

**PT Indosat Tbk and subsidiaries**

Interim condensed consolidated financial statements  
three months ended March 31, 2011 and 2010

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

**PT INDOSAT Tbk AND SUBSIDIARIES  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2011 AND 2010**

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**March 31, 2011 (unaudited) and December 31, 2010 (audited)**  
**(Expressed in millions of rupiah, except share data)**

	Notes	March 31, 2011	December 31, 2010
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4,28	2,656,415	2,075,270
Accounts receivable			
Trade - net of allowance for impairment of Rp513,372 in 2011 and Rp496,110 in 2010	5,28	1,758,689	1,548,426
Others - net of allowance for impairment of Rp15,354 in 2011 and Rp15,281 in 2010		42,685	10,031
Inventories - net of allowance for obsolescence of Rp14,264 in 2011 and Rp13,961 in 2010		117,737	105,885
Derivative assets	19	43,556	69,334
Advances	29f	51,536	67,273
Prepaid taxes	6	685,035	701,560
Prepaid expenses	28	1,299,926	1,527,254
Other current financial assets - net	7,28	49,629	53,119
Other current assets		376	702
Total Current Assets		<u>6,705,584</u>	<u>6,158,854</u>
<b>NON-CURRENT ASSETS</b>			
Due from related parties - net of allowance for impairment of Rp646 in 2011 and 2010	28	8,493	8,421
Deferred tax assets - net	15	97,066	95,018
Property and equipment - net	8,28c	42,734,397	43,571,010
Goodwill and other intangible assets - net	9	1,374,342	1,374,060
Long-term prepaid rentals - net of current portion	10,28	731,845	750,472
Long-term prepaid licenses - net of current portion		381,248	397,708
Long-term advances	11,28,29f	270,816	216,643
Long-term prepaid pension - net of current portion	28	108,763	111,344
Long-term receivables		42,870	45,911
Other non-current financial assets - net	12,28,29f	81,002	80,405
Other non-current assets - net	13,28	6,636	8,341
Total Non-current Assets		<u>45,837,478</u>	<u>46,659,333</u>
<b>TOTAL ASSETS</b>		<b><u>52,543,062</u></b>	<b><u>52,818,187</u></b>

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

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**  
**March 31, 2011 (unaudited) and December 31, 2010 (audited)**  
**(Expressed in millions of rupiah, except share data)**

	Notes	March 31, 2011	December 31, 2010
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable - trade			
Trade			
Related parties	28	26,100	22,260
Third parties		621,221	623,245
Procurement payable	14,28	3,379,535	3,644,467
Taxes payable	15	127,788	169,445
Accrued expenses	16,28	1,304,217	1,710,885
Unearned income	29e,29f	1,100,998	1,143,852
Deposit from customers		37,589	50,279
Derivative liabilities	19	205,568	215,403
Current maturities of:			
Loans payable	17,28	3,174,147	3,184,147
Bonds payable	18	1,099,102	1,098,131
Other current financial liabilities		21,212	23,127
Other current liabilities	28	61,255	61,612
Total Current Liabilities		11,158,732	11,946,853
<b>NON-CURRENT LIABILITIES</b>			
Due to related parties	28	21,928	22,099
Deferred tax liabilities - net	15	1,927,952	1,772,337
Loans payable - net of current maturities	17,28	7,751,305	7,666,804
Bonds payable - net of current maturities	18	11,930,708	12,114,104
Employee benefit obligations - net of current portion	21	883,679	872,407
Other non-current liabilities	28,29f	159,674	187,097
Total Non-Current Liabilities		22,675,246	22,634,848
<b>TOTAL LIABILITIES</b>		<b>33,833,978</b>	<b>34,581,701</b>

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

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)**  
**March 31, 2011 (unaudited) and December 31, 2010 (audited)**  
**(Expressed in millions of rupiah, except share data)**

	<u>Notes</u>	<u>March 31, 2011</u>	<u>December 31, 2010</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS' OF THE COMPANY</b>			
Capital stock - Rp100 par value per A share and B share			
Authorized - 1 A share and 19,999,999 B shares			
Issued and fully paid - 1 A share and 5,433,933,499 B shares	22	543,393	543,393
Premium on capital stock		1,546,587	1,546,587
Retained earnings			
Appropriated		134,446	134,446
Unappropriated		15,678,737	15,224,843
Other components of equity		402,821	401,377
Total Equity Attributable to Owners of the Company		18,305,984	17,850,646
Non-controlling Interests		403,100	385,840
<b>TOTAL EQUITY</b>		<b>18,709,084</b>	<b>18,236,486</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>52,543,062</b>	<b>52,818,187</b>

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

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**Three Months Ended March 31, 2011 and 2010 (unaudited)**  
**(Expressed in millions of rupiah, except share data)**

	Notes	March 31,	
		2011	2010
<b>OPERATING REVENUES</b>	23,28		
Cellular		3,964,388	3,734,293
Multimedia, Data Communication, Internet ("MIDI")		590,999	641,160
Fixed Telecommunication		322,428	359,249
<b>Total Operating Revenues</b>		<b>4,877,815</b>	<b>4,734,702</b>
<b>OPERATING EXPENSES</b>	28		
Cost of services	24	1,778,217	1,724,407
Depreciation and amortization	8,9	1,556,896	1,481,539
Personnel	25	511,955	382,046
Marketing		187,374	236,429
General and administration	26	176,537	164,260
<b>Total Operating Expenses</b>		<b>4,210,979</b>	<b>3,988,681</b>
<b>OPERATING INCOME</b>		<b>666,836</b>	<b>746,021</b>
<b>OTHER INCOME (EXPENSES)</b>			
Gain on foreign exchange - net		459,257	359,125
Interest income	28	21,830	33,874
Financing cost	27,28	(462,083)	(548,259)
Loss on change in fair value of derivatives - net	19	(34,901)	(97,600)
Amortization of goodwill	9	-	(56,627)
Others - net		1,026	(16,061)
<b>Other Expenses - Net</b>		<b>(14,871)</b>	<b>(325,548)</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>651,965</b>	<b>420,473</b>
<b>INCOME TAX EXPENSE</b>			
Current		(30,720)	(61,952)
Deferred		(152,751)	(65,804)
<b>Total Income Tax Expense</b>		<b>(183,471)</b>	<b>(127,756)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>468,494</b>	<b>292,717</b>

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

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)**  
**Three Months Ended March 31, 2011 and 2010 (unaudited)**  
**(Expressed in millions of rupiah, except share data)**

	Notes	March 31,	
		2011	2010
<b>OTHER COMPREHENSIVE INCOME</b>			
Difference in foreign currency translation		1,926	(4,585)
Income tax effect		(482)	1,146
<b>Difference in foreign currency translation - net of tax</b>		<b>1,444</b>	<b>(3,439)</b>
<b>NET COMPREHENSIVE INCOME</b>		<b>469,938</b>	<b>289,278</b>
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		453,894	277,987
Non-controlling interests		14,600	14,730
<b>Total</b>		<b>468,494</b>	<b>292,717</b>
<b>OTHER COMPREHENSIVE INCOME - NET OF TAX</b>			
<b>ATTRIBUTABLE TO:</b>			
Owners of the Company		1,444	(3,439)
Non-controlling interests		-	-
<b>Total</b>		<b>1,444</b>	<b>(3,439)</b>
<b>NET COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Owners of the Company		455,338	274,548
Non-controlling interests		14,600	14,730
<b>Total</b>		<b>469,938</b>	<b>289,278</b>
<b>BASIC EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<b>83.53</b>	<b>51.16</b>
<b>BASIC EARNINGS PER ADS (50 SHARES PER ADS) ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<b>4,176.48</b>	<b>2,557.88</b>

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**Three Months Ended March 31, 2011 and 2010 (unaudited)**  
**(Expressed in millions of rupiah)**

		Attributable to Owners of the Company								
Description	Notes	Capital Stock - Issued and Fully Paid	Premium on Capital Stock	Difference in Transactions of Equity Changes in Associated Companies/ Subsidiaries	Difference in Foreign Currency Translation*	Retained Earnings		Total	Non-Controlling Interests	Total Equity
						Appropriated	Unappropriated			
<b>Balance as of January 1, 2010</b>		543,393	1,546,587	404,104	2,369	119,464	15,341,773	17,957,690	330,593	18,288,283
Profit for the period		-	-	-	-	-	277,987	277,987	14,730	292,717
Other comprehensive income		-	-	-	(3,439)	-	-	(3,439)	-	(3,439)
<b>Total comprehensive income</b>		-	-	-	(3,439)	-	277,987	274,548	14,730	289,278
Changes in non-controlling interests		-	-	-	-	-	-	-	(14,518)	(14,518)
<b>Balance as of March 31, 2010</b>		<b>543,393</b>	<b>1,546,587</b>	<b>404,104</b>	<b>(1,070)</b>	<b>119,464</b>	<b>15,619,760</b>	<b>18,232,238</b>	<b>330,805</b>	<b>18,563,043</b>

