

# AUDIT COMMITTEE REPORT

## Background

The Audit Committee (the Committee) of PT Indosat Tbk (the Company) operates under a written charter approved by the Board of Commissioners (the BOC) on May 31, 2003 which was reviewed periodically and subsequently had been amended several times. The last amendment was on October 20, 2009.

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 is responsible to the BOC. Its primary function is to assist the BOC in fulfilling its oversight responsibilities of whether the Company is in compliance with Capital Market regulations both locally and in the US. In particular the Committee is responsible to oversight the fair presentation of Company's financial statements, the control over the process of financial reporting, auditing process conducted by both Internal Auditors (IA) and External Auditors (EA) and compliance to the prevailing law and regulations.

In performing its duties the Committee communicated closely with the Company's Management including the Board of Directors (BOD), the Risk Management Group, particularly the Sarbanes Oxley implementation team (SOX team), the IA and EA.

The members of the Committee, during 2009, were comprised of:

George Thia Peng Heok	An Independent Commissioner and Chairman
Soeprapto S.I.P	An Independent Commissioner and Member
Michael F. Latimer	An Independent Commissioner and Member
Kanaka Puradiredja	An Independent expert member
USM Tampubolon	An Independent expert member

Subsequently, there has been a change in the Committee members, as on January 28, 2010 Mr. Michael F. Latimer resigned and his position has been replaced by Mr. Chris Kanter.

For the purpose of Bapepam-LK and NYSE requirements, George Thia Peng Heok and Kanaka Puradiredja are acting as the financial experts.

During the year, the Committee held 7 meetings. The attendance of the respective members was as follows:

	Attendance
George Thia Peng Heok	7
Soeprapto S.I.P	7
Michael F. Latimer	5
Kanaka Puradiredja	7
USM Tampubolon	6

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 with respect to the duties of the Committee.

The ACWG consists of 2 (two) independent members of the Committee and 2 (two) independent advisors. During 2009, it held 29 meetings.

After conducting its activities and receiving and reviewing representation letters from the Management and EA, the Committee summarizes the following report.

## Financial Statements

The 2009 consolidated financial statements, as included in the 2009 Annual Report, were audited by Purwantono, Sarwoko & Sandjaja (PSS), a member of Ernst & Young Global whose report dated February 18, 2010 expresses that the Company's 2009 consolidated financial statements have been fairly stated in accordance with the Indonesian General Accepted Accounting Principles (Indonesian GAAP).

To meet US SEC reporting requirements, starting from 2009, the Company decided that a separate set of financial statements in IFRS is to be issued in lieu of presenting US GAAP reconciliation disclosure in the Indonesian GAAP financial statements. The Committee closely monitored the transition process from US GAAP to IFRS implemented by Management.

The Committee has reviewed the 2009 audited consolidated financial statements with the Management and PSS including matters pertaining to Sarbanes Oxley Act 2002 section 204 namely 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 abovementioned consolidated financial statements and has satisfied itself that all material audit adjustments proposed by PSS have been included in the 2009 consolidated financial statements.

### **Internal Control**

1. Based on information in whistle blower system established by the Committee and enquiries to the Company's Management, the Committee is not aware of any frauds which may affect the fair presentation of 2009 consolidated financial statements.
2. The process of assessing the control over financial reporting conducted by Management in connection with the SOX 404 requirements has been closely monitored by the Committee and the Committee concludes that the Company, in all material respects, has maintained effective internal control over financial reporting.

Certain weaknesses were noted by PSS during the audit and the Committee has been monitoring the Management's remediation initiatives on those findings.

### **External Auditors**

3. The Committee has reviewed the independence of PSS, the Company's external auditors, and conclude that PSS is independent in conducting its audit on Company's consolidated financial statements for the year ended December 31, 2009.

PSS was not engaged in any assignments which are prohibited services as defined by Bapepam-LK and US SEC.

### **INTERNAL AUDITORS**

4. With respect to the Internal Auditors, the Committee notes the continuing efforts by Management to improve its activities and necessary guidance have been provided by the Committee so as to improve their performance. The latest significant effort was a recruitment of a new Internal Auditor Head in January 2010.

### **Compliance with the Prevailing Laws and Regulations**

5. The Committee has enquired 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, as such, the Committee states, that to the best of its knowledge, is not aware of any non compliance to the prevailing laws and regulations.

### **Remuneration Package**

6. Part of the Committee responsibilities is to review the remuneration package of Board of Directors and Board of Commissioners. Based on its review conducted by PSS, under the instruction of the Committee, it is concluded that 2009 remuneration packages of Board of Commissioners and Board of Directors have been implemented in line with the Resolutions of Annual General Meeting of Shareholders of June 11, 2009 and the Resolution of Remuneration Committee meeting of August 14, 2009, respectively, which is reported in this Annual Report.