

PT Indosat Tbk and subsidiaries

Consolidated financial statements  
Nine months ended September 30, 2009 and 2010  
(unaudited)

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

**PT INDOSAT Tbk AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2010 (UNAUDITED)**

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share data)**

	Notes	2009	2010	2010 (Note 3)
		Rp	Rp	US\$
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	2c,2q, 2v, 4,18,27,35	2,237,212	6,185,065	693,082
Short-term investments - net of allowance for decline in value of Rp25,395 in 2009 and 2010	2d,18		-	-
Accounts receivable	2e,2q,5,18,35			
Trade				
Related parties - net of allowance for doubtful accounts of Rp46,701 in 2009 and Rp59,913 in 2010	2v,27	116,460	144,186	16,157
Third parties - net of allowance for doubtful accounts of Rp413,699 in 2009 and Rp423,893 in 2010		1,246,666	1,414,785	158,537
Others - net of allowance for doubtful accounts of Rp16,952 in 2009 and Rp15,140 in 2010		25,933	26,055	2,920
Inventories - net of allowance for obsolescence of Rp2,965 in 2009 and Rp8,305 in 2010	2f	181,779	113,021	12,665
Derivative assets	2q,18,29,35	281,485	119,462	13,387
Advances	30d	49,236	98,452	11,032
Prepaid taxes	2s,6,14	839,733	616,381	69,070
Prepaid expenses	2g,2k,2p,2v, 26,27,29l,38	1,228,209	1,146,835	128,511
Other current financial assets	2c,2q,2v, 18,27,35,38	25,988	43,191	4,840
Other current assets	2v,38	422	1,082	121
<b>Total Current Assets</b>		<b>6,233,123</b>	<b>9,908,515</b>	<b>1,110,322</b>

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

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (continued)**  
**September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share data)**

	Notes	2009	2010	2010 (Note 3)
		Rp	Rp	US\$
<b>NON-CURRENT ASSETS</b>				
Due from related parties - net of allowance for doubtful accounts of Rp1,246 in 2009 and Rp646 in 2010	2e,2q,2v, 18,27,35,38	8,275	7,960	892
Deferred tax assets - net	2s,14	87,906	89,270	10,003
Investments in associated companies - net of allowance for decline in value of Rp56,586 in 2009 and 2010	2h,7	700	422	47
Other long-term investments - net of allowance for decline in value of Rp99,977 in 2009 and 2010	2h,2q,8,18,35	2,730	2,730	306
Property and equipment	2i,2j,2o,9,16			
Cost		73,677,070	78,115,262	8,753,391
Accumulated depreciation		(28,662,535)	(34,792,378)	(3,898,743)
Impairment in value		(98,611)	(98,611)	(11,050)
Net		44,915,924	43,224,273	4,843,598
Goodwill and other intangible assets - net	2l,10,38	1,646,594	1,416,447	158,724
Long-term prepaid rentals - net of current portion	2g,11,38	693,345	756,005	84,716
Long-term prepaid licenses - net of current portion	2g,2k,38	461,867	414,169	46,411
Long-term advances	2v,12,27,30d	383,003	241,336	27,043
Long-term prepaid pension - net of current portion	2p,2v,26,27	162,907	120,149	13,464
Long-term receivables	38	52,221	46,169	5,174
Other non-current financial assets	2c,2q,2v,18, 27,30d,30e, 35,38	85,422	85,842	9,619
Other non-current assets	2v,27,38	83,336	8,469	949
Total Non-current Assets		48,584,230	46,413,241	5,200,946
<b>TOTAL ASSETS</b>		<b>54,817,353</b>	<b>56,321,756</b>	<b>6,311,268</b>

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

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (continued)**  
**September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share data)**

	Notes	2009	2010	2010 (Note 3)
		Rp	Rp	US\$
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable - trade	2q,18,35			
Related parties	2v,27	46,057	28,182	3,158
Third parties		604,431	591,159	66,244
Procurement payable	2q,2v,13,18,27,35	6,019,797	4,000,682	448,306
Taxes payable	2s,14	132,637	93,864	10,518
Accrued expenses	2q,2v,15,18, 26,27,35,38	1,515,372	1,767,281	198,037
Unearned income	2n,30c	969,572	1,111,349	124,535
Deposits from customers	2q,18,35	24,122	87,115	9,762
Derivative liabilities	2q,18,29,35	211,792	284,631	31,895
Current maturities of:				
Loans payable	2m,2q,2v, 16,18,27,35	1,438,385	2,665,040	298,637
Bonds payable	2m,2q,17,18,35	-	1,737,025	194,646
Other current financial liabilities	2q,2v,18, 27,28,35,38	94,128	46,329	5,192
Other current liabilities	2v,27,38	73,405	93,930	10,526
Total Current Liabilities		11,129,698	12,506,587	1,401,456
<b>NON-CURRENT LIABILITIES</b>				
Due to related parties	2q,2v,18,27,35,38	23,624	20,998	2,353
Deferred tax liabilities - net	2s,14	1,512,965	1,730,101	193,871
Loans payable - net of current maturities	2m,2q,16,18,35			
Related party	2v,27	2,191,795	1,794,597	201,098
Third parties		10,875,788	9,040,576	1,013,063
Bonds payable - net of current maturities	2m,2q,17,18,35	9,912,581	12,071,104	1,352,656
Employee benefit obligations - net of current portion	2p,19,26,38	798,005	951,245	106,594
Other non-current financial liabilities	2q,38	16,712	-	-
Other non-current liabilities	2v,27,30d,35,38	131,659	113,089	12,672
Total Non-current Liabilities		25,463,129	25,721,710	2,882,307
<b>TOTAL LIABILITIES</b>		<b>36,592,827</b>	<b>38,228,297</b>	<b>4,283,763</b>
<b>MINORITY INTEREST</b>	2b	<b>313,560</b>	<b>358,605</b>	<b>40,184</b>

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

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET (continued)**  
**September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share data)**

	<u>Notes</u>	<u>2009</u>	<u>2010</u>	<u>2010</u> <u>(Note 3)</u>
		<u>Rp</u>	<u>Rp</u>	<u>US\$</u>
<b>STOCKHOLDERS' EQUITY</b>				
Capital stock - Rp100 par value per A share and B share Authorized - 1 A share and 19,999,999,999 B shares Issued and fully paid - 1 A share and 5,433,933,499 B shares	20	543,393	543,393	60,891
Premium on capital stock	20	1,546,587	1,546,587	173,306
Difference in transactions of equity changes in associated companies/subsidiaries	2h	404,104	404,104	45,283
Difference in foreign currency translation	2b	3,983	(2,259)	(253)
Retained earnings				
Appropriated		119,463	134,446	15,066
Unappropriated		15,293,436	15,108,583	1,693,028
<b>STOCKHOLDERS' EQUITY - NET</b>		<b>17,910,966</b>	<b>17,734,854</b>	<b>1,987,321</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>54,817,353</b>	<b>56,321,756</b>	<b>6,311,268</b>

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**Nine Months Ended September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share data)**

	Notes	2009	2010	2010 (Note 3)
		Rp	Rp	US\$
<b>OPERATING REVENUES</b>	2n,2v,21,27, 31,32,33,38			
Cellular		10,217,260	11,914,352	1,335,091
Multimedia, Data Communication, Internet ("MIDI")		2,009,059	1,810,876	202,922
Fixed telecommunications		1,506,547	1,117,851	125,263
<b>Total Operating Revenues</b>		<b>13,732,866</b>	<b>14,843,079</b>	<b>1,663,276</b>
<b>OPERATING EXPENSES</b>	2n			
Cost of services	2k,2v,22,27,30i, 32,33,38	5,199,423	5,291,105	592,907
Depreciation and amortization	2i,2l,9,10,38	3,735,174	4,565,620	511,611
Personnel	2o,2p,2v 23,26,27	1,097,674	1,138,464	127,573
Marketing		611,043	821,914	92,102
General and administration	2v,24,27	497,281	463,923	51,986
<b>Total Operating Expenses</b>		<b>11,140,595</b>	<b>12,281,026</b>	<b>1,376,179</b>
<b>OPERATING INCOME</b>		<b>2,592,271</b>	<b>2,562,053</b>	<b>287,097</b>
<b>OTHER INCOME (EXPENSES)</b>	2n			
Gain on foreign exchange - net	2q,2r,5	1,394,440	589,156	66,019
Interest income	2v,27	120,899	113,166	12,681
Financing cost	2m,2v,16,17,25,27	(1,359,189)	(1,745,054)	(195,546)
Loss on change in fair value of derivatives - net	2q,29	(387,552)	(378,431)	(42,406)
Amortization of goodwill	2l,10	(177,173)	(169,880)	(19,036)
Others - net	8,9,14	(68,370)	(97,468)	(10,922)
<b>Other Expenses - Net</b>		<b>(476,945)</b>	<b>(1,688,511)</b>	<b>(189,210)</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>2,115,326</b>	<b>873,542</b>	<b>97,887</b>
<b>INCOME TAX EXPENSE</b>	2s,14			
Current		(434,546)	(99,859)	(11,190)
Deferred		(191,422)	(193,320)	(21,663)
<b>Total Income Tax Expense</b>		<b>(625,968)</b>	<b>(293,179)</b>	<b>(32,853)</b>

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

**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME (continued)**  
**Nine Months Ended September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar, except share data)**

	<u>Notes</u>	<u>2009</u>	<u>2010</u>	<u>2010</u> <u>(Note 3)</u>
		<u>Rp</u>	<u>Rp</u>	<u>US\$</u>
<b>INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES</b>		<b>1,489,358</b>	<b>580,363</b>	<b>65,034</b>
<b>MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES</b>	2b	(39,450)	(49,449)	(5,541)
<b>NET INCOME</b>		<b>1,449,908</b>	<b>530,914</b>	<b>59,493</b>
<b>BASIC EARNINGS PER SHARE</b>	2u	<b>266.82</b>	<b>97,70</b>	<b>0.01</b>
<b>BASIC EARNINGS PER ADS</b> (50 B shares per ADS)	2u	<b>13,341.24</b>	<b>4,885.17</b>	<b>0.55</b>

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**Nine Months Ended September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah)**

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		Net
						Appropriated	Unappropriated	
<b>Balance as of January 1, 2009</b>		<b>543,393</b>	<b>1,546,587</b>	<b>404,104</b>	<b>13,291</b>	<b>100,678</b>	<b>14,801,568</b>	<b>17,409,621</b>
Difference in foreign currency translation arising from the translation of the financial statements of Indosat Finance Company B.V. and Indosat International Finance Company B.V from euro, and Indosat Singapore Pte. Ltd. from U.S. dollar to rupiah - net of applicable income tax benefit of Rp850, Rp1,447 and Rp806, respectively	2b	-	-	-	(9,308)	-	-	(9,308)
Resolution during the Annual Stockholders' General Meeting on June 11, 2009	28	-	-	-	-	-	(939,255)	(939,255)
Declaration of cash dividend		-	-	-	-	18,785	(18,785)	-
Appropriation for reserve fund		-	-	-	-	-	-	-
Net income for the period		-	-	-	-	-	1,449,908	1,449,908
<b>Balance as of September 30, 2009</b>		<b>543,393</b>	<b>1,546,587</b>	<b>404,104</b>	<b>3,983</b>	<b>119,463</b>	<b>15,293,436</b>	<b>17,910,966</b>
<b>Balance as of January 1, 2010</b>		<b>543,393</b>	<b>1,546,587</b>	<b>404,104</b>	<b>2,369</b>	<b>119,464</b>	<b>15,341,773</b>	<b>17,957,690</b>
Difference in foreign currency translation arising from the translation of the financial statements of Indosat Finance Company 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 income tax benefit of Rp726, Rp336, Rp371 and Rp110, respectively	2b	-	-	-	(4,628)	-	-	(4,628)
Resolution during the Annual Stockholders' General Meeting on June 22, 2010	28	-	-	-	-	-	(749,122)	(749,122)
Declaration of cash dividend		-	-	-	-	-	(14,982)	-
Appropriation for reserve fund		-	-	-	-	14,982	(14,982)	-
Net income for the period		-	-	-	-	-	530,914	530,914
<b>Balance as of September 30, 2010</b>		<b>543,393</b>	<b>1,546,587</b>	<b>404,104</b>	<b>(2,259)</b>	<b>134,446</b>	<b>15,108,583</b>	<b>17,734,854</b>

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Nine Months Ended September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar)**

	Notes	2009	2010	2010 (Note 3)
		Rp	Rp	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from:				
Customers		13,457,388	14,697,282	1,646,939
Interest income		131,442	111,700	12,517
Refund of taxes	6	84,650	41,753	4,679
Cash paid to/for:				
Suppliers and others		(6,583,956)	(6,167,112)	(691,070)
Financing cost		(1,283,907)	(1,829,875)	(205,051)
Employees		(908,672)	(1,096,052)	(122,821)
Income taxes		(902,301)	(187,991)	(21,066)
Interest margin paid	29n-aa	(25,985)	(95,165)	(10,664)
Swap cost from cross currency swap contracts	29b-k	(65,905)	(65,231)	(7,310)
Long-term prepaid licence	1a,2k	(320,000)	-	-
<b>Net Cash Provided by Operating Activities</b>		<b>3,582,754</b>	<b>5,409,309</b>	<b>606,153</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds of Palapa D-Satellite insurance claim	9	-	537,657	60,248
Cash dividend received from other long-term investment	8	16,528	19,281	2,161
Proceeds from sale of property and equipment	9	2,253	1,940	217
Acquisitions of property and equipment	9	(9,440,554)	(4,316,850)	(483,735)
Acquisition of intangible assets	10	(16,614)	(22,798)	(2,554)
<b>Net Cash Used in Investing Activities</b>		<b>(9,438,387)</b>	<b>(3,780,770)</b>	<b>(423,663)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from bonds payable	17	-	5,851,300	655,681
Proceeds from long-term loans	16	3,879,237	1,092,059	122,373
Decrease (increase) in restricted cash and cash equivalents		(11,694)	19,645	2,202
Repayment of bonds payable	17	(14,453)	(3,080,816)	(345,228)
Repayment of long-term loans	16	(510,155)	(1,375,404)	(154,124)
Cash dividend paid by the Company		(939,255)	(749,122)	(83,945)
Swap cost from cross currency swap contracts	29a	(32,390)	(28,850)	(3,233)
Cash dividend paid by subsidiaries to minority interest		(9,291)	(8,285)	(928)
<b>Net Cash Provided by Financing Activities</b>		<b>2,361,999</b>	<b>1,720,527</b>	<b>192,798</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(3,493,634)</b>	<b>3,349,066</b>	<b>375,288</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		5,737,866	2,835,999	317,794
<b>CASH AND CASH EQUIVALENTS OF LIQUIDATED SUBSIDIARY*</b>		(7,020)	-	-
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	4	<b>2,237,212</b>	<b>6,185,065</b>	<b>693,082</b>

\* PT Satelindo Multi Media ("SMM") was liquidated on June 23, 2009.

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
**Nine Months Ended September 30, 2009 and 2010 (Unaudited)**  
**(Expressed in millions of rupiah and thousands of U.S. dollar)**

Notes	2009	2010	2010 (Note 3)
	Rp	Rp	US\$
<b>DETAILS OF CASH AND CASH EQUIVALENTS:</b>			
Time deposits with original maturities of three months or less and deposits on call	1,875,785	5,684,390	636,978
Cash on hand and in banks	361,427	500,675	56,104
<b>Cash and cash equivalents as stated in the consolidated balance sheets</b>	<b>2,237,212</b>	<b>6,185,065</b>	<b>693,082</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Transactions not affecting cash flows:			
Acquisitions of property and equipment credited to:			
Long-term advances	73,090	53,055	5,945
Loans payable	706,747	-	-
Other non-current liabilities	16,712	-	-

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Nine Months Ended September 30, 2009 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 Establishment**

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.

The Company's Articles of Association has been amended from time to time. The latest amendment was covered by notarial deed No. 123 dated January 28, 2010 of Aulia Taufani, S.H., (as a substitute notary of Sutjipto, S.H.) as approved in the Stockholders' Extraordinary General Meeting held on January 28, 2010, in order to comply with the Indonesian Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) Rule No. IX.J.1 dated May 14, 2008 on the Principles of Articles of Association of Limited Liability Companies that Conduct Public Offering of Equity Securities and Public Companies and Rule No. IX.E.1 on Affiliate Transactions and Certain Conflict of Interests Transactions. The latest amendment of the Company's Articles of Association has been approved by and reported to the Ministry of Law and Human Rights of the Republic of Indonesia based on its letters No. AHU-09555.AH.01.02 Year 2010 dated February 22, 2010 and No. AHU-AH.01.10-04964 dated February 25, 2010. The amendments relate to, among others, the changes in the Company's purposes, objectives and business activities, appointment of acting President Director if the incumbent President Director is unavailable and definition of conflict of interests.

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;

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**(Expressed in millions of rupiah and thousands of U.S. dollar,**  
**except share and tariff data)**

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**1. GENERAL (continued)**

**a. Company's Establishment (continued)**

- 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.

Based on Law No. 3 of 1989 on Telecommunications and pursuant to Government Regulation No. 77 of 1991, the Company had been re-confirmed as an Operating Body ("Badan Penyelenggara") that provided international telecommunications service under the authority of the Government.

In 1999, the Government issued Law No. 36 on Telecommunications ("Telecommunications Law") which took effect on September 8, 2000. Under the Telecommunications Law, telecommunications activities cover:

- Telecommunications networks
- Telecommunications services
- Special telecommunications services

National state-owned companies, regional state-owned companies, privately-owned companies and cooperatives are allowed to provide telecommunications networks and services. Individuals, government institutions and legal entities, other than telecommunications networks and service providers, are allowed to render special telecommunications services.

The Telecommunications Law prohibits activities that result in monopolistic practices and unhealthy competition, and expects to pave the way for market liberalization.

Based on the Telecommunications Law, the Company ceased as an Operating Body and has to obtain licenses from the Government for the Company to engage in the provision of specific telecommunications networks and services.

On August 14, 2000, the Government, through the Ministry of Communications ("MOC"), granted the Company an in-principle license as a nationwide Digital Communication System ("DCS") 1800 telecommunications provider as compensation for the early termination effective August 1, 2003 of the exclusivity rights on international telecommunications services given to the Company prior to the granting of such license. On August 23, 2001, the Company obtained the operating license from the MOC. Subsequently, based on Decree No. KP.247 dated November 6, 2001 issued by the MOC, the operating license was transferred to the Company's subsidiary, PT Indosat Multi Media Mobile (see "e" below).

On September 7, 2000, the Government, through the MOC, also granted the Company in-principle licenses for local and domestic long-distance telecommunications services as compensation for the termination of its exclusivity rights on international telecommunications services. On the other hand, PT Telekomunikasi Indonesia Tbk ("Telkom") was granted an in-principle license for international telecommunications services as compensation for the early termination of Telkom's rights on local and domestic long-distance telecommunications services.

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**1. GENERAL (continued)**

**a. Company's Establishment (continued)**

Based on a letter dated August 1, 2002 from the MOC, the Company was granted an operating license for fixed local telecommunications network covering Jakarta and Surabaya. This operating license was converted to become a national license on April 17, 2003 based on Decree No. KP.130 Year 2003 of the MOC. The values of the above licenses granted to Telkom and the Company on the termination of their exclusive rights on local/domestic and international telecommunications services, respectively, have been determined by an independent appraiser.

The following are operating licenses obtained by the Company and PT Indosat Mega Media, a subsidiary:

License No.	Date Issued	Issuing Body	Period of License	Description
KP.69/Thn 2004	March 15, 2004	MOC	Evaluated every 5 years	Operating license for nationwide closed fixed communications network (e.g., VSAT, frame relay, etc.), which was amended by license No.198/KEP/M.KOMINFO/ 05/2010
KP.203/Thn 2004	May 21, 2004	MOC	Evaluated every 5 years	Operating license for fixed network and basic telephony services which covers the provision of local, national long-distance, and international long-distance telephony services, which was amended by licenses No.311/KEP/M.KOMINFO/8/2010, No.312/KEP/M.KOMINFO/8/2010 and No.313/KEP/M.KOMINFO/8/2010
19/KEP/M.KOMINFO/02/2006 and 29/KEP/M.KOMINFO/03/2006	February 14, 2006 and March 27, 2006	Ministry of Communications and Information and Technology ("MOCIT")	10 years	Determination of the winner and operating license for IMT-2000 cellular network provider using 2.1 GHz radio frequency spectrum (a third generation ["3G"] mobile communications technology) for 1 block (2 x 5 Mhz) of frequency (*)
102/KEP/M.KOMINFO/10/2006	October 11, 2006	MOCIT	Evaluated every year	Amended operating license for nationwide GSM cellular mobile network (including its basic telephony services and the rights and obligations of 3G services)
181/KEP/M.KOMINFO/12/2006	December 12, 2006	MOCIT	-	Allocation of two nationwide frequency channels, i.e., channels 589 and 630 in the 800 MHz spectrum for Local Fixed Wireless Network Services with Limited Mobility
01/DIRJEN/2008	January 7, 2008	Directorate General of Post and Telecommunications ("DGPT")	Evaluated every 5 years	Operating license as internet service provider
51/DIRJEN/2008	January 9, 2008	DGPT	Evaluated every 5 years	Operating license for internet interconnection services (Network Access Point/NAP), which replaces the previous license given to Satelindo
52/DIRJEN/2008	January 9, 2008	DGPT	Evaluated every 5 years	Operating license for telephony internet services which replaces the previous License No. 823/DIRJEN/2002 for Voice over Internet Protocol Service with national coverage that expired in 2007

<sup>(\*)</sup> As one of the winners in the selection of IMT-2000 cellular providers, the Company was obliged to, among others, pay upfront fee of Rp320,000 (Notes 2k and 38) and radio frequency fee (Note 30f).

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**1. GENERAL (continued)**

**a. Company's Establishment (continued)**

License No.	Date Issued	Issuing Body	Period of License	Description
237/KEP/M.KOMINFO/7/2009	July 27, 2009	MOCIT	10 years	Operating license for "Packet Switched" local fixed telecommunications network using 2.3 GHz radio frequency spectrum of Broadband Wireless Access (BWA) (**)
268/KEP/M.KOMINFO/9/2009	September 1, 2009	MOCIT	10 years	Operating license for one additional block (2 x 5 Mhz) of 3G frequency (***)
198/KEP/M.KOMINFO/05/2010	May 27, 2010	MOCIT	Evaluated every 5 years	Amended operating license for nationwide closed fixed communications network (e.g., VSAT, frame relay, etc.), which replaces the previous license (No.KP.69/Thn 2004) given to the Company
311/KEP/M.KOMINFO/8/2010 312/KEP/M.KOMINFO/8/2010 and 313/KEP/M.KOMINFO/8/2010	August 24, 2010	MOCIT	Evaluated every 5 years	Amended operating license for fixed network and basic telephony service which covers the provision of local, national long-distance, and international long-distance telephony services, which replaces the previous license (No. KP.203/Thn 2004) given to the Company

(\*) PT Indosat Mega Media was obliged to, among others, pay upfront fee of Rp18,408 (Note 2k) and radio frequency fee (Note 30f).  
(\*\*) The Company was obliged, among others, to pay upfront fee of Rp320,000 (Note 2k) and radio frequency fee (Note 30f).

On January 9, 2008, based on letter No. 10/14/DASP from Bank Indonesia (Central Bank), the Company obtained approval for "Indosat m-wallet" prepaid cards as a new means of making payments to certain merchants. The Company was also appointed as a special principal and technical acquirer for such prepaid cards. On November 19, 2009, the Company launched "Indosat m-wallet" to the public.

On March 17, 2008, MOCIT issued Ministerial Decree No. 02/PER/M.KOMINFO/2008 on the Guidelines of Construction and Utilization of Sharing Telecommunication Towers. Based on this Decree, the construction of telecommunications towers requires permits from the relevant governmental institution and the local government determines the placement of the towers and the location in which the towers can be constructed. Furthermore, a telecommunications provider or tower provider which owns telecommunications towers is obliged to allow other telecommunications operators to utilize its telecommunications towers without any discrimination. The Decree also mandated that each of the tower contractor, provider and owner be 100% locally owned companies.

On March 30, 2009, the Ministry of Domestic Affairs, Ministry of Public Works, MOCIT and the Head of BKPM jointly issued Decrees No. 18 Year 2009, No. 07/PRT/M/2009, No. 19/PER/M.KOMINFO/03/09 and No. 3/P/2009 on the Detailed Guidelines of Construction and Utilization of Sharing Telecommunication Towers. The Decrees define the requirements and procedures for tower construction. A tower provider can be either a telecommunications operator or a non-telecommunications operator. If a tower provider is a non-telecommunications operator, it is required to be a 100% locally owned company.

On September 3, 2010, based on letter No.12/67/DASP/25 from Bank Indonesia (Central Bank), the Company obtained approval to become "money remitter" for making payment in local and international coverage.

The Company is domiciled at Jalan Medan Merdeka Barat No. 21, Jakarta and has 8 regional offices located in Jakarta, Bandung, Semarang, Surabaya, Medan, Palembang, Balikpapan and Makassar.

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**1. GENERAL (continued)**

**b. Company's Public Offerings**

All of the Company's B shares have been registered with and traded on the Indonesia Stock Exchange (new entity after the merger of Jakarta Stock Exchange and Surabaya Stock Exchange in November 2007) since 1994. The Company's American Depositary Shares (ADS, each representing 50 B shares), have also been traded on the New York Stock Exchange since 1994.

As of September 30, 2010, the Companies' outstanding bonds issued to the public are as follows:

<b>Bond (Note 17)</b>	<b>Effective Date</b>	<b>Registered with and Traded on:</b>
1. Second Indosat Bonds series B in Year 2002 with Fixed Rate	November 6, 2002	Indonesia Stock Exchange
2. Third Indosat Bonds series B in Year 2003 with Fixed Rate	October 22, 2003	Indonesia Stock Exchange
3. Fourth Indosat Bonds in Year 2005 with Fixed Rate	June 21, 2005	Indonesia Stock Exchange
4. Indosat Syari'ah Ijarah Bonds in Year 2005	June 21, 2005	Indonesia Stock Exchange
5. Fifth Indosat Bonds in Year 2007 with Fixed Rates	May 29, 2007	Indonesia Stock Exchange
6. Indosat Sukuk Ijarah II in Year 2007	May 29, 2007	Indonesia Stock Exchange
7. Sixth Indosat Bonds in Year 2008 with Fixed Rates	April 9, 2008	Indonesia Stock Exchange
8. Indosat Sukuk Ijarah III in Year 2008	April 9, 2008	Indonesia Stock Exchange
9. Seventh Indosat Bonds in Year 2009 with Fixed Rates	December 8, 2009	Indonesia Stock Exchange
10. Indosat Sukuk Ijarah IV in Year 2009	December 8, 2009	Indonesia Stock Exchange
11. Guaranteed Notes Due 2020	July 29, 2010	Singapore Exchange Securities Trading Limited

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

Based on a resolution at each of the Stockholders' Annual General Meeting held on June 11, 2009 which is notarized under Deed No. 118 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 September 30, 2009 and 2010, respectively, is as follows:

Board of Commissioners:

	<b>2009</b>	<b>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	Jarman	Jarman
Commissioner	Rionald Silaban	Rionald Silaban
Commissioner	Setyanto Prawira Santosa*	Alexander Rusli*
Commissioner	Michael Francis Latimer*	Chris Kanter*
Commissioner	Thia Peng Heok George*	Thia Peng Heok George*
Commissioner	Soeprapto*	Soeprapto*

\* Independent commissioner

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**1. GENERAL (continued)**

**c. Employees, Directors, Commissioners and Audit Committee (continued)**

Board of Directors:

	2009	2010
President Director and Chief Executive Officer	Harry Sasongko Tirtotjondro	Harry Sasongko Tirtotjondro
Director and Chief Financial Officer	Peter Wladyslaw Kuncewicz	Peter Wladyslaw Kuncewicz
Director and Chief Commercial Officer	Kaizad Bomi Heerjee	Laszlo Imre Barta
Director and Chief Technology Officer	Stephen Edward Hobbs	Stephen Edward Hobbs
Director and Chief Wholesale and Infrastructure Officer	Fadzri Sentosa	Fadzri Sentosa

The composition of the Company's Audit Committee as of September 30, 2009 and 2010 is as follows:

	2009	2010
Chairman	Thia Peng Heok George	Thia Peng Heok George
Member	Michael Francis Latimer	Chris Kanter
Member	Soeprapto	Soeprapto
Member	Unggul Saut Marupa Tampubolon	Unggul Saut Marupa Tampubolon
Member	Kanaka Puradiredja	Kanaka Puradiredja

The Company and subsidiaries (collectively referred to hereafter as "the Companies") have approximately 7,145 and 6,712 employees, including non-permanent employees, as of September 30, 2009 and 2010, respectively.

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

As of September 30, 2009 and 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 (%)	
				2009	2010
Indosat Palapa Company B.V. ("IPBV") <sup>(1)</sup>	Amsterdam	Finance	2010	-	100.00
Indosat Mentari Company B.V. ("IMBV") <sup>(1)</sup>	Amsterdam	Finance	2010	-	100.00
Indosat Finance Company B.V. ("IFB") <sup>(2)</sup>	Amsterdam	Finance	2003	100.00	100.00
Indosat International Finance Company B.V. ("IIFB") <sup>(3)</sup>	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 Starone Mitra Telekomunikasi ("SMT")	Semarang	Telecommunications	2006	72.54	72.54
PT Aplikasi Lintasarta ("Lintasarta")	Jakarta	Data Communication	1989	72.36	72.36
PT Artajasa Pembayaran Elektronik ("APE") (Note 2b)	Jakarta	Telecommunications	2000	39.80	39.80

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**1. GENERAL (continued)**

**d. Structure of the Company's Subsidiaries (continued)**

Name of Subsidiary	Total Assets (Before Eliminations)	
	2009	2010
IPBV <sup>(1)</sup>	-	5,811,549
IMBV <sup>(1)</sup>	-	5,794,054
IFB <sup>(2)</sup>	2,373,137	25,021
IIFB <sup>(3)</sup>	1,094,340	11,824
ISPL	33,667	46,185
IMM	773,302	875,444
SMT	136,360	146,203
Lintasarta	1,383,237	1,740,519
APE	164,443	215,021

<sup>(1)</sup> IPBV and IMBV were incorporated in Amsterdam on April 28, 2010 to engage in treasury activities, to lend and borrow money, whether in the form of securities or otherwise, to finance enterprises and companies, to grant security in respect of its obligation or those of its group companies and third parties.