		Attributable to Owners of the Company								
Description	Notes	Capital Stock - Issued and Fully Paid	Premium on Capital Stock	Difference in Transactions of Equity Changes in Associated Companies/ Subsidiaries	Difference in Foreign Currency Translation*	Retained Earnings		Total	Non-Controlling Interests	Total Equity
						Appropriated	Unappropriated			
<b>Balance as of January 1, 2011</b>		543,393	1,546,587	404,104	(2,727)	134,446	15,224,843	17,850,646	385,840	18,236,486
Profit for the period		-	-	-	-	-	453,894	453,894	14,600	468,494
Other comprehensive income		-	-	-	1,444	-	-	1,444	-	1,444
<b>Total comprehensive income</b>		-	-	-	1,444	-	453,894	455,338	14,600	469,938
Changes in non-controlling interests		-	-	-	-	-	-	-	2,660	2,660
<b>Balance as of March 31, 2011</b>		<b>543,393</b>	<b>1,546,587</b>	<b>404,104</b>	<b>(1,283)</b>	<b>134,446</b>	<b>15,678,737</b>	<b>18,305,984</b>	<b>403,100</b>	<b>18,709,084</b>

\* This reserve arose from the translation of the financial statements of Indosat Finance B.V. and Indosat International Finance Company B.V. from euro, and Indosat Singapore Pte. Ltd. and Indosat Palapa B.V. from U.S. dollar to rupiah, net of applicable taxes.

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three Months Ended March 31, 2011 and 2010 (unaudited)**  
**(Expressed in millions of rupiah)**

	Notes	March 31,	
		2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from:			
Customers		4,605,145	4,422,110
Interest income		21,845	33,716
Cash paid to/for:			
Suppliers and others		(1,887,730)	(1,782,581)
Financing cost		(574,761)	(521,167)
Employees		(548,661)	(356,744)
Income taxes		(101,982)	(110,079)
Interest rate swap contracts		(29,847)	(31,809)
<b>Net Cash Provided by Operating Activities</b>		<b>1,484,009</b>	<b>1,653,446</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment	8	113	1,782
Acquisitions of property and equipment		(1,204,752)	(1,705,038)
Acquisitions of intangible assets	9	(4,258)	(29,460)
Proceeds of Palapa D-Satellite insurance claim		-	537,657
<b>Net Cash Used in Investing Activities</b>		<b>(1,208,897)</b>	<b>(1,195,059)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term loans	17	522,900	51,211
Repayment of long-term loans	17	(199,657)	(249,360)
Increase in restricted cash and cash equivalent		-	(5,454)
<b>Net Cash Provided by (Used in) Financing Activities</b>		<b>323,243</b>	<b>(203,603)</b>
<b>Net Foreign Exchange Differences from Cash and Cash Equivalents</b>		<b>(17,210)</b>	<b>(8,354)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>581,145</b>	<b>246,430</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b>2,075,270</b>	<b>2,835,999</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	4	<b>2,656,415</b>	<b>3,082,429</b>
<b>DETAILS OF CASH AND CASH EQUIVALENTS:</b>			
Time deposits with original maturities of three months or less and deposits on call			
		2,285,640	2,775,708
Cash on hand and in banks			
		370,775	306,721
<b>Cash and cash equivalents as stated in the consolidated statements of financial position</b>		<b>2,656,415</b>	<b>3,082,429</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Transactions not affecting cash flows:			
Acquisitions of property and equipment credited to long-term advances			
		54,173	46,188
Unpaid dividend of PT Artajasa Pembayaran Elektronik to non-controlling interests			
		-	12,341

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

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2011 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)**

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**1. GENERAL**

**a. Company's Information and Main Activities**

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 Tadjoeidin, 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.

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 for public use, interconnection internet services, internet access 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;
- 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.

The Company and subsidiaries have to obtain licenses from the Government of Republic of Indonesia to engage in the provision of specific telecommunications networks and services. The operating licenses obtained by the Company and subsidiaries are still the same with those described in the consolidated financial statements for the year ended December 31, 2010.

The Company is domiciled at Jalan Medan Merdeka Barat No. 21, Jakarta.

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2011 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share and tariff data)**

**1. GENERAL (continued)**

**a. Company's Information and Main Activities (continued)**

The interim condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to hereafter as "the Companies") as of March 31, 2011 and for the three months ended March 31, 2011 were approved and authorized for issue by the Board of Directors on April 26, 2011.

**b. Employees, Directors, Commissioners and Audit Committee**

Based on a resolution at each of the Stockholders' Extraordinary General Meeting held on February 8, 2011 which is notarized under Deed No. 28 of Aulia Taufani, S.H., (as a substitute notary of Sutjipto, S.H.) on the same date and the Stockholders' Annual General Meeting held on June 22, 2010 which is notarized under Deed No. 164 of Aulia Taufani, S.H., (as a substitute notary of Sutjipto, S.H.) on the same date, the composition of the Company's Board of Commissioners and Board of Directors as of March 31, 2011 and December 31, 2010, respectively, is as follows:

Board of Commissioners:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
President Commissioner	Abdulla Mohammed S.A Al Thani	Abdulla Mohammed S.A Al Thani
Commissioner	Dr. Nasser Mohd. A. Marafih	Dr. Nasser Mohd. A. Marafih
Commissioner	Rachmad Gobel	Rachmad Gobel
Commissioner	Richard Farnsworth Seney	Richard Farnsworth Seney
Commissioner	Parikesit Suprpto	Jarman
Commissioner	Rionald Silaban	Rionald Silaban
Commissioner	Alexander Rusli*	Alexander Rusli*
Commissioner	Chris Kanter*	Chris Kanter*
Commissioner	Thia Peng Heok George*	Thia Peng Heok George*
Commissioner	Soeprapto*	Soeprapto*

\* Independent commissioner

Board of Directors:

	<b>March 31, 2011 and December 31, 2010</b>
President Director and Chief Executive Officer	Harry Sasongko Tirtotjondro
Director and Chief Financial Officer	Peter Wladyslaw Kuncewicz
Director and Chief Commercial Officer	Laszlo Imre Barta
Director and Chief Technology Officer	Stephen Edward Hobbs*
Director and Chief Wholesale and Infrastructure Officer	Fadzri Sentosa

\* As of May 1, 2011, this position will be filled by Hans C. Moritz,

The composition of the Company's Audit Committee as of March 31, 2011 is still the same with the one as disclosed in the consolidated financial statement for the year ended December 31, 2010.

The Companies have approximately 6,491 and 6,694 employees, including non-permanent employees, as of March 31, 2011 and December 2010, respectively.

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Three Months Ended March 31, 2011 and 2010 (Unaudited)**  
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**1. GENERAL (continued)**

**c. Structure of the Company's Subsidiaries**

As of March 31, 2011 and 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 (%)	
				March 31, 2011	December 31, 2010
Indosat Palapa Company B.V. ("IPBV")	Amsterdam	Finance	2010	100.00	100.00
Indosat Mentari Company B.V. ("IMBV")	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	Telecommunications	2005	100.00	100.00
PT Indosat Mega Media ("IMM")	Jakarta	Multimedia	2001	99.85	99.85
PT Interactive Vision Media ("IVM") *	Jakarta	Pay TV	-	99.83	-
PT Starone Mitra Telekomunikasi ("SMT")	Semarang	Telecommunications	2006	72.54	72.54
PT Aplikanusa Lintasarta ("Lintasarta")	Jakarta	Data Communication	1989	72.36	72.36
PT Lintas Media Danawa ("LMD")	Jakarta	Information and Communication Services	2008	50.65	50.65
PT Artajasa Pembayaran Elektronik ("APE")	Jakarta	Telecommunications	2000	39.80	39.80

Name of Subsidiary	Total Assets (Before Eliminations)	
	March 31, 2011	December 31, 2010
IPBV	5,666,376	5,966,764
IMBV	5,658,864	5,946,885
IFB	22,058	21,876
IIFB	9,589	9,635
ISPL	58,843	54,353
IMM	923,382	815,130
SMT	175,470	155,297
Lintasarta	1,752,025	1,739,896
LMD	2,552	2,671
APE	232,317	221,297
IVM *	4,999	-

\* PT Interactive Vision Media, a subsidiary of IMM, was established on April 21, 2009 to engage in Pay TV services. IMM just made capital injection to IVM on March 9 and 30, 2011 totalling Rp4,999. As of March 31, 2011, IVM is still in the process of obtaining operating licence to conduct such services; consequently, it is not operating yet.

**d. 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, PT Satelit Palapa Indonesia ("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.

