Kantor Akuntan Publik
Tanudiredja, Wibisana & Rekan

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008, 2009 AND 2010

A member firm of
PRICEWATERHOUSECOOPERS

PT XL Axiata Tbk.
grhaXL
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PT XL AXIATA Tbk AND SUBSIDIARIES

DIRECTORS' STATEMENT
REGARDING RESPONSIBILITY FOR PT XL AXIATA Tbk AND SUBSIDIARIES (THE "GROUP") CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008, 2009 AND 2010 AND FOR THE YEARS THEN ENDED

We, the undersigned:

1. Name : Hasnul Suhaimi
   Office Address : Menara Prima, 8^{th} floor
   Jl. Lingkar Mega Kuningan Blok 6.2
   Kawasan Mega Kuningan
   Jakarta 12950, Indonesia
   Address of domicile/ based on ID card or other identity document : Komp. Qoryah Thayibah, RT/RW 001/001
   Srengseng, Kembangan
   Jakarta Barat
   Telephone No. : 021 - 5870056
   Position : President Director

2. Name : Willem Lucas Timmermans
   Office Address : Menara Prima, 8^{th} floor
   Jl. Lingkar Mega Kuningan Blok 6.2
   Kawasan Mega Kuningan
   Jakarta 12950, Indonesia
   Address of domicile/ based on ID card or other identity document : Setiabudi Residences, Tower A Unit 704/788
   Jl. Setiabudi Selatan Raya No.1
   Jakarta Selatan
   Telephone No. : 021 - 57946697
   Position : Director

declare that:

1. We are responsible for the preparation and presentation of the Group's consolidated financial statements;
2. The Group's consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;
3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;
   b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts;
4. We are responsible for the Group's internal control systems.

This is our declaration, which has been made truthfully.

For and on behalf of the Board of Directors

JAKARTA,
28 January 2011

METERAI TEMPEL
116E1AAF511950490
ENAM RIBU RUPIAH
6000 DJP

Hasnul Suhaimi
President Director

Willem Lucas Timmermans
Director

Kantor Akuntan Publik
Tanudiredja, Wibisana & Rekan

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

PT XL AXIATA Tbk.

We have audited the accompanying consolidated balance sheets of PT XL Axiata Tbk. (the "Company") and subsidiaries as at 31 December 2008, 2009 and 2010 and the related consolidated statements of income, changes in equity and cash flows for the years ended 31 December 2008, 2009 and 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT XL Axiata Tbk. and subsidiaries as at 31 December 2008, 2009 and 2010 and the consolidated results of their operations and their cash flows for the years ended 31 December 2008, 2009 and 2010 in conformity with accounting principles generally accepted in Indonesia.

JAKARTA,
28 January 2011

Eddy Rintis, SE., Ak., CPA
License of Public Accountant No. 04.1.0942

The accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilised to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying consolidated financial statements and the auditor's report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

Nomor Izin Usaha: KEP-151/KM.1/2010

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2008, 2009 AND 2010
(Expressed in millions of Rupiah, except par value per share)

