's Cellular and StarOne.
2. Special tariff for operator assisted international calls as emergency solution to problem of difficulties in accessing IDD "001" and "008" from PSTN
3. New and more aggressive advertising promotion for IDD "008" via television, print ad and radio programs
4. New and more aggressive Indosat-VolP advertising in printed media
5. Apply IDD Program through our Fixed Wireless Terminal (FWT).

### *Fixed Wireless Access*

On May 29, 2004, we launched our fixed wireless service, named "StarOne," in Surabaya and the surrounding area in Eastern Java. In July 2004, Indosat launched this service in greater Jakarta area. As of December 31, 2004, we recorded 62,716 StarOne subscribers consisting of 14,124 postpaid subscribers and 48,592 prepaid subscribers.

On October 22, 2004, Indosat, Special Regional Government of Jogjakarta, PT Jogja Telpun Cerdas and PT Cipta Amanda signed an agreement on the development of the CDMA 2000-1x network to provide local, domestic long distance and international with fixed wireless technology for the Jogjakarta area.

For the year ended 31 December 2004, our fixed wireless access recorded a blended ARPU of Rp90,761 derived from postpaid ARPU of Rp215,990 and prepaid ARPU of Rp47,409.

## **MIDI SERVICES**

In 2004, overall MIDI services enjoyed a positive growth, especially for wholesale segment and IP based services. This figures reflected the increasing market demand for MIDI services.

To develop revenues from MIDI services in the international and domestic markets and to anticipate market competition, Indosat's MIDI strategy is to maintain its international MIDI business and to expand in the domestic market by establishing partnership program and offering competitive prices for wholesale and end-user segments as well as expanding infrastructure and network.

Our key initiatives in our MIDI business are as follows:

1. Offering competitive price for MIDI services
2. Aggressive selling, domestic and international broadband services
3. Product synergy in MIDI services following the merger of Satelindo into Indosat
4. Expand market coverage by developing international and domestic points of presence

## RECENT DEVELOPMENTS

### New Corporate Identity and Customer Focus Vision

#### *New Identity*

To emphasize commitment to becoming a leading cellular-focused, fully integrated telecommunications network and service provider, we launched a new corporate identity on 2 February 2005. By introducing our new corporate identity, we expect to present a more advanced, yet friendly image, simplicity of its services and more approachable by customers and stakeholders. Indosat new visual identity comprises of symbol and word-mark.

The new visual identity is described as a "Techno Flower", which is made up of three ellipse shapes suggesting the interactive and global nature of the communication business today, while representing a friendlier and more approachable image. Indosat had registered the new visual identity with the Ministry of Justice and had obtained all the necessary certification on the copyrights in Indonesia.

#### *Customer Focus Structure and Regional Empowerment*

In an effort to better serve and enhance focus to the customers, Indosat announced a customer-focused organization structure. In this organization structure, specific directorates are established to serve consumer market and corporate market segments.

In this new organizational structure, the Director of Cellular Marketing will assume the role of Consumer Market Director while the Director of Fixed Telecom and MIDI will assume Corporate Market Director. The remaining Directors remain the same.

We have also reorganized 5 regional sub-directorates and empower them with additional authorities to better respond to market demand while streamlined some functions in our corporate headquarter.

The 5 regional sub-directorates are:

- Sumatera Regional Sub-Directorate
- Jabotabek (Greater Jakarta) and Banten Regional Sub-Directorate
- West & Central Java Sub-Directorate
- East Java & Kalimantan Regional Sub-Directorate
- Bali, Nusa Tenggara, Sulawesi, Maluku & Papua Regional Sub-Directorate

### Financing Program to Support Capital Expenditure Plan

#### *Indosat Appoints AAA Securities, JP Morgan, CSFB and Goldman Sachs.*

Indosat announced that it has appointed AAA Securities, JP Morgan, CSFB, and Goldman Sachs to assist Indosat in preparing a financing program. They will assist Indosat to determine the composition, structure, terms and condition of the program which will be disclosed later, in the manner and at the time as required by the prevailing capital market rules and regulations.

## Marketing and Business Initiatives

### *Tarif Hebat (Family and Friends Program)*

To manage churn in Mentari brands, we introduced a lower tariff within a smaller Mentari users' group (family and friends) in February 2005. Indosat introduced a "family and friends" programs which allows customers to register up to 2 different numbers. Calls between the customer and these 2 different numbers are charged at Rp600 per minute.

### *Flat Call 016*

Indosat FlatCall 016 is an international telephone service, for the time being available from Matrix, Mentari, IM3, Starone, with a single tariff to any country destinations at anytime. Benefits for customers for placing a call through Indosat FlatCall 016 is an affordable flat rate of Rp 2.900,- per minute to any destination without additional air time tariff. The service is addressed to individuals and corporate users who consider it is important to manage efficiencies in international call. This program is available since 17 March 2005.