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**Three Months Ended March 31, 2011 and 2010 (Unaudited)**  
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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Preparation**

The interim condensed consolidated financial statements for the three months ended March 31, 2011 have been prepared in accordance with SAK 3 (Revised 2010), "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Companies' annual financial statements as of 31 December 2010.

**b. Significant Accounting Policies**

The accounting policies, presentation and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Companies' annual financial statements for the year ended December 31, 2010, and with the following new Standards and Interpretations effective January 1, 2011 as described below:

- SAK 1 (Revised 2009), "Presentation of Financial Statements", prescribes the basis for presentation of general purpose financial statements to ensure comparability both with an entity's financial statements of previous periods and with the financial statements of other entities. This standard results in changes to presentation of the Companies' consolidated financial statements (such as the use of consolidated statement of comprehensive income) and the inclusion of new disclosures in the notes to consolidated financial statements (such as statement of compliance to SAKs, management's use of judgments, estimates and assumption, and the Companies' capital management).
- SAK 2 (Revised 2009), "Statement of Cash Flows", requires the provision of information about the historical changes in cash and cash equivalents by means of a statement of cash flows which classifies cash flows during the period into operating, investing and financing activities. This standard requires the Companies to present the effect of net foreign exchange differences from cash and cash equivalents in the consolidated statement of cash flows separately from operating, investing and financing cash flows.
- SAK 3 (Revised 2010), "Interim Financial Reporting", prescribes the minimum content of an interim financial report and the principles for recognition and measurement in financial statements presented for an interim period. This standard allows the Companies to apply the interim condensed consolidated financial statement in the first quarter of 2011.
- SAK 4 (Revised 2009), "Consolidated and Separate Financial Statements", applies to the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent and in accounting for investments in subsidiaries, jointly controlled entities and associates when separate financial statements are presented as additional information. This standard results in change to presentation of non - controlling interest in the consolidated statement of financial position.
- SAK 5 (Revised 2009), "Operating Segments", requires segment information to be disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates. This standard requires the Companies to present the segment reporting which is used by the Companies' Chief Operating Officer for decision making process.

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Significant Accounting Policies (continued)**

- SAK 7 (Revised 2010), "Related Party Disclosures", requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, and also applies to individual financial statements. Early application is allowed. This standard has no impact to the Companies' presentation on related party disclosure.
- SAK 8 (Revised 2010), "Events after the Reporting Period", prescribes when an entity should adjust its financial statements for events after the reporting period and the disclosures that an entity should give about the date when the financial statements were authorized for issue and about events after the reporting period. This SAK also requires an entity not to prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate. This standard requires the Companies to disclose events after reporting period up to the authorized date for issue of consolidated financial statements.
- SAK 15 (Revised 2009), "Investments in Associates", applies to the accounting for investments in associates and supersedes SAK 15 (1994), "Accounting for Investments in Associates", and SAK 40 (1997), "Accounting for Changes in Equity of Subsidiaries/Associates". This standard requires the Companies to treat investment with cost method under SAK 55 (Revised 2006).
- SAK 19 (Revised 2010), "Intangible Assets", prescribes the accounting treatment for intangible assets that are not dealt with specifically in other SAKs. It requires the recognition of an intangible asset if, and only if, the specified criteria are met, and also specifies how to measure the carrying amount of intangible assets and related disclosures. This standard has no impact to the Companies' consolidated financial statements.
- SAK 22 (Revised 2010), "Business Combinations", applies to a transaction or other event that meets the definition of a business combination to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. This standard affects the measurement of the Companies' goodwill since there will be no more amortization of goodwill. Goodwill is measured at cost less any accumulated impairment losses.
- SAK 23 (Revised 2010), "Revenue", identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue will be recognized. It prescribes the accounting treatment of revenue arising from certain types of transactions and events, as well as practical guidance on the application of criteria on revenue recognition. This standard has no impact to the Companies' consolidated financial statements.
- SAK 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors", prescribes the criteria for selecting and changing accounting policies, together with the treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard results in the inclusion of new disclosures in the notes to consolidated financial statements, such as the adoption of new and revised standards and interpretations.
- SAK 48 (Revised 2009), "Impairment of Assets", prescribes the procedures to be applied to ensure that assets are carried at no more than their recoverable amount and if the assets are impaired, an impairment loss should be recognized. This standard has no impact to the Companies' consolidated financial statements.

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Significant Accounting Policies (continued)**

- SAK 57 (Revised 2009), “Provisions, Contingent Liabilities and Contingent Assets”, aims to provide that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to enable users to understand the nature, timing and amount related to the information. This standard has no impact to the Companies’ consolidated financial statements.
- SAK 58 (Revised 2009), “Non-current Assets Held for Sale and Discontinued Operations”, specifies the accounting for assets held for sale, and the presentation and disclosure of discontinued operations. This standard has no impact to the Companies’ consolidated financial statements.
- Interpretations of Financial Accounting Standards (ISAK) 7, “Consolidation - Special Purpose Entities”, addresses when a special purpose entity (“SPE”) should be consolidated by a reporting enterprise under the consolidation principles in SAK 4. Under ISAK 7, an entity must consolidate the SPE when, in substance, the entity controls the SPE. This interpretation has no impact to the Companies’ consolidated financial statements.
- ISAK 9, “Changes in Existing Decommissioning, Restoration and Similar Liabilities”, applies to changes in the measurement of any existing decommissioning, restoration or similar liability recognized as part of the cost of an item of property, plant and equipment in accordance with SAK 16 and as a liability in accordance with SAK 57. This interpretation has no impact to the Companies’ consolidated financial statements.
- ISAK 10, “Customer Loyalty Programs”, applies to customer loyalty award credits granted to customers as part of a sales transaction, and, subject to meeting any further qualifying conditions, the customers can redeem the credits in the future for free goods or services or at discounted prices. This interpretation has been applied by the Companies as disclosed in Note 23.
- ISAK 17, “Interim Financial Reporting and Impairment”, requires that an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This interpretation has no impact to the Companies’ consolidated financial statements.

**3. MANAGEMENT’S USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Companies’ 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 estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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**4. CASH AND CASH EQUIVALENTS**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Cash on hand		
Rupiah	1,386	1,682
U.S. dollar (US\$6 in 2011 and US\$12 in 2010)	50	110
	<u>1,436</u>	<u>1,792</u>
Cash in banks		
Related parties (Note 28)		
Rupiah	95,231	73,605
U.S. dollar (US\$1,994 in 2011 and US\$4,726 in 2010)	17,364	42,502
Third parties		
Rupiah	147,907	49,744
U.S. dollar (US\$12,497 in 2011 and US\$12,885 in 2010)	108,837	115,844
	<u>369,339</u>	<u>281,695</u>
Time deposits and deposits on call		
Related parties (Note 28)		
Rupiah	1,179,371	764,935
U.S. dollar (US\$64,862 in 2011 and US\$81,705 in 2010)	564,888	734,609
Third parties		
Rupiah	243,871	180,262
U.S. dollar (US\$34,161 in 2011 and US\$12,454 in 2010)	297,510	111,977
	<u>2,285,640</u>	<u>1,791,783</u>
<b>Total</b>	<b><u>2,656,415</u></b>	<b><u>2,075,270</u></b>

Time deposits and deposits on call denominated in rupiah earned interest at annual rates ranging 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 0.05% to 2.50% in 2011 and from 0.05% to 4.75% in 2010.

The interest rates on time deposits and deposits on call in related parties are comparable to those offered by third parties.

**5. ACCOUNTS RECEIVABLE - TRADE**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Related parties (Note 28) (including US\$7,146 in 2011 and US\$7,819 in 2010)	220,831	270,146
Less allowance for impairment	44,376	47,640
<b>Net</b>	<b><u>176,455</u></b>	<b><u>222,506</u></b>
Third parties (including US\$126,949 in 2011 and US\$107,711 in 2010)	2,051,230	1,774,390
Less allowance for impairment	468,996	448,470
<b>Net</b>	<b><u>1,582,234</u></b>	<b><u>1,325,920</u></b>
<b>Total</b>	<b><u>1,758,689</u></b>	<b><u>1,548,426</u></b>

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**5. ACCOUNTS RECEIVABLE - TRADE (continued)**

The changes in the allowance for impairment on the accounts receivable - trade are as follows:

	<b>Total</b>	<b>Related Parties</b>	<b>Third Parties</b>
<b><u>March 31, 2011</u></b>			
Balance at beginning of period	496,110	47,640	448,470
Provision (reversal) - net (Note 26)	16,940	(4,561)	21,501
Net effect of foreign exchange adjustment	322	1,297	(975)
Balance at end of period	<u>513,372</u>	<u>44,376</u>	<u>468,996</u>
Individual impairment	202,537	27,979	174,558
Collective impairment	310,835	16,397	294,438
Total	<u>513,372</u>	<u>44,376</u>	<u>468,996</u>
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	<u>537,897</u>	<u>114,095</u>	<u>423,802</u>
<b><u>December 31, 2010</u></b>			
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	<u>496,110</u>	<u>47,640</u>	<u>448,470</u>
Individual impairment	182,175	37,576	144,599
Collective impairment	313,935	10,064	303,871
Total	<u>496,110</u>	<u>47,640</u>	<u>448,470</u>
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	<u>405,926</u>	<u>118,486</u>	<u>287,440</u>

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 or Loss 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.