	Notes	2008	2009	2010
CURRENT ASSETS				
Cash and cash equivalents	3,24b	1,170,203	747,965	366,161
Trade receivables - net of allowance for doubtful accounts				
- Third parties	4	316,720	271,887	405,558
- Related parties	24c	68,292	60,419	51,407
Other receivables				
- Third parties		13,450	1,043	76,327
- Related parties	24d	21,368	8,458	1,425
Inventories		127,633	19,886	61,044
Prepaid taxes	23a	754,860	367,176	5,161
Advances and prepayments	5,24i	378,260	481,657	1,229,873
Derivative receivables	26	333,324	18,049	-
Other assets - current	6	16,705	30,749	31,061
Total current assets		3,200,815	2,007,289	2,228,017
NON-CURRENT ASSETS				
Fixed assets - net of accumulated depreciation	7	23,179,767	23,616,394	23,197,199
Derivative receivables	26	625,678	112,256	32,884
Other assets - non current	6,24i	1,386,705	1,644,156	1,793,181
Total non-current assets		25,192,150	25,372,806	25,023,264
TOTAL ASSETS		28,392,965	27,380,095	27,251,281
CURRENT LIABILITIES				
Short-term loans		547,500	-	-
Trade and other payables				
- Third parties	8	3,250,610	2,072,648	1,637,856
- Related parties	8,24e	28,253	26,854	22,195
Taxes payable	23b	100,887	120,304	396,603
Accrued expenses				
- Third parties	9	428,601	549,333	942,799
- Related parties		-	153	-
Deferred revenue	10	591,432	597,904	586,714
Derivative payables	26	-	166,272	-
Current maturity of long-term loans	11	730,548	1,921,604	976,866
Current maturity of bonds	12	-	553,822	-
Total current liabilities		5,677,831	6,008,894	4,563,033
NON-CURRENT LIABILITIES				
Trade and other payables - third parties	8	154,878	32,745	-
Long-term loans	11	14,563,676	9,491,908	7,704,157
Deferred tax liabilities	23d	553,629	1,183,677	1,283,347
Bonds	12	2,879,248	1,496,329	1,497,794
Derivative payables	26	36,828	64,479	142,828
Provisions	13	218,978	298,950	345,048
Total non-current liabilities		18,407,237	12,568,088	10,973,174

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

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2008, 2009 AND 2010
(Expressed in millions of Rupiah, except par value per share)

	Notes	2008	2009	2010
EQUITY				
Share capital - authorised capital 22,650,000,000 ordinary shares, issued and fully paid capital 8,508,000,000 (2008:7,090,000,000) ordinary shares, with par value of Rp 100 per share	14	709,000	850,800	850,800
Additional paid-in capital	14	2,691,684	5,335,632	5,356,332
Retained earnings				
- Appropriated	16	200	200	300
- Unappropriated		907,013	2,616,481	5,507,642
Total equity		4,307,897	8,803,113	11,715,074
TOTAL LIABILITIES AND EQUITY		28,392,965	27,380,095	27,251,281

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

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010
(Expressed in millions of Rupiah, except earning/(loss) per share)

	Notes	2008	2009	2010
REVENUE				
Gross revenue		12,155,991	13,879,513	17,636,895
Discount		(94,784)	(173,462)	(178,256)
Gross revenue net of discount	18,24f	12,061,207	13,706,051	17,458,639
OPERATING EXPENSES				
Depreciation expenses	7	3,335,287	3,701,880	4,071,998
Infrastructure expenses	19	1,988,575	3,089,094	3,120,982
Interconnection and telecommunications service charges	20,24g,24h	2,296,381	2,027,777	2,303,762
Sales and marketing expenses	21,24j	1,374,475	1,030,368	1,291,324
Salaries and employee benefits	22,24k	722,515	777,833	904,408
Supplies and overhead expenses	24i	547,741	575,676	551,178
Others		43,244	39,579	50,500
		10,308,218	11,242,207	12,294,152
OPERATING INCOME		1,752,989	2,463,844	5,164,487
OTHER (EXPENSES)/INCOME				
Interest expenses		(1,122,294)	(1,274,077)	(842,604)
Interest income		33,660	68,602	62,367
Foreign exchange (loss)/gain - net	26	(332,151)	744,617	(167,428)
Gain on finance lease transaction	6	-	465,047	-
Others	23e	(401,402)	(104,990)	(348,841)
		(1,822,187)	(100,801)	(1,296,506)
(LOSS)/INCOME BEFORE INCOME TAX		(69,198)	2,363,043	3,867,981
INCOME TAX BENEFIT/(EXPENSE)				
- Current	23c	(6,011)	(23,527)	(877,050)
- Deferred	23c	60,100	(630,048)	(99,670)
		54,089	(653,575)	(976,720)
NET (LOSS)/INCOME		(15,109)	1,709,468	2,891,261
(LOSS)/EARNING PER SHARE				
BASIC	17	(2)	237	340
DILUTED	17	(2)	237	340

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

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010
(Expressed in millions of Rupiah)