<sup>(2)</sup> Based on an IFB shareholder's resolution dated November 6, 2008, IFB decided to refund capital injection amounting to EUR99,996. The Company received such refund in February 2009.

<sup>(3)</sup> Based on an IIFB shareholder's resolution dated November 6, 2008, IIFB decided to refund capital injection amounting to EUR1,124,064. The Company received such refund in February 2009.

**e. 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies adopted by the Companies conform with generally accepted accounting principles in Indonesia. The significant accounting policies applied consistently in the preparation of the consolidated financial statements for the nine months ended September 30, 2009 and 2010 are as follows:

**a. Basis of Consolidated Financial Statements**

The consolidated financial statements are presented using the historical cost basis of accounting, except for inventories which are stated at the lower of cost or net realizable value, and financial instruments which are stated at fair value.

The consolidated statements of cash flows classify cash receipts and payments into operating, investing and financing activities. The cash flows from operating activities are presented using the direct method.

The reporting currency used in the consolidated financial statements is the Indonesian rupiah.

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Principles of Consolidation**

The consolidated financial statements include the Company's accounts and those of its subsidiaries (Note 1d).

The consolidated financial statements also include the accounts of APE (Lintasarta's 55%-owned subsidiary). The accounts of APE in 2009 and 2010 were consolidated because its financial and operating policies were controlled by Lintasarta.

The accounts of IPBV, IMBV, IFB, IIFB and ISPL were translated into rupiah amounts at the middle rates of exchange prevailing at balance sheet date for balance sheet accounts and the average rates during the period for profit and loss accounts. The resulting differences arising from the translations of the financial statements of IPBV, IMBV, IFB, IIFB and ISPL are presented as "Difference in Foreign Currency Translation" under the Stockholders' Equity section of the consolidated balance sheets.

Minority interest in subsidiaries represents the minority stockholders' proportionate share in the equity (including net income) of the subsidiaries which are not wholly owned. All inter-company transactions and balances are eliminated in consolidation.

**c. Cash and Cash Equivalents**

Time deposits with original maturities of three months or less at the time of placement and deposits on call are considered as "Cash Equivalents".

Cash in banks and time deposits which are pledged as collateral for bank guarantees are not classified as part of "Cash and Cash Equivalents". These are presented as part of either "Other Current Financial Assets" or "Other Non-current Financial Assets".

**d. Short-term Investments**

Time deposits with original maturities of more than three months at the time of placement are recorded at historical value.

**e. Allowance for Doubtful Accounts**

Allowance for doubtful accounts is provided based on management's evaluation of the collectibility of the accounts at the end of the period.

**f. Inventories**

Inventories, which mainly consist of SIM cards, broadband modems, starter packs, cellular handsets and pulse reload vouchers, are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

In accordance with SAK 14 (Revised 2008), the Companies apply the guidance on the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value, as well as guidance on the cost formula used to assign costs to inventories.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g. Prepaid Expenses**

Prepaid expenses, which mainly consist of rentals, frequency fee, upfront fee of 3G and BWA licenses and upfront premium for cross currency swap (Note 29), are expensed as the related asset is utilized. The non-current portions of prepaid rentals and upfront fee of 3G and BWA licenses are shown as part of "Long-term Prepaid Rentals - Net of Current Portion" and "Long-term Prepaid Licenses - Net of Current Portion", respectively.

**h. Investments in Associated Companies**

Investments in shares of stock wherein the Companies have equity interests of at least 20% but not exceeding 50% are accounted for under the equity method, whereby the investment cost is increased or decreased by the Companies' share of the net earnings or losses of the investees since the date of acquisition and decreased by dividends received. Equity in net earnings (losses) is being adjusted for the straight-line amortization over fifteen years of the difference between the cost of such investment and the Companies' proportionate share in the underlying fair value of the net assets at date of acquisition (goodwill).

If the Companies' share in the equity of an investee subsequent to transactions resulting in a change in the equity of the investee is different from their share in the equity of the investee prior to such transactions, the difference is recognized by a credit or charge to "Difference in Transactions of Equity Changes in Associated Companies/Subsidiaries", net of applicable income tax, after adjusting their equity in the investee to conform with their accounting policies.

**i. Property and Equipment**

Property and equipment are stated at cost (which includes certain capitalized borrowing costs incurred during the construction phase), less accumulated depreciation and impairment in value. Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets.

In accordance with SAK 16 (Revised 2007), the Companies have chosen the cost model for the measurement of their property and equipment. The Companies perform periodic review and assessment of the economic useful lives of the assets. Below are the estimated useful lives (in years).

	<u>Years</u>
Buildings	20
Information technology equipment	3 to 5
Office equipment	3 to 5
Building and leasehold improvements	3 to 15
Vehicles	5
Cellular technical equipment	10
Transmission and cross-connection equipment	10 to 15
Fixed Wireless Access ("FWA") technical equipment	10
Operation and maintenance center and measurement unit	3 to 5
Fixed access network equipment	10

Landrights are stated at cost.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**i. Property and Equipment (continued)**

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments which enhance an asset's condition on its initial performance, are capitalized. When properties are retired or otherwise disposed of, their costs and the related accumulated depreciation are derecognized from the accounts, and any resulting gains or losses are recognized in the consolidated statement of income for the period.

Properties under construction and installation are stated at cost. All borrowing costs, which include interest, amortization of ancillary costs (Notes 16d and 16g) and foreign exchange differentials (estimated quarterly to the extent that they are regarded as an adjustment to interest costs by capping the exchange differences taken as borrowing costs at the amount of borrowing costs on the functional currency equivalent borrowings) that can be attributed to qualifying assets, are capitalized to the cost of properties under construction and installation. Capitalization of borrowing costs ceases when the construction or installation is completed and the constructed or installed asset is ready for its intended use.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed and adjusted prospectively, if appropriate, at each financial year end.

**j. Impairment of Assets Value**

In accordance with SAK 48, "Impairment of Assets Value", the Companies review whether there is an indication of assets impairment at balance sheet date. If there is an indication of assets impairment, the Companies estimate the recoverable amount of the assets. Impairment loss is recognized as a charge to current operations.

**k. Leases**

In accordance with SAK 30 (Revised 2007), a lease that transfers substantially all the risks and rewards incidental to ownership is classified as finance lease. At the commencement of the lease term, a lessee recognizes finance lease as asset and liability in its balance sheet at an amount equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period during the lease term. Leased asset held by the lessee under a finance lease is depreciated consistently using the same method used for depreciable assets that are directly owned or is fully depreciated over the shorter of the lease term and its useful life, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term.

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In 2006, the Company was granted a license to use 2.1 GHz radio frequency spectrum (a 3G mobile communications technology - Note 1a) by the MOCIT. The upfront fee is recorded as Long-term Prepaid Licenses (Note 38) for the non-current portion and Prepaid Expenses for the current portion, and amortized over the 10-year license term using the straight-line method.

In 2009, the Company received additional 3G license (Note 1a), and IMM was granted an operating license for "Packet Switched" local telecommunications network using 2.3 GHz radio frequency spectrum of Broadband Wireless Access ("BWA"). The Company and IMM were obliged to, among others, pay upfront fee and annual radio frequency fee for 10 years (Note 30f).

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k. Leases (continued)**

Management believes, as supported by written confirmation from the DGPT, that the 3G and BWA licenses may be returned at any time without any financial obligation to pay the remaining outstanding annual radio frequency fees (i.e., the license arrangement does not transfer substantially all the risks and rewards incidental to ownership).

Accordingly, the Company and IMM recognize the annual radio frequency fee as operating lease expense, amortized using the straight-line method over the term of the rights to operate the 3G and BWA licenses. Management evaluates its plan to continue to use the licenses on an annual basis.

**l. Goodwill and Other Intangible Assets**

At the time the Company acquires a subsidiary which is not an entity under common control, any excess of the acquisition cost over the Company's interest in the fair value of the subsidiary's identifiable assets, net of liabilities, as of acquisition date is recognized as goodwill.

Acquisitions of minority interest in a subsidiary by the Company are accounted for using the parent entity extension method. Under this method, the assets and liabilities of the subsidiary are not restated to reflect their fair values at the date of the acquisition. The difference between the purchase price and the minority interest's share of the assets and liabilities reflected within the consolidated balance sheet at the date of the acquisition is considered as goodwill.

Goodwill is amortized using the straight-line method over 15 years.

At the time of acquisition of a subsidiary, any intangible assets recognized are amortized using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Customer base	
- Prepaid	6
- Post-paid	5
Spectrum license	5
Brand	8

Software that is not an integral part of the related hardware is amortized using the straight-line method over 5 years.

The Company reviews the carrying amount of goodwill and other intangible assets whenever events or circumstances indicate that their value is impaired. Impairment loss is recognized as a charge to current operations.

**m. Debt and Bonds Issuance Costs and Consent Solicitation Fees**

Expenses incurred in connection with the issuance of debt and bonds are deducted from the proceeds thereof. The difference between the net proceeds and the nominal value of the debt or bonds is recognized as premium or discount that should be amortized over the term of the debt or bonds. Consent solicitation fees resulting from the amendments of certain terms under the debt facility agreement and trustee agreement, which are not accounted for as an extinguishment, are recognized as adjustment to the carrying amount of the debt or bonds and are amortized over the remaining term of the debt or bonds.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n. Revenue and Expense Recognition**

Up to December 31, 2009, the Companies had applied SAK 35, "Accounting for Revenues from Telecommunication Services", in recognizing revenue for interconnected telecommunications services and self-conducted telecommunications services. In June 2009, Financial Accounting Standards Revocation Statement (*Pernyataan Pencabutan Standar Akuntansi Keuangan*) 1, "Revocation of SAK 32, "Accounting for Forestry Enterprises", SAK 35, "Accounting for Revenues from Telecommunication Services", and SAK 37, "Accounting for Toll Road Operations" was issued, which refers to the determination of other events and transactions that were provided in such SAKs to other relevant SAKs. Starting January 1, 2010, the Companies have referred to SAK 23, "Revenue", in recognizing their revenues.

Cellular

Cellular revenues arising from airtime and roaming calls are recognized based on the duration of successful calls made through the Company's cellular network, which up to December 31, 2009, had been presented on a net basis. To improve the comparability of the consolidated financial statements, the Company made accounts reclassification in the consolidated financial statements for the nine months ended September 30, 2009 (Note 38). Starting January 1, 2010, roaming calls have been presented on a gross basis. The change in accounting policy resulted from the revocation of SAK 35.

For post-paid subscribers, monthly service fees are recognized as the service is provided.

Up to December 31, 2009, for prepaid subscribers, the activation component of starter package sales had been recognized upon activation by end-customers. Starting January 1, 2010, the activation component of starter package sales has been deferred and recognized as revenue over the expected average period of the customer relationship. The change in accounting policy resulted from the revocation of SAK 35. Sales of initial/reload vouchers are recorded as unearned revenue and recognized as revenue upon usage of the airtime or upon expiration of the airtime.

Sales of wireless broadband modems and cellular handsets are recognized upon delivery to the customers.

Revenues from wireless broadband data communications are recognized based on the duration of usage or fixed monthly charges depending on the arrangement with the customers.

Cellular revenues are presented on a net basis, after compensation to value added service providers.

*Customer Loyalty Program*

The Company operates a customer loyalty program called "Poin Plus Plus", which allows customers to accumulate points for every reload and payment by the Company's prepaid and post-paid subscribers, respectively. The points can then be redeemed for free telecommunications and non-telecommunications products, subject to a minimum number of points being obtained.

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted. The Company records a liability at the time of reload and payment by its prepaid and post-paid subscribers, respectively, based on the fair value expected to be incurred to supply products in the future. The consideration received is allocated between the cellular products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points issued is deferred and recognized as revenue when the points are redeemed or when the redemption period expires.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n. Revenue and Expense Recognition (continued)**

Multimedia, Data Communication, Internet ("MIDI")

*Internet*

Up to December 31, 2009, revenues arising from installation service had been recognized at the time the installations were placed in service. Starting January 1, 2010, revenues from installation services have been deferred and recognized over the expected average period of the customer relationship. The change in accounting policy resulted from the revocation of SAK 35. Revenues from monthly service fees are recognized as the services are provided. Revenues from usage charges are recognized monthly based on the duration of internet usage or based on the fixed amount of charges depending on the arrangement with the customers.

*Frame Net, World Link and Direct Link*

Up to December 31, 2009, revenues arising from installation service had been recognized upon the completion of the installation of equipment used for network connection purposes in the customers' premises. Starting January 1, 2010, revenues from installation services have been deferred and recognized over the expected average period of the customer relationship. The change in accounting policy resulted from the revocation of SAK 35. Revenues from monthly service fees are recognized as the services are provided.

*Satellite Lease*

Revenues are recognized on the straight-line basis over the lease term.

Revenues from other MIDI services are recognized when the services are rendered.

Fixed Telecommunications

*International Calls*

Revenues from outgoing international call traffic are recognized on the basis of the actual recorded traffic for the period and had been reported on a net basis up to December 31, 2009, after allocations to overseas international carriers. Starting January 1, 2010, outgoing international call traffic has been reported on a gross basis. The change in accounting policy resulted from the revocation of SAK 35. To improve the comparability of the consolidated financial statements, the Company made accounts reclassification in the consolidated financial statements for the nine months ended September 30, 2009 (Note 38).

*Fixed Wireless*

Fixed wireless revenues arising from usage charges are recognized based on the duration of successful calls made through the Company's fixed network.

For post-paid subscribers, monthly service fees are recognized as the service is provided.

Up to December 31, 2009, for prepaid subscribers, the activation component of starter package sales had been recognized upon activation by end-customers. Starting January 1, 2010, the activation component of starter package sales has been deferred and recognized as revenue over the expected average period of the customer relationship. The change in accounting policy resulted from the revocation of SAK 35. Sale of initial/reload vouchers is recorded as unearned income and recognized as income upon usage of the airtime or upon expiration of the airtime.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n. Revenue and Expense Recognition (continued)**

Fixed Telecommunications (continued)

*Fixed Line*

Up to December 31, 2009, revenues arising from fixed line installations had been recognized at the time the installations were placed in service. Starting January 1, 2010, revenues from fixed line installations have been deferred and recognized over the expected average period of the customer relationship. The change in accounting policy resulted from the revocation of SAK 35. Revenues from usage charges are recognized based on the duration of successful calls made through the Company's fixed network.

Interconnection Revenue

Revenues from network interconnection with other domestic and international telecommunications carriers are recognized monthly on the basis of the actual recorded traffic for the month.

Expenses

*Interconnection Expenses*

Expenses from network interconnection with other domestic and international telecommunications carriers are accounted for as operating expenses in the period these are incurred.

*Other Expenses*

Expenses are recognized when incurred.

**o. Personnel Costs**

Personnel costs which are directly related to the development, construction and installation of property and equipment are capitalized as part of the cost of such assets.

**p. Pension Plan and Employee Benefits**

Pension costs under the Companies' defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the present value of the defined benefit obligation or fair value of plan assets, whichever is greater, at that date. These gains or losses in excess of the 10% corridor are recognized on a straight-line basis over the expected average remaining working lives of the employees. The past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested, following the introduction of changes to a pension plan, past service costs are recognized immediately.

The Companies follow SAK 24 (Revised 2004), "Employee Benefits", which regulates the accounting and disclosure for employee benefits, both short-term (e.g., paid annual leave, paid sick leave) and long-term (e.g., long-service leave, post-employment medical benefits).

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Financial Instruments**

Effective January 1, 2010, the Companies have applied SAK 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures", and SAK 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", which supersede SAK 50, "Accounting for Certain Investments in Securities" and SAK 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities".

SAK 50 (Revised 2006) contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. This SAK requires the disclosure of, among others, information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

SAK 55 (Revised 2006) establishes the principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This SAK provides the definitions and characteristics of derivatives, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

**q1. Financial assets**

**Initial recognition**

Financial assets within the scope of SAK 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Companies determine the classification of their financial assets at initial recognition and, where allowed and appropriate, re-evaluate the designation of such assets at each financial year-end.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Companies commit to purchase or sell the assets.

The Companies' financial assets include cash and cash equivalents, trade and other receivables, quoted and unquoted financial instruments, derivative financial instruments and other current and non-current financial assets.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Financial Instruments (continued)**

**q1. Financial assets (continued)**

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative assets are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the consolidated balance sheet at fair value with gains or losses recognized in the consolidated statement of income.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Companies' cash and cash equivalents, trade and other receivables, due from related parties, other current financial assets, long-term receivables and other non-current financial assets are included in this category.

- Held-to-maturity (HTM) investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Companies have the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process.

The Companies did not have any HTM investments during the nine months ended September 30, 2009 and 2010.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Financial Instruments (continued)**

**q1. Financial assets (continued)**

**Subsequent measurement (continued)**

- Available-for-sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in stockholders' equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in stockholders' equity shall be reclassified to profit or loss as a reclassification adjustment.

The Companies have the following investments classified as AFS:

- Investments in shares of stock that do not have readily determinable fair value in which the equity interest is less than 20%, and other long-term investments. These are carried at cost.
- Investments in equity shares that have readily determinable fair value in which the equity interest is less than 20% and which are classified as AFS. These are recorded at fair value.

**q2. Financial liabilities**

**Initial recognition**

Financial liabilities within the scope of SAK 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Companies determine the classification of their financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs.

The Companies' financial liabilities include trade accounts payable, procurement payable, accrued expenses, deposits from customers, loans and bonds payable, due to related parties, derivative financial instruments and other current and non-current financial liabilities.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Financial Instruments (continued)**

**q2. Financial liabilities (continued)**

**Subsequent measurement (continued)**

- Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

**q3. Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**q4. Fair value of financial instruments**

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid or ask prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

**Credit risk adjustment**

The Company adjusts the price in the more advantageous market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's own credit risk associated with the instrument is taken into account.

**q5. Amortized cost of financial instruments**

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Financial Instruments (continued)**

**q6. Impairment of financial assets**

The Companies assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

- Financial assets carried at amortized cost

For loans and receivables carried at amortized cost, the Companies first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Companies determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan or receivable has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Companies. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

- AFS financial assets

In the case of equity investments classified as an AFS financial asset, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is reclassified from stockholders' equity to profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in their fair value after impairment are recognized in stockholders' equity.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Financial Instruments (continued)**

**q6. Impairment of financial assets (continued)**

- AFS financial assets (continued)

In the case of debt instruments classified as an AFS financial asset, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the "Interest income" account in the consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

**q7. Derecognition of financial assets and liabilities**

*Financial assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Companies have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Companies have transferred substantially all the risks and rewards of the asset, or (b) the Companies have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

*Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

**q8. Derivative financial instruments**

The Company enters into and engages in cross currency swaps, interest rate swaps, currency forwards and other permitted instruments, if considered necessary, for the purpose of managing its foreign exchange and interest rate exposures emanating from the Company's loans and bonds payable in foreign currencies. These derivative financial instruments do not meet the criteria for hedge accounting as provided in SAK 55 (Revised 2006) and are initially recognized at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**q. Financial Instruments (continued)**

**q8. Derivative financial instruments (continued)**

Any gains or losses arising from changes in fair value of derivatives during the period that do not qualify for hedge accounting are taken directly to profit or loss.

Derivative assets and liabilities are presented under current assets and liabilities, respectively. Embedded derivative is presented with the host contract on the consolidated balance sheet which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

The net changes in fair value of derivative instruments, swap cost or income, termination cost or income, and settlement of derivative instruments are credited (charged) to "Gain (loss) on Change in Fair Value of Derivatives - Net", which is presented under Other Income (Expenses) in the consolidated statement of income.

**r. Foreign Currency Transactions and Balances**

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing exchange rates at such date and the resulting gains or losses are credited or charged to current operations, except for foreign exchange differentials that can be attributed to qualifying assets which are capitalized to assets under construction and installation.

For September 30, 2009 and 2010, the foreign exchange rates used (in full amounts) were Rp9,681 and Rp8,924, respectively, per US\$1 computed by taking the average of the buying and selling rates of bank notes last published by Bank Indonesia for the period.

**s. Income Tax**

Current tax expense is provided based on the estimated taxable income for the period. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carryover of unused tax losses, are also recognized to the extent that realization of such benefits is probable. The tax effects for the period are allocated to current operations, except for the tax effects from transactions which are directly charged or credited to stockholders' equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are credited or charged to current period operations, except to the extent that they relate to items previously charged or credited to stockholders' equity.

Amendment to tax obligations is recorded when an assessment is received or, if appealed, when the result of the appeal is determined.

For each of the consolidated entities, the tax effects of temporary differences and tax loss carryover, which individually are either assets or liabilities, are shown at the applicable net amounts.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**t. Segment Reporting**

The Companies follow SAK 5 (Revised 2000), "Segment Reporting", in the presentation of segment reporting in their financial statements. SAK 5 (Revised 2000) provides more detailed guidance for identifying reportable business segments and geographical segments. The financial information which is used by management for evaluating the segment performance is presented in Note 34.

**u. Basic Earnings per Share/ADS**

In accordance with SAK 56, "Earnings per Share", the amount of basic earnings per share is computed by dividing net income by the weighted-average number of shares outstanding during the period.

The amount of basic earnings per ADS is computed by multiplying basic earnings per share by 50, which is equal to the number of shares per ADS.

**v. Transactions with Related Parties**

The Companies account for transactions with related parties as described in SAK 7, "Transactions with Related Parties".

The details of the accounts and the significant transactions entered into with related parties are presented in Note 27.

**w. Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. TRANSLATIONS OF RUPIAH INTO UNITED STATES DOLLAR**

The consolidated financial statements are stated in rupiah. The translations of the rupiah into U.S. dollar (US\$) are included solely for the convenience of the readers, using the average buying and selling rate published by Bank Indonesia (Central Bank) on September 30, 2010 of Rp8,924 to US\$1 (in full amounts). The convenience translations should not be construed as representations that the rupiah amounts have been, could have been, or could in the future be, converted into U.S. dollar at this or any other rate of exchange.

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**4. CASH AND CASH EQUIVALENTS**

This account consists of the following:

	2009	2010
Cash on hand		
Rupiah	1,685	1,552
U.S. dollar (US\$6)	-	51
	1,685	1,603
Cash in banks		
Related parties (Note 27)		
Rupiah		
PT Bank Mandiri (Persero) Tbk ("Mandiri")	23,598	67,868
PT Bank Pembangunan Daerah Nusa Tenggara Timur ("Bank - NTT")	-	2,683
PT Bank Pembangunan Daerah DKI Jakarta ("BPD - DKI")	2,768	1,984
PT Bank Pembangunan Daerah Yogyakarta ("BPD - Yogyakarta")	1,257	1,759
PT Bank Syariah Mandiri ("Mandiri Syariah")	2,781	1,731
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	1,555	1,667
PT Bank Pembangunan Daerah Papua ("Bank - Papua")	-	1,093
PT Bank Rakyat Indonesia (Persero) Tbk ("BRI")	1,119	591
BRI Syariah	1,000	-
Others (each below Rp1,000)	3,546	2,581
U.S. dollar		
Mandiri (US\$17,748 in 2009 and US\$10,788 in 2010)	171,822	96,268
BNI (US\$68 in 2009 and US\$419 in 2010)	658	3,738
Others (US\$70)	-	629
Third parties		
Rupiah		
PT Bank Central Asia Tbk ("BCA")	10,633	126,638
PT Bank CIMB Niaga Tbk ("CIMB Niaga")	11,998	23,181
The Hongkong and Shanghai Banking Corporation Limited, Jakarta Branch ("HSBC")	3,908	12,679
PT Bank Tabungan Pensiunan Nasional Tbk ("BTPN")	61	5,052
Deutsche Bank AG, Jakarta Branch ("DB")	6,907	3,391
Others (each below Rp5,000)	14,099	10,975
U.S. dollar		
Fortis Bank N.V., The Netherlands (US\$4,480 in 2009 and US\$7,401 in 2010)	43,369	66,042
Citibank N.A., Singapore Branch (US\$1,125 in 2009 and US\$3,089 in 2010)	10,893	27,564
Citibank N.A., Jakarta Branch (US\$1,725 in 2009 and US\$2,210 in 2010)	16,697	19,724
CIMB Niaga (US\$1,446 in 2009 and US\$1,193 in 2010)	13,996	10,651
Bukopin (US\$717)	-	6,400
DB (US\$1,762 in 2009 and US\$467 in 2010)	17,058	4,166
Others (US\$2 in 2009 and 2010)	19	17
	359,742	499,072

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**4. CASH AND CASH EQUIVALENTS (continued)**

	<b>2009</b>	<b>2010</b>
Time deposits and deposits on call		
Related parties (Note 27)		
Rupiah		
Mandiri	404,175	1,205,675
BNI	74,170	344,814
BRI	33,500	298,000
Mandiri Syariah	5,000	117,000
PT Bank Tabungan Negara (Persero) ("BTN")	12,500	116,500
PT Bank Pembangunan Daerah Jawa Tengah	1,500	7,050
BPD-Yogyakarta	1,000	1,000
U.S. dollar		
BRI (US\$20,000 in 2009 and US\$145,000 in 2010)	193,620	1,293,980
BNI (US\$20,000 in 2009 and US\$125,000 in 2010)	193,620	1,115,500
Mandiri (US\$6,694 in 2009 and US\$1,540 in 2010)	64,809	13,742
Others (US\$390)	-	3,480
Third parties		
Rupiah		
PT Bank DBS Indonesia ("DBS")	-	200,000
PT Bank Syariah Muamalat Indonesia Tbk ("Muamalat")	3,000	55,000
CIMB Niaga	49,000	46,000
DB	20,206	27,030
Bukopin	25,200	18,400
Danamon	22,800	15,900
PT Bank International Indonesia ("BII")	500	13,000
BTPN	18,500	12,000
PT Bank Himpunan Saudara 1906, Tbk ("HS 1906")	-	11,400
Citibank N.A., Jakarta Branch	14,818	6,750
PT Bank Mega Syariah	8,000	3,250
PT Bank Mega	4,000	2,000
PT Bank Permata Syariah	6,300	-
Others (each below Rp5,000)	1,000	-
U.S. dollar		
DB (US\$69,225 in 2009 and US\$58,754 in 2010)	670,162	524,319
DBS (US\$23,000)	-	205,252
CIMB Niaga (US\$2,000)	-	17,848
Muamalat (US\$5,000 in 2009 and US\$1,064 in 2010)	48,405	9,500
	<b>1,875,785</b>	<b>5,684,390</b>
<b>Total</b>	<b>2,237,212</b>	<b>6,185,065</b>

Time deposits and deposits on call denominated in rupiah earned interest at annual rates ranging from 2.50% to 14.50% in 2009 and from 2.50% to 9.50% in 2010, while those denominated in U.S. dollar earned interest at annual rates ranging from 0.001% to 6.00% in 2009 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.

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**5. ACCOUNTS RECEIVABLE - TRADE**

This account consists of the following:

	<b>2009</b>	<b>2010</b>
Related parties (Note 27)		
Telkom (including US\$74 in 2009 and US\$71 in 2010)	24,654	24,656
Others (including US\$4,775 in 2009 and US\$6,463 in 2010)	138,507	179,443
Sub-total	163,161	204,099
Less allowance for doubtful accounts	46,701	59,913
<b>Net</b>	<b>116,460</b>	<b>144,186</b>
Third parties		
Overseas international carriers (including US\$97,809 in 2009 and US\$103,012 in 2010)	923,588	896,160
Local companies (including US\$17,604 in 2009 and US\$15,718 in 2010)	465,479	611,328
Post-paid subscribers from:		
Cellular	244,951	328,842
Fixed telecommunication	26,347	2,348
Sub-total	1,660,365	1,838,678
Less allowance for doubtful accounts	413,699	423,893
<b>Net</b>	<b>1,246,666</b>	<b>1,414,785</b>
<b>Total</b>	<b>1,363,126</b>	<b>1,558,971</b>

The aging schedule of the accounts receivable - trade is as follows:

Number of Months Outstanding	<b>2009</b>		<b>2010</b>	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Related parties</b>				
0 - 6 months	105,524	64.67	129,785	63.59
7 - 12 months	23,421	14.35	18,697	9.16
13 - 24 months	1,132	0.69	13,551	6.64
Over 24 months	33,084	20.29	42,066	20.61
<b>Total</b>	<b>163,161</b>	<b>100.00</b>	<b>204,099</b>	<b>100.00</b>
<b>Third parties</b>				
0 - 6 months	827,478	49.84	971,714	52.85
7 - 12 months	303,145	18.26	189,102	10.28
13 - 24 months	241,781	14.56	355,346	19.33
Over 24 months	287,961	17.34	322,516	17.54
<b>Total</b>	<b>1,660,365</b>	<b>100.00</b>	<b>1,838,678</b>	<b>100.00</b>

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

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

	<b>Total</b>	<b>Related Parties</b>	<b>Third Parties</b>
<b>September 30, 2009</b>			
Balance at beginning of period	496,163	69,444	426,719
Provision (reversal) (Note 24)	88,421	(4,921)	93,342
Write-offs	(101,587)	(9,399)	(92,188)
Net effect of foreign exchange adjustment	(21,348)	(8,423)	(12,925)
Deduction due to liquidation of SMM*	(1,249)	-	(1,249)
Balance at end of period	<u>460,400</u>	<u>46,701</u>	<u>413,699</u>
<b>September 30, 2010</b>			
Balance at beginning of period	461,810	57,538	404,272
Provision (Note 24)	54,344	3,186	51,158
Write-offs	(23,587)	-	(23,587)
Net effect of foreign exchange adjustment	(8,761)	(811)	(7,950)
Balance at end of period	<u>483,806</u>	<u>59,913</u>	<u>423,893</u>
Individual impairment	133,906	44,948	88,958
Collective impairment	349,900	14,965	334,935
Total	<u>483,806</u>	<u>59,913</u>	<u>423,893</u>
Gross amount of receivables, individually impaired, before deducting any individually assessed impairment allowance	<u>387,433</u>	<u>54,123</u>	<u>333,310</u>

\* a subsidiary liquidated on June 23, 2009.