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**6. PREPAID TAXES**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Claims for tax refund	678,520	651,657
Value Added Tax ("VAT")	3,661	47,701
Others	2,854	2,202
<b>Total</b>	<b>685,035</b>	<b>701,560</b>

**7. OTHER CURRENT FINANCIAL ASSETS - NET**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Short-term investments	25,395	25,395
Less allowance for decline in value	25,395	25,395
Net	-	-
Restricted cash and cash equivalents	44,270	48,165
Others	5,359	4,954
<b>Total</b>	<b>49,629</b>	<b>53,119</b>

**8. PROPERTY AND EQUIPMENT - NET**

The details of property and equipment are as follows:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Balance at beginning of period / year - net	43,571,010	44,428,807
Additions	855,557	5,474,937
Derecognitions - net	(139,250)	(159,126)
Depreciation during the period / year	(1,552,920)	(6,173,608)
<b>Balance at ending of period/year - net</b>	<b>42,734,397</b>	<b>43,571,010</b>

For the three months ended March 31, 2011 and 2010, sales or exchange of certain property and equipment were made as follows:

	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
Exchange of Assets (Note 29c)		
Carrying amount of assets received	139,250	-
Carrying amount of assets given up	(139,250)	-
Sales of Assets		
Proceeds	113	1,782
Net book value	-	(222)
<b>Gain</b>	<b>113</b>	<b>1,560</b>

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**8. PROPERTY AND EQUIPMENT - NET (continued)**

In such exchange of assets transaction, the fair value of neither the asset received nor the assets given up cannot be measured reliably, hence, its value is measured at the carrying amount of the assets given up.

As of March 31, 2011, approximately Rp27,187 of property and equipment are pledged as collateral to credit facilities obtained by Lintasarta.

As of March 31, 2011, the Companies insured their respective property and equipment (except submarine cables and landrights) for US\$239,603 and Rp40,309,606 including insurance amounting to US\$153,000 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.

Borrowing costs capitalized to properties under construction and installation for the three months ended March 31, 2011 amounted to Rp1,503 and for the year ended December 31, 2010 amounted to Rp18,698, respectively.

**9. GOODWILL AND OTHER INTANGIBLE ASSETS - NET**

The changes in the goodwill and other intangible assets account are as follows:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Balance at beginning of period / year - net	1,374,060	1,580,080
Additions:		
Non-integrated software	4,258	40,052
Amortization of goodwill	-	(226,380)
Amortization of other intangible assets	(3,976)	(19,692)
<b>Balance at end of period / year - net</b>	<b>1,374,342</b>	<b>1,374,060</b>

Starting January 1, 2011, goodwill is no longer amortized as in accordance with SAK 22 (Revised 2010) (Note 2b).

**Impairment testing of goodwill**

Goodwill acquired through business combinations has been allocated to Cellular business unit, which is also considered as one of the Companies' operating segments.

The Company performed its annual impairment testing of goodwill at December 31, 2010.

The business enterprise value of the Cellular business unit has been determined based on discounted cash flow and weighted average cost of capital (WACC) covering a five-year period. This projection is based on the Companies' long-term plan approved by the Board of Directors, which management believes is reasonable and is management's best estimate of the ranges of economic conditions that will exist over the remaining useful life of the asset.

Key assumptions used in fair value less cost to sell (FVLCTS) calculation at December 31, 2010 are as follows:

- *Discount rates* - The Company has chosen to use WACC as a discounted rate for the discounted cash flow. The estimated WACC applied in determining the recoverable amount of the unit is between 12% and 14%.
- *Compounded Annual Growth Rate (CAGR)* - The CAGR projection for the 5-year budget period of cellular segment revenue made by management is approximately 12%. This is higher than the historical revenue CAGR of approximately 7% due to tighter competition. The total operating expenses (including depreciation) are projected as a percentage of revenue.

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**9. GOODWILL AND OTHER INTANGIBLE ASSETS - NET (continued)**

- *Cost to Sell* - As the recoverable amount of the Cellular Business 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 1.5% of the enterprise value.

As of March 31, 2011, there is no indication of impairment events; therefore, the Company believes that the December 31, 2010 impairment testing of goodwill is still valid for the condition as of March 31, 2011.

**10. LONG-TERM PREPAID RENTALS - NET OF CURRENT PORTION**

This account represents mainly the long-term portion prepaid rentals on sites and towers.

**11. LONG-TERM ADVANCES**

This account represents advances to suppliers and contractors for the purchase and construction/installation of property and equipments 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:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Other long-term investments	102,707	102,707
Less allowance for decline in value	99,977	99,977
Net	<u>2,730</u>	<u>2,730</u>
Restricted cash and cash equivalent	40,643	39,595
Employee loan receivable	16,751	15,679
Others	20,878	22,401
Sub - total	<u>78,272</u>	<u>77,675</u>
<b>Total</b>	<b><u>81,002</u></b>	<b><u>80,405</u></b>

**13. OTHER NON-CURRENT ASSETS - NET**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Investments in associated companies	56,300	56,300
Less allowance for decline in value	56,300	56,300
Net	-	-
Others	6,636	8,341
<b>Total</b>	<b><u>6,636</u></b>	<b><u>8,341</u></b>

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**14. PROCUREMENT PAYABLE**

This account consists of payables for capital and operating expenditures procured from the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Related parties (Note 28) (including US\$817 in 2011 and US\$404 in 2010)	51,371	68,681
Third parties (including US\$224,730 in 2011 and US\$246,211 in 2010)	3,328,164	3,575,786
<b>Total</b>	<b>3,379,535</b>	<b>3,644,467</b>

**15. TAXES PAYABLE**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Estimated corporate income tax payable, less tax prepayments	-	4,890
Income tax:		
Article 4(2)	10,212	14,299
Article 21	57,162	14,032
Article 23	6,270	9,177
Article 25	11,118	18,899
Article 26	18,726	88,787
Article 29	6,651	-
VAT	16,016	18,107
Others	1,633	1,254
<b>Total</b>	<b>127,788</b>	<b>169,445</b>

The breakdown by entity of the deferred tax assets and liabilities outstanding as of March 31, 2011 and December 31, 2010 is as follows:

	<b>March 31, 2011</b>		<b>December 31, 2010</b>	
	<b>Deferred Tax Assets</b>	<b>Deferred Tax Liabilities</b>	<b>Deferred Tax Assets</b>	<b>Deferred Tax Liabilities</b>
Company	-	1,921,998	-	1,765,929
Subsidiaries				
Lintasarta	78,410	-	77,755	-
IMM	18,656	-	17,263	-
APE	-	3,965	-	4,383
SMT	-	1,637	-	1,597
ISPL	-	352	-	428
LMD	-	-	-	-
IVM	-	-	-	-
<b>Total</b>	<b>97,066</b>	<b>1,927,952</b>	<b>95,018</b>	<b>1,772,337</b>

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**16. ACCRUED EXPENSES**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Network repairs and maintenance	239,924	265,428
Interest	178,520	339,957
Employee benefits	174,294	216,732
Utilities	167,937	85,650
Dealer incentives	121,192	125,836
Marketing	101,459	120,092
Consultancy fees	64,868	65,288
Universal Service Obligation ("USO")	57,766	59,899
Link	28,233	31,111
Rental	25,944	28,090
Blackberry access fee	24,385	20,679
General and administration	24,049	27,706
Concession fee	21,588	38,005
Radio frequency fee	-	195,686
Others (each below Rp20,000)	74,058	90,726
<b>Total</b>	<b>1,304,217</b>	<b>1,710,885</b>

**17. LOANS PAYABLE**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Related party (Note 28) - net of unamortized debt issuance cost and consent solicitation fees of Rp2,492 in 2011 and Rp2,955 in 2010	1,297,508	1,297,045
Third parties - net of unamortized debt issuance cost and consent solicitation fees of Rp184,506 in 2011 and Rp189,979 in 2010; unamortized debt discount of Rp17,496 in 2011 and Rp19,267 in 2010 (including US\$924,407 in 2011 and US\$886,602 in 2010)	9,627,944	9,553,906
<b>Total loans payable</b>	<b>10,925,452</b>	<b>10,850,951</b>
Less current maturities (net of unamortized debt issuance cost and consent solicitation fees of Rp121 in 2011 and Rp373 in 2010)		
Related party	300,000	300,000
Third parties (including US\$292,142 in 2011 and US\$283,571 in 2010)	2,874,147	2,884,147
<b>Total current maturities</b>	<b>3,174,147</b>	<b>3,184,147</b>
Long-term portion		
Related party	997,508	997,045
Third parties (including US\$632,265 in 2011 and US\$603,031 in 2010)	6,753,797	6,669,759
<b>Total long-term portion</b>	<b>7,751,305</b>	<b>7,666,804</b>

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**17. LOANS PAYABLE (continued)**

The following are the changes in the Companies' loans payable during three months in 2011 :

- Lintasarta - a subsidiary  
 On January 1 and February 28, 2011, Lintasarta paid the last installment of CIMB Niaga 5 credit facility amounting to Rp4,933 and the installment of CIMB Niaga 6 credit facility amounting to Rp7,500, respectively.
- The Company
  - On February 28, 2011, the Company paid the second semi-annual installment for credit facility B from SEK amounting to US\$11,071.43.
  - On March 29, 2011, the Company paid the third semi-annual installments for HSBC France-COFACE and SINOSURE amounting to US\$7,859.34 and US\$2,210, respectively.
  - On March 30, 2011, the Company drewdown credit facility C from SEK amounting to US\$60,000.