	Notes	Share capital	Additional paid-in capital	Retained earnings Appropriated	Retained earnings Unappropriated	Total
Balance as at 1 January 2008		709,000	2,691,684	100	1,064,022	4,464,806
Net loss for the year		-	-	-	(15,109)	(15,109)
Dividends	15	-	-	-	(141,800)	(141,800)
Appropriation to statutory reserve	16	-	-	100	(100)	-
Balance as at 31 December 2008		709,000	2,691,684	200	907,013	4,307,897
Issuance of shares through limited public offering	1b	141,800	2,643,948	-	-	2,785,748
Net income for the year		-	-	-	1,709,468	1,709,468
Balance as at 31 December 2009		850,800	5,335,632	200	2,616,481	8,803,113
Net income for the year		-	-	-	2,891,261	2,891,261
Allowance for equity compensation	2n,14	-	20,700	-	-	20,700
Appropriation to statutory reserve	16	-	-	100	(100)	-
Balance as at 31 December 2010		850,800	5,356,332	300	5,507,642	11,715,074

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

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2008, 2009 AND 2010
(Expressed in millions of Rupiah)

	Notes	2008	2009	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and other operators		12,165,611	13,765,228	17,322,790
Payments for suppliers and operating expenses		(6,619,752)	(5,412,328)	(7,412,054)
Payments to employees		(650,825)	(682,545)	(786,700)
Cash generated from operations		4,895,034	7,670,355	9,124,036
Interest income received		26,304	57,207	63,151
Payments of corporate income tax - net		(211,837)	(9,273)	(392,296)
Net cash flows provided by operating activities		4,709,501	7,718,289	8,794,891
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of fixed assets		(11,381,712)	(5,282,741)	(4,847,922)
Payment of 3G upfront fee		-	-	(327,627)
Realisation/(additions) of other assets		(233,217)	135,583	93,772
Proceeds from sale of fixed assets and insurance claims	7	100,898	23,730	24,700
Net cash flows used in investing activities		(11,514,031)	(5,123,428)	(5,057,077)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of short-term loans		(1,000,000)	(547,500)	-
Payment of short-term loan interest		(65,461)	(11,957)	-
Repayment of long-term loans		(400,000)	(5,216,675)	(6,622,767)
Payment of long-term loan interest		(649,051)	(1,017,530)	(715,034)
Repayment of Excelcom bonds		(4,459,970)	(761,254)	(578,566)
Payment of bond interest		(444,513)	(267,853)	(175,152)
Proceeds from short-term loans		1,470,950	-	-
Proceeds from long-term loans		12,953,122	2,026,133	3,972,875
Cash dividends paid	15	(141,800)	-	-
Proceeds from limited public offering		-	2,785,748	-
Net cash flows provided by/(used in) financing activities		7,263,277	(3,010,888)	(4,118,644)
Net increase/(decrease) in cash and cash equivalents		458,747	(416,027)	(380,830)
Cash and cash equivalents at beginning of year		805,769	1,170,203	747,965
Effect of exchange rate changes on cash and cash equivalents		(94,313)	(6,211)	(974)
Cash and cash equivalents at end of year	3	1,170,203	747,965	366,161
Non-cash transaction:				
Gain on finance lease transaction		-	465,047	-

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

1. GENERAL

a. Establishment

PT XL Axiata Tbk ("the Company") which previously known as PT Excelcomindo Pratama Tbk, was initially established under the name PT Grahametropolitan Lestari. The Company has its legal domicile in Jakarta and was established as a limited liability company under the laws of the Republic of Indonesia under Deed of Establishment No. 55, dated 6 October 1989, as amended by Deed No. 79, dated 17 January 1991. The preparation of both deeds was overseen by Rachmat Santoso, S.H., Notary in Jakarta. The deeds were approved by the Minister of Justice of the Republic of Indonesia in the Minister's Decision Letter No. C2-515.HT.01.01.TH.91, dated 19 February 1991, registered in the District Court of South Jakarta under No. 670/Not/1991/PN.JKT.SEL and No. 671/Not/1991/PN.JKT.SEL, dated 21 August 1991, and published in the State Gazette of the Republic of Indonesia No. 90, Supplement No. 4070, dated 8 November 1991.