## Awards

In 2004 and 2005, Indosat had been rewarded with many awards, among others

### **EuroMoney 2004 Annual Corporate Polls**

- *Indonesia's Best Managed Company*

### **AsiaMoney 2004 Annual Corporate Polls**

- *Indonesia's Best Managed Company*
  - Clearest Corporate Strategy
  - Focus on Shareholders Value
  - Most improved and best Financial Management
  - Best Investor Relations
- *Indonesia's Best Corporate Governance (2<sup>nd</sup> place)*

### **FinanceAsia 2005 Annual Corporate Polls**

- *Indonesia's Best Corporate Governance (1<sup>st</sup> place)*
- *Indonesia's Best Investor Relations (1<sup>st</sup> place)*
- *Indonesia's Best Managed Company (3<sup>rd</sup> place)*

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*This document contains certain financial information and results of operation, 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 Indosat'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.//*

PT INDONESIAN SATELLITE CORPORATION Tbk AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF INCOME**  
 FOR THE THREE MONTHS ENDED MARCH 31, 2003 & 2004  
 (In Billions of Indonesian Rupiah and Millions of US\$, except for EPS and Earning per ADS)

DESCRIPTION	Three Months ended March, 31			Growth
	2003	2004		
	Rp	Rp	US \$	
<b>OPERATING REVENUES</b>				
Cellular	1.053,2	1.721,6	200,5	63,5%
International calls	515,8	440,0	51,2	-14,7%
Multimedia, Data Communication, Internet ("MIDI")	321,6	347,8	40,5	8,1%
Other Services	12,0	8,7	1,0	-27,0%
<b>TOTAL OPERATING REVENUES</b>	<b>1.902,7</b>	<b>2.518,2</b>	<b>293,3</b>	<b>32,4%</b>
<b>OPERATING EXPENSES</b>				
Depreciation & amortization	521,4	598,7	69,7	14,8%
Personnel costs	159,6	283,2	33,0	77,5%
Compensation to Telkom & Non Telkom	172,1	145,4	16,9	-15,5%
Administration and general	98,3	135,3	15,8	37,7%
Maintenance	66,2	117,8	13,7	78,0%
Marketing	53,9	90,3	10,5	67,5%
Leased Circuit	54,9	41,4	4,8	-24,7%
Other costs of services	234,7	325,3	37,9	38,6%
<b>TOTAL OPERATING EXPENSES</b>	<b>1.361,1</b>	<b>1.737,5</b>	<b>202,3</b>	<b>27,7%</b>
<b>OPERATING INCOME</b>	<b>541,6</b>	<b>780,7</b>	<b>90,9</b>	<b>44,1%</b>
<b>OTHER INCOME(EXPENSES)</b>				
Gain (loss) on foreign exchange - net	16,5	7,2	0,8	-56,3%
Interest income	46,5	28,7	3,3	-38,4%
Financing cost	(225,1)	(299,6)	(34,9)	33,1%
Amortization of goodwill	(209,3)	(56,6)	(6,6)	-73,0%
Others-net	25,3	328,2	38,2	1198,7%
<b>TOTAL OTHER INCOME(EXPENSES)</b>	<b>(346,1)</b>	<b>7,9</b>	<b>0,9</b>	<b>-102,3%</b>
<b>EQUITY IN NET INCOME OF ASSOCIATED COMPANIES</b>	<b>27,1</b>	<b>1,5</b>	<b>0,2</b>	<b>-94,4%</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>222,6</b>	<b>790,1</b>	<b>92,0</b>	<b>255,0%</b>
<b>INCOME TAX BENEFIT (EXPENSE)</b>				
Current	(153,5)	(16,4)	(1,9)	-89,3%
Deferred	(6,7)	(210,0)	(24,5)	3029,9%
<b>TOTAL INCOME TAX BENEFIT (EXPENSE)</b>	<b>(160,2)</b>	<b>(226,4)</b>	<b>(26,4)</b>	<b>41,3%</b>
<b>INCOME BEFORE MINORITY INTEREST IN NET INCOME OF OF SUBSIDIARIES</b>	<b>62,4</b>	<b>563,7</b>	<b>65,6</b>	<b>804,0%</b>
<b>MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES</b>	<b>(8,6)</b>	<b>(7,3)</b>	<b>(0,9)</b>	<b>-15,0%</b>
<b>NET INCOME</b>	<b>53,8</b>	<b>556,4</b>	<b>64,8</b>	<b>935,0%</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>10,4</b>	<b>107,5</b>	<b>0,01</b>	<b>935,0%</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>10,4</b>	<b>107,2</b>	<b>0,01</b>	<b>932,8%</b>
<b>BASIC EARNINGS PER ADS (50 B shares per ADS)</b>	<b>519,1</b>	<b>5.373,4</b>	<b>0,63</b>	<b>935,0%</b>
<b>DILUTED EARNINGS PER ADS</b>	<b>519,2</b>	<b>5.359,9</b>	<b>0,62</b>	<b>932,4%</b>