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 on Foreign Exchange - Net".

There are no significant concentrations of credit risk.

Management believes the established allowance is sufficient to cover probable losses from uncollectible accounts receivable.

**6. PREPAID TAXES**

This account consists of the following:

	<b>2009</b>	<b>2010</b>
Claims for tax refund	462,958	563,650
Value Added Tax ("VAT")	366,372	48,135
Others	10,403	4,596
<b>Total</b>	<u><b>839,733</b></u>	<u><b>616,381</b></u>

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**PT INDOSAT Tbk AND SUBSIDIARIES**  
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**6. PREPAID TAXES (continued)**

Claims for tax refund as of September 30, 2009 and 2010 mainly consist of the Company's corporate income tax for fiscal years 2004, 2005, 2006, 2009 and 2010 and Satelindo's corporate income tax for fiscal year 2002 and income tax article 26 for fiscal years 2002 and 2003.

On February 18, 2008, the Company received Decision Letter No. KEP-0067/WPJ.19/BD.05/2008 from the Directorate General of Taxation ("DGT") which declined the Company's objection to the correction on income tax article 26 for fiscal year 2004 amounting to Rp60,493 (including penalties and interest). On May 14, 2008, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the tax correction. On May 25, 2010, the Company received the Decision Letter from the Tax Court which declined the Company's objection to the tax correction of the 2004 income tax article 26. The Company charged the tax correction to current operations, which was presented as part of "Other Income (Expenses) - Others - Net".

On May 27, 2008, the Company received Decision Letter No. KEP-230/WPJ.19/BD.05/2008 from the DGT which partially accepted the Company's objection on the remaining corrections on the 2005 corporate income tax amounting to Rp2,725. On July 17, 2008, the Company received the tax refund amounting to Rp1,785 after offsetting the additional tax underpayment for income tax article 26 for the fiscal year 2005 amounting to Rp940 (see below). On August 21, 2008, the Company submitted an appeal letter to the Tax Court concerning the Company's remaining objection on the 2005 corporate income tax (Note 36f).

On June 4, 2008, the Company received Decision Letter No. 261/WPJ.19/BD.05/2008 from the DGT declining the Company's objection to the tax correction on the 2005 income tax article 26. In addition, based on such Decision Letter, the Company was also charged for additional correction on income tax article 26 amounting to Rp940 for fiscal year 2005, which was accepted by the Company. On September 2, 2008, the Company submitted an appeal letter to the Tax Court concerning the Company's objection to the correction on the 2005 income tax article 26 amounting to Rp82,126 (including penalties and interest). On May 25, 2010, the Company received the Decision Letter from the Tax Court which declined the Company's objection to the tax correction of the 2005 income tax article 26. The Company charged the tax correction to current operations, which was presented as part of "Other Income (Expenses) - Others - Net".

On July 4, 2008, the Company received Decision Letter No. KEP-00080/WPJ.19/KP.0303/2008 (KEP-00080) from the Tax Court which accepted the Company's objection to the correction of 2003 corporate income tax amounting to Rp126,403. On December 24, 2008, the Company received Decision Letter No. KEP-539/WPJ.19/BD.05/2008 from the DGT which increased the overpayment amount by Rp84,650 in the assessment letter on tax overpayment ("SKPLB") for fiscal year 2004, which amount is lower than the amount stated in KEP-00080. On January 21, 2009, the Company filed an appeal letter to the Tax Court to increase the SKPLB for fiscal year 2004 as stated in KEP-00080. On February 2, 2009, the Company received the tax refund from the Tax Office amounting to Rp84,650 for the additional tax overpayment of corporate income tax for fiscal year 2004. On December 4, 2009, the Company received from the Tax Court its Decision No. Put.20644/PP/M.II/2009 which granted the request to increase the SKPLB for fiscal year 2004. Furthermore, on December 15, 2009, the DGT issued Decision Letter No. KEP-00101/WPJ.19/KP.0303/2009 to implement such Tax Court Decision. On April 13, 2010, the Company received the tax refund from the Tax Office amounting to Rp41,753 for the remaining tax overpayment of corporate income tax for the fiscal year 2004.

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**6. PREPAID TAXES (continued)**

On June 8, 2009, the Company received the assessment letter on tax underpayment (“SKPKB”) from the DGT for Satelindo’s corporate income tax for fiscal year 2002 amounting to Rp105,809 (including penalties and interest) (Note 14). The Company accepted a part of the correction of the 2002 corporate income tax amounting to Rp2,646 which was charged to current operations in 2009. Under Indonesian Tax Law, a taxpayer is required to pay the tax underpayment amount as stated in the SKPKB within one month from the date of the SKPKB. The taxpayer can reclaim the tax paid through an objection or appeal process. On August 28, 2009, the Company submitted an objection letter to the Tax Office regarding the remaining correction on Satelindo’s 2002 corporate income tax. On July 15, 2010, the Company received Decision Letter No.KEP-357/WPJ.19/BD.05/2010 from the DGT declining the Company’s objection to the correction on Satelindo’s corporate income tax for fiscal year 2002 (Note 36e).

On June 8, 2009, the Company also received SKPKBs from the DGT for Satelindo’s 2002 and 2003 income tax article 26 amounting to Rp51,546 and Rp40,307 (including penalties and interests), respectively (Note 14). On August 27, 2009, the Company submitted an objection letter to the Tax Office for the correction on Satelindo’s 2002 and 2003 income tax article 26. On July 16, 2010, the Company received Decision Letters No.KEP-367/WPJ.19/BD.05/2010 and KEP-368/WPJ.19/BD.05/2010 from the DGT declining the Company’s objection to the correction on Satelindo’s 2002 and 2003 income tax article 26 (Note 36c).

On September 7, 2009, the Company received Decision Letter No.KEP-335/WPJ.19/BD.05/2009 from the DGT which declined the Company’s objection to the remaining corrections on the 2006 corporate income tax. On December 2, 2009, the Company submitted an appeal letter to the Tax Court regarding the remaining corrections on the Company’s 2006 corporate income tax. As of October 25, 2010, the Company has not yet received any decision from the Tax Court on such appeal.

**7. INVESTMENTS IN ASSOCIATED COMPANIES**

As of September 30, 2009 and 2010, this account consists of the following investments which are accounted for under the equity method:

	Location	Principal Activity	Ownership (%)	Cost	Company’s Portion of Accumulated Equity in Undistributed Net Income (Loss) of Associated Companies	Carrying Value
<b>2009</b>						
PT Multi Media Asia Indonesia	Indonesia	Satellite-based telecommunication	26.67	56,512	(212)	56,300
PT Lintas Media Danawa *	Indonesia	Information and communication services	35.00	700	-	700
PT Swadharma Marga Inforindo	Indonesia	Telecommunications and information services	20.00	100	186	286
Total				<u>57,312</u>	<u>(26)</u>	57,286
Less allowance for decline in value						56,586
<b>Net</b>						<u><b>700</b></u>

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**7. INVESTMENTS IN ASSOCIATED COMPANIES (continued)**

	Location	Principal Activity	Ownership (%)	Cost	Company's Portion of Accumulated Equity in Undistributed Net Income (Loss) of Associated Companies	Carrying Value
<b>2010</b>						
PT Multi Media Asia Indonesia	Indonesia	Satellite-based telecommunication	26.67	56,512	(212)	56,300
PT Lintas Media Danawa *	Indonesia	Information and communication services	35.00	700	(278)	422
PT Swadharma Marga Inforindo	Indonesia	Telecommunications and information services	26.67	400	(114)	286
Total				<u>57,612</u>	<u>(604)</u>	<u>57,008</u>
Less allowance for decline in value						<u>56,586</u>
<b>Net</b>						<u><b>422</b></u>

\* PT Lintas Media Danawa ("LMD") is an associated company of Lintasarta. LMD was established on July 28, 2008 to engage in information and communication services, such as data center services, e-learning and distant learning for public education services, and content services based on Internet Protocol (e.g., IPTV, internet game and internet payment gateway).

The Companies believe that the allowance for decline in value amounting to Rp56,586 as of September 30, 2009 and 2010 is adequate to cover probable losses on the above investments.

**8. OTHER LONG-TERM INVESTMENTS**

As of September 30, 2009 and 2010, this account consists of the following:

Investments in shares of stock accounted for under the cost method - net	2,631
Equity securities which are available-for-sale*	99
<b>Total</b>	<u><b>2,730</b></u>

\* consist of BNI and Telkom amounting to Rp89 and Rp10, respectively

The details of the investments in shares of stock as of September 30, 2009 and 2010 which are accounted for under the cost method are as follows:

	Location	Principal Activity	Ownership (%)	Cost/Carrying Value
PT First Media Tbk	Indonesia	Cable television and internet network service provider	2.29/1.07*	50,000
ICO Global Communication (Holdings) Limited	Bahamas	Satellite service	0.0087	49,977
Asean Cables Pte. Ltd. ("ACPL")**	Singapore	Repairs and maintenance of submarine cables	16.67	1,265
Others			12.80 -14.29	<u>1,366</u>
Total				<u>102,608</u>
Less allowance for decline in value				<u>99,977</u>
<b>Net</b>				<u><b>2,631</b></u>

\* On May 20, 2010, the Company's ownership in PT First Media Tbk was diluted to 1.07% since the Company did not exercise its pre-emptive right in relation to a rights issue conducted by PT First Media Tbk.

\*\* The Company received dividend income from its investment in ACPL totalling US\$1,655 (equivalent to Rp16,528) and US\$2,140 (equivalent to Rp19,281) for the nine months ended September 30, 2009 and 2010, respectively.

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**8. OTHER LONG-TERM INVESTMENTS (continued)**

The Company has provided allowance for the decline in value in its investments in shares of stock accounted for under the cost method amounting to Rp99,977 as of September 30, 2009 and 2010, which the Company believes is adequate to cover probable losses on the investments.

**9. PROPERTY AND EQUIPMENT**

The details of property and equipment are as follows:

	2009						
	Balance at Beginning of Period	Transactions during the Period				Liquidated Subsidiary *	Balance at End of Period
		Additions	Derecognitions	Reclassifications	-		
<b>Cost</b>							
Landrights	473,109	-	-	23,739	-	496,848	
Buildings	551,700	15,647	-	71,229	-	638,576	
Information technology equipment	1,856,437	142	-	159,451	(6,047)	2,009,983	
Office equipment	1,605,201	14,895	(15,179)	49,109	(570)	1,653,456	
Building and leasehold improvements	8,651,137	-	(14,604)	1,563,688	(70)	10,200,151	
Vehicles	24,171	-	(1,157)	650	-	23,664	
Cellular technical equipment	22,649,669	-	(817)	6,563,005	-	29,211,857	
Transmission and cross- connection equipment	10,750,328	132,508	-	1,582,125	-	12,464,961	
FWA technical equipment	904,347	-	-	344,358	-	1,248,705	
Operation and maintenance center and measurement unit	1,098,407	849	-	142,189	-	1,241,445	
Fixed access network equipment	986,961	-	-	69,861	-	1,056,822	
Properties under construction and installation	13,926,944	10,073,062	-	(10,569,404)	-	13,430,602	
<b>Total</b>	<b>63,478,411</b>	<b>10,237,103</b>	<b>(31,757)</b>	<b>-</b>	<b>(6,687)</b>	<b>73,677,070</b>	
<b>Accumulated Depreciation</b>							
Buildings	258,796	18,943	-	-	-	277,739	
Information technology equipment	1,406,186	209,673	-	-	(5,014)	1,610,845	
Office equipment	1,100,225	102,527	(15,175)	-	(401)	1,187,176	
Building and leasehold improvements	3,130,120	591,298	(9,637)	-	(70)	3,711,711	
Vehicles	13,930	2,929	(1,013)	-	-	15,846	
Cellular technical equipment	11,359,453	1,782,421	(817)	-	-	13,141,057	
Transmission and cross - connection equipment	5,905,416	735,687	-	-	-	6,641,103	
FWA technical equipment	312,799	81,439	-	-	-	394,238	
Operation and maintenance center and measurement unit	791,781	129,694	-	-	-	921,475	
Fixed access network equipment	707,021	54,324	-	-	-	761,345	
<b>Total</b>	<b>24,985,727</b>	<b>3,708,935</b>	<b>(26,642)</b>	<b>-</b>	<b>(5,485)</b>	<b>28,662,535</b>	
Impairment in Value	98,611	-	-	-	-	98,611	
<b>Net Book Value</b>	<b>38,394,073</b>					<b>44,915,924</b>	

\* SMM - subsidiary of the Company liquidated on June 23, 2009.

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**9. PROPERTY AND EQUIPMENT (continued)**

	2010				Balance at End of Period
	Balance at Beginning of Period	Transactions during the Period			
		Additions	Derecognitions	Reclassifications	
<b>Cost</b>					
Landrights	504,620	15,977	-	17,186	537,783
Buildings	652,677	89	-	92,210	744,976
Information technology equipment	2,162,426	114	(13,052)	314,890	2,464,378
Office equipment	1,682,984	12,626	(14,764)	20,594	1,701,440
Building and leasehold improvements	10,924,318	23	(14,341)	893,134	11,803,134
Vehicles	24,389	-	(750)	1,176	24,815
Cellular technical equipment	31,170,449	-	(5,193)	4,478,651	35,643,907
Transmission and cross- connection equipment	16,349,982	181,566	-	1,732,961	18,264,509
FWA technical equipment	1,284,431	-	-	83,675	1,368,106
Operation and maintenance center and measurement unit	1,286,658	-	(91)	49,621	1,336,188
Fixed access network equipment	1,069,005	-	-	51,160	1,120,165
Properties under construction and installation	7,706,513	3,134,606	-	(7,735,258)	3,105,861
<b>Total</b>	<b>74,818,452</b>	<b>3,345,001</b>	<b>(48,191)</b>	<b>-</b>	<b>78,115,262</b>
<b>Accumulated Depreciation</b>					
Buildings	283,781	21,724	-	-	305,505
Information technology equipment	1,686,303	218,116	(13,052)	-	1,891,367
Office equipment	1,209,518	94,131	(14,742)	-	1,288,907
Building and leasehold improvements	3,952,460	681,866	(14,319)	-	4,620,007
Vehicles	15,761	2,665	(328)	-	18,098
Cellular technical equipment	14,044,917	2,221,652	(5,193)	-	16,261,376
Transmission and cross- connection equipment	6,925,779	1,064,785	-	-	7,990,564
FWA technical equipment	434,990	91,939	-	-	526,929
Operation and maintenance center and measurement unit	959,924	102,652	(91)	-	1,062,485
Fixed access network equipment	777,601	49,539	-	-	827,140
<b>Total</b>	<b>30,291,034</b>	<b>4,549,069</b>	<b>(47,725)</b>	<b>-</b>	<b>34,792,378</b>
Less Impairment in Value	98,611	-	-	-	98,611
<b>Net Book Value</b>	<b>44,428,807</b>				<b>43,224,273</b>

Submarine cables represent the Company's proportionate investment in submarine cable circuits jointly constructed, operated, maintained and owned with other countries, based on the respective contracts and/or the construction and maintenance agreements.

For the nine months ended September 30, 2009 and 2010, sales of certain property and equipment were made as follows:

	2009	2010
Proceeds from sales	2,253	1,940
Net book value	(5,115)	(466)
<b>Gain (loss)</b>	<b>(2,862)</b>	<b>1,474</b>

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**9. PROPERTY AND EQUIPMENT (continued)**

Depreciation expense charged to the consolidated statements of income amounted to Rp3,708,935 and Rp4,549,069 for the nine months ended September 30, 2009 and 2010, respectively.

Management believes that there is no impairment in assets value or recovery of the impairment reserve as contemplated in SAK 48 for the current period.

On August 31, 2009, the Company launched its Palapa D Satellite. The Satellite experienced an under-performance of the launch vehicle during the Satellites' placement to its intended orbital position. Consequently, its orbital lifetime has been reduced. The insurance claim for the partial loss of the Satellite has been made and is recorded as a reduction of the cost of the Satellite. The Satellite has been in operation since November 2009 after going through the process of testing and arranging its orbital position in September and October 2009. On January 4 and 19, 2010, the Company collected the Palapa D Satellite insurance claim amounting to US\$58,008 (equivalent to Rp537,657) as a loss compensation for the decrease in the Satellite's useful life from 15 years to 10.77 years due to the under-performance of the launch vehicle in the Satellite's orbital process.

As of September 30, 2010, approximately Rp35,984 of property and equipment are pledged as collateral to credit facilities obtained by Lintasarta (Note 16).

As of September 30, 2010, the Companies insured their respective property and equipment (except submarine cables and landrights) for US\$232,785 and Rp47,007,583 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.

The details of the Companies' properties under construction and installation as of September 30, 2009 and 2010 are as follows:

	Percentage of Completion	Cost	Estimated Date of Completion
<b>2009</b>			
Cellular technical equipment	5 - 99	7,021,011	October 2009 - January 2010
Transmission and cross-connection equipment	5 - 95	4,625,679	October 2009 - January 2010
Building and leasehold improvements	40 - 60	1,127,134	October 2009 - January 2010
FWA technical equipment	5 - 95	114,651	October - December 2009
Operation and maintenance center and measurement unit	20 - 90	219,604	October - December 2009
Information technology equipment	90 - 95	189,220	October - December 2009
Building	65 - 75	80,542	October - December 2009
Others (each below Rp50,000)	8 - 95	52,761	October 2009 - January 2010
<b>Total</b>		<b>13,430,602</b>	

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**9. PROPERTY AND EQUIPMENT (continued)**

	Percentage of Completion	Cost	Estimated Date of Completion
<b>2010</b>			
Cellular technical equipment	5 - 95	1,759,571	October 2010 - November 2011
Transmission and cross-connection equipment	5 - 95	775,604	October 2010 - March 2011
Building and leasehold improvements	20 - 80	343,457	October 2010 - March 2011
Building	20 - 90	89,942	October 2010 - November 2011
Others (each below Rp50,000)	30 - 99	137,287	October 2010 - February 2011
<b>Total</b>		<b>3,105,861</b>	

Borrowing costs capitalized to properties under construction and installation for the nine months ended September 30, 2009 and 2010 amounted to Rp163,377 and Rp15,554 respectively.

**10. GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill arose from the acquisition of ownership in Bimagraha and Satelindo in 2001 and 2002, respectively, and from the acquisition of additional ownership in Lintasarta in 2005 and in SMT in 2008.

The details of the other intangible assets arising from the acquisition of Satelindo in 2002 are as follows:

	Amount
Spectrum license	222,922
Customer base	
- Post-paid	154,220
- Prepaid	73,128
Brand	147,178
<b>Total</b>	<b>597,448</b>

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

	2009	2010
Balance at beginning of period (Note 38)	1,833,392	1,580,080
Additional non-integrated software	16,614	22,798
Amortization of goodwill	(177,173)	(169,880)
Amortization of other intangible assets	(26,239)	(16,551)
<b>Balance at end of period</b>	<b>1,646,594</b>	<b>1,416,447</b>

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

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

**12. LONG-TERM ADVANCES**

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

**13. PROCUREMENT PAYABLE**

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

	<u>2009</u>	<u>2010</u>
Related parties (Note 27) (including US\$753 in 2009 and US\$398 in 2010)	81,087	68,065
Third parties (including US\$369,503 in 2009 and US\$251,874 in 2010)	5,938,710	3,932,617
<b>Total</b>	<b><u>6,019,797</u></b>	<b><u>4,000,682</u></b>

The billed amount of procurement payable amounted to Rp1,375,062 and Rp620,594 as of September 30, 2009 and 2010, respectively. The unbilled amount of procurement payable amounted to Rp4,644,735 and Rp3,380,088 as of September 30, 2009 and 2010, respectively.

**14. TAXES PAYABLE**

This account consists of the following:

	<u>2009</u>	<u>2010</u>
Estimated corporate income tax payable, less tax prepayments of Rp404,125 in 2009 and Rp86,412 in 2010	30,421	13,447
Income tax:		
Article 4(2)	16,524	9,389
Article 21	10,337	10,886
Article 22	4,110	608
Article 23	7,858	5,996
Article 25	34,363	13,454
Article 26	11,176	31,546
VAT	11,859	7,568
Others	5,989	970
<b>Total</b>	<b><u>132,637</u></b>	<b><u>93,864</u></b>

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**14. TAXES PAYABLE (continued)**

The reconciliation between income before income tax and estimated taxable income (tax loss) of the Company for the nine months ended September 30, 2009 and 2010 is as follows:

	<b>2009</b>	<b>2010</b>
Income before income tax per consolidated statements of income	2,115,326	873,542
Subsidiaries' income before income tax and effect of inter-company consolidation eliminations	(134,249)	(147,168)
Income before income tax of the Company	1,981,077	726,374
Positive adjustments		
Accrual of employee benefits - net	132,960	97,674
Assessments for income taxes and VAT and related penalties	55,342	82,694
Amortization of goodwill and other intangible assets	16,465	28,632
Provision for doubtful accounts	54,867	27,305
Provision for termination, gratuity and compensation benefits of employees	23,052	24,970
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 16 and 17)	3,832	19,948
Net periodic pension cost	-	13,568
Donations	10,421	7,272
Representation and entertainment	5,725	4,000
Others	39,651	94,998
Negative adjustments		
Depreciation - net	(793,364)	(1,237,859)
Equity in net income of investees	(177,996)	(182,609)
Interest income already subjected to final tax	(106,259)	(91,044)
Amortization of long-term prepaid licenses	3,424	(26,254)
Loss on sale of property and equipment	-	(10,634)
Write-off of accounts receivable	(98,905)	-
Net periodic pension cost	(6,163)	-
Others	-	(3,466)
<b>Estimated taxable income (tax loss) of the Company</b>	<b>1,144,129</b>	<b>(424,431)</b>

The computation of income tax expense for the nine months ended September 30, 2009 and 2010 is as follows:

	<b>2009</b>	<b>2010</b>
<b>Estimated taxable income of the Company</b>	<b>1,144,129</b>	<b>-</b>
Income tax expense - current (at statutory tax rates)		
Company	320,356	-
Subsidiaries	114,190	99,859
Total income tax expense - current	434,546	99,859

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**14. TAXES PAYABLE (continued)**

	<b>2009</b>	<b>2010</b>
Income tax expense (benefit) - deferred - effect of temporary differences at enacted maximum tax rates		
Company		
Depreciation - net	205,154	309,465
Equity in net income of investees	52,456	35,039
Amortization of long-term prepaid licenses	-	6,564
Tax loss	-	(106,108)
Accrual of employee benefits - net	(20,590)	(24,419)
Amortization of goodwill and other intangible assets	(5,569)	(7,158)
Write-off of accounts receivable (provision for doubtful accounts) - net	13,960	(6,826)
Provision for termination, gratuity and compensation benefits of employees	(5,700)	(6,243)
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 16 and 17)	(1,052)	(4,987)
Net periodic pension cost	1,726	(3,392)
Others	(29,573)	3,526
Net	210,812	195,461
Subsidiaries	(19,390)	(2,141)
Net income tax expense - deferred	191,422	193,320
<b>Total income tax expense</b>	<b>625,968</b>	<b>293,179</b>

The computation of the estimated income tax payable for the nine months ended September 30, 2009 and 2010 is as follows:

	<b>2009</b>	<b>2010</b>
Income tax expense - current		
Company	320,356	-
Subsidiaries	114,190	99,859
Total income tax expense - current	434,546	99,859
Less prepayments of income tax of the Company		
Article 22	91,131	39,773
Article 23	2,749	2,754
Article 25	224,467	21,596
Total prepayments of income tax of the Company	318,347	64,123
Less prepayments of income tax of Subsidiaries		
Article 22	2,186	1,006
Article 23	732	2,383
Article 25	106,391	136,173
Total prepayments of income tax of Subsidiaries	109,309	139,562
Total prepayments of income tax	427,656	203,685

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**14. TAXES PAYABLE (continued)**

	<b>2009</b>	<b>2010</b>
Estimated income tax payable		
Company	2,009	-
Subsidiaries	28,412	13,447
<b>Total estimated income tax payable</b>	<b>30,421</b>	<b>13,447</b>
<b>Claims for tax refund (presented as part of "Prepaid Taxes")</b>		
Company	-	64,123
Subsidiaries	23,531	53,150
<b>Total</b>	<b>23,531</b>	<b>117,273</b>

The reconciliation between the income tax expense calculated by applying the applicable tax rate of 28% in 2009 and 25% in 2010 to the income before income tax and the income tax expense as shown in the consolidated statements of income for the nine months ended September 30, 2009 and 2010 is as follows:

	<b>2009</b>	<b>2010</b>
<b>Income before income tax per consolidated statements of income</b>	<b>2,115,326</b>	<b>873,542</b>
Income tax expense at the applicable tax rate	592,291	218,385
Company's equity in Subsidiaries' income before income tax and reversal of inter-company consolidation eliminations	53,750	51,160
Tax effect on permanent differences		
Assessment for income taxes and related penalties	15,496	20,706
Employee benefits	14,163	11,703
Donations	2,918	1,819
Representation and entertainment	1,904	1,512
Interest income already subjected to final tax	(39,862)	(28,833)
Others	(11,820)	(536)
Adjustment due to tax audit and others	(2,872)	17,263
<b>Income tax expense per consolidated statements of income</b>	<b>625,968</b>	<b>293,179</b>

The tax effects of significant temporary differences between financial and tax reporting of the Company which are outstanding as of September 30, 2009 and 2010 are as follows:

	<b>2009</b>	<b>2010</b>
Deferred tax assets		
Accrual of employee benefits - net	213,877	253,728
Allowance for doubtful accounts	111,067	116,337
Tax loss	-	106,108
Allowance for decline in value of investment in associated company and other long-term investments	39,069	39,069
Pension cost	16,049	21,282
Allowance for decline in value of short-term investment	6,349	6,349
Others	-	1,877
<b>Total</b>	<b>386,411</b>	<b>544,750</b>

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**14. TAXES PAYABLE (continued)**

	<b>2009</b>	<b>2010</b>
Deferred tax liabilities		
Property and equipment	1,696,102	2,023,200
Investments in subsidiaries/associated company - net of amortization of goodwill and other intangible assets	194,791	224,379
Long-term prepaid licenses	2,130	11,375
Deferred debt and bonds issuance costs, consent solicitation fees and discount	1,753	8,119
Difference in transactions of equity changes in associated company	1,460	1,460
Others	1,985	657
<b>Total</b>	<b>1,898,221</b>	<b>2,269,190</b>
<b>Deferred tax liabilities - net</b>	<b>1,511,810</b>	<b>1,724,440</b>

The breakdown by entity of the deferred tax assets and liabilities outstanding as of September 30, 2009 and 2010 is as follows:

	<b>2009</b>		<b>2010</b>	
	<b>Deferred Tax Assets</b>	<b>Deferred Tax Liabilities</b>	<b>Deferred Tax Assets</b>	<b>Deferred Tax Liabilities</b>
Company	-	1,511,810	-	1,724,440
Subsidiaries				
Lintasarta	75,952	-	75,602	-
IMM	11,792	-	13,668	-
APE	162	-	-	3,404
SMT	-	825	-	1,638
ISPL	-	330	-	619
<b>Total</b>	<b>87,906</b>	<b>1,512,965</b>	<b>89,270</b>	<b>1,730,101</b>

The deferred tax assets of Lintasarta relate mainly to the deferred tax on the temporary difference in the recognition of depreciation of property and equipment.

The significant temporary differences on which deferred tax assets have been computed are not deductible for income tax purposes until the accrued employee benefits are paid, the doubtful accounts are written off, the allowance for decline in value of investments in associated company and other long-term investments is realized upon sale of the investments and the pension cost is paid.

The significant deferred tax liabilities relate to the differences in the book and tax bases of property and equipment, investments in subsidiaries/associated company, debt and bonds issuance costs, consent solicitation fees and discount, and long-term prepaid licenses.

On June 8, 2009, the Company received SKPKBs from the DGT for Satelindo's 2002 and 2003 income tax articles 21, 23 and 4(2), and VAT totalling Rp28,960 (including penalties and interest), which were charged to current operations in 2009 as part of "Other Income (Expenses) - Others - Net".

On June 8, 2009, the Company received SKPKB from the DGT for Satelindo's 2003 corporate income tax amounting to Rp30,870 (including interests), which was charged to current operations in 2009 as part of "Other Income (Expenses) - Others - Net".

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**14. TAXES PAYABLE (continued)**

On July 7, 2009, the Company paid all tax underpayments that resulted from the tax audit of Satelindo's corporate income tax, income tax articles 4(2), 21, 23 and 26, and VAT for fiscal years 2002 and 2003 totalling Rp257,492 (Note 6).