The Company's Articles of Association have been amended for several times. Based on the Shareholders' Resolution dated 19 July 2005, as stated in Deed No. 127, dated 19 July 2005, in relation to the Initial Public Offering of the Company, all of the Company's Articles of Association were entirely amended by Deed No. 8, dated 2 August 2005 and prepared before Aulia Taufani, S.H., substitute for Sutjipto, S.H., Notary in Jakarta. This amendment was accepted and approved by the Minister of Law and Human Rights of the Republic of Indonesia as stated in his Letter No. C-21651.HT.01.04.TH.2005, dated 4 August 2005 and No. C-21974.HT.01.04.TH.2005, dated 8 August 2005, registered by the Company Registrar of the District of South Jakarta under registration No. 947/RUB.09.03/VIII/2005, dated 16 August 2005, and published in the State Gazette of the Republic of Indonesia No. 70, dated 1 September 2005, Supplement No. 9425 Year 2005.

Amendment to the Company's Article of Associations to comply with the Indonesian Company Law No. 40 year 2007, was stated in Deed No. 229 dated 29 July 2008, made before Sutjipto, S.H., Notary in Jakarta. This amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Letter No. AHU.83359.AH.01.02 year 2008, dated 10 November 2008 and registered by Company Registrar of the District of South Jakarta under registration No. 1223/RUB.09.03/VI/2009, dated 4 June 2009 and published in the State Gazette of the Republic of Indonesia No. 67, Supplement No. 22754, dated 21 August 2009. As stated in Deed No. 87 dated 16 November 2009 and Deed No. 17 dated 3 December 2009, made before Aulia Taufani, S.H., substitute for Sutjipto, S.H., Notary in Jakarta, on 16 November 2009, the Extraordinary General Meeting of Shareholders approved the amendment on the Company's Article of Association in relation with the change of the Company's name to PT XL Axiata Tbk and additions of Company's service line. The changes were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Letter No. AHU.62353.AH.01.02 year 2009, dated 22 December 2009 and has been registered by Company Registrar of the District of South Jakarta under registration No. 58/RUB.09.03/I/2010, dated 12 January 2010.

The latest amendment to the Articles of Association, specifically article 4(2) regarding increase of issued and fully paid capital, was based on Shareholders' Resolution dated 19 March 2010, as stated in Deed No. 154 dated 19 March 2010 prepared before Aulia Taufani, S.H., substitute for Sutjipto, S.H., Notary in Jakarta. This amendment was registered with notification receipt No. AHU-AH.01.10-07776, issued by the Minister of Law and Human Rights of the Republic of Indonesia and registered by the Company Registrar of the District of South Jakarta under registration No. 58/RUB.09.03/I/2010 dated 27 May 2010.

The Company's majority shareholder, Axiata Investments (Indonesia) Sdn. Bhd. (formerly known as Indocel Holding Sdn. Bhd.), is a wholly owned subsidiary of Axiata Investments (Labuan) Limited (formerly known as TM International (L) Ltd.). Axiata Investments (Labuan) Limited is a subsidiary of Axiata Group Berhad (formerly known as TM International Berhad).

1. GENERAL (continued)

b. Company's Public Offerings

On 16 September 2005, the Company received an effective statement from the Indonesian Capital Market Supervisory Agency (*Bapepam*) No. S-2531/PM/2005 for Initial Public Offering of 1,427,500,000 of its shares with a par value of Rp 100 (full amount) per share. All of the Company's issued shares were listed on the Indonesia Stock Exchange on 29 September 2005 at the offering price of Rp 2,000 (full amount) per share.

Outstanding bonds as of 31 December 2010 is second IDR bond which was issued on 26 April 2007 with a nominal amount of Rp 1.5 trillion (full amount) for a five-year period, which was listed on the Indonesia Stock Exchange (refer to Note 12).

On 16 November 2009, the Company, through Limited Public Offering I ("LPO I") in respect of a rights issue with pre-emptive rights, issued 1,418,000,000 ordinary shares with par value of Rp 141.8 billion (full amount) (refer to Note 14). All of the Company's issued shares were listed on the Indonesia Stock Exchange.

c. Investment license

In accordance with its Articles of Association, the Company's purpose is to provide telecommunications services and/or telecommunications networks and/or multimedia services. The Company commenced its commercial operations in 1996.