The total amortization of debt issuance, discount and consent solicitation fees on the loans for the three months ended March 31, 2011 and 2010 amounted to Rp16,332 and Rp17,162, respectively (Note 27).

As of March 31, 2011 and December 31, 2010, the Companies have complied with all financial ratios required to be maintained under the loan agreements.

**18. BONDS PAYABLE**

This account consists of the following:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
Bonds payable* - net of unamortized bonds issuance cost and consent solicitation fees of Rp26,875 in 2011 and Rp29,353 in 2010	7,465,114	7,462,636
Guaranteed Notes - net of unamortized notes issuance cost of Rp66,999 in 2011 and Rp64,855 in 2010; unamortized notes discount of Rp29,155 in 2011 and Rp29,666 in 2010 (including US\$650,000 in 2011 and 2010)	5,564,696	5,749,599
<b>Total bonds payable</b>	<b>13,029,810</b>	<b>13,212,235</b>
Less current maturities (net of unamortized bonds issuance cost and consent solicitation fees of Rp898 in 2011 and Rp1,869 in 2010)	1,099,102	1,098,131
<b>Long-term portion</b>	<b>11,930,708</b>	<b>12,114,104</b>

\* after elimination of Limited Bonds I and II amounting to Rp9,564 and Rp35,000, respectively, issued to the Company.

Based on the latest rating report (released in October 2010), the bonds have  $idAA+$  (stable outlook) and the sukuk bonds have  $idAA_{(sy)}+$  (stable outlook) ratings, respectively, from PT Pefindo ("Pefindo").

Subsequently, on March 18, 2011, the Company received Pefindo's affirmation on the ratings of maturing Fourth Indosat Bonds Year 2005 and Indosat Syari'ah Ijarah Bonds Year 2005 at  $idAA+$  (stable outlook) and  $idAA_{(sy)}+$  (stable outlook), respectively.

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**18. BONDS PAYABLE (continued)**

Based on the latest rating reports (released in August and December 2010), the notes have BB (stable outlook), Ba1 (negative outlook) and BBB- (stable outlook) ratings from Standard & Poor's ("S&P"), Moody's Investors Service ("Moody's") and Fitch ("Fitch"), respectively.

The amortization of bonds issuance cost, consent solicitation fees, notes issuance cost and discount for the three months ended March 31, 2011 and 2010 totaling to Rp4,237 and Rp4,500, respectively (Note 27).

As of March 31, 2011 and December 31, 2010, the Companies have complied with all financial ratios required to be maintained under the Notes Indenture and Trustee Agreements.

**19. DERIVATIVES**

The Company entered into several swap contracts. The following is the information related to the fair values of such contracts (net of credit risk adjustment) as of March 31, 2011 and December 31, 2010:

	<b>March 31, 2011</b>		<b>December 31, 2010</b>	
	<b>Receivable</b>	<b>Payable</b>	<b>Receivable</b>	<b>Payable</b>
Cross-currency swap	43,556	42,677	69,334	16,020
Interest rate swap	-	162,891	-	199,383
<b>Total</b>	<b>43,556</b>	<b>205,568</b>	<b>69,334</b>	<b>215,403</b>

The net changes in fair value of the swap contracts and embedded derivative, swap income or cost, termination income or cost, and settlement of derivative instruments during three months ended March 31, 2011 and 2010 amounting to (Rp34,901) and (Rp97,600), respectively, were charged to "Loss on Change in Fair Value of Derivatives - Net", which is presented under Other Income (Expenses) in the consolidated statements of comprehensive income.

**20. FINANCIAL ASSETS AND LIABILITIES**

The Companies have various financial assets such as trade and other accounts receivable, cash and cash equivalents and short-term investments, which arise directly from the Companies' operations. The Companies' principal financial liabilities, other than derivatives, consist of loans and bonds payable, procurement payable, trade and other accounts payable. The main purpose of these financial liabilities is to finance the Companies' 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.

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**20. FINANCIAL ASSETS AND LIABILITIES (continued)**

The following table sets forth the Companies' financial assets and financial liabilities as of March 31, 2011 and December 31, 2010:

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>Financial Assets</b>		
<b>Held for trading</b>		
Derivative assets	43,556	69,334
<b>Loans and receivables</b>		
Cash and cash equivalents	2,656,415	2,075,270
Accounts receivable - trade and others - net	1,801,374	1,558,457
Other current financial assets - net	49,629	53,119
Due from related parties - net	8,493	8,421
Other non-current financial assets - net	78,272	77,675
<b>Available for sale</b>		
Other current financial assets - short-term investments - net	-	-
Other non-current financial assets - other long-term investments - net	2,730	2,730
<b>Total Financial Assets</b>	<b>4,640,469</b>	<b>3,845,006</b>
<b>Financial Liabilities</b>		
<b>Held for trading</b>		
Derivative liabilities	205,568	215,403
<b>Liabilities at amortized cost</b>		
Accounts payable - trade	647,321	645,505
Procurement payable	3,379,535	3,644,467
Accrued expenses	1,304,217	1,710,885
Deposits from customers	37,589	50,279
Loans payable - current maturities	3,174,147	3,184,147
Bonds payable - current maturities	1,099,102	1,098,131
Other current financial liabilities	21,212	23,127
Due to related parties	21,928	22,099
Loans payable - net of current maturities	7,751,305	7,666,804
Bonds payable - net of current maturities	11,930,708	12,114,104
<b>Total Financial Liabilities</b>	<b>29,572,632</b>	<b>30,374,951</b>

The following table sets forth the carrying values and estimated fair values of the Companies financial instruments that are carried in the consolidated statements of financial position as of March 31, 2011 and December 31, 2010 :

	<b>Carrying Amount</b>		<b>Fair Value</b>	
	<b>March 31, 2011</b>	<b>December 31, 2010</b>	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>Current Financial Assets</b>				
Cash and cash equivalents	2,656,415	2,075,270	2,656,415	2,075,270
Accounts receivable - net	1,801,374	1,558,457	1,801,374	1,558,457
Derivative assets	43,556	69,334	43,556	69,334
Other current financial assets - net	49,629	53,119	49,629	53,119
<b>Total current financial assets</b>	<b>4,550,974</b>	<b>3,756,180</b>	<b>4,550,974</b>	<b>3,756,180</b>
<b>Non-current Financial Assets</b>				
Due from related parties	8,493	8,421	7,166	7,176
Other non-current financial assets - net	81,002	80,405	78,522	76,039
<b>Total non-current financial assets</b>	<b>89,495</b>	<b>88,826</b>	<b>85,688</b>	<b>83,215</b>
<b>Total Financial Assets</b>	<b>4,640,469</b>	<b>3,845,006</b>	<b>4,636,662</b>	<b>3,839,395</b>

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**20. FINANCIAL ASSETS AND LIABILITIES (continued)**

	Carrying Amount		Fair Value	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
<b>Current Financial Liabilities</b>				
Accounts payable - trade	647,321	645,505	647,321	645,505
Procurement payable	3,379,535	3,644,467	3,379,535	3,644,467
Accrued expenses	1,304,217	1,710,885	1,304,217	1,710,885
Deposits from customers	37,589	50,279	37,589	50,279
Derivative liabilities	205,568	215,403	205,568	215,403
Loans payable - current portion	3,174,147	3,184,147	3,140,532	3,155,634
Bonds payable - current portion	1,099,102	1,098,131	1,115,024	1,110,737
Other current financial liabilities	21,212	23,127	21,212	23,127
<b>Total current financial liabilities</b>	<b>9,868,691</b>	<b>10,571,944</b>	<b>9,850,998</b>	<b>10,556,037</b>
<b>Non-current Financial Liabilities</b>				
Due to related parties	21,928	22,099	18,503	18,833
Loans payable - non-current portion	7,751,305	7,666,804	7,096,820	7,510,510
Bonds payable - non-current portion	11,930,708	12,114,104	12,923,384	13,228,171
<b>Total non-current financial liabilities</b>	<b>19,703,941</b>	<b>19,803,007</b>	<b>20,038,707</b>	<b>20,757,514</b>
<b>Total Financial Liabilities</b>	<b>29,572,632</b>	<b>30,374,951</b>	<b>29,889,705</b>	<b>31,313,551</b>