- (1) Translated into dollars based on average buying and selling rate of US\$ 1.00 = Rp 8,587,- which are published by Indonesian Central Bank on March 31, 2004  
 (2) Percentage changes may vary due to rounding.

**PT Indosat Tbk and Subsidiaries**  
*Key Operational Data*  
YTD For the Year Ended 31 March 2003 and 2004

Description	YTD Ended 31-Mar-03	YTD Ended 31-Mar-04	Growth
	1	2	3=(2-1)/1

**CELLULAR**

Total Net Additions			
Prepaid (Mentari & Smart)	298.243	607.356	103,6%
Postpaid (Matrix and Bright)	15.269	20.604	34,9%
<b>Total Net Additions</b>	<b>313.512</b>	<b>627.960</b>	<b>100,3%</b>
Total Subscribers (As at End of Period)			
Prepaid (Mentari & Smart)	3.639.316	6.208.238	70,6%
Postpaid (Matrix and Bright)	256.847	382.166	48,8%
<b>Total Cellular Subscribers</b>	<b>3.896.163</b>	<b>6.590.404</b>	<b>69%</b>
ARPU Postpaid	345.382	286.673	-17,0%
ARPU Prepaid	84.378	88.336	4,7%
<b>ARPU Blended</b>	<b>101.448</b>	<b>100.129</b>	<b>-1,3%</b>
<b>Network and Infrastructure :</b>			
<b>BTS/TRX</b>			
Base Transceiver Station (BTS) on Air	3.208	3.888	21,2%
Transit Receive Exchange (TRX) on Air	17.762	27.564	55,2%
<b>Capacity</b>			
Home Location Register (HLR)	7.928.000	14.226.638	79,4%
Visitor Location Register (VLR)	5.271.000	8.703.000	65,1%
<b>Quality of Services</b>			
Call Success Ratio	95,23%	98,04%	3,0%
Call Completion Ratio	98,23%	98,98%	0,8%

**PT Indosat Tbk and Subsidiaries**  
*Key Operational Data*  
YTD For the Year Ended 31 March 2003 and 2004

Description	YTD Ended 31-Mar-03	YTD Ended 31-Mar-04	Growth
	1	2	3=(2-1)/1

**I D D**

Outgoing Traffic (thousand minutes)	62.834	56.691	-9,8%
Incoming Traffic (thousand minutes)	135.496	171.000	26,2%
<b>Total Traffic (thousand minutes)</b>	<b>198.330</b>	<b>227.691</b>	<b>14,8%</b>
I/C Ratio	2,16	3,02	39,9%

**MIDI**

<b>Indosat : (Accumulated Numbers)</b>			
<b>Wholesale</b>			
International High Speed Leased Line (cct)	1.000	1.612	61,2%
Domestic High Speed Leased Line (cct)	545	1.331	144,2%
Satellite Transponder Leased (Transponder)	21,60	19,39	-10,2%
<b>Datacom-End User</b>			
International High Speed Leased Line (cct)	427	548	28,3%
Domestic High Speed Leased Line (cct)	2.089	2.835	35,7%
Frame Relay (number of ports)	764	846	10,7%
<b>Lintasarta : (Accumulated Numbers)</b>			
High Speed Leased Line (number of links)	2.331	2.002	-14,1%
Frame Relay (number of access)	3.022	3.823	26,5%
VSAT (number of terminal) - VSAT-NET/IP	717	1.256	75,2%
Internet Dial Up (users)	2.417	2.276	-5,8%
Internet Dedicated (number of links)	215	262	21,9%
<b>IM2</b>			
Internet Dial Up (subs)	28.427	25.754	-9,4%
Internet Dedicated (subs)	505	610	20,8%

**EMPLOYEES**

Indosat			
a. Permanent	3.931	3.974	1,1%
b. Outsourcing	1.386	1.340	-3,3%
Subsidiaries			
a. Permanent	891	901	1,1%
b. Outsourcing	534	555	3,9%
<b>Total</b>	<b>6.742</b>	<b>6.770</b>	<b>0,4%</b>