The tax losses carryover of SMT and the Company as of September 30, 2010 can be carried forward through 2015 based on the following schedule:

<u>Year of Expiration</u>	<u>Amount</u>
2011	14,190
2012	30,205
2013	26,660
2014	31,901
2015	464,092
<b>Total</b>	<b>567,048</b>

**15. ACCRUED EXPENSES**

This account consists of the following:

	<u>2009</u>	<u>2010</u>
Network repairs and maintenance	239,836	324,523
Dealer incentives	109,826	226,171
Interest	241,098	221,028
Marketing	188,954	193,066
Employee benefits (Note 26)	154,894	165,445
Utilities	108,154	155,642
Radio frequency fee	175,116	112,996
Link	4,659	72,002
Universal Service Obligation ("USO") (Note 32)	55,842	62,005
Consultancy fees	48,733	47,257
Rental	11,676	41,102
General and administration	26,276	25,948
Concession fee (Note 32)	25,170	16,725
Others (each below Rp20,000)	125,138	103,371
<b>Total</b>	<b>1,515,372</b>	<b>1,767,281</b>

**16. LOANS PAYABLE**

This account consists of the following:

	<u>2009</u>	<u>2010</u>
Related party (Note 27)		
Mandiri - net of unamortized debt issuance cost and consent solicitation fees of Rp8,205 in 2009 and Rp5,403 in 2010	2,591,795	2,194,597
Third parties - net of unamortized debt issuance cost and consent solicitation fees of Rp260,900 in 2009 and Rp206,599 in 2010; unamortized debt discount of Rp27,440 in 2009 and Rp20,990 in 2010	11,914,173	11,305,616
<b>Total loans payable</b>	<b>14,505,968</b>	<b>13,500,213</b>

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**16. LOANS PAYABLE (continued)**

	<b>2009</b>	<b>2010</b>
Less current maturities (net of unamortized debt issuance cost and consent solicitation fees amounting to Rp599 in 2010)		
Related party	400,000	400,000
Third parties	1,038,385	2,265,040
<b>Total current maturities</b>	<b>1,438,385</b>	<b>2,665,040</b>
Long term portion		
Related party	2,191,795	1,794,597
Third parties	10,875,788	9,040,576
<b>Total long-term portion</b>	<b>13,067,583</b>	<b>10,835,173</b>

The details of the loans from Mandiri are as follows:

- Credit Facility 1

On September 18, 2007, the Company obtained a five-year unsecured credit facility from Mandiri amounting to Rp2,000,000 for the purchase of telecommunications equipment. The loan bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year), and (ii) floating rates for the remaining years based on the prevailing annual rate of average 3-month Jakarta Interbank Offered Rate ("JIBOR") plus 1.5% per annum. The loan has an effective interest rate of 9.19% per annum. The interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10% of the total loan drawdowns in the 1<sup>st</sup> and 2<sup>nd</sup> years after the first drawdown, (b) 15% of the total loan drawdowns in the 3<sup>rd</sup> and 4<sup>th</sup> years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5<sup>th</sup> year after the signing date of the agreement.

On September 27 and December 27, 2007, the Company made the first and second loan drawdowns representing the full amount of the facility.

Voluntary early repayment (whole or any part of the loan) is permitted without penalty if the repayment is made after the 24<sup>th</sup> month from the date of the agreement subject to 7 days' prior written notice. Repayment prior to the 24<sup>th</sup> month after the agreement date is allowed with penalty of 2% of the prepaid amount.

On September 27, 2008 and September 25, 2009, the Company paid the first and second annual installments, respectively, amounting to Rp200,000 each.

On March 23, 2009, the five-year unsecured credit facility agreement with Mandiri was amended on the basis of the consent letter received on the same date, which represents the outstanding principal amount of Rp1,800,000. The amendment included the changes in the definition of certain terms and the financial ratios required to be maintained.

On September 27, 2010, the Company paid the third annual installment amounting to Rp300,000.

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**16. LOANS PAYABLE (continued)**

- Credit Facility 2

On July 28, 2009, the Company entered into a five-year unsecured credit facility agreement with Mandiri amounting to Rp1,000,000 for general corporate purposes. The loan bears interest at the annual rate of average 3-month JIBOR plus 4.00% per annum. The loan has an effective interest rate of 11.31% per annum. The interest is payable quarterly. The repayment of the loan will be made annually, as follows: (a) 10% of the loan in the 1<sup>st</sup> and 2<sup>nd</sup> years after the loan drawdown, (b) 15% of the loan in the 3<sup>rd</sup> and 4<sup>th</sup> years after the loan drawdown and (c) 50% of the loan in the 5<sup>th</sup> year after the signing date of the agreement.

On July 31, 2009, the Company drew down the full amount of the facility.

Voluntary early repayment (whole or any part of the loan) is permitted subject to 2% penalty of the prepaid amount (Note 36b).

Based on the loan agreement, the Company is required to comply with certain covenants, such as maintaining certain financial ratios.

On May 20, 2010, the Company received a letter from Mandiri regarding the change of interest rate from an average 3-month JIBOR plus 4.00% per annum to an average 3-month JIBOR plus 2.25% per annum, effective on May 31, 2010.

On July 30, 2010, the Company paid the first annual installment amounting to Rp100,000.

The loans from third parties consist of the following:

	<b>2009</b>	<b>2010</b>
Syndicated U.S. Dollar Loan Facility - net of unamortized debt issuance cost and consent solicitation fees of Rp48,752 in 2009 and Rp31,557 in 2010	4,307,698	3,984,243
BCA - net of unamortized debt issuance cost and consent solicitation fees of Rp7,775 in 2009 and Rp4,917 in 2010	3,092,225	2,595,083
AB Svensk Exportkredit, Sweden with Guarantee from Export Kredit Namnden - net of unamortized debt issuance cost of Rp34,259 in 2009 and Rp29,818 in 2010	1,309,343	2,019,515
HSBC France - net of unamortized debt issuance cost and consent solicitation fees of Rp163,602 in 2009 and Rp135,816 in 2010	1,769,311	1,481,641
Goldman Sachs International		
Principal, net of unamortized debt discount of Rp27,440 in 2009 and Rp20,990 in 2010	406,860	413,310
Foreign Exchange (FX) Conversion Option	136,197	61,426
DBS - net of unamortized debt issuance cost and consent solicitation fees of Rp1,303 in 2009 and Rp855 in 2010	448,697	399,145
9-Year Commercial Loan - net of unamortized debt issuance cost and consent solicitation fees of Rp3,976 in 2009 and Rp3,037 in 2010	257,769	214,114
Finnish Export Credit Ltd. - net of unamortized debt issuance cost and consent solicitation fees of Rp1,233 in 2009 and Rp599 in 2010	145,918	67,223

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**16. LOANS PAYABLE (continued)**

	<b>2009</b>	<b>2010</b>
Investment Credit Facility 6 from CIMB Niaga	10,222	59,983
Investment Credit Facility 5 from CIMB Niaga	29,933	9,933
<b>Total</b>	<b>11,914,173</b>	<b>11,305,616</b>
Less current maturities (net of unamortized debt issuance costs and consent solicitation fees totaling Rp599 in 2010)	1,038,385	2,265,040
<b>Long-term portion</b>	<b>10,875,788</b>	<b>9,040,576</b>

a. Syndicated U.S. Dollar Loan Facility - 13 Financial Institutions

On June 12, 2008, the Company entered into a five-year unsecured credit facility agreement with 13 financial institutions with ING Bank N.V. and DBS Bank Ltd. as arrangers and DBS as the facility agent, in the total amount of US\$450,000. The loan proceeds are used to finance the Company's (i) capital expenditure, (ii) purchase of a portion of its Guaranteed Notes Due 2010 and/or Guaranteed Notes 2012, and/or (iii) general working capital requirements. The loan bears interest at floating rates based on U.S. dollar London Interbank Offered Rate ("LIBOR") plus margin (1.9% per annum for onshore lenders and 1.85% per annum for offshore lenders), which is payable semi-annually. The loan has an effective interest rate of 5.78% per annum.

The repayment of the loan drawdowns will be made semi-annually, as follows: (a) 25% of the total loan drawdowns in 3<sup>rd</sup> year after the signing date of the agreement (first repayment date), (b) 24% of the total loan drawdowns in 6<sup>th</sup> month after the first repayment date, (c) 8% each of the total loan drawdowns in 12<sup>th</sup> and 18<sup>th</sup> months after the first repayment date, and (d) 35% of the total loan drawdowns in 24<sup>th</sup> month after the first repayment date.

Based on the loan agreement, the Company is required to comply with certain covenants, such as maintaining certain financial ratios.

Voluntary early repayment is permitted only after the 6<sup>th</sup> month from the date of loan agreement subject to 15 days' prior written notice. The Company may repay the whole or any part of the loan before the due dates (in the minimum amount of US\$10,000 and in an amount divisible by US\$1,000).

On September 26 and October 30, 2008, the Company received the first and second drawdowns representing the full amount of the facility totaling US\$450,000 (equivalent to Rp4,704,650).

On February 24, 2009, the Company amended the Syndicated U.S. Dollar Loan Facility based on the consent letter received on February 19, 2009 from DBS Bank Ltd., which covers the consent provided by a majority of the 13 financial institutions to which the aggregate principal amount of US\$405,000 or 90% of the outstanding loan is payable. The amendment included the changes in the definition of certain terms and the financial ratios required to be maintained.

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**16. LOANS PAYABLE (continued)**

b. BCA

• Credit Facility 1

On August 28, 2007, the Company obtained a five-year unsecured credit facility from BCA amounting to Rp1,600,000 for the repayment of Syndicated Loan Facility 2 and the purchase of telecommunications equipment. The loan bears interest at (i) fixed annual rates for the first two years (9.75% on the first year and 10.5% on the second year), and (ii) floating rates for the remaining years based on the prevailing annual rate of 3-month JIBOR plus 1.5% per annum. The loan has an effective interest rate of 9.21% per annum. On September 20, 2007, the Company obtained an increase in the credit facility by Rp400,000. As a result, the credit facility has become Rp2,000,000. The interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1<sup>st</sup> and 2<sup>nd</sup> years after the first drawdown, (b) 15% each of the total loan drawdowns in the 3<sup>rd</sup> and 4<sup>th</sup> years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5<sup>th</sup> year after the first drawdown.

On September 27, October 26 and December 27, 2007, the Company made the first, second and third loan drawdowns representing the full amount of the facility.

Voluntary early repayment (whole or any part of the loan) is permitted without penalty if the repayment is made after the 24<sup>th</sup> month from the date of the agreement subject to 7 days' prior written notice. Repayment prior to the 24<sup>th</sup> month after the agreement is allowed with penalty of 2% of the prepaid amount.

On September 27, 2008 and September 25, 2009, the Company paid the first and second annual installments, respectively, amounting to Rp200,000 each.

On September 27, 2010, Company paid the third annual installment amounting to Rp300,000.

• Credit Facility 2

On September 17, 2008, the Company entered into a three-year unsecured credit facility agreement with BCA amounting to Rp500,000 for the refinancing and/or purchase of telecommunications equipment. The loan bears interest at 3-month JIBOR plus 2.25% per annum. The loan has an effective interest rate of 11.69% per annum. The repayment of the loan drawdowns will be made annually, as follows: (a) 20% of the total loan drawdowns in the first year, (b) 30% of the total loan drawdowns in the second year, and (c) 50% of the total loan drawdowns in the third year.

On March 16, 2009, the Company made the drawdown of the full amount of the facility.

On March 16, 2010, the Company paid the first annual installment amounting to Rp100,000.

Voluntary early repayment (whole or any part of the loan) is permitted with penalty of 1% of the prepaid amount (Notes 36b and 36g).

On February 12, 2009, the Company amended its five-year and three-year credit facility agreements with BCA based on the consent letter received on February 6, 2009, which represents the outstanding principal amounts of Rp1,800,000 and Rp500,000, respectively. The amendment included the changes in the definition of certain terms and the financial ratios required to be maintained.

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**16. LOANS PAYABLE (continued)**

**b. BCA (continued)**

• **Credit Facility 3**

On June 8, 2009, the Company entered into a five-year unsecured credit facility agreement with BCA amounting to Rp1,000,000 for the refinancing and/or procurement of telecommunications equipment. The loan bears interest at 3-month JIBOR plus 4.00% per annum, which is subject to change by BCA depending on the market condition. The repayment of the loan drawdowns will be made annually, as follows: (a) 10% of the total loan drawdowns in the first and second years, (b) 15% of the total loan drawdowns in the third and fourth years, and (c) 50% of the total loan drawdowns in the fifth year. The loan has an effective interest rate of 11.65% per annum.

On June 25, 2009, the Company drew down the full amount of the facility.

On April 28, 2010, the Company received a letter from BCA regarding the change of interest rate from 3-month JIBOR plus 4.00% per annum to 3-month JIBOR plus 2.25% per annum, effective on June 25, 2010.

On June 25, 2010, the Company paid the first annual installment amounting to Rp100,000.

Voluntary early repayment (whole or any part of the loan) is permitted subject to 1% penalty of the prepaid amount, except for prepayment to refinance this credit facility (Notes 36b and 36g).

Based on the loan agreement, the Company is required to comply with certain covenants, such as maintaining certain financial ratios.

**c. AB Svensk Exportkredit ("SEK"), Sweden with Guarantee from Export Kredit Namnden ("EKN")**

On August 18, 2009, the Company obtained credit facilities guaranteed by EKN, Sweden with maximum amounts totalling US\$315,000 for the purchase of Ericsson telecommunications equipment, with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), Hong Kong and ABN Amro N.V. ("ABN-Amro"), Hong Kong Branch as the original lenders and arrangers, while HSBC Bank PLC, London, United Kingdom acted as the facility agent and EKN agent.

The agreement stipulates that the original lenders may assign any of their rights or transfer any of their rights and obligations as provided in the agreement to another bank or financial institution or SEK or EKN. On September 2, 2009, the original lenders transferred such rights and obligations to SEK.

The credit facilities consist of facilities A, B and C with maximum amounts of US\$100,000, US\$155,000 and US\$60,000, respectively. The loans from the facilities bear interest at certain rates per annum as determined in the agreement and the related interest is payable semi-annually until the respective maturity dates. Facilities A and B have effective interest rates of 3.23% and 4.21% per annum, respectively. The repayment of each of facilities A, B and C shall be made in 14 installments starting six months after May 31, 2009, February 28, 2010 and November 30, 2010, respectively.

Based on the loan agreement, the Company is required to comply with certain covenants, such as maintaining certain financial ratios.

Voluntary early repayment for each facility is permitted only if the repayment for facilities A, B and C is made at the same time and in proportionate amount for each of facilities A, B and C after the last day of the availability period and on a repayment date subject to 20 days' prior written notice. The Company may repay the whole or any part of the loan before the due dates (in the minimum amount of US\$5,000 and in an amount divisible by US\$500). Any repayment shall satisfy the obligations of loan repayment in inverse chronological order for the relevant facility.

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**16. LOANS PAYABLE (continued)**

c. AB Svensk Exportkredit ("SEK"), Sweden with Guarantee from Export Kredit Namnden ("EKN") (continued)

As of September 30, 2010, the Company has already drawn US\$100,000 and US\$155,000 from facilities A and B, respectively.

On November 30, 2009 and May 27, 2010, the Company paid the first and second semi-annual installments, respectively, for facility A amounting to US\$7,142.86 each.

On August 28, 2010, the Company paid the first semi-annual installment for facility B amounting to US\$11,071.43.

d. HSBC France

On November 27, 2007, the Company entered into an unsecured facility agreement with HSBC France relating to:

- 12-year COFACE Term Facility Agreement ("COFACE Facility")

This facility amounts to US\$157,243 to be used to finance the payment of 85% of the French Content under the Palapa D Satellite Contract plus 100% of the COFACE Premium. The loan bears interest at the fixed annual rate of 5.69% which is payable semi-annually. The loan has an effective interest rate of 7.86% per annum. The total loan outstanding after the availability period shall be repaid in twenty semi-annual installments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) September 29, 2009.

The Company has already drawn from this credit facility the amount of US\$157,186.69.

Voluntary early repayment is permitted only with a corresponding proportionate voluntary prepayment under SINOSURE Facility after the last day of the availability period and on a repayment date subject to 30 days' prior written notice. The Company may repay the whole or any part of the loan before the due date (in the minimum amount of US\$10,000 and in an amount divisible by US\$1,000). Any repayment shall satisfy the obligations of loan repayment in inverse chronological order.

On March 29 and September 29, 2010, the Company paid the first and second semi-annual installments amounting to US\$7,859.34 each.

- 12-year SINOSURE Term Facility Agreement ("SINOSURE Facility")

This facility amounts to US\$44,200 to be used to finance the payment of 85% of the Launch Service Contract. The loan bears interest at floating rates based on U.S. dollar LIBOR plus 0.35% per annum, which is payable semi-annually. The loan has an effective interest rate of 2.90% per annum. The total loan outstanding after the availability period shall be repaid in twenty semi-annual installments. The semi-annual repayment of the principal will start six months after the earlier of (a) date of successful completion of the Satellite In-Orbit Acceptance Review under the Palapa D Satellite Contract and (b) September 29, 2009.

The Company has already drawn the full amount of US\$44,200 from this credit facility.

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**16. LOANS PAYABLE (continued)**

d. HSBC France (continued)

• 12-year SINOSURE Term Facility Agreement (“SINOSURE Facility”) (continued)

Voluntary early repayment is permitted only with a corresponding proportionate voluntary prepayment under COFACE Facility after the last day of the availability period and on a repayment date subject to 30 days' prior written notice. The Company may repay the whole or any part of the loan before the due date (in the minimum amount of US\$10,000 and in an amount divisible by US\$1,000). Any repayment shall satisfy the obligations of loan repayment in inverse chronological order.

On March 29 and September 29, 2010, the Company paid the first and second semi-annual installments amounting to US\$2,210 each.

Based on the credit facility agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

On March 18, 2009, the Company amended the COFACE Facility and SINOSURE Facility agreements with HSBC France based on two consent letters received on March 11, 2009, which represent the outstanding principal amounts of US\$157,243 and US\$44,200, respectively. The amendment included the changes in the definition of certain terms and the financial ratios required to be maintained.

e. Goldman Sachs International (“GSI”)

On May 30, 2007, the Company received from GSI a loan amounting to Rp434,300 which was received in U.S. dollar amounting to US\$50,000 for financing the purchase of telecommunications equipment. The loan will mature on May 30, 2013. The loan bears interest at the fixed annual rate of 8.75% applied on the Rp434,300, which is payable quarterly every February 28, May 30, August 30 and November 30 commencing on August 30, 2007 up to May 30, 2012. The loan has an effective interest rate of 10.86% per annum.

The loan agreement provides an option for GSI to convert the loan payable into a U.S. dollar loan of US\$50,000 on May 30, 2012 (“FX Conversion Option”). The fair value of the FX Conversion Option as of September 30, 2009 and 2010 amounted to US\$14,068.44 (equivalent to Rp136,197) and US\$6,883.27 (equivalent to Rp61,426), respectively. If GSI takes such option, starting May 30, 2012, the loan will bear interest at the fixed annual rate of 6.45% applied on the US\$50,000 principal and both U.S. dollar principal and interest thereon will be due on May 30, 2013.

Based on the loan agreement, the Company is required to notify GSI regarding the following events which can result in loan termination, such as (i) certain changes affecting withholding taxes in the United Kingdom or Indonesia, (ii) default under Guaranteed Notes due 2012 (Note 17), (iii) default under the Company's USD Notes and IDR Bonds (Note 17), (iv) redemption, purchase or cancellation of the Guaranteed Notes Due 2012 (Note 17) and there are no USD Indosat Notes outstanding upon such redemption, purchase or cancellation, and (v) change of control in the Company.

On June 24, 2008, the Company received a waiver letter from GSI affirming that it will not terminate the loan due to the change of control in the Company (Note 20).

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**16. LOANS PAYABLE (continued)**

f. DBS

On November 1, 2007, the Company obtained a five-year unsecured credit facility from DBS with a maximum amount of Rp500,000 for capital expenditure and general corporate purposes. The loan bears interest at (i) fixed annual rates for the first two years (9.7% in the first year and 10.4% in the second year), and (ii) floating rates for the remaining years based on prevailing annual interest rate of 3-month Certificates of Bank Indonesia plus 1.5% per annum. The loan has an effective interest rate of 10.54% per annum. The interest is payable quarterly. The repayment of the loan drawdowns will be made annually, as follows: (a) 10% each of the total loan drawdowns in the 1<sup>st</sup> and 2<sup>nd</sup> years after the first drawdown, (b) 15% each of the total loan drawdowns in the 3<sup>rd</sup> and 4<sup>th</sup> years after the first drawdown, and (c) 50% of the total loan drawdowns in the 5<sup>th</sup> year after the signing date of the agreement.

On January 31, 2008, the Company drew down the full amount of the facility.

Based on the credit facility agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

Voluntary early repayment is permitted on each interest payment date without penalty if the repayment is made after the 24th month from the date of the first drawdown subject to 15 days' prior written notice. Repayment prior to the 24th month after the agreement date is allowed with penalty of 1% of the prepaid amount (Note 36b).

On January 30, 2009 and February 1, 2010, the Company paid the first and second annual installments, respectively, amounting to Rp50,000 each.

On March 25, 2009, the Company amended the credit facility agreement based on the consent letter received on February 27, 2009, which represents the outstanding principal amount of Rp500,000. The amendment included the changes in the definition of certain terms and the financial ratios required to be maintained.

g. 9-Year Commercial Facility with HSBC Jakarta Branch, CIMB Niaga (formerly PT Bank Lippo Tbk) and Bank of China Limited, Jakarta Branch

On November 27, 2007, the Company entered into an unsecured facility agreement with HSBC Jakarta Branch as the arranger and HSBC Limited, Hong Kong as the facility agent, relating to a 9-year Commercial Facility Agreement amounting to US\$27,037 from HSBC Jakarta Branch to finance the construction and launch of the satellite and the payment of the SINOSURE Premium in connection with the SINOSURE Facility (Note 16d). The loan bears interest at floating rates based on U.S. dollar LIBOR plus 1.45% per annum, which is payable semi-annually. The loan has an effective interest rate of 2.36% per annum.

The repayment of the loan shall be made in fifteen semi-annual installments starting 24 months from the date of the loan agreement. For the 1<sup>st</sup> five installments, the Company will repay US\$1,351.85 each and US\$2,027.78 for the remaining installments thereafter.

The agreement also stipulates that HSBC Jakarta Branch may assign any of its rights or transfer any of its rights and obligations as provided in the agreement to another bank or financial institution. On March 10, 2008, HSBC Jakarta Branch transferred such rights and obligations to CIMB Niaga and Bank of China Limited, Jakarta Branch.

On April 1, 2008, the Company received the full drawdown from the 9-year Commercial Facility. The drawdown consisted of US\$13,537 (equivalent to Rp124,527) from HSBC Jakarta Branch, US\$10,000 (equivalent to Rp91,990) from CIMB Niaga and US\$3,500 (equivalent to Rp32,197) from Bank of China Limited, Jakarta Branch.

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**16. LOANS PAYABLE (continued)**

- g. 9-Year Commercial Facility with HSBC Jakarta Branch, CIMB Niaga (formerly PT Bank Lippo Tbk) and Bank of China Limited, Jakarta Branch (continued)

Based on the facility agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

Voluntary early repayment is permitted only on each repayment date after the first repayment date subject to 30 days' prior written notice. The Company may repay the whole or any part of the loan before the due date (in the minimum amount of US\$5,000 and in an amount divisible by US\$1,000). Any repayment shall satisfy the obligations of loan repayment proportionately.

On March 18, 2009, the Company amended its 9-Year Commercial Facility based on the consent letter received on March 5, 2009 from HSBC Limited, Hong Kong which represents the aggregate principal amount of US\$17,057 or 63% of the outstanding loan. The amendment included the changes in the definition of certain terms and the financial ratios required to be maintained.

On November 27, 2009 and May 27, 2010, the Company paid the first and second semi-annual installments, respectively, amounting to US\$1,351.85 each.

- h. Finnish Export Credit Ltd. ("FEC")

On May 12, 2006, the Company obtained a credit facility from FEC amounting to US\$38,000, with ABN-AMRO Bank N.V., Jakarta Branch as the arranger and ABN-AMRO Bank N.V., Stockholm Branch as the facility agent, to be used for the purchase of telecommunications equipment. The loan bears interest at the fixed annual rate of 4.15%. The loan has an effective interest rate of 3.56% per annum. The loan, together with the related interest, is payable semi-annually until May 12, 2011.

Voluntary early repayment is permitted only after 60 days from the date of the loan agreement subject to 15 days' prior written notice. The Company may repay the whole or any part of the loan before the due dates (in the minimum amount of US\$10,000 and in an amount divisible by US\$1,000).

Based on the loan agreement, the Company is required to comply with certain covenants, such as maintaining certain financial ratios.

On March 20, 2009, the Company amended its credit facility agreement with FEC based on the consent letter received on February 27, 2009 from ABN-AMRO N.V., Stockholm Branch, which represents the outstanding principal amount of US\$19,000. The amendment included the changes in the definition of certain terms and the financial ratios required to be maintained.

- i. Investment Credit Facility 6 from CIMB Niaga

On February 24, 2009, Lintasarta obtained a loan from a credit facility from CIMB Niaga for the purchase of telecommunications equipment, computers and other supporting facilities amounting to Rp75,000. The loan bears interest at the annual rate of 14.5%, which is subject to change by CIMB Niaga depending on the market condition. The quarterly repayment of the principal amount at Rp7,500 each started on May 24, 2010 and will continue up to August 24, 2012. Lintasarta has already drawn the full amount of this facility.

Voluntary early repayment is permitted only on interest payment date subject to 15 days' prior written notice. Lintasarta may repay the whole or any part of the loan before the due date only by using the fund from Lintasarta's operational activities. Repayment using the fund from loans obtained from other parties is allowed with penalty determined by CIMB Niaga.

The loan is collateralized by all equipment (Note 9) purchased from the proceeds of the credit facility. The loan also has the same restrictive covenants as the Investment Credit Facility 5.

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**16. LOANS PAYABLE (continued)**

j. Investment Credit Facility 5 from CIMB Niaga

On July 10, 2007, Lintasarta obtained a credit facility from CIMB Niaga amounting to Rp50,000 for the purchase of telecommunications equipment, computers and other supporting facilities. The loan bears interest at the prevailing rate of 1-month Certificate of Bank Indonesia plus 2.25% per annum. The quarterly repayment of the principal amount at Rp5,000 each started on October 10, 2008 and will continue up to January 10, 2011. Lintasarta has already drawn the full amount of this credit facility.

Voluntary early repayment is permitted only on interest payment date subject to 3 days' prior written notice. Lintasarta may repay the whole or any part of the loan before the due date only by using the fund from Lintasarta's operational activities. Repayment using the fund from loans obtained from other parties is allowed with penalty of 1% of the early repaid amount.

The loan is collateralized by all equipment (Note 9) purchased from the proceeds of the credit facility. The loan also has the same restrictive covenants as the Investment Credit Facility 6 from CIMB Niaga.

The scheduled principal payments from 2011 to 2015 and thereafter of all the loans payable as of September 30, 2010 are as follows:

	Twelve months ending September 30,					
	2011	2012	2013	2014	2015 and thereafter	Total
<b><u>In rupiah</u></b>						
BCA	550,000	1,400,000	150,000	500,000	-	2,600,000
Mandiri	400,000	1,150,000	150,000	500,000	-	2,200,000
DBS	75,000	75,000	250,000	-	-	400,000
GSI	-	-	434,300	-	-	434,300
CIMB Niaga	39,933	29,983	-	-	-	69,916
<b>Sub-total</b>	<b>1,064,933</b>	<b>2,654,983</b>	<b>984,300</b>	<b>1,000,000</b>	<b>-</b>	<b>5,704,216</b>
<b><u>In U.S. dollar</u></b>						
Syndicated U.S. Dollar Loan facility (US\$450,000)	1,003,950	1,285,056	1,726,794	-	-	4,015,800
SEK, Sweden (US\$229,642.86)	325,089	325,089	325,089	325,089	748,977	2,049,333
HSBC France (US\$181,248.02)	179,718	179,718	179,718	179,718	898,585	1,617,457
9-Year Commercial Facility (US\$24,333.30)	24,128	30,160	36,192	36,192	90,479	217,151
FEC (US\$7,600)	67,822	-	-	-	-	67,822
GSI (US\$6,883.27)	-	-	61,426	-	-	61,426
<b>Sub-total</b>	<b>1,600,707</b>	<b>1,820,023</b>	<b>2,329,219</b>	<b>540,999</b>	<b>1,738,041</b>	<b>8,028,989</b>
<b>Total</b>	<b>2,665,640</b>	<b>4,475,006</b>	<b>3,313,519</b>	<b>1,540,999</b>	<b>1,738,041</b>	
Less:						
- unamortized debt issuance costs and consent solicitation fees						(212,002)
- unamortized debt discount						(20,990)
<b>Net</b>						<b>13,500,213</b>

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**16. LOANS PAYABLE (continued)**

The amortization of debt issuance, discount and consent solicitation fees on the loans for the nine months ended September 30, 2009 and 2010 amounted to Rp21,819 and Rp51,299, respectively (Note 25).

As of September 30, 2009 and 2010, the Companies have complied with all financial ratios required to be maintained under the loan agreements.

**17. BONDS PAYABLE**

This account consists of the following:

	<b>2009</b>	<b>2010</b>
Guaranteed Notes Due 2020 - net of unamortized notes discount of Rp30,189 and unamortized notes issuance cost of Rp62,344	-	5,708,067
Fifth Indosat Bonds in Year 2007 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp13,204 in 2009 and Rp11,496 in 2010	2,586,796	2,588,504
Seventh Indosat Bonds in Year 2009 with Fixed Rates - net of unamortized bonds issuance cost of Rp5,576	-	1,294,424
Sixth Indosat Bonds in Year 2008 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp7,434 in 2009 and Rp5,839 in 2010	1,072,566	1,074,161
Fourth Indosat Bonds in Year 2005 with Fixed Rate - net of unamortized bonds issuance cost and consent solicitation fees of Rp4,669 in 2009 and Rp2,079 in 2010	810,331	812,921
Third Indosat Bonds in Year 2003 with Fixed Rates - net of unamortized bonds issuance cost and consent solicitation fees of Rp2,679 in 2009 and Rp163 in 2010	637,321	639,837
Indosat Sukuk Ijarah III in Year 2008 - net of unamortized bonds issuance cost and consent solicitation fees of Rp3,830 in 2009 and Rp2,878 in 2010	566,170	567,122
Indosat Sukuk Ijarah II in Year 2007 - net of unamortized bonds issuance cost and consent solicitation fees of Rp1,955 in 2009 and Rp1,609 in 2010	398,045	398,391
Indosat Syari'ah Ijarah Bonds in Year 2005 - net of unamortized bonds issuance cost and consent solicitation fees of Rp1,648 in 2009 and Rp733 in 2010	283,352	284,267
Second Indosat Bonds in Year 2002 with Fixed and Floating Rates - net of unamortized consent solicitation fees of Rp656 in 2009 and Rp653 in 2010	199,344	199,347
Indosat Sukuk Ijarah IV in Year 2009 - net of unamortized bonds issuance cost of Rp901	-	199,099
Limited Bonds II issued by Lintasarta*	25,000	25,000
Limited Bonds I issued by Lintasarta**	16,989	16,989
Guaranteed Notes Due 2010 - net of unamortized notes issuance cost of Rp4,678	2,267,908	-
Guaranteed Notes Due 2012 - net of unamortized notes discount of Rp3,375 and unamortized notes issuance cost of Rp7,064	1,048,759	-
<b>Total bonds payable</b>	<b>9,912,581</b>	<b>13,808,129</b>

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**17. BONDS PAYABLE (continued)**

	<b>2009</b>	<b>2010</b>
Less current maturities (net of unamortized bonds issuance cost and consent solicitation fees totalling Rp2,975)	-	1,737,025
<b>Long-term portion</b>	<b>9,912,581</b>	<b>12,071,104</b>

\* after elimination of Limited Bonds II amounting to Rp35,000 issued to the Company.