The fair values of the financial assets and liabilities are presented at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

**21. EMPLOYEE BENEFIT OBLIGATIONS**

This account consists of the non-current portions of employee benefit obligations as follows:

	March 31, 2011	December 31, 2010
Post-retirement healthcare	643,316	639,271
Labor Law 13	193,504	187,944
Service award	44,551	43,058
Accumulated leave benefits	2,308	2,134
<b>Total</b>	<b>883,679</b>	<b>872,407</b>

**22. CAPITAL STOCK**

The Company's capital stock ownership as of March 31, 2011 and December 31, 2010 is as follows:

Stockholders	Number of Shares Issued and Fully Paid	Amount	Percentage of Ownership (%)
<b>March 31, 2011</b>			
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)	292,336,450	29,234	5.38
Director:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	832,905,450	83,290	15.33
<b>Total</b>	<b>5,433,933,500</b>	<b>543,393</b>	<b>100.00</b>

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**22. CAPITAL STOCK (continued)**

Stockholders	Number of Shares Issued and Fully Paid	Amount	Percentage of Ownership (%)
<b><u>December 31, 2010</u></b>			
A Share			
Government	1	-	-
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd. (previously ICLS)	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
<b>Total</b>	<b>5,433,933,500</b>	<b>543,393</b>	<b>100.00</b>

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.

On January 8, 2009, Qtel filed tender offer statements with the United States Securities and Exchange Commission ("U.S. SEC") and BAPEPAM-LK to purchase additional Company shares which became effective on January 16, 2009. Subsequently, as required by the U.S. SEC, on January 20, 2009, the Company filed schedule 14D-9, Solicitation/Recommendation Statement, with the U.S. SEC in response to the Tender Offers made by Qtel in the United States of America and Indonesia through Qtel's indirect wholly owned subsidiary, ICLS, to purchase Series B shares (including Series B shares held as ADS, each representing 50 Series B shares) which represent approximately 24.19% of the Company's total issued and outstanding Series B shares. On March 4, 2009, ICLS increased its ownership interest in the Company from 0.85% to 25.04%.

On May 29, 2009, ICL entered into a Share Purchase Agreement to sell its 39.96% ownership in the Company to ICLS. The closing process of such sale was made on June 4, 2009; consequently, from this date, ICLS has become the legal owner of 3,532,056,600 "B" shares representing 65.00% ownership in the Company.

On September 11, 2009, ICLS changed its name into Qatar Telecom (Qtel Asia) Pte. Ltd.

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**23. OPERATING REVENUES**

This account consists of the following:

	March 31,	
	2011	2010
<b>Cellular</b>		
Usage charges	1,971,936	1,817,474
Value-added services	1,747,135	1,718,187
Interconnection revenues	276,354	296,603
Tower leasing (Note 29e)	91,814	35,055
Monthly subscription charges	30,636	33,327
Sale of Blackberry handsets	1,550	11,879
Others	60,569	49,974
Upfront discount and Customer Loyalty Program	(215,606)	(228,206)
<b>Net</b>	<b>3,964,388</b>	<b>3,734,293</b>
<b>MIDI</b>		
Internet Protocol Virtual Private Network (IP VPN)	157,830	146,953
Internet	97,460	140,386
World link and direct link	74,282	91,392
Frame net	45,077	62,250
Leased line	44,241	57,028
Application services	41,860	36,979
Satellite lease	24,300	35,969
Multiprotocol Label Switching (MPLS)	20,735	12,439
Digital data network	19,414	23,669
Others	65,800	34,095
<b>Sub-total</b>	<b>590,999</b>	<b>641,160</b>
<b>Fixed Telecommunication</b>		
International Calls	248,361	283,888
Fixed Wireless	42,419	44,150
Fixed Line	31,648	31,211
<b>Sub-total</b>	<b>322,428</b>	<b>359,249</b>
<b>Total</b>	<b>4,877,815</b>	<b>4,734,702</b>

Operating revenues from related parties amounted to Rp362,444 and Rp404,392 for the three months ended March 31, 2011 and 2010, respectively. These amounts represent 7.43% and 8.54% of the total operating revenues for the three months ended March 31, 2011 and 2010, respectively (Note 28).

The operating revenues from interconnection services are presented on a gross basis.

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**24. OPERATING EXPENSES - COST OF SERVICES**

This account consists of the following:

	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
Interconnection	424,487	439,766
Radio frequency fee	423,553	391,787
Maintenance	240,301	225,219
Utilities	180,522	185,260
Rent	145,519	119,412
Leased circuits	85,119	95,708
Blackberry access fee	72,898	39,546
Cost of SIM cards and pulse reload vouchers	63,733	46,779
USO	52,788	54,629
Concession fee	27,221	23,529
Delivery and transportation	18,941	21,047
Installation	13,770	22,930
Others (each below Rp20,000)	29,365	58,795
<b>Total</b>	<b>1,778,217</b>	<b>1,724,407</b>

**25. OPERATING EXPENSES - PERSONNEL**

This account consists of:

	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
Salaries	128,108	115,460
Severance due to Voluntary Separation Scheme*	116,375	-
Incentives and other employee benefits	78,085	91,528
Employee income tax	63,539	27,660
Bonuses	63,476	57,718
Medical expense	22,166	17,807
Outsourcing	13,899	16,604
Postretirement healthcare	7,734	24,110
Separation, appreciation, and compensation expense under Labor Law No. 13/2003	6,494	10,617
Pension	2,671	11,207
Others	9,408	9,335
<b>Total</b>	<b>511,955</b>	<b>382,046</b>

\* On January 20, 2011, the Company's Board of Directors issued Directors' Decree No. 003/Direksi/2011 regarding the Organizational Restructuring Program through an offering program on the basis of mutual agreement between the Company and certain employees (Voluntary Separation Scheme), that became effective on the same date.

The personnel expenses capitalized to properties under construction and installation during the three months ended March 31, 2011 and 2010 amounted to Rp9,265 and Rp9,702, respectively.

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**26. OPERATING EXPENSES - GENERAL AND ADMINISTRATION**

This account consists of:

	March 31,	
	2011	2010
Professional fees	39,189	23,917
Rent	28,895	32,868
Utilities	25,671	21,480
Transportation	17,770	15,165
Provision for impairment of receivables (Note 5)	16,940	18,787
Insurance	10,605	8,769
Office administration	8,470	9,461
Catering	6,738	4,504
Others (each below Rp5,000)	22,259	29,309
<b>Total</b>	<b>176,537</b>	<b>164,260</b>

**27. OTHER EXPENSES - FINANCING COST**

This account consists of:

	March 31,	
	2011	2010
Interest on loans	439,421	525,628
Amortization of debt and bonds/notes issuance costs, consent solicitation fees and discount (Notes 17 and 18)	20,569	21,662
Bank charges	2,093	969
<b>Total</b>	<b>462,083</b>	<b>548,259</b>

**28. 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 (%)	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
<b>Cash and cash equivalents (Note 4)</b>				
State-owned companies	1,856,854	1,615,651	3.53	3.06
<b>Amounts owed by related parties*</b>				
State-owned companies	223,000	269,291	0.42	0.50
Senior management	960	1,362	0.00	0.01
Qtel group	52	2,881	0.00	0.01
Others	5,958	5,679	0.02	0.01
Total	229,970	279,213	0.44	0.53
Less allowance for impairment of receivables	45,022	48,286	0.09	0.09
<b>Net</b>	<b>184,948</b>	<b>230,927</b>	<b>0.35</b>	<b>0.44</b>

\* Consisting of accounts receivable - trade and due from related parties.

