

Audit Committee Report

Overview

The Audit Committee (the "Committee") of PT Indosat Tbk. (the "Company") operates under a written Charter adopted by the Board of Commissioners (the "Board") on May 31, 2003, amended the latest on May 16, 2008.

According to the Charter, the Committee shall comprise of at least one Independent Commissioner and two independent external experts as members. One of the Independent Commissioners acts as the Chairman.

The membership of the Audit Committee up to General Meeting of Shareholders in June 2008 comprised of Lim Ah Doo as Chairman, Soeprapto and Setio Anggoro Dewo as members and Achmad Rivai and Achmad Fuad Lubis as independent expert members. Since July 1, 2008 until 26 August 2008 the membership comprised of George Thia Peng Heok as Chairman, Soeprapto as a member and Rusdy Daryono and U S M Tampubolon as independent expert members. Starting 26 August 2008, after the Extraordinary General Shareholders Meetings which approved the changes in the composition of the Board of Commissioners, the Board of Commissioners appointed Michael Latimer an Independent Commissioner as additional member to the Audit Committee. On January 1, 2009, following Rusdy Daryono resignation as independent expert member of the Committee, Kanaka Puradiredja was appointed as independent expert member.

Activity Report of the Audit Committee

In 2008, the Committee has performed its duties pursuant to its Charter taking into account the rules and regulations of the Indonesian and U.S. capital markets and stock exchanges.

The Committee was also involved in the oversight of the implementation program by the Management in 2008 of Sarbanes-Oxley Act 2002 Section 404 ("SOX 404") through meeting and discussions with President Director, Finance Director, the SOX 404 Implementation Team, its consultants, as well as the Independent External Auditor. In overseeing the implementation, the Committee also reviewed the progress and recommended the Management certain measures to expedite the implementation.

During the year the Committee held 9 meetings directly or via teleconference as allowed for by the Charter, attended by members as detailed below:

Commissioners	Number of Meetings Attended
Lim Ah Doo	4
Setio Anggoro Dewo	3
Soeprapto	9
Achmad Rivai	4
Achmad Fuad Lubis	4
George Thia Peng Heok	5
Michael F Latimer	3
Rusdy Daryono	5
U S M Tampubolon	5

In the latest amendment to the Charter, Audit Committee formalized Audit Committee Working Group meeting/discussion, which main activities are to follow up the implementation and status of Audit Committee meetings resolutions and review the adequacy of issues to be discussed in the coming Audit Committee meetings. The Working Group meetings are required to be attended by at least two Audit Committee members and report its work results to Audit Committee. There were 12 Working Group meetings in 2008

As required under the Rule of the Capital Market Supervisory Agency (Bapepam-LK) No. IX.I.5 on the Guidelines on Establishment and Working Implementation of Audit Committee and the Rule of the Jakarta Stock Exchange No. I-A on the Registration of Shares and Equity Securities Issued by Listed Companies (as amended), the Committee, after conducting its review, pursuant to its Charter and based on (i) the letter from the President Director of the Company No. 012/I00-IBO/REL/09 dated February 10, 2009 ii) the letters from the Independent External Auditor No. PSS-34019/02 dated February 5, 2009 and No. PSS-34650/02 dated March 19, 2009 addressed to the Audit Committee, hereby reports the following matters:

1. Awareness of any non compliance by the Company with respect to prevailing laws and regulations

The Committee has requested the Management to review the Company's compliance with prevailing laws and regulations and has received Management's assurance that in 2008 the Management, to the best of their knowledge, is not aware of any non-compliance by the Company with the prevailing laws and regulations.

In addition, the Committee also have requested the Company's Independent External Auditor to review the same, and they are not aware of any non-compliance by the Company with respect to the prevailing laws and regulations. Based on the review, the Committee, to the best of its knowledge, was not aware of any non-compliance by the Company with respect to the prevailing laws and regulations in 2008.

2. Awareness of any issue on the preparation of financial report, internal control and independence of the Company's auditors

a. The Management is responsible for the Company's accounting, internal control and financial reporting processes, including the preparation of its financial statements in conformity with Indonesian Generally Accepted Accounting Principles ("GAAP"). The Company's Independent External Auditor is responsible for auditing the financial statements in accordance with Generally Accepted Auditing Standards ("GAAS") in Indonesia and expresses its opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with GAAP.