\*\* after elimination of Limited Bonds I amounting to Rp9,564 issued to the Company.

Guaranteed Notes Due 2020

On July 29, 2010 the Company, through IPBV, issued Guaranteed Notes (“GN”) 2020 with fixed rate and with a total face value of US\$650,000. The notes were issued at 99.478% of their principal amount. The notes bear interest at the fixed rate of 7.375% per annum payable in semi-annual installment due on January 29 and July 29 of each year, commencing January 29, 2011. The notes have an effective interest rate of 7.61% per annum. The notes will mature on July 29, 2020.

The notes will be redeemable at the option of IPBV, in whole or in part, at any time on or after July 29, 2015 at prices equal to 103.6875%, 102.4583%, 101.2292% and 100% of the principal amount during the 12-month period commencing July 29, 2015, 2016, 2017 and 2018 and thereafter, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to July 29, 2013, IPBV may redeem up to a maximum of 35 % of the original aggregate principal amount, with the proceeds of one or more public equity offerings of the Company at a price equal to 107.375% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at option of IPBV or the Company, in whole but not in part, at any time, at a price equal to 100% of principal amount thereof, plus any accrued and unpaid interest to (but not including) the redemption date and any additional amounts, in the event of certain changes effecting withholding taxes in Indonesia and the Netherlands. Upon a change in control of the Company (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of the Company’s assets), the holder of the notes has the right to require IPBV to repurchase all or any part of such holder’s notes at a purchase price equal to 101% of principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fees and offering expenses, were received on July 29, 2010 and used (i) to fund the offers to purchase the outstanding Guaranteed Notes Due 2010 and Guaranteed Notes Due 2012 and any consent solicitation relating to, or redemption of, such notes and (ii) to refinance part of the Company’s other existing indebtedness.

The notes are unconditionally and irrevocably guaranteed by the Company.

Based in the notes indenture, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

Based on the latest rating reports (released in July and August 2010), the notes have BB (stable outlook), B1 (negative outlook) and BBB- (stable outlook) ratings from Standard & Poor’s (“S&P”), Moody’s Investors Service (“Moody’s”) and Fitch ratings (“Fitch”), respectively.

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**17. BONDS PAYABLE (continued)**

Fifth Indosat Bonds in Year 2007 with Fixed Rates

On May 29, 2007, the Company issued its Fifth Indosat Bonds in Year 2007 with Fixed Rates ("Fifth Indosat Bonds"), with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp2,600,000. The bonds consist of two series:

- Series A bonds amounting to Rp1,230,000 which bear interest at the fixed rate of 10.20% per annum starting May 29, 2007. The bonds have an effective interest rate of 10.33% per annum. These bonds will mature on May 29, 2014.
- Series B bonds amounting to Rp1,370,000 which bear interest at the fixed rate of 10.65% per annum starting May 29, 2007. The bonds have an effective interest rate of 10.75% per annum. These bonds will mature on May 29, 2017.

The bonds will mature before the maturity dates if, after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

PT Kustodian Sentral Efek Indonesia ("KSEI"), acting as payment agent, shall pay interest on the bonds, as follows:

Series A : on August 29, 2007 and every quarter thereafter up to May 29, 2014.  
Series B : on August 29, 2007 and every quarter thereafter up to May 29, 2017.

The Company received the proceeds of the bonds on May 31, 2007. The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure to expand the Company's cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company's other liabilities including the bonds.

Based on the minutes of the General Meeting of Bondholders ("RUPO") dated March 24, 2009, the bondholders of the Fifth Indosat Bonds agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the bonds have *id*AA+ (negative outlook) rating from PT Pemeringkat Efek Indonesia ("Pefindo") (Note 36a).

Seventh Indosat Bonds in Year 2009 with Fixed Rates

On December 8, 2009, the Company issued its Seventh Indosat Bonds in Year 2009 with Fixed Rates ("Seventh Indosat Bonds"), with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp1,300,000. The bonds consist of two series:

- Series A bonds amounting to Rp700,000 which bear interest at the fixed rate of 11.25% per annum starting December 8, 2009. The bonds have an effective interest rate of 11.38% per annum. These bonds will mature on December 8, 2014.
- Series B bonds amounting to Rp600,000 which bear interest at the fixed rate of 11.75% per annum starting December 8, 2009. The bonds have an effective interest rate of 11.85% per annum. These bonds will mature on December 8, 2016.

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**17. BONDS PAYABLE (continued)**

Seventh Indosat Bonds in Year 2009 with Fixed Rates (continued)

The bonds will mature before the maturity dates if, after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

KSEI, acting as payment agent, shall pay interest on the bonds, as follows:

Series A : on March 8, 2010 and every quarter thereafter up to December 8, 2014.

Series B : on March 8, 2010 and every quarter thereafter up to December 8, 2016.

The Company received the proceeds of the bonds on December 8, 2009. The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of *Base Station Subsystem* to expand the Company's cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company's other liabilities including the bonds.

Based on the latest rating report (released in November 2009), the bonds have *id*AA+ (negative outlook) rating from Pefindo (Note 36a).

Sixth Indosat Bonds in Year 2008 with Fixed Rates

On April 9, 2008, the Company issued its Sixth Indosat Bonds in Year 2008 with Fixed Rates ("Sixth Indosat Bonds"), with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp1,080,000. The bonds consist of two series:

- Series A bonds amounting to Rp760,000 which bear interest at the fixed rate of 10.25% per annum starting April 9, 2008. The bonds have an effective interest rate of 10.5% per annum. These bonds will mature on April 9, 2013.
- Series B bonds amounting to Rp320,000 which bear interest at the fixed rate of 10.80% per annum starting April 9, 2008. The bonds have an effective interest rate of 11.0% per annum. These bonds will mature on April 9, 2015.

The bonds will mature before the maturity dates if, after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement.

KSEI, acting as payment agent, shall pay interest on the bonds, as follows:

Series A : on July 9, 2008 and every quarter thereafter up to April 9, 2013.

Series B : on July 9, 2008 and every quarter thereafter up to April 9, 2015.

The Company received the proceeds of the bonds on April 9, 2008. The net proceeds, after deducting the underwriting fee and offering expenses, were used for capital expenditure to expand the Company's cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

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**17. BONDS PAYABLE (continued)**

Sixth Indosat Bonds in Year 2008 with Fixed Rates (continued)

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company's other liabilities including the bonds.

Based on the minutes of the RUPO dated March 24, 2009, the holders of the Sixth Indosat Bonds agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the bonds have *id*AA+ (negative outlook) rating from Pefindo (Note 36a).

Fourth Indosat Bonds in Year 2005 with Fixed Rate

On June 21, 2005, the Company issued its Fourth Indosat Bonds in Year 2005 with Fixed Rate ("Fourth Indosat Bonds"), with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp815,000 in Rp50 denomination. The bonds bear interest at the fixed rate of 12% per annum, payable on a quarterly basis. The bonds have an effective interest rate of 12.38% per annum. The bonds will mature on June 21, 2011.

The bonds will mature before maturity date if after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement. The Company did not exercise its early settlement option to make early payment for all the bonds on the 4<sup>th</sup> anniversary of the bonds at 100% of the bonds' nominal value.

The proceeds of the bonds were used for capital expenditure to expand the Company's cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company's other liabilities including the bonds.

Based on the minutes of the RUPO dated March 24, 2009, the holders of the Fourth Indosat Bonds agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the bonds have *id*AA+ (negative outlook) rating from Pefindo (see Note 36a).

Third Indosat Bonds in Year 2003 with Fixed Rates

On October 22, 2003, the Company issued its Third Indosat Bonds in the Year 2003 with Fixed Rates ("Third Indosat Bonds"), with BRI as the trustee as covered under a Trustee Agreement. The bonds were issued in two series. The Series A matured on October 21, 2008.

The Series B bonds which amount to Rp640,000 bear interest at the fixed rate of 12.875% per annum for 7 years starting October 22, 2003 (Note 36h). The bonds have an effective interest rate of 13.31% per annum.

The bonds will mature before maturity date if after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement. The Company did not exercise its early settlement option to make early payment for all the bonds on the 6<sup>th</sup> anniversary of the bonds at 100% of the bonds' nominal value.

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**17. BONDS PAYABLE (continued)**

Third Indosat Bonds in Year 2003 with Fixed Rates (continued)

KSEI, acting as payment agent, pays interest on the Series B bonds, on January 22, 2004 and every quarter thereafter up to October 22, 2010.

The proceeds of the bonds were used as capital injection to Satelindo which, in turn, used the proceeds to repay its debts and Guaranteed Floating Rate Bonds.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company's other liabilities including the bonds.

Based on the minutes of the RUPO dated March 24, 2009, the holders of the Third Indosat Bonds agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the series B bonds have *id*AA+ (negative outlook) rating from Pefindo (Note 36a).

Indosat Sukuk Ijarah III in Year 2008 ("Sukuk Ijarah III")

On April 9, 2008, the Company issued its Sukuk Ijarah III, with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp570,000. The bonds will mature on April 9, 2013.

The bonds will mature before maturity date if, after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price.

Bondholders are entitled to annual fixed Ijarah return ("Cicilan Imbalan Ijarah") totalling Rp58,425, payable on July 9, 2008 and every quarter thereafter up to April 9, 2013. The bonds have an effective Ijarah return rate of 10.49% per annum.

The Company received the proceeds of the bonds on April 9, 2008. The proceeds of the bonds were used for capital expenditure to expand the Company's cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company's other liabilities including the bonds.

Based on the minutes of the RUPO dated March 24, 2009, the holders of Indosat Sukuk Ijarah III agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the bonds have *id*AA<sub>(sy)</sub>+ (negative outlook) rating from Pefindo (Note 36a).

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**17. BONDS PAYABLE (continued)**

Indosat Sukuk Ijarah II in Year 2007 (“Sukuk Ijarah II”)

On May 29, 2007, the Company issued its Sukuk Ijarah II, with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp400,000. The bonds will mature on May 29, 2014.

The bonds will mature before maturity date if, after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price.

Bondholders are entitled to annual fixed Ijarah return (“Cicilan Imbalan Ijarah”) totalling Rp40,800, payable on August 29, 2007 and every quarter thereafter up to May 29, 2014. The bonds have an effective Ijarah return rate of 10.34% per annum.

The Company received the proceeds of the bonds on May 31, 2007. The proceeds of the bonds were used for capital expenditure to expand the Company’s cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company’s assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company’s other liabilities including the bonds.

Based on the minutes of the RUPO dated March 24, 2009, the holders of Indosat Sukuk Ijarah II agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the bonds have *idAA<sub>(sy)</sub>+ (negative outlook)* rating from Pefindo (Note 36a).

Indosat Syari’ah Ijarah Bonds in Year 2005 (“Syari’ah Ijarah Bonds”)

On June 21, 2005, the Company issued its Syari’ah Ijarah Bonds, with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp285,000 in Rp50 denomination. The bonds will mature on June 21, 2011.

Bondholders are entitled to annual fixed Ijarah return (“Cicilan Imbalan Ijarah”) totalling Rp34,200, payable on June 21, 2005 and every quarter thereafter up to September 21, 2011. The bonds have an effective Ijarah return rate of 12.39% per annum.

The bonds will mature before maturity date if after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price temporarily or as an early settlement. The Company did not exercise its early settlement option to make early payment for all the bonds on the 4<sup>th</sup> anniversary of the bonds at 100% of the bonds’ nominal value.

The proceeds of the bonds were used for capital expenditure to expand the Company’s cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company’s assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company’s other liabilities including the bonds.

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**17. BONDS PAYABLE (continued)**

Indosat Syari'ah Ijarah Bonds in Year 2005 ("Syari'ah Ijarah Bonds") (continued)

Based on the minutes of the RUPO dated March 24, 2009, the holders of Indosat Syariah Ijarah Bonds agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the bonds have *idAA<sub>(sy)</sub>*+ (negative outlook) rating from Pefindo (Note 36a).

Second Indosat Bonds in Year 2002 with Fixed and Floating Rates

On November 6, 2002, the Company issued its Second Indosat Bonds in Year 2002 with Fixed and Floating Rates ("Second Indosat Bonds"), with BRI as the trustee as covered under a Trustee Agreement. The bonds were issued in three series. The Series A and Series C bonds matured on November 6, 2007.

The Series B bonds which amount to Rp200,000 bear interest at the fixed rate of 16% per annum for 30 years starting February 6, 2003. The bonds have an effective interest rate of 16.05% per annum. The bonds will mature before maturity date if the Company or the bondholder exercises the following options:

- *Buy Option* : the Company has the right to make early payment for all the Series B bonds on the 5<sup>th</sup>, 10<sup>th</sup>, 15<sup>th</sup>, 20<sup>th</sup> and 25<sup>th</sup> anniversaries of the bonds at 101% of the bonds' nominal value.
- *Sell Option* : the bondholder has the right to ask for early settlement from the Company at 100% of the bonds' nominal value: 1) at any time, if the rating of the bonds decreases to *idAA-* or lower (Special Sell Option) or 2) on the 15<sup>th</sup>, 20<sup>th</sup> and 25<sup>th</sup> anniversaries of the bonds (Regular Sell Option).

KSEI, acting as payment agent, pays interest on the Series B bonds on February 6, 2003 and every quarter thereafter up to November 6, 2032.

The proceeds of the bonds were used to repay working capital loan from Mandiri and time loan facility from BCA.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company's assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company's other liabilities including the bonds.

Based on the minutes of the RUPO dated March 24, 2009, the holders of the Second Indosat Bonds agreed to amend the Trustee Agreement related to the changes in the definition of certain terms and the financial ratios required to be maintained.

Based on the latest rating report (released in November 2009), the bonds have *idAA*+ (negative outlook) rating from Pefindo (Note 36a).

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**17. BONDS PAYABLE (continued)**

Indosat Sukuk Ijarah IV in Year 2009 (“Sukuk Ijarah IV”)

On December 8, 2009, the Company issued its Sukuk Ijarah IV, with BRI as the trustee as covered under a Trustee Agreement. The bonds have a total face value of Rp200,000. The bonds consist of two series:

- Series A bonds amounting to Rp28,000 with annual fixed Ijarah return (“Cicilan Imbalan Ijarah”) totalling Rp3,150, payable on March 8, 2010 and every quarter thereafter up to December 8, 2014. The bonds have an effective Ijarah return rate of 11.38% per annum.
- Series B bonds amounting to Rp172,000 with annual fixed Ijarah return (“Cicilan Imbalan Ijarah”) totalling Rp20,210, payable on March 8, 2010 and every quarter thereafter up to December 8, 2016. The bonds have an effective Ijarah return rate of 11.86% per annum.

The bonds will mature before maturity date if, after the 1<sup>st</sup> anniversary of the bonds, the Company exercises its option to buy back part or all of the bonds at market price.

The Company received the proceeds of the bonds on December 8, 2009. The net proceeds, after deducting the underwriting fee and offering expenses, were used for the purchase of *Base Station Subsystem* to expand the Company’s cellular network.

Based on the Trustee Agreement, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The bonds are neither collateralized by any specific Company assets nor guaranteed by other parties. All of the Company’s assets, except for the assets that have been specifically used as security to its other creditors, are used as *pari-passu* security to all of the Company’s other liabilities including the bonds.

Based on the latest rating report (released in November 2009), the bonds have *idAA<sub>(sy)</sub>+ (negative outlook)* rating from Pefindo (Note 36a).

Limited Bonds II issued by Lintasarta

On June 14, 2006, Lintasarta entered into an agreement with its stockholders for the former to issue Limited Bonds II amounting to Rp66,150. The limited bonds represent unsecured bonds which were originally set to mature on June 14, 2009 and bore interest at the floating rates determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rates was 19% and the minimum limit was 11% per annum. The interest is payable on a quarterly basis starting September 14, 2006. The proceeds of the limited bonds were used for capital expenditure to expand Lintasarta’s telecommunications peripherals.

On July 17, 2006, Lintasarta obtained approval from CIMB Niaga on the issuance of the limited bonds (Note 16).

On June 14, 2009, Lintasarta paid a portion of the limited bonds amounting to Rp6,150. Based on the Minutes of the Joint Meeting of Lintasarta’s Boards of Commissioners and Directors held on May 20, 2009, the representatives of Lintasarta’s stockholders agreed to extend the maturity date of the remaining Limited Bonds II of Rp60,000 to June 14, 2012 and to increase the minimum limit of the floating interest rates to 12.75%. On August 25, 2009, the Limited Bonds II agreement, after being amended to accommodate the changes in maturity date and minimum limit of floating interest rates, was finalized.

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**17. BONDS PAYABLE (continued)**

Limited Bonds I issued by Lintasarta

In June 2003, Lintasarta entered into an agreement with its stockholders for the former to issue Limited Bonds I amounting to Rp40,000. The limited bonds represent unsecured bonds which were originally set to mature on June 2, 2006 and bore interest at the fixed rate of 16% per annum for the first year and floating rates for the succeeding years.

On June 2, 2006, Lintasarta paid a certain portion of the limited bonds amounting to Rp5,144 and subsequently extended the maturity date of the remaining balance of Rp34,856 until June 2, 2009. The extension of maturity date was based on the first amendment dated June 14, 2006 of the Limited Bonds I agreement. The floating interest rates of the bonds were determined using the average 3-month rupiah time deposit rates with Mandiri, BNI, BRI and BTN, plus a fixed premium of 3%. The maximum limit of the floating rates was 19% and the minimum limit was 11% per annum.

On July 17, 2006, Lintasarta obtained approval from CIMB Niaga on the changes in maturity date and nominal value of the limited bonds.

On June 2, 2009, Lintasarta paid a portion of the limited bonds amounting to Rp8,303. Based on the Minutes of the Joint Meeting of Lintasarta's Boards of Commissioners and Directors held on May 20, 2009, the representatives of Lintasarta's stockholders agreed to extend the maturity date of the remaining Limited Bonds I of Rp26,553 to June 2, 2012 and to increase the minimum limit of the floating interest rates to 12.75%. On August 25, 2009, the Limited Bonds I agreement, after being amended to accommodate the changes in maturity date and minimum limit of floating interest rates, was finalized.

Guaranteed Notes Due 2010

In October 2003, the Company, through IFB, issued Guaranteed Notes Due 2010 with fixed rate and with a total face value of US\$300,000. The notes bear interest at the fixed rate of 7.75% per annum payable in semi-annual installments on May 5 and November 5 of each year, commencing on May 5, 2004. The notes have an effective interest rate of 7.93% per annum. The notes will mature on November 5, 2010.

The notes are redeemable at the option of IFB, in whole or in part, at any time on or after November 5, 2008. The notes are redeemable at prices equal to 103.8750%, 101.9375% and 100.0000% of the principal amount during the 12-month period commencing on November 5 2008, 2009 and 2010, respectively. The notes are also redeemable at the option of IFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands that would require IFB or the Company to pay an additional amount in respect of any note in excess of certain amounts. Upon a change in control of the Company (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of the Company's assets), the holder of the notes has the right to require IFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fee and offering expenses, were received on November 5, 2003 and used primarily to repay a portion of Indosat's (including Satelindo's and IM3's) outstanding indebtedness amounting to Rp1,500,000 and US\$447,500.

Based on the notes indenture, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The notes are unconditionally and irrevocably guaranteed by the Company.

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**17. BONDS PAYABLE (continued)**

Guaranteed Notes Due 2010 (continued)

On January 11, 2006, IFB released a solicitation relating to the outstanding notes. The primary purpose of the solicitation was to modify certain covenants under the indenture of the notes to conform with the terms in the indenture of Guaranteed Notes Due 2012. The amendment to the indenture included, among others, the change in the limit of the permitted debt that could be incurred by IFB and Lintasarta, and IFB's ability to incur new debt.

On January 24, 2006, IFB received consents from holders of the notes representing an aggregate principal amount of US\$239,526 or 79.842% of the outstanding notes.

On July 22, 2008, IFB announced the Change of Control Offer to all holders of the notes (Note 20). This offer was to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on September 17, 2008. The bondholders exercised their rights that required IFB to repurchase all or any part of such holders' notes.

On September 19, 2008, IFB paid a total of US\$67,805 (equivalent to Rp642,109) for the purchased portion of the notes with a total principal amount of US\$65,253 (equivalent to Rp617,946) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On May 12, 2010, the Company, together with IFB and IIFB, announced the commencement by IFB and IIFB of cash tender offers to purchase for cash any or all of IFB's outstanding Guaranteed Notes Due 2010 (the "2010 Notes") and IIFB's outstanding Guaranteed Notes Due 2012 (the "2012 Notes"). In addition to its offer to purchase the 2010 Notes, IFB is also soliciting, as one proposal, consents to certain proposed amendments to the amended and restated indenture, dated as of January 25, 2006 (the "2010 Indenture"), which would shorten the notice period for optional redemption of the 2010 Notes and to the release of IIFB as a guarantor under the 2010 Indenture.

On August 2, 2010, IFB paid a total of US\$174,699 (equivalent to Rp1,561,460) for the purchased portion of the 2010 Notes under tender offer with a total principal amount of US\$167,744 (equivalent to Rp1,499,564) and US\$100 (equivalent to Rp894) at price equal to 102.1875% and 101.9375%, respectively, of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expense.

On August 10, 2010, IFB paid a total of US\$69,536 (equivalent to Rp622,556) for the remaining purchased portion of the 2010 Notes which was called with a total principal amount of US\$66,873 (equivalent to Rp598,715) at a price equal to 101.9375% of principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expense.

Guaranteed Notes Due 2012

On June 22, 2005, the Company, through IIFB, issued Guaranteed Notes Due 2012 with fixed rate and with a total face value of US\$250,000. The notes were issued at 99.323% of their principal amount. The notes bear interest at the fixed rate of 7.125% per annum payable in semi-annual installments due on June 22 and December 22 of each year, commencing December 22, 2005. The notes have an effective interest rate of 8.13% per annum. The notes will mature on June 22, 2012.

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**17. BONDS PAYABLE (continued)**

Guaranteed Notes Due 2012 (continued)

The notes will be redeemable at the option of IIFB, in whole or in part, at any time on or after June 22, 2010 at prices equal to 103.5625%, 101.7813% and 100.0000% of the principal amount during the 12-month period commencing June 22, 2010, 2011 and 2012, respectively, plus accrued and unpaid interest and additional amounts, if any. In addition, prior to June 22, 2008, IIFB may redeem up to a maximum of 35% of the original aggregate principal amount, with the proceeds of one or more public equity offerings of the Company, at a price equal to 107.125% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. The notes are also redeemable at the option of IIFB, in whole but not in part, at any time, at a price equal to 103.5625% of the principal amount thereof, plus any accrued and unpaid interest and additional amounts to the date of redemption, in the event of certain changes affecting withholding taxes in Indonesia and the Netherlands that would require IIFB or the Company to pay an additional amount in respect of any note in excess of certain amounts. Upon a change in control of the Company (including sale, transfer, assignment, lease, conveyance or other disposition of all or substantially all of the Company's assets), the holder of the notes has the right to require IIFB to repurchase all or any part of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the purchase date.

The net proceeds, after deducting the underwriting fee and offering expenses, were received on June 23, 2005 and used for general corporate purposes, including capital expenditures.

Based on the notes indenture, the Company is required to comply with certain conditions, such as maintaining certain financial ratios.

The notes are unconditionally and irrevocably guaranteed by the Company.

On July 22, 2008, IIFB announced the Change of Control Offer to all holders of the notes (Note 20). This offer was intended to purchase the notes at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest up to the date of settlement and any additional amounts. Such offer expired on September 17, 2008. The bondholders exercised their rights that required IIFB to repurchase all or any part of such holders' notes.

On September 19, 2008, IIFB paid a total of US\$144,441 (equivalent to Rp1,367,858) for the purchased portion of the notes with a total principal amount of US\$140,590 (equivalent to Rp1,331,387) at a price equal to 101% of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On May 12, 2010, the Company, together with IFB and IIFB, announced the commencement by IFB and IIFB of cash tender offers to purchase for cash any or all of IFB's outstanding Guaranteed Notes Due 2010 (the "2010 Notes") and IIFB's outstanding Guaranteed Notes Due 2012 (the "2012 Notes").

On August 2, 2010, IIFB paid a total of US\$58,614 (equivalent to Rp523,892) for the purchased portion of the 2012 Notes under tender offer with a total principal amount of US\$55,835 (equivalent to Rp499,053) and US\$200 (equivalent to Rp1,788) at a price equal to 103.8125% and 103.5625%, respectively, of the principal amount purchased, plus the accrued and unpaid interest up to settlement date and other additional expenses.

On September 2, 2010, IIFB paid a total US\$56,016 (equivalent to Rp504,592) for the remaining purchased portion of the 2012 Notes which was called with a total principal amount of US\$53,375 (equivalent to Rp480,802) at a price equal to 103.5625% of principal amount called, plus the accrued and unpaid interest up to settlement date and other additional expenses.

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**17. BONDS PAYABLE (continued)**

The scheduled principal payments of all the bonds payable outstanding as of September 30, 2010 are as follows:

	Twelve months ending September 30,					Total
	2011	2012	2013	2014	2015 and thereafter *	
<b>In U.S. dollar</b>						
Guaranteed Notes *						
Due 2020						
(US\$650,000)	-	-	-	-	5,800,600	5,800,600
<b>In Rupiah</b>						
Fifth Indosat Bonds *	-	-	-	1,230,000	1,370,000	2,600,000
Seventh Indosat Bonds*	-	-	-	-	1,300,000	1,300,000
Sixth Indosat Bonds*	-	-	760,000	-	320,000	1,080,000
Fourth Indosat Bonds *	815,000	-	-	-	-	815,000
Third Indosat Bonds *	640,000	-	-	-	-	640,000
Sukuk Ijarah III *	-	-	570,000	-	-	570,000
Sukuk Ijarah II *	-	-	-	400,000	-	400,000
Syari'ah Ijarah Bonds *	285,000	-	-	-	-	285,000
Second Indosat Bonds *	-	-	-	-	200,000	200,000
Sukuk Ijarah IV *	-	-	-	-	200,000	200,000
Limited Bonds II	-	25,000	-	-	-	25,000
Limited Bonds I	-	16,989	-	-	-	16,989
<b>Sub-total</b>	<b>1,740,000</b>	<b>41,989</b>	<b>1,330,000</b>	<b>1,630,000</b>	<b>3,390,000</b>	<b>8,131,989</b>
<b>Total</b>	<b>1,740,000</b>	<b>41,989</b>	<b>1,330,000</b>	<b>1,630,000</b>	<b>9,190,600</b>	
Less:						
- unamortized notes issuance costs						(62,344)
- unamortized bonds issuance costs and consent solicitation fees						(31,927)
- unamortized notes discount						(30,189)
<b>Net</b>						<b>13,808,129</b>

\* Refer to previous discussion on early repayment options for each bond/note.

The amortization of bonds issuance cost, consent solicitation fees, notes issuance cost and notes discount for the nine months ended September 30, 2009 and 2010 amounted to Rp11,277 and Rp23,388, respectively (Note 25).

As of September 30, 2009 and 2010, the Companies have complied with all financial ratios required to be maintained under the Notes Indenture and Trustee Agreements.

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

The following table sets forth the Companies' financial assets and financial liabilities as of September 30, 2010:

	<u>Amount</u>
<b>Financial Assets</b>	
<b>Held for trading</b>	
Derivative assets	119,462
<b>Loans and receivable</b>	
Cash and cash equivalents	6,185,065
Accounts receivable - trade and others - net	1,585,026
Other current financial assets	43,191
Due from related parties - net	7,960
Other non-current financial assets	85,842
<b>Available for sale</b>	
Short-term investments - net	-
Other long-term investments - net	2,730
<b>Total Financial Assets</b>	<b><u>8,029,276</u></b>
<b>Financial Liabilities</b>	
<b>Held for trading</b>	
Derivative liabilities	284,631
<b>Liabilities at amortized cost</b>	
Accounts payable - trade	619,341
Procurement payable	4,000,682
Accrued expenses	1,767,281
Deposits from customers	87,115
Loans payable - current maturities	2,665,040
Bonds payable - current maturities	1,737,025
Other current financial liabilities	46,329
Due to related parties	20,998
Loans payable - net of current maturities	10,835,173
Bonds payable - net of current maturities	12,071,104
<b>Total Financial Liabilities</b>	<b><u>34,134,719</u></b>

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

The following table sets forth the carrying values and estimated fair values of the Companies financial instruments that are carried in the consolidated balance sheet as of September 30, 2010:

	<b>Carrying Amount</b>	<b>Fair Value Amount</b>
<b>Current Financial Assets</b>		
Cash and cash equivalents	6,185,065	6,185,065
Short-term investments - net	-	-
Accounts receivable - trade and others - net	1,585,026	1,585,026
Derivative assets	119,462	119,462
Other current financial assets	43,191	43,191
<b>Total current financial assets</b>	<b>7,932,744</b>	<b>7,932,744</b>
<b>Non-Current Financial Assets</b>		
Due from related parties - net	7,960	6,997
Other long-term investments - net	2,730	2,730
Other non-current financial assets	85,842	85,278
<b>Total non-current financial assets</b>	<b>96,532</b>	<b>95,005</b>
<b>Total Financial Assets</b>	<b>8,029,276</b>	<b>8,027,749</b>
<b>Current Financial Liabilities</b>		
Accounts payable - trade	619,341	619,341
Procurement payable	4,000,682	4,000,682
Accrued expenses	1,767,281	1,767,281
Deposits from customers	87,115	87,115
Derivative liabilities	284,631	284,631
Loans payable - current maturities	2,665,040	2,633,541
Bonds payable - current maturities	1,737,025	1,759,964
Other current financial liabilities	46,329	46,329
<b>Total current financial liabilities</b>	<b>11,207,444</b>	<b>11,198,884</b>
<b>Non-Current Financial Liabilities</b>		
Due to related parties	20,998	18,457
Loans payable - net of current maturities	10,835,173	9,893,118
Bonds payable - net of current maturities	12,071,104	13,090,896
<b>Total non-current financial liabilities</b>	<b>22,927,275</b>	<b>23,002,471</b>
<b>Total Financial Liabilities</b>	<b>34,134,719</b>	<b>34,201,355</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.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

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

*Short-term financial assets and liabilities:*

- *Short-term financial instruments with remaining maturities of one year or less (cash and cash equivalents, trade and other receivables, other current financial assets, trade payables, procurement payable, accrued expenses, deposits from customers and other current financial liabilities)*

These financial instruments approximate their carrying amounts largely due to their short-term maturities.