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**28. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)**

	Amount		Percentage to Total Assets/Liabilities (%)	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
<b>Prepaid expenses</b>				
Governmental departments	949,313	1,186,669	1.80	2.25
State-owned companies	9,807	11,683	0.02	0.02
Others	3,346	3,294	0.01	0.01
<b>Total</b>	<b>962,466</b>	<b>1,201,646</b>	<b>1.83</b>	<b>2.28</b>
<b>Long- term prepaid rentals</b>				
State-owned companies	23,798	24,672	0.05	0.05
Others	12,264	12,817	0.02	0.02
<b>Total</b>	<b>36,062</b>	<b>37,489</b>	<b>0.07</b>	<b>0.07</b>
<b>Long- term advance</b>				
State-owned companies	3,630	3,705	0.01	0.01
Others	2,059	1,016	0.00	0.00
<b>Total</b>	<b>5,689</b>	<b>4,721</b>	<b>0.01</b>	<b>0.01</b>
<b>Long term prepaid pension</b>				
State-owned companies	<b>108,763</b>	<b>111,344</b>	<b>0.21</b>	<b>0.21</b>
<b>Other current and non-current assets - financial and non financial</b>				
State-owned companies	89,787	91,231	0.17	0.17
Governmental departments	87	87	0.00	0.00
<b>Total</b>	<b>89,874</b>	<b>91,318</b>	<b>0.17</b>	<b>0.17</b>
<b>Amounts owed to related parties**</b>				
State-owned companies	238,328	157,451	0.70	0.45
Governmental departments	79,354	293,590	0.23	0.85
Senior management	43,222	33,553	0.13	0.10
Qtel Group	2,917	-	0.01	-
Others	56,116	68,974	0.17	0.20
<b>Total</b>	<b>419,937</b>	<b>553,568</b>	<b>1.24</b>	<b>1.60</b>
<b>Loans payable (including current maturities) (Note 17)</b>				
State-owned companies	<b>1,297,508</b>	<b>1,297,045</b>	<b>3.83</b>	<b>3.75</b>
<b>Other current and non-current liabilities</b>				
State-owned companies	7,702	8,118	0.02	0.02
Governmental departments	1,261	3,895	0.00	0.01
<b>Total</b>	<b>8,963</b>	<b>12,013</b>	<b>0.02</b>	<b>0.03</b>

\*\* Consisting of account payable - trade, due to related parties, procurement payable, and accrued expense.

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**28. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)**

	Amount		Percentage to Respective Income or Expenses (%)	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
<b>Operating revenues</b>				
State-owned companies	346,666	396,081	7.11	8.37
Qtel group	10,966	5,859	0.22	0.12
Governmental departments	4,660	2,452	0.10	0.05
Others	152	-	0.00	-
<b>Total</b>	<b>362,444</b>	<b>404,392</b>	<b>7.43</b>	<b>8.54</b>
<b>Operating expenses</b>				
Governmental departments	503,562	469,945	11.96	11.78
State-owned companies	406,481	459,462	9.65	11.52
Senior management	66,746	37,037	1.58	0.93
Qtel group	15,376	1,482	0.37	0.04
Others	85,768	48,167	2.04	1.20
<b>Total</b>	<b>1,077,933</b>	<b>1,016,093</b>	<b>25.60</b>	<b>25.47</b>
<b>Other Income (expense) - net</b>				
State-owned companies	(11,324)	(37,988)	(76.15)	(11.67)
Others	293	(874)	1.97	(0.27)
<b>Total</b>	<b>(11,031)</b>	<b>(38,862)</b>	<b>(74.18)</b>	<b>(11.94)</b>

The relationship and nature of account balances/transactions with related parties are as follows:

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
1.	Governmental Departments	Government agency	Prepaid expenses, other non-current assets, amounts owed to related parties, other non-current liabilities, operating revenues - MIDI, operating expenses - cost of services
2.	State-owned companies	Under common control	Cash and cash equivalents, amounts owed by related parties, prepaid expenses, long-term prepaid rental, long-term advance, long-term prepaid pension, other current and non-current financial assets, amounts owed to related parties, loans payable, operating revenues, and operating expenses
3.	Qtel group	Ultimate stockholder	Operating revenues - fixed telecommunication and operating expenses - cost of services
4.	Senior management	Key management personnel	Amounts owed by related parties, amounts owed to related parties and operating expenses - personnel expenses

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**28. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES (continued)**

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
5.	Others	Under common significant influence	Amounts owed by related parties, prepaid expenses, long-term prepaid rentals, long-term advance, amounts owed to related parties, operating revenues - MIDI and operating expenses

**29. SIGNIFICANT AGREEMENTS AND COMMITMENTS**

- a. As of March 31, 2011, commitments on capital expenditures (including "c" below) which are contractual agreements not yet realized relate to the procurement and installation of property and equipment amounting to US\$86,170 (Note 32b) and Rp549,057.
- b. On February 10, 2011, the Company entered into a Revolving Time Loan facility agreement with BCA covering a maximum amount of Rp1,000,000 to fund the Company's capital expenditure and/or for general corporate purposes. This facility will be available from February 10, 2011 to February 10, 2014 and drawdowns bear interest at 1-month JIBOR plus 1.4% per annum.

As of March 31, 2011, the Company has not used this facility.

- c. On December 10, 2010, the Company agreed with PT Nokia Siemens Networks and Nokia Siemens Networks OY ("Nokia") to restate and amend the agreement for "The Procurement of Technology Upgrade for 2G and 3G Telecommunication Network in Kalimantan" that was originally entered into on June 30, 2010. Based on the new agreement, the Company agreed to exchange certain existing cellular technical equipment units in Kalimantan area with new equipment units from Nokia with total value of US\$75,243 consisting of cellular technical equipment with net book value of US\$66,963 (net of discount amounting to US\$2,029) for 1,325 units of 2G Base Transceiver Station [BTS], 24 units of Base Station Controller [BSC], 11 units of Transcoders, 66 units of Node B equipment and 3 units of Radio Network Controller [RNC], and pay US\$6,251 to Nokia for the installation services. For the three months ended March 31, 2011, carrying amount of the cellular technical equipment units given up totalling Rp139,250 (Note 8) and the accumulated carrying amount of such equipment up to March 31, 2011 totalling Rp297,535 . The Company also committed to procure additional equipment units from Nokia with total value of US\$11,708 until the end of 2012.
- d. On August 18, 2010, the Company and Telkom signed a memorandum of understanding on the cooperation for joint utilization of filing of satellite networks at 150.5 degree East geostationary orbital slot. This cooperation will include procuring, operating and maintaining satellite between the Company and Telkom in order to utilize filing of satellite networks at 150.5 degree East geostationary orbital slot after the termination of the operation of Satellite Palapa C-2 owned by the Company. The capital expenditure related to such cooperation will be borne on a pro rata basis between the Company and Telkom.

As of March 31, 2011, the Company has not made any capital expenditure related to such cooperation.

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**29. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)**

- e. On January 29, April 15, May 24, June 3, 2010 and February 4 and 10, 2011, the Company agreed to lease part of its telecommunications towers and sites to PT Hutchison CP Telecommunication ("Hutchison") for a period of 12 years, to PT Natrindo Telepon Selular ("NTS") for a period of 10 years, to PT XL Axiata Tbk ("XL Axiata", formerly PT Excelcomindo Pratama Tbk or "Excelcom") 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.

The agreements are cancellable before termination under certain conditions, as stated in the agreements.

- f. On April 15, 2010, Lintasarta, a subsidiary, entered into agreements with MOCIT-Balai Telekomunikasi dan Informatika Pedesaan (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 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 is classified as part of other non-current financial assets.

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 cover four years starting on June 22, 2011 with contract values amounting to Rp79,533, Rp92,003, Rp71,879, Rp84,583, Rp69,830 and Rp60,149 for Work Packages 2, 3, 11, 15, 16 and 18, respectively.

As of March 31, 2011, Lintasarta has outstanding advance payments from MOCIT-BTIP related with those agreements amounting to Rp104,774 and Rp60,370 which are classified as part of unearned income for the current portion and other non-current liabilities for the long-term portion, respectively.

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 PLIKs, as agreed with the MOCIT-BTIP above, with total contract value amounting to Rp189,704. On October 20, 2010, the agreement was amended to increase the contract value to become Rp203,776. As of March 31, 2011, Lintasarta has outstanding advances to WEB amounting to Rp28,772 and Rp1,026 which are classified as part of advances for the current portion and long-term advances for the long-term portion, respectively.

- g. On May 25, 2007, the Company and six other telecommunications operators signed a memorandum of understanding on the construction of the national optical fiber network Palapa Ring for the eastern part of Indonesia ("Palapa Ring Project Phase I") wherein the Company will share 10% of the total project cost of Rp3,000,000. In addition, they also agreed to equally bear the cost of preparation and implementation ("preparation cost") of Palapa Ring Project Phase I up to the amount of Rp2,000. If the preparation cost exceeds Rp2,000, there will be further discussion among them. However, one of the telecommunications operators subsequently decided not to join the project.

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**29. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)**

On November 10, 2007, the Company and the other five telecommunications operators (including Telkom, a related party) signed the agreement on the consortium for the construction and maintenance of Palapa Ring wherein the Company agreed to bear 13.36% of the total project cost of US\$225,037. This agreement replaced the previous memorandum of understanding.