The Company obtained license or *Ijin Usaha Tetap* ("*IUT*"), to provide basic telephony services based on Decree Letter No. 437/T/PERHUBUNGAN/2003 from the Investment Coordination Board ("*BKPM*"), dated 20 November 2003. The license is valid for 30 (thirty) years starting from October 1995.

The Company obtained approval from *BKPM* for the expansion of its investment into facilities supply and the operation of telecommunications networks based on approval letter No. 243/11/PMA/2003, dated 20 November 2003. *BKPM* approved the extension of the project's completion period in letter No. 1531/III/PMA/2005, dated 29 December 2005.

On 7 December 2004, the Company obtained approval from *BKPM* regarding the changes to type of services and to the Company's production area through letter No. 933/B.1/A.6/2004. The changes were made in accordance with the rules on service area modification as provided by Law No. 36 of 1999 on Telecommunication Services.

Furthermore, the Company obtained approval regarding the expansion of a foreign capital investment based on an approval letter from BKPM No. 948/T/TELEKOMUNIKASI/2006, dated 1 December 2006 jo. No. 06/P-IUT/2007 dated 26 January 2007 jo. No. 1001/T/TELEKOMUNIKASI/2008 dated 26 September 2008. The license became effective in June 2008 for an indefinite period.

d. Operating license

The Company is principally involved in the provision of basic telephony services on cellular mobile network, Internet Services Provider ("ISP"), fixed closed network services (leased lines), Voice over Internet Protocol/ VoIP ("*ITKP*") and internet interconnection services ("NAP").

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Operating license (continued)

The Company was granted several telecommunications licenses by the Indonesian Government. These licenses are valid for an unlimited period of time as long as the Company complies with prevailing laws and telecommunications regulations and fulfills the obligations stated in those permits. For the ISP and fixed closed network license, an evaluation is performed annually and an overall evaluation is performed every 5 (five) years, while for the License to Operate a Cellular Mobile Network, the overall evaluation is performed at every end of the year. For *ITKP*/VoIP and NAP license, overall evaluation is performed every 5 (five) years. The Company is obliged to submit reports of services based on above mentioned licenses annually, and especially for *ITKP*/VoIP, other than annually report, the Company is obliged to submit quarterly report as well. The reports are submitted to the Indonesian Directorate General of Post and Telecommunications. The reports comprise information such as operational performance, revenue, universal service contribution and coverage areas.

Details of these licenses are as follows:

License	License No.	Type of services	Grant date/latest renewal date
License to Operate Cellular Mobile Network	323/KEP/M,KOMINFO/ 9/2010	Cellular Mobile Network (including 2G, IMT-2000/3G) and basic telephony services	14 September 2010
License to Operate Internet Services Provider ("ISP")	270/Dirjen/2010	Internet Services Provider ("ISP")	12 August 2010
License to Operate a Fixed Closed Network	133/KEP/M.KOMINFO/ 04/2009	Fixed Closed Network	29 April 2009
License to Operate Internet Telephony Services for Public Interest (*"ITKP"*)/VoIP	294/KEP/DJPT/KOMIN FO/8/2010	Internet Telephony Services for Public Interest (*"ITKP"*)/VoIP	31 August 2010
License to Operate Internet Interconnection Services ("NAP")	17/Dirjen/2005	Internet Interconnection Services ("NAP")	16 February 2005

Based on Decree No. 19/KEP/M.KOMINFO/2/2006 of the Minister of Communication and Information, dated 14 February 2006, on the Determination of Successful Applicant for IMT-2000 Cellular Mobile Network on 2.1 GHz Radio Frequency Band (KM.19 Year 2006), the Company is determined as one of the winners of the 3G license tender for the 2x5 MHz block as stipulated in Decree No. 100/KEP/M.KOMINFO/10/2006 of the Minister of Communication and Information, dated 11 October 2006, regarding its Operating License for a Cellular Mobile Network, which then renewed by Decree No. 323/KEP/M.KOMINFO/9/2010 of the Minister of Communication and Information, dated 14 September 2010.