PT INDONESIAN SATELLITE CORPORATION Tbk AND SUBSIDIARIES  
BALANCE SHEET  
AS OF MARCH 31, 2003 AND 2004  
(In Billions of Indonesian Rupiah and Millions of US\$)

DESCRIPTION	CONSOLIDATED		
	2003 Rp	2004 Rp	US\$ (1)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	2.636,1	4.402,5	512,7
Short term investment	68,0	88,0	10,2
Account Receivable			
Trade :			
Related parties			
PT Telkom	352,5	354,1	41,2
Others	273,0	275,2	32,1
Third parties	663,3	898,8	104,7
Others Receivable :			
Third parties	95,2	15,1	1,8
Derivative Receivable	0,0	14,5	1,7
Inventories	100,4	121,7	14,2
Advances	119,2	201,3	23,4
Prepaid Taxes and expenses	606,3	1.750,6	203,9
Other Current Assets	20,9	27,6	3,2
<b>Total Current Assets</b>	<b>4.934,9</b>	<b>8.149,5</b>	<b>949,0</b>
<b>NON-CURRENT ASSETS</b>			
Due from related parties	145,2	69,9	8,1
Deferred Tax Asset - net	150,8	54,5	6,3
Investment in associated companies	187,2	33,2	3,9
Other Long term Investments	273,7	102,2	11,9
Property and equipment - net	12.297,1	14.390,5	1.675,9
Goodwill and other intangible assets - net	3.472,7	3.261,8	379,9
Long-term Receivables	145,4	119,3	13,9
Long-term prepaid pension - net of current portion	286,2	236,3	27,5
Long term advance	62,1	215,5	25,1
Other non current assets	267,1	330,6	38,5
<b>Total Non-Current Assets</b>	<b>17.287,6</b>	<b>18.813,8</b>	<b>2.191,0</b>
<b>TOTAL ASSETS</b>	<b>22.222,5</b>	<b>26.963,3</b>	<b>3.140,0</b>

PT INDONESIAN SATELLITE CORPORATION Tbk AND SUBSIDIARIES  
BALANCE SHEET  
AS OF MARCH 31, 2003 AND 2004  
(In Billions of Indonesian Rupiah and Millions of US\$)

DESCRIPTION	CONSOLIDATED		
	2003 Rp	2004 Rp	US\$ (1)
<b>CURRENT LIABILITIES</b>			
Short-term loans	0,0	16,7	1,9
Account Payable :			
Related parties	7,9	16,5	1,9
Third parties	82,5	183,6	21,4
Procurement Payable	950,6	1.810,5	210,8
Taxes Payable	193,9	610,8	71,1
Accrued Expenses	416,3	887,2	103,3
Derivative Payable	-	15,24	1,8
Unearned income	559,6	478,3	55,7
Deposits from customer	8,4	63,0	7,3
Current Maturities of Long-term Debt :			
Related parties	2,5	84,1	9,8
Third parties	619,9	112,1	13,1
Other Current Liabilities	310,2	35,9	4,2
<b>Total Current Liabilities</b>	<b>3.151,8</b>	<b>4.314,0</b>	<b>502,4</b>
<b>NON-CURRENT LIABILITIES</b>			
Due to related parties	61,1	2,4	0,3
Deferred Tax Liabilities - net	556,1	201,6	23,5
Long-term debt, net of current maturities :			
Related parties	2.001,2	924,3	107,6
Third parties	1.601,7	926,5	107,9
Bonds Payable	3.951,9	7.307,2	851,0
Other Non Current Liabilities	94,5	220,9	25,7
<b>Total Non-Current Liabilities</b>	<b>8.266,6</b>	<b>9.583,1</b>	<b>1.116,0</b>
<b>MINORITY INTEREST</b>	<b>146,8</b>	<b>156,3</b>	<b>18,2</b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital Stock	517,8	517,8	60,3
Premium on capital stock	673,1	673,1	78,4
Differences in value from restructuring transactions of entities under common control	4.467,7	4.640,3	540,4
Difference in transactions of equity changes in associated companies / subsidiaries	284,5	403,8	47,0
Stock options	-	39,7	4,6
Differences in foreign currency translation	0,0	0,3	0,0
Unrealized comprehensive income	-	(0,7)	(0,1)
Retained Earning :			
Appropriated	14,5	17,9	2,1
Unappropriated	4.646,0	6.061,3	705,9
Net income this period	53,8	556,4	64,8
<b>Total Retained Earning</b>	<b>4.714,3</b>	<b>6.635,6</b>	<b>772,8</b>
<b>Net Shareholders' Equity</b>	<b>10.657,4</b>	<b>12.909,9</b>	<b>1.503,4</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>22.222,5</b>	<b>26.963,3</b>	<b>3.140,0</b>

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