- *Derivative Financial Instruments*

Cross currency swap contracts and currency forward contracts (including bifurcated embedded derivative)

These derivatives are measured at their fair values using internal valuation techniques as no quoted market prices exist for such instruments. The principal technique used to value these instruments is the use of discounted cash flows. The key inputs include interest rate yield curves, foreign exchange rates, Credit Default Spread ("CDS"), and the spot price of the underlying instruments.

Interest rate swap contracts

These derivatives are measured at their fair values, computed using discounted cash flows based on observable market inputs which include interest rate yield curves and payment dates.

*Long-term financial assets and liabilities:*

- *Long-term fixed-rate and variable-rate financial liabilities (unquoted loans and bonds payable)*

The fair value of these financial liabilities is determined by discounting future cash flows using applicable rates from observable current market transactions for instruments with similar terms, credit risk and remaining maturities.

- *Other long-term financial assets and liabilities (due from/to related parties, other non-current financial assets and liabilities)*

Estimated fair value is based on discounted value of future cash flows adjusted to reflect counterparty risk (for financial assets) and the Companies' own credit risk (for financial liabilities) and using risk-free rates for similar instruments.

- *Financial instruments quoted in an active market*

The fair value of the bonds issued by the Company which are traded in an active market is determined with reference to their quoted market prices.

For equity investments classified as available-for-sale, the fair value is determined based on the latest market quotation as published by the Indonesia Stock Exchange as of September 30, 2010.

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**19. EMPLOYEE BENEFIT OBLIGATIONS**

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

	<b>2009</b>	<b>2010</b>
Post-retirement healthcare (Note 26)	532,568	618,653
Labor Law 13 (Note 26)	137,448	178,377
Post-retirement benefit of salary continuation before retirement	94,169	114,770
Service award	32,816	37,601
Accumulated leave benefits	1,004	1,844
<b>Total</b>	<b>798,005</b>	<b>951,245</b>

**20. CAPITAL STOCK**

The Company's capital stock ownership as of September 30, 2009 and 2010 is as follows:

<b>Stockholders</b>	<b>Number of Shares Issued and Fully Paid</b>	<b>Amount</b>	<b>Percentage of Ownership (%)</b>
<b>2009</b>			
A Share			
The Government	1	-	-
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd.	3,532,056,600	353,206	65.00
The Government	776,624,999	77,662	14.29
Directors:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	1,125,241,900	112,524	20.71
<b>Total</b>	<b>5,433,933,500</b>	<b>543,393</b>	<b>100.00</b>
<b>2010</b>			
A Share			
The Government	1	-	-
B Shares			
Qatar Telecom (Qtel Asia) Pte. Ltd.	3,532,056,600	353,206	65.00
The Government	776,624,999	77,662	14.29
SKAGEN Funds (SKAGEN AS)	277,076,269	27,708	5.10
Directors:			
Fadzri Sentosa	10,000	1	0.00
Others (each holding below 5%)	848,165,631	84,816	15.61
<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.

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**20. CAPITAL STOCK (continued)**

On June 6, 2008, STT Communications Limited (“STTC”) entered into a Share Purchase Agreement to sell its 75% ownership in ICL and ICLS to Qatar Telecom (“Qtel”). The closing process of such sale was made on June 22, 2008 and resulted in Qtel’s direct ownership in ICL and ICLS. As a result, Qtel has become the ultimate shareholder of the Company (Notes 16e and 17) and all of STTC’s affiliations ceased to be related parties of the Companies (Note 27).

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.

**21. OPERATING REVENUES**

This account consists of the following:

	<b>2009</b>	<b>2010</b>
<b>Cellular</b>		
Value-added services	4,346,195	5,408,231
Usage charges	4,238,100	5,368,861
Interconnection revenues (Note 33)	1,307,199	820,017
Tower leasing (Note 30)	17,480	166,944
Sale of Blackberry handsets	76,713	32,836
Monthly subscription charges	132,673	2,477
Connection fee	9,263	958
Others	89,637	114,028
<b>Sub-total</b>	<b>10,217,260</b>	<b>11,914,352</b>
<b>MIDI</b>		
IP VPN	365,766	449,565
Internet	542,710	404,245
World link and direct link	284,142	207,052
Frame net	202,209	178,616
Application services	159,441	167,252
Leased line	146,881	134,912
Satellite lease	95,455	94,399
Digital data network	119,070	67,239
MPLS	42,914	44,216
Others	50,471	63,380
<b>Sub-total</b>	<b>2,009,059</b>	<b>1,810,876</b>

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**21. OPERATING REVENUES (continued)**

	<b>2009</b>	<b>2010</b>
<b>Fixed Telecommunication</b>		
International Calls	1,215,539	888,161
Fixed Wireless	192,045	134,518
Fixed Line	98,295	95,172
Others	668	-
<b>Sub-total</b>	<b>1,506,547</b>	<b>1,117,851</b>
<b>Total</b>	<b>13,732,866</b>	<b>14,843,079</b>

Operating revenues from related parties amounted to Rp1,123,404 and Rp1,176,404 for the nine months ended September 30, 2009 and 2010, respectively. These amounts represent 8.18% and 7.93% of the total operating revenues for the nine months ended September 30, 2009 and 2010, respectively (Note 27).

The operating revenues from interconnection services are presented on a gross basis (Note 2o).

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

This account consists of the following:

	<b>2009</b>	<b>2010</b>
Interconnection (Note 33)	1,424,994	1,333,249
Radio frequency fee	946,282	1,183,784
Maintenance	615,374	689,222
Utilities	581,224	533,125
Rent	340,592	369,264
Leased circuits	383,807	280,089
Cost of SIM cards and pulse reload vouchers	251,522	188,296
USO (Note 32)	156,428	161,338
Blackberry access fee	45,544	135,073
Concession fee (Note 32)	64,704	85,023
Installation	31,456	66,617
Cost of handsets and modems	157,990	64,714
Delivery and transportation	60,785	64,682
Billing and collection	31,912	47,348
License	22,849	21,374
Others	83,960	67,907
<b>Total</b>	<b>5,199,423</b>	<b>5,291,105</b>

Interconnection relates to the expenses for the interconnection between the Company's telecommunications networks and those owned by Telkom or other telecommunications carriers (Note 2n).

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**23. OPERATING EXPENSES - PERSONNEL**

This account consists of:

	<b>2009</b>	<b>2010</b>
Salaries	323,928	362,929
Incentives and other employee benefits	208,534	235,760
Bonuses	170,559	156,188
Employee income tax	117,442	107,101
Post-retirement healthcare benefits (Note 26)	66,197	79,291
Medical expense	51,216	51,969
Outsourcing	65,710	48,553
Pension (Note 26)	16,609	34,874
Separation, appreciation and compensation expense under Labor Law No. 13/2003 (Note 26)	29,459	31,816
Early retirement*	33,945	11,761
Others	14,075	18,222
<b>Total</b>	<b>1,097,674</b>	<b>1,138,464</b>

\* On June 27, 2006, the Company's Directors issued Decree No. 051/DIREKSI/2006, "Additional Benefits for Voluntarily Resigned Employees". Under this decree, employees qualified for early retirement and who voluntarily resigned after the approval from the Board of Directors were given benefits of additional remuneration, traveling and training package. For the nine months ended September 30, 2009 and 2010, there were 71 and 5 employees, respectively, who took the option.

The personnel expenses capitalized to properties under construction and installation for the nine months ended September 30, 2009 and 2010 amounted to Rp24,754 and Rp29,233, respectively.

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

This account consists of:

	<b>2009</b>	<b>2010</b>
Rent	98,895	83,662
Professional fees	81,417	72,737
Utilities	49,168	71,243
Provision for doubtful accounts (Note 5)	88,421	54,344
Transportation	42,581	44,797
Office	32,475	35,537
Insurance	20,881	27,355
Catering	18,048	18,222
Training, education and research	11,764	12,346
Communication	14,031	6,555
Others (each below Rp10,000)	39,600	37,125
<b>Total</b>	<b>497,281</b>	<b>463,923</b>

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**25. OTHER EXPENSES - FINANCING COST**

This account consists of:

	<b>2009</b>	<b>2010</b>
Interest on loans	1,317,466	1,585,365
Excess of purchase price over nominal value due to redemption of GN 2010 and GN 2012	-	81,142
Amortization of debt and bonds issuance costs, consent solicitation fees and discount (Notes 16 and 17)	33,096	74,687
Bank charges	8,627	3,777
Consent solicitation	-	83
<b>Total</b>	<b>1,359,189</b>	<b>1,745,054</b>

**26. PENSION PLAN**

The Company, Satelindo and Lintasarta have defined benefit and defined contribution pension plans covering substantially all of their qualified permanent employees.

**Defined Benefit Pension Plan**

The Company, Satelindo and Lintasarta provide defined benefit pension plans to their respective employees under which pension benefits to be paid upon retirement are based on the employees' most recent basic salary and number of years of service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plans. Pension contributions are determined by periodic actuarial calculations performed by Jiwasraya.

Based on an amendment dated December 22, 2000 of the Company's pension plan, which was further amended on March 29, 2001, the benefits and the premium payment pattern were changed. Before the amendment, the premium was regularly paid annually until the plan would be fully funded and the benefits consisted of retirement benefit (regular monthly or lump-sum pension) and death insurance. In conjunction with the amendment, the plan would be fully funded after making installment payments up to January 2002 of the required amount to fully fund the plan determined as of September 1, 2000. The amendment also includes an additional benefit in the form of thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri ("Moslem Holiday").

The amendment covers employees registered as participants of the pension plan as of September 1, 2000 and includes an increase in basic salary pension by 9% compounded annually starting from September 1, 2001. The amendment also stipulates that there will be no increase in the premium even in cases of mass employee terminations or changes in marital status.

The total premium installments based on the amendment amounted to Rp355,000 and were paid on due dates.

On March 1, 2007, the Company entered into an agreement with Jiwasraya to provide defined death insurance plan to 1,276 employees as of January 1, 2007, who are not covered by the defined benefit pension plan as stated above. Based on the agreement, a participating employee will receive:

- Expiration benefit equivalent to the cash value at the normal retirement age, or
- Death benefit not due to accident equivalent to 100% of insurance money plus cash value when the employee dies not due to accident, or
- Death benefit due to accident equivalent to 200% of insurance money plus cash value when the employee dies due to accident.

The premium of Rp7,600 was fully paid on March 29, 2007. Subsequently, in August 2007, February to December 2008, January to September 2009 and January to September 2010, the Company made payments for additional premium of Rp275 for additional 55 employees, Rp805 for additional 161 employees, Rp407 for additional 80 employees, and Rp20 for additional 4 employees, respectively.

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**26. PENSION PLAN (continued)**

**Defined Benefit Pension Plan (continued)**

On June 25, 2003, Satelindo entered into an agreement with Jiwasraya to amend the benefits and premium payment pattern of the former's pension plan. The amendment covers employees registered as participants of the pension plan as of December 25, 2002 up to June 25, 2003. Other new conditions include the following:

- An increase in pension basic salary at 6% compounded annually starting from December 25, 2002
- Thirteenth-month retirement benefit, which is payable annually 14 days before Idul Fitri
- An increase in periodic payment of retirement benefit at 6% compounded annually starting one year after receiving periodic retirement benefit for the first time
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On April 15, 2005, Lintasarta entered into an agreement with Jiwasraya to replace their existing agreement. Based on the new agreement, the benefits and the premium payment pattern were changed. This agreement is effective starting January 1, 2005. The total premium installments based on the agreement amounted to Rp61,623, which is payable in 10 annual installments starting 2005 until 2015.

The new agreement covers employees registered as participants of the pension plan as of April 1, 2003. The conditions under the new agreement include the following:

- An increase in pension basic salary by 3% (previously was estimated at 8%) compounded annually starting April 1, 2003
- An increase in periodic payment of retirement benefit at 5% compounded annually starting one year after receiving periodic retirement benefit for the first time
- If the average annual interest rate of time deposits of government banks exceeds 15%, the participants' retirement benefit will be increased by a certain percentage in accordance with the formula agreed by both parties.

On May 2, 2005, Lintasarta entered into an agreement with Jiwasraya to amend the above agreement. The amendment covers employees registered as participants of the pension plan as of April 1, 2003 up to November 30, 2004 with additional 10 annual premium installments totalling Rp1,653 which are payable starting 2005 until 2015.

The contributions made by Lintasarta to Jiwasraya amounted to Rp9,653 each for the nine months ended September 30, 2009 and 2010.

The net periodic pension cost for the pension plans for the nine months ended September 30, 2009 and 2010 was calculated based on actuarial valuations as of December 31, 2008 and 2009, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<b>2009</b>	<b>2010</b>
Annual discount rate	12.0%	8.5 - 10.5%*
Expected annual rate of return on plan assets	4.5 - 9.0%	4.5 - 9.0%
Annual rate of increase in compensation	3.0 - 9.0%	3.0 - 9.0%
Mortality rate (Indonesian Mortality Table - TMI)	TMI 1999	TMI 1999

\* Revised discount rate used by the Company following the changes in market yield of Government Bonds at August 31, 2010.

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**26. PENSION PLAN (continued)**

**Defined Benefit Pension Plan (continued)**

- a. The composition of the net periodic pension cost for the nine months September 30, 2009 and 2010 is as follows:

	<u>2009</u>	<u>2010</u>
Interest cost	47,736	55,919
Service cost	23,925	31,174
Return on plan assets	(53,981)	(52,857)
Amortization of unrecognized actuarial loss (gain)	(1,071)	638
<b>Net periodic pension cost (Note 23)</b>	<b><u>16,609</u></b>	<b><u>34,874</u></b>

- b. The funded status of the plans as of September 30, 2009 and 2010 is as follows:

	<u>2009</u>	<u>2010</u>
Plan assets at fair value	800,613	838,733
Projected benefit obligation	(612,901)	(813,520)
Excess of plan assets over projected benefit obligation	187,712	25,213
Unrecognized actuarial loss (gain)	(21,691)	97,376
<b>Net prepaid pension cost</b>	<b><u>166,021</u></b>	<b><u>122,589</u></b>

- c. Movements in the prepaid pension cost for the nine months ended September 30, 2009 and 2010 are as follows:

	<u>2009</u>	<u>2010</u>
Beginning balance		
Company	154,441	124,720
Lintasarta	18,659	25,100
Net periodic pension cost		
Company	(14,887)	(31,816)
Lintasarta	(1,722)	(3,058)
Refund from Jiwasraya		
Company	(530)	(1,662)
Lintasarta	-	(368)
Contribution to Jiwasraya		
Company	407	20
Lintasarta	9,653	9,653
<b>Ending balance</b>		
<b>Company</b>	<b><u>139,431</u></b>	<b><u>91,262</u></b>
<b>Lintasarta</b>	<b><u>26,590</u></b>	<b><u>31,327</u></b>

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**26. PENSION PLAN (continued)**

**Defined Benefit Pension Plan (continued)**

d. Prepaid pension cost consists of:

	<b>2009</b>	<b>2010</b>
Current portion (presented as part of "Prepaid Expenses")		
Company	2,712	1,715
Lintasarta	402	725
	<u>3,114</u>	<u>2,440</u>
Long-term portion		
Company	136,719	89,547
Lintasarta	26,188	30,602
	<u>162,907</u>	<u>120,149</u>
<b>Total prepaid pension cost</b>	<b><u>166,021</u></b>	<b><u>122,589</u></b>

Plan assets as of September 30, 2009 and 2010 principally consisted of time deposits, debt securities, long-term investment in shares of stock and property.

**Defined Contribution Pension Plan**

In May 2001 and January 2003, the Company and Satelindo assisted their employees in establishing their respective employees' defined contribution pension plans, in addition to the defined benefit pension plan as mentioned above. Starting June 2004, the Company also assisted ex-IM3 employees in establishing their defined contribution pension plan. Under the defined contribution pension plan, the employees contribute 10% - 20% of their basic salaries, while the Company does not contribute to the plans. Total contributions of employees for the nine months ended September 30, 2009 and 2010 amounted to Rp13,506 and Rp34,319, respectively. The plan assets are being administered and managed by seven financial institutions appointed by the Company and Satelindo, based on the choice of the employees.

**Labor Law No. 13/2003**

The Company, Lintasarta and IMM also accrue benefits under Labor Law No. 13/2003 ("Labor Law") dated March 25, 2003. Their employees will receive the benefits which are higher under either this law or the defined benefit pension plan.

The net periodic pension cost under the Labor Law for the nine months ended September 30, 2009 and 2010 was calculated based on actuarial valuations as of December 31, 2008 and 2009, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<b>2009</b>	<b>2010</b>
Annual discount rate	12.0%	9.0 - 10.5%*
Annual rate of increase in compensation	10.0 - 11.0%	9.0 - 10.0%

\* Revised discount rate used by the Company following the changes in market yield of Government Bonds at August 31, 2010.

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**26. PENSION PLAN (continued)**

**Labor Law No. 13/2003 (continued)**

- a. The composition of the periodic pension cost under the Labor Law for the nine months ended September 30, 2009 and 2010 is as follows:

	<u>2009</u>	<u>2010</u>
Service cost	14,098	16,002
Interest cost	13,979	14,689
Amortization of unrecognized actuarial loss	1,382	1,125
<b>Total periodic pension cost under the Labor Law (Note 23)</b>	<b><u>29,459</u></b>	<b><u>31,816</u></b>

- b. The composition of the accrued pension cost under the Labor Law as of September 30, 2009 and 2010 is as follows:

	<u>2009</u>	<u>2010</u>
Projected benefit obligation	181,347	217,350
Unrecognized actuarial loss	(41,744)	(26,559)
Unrecognized past service cost	-	(9,811)
<b>Accrued pension cost</b>	<b><u>139,603</u></b>	<b><u>180,980</u></b>

- c. Movements in the accrued pension cost under the Labor Law for the nine months ended September 30, 2009 and 2010 are as follows:

	<u>2009</u>	<u>2010</u>
Beginning balance		
Company	100,518	131,416
Lintasarta	8,609	12,771
IMM	4,202	6,206
Periodic pension cost under the Labor Law		
Company	26,238	26,200
Lintasarta	1,972	3,758
IMM	1,249	1,858
Benefit payment		
Company	(3,185)	(1,229)
<b>Ending balance</b>		
<b>Company</b>	<b><u>123,571</u></b>	<b><u>156,387</u></b>
<b>Lintasarta</b>	<b><u>10,581</u></b>	<b><u>16,529</u></b>
<b>IMM</b>	<b><u>5,451</u></b>	<b><u>8,064</u></b>

As of September 30, 2009 and 2010, the current portion of pension cost under the Labor Law included in accrued expenses (Note 15) amounted to Rp2,155 and Rp2,603, respectively, and the non-current portion included in employee benefit obligations amounted to Rp137,488 and Rp178,377, respectively (Note 19).

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**26. PENSION PLAN (continued)**

**Post-retirement Healthcare**

The Company provides post-retirement healthcare benefits to its employees who leave the Company after the employees fulfill the early retirement requirement. The spouse and children who have been officially registered in the administration records of the Company are also eligible to receive benefits. If the employees die, the spouse and children are still eligible for the post-retirement healthcare until the spouse dies or remarries and the children reach the age of 25 or get married.

The utilization of post-retirement healthcare is limited to an annual maximum ceiling that refers to monthly pension from Jiwasraya as follows:

- 16 times the Jiwasraya monthly pension for a pensioner who receives monthly pension from Jiwasraya
- 16 times the equality monthly pension for a pensioner who became permanent employee after September 1, 2000
- 16 times the last monthly pension for a pensioner who retired after July 1, 2003 and does not receive Jiwasraya monthly pension.

The net periodic post-retirement healthcare cost for the nine months ended September 30, 2009 and 2010 was calculated based on actuarial valuations as of December 31, 2008 and 2009, respectively. The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method and applying the following assumptions:

	<u>2009</u>	<u>2010</u>
Annual discount rate	12.0%	9.5%*
Ultimate cost trend rate	6.0%	6.0%
Next year trend rate	18.0%	16.0%
Period to reach ultimate cost trend rate	6 years	5 years

\* Revised discount rate used by the Company following the changes in market yield of Government Bonds at August 31, 2010.

- a. The composition of the periodic post-retirement healthcare cost for the nine months ended September 30, 2009 and 2010 is as follows:

	<u>2009</u>	<u>2010</u>
Interest cost	44,335	49,439
Service cost	14,023	22,013
Amortization of unrecognized past service cost	7,839	7,839
<b>Periodic post-retirement healthcare cost (Note 23)</b>	<b><u>66,197</u></b>	<b><u>79,291</u></b>

- b. The composition of the accrued post-retirement healthcare cost as of September 30, 2009 and 2010 is as follows:

	<u>2009</u>	<u>2010</u>
Projected benefit obligation	543,226	667,467
Unrecognized past service cost	(44,319)	(33,866)
Unrecognized actuarial gain (loss)	43,315	(2,150)
<b>Accrued post-retirement healthcare cost</b>	<b><u>542,222</u></b>	<b><u>631,451</u></b>

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**26. PENSION PLAN (continued)**

**Post-retirement Healthcare (continued)**

- c. Movements in the accrued post-retirement healthcare cost for the nine months ended September 30, 2009 and 2010 are as follows:

	<b>2009</b>	<b>2010</b>
Beginning balance	483,772	561,805
Net periodic post-retirement healthcare cost	66,197	79,291
Benefit payment	(7,747)	(9,645)
<b>Ending balance</b>	<b>542,222</b>	<b>631,451</b>

- d. The effect of a one percentage point change in assumed post-retirement healthcare cost trend rate would result in aggregate service and interest costs for the nine months ended September 30, 2009 and 2010 and accumulated post-retirement healthcare benefit obligation as of September 30, 2009 and 2010, as follows:

	<b>2009</b>	<b>2010</b>
<b>Increase</b>		
Service and interest costs	77,187	84,073
Accumulated post-retirement healthcare benefit obligation	657,932	800,092
<b>Decrease</b>		
Service and interest costs	52,170	56,439
Accumulated post-retirement healthcare benefit obligation	460,783	557,316

As of September 30, 2009 and 2010, the current portion of post-retirement healthcare cost included in accrued expenses (Note 15) amounted to Rp9,654 and Rp12,798 respectively, and the non-current portion included in employee benefit obligations amounted to Rp532,568 and Rp618,653 respectively (Note 19) .

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**27. ACCOUNTS AND TRANSACTIONS WITH RELATED PARTIES**

The details of the accounts and the significant transactions entered into with related parties (affiliates, unless otherwise indicated) are as follows:

	Amount		Percentage to Total Assets/Liabilities (%)	
	2009	2010	2009	2010
<b>Cash and cash equivalents (Note 4)</b>				
<b>State-owned banks</b>	<b>1,193,998</b>	<b>4,699,333</b>	<b>2.18</b>	<b>8.34</b>
<b>Accounts receivable - trade (Note 5)</b>				
State-owned banks	26,820	76,898	0.05	0.14
Telkom	24,654	24,657	0.04	0.04
PT Televisi Republik Indonesia (Persero) ("TVRI")	26,297	22,781	0.05	0.04
PT Pasifik Satelit Nusantara ("PSN")	2,952	11,786	0.01	0.02
PT Citra Sari Makmur ("CSM")	9,301	11,072	0.02	0.02
PT Pos Indonesia (Persero)	11,020	10,283	0.02	0.02
Qtel	-	4,265	-	0.01
PT Telekomunikasi Selular ("Telkomsel")	1,394	2,908	0.00	0.01
PT Infomedia Nusantara	1,133	206	0.00	0.00
Others	59,590	39,243	0.11	0.07
Total	163,161	204,099	0.30	0.37
Less allowance for doubtful accounts	46,701	59,913	0.09	0.11
<b>Net</b>	<b>116,460</b>	<b>144,186</b>	<b>0.21</b>	<b>0.26</b>
<b>Prepaid expenses</b>				
MOCIT	806,618	827,276	1.47	1.47
Kopindosat	2,453	3,012	0.01	0.01
Jiwasraya (Note 26)	3,114	2,440	0.01	0.01
PT Industri Telekomunikasi Indonesia (Persero) ("INTI")	1,982	2,011	0.00	0.00
Telkom	1,434	1,434	0.00	0.00
Others	2,346	3,389	0.00	0.00
<b>Total</b>	<b>817,947</b>	<b>839,562</b>	<b>1.49</b>	<b>1.49</b>
<b>Other current financial assets</b>				
<b>State-owned banks</b>	<b>11,333</b>	<b>29,201</b>	<b>0.02</b>	<b>0.05</b>
<b>Due from related parties</b>				
Kopindosat	5,958	5,958	0.01	0.01
Telkomsel	1,394	657	0.00	0.00
Others	2,169	1,991	0.00	0.00
Total	9,521	8,606	0.01	0.01
Less allowance for doubtful accounts	1,246	646	0.00	0.00
<b>Net</b>	<b>8,275</b>	<b>7,960</b>	<b>0.01</b>	<b>0.01</b>
<b>Long-term prepaid pension (Note 26)</b>				
<b>Jiwasraya</b>	<b>162,907</b>	<b>120,149</b>	<b>0.30</b>	<b>0.21</b>
<b>Long-term advances</b>				
INTI	2,756	3,748	0.01	0.01
Kopindosat	1,217	2,021	0.00	0.00
<b>Total</b>	<b>3,973</b>	<b>5,769</b>	<b>0.01</b>	<b>0.01</b>

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	Amount		Percentage to Total Assets/Liabilities (%)	
	2009	2010	2009	2010
<b>Long-term prepaid rentals</b>				
Telkom	19,957	18,523	0.04	0.03
Kopindosat	12,560	12,851	0.02	0.02
INTI	5,313	4,103	0.01	0.01
Others	2,702	3,249	0.00	0.01
<b>Total</b>	<b>40,532</b>	<b>38,726</b>	<b>0.07</b>	<b>0.07</b>
<b>Other non-current financial assets</b>				
State-owned banks	<b>41,838</b>	<b>61,233</b>	<b>0.08</b>	<b>0.11</b>
<b>Other non-current assets</b>				
Directorate General of Customs and Excise	26,325	-	0.05	-
Others	-	87	-	0.00
<b>Total</b>	<b>26,325</b>	<b>87</b>	<b>0.05</b>	<b>0.00</b>
<b>Accounts payable - trade</b>				
Telkomsel	41,679	27,166	0.12	0.07
PT Indonesia Comnet Plus ("Comnet")	3,708	-	0.01	-
Others	670	1,016	0.00	0.00
<b>Total</b>	<b>46,057</b>	<b>28,182</b>	<b>0.13</b>	<b>0.07</b>
<b>Procurement payable (Note 13)</b>				
Kopindosat	29,984	19,417	0.08	0.05
INTI	40,676	17,471	0.11	0.05
PT Personel Alih Daya	10,199	13,409	0.03	0.04
PT Telkom Cisc	-	10,656	-	0.03
Comnet	-	2,170	-	0.00
Other	228	4,942	0.00	0.01
<b>Total</b>	<b>81,087</b>	<b>68,065</b>	<b>0.22</b>	<b>0.18</b>
<b>Accrued expenses</b>				
MOCIT	256,128	191,726	0.70	0.50
PT Perusahaan Listrik Negara (Persero) ("PLN")	108,154	148,588	0.30	0.39
Senior Management	35,199	29,386	0.10	0.08
Kopindosat	1,218	9,126	0.00	0.02
PT Personel Alih Daya	26,520	7,710	0.07	0.02
<b>Total</b>	<b>427,219</b>	<b>386,536</b>	<b>1.17</b>	<b>1.01</b>
<b>Other current liabilities</b>				
Telkomsel	<b>1,664</b>	<b>1,664</b>	<b>0.01</b>	<b>0.01</b>
<b>Due to related parties</b>				
TVRI	10,147	17,809	0.03	0.05
Kopindosat	1,490	1,490	0.00	0.00
State-owned banks	962	1,001	0.00	0.00
PLN	10,547	29	0.03	0.00
Others	478	669	0.00	0.00
<b>Total</b>	<b>23,624</b>	<b>20,998</b>	<b>0.06</b>	<b>0.05</b>

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

	Amount		Percentage to Total Assets/Liabilities (%)	
	2009	2010	2009	2010
<b>Loans payable (including current maturities) (Note 16)</b>				
State-owned bank	2,591,795	2,194,597	7.08	5.74
<b>Other non-current liabilities</b>				
Telkomsel	8,534	6,871	0.02	0.02
Kas Negara	-	1,482	-	0.00
<b>Total</b>	<b>8,534</b>	<b>8,353</b>	<b>0.02</b>	<b>0.02</b>

	Amount		Percentage to Respective Income or Expenses (%)	
	2009	2010	2009	2010
<b>Operating revenues (Note 21)</b>				
Telkom	511,026	454,307	3.72	3.06
Telkomsel	193,543	297,345	1.41	2.00
State-owned banks	140,500	206,200	1.02	1.39
Qtel	6,376	23,568	0.05	0.16
PSN	5,576	19,608	0.04	0.13
Governmental Departments	1,207	14,481	0.00	0.10
PT Pos Indonesia (Persero)	10,491	11,518	0.08	0.08
PT Pertamina (Persero) ("Pertamina")	7,957	7,391	0.06	0.05
Comnet	4,378	6,711	0.03	0.05
CSM	10,011	4,458	0.07	0.03
PT Angkasa Pura (Persero)	3,310	4,349	0.02	0.03
State-owned universities	2,891	3,361	0.02	0.02
TVRI	19,377	2,879	0.14	0.02
Others	206,761	120,228	1.52	0.81
<b>Total</b>	<b>1,123,404</b>	<b>1,176,404</b>	<b>8.18</b>	<b>7.93</b>