The Committee is responsible for reviewing, in an oversight capacity, the financial reporting and auditing processes pursuant to its Charter.

i. The Management has stated in their representation letter that during the year 2008, they are not aware of any significant issues in the preparation of the 2008 Audited Consolidated Financial Statements including any material misstatement. The Committee has reviewed the 2008 Audited Consolidated Financial Statements with the Management and Independent External Auditor. The review included discussion with Independent External Auditor on matters pertaining to Section 404 of the Sarbanes Oxley Act namely the critical accounting policies, significant estimates and judgment, alternative accounting treatments, risks in financial reporting and any significant audit adjustments.

ii. In relation to the previous financial year 2007, the Management submitted in April 2008, their assessment report of internal control over financial reporting for financial year 2007 to the Committee for review, including actions to be taken and assurance that significant change in internal control has taken place. Further, the Management assured the Committee of their continuing efforts assisted

- by a consultant to implement SOX 404. Based on the review on Management's assessment report of internal control and Independent External Auditor test on internal control over financial reporting that the Company maintained in all material respects effective internal control over financial reporting for financial year 2007, the Committee has endorsed the assessment report for inclusion in the Annual Report 2007 to the US-SEC.
- iii. The Committee has reviewed the Independent External Auditor's Management Letter reporting findings for the year 2007 and 2008 and has drawn the Management's attention to the findings, stressing the need to expedite their remediation efforts. The Committee has monitored and discussed the remediation status of these deficiencies with Management and the Independent External Auditor several times during the year.
 - iv. Based on COSO framework, as it has been implemented in previous year, the Committee in 2008 has recommended Management to intensify the socialization of the Company's irregularities reporting policy and procedure (Whistleblower channel) internally and externally. In 2008, the Committee received two complaints from external parties concerning BTS power supply and human resources matters in Kalimantan Region and also customer services matters in Jabodetabek Region, those complaints has been fixed by the Management accordingly.
 - v. As part of Entity Level Control test the Independent External Auditor has requested the Committee to verify whether there was any violations of code of ethics in 2008. Based on discussion with Human Capital Management unit and confirmed by Director of Corporate Services, it was confirmed that in 2008 there were no violations of code of ethics.
 - vi. The Committee noted the efforts made by the Management from 2007 to 2008 to document, design and test the internal control structure in connection with the SOX 404 implementation.
 - vii. The Committee has reviewed the independence of Independent External Auditor in connection with Bapepam-LK's directive No. Kep 020/PM/2002, of November 12, 2002 and has secured an assurance from Independent External Auditor, as per their letter No. PSS – 29840 /02 dated April 8, 2008, attesting to their full independence and absence of any conflict of interest in its relationship with the Company to be engaged to audit the Company's financial statements for the year 2008. Further, the Management advised the Committee that they are not aware of any impairment in the independence of the external auditor.
 - viii. In order to prevent independence impairment of the Independent External Auditor during the performance of their annual audit engagement, the Committee has ensured that any other expected engagement of the Independent External Auditor by the Company in audit, audit-related and/or non-audit service is pre-approved by the Committee, pursuant to the established policy and procedure for the Committee pre-approval for services by the engaged Independent External Auditor (BOD Decree No. 04/DIREKSI/2007).
 - ix. The Annual General Meeting of Shareholders on June 5, 2008 has appointed Purwantono, Sarwoko & Sandjaja, a member of Ernst & Young Global as the Independent External Auditor to perform the financial audit of the consolidated financial statements as of December 31, 2008 with the total fee for this engagement as reported in the Corporate Governance Section of this 2008 Annual Report.
 - x. In relation to the financial year 2008, the Management submitted in March 2009, their assessment report of Internal Control over Financial Reporting for financial year 2008 to the Committee for review, including actions to be taken and assurance that no significant change in Internal Control has taken place. Further, Management assured the Committee of their continuing efforts assisted by a consultant to implement SOX 404. The

Independent External Auditor has submitted their internal control independent audit report for the year 2008 and their opinion that the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008. Based on the review on Management's assessment report of internal control and Independent External Auditor's audit report of same, the Committee has endorsed the assessment report which is part of Form 20-F Report which will be included automatically in the Annual Report to the Bapepam-LK and the US-SEC by April 2009.

Based on the review, the Committee, to the best of its knowledge, is not aware of any material issues to the 2008 Audited Consolidated Financial Statements. In addition, the Committee view that the 2008 Audited Consolidated Financial Statements have been prepared in accordance with the Indonesian generally accepted accounting principles; and that the audit results by Independent External Auditor were consistent with the audit plan and specifications as stated in the audit engagement. The Committee has recommended to the Board of Commissioners that the audited consolidated financial statements for the year ended December 31, 2008 be included in the Company's Annual Report to Shareholders, for filing with Bapepam-LK at the latest by April 2009.

3. Review of the implementation of the total remuneration package for the Directors & Commissioners

The Committee has reviewed the implementation of the total remuneration package for Directors and Commissioners in 2008. The review was conducted by Independent External Auditor based on the agreed upon procedures which has been approved by the Committee.

The Committee noted that the resolution adopted by the Annual General Meeting of Shareholders of June 5, 2008 has determined the remuneration and bonus for Commissioners and subsequently, the Board of Commissioners through its resolution has decided the remuneration and bonus for the Directors.

Based on its review, the Committee confirmed that the remuneration and bonus accorded to Commissioners and Directors were in line with the resolution of the AGMS and Board of Commissioners' resolution respectively. The amounts of remuneration and bonus are as reported by the Board of Directors in this 2008 Annual Report.