

## 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 on April 28, 2005, and on 21 December 2006.

According to the Charter, the Committee shall comprise 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 Shareholder in 2007 comprised of Lim Ah Doo as Chairman, Soeprapto and Eva Riyanti Hutapea as members and Achmad Fuad Lubis and Achmad Rivai as independent expert members. Since July 9 2007 the membership comprised of Lim Ah Doo as Chairman, Soeprapto and Setio Anggoro Dewo as members and Achmad Fuad Lubis and Achmad Rivai as independent expert members.

### Activity Report of the Audit Committee

In 2007, 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 involved in the oversight of the implementation program by the Management in 2007 of Sarbanes-Oxley Act of 2002 Section 404 ("SOX 404") through meetings and discussions with President Director, Finance Director, the SOX 404 implementation team, its

consultants, as well as with the Independent External Auditor Purwantono, Sarwoko & Sandjaja a member of Ernst & Young Global (the "Independent External Auditor "). In overseeing the implementation, the Committee also reviewed the progress and recommended to the Management certain measures to expedite the implementation.

During the year the Committee held 9 meetings attended by members as detailed below:

Members	Number of Meetings Attended
Lim Ah Doo	9
Setio Anggoro Dewo	6
Eva Riyanti Hutapea	3
Soeprapto	9
Achmad Rivai	9
Achmad Fuad Lubis	9

As required under the Rule of 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. 22/100-IBO / REL /08, dated February 25, 2008 (ii) the letters from the Independent External Auditor No. PSS-2892/02 dated February 25, 2008 and PSS-28948/02 dated February 28, 2008, 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 requested the Management to review the Company's compliance with prevailing laws and regulations and received Management's assurance that in 2007 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 requested the Company's Independent External Auditor to review the same, and received their opinion that pursuant to their assignment under Indonesian Institute of Accountants auditing standards SA 317 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 2007.

### 2. Awareness of any impairment 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 Generally Accepted Accounting Principles ("GAAP") in Indonesia.

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 2007, they are not aware of any impairment in the preparation of the 2007 Audited Consolidated Financial Statement including any material misstatement. The Committee has reviewed the 2007 Audited Consolidated Financial Statements with the Management and PSS. The review included discussion with PSS on matters pertaining to Section 204 of the Sarbanes Oxley Act namely the critical accounting policies, significant estimates and judgment, alternative accounting treatment, risks in financial reporting and any significant audit adjustment.
- ii. In relation to the previous financial year 2006, the Management submitted in May 2007, their assessment report of Internal

Control over financial reporting for financial year 2006 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. Based on the review on Management's assessment report of internal control and Independent External Auditor attestation on Management's assessment of internal control that the Company maintained in all material respects effective internal control over financial reporting for financial year 2006, the Committee has endorsed the assessment report for inclusion in the Annual Report 2006 to the US SEC.

- iii. The Committee has reviewed the Independent External Auditor's Report on findings of significant deficiencies (Auditor's Management Letter) for the year 2006 and has drawn 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.
- iv. Based on COSO framework, the Committee in 2007 has recommended to Management to enhance the socialization of the Company's irregularities reporting policy and procedure (Whistleblower channel) internally and externally. In 2007, the Committee did not receive any complaints.
- v. The Committee has noted the efforts made by the Management in 2006 to 2007 to document, design and test the

internal control structure in connection with the SOX 404 implementation.

- vi. The Committee has reviewed the independence of PSS in connection with Bapepam&LK's directive No. Kep020/PM/2002, of November 12, 2002 and has secured an assurance from PSS, as per their letter No. PSS -29693 /02 dated April 1, 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 2007. Further, the Management advised the Committee that they are not aware of any impairment in the independence of the external auditor.
- vii. 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. 009/DIREKSI/2007). Additionally, in order to prevent impairment to the Auditor's independence due to employment relationship with the Company, the Committee has established a policy to govern the hiring of former employees of the independent external auditor.
- viii. The Annual General Meeting of Shareholders on June 5, 2007 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 statement as of December 31, 2007 with the total fee for this engagement as reported in the Corporate Governance section of this 2007 Annual Report.

- ix. In relation to the 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 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 2007 and their opinion that the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007. 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 30, 2008.
- x. Based on the review, the Committee, to the best of its knowledge, is not aware of any material impairment to the 2007 Audited Consolidated Financial Statements. In addition, the Committee view that the 2007 Audited Consolidated Financial Statements

have been prepared in accordance with the Indonesian generally accepted accounting principles; and that the audit results by PSS were consistent with the audit plan and specifications as stated in the audit engagement contract. The Committee has recommended to the Board of Commissioners that the 2007 Audited Consolidated Financial Statement be included in the Company's Annual Report to Shareholders, for filing with Bapepam&LK at the latest by April 30, 2008.

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

The Committee has reviewed the implementation in 2007 of the total remuneration package for Directors and Commissioners in 2007.

The Committee noted that the resolution adopted by the Annual General Meeting of Shareholders of 5 June 2007 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 2007 Annual Report.