<b>Operating expenses</b>				
<b>Cost of services</b>				
MOCIT	1,167,414	1,430,145	10.48	11.64
Telkom	553,190	422,501	4.97	3.44
Telkomsel	424,093	405,175	3.81	3.30
PLN	471,489	358,437	4.23	2.92
PT Personel Alih Daya	48,812	58,862	0.44	0.48
Kopindosat	4,454	54,173	0.04	0.44
Comnet	30,238	22,758	0.27	0.19
Qtel	-	12,726	-	0.10
PT Pos Indonesia (Persero)	4,677	11,331	0.04	0.09
INTI	5,898	7,155	0.05	0.06
PT Perusahaan Gas Negara (Persero) Tbk ("PGN")	2,252	1,333	0.02	0.01
PSN	1,339	748	0.01	0.01
Others	-	415	-	0.00
<b>Total</b>	<b>2,713,856</b>	<b>2,785,759</b>	<b>24.36</b>	<b>22.68</b>

<b>Personnel</b>				
Senior Management	120,957	94,126	1.09	0.77
Jiwasraya (Note 26)	16,609	34,874	0.15	0.28
PT. Personel Alih Daya	45,998	31,168	0.41	0.25
<b>Total</b>	<b>183,564</b>	<b>160,168</b>	<b>1.65</b>	<b>1.30</b>

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

	Amount		Percentage to Respective Income or Expenses (%)	
	2009	2010	2009	2010
<b>General and administration</b>				
PLN	53,137	53,672	0.48	0.44
Kopindosat	13,179	17,997	0.12	0.15
PT Personel Alih Daya Usaha Gedung Bank Dagang Negara ("UGBDN")	35,912	9,734	0.32	0.08
State-owned banks	647	1,605	0.01	0.01
Others	-	1,582	-	0.01
	2,408	3,218	0.02	0.02
<b>Total</b>	<b>105,283</b>	<b>87,808</b>	<b>0.95</b>	<b>0.71</b>
<b>Other income (expenses)</b>				
Interest income				
State-owned banks	90,917	85,993	19.06	5.09
Others	228	443	0.05	0.03
<b>Total</b>	<b>91,145</b>	<b>86,436</b>	<b>19.11</b>	<b>5.12</b>
Financing cost				
State-owned banks	(161,892)	(179,488)	(33.94)	(10.63)
Others	(4,859)	-	(1.02)	-
<b>Total</b>	<b>(166,751)</b>	<b>(179,488)</b>	<b>(34.96)</b>	<b>(10.63)</b>
<b>Net</b>	<b>(75,606)</b>	<b>(93,052)</b>	<b>(15.85)</b>	<b>(5.51)</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.	State-owned banks	Under common control ("UCC")	Cash and cash equivalents, loans payable and operating revenues - MIDI
2.	Telkom (Notes 30i and 33)	UCC	Operating revenues - cellular, fixed telecommunications and MIDI; operating expenses - cost of services
3.	TVRI	UCC	Operating revenues - MIDI
4.	Qtel	Ultimate stockholder	Operating revenues - fixed telecommunications
5.	CSM	UCC	Operating revenues - MIDI

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

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
6.	PSN	UCC	Operating revenues - MIDI
7.	PT Pos Indonesia (Persero)	UCC	Operating revenues - MIDI
8.	Telkomsel (Note 33)	UCC	Operating revenues - cellular and fixed telecommunications
9.	Comnet	UCC	Operating expenses - cost of Services
10.	MOCIT	Government agency	Operating revenues - MIDI; operating expenses - cost of services
11.	Kopindosat	The Companies' employees cooperative	Operating expenses - personnel expenses, general and administration expenses
12.	Jiwasraya	UCC	Long-term prepaid pension
13.	INTI	UCC	Procurement payable
14.	Directorate General of Customs and Excise	Government agency	Other non-current assets
15.	PT Personel Alih Daya	Under common significant influence	Operating expenses - personnel expenses and cost of services
16.	Senior management	Key management personnel	Operating expenses - personnel expenses, prepaid expense - unamortized portions of housing and transformation advances, and transformation incentives
17.	PLN	UCC	Operating expenses - cost of Services
18.	Qatar Telecom (Qtel Asia) Pte. Ltd.	Stockholder	Other current financial liabilities - dividend payables
19.	The Government	Stockholder	Other current financial liabilities - dividend payables
20.	Pertamina	UCC	Due from related party, Operating revenues - MIDI
21.	PT Angkasa Pura (Persero)	UCC	Operating revenues - MIDI

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

No.	Related Parties	Relationship	Nature of Account Balances/Transactions
22.	State-owned universities	UCC	Operating revenues - MIDI
23.	PGN	UCC	Operating revenues - MIDI
24.	PT Infomedia Nusantara	UCC	Operating revenues - MIDI
25.	Governmental Departments	Government agency	Operating revenues - MIDI
26.	UGBDN	UCC	Operating expenses - cost of services

**28. DISTRIBUTION OF INCOME AND APPROPRIATION OF RETAINED EARNINGS**

At the Company's Annual Stockholders' General Meeting ("ASGM"), the stockholders approved, among others, the appropriation of annual net income for reserve fund and cash dividend distribution, as follows, and the utilization of the remaining amount for reinvestment and working capital.

<u>ASGM Date</u>	<u>Reserve Fund (Rp)</u>	<u>Dividend per Share (Rp)</u>	<u>Dividend Payment Date</u>
<u>2008 Net Income</u> June 11, 2009	18,785	172.85	July 22, 2009
<u>2009 Net Income</u> June 22, 2010	14,982	137.86	August 2, 2010

Dividend for the Government was paid in accordance with the prevailing laws and regulations in Indonesia.

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**29. DERIVATIVES**

The Company entered into several swap and currency forward contracts. Listed below is information related to the contracts and their fair values (net of credit risk adjustment) as of September 30, 2009 and 2010:

	Notional Amount (US\$)	Fair Value (Rp)			
		2009		2010	
		Receivable	Payable	Receivable	Payable
<b>Cross Currency Swap Contracts:</b>					
a. Goldman Sachs International ("GSI")	100,000	105,574	-	56,641	-
b. GSI	25,000	-	3,351	-	22,542
c. GSI	75,000	67,562	-	51,806	-
d. StandChart	25,000	8,838	-	-	14,025
e. StandChart	25,000	22,399	-	-	2,796
f. StandChart	25,000	33,336	-	8,388	-
g. HSBC, Jakarta Branch	25,000	19,535	-	-	5,225
h. Merrill Lynch International Bank Limited, London Branch ("MLIB")	50,000	5,248	-	-	8,194
i. MLIB	25,000	-	7,780	-	449
j. MLIB	25,000	7,498	-	2,580	-
k. DBS	25,000	1,814	-	35	-
l. GSI	84,000	9,681	-	12	-
<b>Sub-total</b>		<b>281,485</b>	<b>11,131</b>	<b>119,462</b>	<b>53,231</b>
<b>Currency Forward Contracts:</b>					
m. DBS	5,000	-	4,925	-	-
<b>Interest Rate Swap Contracts:</b>					
n. HSBC, Jakarta Branch	27,037 with decreasing amount	-	17,098	-	17,628
o. HSBC, Jakarta Branch	44,200 with decreasing amount	-	34,111	-	31,097
p. GSI	100,000	-	92,938	-	110,486
q. DBS	25,000 with decreasing amount	-	14,186	-	12,617
r. DBS	25,000 with decreasing amount	-	10,155	-	9,658
s. Bank of Tokyo MUFJ ("BTMUFJ")	25,000 with decreasing amount	-	4,799	-	6,997
t. BTMUFJ	25,000 with decreasing amount	-	3,424	-	6,238
u. BTMUFJ	25,000 with decreasing amount	-	2,376	-	5,659
v. StandChart	40,000 with decreasing amount	-	782	-	7,209
w. DBS	26,000 with decreasing amount	-	2,590	-	5,152
x. DBS	26,000 with decreasing amount	-	1,361	-	4,502
y. BTMUFJ	36,500 with decreasing amount	-	5,219	-	7,303
z. ING Bank N.V.	25,000 with decreasing amount	-	3,241	-	3,867
aa. ING Bank N.V.	33,500	-	3,456	-	2,987
<b>Sub-total</b>		<b>-</b>	<b>195,736</b>	<b>-</b>	<b>231,400</b>
<b>Total</b>		<b>281,485</b>	<b>211,792</b>	<b>119,462</b>	<b>284,631</b>

\* contract entered into in May 2009 and settled in November 2009

The net changes in fair value of the swap and currency forward contracts and embedded derivative (Note 16e), swap income or cost, termination income or cost, and settlement of derivative instruments totaling (Rp387,552) and (Rp378,431) in 2009 and 2010, 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 income.

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**29. DERIVATIVES (continued)**

The following are the details of the contracts:

Cross Currency Swap Contracts

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid/ Amortized (Rp)	
					2009	2010
a.	GSI	May 13, 2005 - November 5, 2010 Swap Rp832,250 for US\$100,000	(i) Fixed rate of 6.96% per annum for US\$50,000 and (ii) 6-month U.S. dollar LIBOR plus 2.62% per annum for US\$50,000, netted with (a) 6-month U.S. dollar LIBOR per annum multiplied by US\$11,750 during the period May 13, 2005 through May 13, 2008 and (b) the amount of US\$11,750 on May 13, 2008. On May 14, 2008, the Company received from GSI the fixed amount of US\$11,750 (equivalent to Rp109,099) related to cross currency swap contract.	Every May 5 and November 5	32,390	28,850
b.	GSI	May 13, 2005 - November 5, 2010 Swap Rp245,000 for US\$25,000	4.30% of US\$25,000	Every May 5 and November 5	6,340	6,119
c.	GSI	August 22, 2005 - June 22, 2012 Swap a certain rupiah amount equivalent to US\$75,000 multiplied by certain predetermined exchange rate for US\$75,000	3.28% of US\$75,000	Every June 22 and December 22	12,503	14,450
d.	StandChart	January 11, 2006 - June 22, 2012 Swap Rp236,250 for US\$25,000	4.78% of US\$25,000	Every June 22 and December 22	6,032	5,558
e.	StandChart	March 15, 2006 - June 22, 2012 Swap Rp228,550 for US\$25,000	3.75% of US\$25,000	Every June 22 and December 22	4,732	4,360
f.	StandChart	May 12, 2006 - September 22, 2012 Swap Rp217,500 for US\$25,000	3.45% of US\$25,000	Every June 22 and December 22	4,354	4,012
g.	HSBC	August 8, 2006 - November 5, 2010 Swap Rp225,000 for US\$25,000	4.00% of US\$25,000	Every May 5 and November 5	5,357	4,527
h.	MLIB	August 8, 2008 - June 22, 2012 The Company will receive the following: <ul style="list-style-type: none"> <li>zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp8,950 to US\$1 (in full amounts)</li> <li>certain U.S. dollar amount which is equal to US\$50,000 multiplied by (1 - Rp8,950 divided by IDR/USD spot rate) (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp8,950 but is less than or equal to Rp11,000 to US\$1 (in full amounts)</li> <li>certain U.S. dollar amount which is equal to US\$50,000 multiplied by (Rp11,000 - Rp8,950) divided by IDR/USD spot rate (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp11,000 to US\$1 (in full amounts)</li> </ul>	4.22% of US\$50,000	Every June 22 and December 22	11,669	12,047
i.	MLIB	September 2, 2008 - June 12, 2013 The Company will receive the following: <ul style="list-style-type: none"> <li>zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp8,800 to US\$1 (in full amounts)</li> <li>certain U.S. dollar amount as arranged in the contract multiplied by (IDR/USD spot rate - Rp8,800) divided by IDR/USD spot rate (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp8,800 but is less than or equal to Rp12,000 to US\$1 (in full amounts)</li> <li>certain U.S. dollar amount as arranged in the contract multiplied by (Rp3,200 divided by IDR/USD spot rate) (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp12,000 to US\$1 (in full amounts)</li> </ul>	4.10% of US\$25,000 up to September 12, 2011, and 4.10% of decreasing U.S. dollar amount as arranged in the contract up to September 12, 2013	Every June 12 and December 12	5,732	5,984

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**29. DERIVATIVES (continued)**

Cross Currency Swap Contracts (continued)

No.	Counter-parties	Contract Period and Swap Amount	Annual Swap Premium Rate	Swap Premium Payment Date	Amount of Swap Premium Paid/ Amortized (Rp)	
					2009	2010
j.	MLIB	September 8, 2008 - June 22, 2012 The Company will receive the following: <ul style="list-style-type: none"> <li>• zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp9,000 to US\$1 (in full amounts)</li> <li>• certain U.S. dollar amount which is equal to US\$25,000 multiplied by <math>(1 - \text{Rp}9,000 / \text{IDR/USD spot rate})</math> (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp9,000 but is less than or equal to Rp11,000 to US\$1 (in full amounts)</li> <li>• certain U.S. dollar amount which is equal to US\$25,000 multiplied by <math>(\text{Rp}11,000 - \text{Rp}9,000) / \text{IDR/USD spot rate}</math> (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp11,000 to US\$1 (in full amounts)</li> </ul>	2.52% of US\$25,000	Every June 22 and December 22	3,484	3,597
k.	DBS	September 10, 2008 - June 12, 2013 The Company will receive the following: <ul style="list-style-type: none"> <li>• zero amount if the IDR/USD spot rate at the scheduled settlement date is at or less than Rp8,800 to US\$1 (in full amounts)</li> <li>• certain U.S. dollar amount which is equal to U.S. dollar amount at scheduled settlement date multiplied by <math>(\text{IDR/USD spot rate} - \text{Rp}8,800) / \text{IDR/USD spot rate}</math> (in full amounts) if the IDR/USD spot rate at settlement date is greater than Rp8,800 and is at or less than Rp12,000 to US\$1 (in full amounts)</li> <li>• certain U.S. dollar amount which is equal to U.S. dollar amount at scheduled settlement date multiplied by <math>(\text{Rp}12,000 - \text{Rp}8,800) / \text{IDR/USD spot rate}</math> (in full amounts) if the IDR/USD spot rate at settlement date is greater than Rp12,000 to US\$1 (in full amounts)</li> </ul>	3.945% of US\$25,000 up to June 12, 2011, and 3.945% of decreasing U.S. dollar amount as arranged in the contract up to June 12, 2013	Every June 12 and December 12	5,702	4,577
l.	GSI	December 16, 2008 - November 5, 2010 The Company will receive the following: <ul style="list-style-type: none"> <li>• zero amount if the IDR/USD spot rate at termination date is less than or equal to Rp11,500 to US\$1 (in full amounts)</li> <li>• certain U.S. dollar amount which is equal to US\$84,000 multiplied by <math>(\text{IDR/USD spot rate} - \text{Rp}11,500) / \text{IDR/USD spot rate}</math> (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp11,500 but is less than or equal to Rp15,000 to US\$1 (in full amounts)</li> <li>• certain U.S. dollar amount which is equal to US\$84,000 multiplied by <math>(\text{Rp}3,500 / \text{IDR/USD spot rate})</math> (in full amounts) if the IDR/USD spot rate at termination date is greater than Rp15,000 to US\$1 (in full amounts)</li> </ul>	Upfront premium of US\$9,500 (equivalent to Rp105,212) which was fully paid on December 19, 2008. The premium (charged to prepaid expenses) is amortized over the contract period.	-	41,809	41,809

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**29. DERIVATIVES (continued)**

Cross Currency Swap Contracts (continued)

All cross currency swap contracts with GSI (contracts No. a, b and c) are structured to include credit-linkage with the Company as the reference entity and with the Company's (i) bankruptcy, (ii) failure to pay on certain debt obligations or (iii) restructuring of certain debt obligations as the relevant credit events. Upon the occurrence of any of these credit events, the Company's obligations and those of GSI under these swap contracts will be terminated without any further payments or settlements being made by or owed to either party, including a payment by either party of any marked-to-market value of the swap contracts.

Currency Forward Contracts

No.	Counter-parties	Contract Period	IDR/USD Fixing Rate (in full amounts)	Settlement Dates
m.	DBS <sup>(1)</sup>	May 11, 2009 - November 13, 2009	Rp10,750 to US\$1	November 13, 2009

<sup>(1)</sup> contract entered into in May 2009 and settled in November 2009

Interest Rate Swap Contracts

No.	Counter-parties	Contract Period	Annual Interest Swap Rate	Swap Income (Expense) Receipt Date	Amount of Swap Income (Expense) Received (Paid) (Rp)	
					2009	2010
n.	HSBC	April 23, 2008 - November 27, 2016	5.42% of US\$27,037, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.45% per annum	Every April 1 and October 1 up to October 2009, and every May 27 and November 27 up to termination date	(2,879)	(3,995)
o.	HSBC	April 23, 2008 - September 29, 2019	4.82% of US\$44,200, the notional amount of which will decrease based on predetermined schedule, in exchange for U.S. dollar LIBOR plus 0.35% per annum	Every January 28 and July 28 up to July 2009, and every March 29 and September 29 up to termination date	(7,309)	(16,920)
p.	GSI	September 2, 2008 - June 12, 2013	(8.10% - underlying return) of US\$100,000 per annum, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every June 10 and December 10 up to June 2011, and every June 12 and December 12 up to termination date	(6,761)	(24,299)
q.	DBS	September 5, 2008 - June 12, 2013	5.625% of US\$25,000 per annum, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every June 10 and December 10 up to December 2010, and every June 12 and December 12 up to termination date	(1,540)	(3,849)
r.	DBS	October 23, 2008 - June 12, 2013	5.28% of US\$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(2,106)	(6,676)
s.	BTMUJF	December 1, 2008 - June 12, 2013	4.46% of US\$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(1,107)	(4,778)
t.	BTMUJF	December 4, 2008 - June 12, 2013	4.25% of US\$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(935)	(4,292)
u.	BTMUJF	December 12, 2008 - June 12, 2013	4.09% of US\$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(835)	(4,778)

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**29. DERIVATIVES (continued)**

Interest Rate Swap Contracts (continued)

No.	Counter-parties	Contract Period	Annual Interest Swap Rate	Swap Income (Expense) Receipt Date	Amount of Swap Income (Expense) Received (Paid) (Rp)	
v.	StandChart	December 19, 2008 - September 12, 2013	3.85% of US\$40,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(504)	(5,384)
w.	DBS	December 22, 2008 - December 12, 2012	4.02% of US\$26,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(558)	(3,909)
x.	DBS	January 21, 2009 - December 12, 2012	3.83% of US\$26,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(302)	(3,451)
y.	BTMUFI	March 2, 2009 - September 12, 2012	4.10% of US\$36,500, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(627)	(4,901)
z.	ING Bank N.V.	March 3, 2009 - December 12, 2011	4.0094% of US\$25,000, the notional amount of which will decrease based on predetermined schedule, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and every June 12 and December 12 up to termination date	(522)	(3,734)
aa.	ING Bank N.V.	April 14, 2009 - September 12, 2011	3.75% of US\$33,500, in exchange for 6-month U.S. dollar LIBOR plus 1.85% per annum	Every March 25 and September 25 up to March 2011, and on June 12, 2011	-	(4,199)

**30. SIGNIFICANT AGREEMENTS AND COMMITMENTS**

- a. As of September 30, 2010, commitments on capital expenditures which are contractual agreements not yet realized relate to the procurement and installation of property and equipment amounting to US\$239,203 (Note 36i) and Rp1,065,672.

The significant commitments on capital expenditures are as follows:

Contract Date	Contract Description	Vendor	Amount of Contract/Purchase Orders ("POs") Already Issued	Amount of Contract/POs Not Yet Served
June 30, 2010	The Procurement of Technology Upgrade for 2G and 3G Telecommunications Network in Kalimantan (including commitment to purchase Software Defined Radio (SDR) equipment)	PT Nokia Siemens Networks and Nokia Siemens Networks Oy	US\$37,773	US\$23,064
June 16, 2010	The Procurement of Telco Infrastructure	PT Nokia Siemens Networks and Nokia Siemens Networks Oy	US\$106,736 and Rp477,607	US\$93,528 and Rp409,340
May 16, 2007	Supply of GSM Cellular Infrastructure	PT Nokia Siemens Networks, Nokia Siemens Networks Oy and Nokia Siemens Networks GmbH & Co. KG.	US\$328,127 and Rp1,451,235	US\$14,447 and Rp137,878
April 20, 2007	Telecommunications Equipment Supply and Service	PT Alcatel Lucent Indonesia and Alcatel Shanghai Bell Co. Ltd.	US\$69,482 and Rp634,390	US\$1,010 and Rp14,859
April 3, 2007	Supply of GSM Infrastructure	PT Ericsson Indonesia and Ericsson AB	US\$383,496 and Rp1,116,980	US\$971 and Rp28,243

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

- b. On September 17, 2010, the Company received Tax Collection Letters (“STPs”) from the DGT for the underpayment of the Company’s 2008 and 2009 income tax article 26 totalling Rp80,018 (including interest). However, the Company has objection on such tax collection (Note 36d).
- c. On January 29, April 15, May 24 and June 3, 2010, the Company agreed to lease part of its telecommunications towers and sites to PT Hutchison CP Telecommunication (“Hutchison”) for a period of 12 years, PT Natrindo Telepon Selular (“NTS”) for a period of 10 years, PT XL Axiata Tbk (“XL Axiata”) for a period of 10 years and PT Berca Global Access (“Berca”) for a period of 10 years, respectively. Hutchison, NTS, XL Axiata and Berca are required to pay the annual 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.

- d. 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, Nusa Tenggara Barat, Nusa Tenggara Timur, Kalimantan Barat, Kalimantan Selatan, Kalimantan Timur, Kalimantan Tengah, Maluku and Papua. The agreement covers four years starting from October 15, 2010 with contract value amounting to Rp83,684, Rp130,781 and Rp106,275 for Work Packages 7, 8 and 9, respectively. As of September 30, 2010, Lintasarta has received advance payments from MOCIT-BTIP related with the agreements amounting to Rp51,318 and Rp12,830 which are classified as part of unearned income for the current portion and other non-current liabilities for the long-term portion, 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 (Note 2c).

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. As of September 30, 2010, Lintasarta has paid advances to WEB totalling Rp37,941 and Rp9,485, which are classified as part of advances for the current portion and long-term advances for the long-term portion, respectively.

- e. 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.

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.

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

Furthermore, three of the telecommunications operators also no longer joined the project. Consequently, as of September 30, 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 September 30, 2010, the Company has paid the amount of US\$1,503 which is recorded as part of other non-current financial assets.

- f. 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 (Note 1a). 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.
- g. 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 September 30, 2010, the Company has not used these facilities

- h. 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 September 30, 2010, the balance of the funds (including interest earned) which are under the Company's custody amounted to US\$4,725. 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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**30. SIGNIFICANT AGREEMENTS AND COMMITMENTS (continued)**

i. Other agreements made with Telkom are as follows:

- Under a cooperation agreement, the compensation to Telkom relating to leased circuit/channel services, such as world link and bit link, is calculated at 15% of the Company's collected revenues from such services.

The Company and Satelindo also lease circuits from Telkom to link Jakarta, Medan and Surabaya.

- 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 Rp21,806 and Rp21,673 in 2009 and 2010, respectively, is presented as part of "Operating Expenses - Cost of Services" in the consolidated statements of income.

**31. TARIFF SYSTEM**

a. International telecommunications services

The service rates ("tariffs") for overseas exchange carriers are set based on the international telecommunications regulations established by the International Telecommunications Union ("ITU"). These regulations require the international telecommunications administrations to establish and revise, under mutual agreement, accounting rates to be applied among them, taking into account the cost of providing specific telecommunications services and relevant recommendations from the Consultative Committee on International Telegraph and Telephone ("CCITT"). The rates are divided into terminal shares payable to the administrations of terminal countries and, where appropriate, into transit shares payable to the administrations of transit countries.

The ITU also regulates that the monetary unit to be used, in the absence of special arrangements, shall be the Special Drawing Right ("SDR") or the Gold Franc, which is equivalent to 1/3.061 SDR. Each administration shall, subject to applicable national law, establish the charges to be collected from its customers.

The tariffs billed to domestic subscribers for international calls originating in Indonesia, also known as collection rates, are established in a decision letter of the MOC, which rates are generally higher than the accounting rates. During the period 1996 to 1998, the MOC made tariff changes effective January 1, 1997, March 15, 1998 and November 15, 1998.

Based on Decision Letter No. 09/PER/M.KOMINFO/02/06 dated February 28, 2006 of the MOCIT, the collection rates are set by tariff formula known as price cap formula which already considers customer price index starting January 1, 2007.

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**31. TARIFF SYSTEM (continued)**

b. Cellular services

Tariffs for cellular providers are set on the basis of Regulation No. KM.27/PR.301/MPPT-98 dated February 23, 1998 of the Ministry of Tourism, Posts and Telecommunications ("MTPT") (subsequently renamed "MOC" and most recently, "MOCIT"). Under this regulation, the cellular tariffs consist of the following:

- Connection fee
- Monthly charges
- Usage charges

The maximum tariff for connection fee is Rp200,000 per new connection number. The maximum tariff for monthly charges is Rp65,000. Usage charges consist of the following:

1. Airtime

The maximum airtime tariff charged to the originating cellular subscriber is Rp325 per minute. The details of the tariff system are as follows:

- |   |  |
|---|--|
| a. Cellular to cellular                                   | : 2 times airtime rate                   |
| b. Cellular to Public Switched Telephone Network ("PSTN") | : 1 time airtime rate                    |
| c. PSTN to cellular                                       | : 1 time airtime rate                    |
| d. Card phone to cellular                                 | : 1 time airtime rate plus 41% surcharge |

2. Usage

- a. Usage tariff charged to a cellular subscriber who makes a call to another subscriber using PSTN network is similar to the usage tariff of PSTN, which is applied on a time differentiation basis. For the use of local PSTN network, the tariff is computed at 50% of the prevailing local PSTN tariff.
- b. Long-distance usage tariff between two different service areas without using PSTN network is similar to the prevailing tariff on domestic long-distance call ("SLJJ") for a PSTN subscriber.

The maximum tariff for active roaming is Rp1,000 per call and is charged to in-roaming cellular subscriber who makes a call.

Tariffs for prepaid customers are also regulated by the MOC in its Decree No. KM.79 Year 1998 dated December 14, 1998, and are typically higher than tariffs for post-paid subscribers. Cellular operators are allowed to set their own tariffs. However, the maximum usage tariffs for prepaid customers may not exceed 140% of peak time tariffs for post-paid subscribers.

Regulation No. KM.27/PR.301/MPPT-98 dated February 23, 1998 and Decree No. KM.79 Year 1998 of the MTPT were subsequently superseded by Regulation No. 12/PER/M.KOMINFO/02/2006 dated February 28, 2006 of the MOCIT regarding basic telephony tariffs for cellular mobile network service. Under this regulation, the cellular tariffs consist of the following:

- Connection fee
- Monthly charges
- Usage charges
- Additional facilities fee

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**31. TARIFF SYSTEM (continued)**

b. Cellular services (continued)

Cellular providers should implement the new tariffs referred to as "floor price". For usage charges, the floor price should be the originating fee plus termination fee (total interconnection fee), while for connection fee and monthly charges, the floor price depends on the cost structure of each cellular provider.

On April 7, 2008, the MOCIT issued Ministerial Decree No. 09/PER/M.KOMINFO/04/2008 about guidelines on calculating basic telephony service tariffs through cellular mobile network. Under this new Decree, the cellular providers should implement the new tariffs referred to as "price cap". The types of tariffs for telecommunications services through cellular network consist of the following:

- Tariff for basic telephony services
- Tariff for roaming
- Tariff for multimedia services

The retail tariffs should be calculated based on Network Element Cost, Activation Cost of Retail Services and Profit Margin.

The implementation of the new tariffs for a dominant operator has to be approved by the Government. A dominant operator is an operator that has revenue of more than 25% of total industry revenue for a certain segment.

Starting May 2008, the Company has fully adopted the new cellular tariff system.

c. Fixed telecommunications services

In February 2006, the MOCIT released Regulation No. 09/PER/M.KOMINFO/02/2006 regarding basic telephony tariffs for fixed network service.

On April 30, 2008, the MOCIT issued Ministerial Decree No. 15/PER/M.KOMINFO/04/2008 about the guidelines on calculating basic telephony service tariffs through fixed network. This Decree also applies to fixed wireless access (FWA) network.

Under this new decree, the tariffs for basic telephony services and SMS (short message service) must be calculated based on the formula stated in the Decree. The fixed network providers should implement the new tariffs referred to as "price cap".

Starting May 2008, the Company has fully adopted the new fixed telecommunications tariff system.

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### 32. INTERCONNECTION TARIFFS

Interconnection tariffs among domestic telecommunications operators are regulated by the MOC through its Decree No. KM.108/PR.301/MPPT-94 dated December 28, 1994. The Decree was updated several times with the latest update being Decree No. KM.37 Year 1999 dated June 11, 1999. This Decree, along with Decree No. KM.46/PR.301/MPPT-98 dated February 27, 1998, prescribed interconnection tariff structures between mobile cellular telecommunications network and PSTN, mobile cellular telecommunications network and international telecommunications network, mobile cellular telecommunications network and other domestic mobile cellular telecommunications network, international telecommunications network and PSTN, and between two domestic PSTNs.

Based on the Decree of the MOC, the interconnection tariff arrangements are as follows:

#### 1. Structure of Interconnection Tariffs

##### a. Between international and domestic PSTN

Based on Decision Letter No. KM.37 Year 1999 dated June 11, 1999 of the MOC, the interconnection tariffs are as follows:

	<u>Tariff</u>	<u>Basis</u>
Access charge	Rp850 per call	Number of successful outgoing and incoming calls
Usage charge	Rp550 per paid minute	Duration of successful outgoing and incoming calls

##### b. Between domestic PSTN and another domestic PSTN

Interconnection charges for domestic telecommunications traffic (local and long-distance) between a domestic PSTN and another domestic PSTN are based on agreements made by those domestic PSTN telecommunications carriers.