Furthermore, three of the telecommunications operators also no longer joined the project. Consequently, as of December 31, 2010, the remaining telecommunications operators which are still committed to this project are the Company, Telkom and Bakrie Telecom. Hence, the project's commitment is being evaluated to accommodate the change in the number of participating telecommunications operators.

As of March 31, 2011, the Company has paid the amount of US\$1,503 which is recorded as part of other non-current financial assets.

- h. 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.
- i. On July 20, 2005, the Company obtained facilities from HSBC to fund the Company's short-term working capital needs. These facilities were amended on May 14, 2007 to extend the expiration date to February 28, 2008. On December 4, 2009, these facilities were further amended to extend the expiration date to April 30, 2010. Subsequently, on June 17, 2010, these facilities were further extended up to April 30, 2011. The facilities consist of the following:
- 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 3% per annum above the HSBC Cost of Fund Rate for the loans denominated either in rupiah or U.S. dollar.

As of March 31, 2011, the Company has not used these facilities.

- j. 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 March 31, 2011, the balance of the funds (including interest earned) which are under the Company's custody amounted to US\$6,159. 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.

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**29. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)**

k. Other agreements made with Telkom are as follows:

- 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.

This 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 Rp6,119 and Rp8,578 in 2011 and 2010, respectively, is presented as part of "Operating Expenses - Cost of Services" in the consolidated statements of comprehensive income.

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**A. RISK MANAGEMENT**

The main risks arising from the Companies' financial instruments are interest rate risk, foreign exchange rate risk, equity 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.

In relation to foreign exchange rate exposure, the following is the Companies' consolidated U.S. dollar-denominated assets and liabilities as of March 31, 2011:

	2011	
	U.S. Dollar	Rupiah *
Assets:		
Cash and cash equivalents	113,520	988,649
Accounts receivable		
Trade	134,095	1,167,832
Others	67	583
Derivative assets	5,001	43,556
Other current financial assets	1,581	13,765
Due from related parties	51	444
Other non-current financial assets	1,554	13,532
<b>Total assets</b>	<b>255,869</b>	<b>2,228,361</b>

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**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**A. RISK MANAGEMENT (continued)**

	2011	
	U.S. Dollar	Rupiah *
<i>Liabilities:</i>		
Accounts payable - trade	31,550	274,765
Procurement payable	225,547	1,964,292
Accrued expenses	21,267	185,209
Deposits from customers	1,469	12,793
Derivative liabilities	23,604	205,568
Other current financial liabilities	27	235
Other current liabilities	6,189	53,895
Loans payable (including current maturities)	924,407	8,050,663
Bonds payable (including current maturities)	650,000	5,660,850
Other non-current liabilities	8,730	76,032
<b>Total liabilities</b>	<b>1,892,790</b>	<b>16,484,302</b>
<b>Net liabilities position</b>	<b>1,636,921</b>	<b>14,255,941</b>

\* The exchange rate used to translate the U.S. dollar amounts into rupiah was Rp8,709 to US\$1 (in full amounts) as published by the Indonesian Central Bank as of March 31, 2011.

**B. CAPITAL MANAGEMENT**

The Companies 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 Companies' debt instruments contain covenants that impose maximum leverage ratios. In addition, the Company's credit ratings from the international credit ratings agencies are based on its ability to remain within certain leverage ratios. The Companies have complied with all externally imposed capital requirements.

**C. COLLATERAL**

The loans of Lintasarta, a subsidiary, which were obtained from CIMB Niaga, are collateralized by all equipment 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 March 31, 2011.

**31. SEGMENT INFORMATION**

The Companies manage and evaluate their 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 Companies operate in one geographical area only, so no geographical information on segments is presented.

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 period to acquire segment assets that are expected to be used for more than one year.

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**31. SEGMENT INFORMATION (continued)**

Consolidated information by industry segment follows:

	Major Segments			Segment Total
	Cellular	Fixed Telecommunication	MIDI	
<b><u>Three Months Ended March 31, 2011</u></b>				
<u>Operating revenues</u>				
Revenues from external customers	3,964,388	322,428	590,999	4,877,815
Inter-segment revenues	-	-	151,837	151,837
Total operating revenues	3,964,388	322,428	742,836	5,029,652
Inter-segment revenues elimination				(151,837)
<b>Operating revenues - net</b>				<b>4,877,815</b>
<u>Income</u>				
Operating income	672,421	(89,516)	83,931	666,836
Gain on foreign exchange - net				459,257
Interest income				21,830
Financing cost				(462,083)
Income tax expense				(183,471)
Loss on change in fair value of derivatives - net				(34,901)
Others - net				1,026
<b>Profit for the period</b>				<b>468,494</b>
Depreciation and amortization	1,281,996	74,925	199,975	1,566,896
<b><u>As of March 31, 2011</u></b>				
<u>Other Information</u>				
Segment assets	45,131,641	1,996,619	8,552,228	55,680,488
Unallocated assets				4,508,658
Inter-segment assets elimination				(7,646,084)
<b>Assets - net</b>				<b>52,543,062</b>
Segment liabilities	26,577,813	624,650	3,072,935	30,275,398
Unallocated liabilities				9,556,554
Inter-segment liabilities elimination				(5,997,974)
<b>Liabilities - net</b>				<b>33,833,978</b>
Capital expenditures	699,209	32,711	127,895	859,815

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**31. SEGMENT INFORMATION (continued)**

	Major Segments			Segment Total
	Cellular	Fixed Telecommunication	MIDI	
<b><u>Three Months Ended March 31, 2010</u></b>				
<b><u>Operating revenues</u></b>				
Revenues from external customers	3,734,293	359,249	641,160	4,734,702
Inter-segment revenues	-	-	117,615	117,615
Total operating revenues	3,734,293	359,249	758,775	4,852,317
Inter-segment revenues elimination				(117,615)
<b>Operating revenues - net</b>				<b>4,734,702</b>
<b><u>Income</u></b>				
Operating income	669,532	(37,979)	114,468	746,021
Gain on foreign exchange - net				359,125
Interest income				33,874
Financing cost				(548,259)
Income tax expense				(127,756)
Loss on change in fair value of derivatives - net				(97,600)
Amortization of goodwill				(56,627)
Others - net				(16,061)
<b>Profit for the period</b>				<b>292,717</b>
Depreciation and amortization	1,201,303	76,416	203,820	1,481,539
<b><u>As of December 31, 2010</u></b>				
<b><u>Other Information</u></b>				
Segment assets	45,875,021	2,020,957	8,459,948	56,355,926
Unallocated assets				4,264,808
Inter-segment assets elimination				(7,802,547)
<b>Assets - net</b>				<b>52,818,187</b>
Segment liabilities	27,195,689	630,442	3,250,615	31,076,746
Unallocated liabilities				9,724,480
Inter-segment liabilities elimination				(6,219,525)
<b>Liabilities - net</b>				<b>34,581,701</b>
Capital expenditures	4,455,608	210,770	848,611	5,514,989

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**32. EVENTS AFTER REPORTING PERIOD**

- a. On April 11, 2011, the Company received Decision Letters from DGT No.278 - 284/WJP.19/BD.05/2011 declining the Company's cancelation letters dated October 12, 2010 on Tax Collection Letters ("STP") for the underpayment of the Company's 2008 and 2009 income tax article 26 totalling Rp80,018 (including interest).
- b. As of April 26, 2011, the prevailing exchange rate of the rupiah to U.S. dollar is Rp8,656 to US\$1 (in full amounts), while as of March 31, 2011, the prevailing exchange rate was Rp8,709 (in full amounts). Using the exchange rate as of April 26, 2011, the Companies earned foreign exchange gain amounting to approximately Rp86,757 (excluding the effect of revaluing derivative contracts on April 26, 2011) on the foreign currency liabilities, net of foreign currency assets, as of March 31, 2011 (Note 30).

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 March 31, 2011 or at any other rate of exchange.

The commitments for the capital expenditures denominated in foreign currencies as of March 31, 2011 as disclosed in Note 29a are approximately Rp745,890 if translated at the prevailing exchange rate as of April 26, 2011.

**33. RECLASSIFICATION OF ACCOUNTS**

Following are the accounts in the 2010 consolidated financial statements which have been reclassified to allow their comparison with the accounts in the 2011 consolidated financial statements:

<u>As Previously Reported</u>	<u>As Reclassified</u>	<u>Amount</u>	<u>Reason</u>
Short-term investments - net	Other current financial assets - net	-	Reclassification to conform with the 2011 presentation
Investments in associated companies - net	Other non-current assets - net	-	Reclassification to conform with the 2011 presentation
Other long-term investments - net	Other non-current financial assets - net	2,730	Reclassification to conform with the 2011 presentation
Operating revenues - fixed telecommunication	Operating revenues - cellular	37,923	Reclassification to conform with the 2011 presentation