##### c. Between cellular telecommunications network and domestic PSTN

Based on the MTPT Decree No. KM.46/PR.301/MPPT-98 ("Decree No. 46") dated February 27, 1998 which became effective starting April 1, 1998, the interconnection tariffs are as follows:

###### (1) Local Calls

For local calls from a cellular telecommunications network to a PSTN subscriber, the cellular operator pays the PSTN operator 50% of the prevailing tariffs for local calls. For local calls from the PSTN to a cellular subscriber, the cellular operator receives the airtime charged by the PSTN operator to its subscribers.

###### (2) SLJJ

For SLJJ which originates from the PSTN to a cellular subscriber, the cellular operator receives a portion of the prevailing SLJJ tariffs, which portion ranges from 15% of the prevailing SLJJ tariffs plus the airtime charges in cases where the entire long-distance portion is not carried by the cellular operator, to 60% of the tariffs plus the airtime charges in cases where the entire long-distance portion is carried by the cellular operator.

For SLJJ which originates from a cellular telecommunications network to a PSTN subscriber, the cellular operator is entitled to retain a portion of the prevailing SLJJ tariffs, which portion ranges from 15% of the tariffs in cases where the entire long-distance portion is not carried by the cellular operator, to 60% of the tariffs in cases where the entire long-distance portion is carried by the cellular operator.

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**32. INTERCONNECTION TARIFFS (continued)**

1. Structure of Interconnection Tariffs (continued)

- d. Between cellular telecommunications network and another cellular telecommunications network

Based on Decree No. 46, the interconnection tariffs are as follows:

(1) Local Calls

For local calls from a cellular telecommunications network to another, the "origin" cellular operator pays the airtime to the "destination" cellular operator. If the call is carried by a PSTN, the cellular operator pays the PSTN operator 50% of the prevailing tariffs for local calls.

(2) SLJJ

For SLJJ which originates from a cellular telecommunications network, the cellular operator is entitled to retain a portion of the prevailing SLJJ tariffs, which portion ranges from 15% of the tariffs in cases where the entire long-distance portion is not carried by the cellular operator, to 85% of the tariffs in cases where the entire long-distance portion is carried by the cellular operator and the call is delivered to another cellular operator, and to 100% if the call is delivered to the same cellular operator.

- e. Between international PSTN and cellular telecommunications network

Starting in 1998, the interconnection tariffs for international cellular call traffic to/from overseas from/to domestic cellular subscribers, regardless of whether the traffic is made through domestic PSTN or not, is based on the same tariffs applied to traffic made through domestic PSTN as discussed in "a" above. However, as agreed mutually with the cellular telecommunications operators, the Company (including Satelindo until it was merged - Note 1e) still applied the original contractual sharing agreements regarding the interconnection tariffs until December 31, 2006 (Note 33).

- f. Between international gateway exchanges

Interconnection charges for international telecommunications traffic between international gateway exchanges are based on agreements between international telecommunications carriers and international telecommunications joint ventures.

2. USO

On September 30, 2005, the MOCIT issued Regulation No. 15/PER/M.KOMINFO/9/2005, which sets forth the basic policy underlying the USO program and requiring telecommunications operators in Indonesia to contribute 0.75% of annual gross revenue (after deducting bad debts and interconnection charges) for USO development.

The MOCIT also issued Regulation No. 11/PER/M.KOMINFO/04/2007 dated April 13, 2007, which gives guidance on USO provisioning, such as on auction mechanism, tariff, USO area and technical requirements.

On January 16, 2009, the Government issued Regulation No. 7 Year 2009 increasing the USO development contribution from 0.75% to 1.25% and decreasing the concession fee from 1% to 0.50% of annual gross revenue (after deducting bad debts and interconnection charges) effective January 1, 2009.

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**32. INTERCONNECTION TARIFFS (continued)**

3. Revenue Sharing

Revenue from access and usage charges from international telecommunications traffic with telecommunications networks owned by more than one domestic telecommunications carrier which is not regulated by Decree No. 08/PER/M.KOMINFO/02.2006, is to be proportionally shared with each carrier, which proportion is to be bilaterally arranged between the carriers.

Decree No. KM. 37 Year 1999 and Decree No. 46 were subsequently superseded by Decree No. 32 Year 2004 of the MOC which provides cost-based interconnection to replace the current revenue-sharing arrangement. Under the new Decree, the operator of the network on which calls terminate determines the interconnection charge to be received by it based on a formula mandated by the Government, which is intended to have the effect of requiring that operators charge for calls based on the cost of carrying such calls.

The effective date of the new Decree, which was originally set to start on January 1, 2005, was subsequently postponed until January 1, 2007 based on Regulation No. 08/PER/M.KOMINFO/02/2006 dated February 8, 2006 of the MOCIT (Note 33).

The implementation of interconnection billing between operators starts from the time they sign their interconnection agreements. All interconnection agreements will be based on Reference Interconnection Offer ("RIO"). All operators have to publish their RIO and a dominant operator is required to obtain an approval of its RIO from the Government.

On August 4, 2006, the DGPT issued Decree No. 278/DIRJEN/2006, which approved the RIO of the Company and two other dominant telecommunications operators (Telkom and Telkomsel). This decree was implemented since January 1, 2007 as agreed by all operators and approved by the Government. On April 11, 2008, the DGPT approved the new RIO for dominant operators (Telkom, Telkomsel and the Company). The DGPT requires all domestic operators to amend their interconnection agreements in line with the approved new RIO starting April 1, 2008.

On April 1, 2008, the Company implemented the new interconnection tariffs based on the approved RIO.

**33. INTERCONNECTION AGREEMENTS**

The Company (including Satelindo and IM3 until they were merged - Note 1e) has interconnection arrangements with domestic and overseas operators. Some significant interconnection agreements are as follows:

1. Telkom

The following are significant interconnection agreements/transactions with Telkom:

a. Fixed telecommunications services

On September 23, 2005, the Company and Telkom signed an agreement regarding the interconnection of local, long-distance and international fixed networks. The principal matters covered by the agreement are as follows:

- Interconnection between the Company's and Telkom's local, long-distance and international fixed networks enables the Company's fixed telecommunications service subscribers to make or receive calls to or from Telkom's subscribers or international gateways.

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**33. INTERCONNECTION AGREEMENTS (continued)**

1. Telkom (continued)

a. Fixed telecommunications services (continued)

- The Company's and Telkom's international services are accessible and continuously open to each other's fixed networks.
- The Company and Telkom are responsible for their respective telecommunications facilities.
- The compensation arrangement for the services provided is based on interconnection tariffs determined by both parties.
- Each party handles subscriber billing and collection for the other party's international calls service used by the other party's subscribers. Each party has to pay the other party 1% of the collections made by the other party, plus the billing process expenses which are fixed at Rp82 per record of outgoing call as compensation for billing processing. However, the collection and billing process expense was changed to "service charge", which was computed at Rp1,250 per minute of outgoing call starting April 1, 2008. Based on the latest agreement, the service charge rate has been reduced to Rp1,200 per minute of outgoing call starting January 1, 2009.

On December 28, 2006, the Company entered into a memorandum of understanding with Telkom applying the new interconnection rates under cost-based regime that are effective starting January 1, 2007. This memorandum of understanding was replaced by the agreement dated December 18, 2007. This agreement was amended several times. The latest amendment was dated December 30, 2009.

b. Cellular Services

On December 1, 2005, the Company and Telkom signed an agreement regarding the interconnection between the Company's cellular telecommunications network with Telkom's fixed telecommunications network. Under this agreement, the interconnection between the Company's cellular telecommunications network and Telkom's fixed telecommunications network enables the Company's cellular subscribers to make or receive calls to or from Telkom's fixed telecommunications subscribers.

On December 28, 2006, the Company entered into a memorandum of understanding with Telkom applying the new interconnection rates under cost-based regime that are effective starting January 1, 2007. This memorandum of understanding was replaced by an agreement dated December 18, 2007. This agreement was amended several times. The latest amendment was dated December 30, 2009.

2. PT XL Axiata Tbk (formerly PT Excelcomindo Pratama Tbk or "Excelcom"), PT Mobile-8 Telecom Tbk ("Mobile-8") and Telkomsel

The principal matters covered by the agreements with these operators are as follows:

- The Company's and Satelindo's international gateway exchanges are interconnected with the mobile cellular telecommunications operators' networks to make outgoing or receive incoming international calls through the Company's and Satelindo's international gateway exchanges.

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**33. INTERCONNECTION AGREEMENTS (continued)**

2. PT XL Axiata Tbk (formerly PT Excelcomindo Pratama Tbk or "Excelcom"), PT Mobile-8 Telecom Tbk ("Mobile-8") and Telkomsel (continued)

- The Company and Satelindo receive, as compensation for the interconnection, a portion of the cellular telecommunications operators' revenues from the related services that are made through the Company's and Satelindo's international gateway exchanges.
- Satelindo and IM3 also have an agreement with the above operators for the interconnection of Satelindo's and IM3's GSM mobile cellular telecommunications network with the above operators' network, enabling the above operators' customers to make calls/send SMS to or receive calls/SMS from Satelindo's and IM3's customers.
- The agreements are renewable annually.

The Company (including Satelindo and IM3 until they were merged - Note 1e) and the above operators still continue their business under the agreements by applying the original compensation formula, except for interconnection fee.

On December 8, 27 and 28, 2006, the Company entered into a memorandum of understanding with each of Telkomsel, Mobile-8 and XL Axiata, respectively, applying the new interconnection rates under cost-based scheme effective January 1, 2007 to comply with Regulation No. 08/PER/M.KOMINFO/02/2006 of the MOCIT (Note 2n). The memoranda of understanding with each of Mobile-8, XL Axiata and Telkomsel were replaced by agreements dated September 14, and December 17 and 19, 2007, respectively. The agreements with Mobile-8 and XL Axiata were amended on March 31, 2008, while the agreement with Telkomsel was amended on February 18, 2008.

2. PT Bakrie Telecom Tbk ("Bakrie Telecom")

The principal matters covered by the latest amendment of the agreement dated June 10, 2009 are related to interconnection between the Company's mobile cellular network and international gateway exchanges to Bakrie Telecom's network, including SLI 009 network.

Net interconnection revenues (charges) from (to) major operators are as follows:

	<u>2009</u>	<u>2010</u>
Telkom	95,460	121,377
Mobile-8	8,999	7,952
Telkomsel	(88,055)	(124,098)
XL Axiata	(50,859)	(72,846)
Bakrie Telecom	(5,970)	(4,051)
<b>Net charges</b>	<b><u>(40,425)</u></b>	<b><u>(71,666)</u></b>

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**34. 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.

Consolidated information by industry segment follows:

	Major Segments			Segment Total
	Cellular	Fixed Telecommunications	MIDI	
<b>2009</b>				
<u>Operating revenues</u>				
Revenues from external customers	10,217,260	1,506,547	2,009,059	13,732,866
Inter-segment revenues	(224,316)	224,316	383,944	383,944
Total operating revenues	9,992,944	1,730,863	2,393,003	14,116,810
Inter-segment revenues elimination				(383,944)
<b>Operating revenues - net</b>				<b>13,732,866</b>
<u>Income</u>				
Operating income	1,184,164	778,951	629,156	2,592,271
Gain on foreign exchange - net				1,394,440
Interest income				120,899
Financing cost				(1,359,189)
Income tax expense				(625,968)
Loss on change in fair value of derivatives - net				(387,552)
Amortization of goodwill				(177,173)
Others - net				(68,370)
<b>Income before minority interest in net income of subsidiaries</b>				<b>1,489,358</b>
<u>Other Information</u>				
Segment assets	44,138,337	2,722,938	8,246,966	55,108,241
Unallocated assets				4,818,729
Inter-segment assets elimination				(5,109,617)
<b>Assets - net</b>				<b>54,817,353</b>
Segment liabilities	31,370,046	1,129,145	4,035,238	36,534,429
Unallocated liabilities				3,799,422
Inter-segment liabilities elimination				(3,741,024)
<b>Liabilities - net</b>				<b>36,592,827</b>
Capital expenditures	8,420,514	550,919	1,282,284	10,253,717
Depreciation and amortization	3,024,805	241,974	468,395	3,735,174

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**34. SEGMENT INFORMATION (continued)**

	Major Segments			Segment Total
	Cellular	Fixed Telecommunications	MIDI	
<b>2010</b>				
<u>Operating revenues</u>				
Revenues from external customers	11,914,352	1,117,851	1,810,876	14,843,079
Inter-segment revenues	(67,735)	67,735	448,399	448,399
Total operating revenues	11,846,617	1,185,586	2,259,275	15,291,478
Inter-segment revenues elimination				(448,399)
<b>Operating revenues - net</b>				<b>14,843,079</b>
<u>Income</u>				
Operating income	2,094,326	31,202	436,525	2,562,053
Gain on foreign exchange - net				589,156
Interest income				113,166
Financing cost				(1,745,054)
Loss on change in fair value of derivatives - net				(378,431)
Income tax expense				(293,179)
Amortization of goodwill				(169,880)
Others - net				(97,468)
<b>Income before minority interest in net income of subsidiaries</b>				<b>580,363</b>
<u>Other Information</u>				
Segment assets	45,379,840	2,194,855	8,417,441	55,992,136
Unallocated assets				8,045,310
Inter-segment assets elimination				(7,715,690)
<b>Assets - net</b>				<b>56,321,756</b>
Segment liabilities	30,414,920	655,744	3,400,175	34,470,839
Unallocated liabilities				9,914,569
Inter-segment liabilities elimination				(6,157,111)
<b>Liabilities - net</b>				<b>38,228,297</b>
Capital expenditure	2,707,147	141,735	518,917	3,367,799
Depreciation and amortization	3,707,573	232,218	625,829	4,565,620

**35. 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. The Company's Board of Directors reviews and approves the policies for managing these risks which are summarized below.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Companies' exposure to the risk of changes in market interest rates relates primarily to their loans and bonds payable with floating interest rates.

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

**A. RISK MANAGEMENT (continued)**

**Interest rate risk (continued)**

The Company's policies relating to interest rate risk are as follows:

- (1) Manage interest cost through a mix of fixed and variable rate debts. The Company evaluates the fixed to floating rate ratio of its loans and bonds payable in line with movements of relevant interest rates in the financial markets. Based on management's assessment, new financing will be priced either on a fixed or floating rate basis, and
- (2) Manage interest rate exposure on its loans and bonds payables by entering into interest rate swap contracts.

As of September 30, 2010, more than 60% of the Companies' debts are fixed-rated.

Several interest rate swap contracts are entered into to hedge floating rate U.S. dollar debts. These contracts are accounted as transactions not designated as hedges, wherein the changes in the fair value are credited or charged directly to profit or loss for the period.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's consolidated net income for the nine months ended September 30, 2010 (through the impact on floating rate borrowings which is based on LIBOR for U.S. dollar borrowings and on JIBOR for rupiah borrowings).

Increase/decrease in basis points:	
U.S. dollar	31
Rupiah	19

Effect on consolidated net income for the period:

U.S. dollar	US\$1,081 (equivalent to Rp9,644)
Rupiah	Rp6,304

Management conducted a survey among the Company's banks to determine the outlook of the LIBOR and JIBOR interest rates until the Company's next reporting date of December 31, 2010. The outlook is that the LIBOR and JIBOR interest rates may move 31 and 19 basis points, respectively, higher or lower than the interest rates at the end of the third quarter of 2010.

If LIBOR interest rates were 31 basis points higher or lower than the market levels as of September 30, 2010, with all other variables held constant, the Company' consolidated net income for the nine months then ended and the consolidated stockholders' equity would be Rp521,270 or Rp540,558 and Rp17,725,210 or Rp17,744,498, respectively, which are lower or higher than the actual results for the nine months ended September 30, 2010, mainly due to the higher or lower interest expense on floating rate borrowings.

If JIBOR interest rates were 19 basis points higher or lower than the market levels as of September 30, 2010, with all other variables held constant, the Company' consolidated net income for the nine months then ended and the consolidated stockholders' equity would be Rp524,610 or Rp537,218 and Rp17,728,550 or Rp17,741,158, respectively, which are lower or higher than the actual results for the nine months ended September 30, 2010, mainly due to the higher or lower interest expense on floating rate borrowings.

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

**A. RISK MANAGEMENT (continued)**

**Foreign exchange rate risk**

Foreign exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Companies' exposure to exchange rate fluctuations results primarily from U.S. dollar-denominated loans and bonds payable, accounts receivable, accounts payable and procurement payable.

To manage foreign exchange rate risks, the Company entered into several cross currency swap contracts and other permitted instruments, if considered necessary. These contracts are accounted as transactions not designated as hedges, wherein the changes in the fair value are credited or charged directly to profit or loss for the period.

The Companies' accounts payable are primarily foreign currency net settlement payables to foreign telecommunications operators, while most of the Companies' accounts receivable are Indonesian rupiah-denominated collectibles from domestic operators.

To the extent the Indonesian rupiah depreciated further from the exchange rates in effect at September 30, 2010, the Companies' obligations under such loans and bonds payable, accounts payable and procurement payable would increase in Indonesian rupiah terms. However, the increases in these obligations would be offset in part by increases in the values of foreign currency-denominated time deposits and accounts receivable. As of September 30, 2010, 32.84% of the Companies' U.S. dollar-denominated debts were insured from exchange rate risk by entering into several cross currency swap contracts.

The following table shows the Companies' consolidated U.S. dollar-denominated assets and liabilities as of September 30, 2010:

	<b>2010</b>	
	<b>U.S. Dollar</b>	<b>Rupiah *</b>
<i>Assets:</i>		
Cash and cash equivalents	383,110	3,418,871
Accounts receivable		
Trade	125,264	1,117,859
Others	493	4,404
Derivative assets	13,387	119,462
Other current financial assets	2,015	17,983
Due from related parties	71	632
Other non-current financial assets	1,401	12,500
<b>Total assets</b>	<b>525,741</b>	<b>4,691,711</b>
<i>Liabilities:</i>		
Accounts payable - trade	22,830	203,730
Procurement payable	252,272	2,251,277
Accrued expenses	31,552	281,574
Deposits from customers	1,480	13,207
Derivative liabilities	31,895	284,631
Other current financial liabilities	225	2,005
Other current liabilities	9,879	88,157
Loans payable (including current maturities)	899,707	8,028,989
Bonds payable (including current maturities)	650,000	5,800,600
Other non-current liabilities	8,730	77,909
<b>Total liabilities</b>	<b>1,908,570</b>	<b>17,032,079</b>
<b>Net liabilities position</b>	<b>1,382,829</b>	<b>12,340,368</b>

\*The exchange rate used to translate the U.S. dollar amounts into rupiah was Rp8,924 to US\$1 (in full amounts) as quoted from the Indonesian Central Bank as at September 30, 2010.

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

**A. RISK MANAGEMENT (continued)**

**Foreign exchange rate risk (continued)**

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, of the Company's consolidated net income for the period:

Change in U.S. dollar	0.1%
Effect on consolidated net income for the period	(9,255)

Management conducted a survey among the Company's banks to determine the outlook of the U.S. dollar exchange rate until the Company's next reporting date of December 31, 2010. The outlook is that the U.S. dollar exchange rate may strengthen by 0.1% as compared to the exchange rate at September 30, 2010.

If the U.S. dollar exchange rate strengthened by 0.1% as compared to the exchange rate as of September 30, 2010, with all other variables held constant, the Company's consolidated net income for the nine months then ended would be Rp521,659 which is lower than the actual results mainly due to the consolidated net foreign exchange loss on the translation of U.S. dollar-denominated net liabilities.

**Equity price risk**

The Companies' long-term investments consist primarily of minority investment in the equity of private Indonesian companies and equity of foreign companies. With respect to the Indonesian companies in which the Companies have investments, the financial performance of such companies may be adversely affected by the economic conditions in Indonesia.

**Credit risk**

Credit risk is the risk that the Companies will incur a loss arising from their customers, clients or counterparties that fail to discharge their contractual obligations. There are no significant concentrations of credit risk. The Companies manage and control this credit risk by setting limits on the amount of risk they are willing to accept for individual customers and by monitoring exposures in relation to such limits.

The Companies trade only with recognized and creditworthy third parties. It is the Companies' policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

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

**A. RISK MANAGEMENT (continued)**

**Credit risk (continued)**

The table below shows the maximum exposure to credit risk for the components of the consolidated balance sheet.

	Gross Maximum Exposure (1)	Net Maximum Exposure (2)
Loans and receivables:		
Cash and cash equivalents	6,185,065	6,185,065
Accounts receivable		
Trade - net	1,558,971	1,558,971
Others - net	26,055	26,055
Other current financial assets	43,191	43,191
Due from related parties - net	7,960	7,960
Other non-current financial assets	85,842	85,842
Held-for-trading:		
Cross currency swaps	119,462	119,462
Available-for-sale investments:		
Other long-term investments - net	2,730	2,730
<b>Total</b>	<b>8,029,276</b>	<b>8,029,276</b>

(1) gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.

(2) gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements.

**Liquidity risk**

The liquidity risk is defined as a risk when the cash flow position of the Companies indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Companies' liquidity requirements have historically arisen from the need to finance investments and capital expenditures related to the expansion of their telecommunications business. The Companies' telecommunications business requires substantial capital to construct and expand mobile and data network infrastructure and to fund operations, particularly during the network development stage. Although the Companies have substantial existing network infrastructure, the Companies expect to incur additional capital expenditures primarily in order to focus cellular network development in areas they anticipate will be high-growth areas, as well as to enhance the quality and coverage of their existing network.

In the management of liquidity risk, the Companies monitor and maintain a level of cash and cash equivalents deemed adequate to finance the Companies' operations and to mitigate the effects of fluctuation in cash flows. The Companies also regularly evaluate the projected and actual cash flows, including their loan maturity profiles, and continuously assess conditions in the financial markets for opportunities to pursue fund-raising initiatives. These activities may include bank loans, debt capital and equity market issues.

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

**A. RISK MANAGEMENT (continued)**

**Liquidity risk (continued)**

The table below summarizes the maturity profile of the Companies' financial liabilities based on contractual undiscounted payments.

	Expected maturity as of September 30, 2010						Discount/ debt issuance costs and consent solicitation fees	Carrying value as of September 30, 2010
	2011	2012	2013	2014	2015 and thereafter	Total		
Accounts payable - trade	619,341	-	-	-	-	619,341	-	619,341
Procurement payable	4,000,682	-	-	-	-	4,000,682	-	4,000,682
Accrued expenses	1,767,281	-	-	-	-	1,767,281	-	1,767,281
Deposits from customers	87,115	-	-	-	-	87,115	-	87,115
Derivative liabilities	284,631	-	-	-	-	284,631	-	284,631
Other current financial liabilities	46,329	-	-	-	-	46,329	-	46,329
Due to related parties	-	20,998	-	-	-	20,998	-	20,998
Loans payable								
In rupiah	1,064,933	2,654,983	984,300	1,000,000	-	5,704,216	(32,165)	5,672,051
In U.S. dollar	1,600,707	1,820,023	2,329,219	540,999	1,738,041	8,028,989	(200,827)	7,828,162
Total loans payable	2,665,640	4,475,006	3,313,519	1,540,999	1,738,041	13,733,205	(232,992)	13,500,213
Bonds payable								
In rupiah	1,740,000	41,989	1,330,000	1,630,000	3,390,000	8,131,989	(31,927)	8,100,062
In U.S. dollar	-	-	-	-	5,800,600	5,800,600	(92,533)	5,708,067
Total bonds payable	1,740,000	41,989	1,330,000	1,630,000	9,190,600	13,932,589	(124,460)	13,808,129
<b>Total</b>	<b>11,211,019</b>	<b>4,537,993</b>	<b>4,643,519</b>	<b>3,170,999</b>	<b>10,928,641</b>	<b>34,492,171</b>	<b>(357,452)</b>	<b>34,134,719</b>

**B. COLLATERAL**

The loans of Lintasarta, a subsidiary, which were obtained from CIMB Niaga, are collateralized by all equipment (Notes 9,16i and 16j) purchased from the proceeds of the credit facilities. There are no other significant terms and conditions associated with the use of collateral.

The Company itself did not hold any collateral as of September 30, 2010.

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**36. SUBSEQUENT EVENTS**

- a. On October 5, 2010, the Company received the rating of *id*AA+ (stable outlook) for its local bonds and *id*AA<sub>(sy)</sub>+ (stable outlook) for its local sukuk from Pefindo (Note 17).
- b. On October 11, 2010, the Company made notification letters to BCA, DBS and Mandiri in relation to the Company's plan to make early repayments for BCA credit facilities 2 and 3 (totalling Rp1,300,000), DBS (Rp400,000) and Mandiri credit facility 2 (Rp900,000), which will be paid on October 19, October 30 and November 15, 2010, respectively (Note 16).
- c. On October 12, 2010, the Company submitted appeal letters to the Tax Court regarding Decision Letter No.KEP-367/WPJ-19/BD.05/2010 and KEP-368/WPJ.19/BD.05/2010 from the DGT declining the Company's objection to the correction on Satelindo's 2002 and 2003 income tax article 26 (Note 6).
- d. On October 13, 2010, the Company submitted the cancellation letters to the Tax Office regarding the Tax Collection Letters ("STPs") from the DGT for the underpayment of the Company's 2008 and 2009 income tax article 26 totalling Rp80,018 (including interest) (Note 30b).
- e. On October 14, 2010, the Company submitted an appeal letter to the Tax Court regarding Decision Letter No.KEP-357/WPJ.19/BD.05/2010 from the DGT declining the Company's objection to the correction on Satelindo's corporate income tax for fiscal year 2002 (Note 6).
- f. On October 19, 2010, the Company attended the hearing of Tax Court Decision on the acceptance of the Company's remaining objection on the 2005 corporate income tax (Note 6).
- g. On October 19, 2010, the Company made early repayment for BCA credit facilities 2 and 3 totalling Rp1,300,000 (Note 16).
- h. On October 22, 2010, the Company paid in full the Series B of Third Indosat Bonds in Year 2003 amounting to Rp640,000 (Note 17).
- i. As of October 25, 2010, the prevailing exchange rate of the rupiah to U.S. dollar is Rp8,927 to US\$1 (in full amounts), while as of September 30, 2010, the prevailing exchange rate was Rp8,924 to US\$1 (in full amounts). Using the exchange rate as of October 25, 2010, the Companies suffered foreign exchange loss amounting to approximately Rp4,148 (excluding the effect of revaluing derivative contracts on October 25, 2010) on the foreign currency liabilities, net of foreign currency assets, as of September 30, 2010 (Note 35).

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 September 30, 2010 or at any other rate of exchange.

The commitments for the capital expenditures denominated in foreign currencies as of September 30, 2010 as disclosed in Note 30a are approximately Rp2,135,367 if translated at the prevailing exchange rate as of October 25, 2010.

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**37. RECENT DEVELOPMENTS AFFECTING ACCOUNTING STANDARDS**

The revised accounting standards and interpretations issued by the Indonesian Financial Accounting Standards Board (DSAK) up to the date of completion of the Companies' consolidated financial statements but not yet effective as of September 30, 2010 are summarized below:

**Effective on or after January 1, 2011:**

- 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.
- 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.
- 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.
- SAK 5 (Revised 2009), "Operating Segments", requires segment information 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.
- 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.
- SAK 10 (Revised 2010), "The Effects of Changes in Foreign Exchange Rates", prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.
- 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".
- SAK 19 (Revised 2010), "Intangible Assets", prescribe 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.
- 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.
- 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.

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**37. RECENT DEVELOPMENTS AFFECTING ACCOUNTING STANDARDS (continued)**

**Effective on or after January 1, 2011 (continued):**

- 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.
- 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.
- 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.
- 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.
- 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, a company must consolidate the SPE when, in substance, the company controls the SPE.
- 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.
- 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.

The Companies are presently evaluating and have not yet determined the effects of these revised standards and interpretations on the consolidated financial statements.

**38. RECLASSIFICATION OF ACCOUNTS**

Following are the accounts in the 2009 consolidated financial statements which have been reclassified to allow their comparison with the accounts in the 2010 consolidated financial statements:

<u>As Previously Reported</u>	<u>As Reclassified</u>	<u>Amount</u>	<u>Reason</u>
Other current assets	Other current financial assets	25,988	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
Due from related parties	Other non-current assets	26,325	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)

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**38. RECLASSIFICATION OF ACCOUNTS (continued)**

<u>As Previously Reported</u>	<u>As Reclassified</u>	<u>Amount</u>	<u>Reason</u>
Goodwill and other intangible assets - 3G license upfront fee	Prepaid expenses	64,000	Reclassification to conform with the 2010 presentation
	Long-term prepaid licenses - net of current portion	461,867	Reclassification to conform with the 2010 presentation
Long-term receivables	Other non-current financial assets	14,859	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
Other non-current assets	Long-term prepaid rentals - net of current portion	693,345	Reclassification to conform with the 2010 presentation
	Other non-current financial assets	28,285	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
Other current liabilities - dividend payable	Other current financial liabilities - dividend payable	5,731	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
Accrued expenses	Other current liabilities	59,910	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
Other current liabilities	Other current financial liabilities - others	88,398	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
Due to related parties	Other non-current liabilities	11,776	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
Other non-current liabilities	Employee benefit obligations - net of current portion	798,005	Reclassification to conform with the 2010 presentation
	Other non-current financial liabilities	16,712	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)
	Other current liabilities	7,059	Reclassification to conform with the presentation requirement of SAK 50 (Revised 2006)

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**except share and tariff data)**

**38. RECLASSIFICATION OF ACCOUNTS (continued)**

<u>As Previously Reported</u>	<u>As Reclassified</u>	<u>Amount</u>	<u>Reason</u>
Operating revenues - cellular	Operating expenses - cost of services	161,504	Reclassification resulting from the revocation of SAK 35
Operating revenues - fixed telecommunications	Operating expenses - cost of services	161,836	Reclassification resulting from the revocation of SAK 35
Operating expenses - depreciation and amortization	Operating expenses - cost of services	25,422	Reclassification to conform with the 2010 presentation

**39. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The management of the Company is responsible for the preparation of the accompanying consolidated financial statements that were completed on October 25, 2010.