In accordance with KM.19 Year 2006 and Decree No. 07/PER/M.KOMINFO/2/2006 of the Minister of Communication and Information, the Company is obliged to pay an upfront fee equalling twice the bid price, amounting to Rp 376 billion (full amount), not later than 30 (thirty) working days after the settlement date. The Company is also obliged to set up a Performance Bond in the amount of Rp 20 billion (full amount) as well as pay the following annual Spectrum Frequency Band Usage Fee:

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Operating license (continued)

Year of payment	BI Rate (%)	Multiplying Index	Annual *BHP* Frequency
Year 1			20% x HL
Year 2	R1	I1 = (1+R1)	40% x I1 x HL
Year 3	R2	I2 = I1(1+R2)	60% x I2 x HL
Year 4	R3	I3 = I2(1+R3)	100% x I3 x HL
Year 5	R4	I4 = I3(1+R4)	130% x I4 x HL
Year 6	R5	I5 = I4(1+R5)	130% x I5 x HL
Year 7	R6	I6 = I5(1+R6)	130% x I6 x HL
Year 8	R7	I7 = I6(1+R7)	130% x I7 x HL
Year 9	R8	I8 = I7(1+R8)	130% x I8 x HL
Year 10	R9	I9 = I8(1+R9)	130% x I9 x HL

Notes:
a. HL = Tender result per 2x5 MHz block (referring to the lowest winner bid price of Rp 160 billion, full amount).
b. Ri = Average BI Rate for the preceding year.
c. Multiplying Index is the index which is utilised to conduct an adjustment of the Bid Price every year.

Based on Decree No. 322/KEP/M.KOMINFO/09/2010 of the Minister of Communication and Information, dated 7 September 2010, the Company obtained additional allocation of 3G operating license for the 2x5 MHz block. For the additional allocation, the Company is obliged to pay an upfront fee of Rp 328 billion (full amount) and pay the annual Spectrum Frequency Band Usage Fee using the same formula as 3G license acquired by Company in 2006.

On 13 December 2010, the Government issued Government Regulation No. 76/2010 to amend the existing Government Regulation No. 7/2009. This regulation determines that fees for the use of radio frequency spectrum comprised fees on radio station license (*ISR*) and fees on radio frequency spectrum license (*IPSFR*). The amendment further clarifies the implementation of formula to derive the fee of *IPSFR*. The implementation is expected to be on stages in the five years starting 15 December 2010. Following this regulation, the Ministry of Communication and Information issued a decision letter No. 456A/KEP/M.KOMINFO/12/2010 on 15 December 2010 where the utilization of 2x15 MHz spectrum at 900 MHz and 1800 MHz for the period of 12 months starting 15 December 2010 cost the Company Rp 723 billion on *IPSFR* fees. Of the amounts charged to the Company, the decision letter also clearly defined that sums of Rp 387 billion of the amount paid in 2010 referred to as prepayments of the amount charged.

Related expenses such as the Telecommunication Service Fee, the Universal Service Obligations, the Spectrum Frequency Usage Band Fee and the Annual Spectrum Frequency Usage Fee for 3G Band for the years ended 31 December 2008, 2009 and 2010 amounted to Rp 845,497, Rp 1,363,309 and Rp 1,379,330, respectively.

e. Board of Directors, Commissioners and Audit Committee

The composition of the Company's Board of Directors and Commissioners as at 31 December 2008 was based on the Deed of Resolution No. 229, dated 29 July 2008 prepared before Sutjipto, SH., Notary in Jakarta.

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

e. Board of Directors, Commissioners and Audit Committee (continued)

The composition of the Company's Board of Directors and Commissioners as at 31 December 2009 based on the resolution of the Extraordinary General Meeting of Shareholders held on 16 November 2009, as stated in the Deed of Resolution No. 87, dated 16 November 2009 prepared before Aulia Taufani, S.H. substitute of Sutjipto, S.H., Notary in Jakarta.

The composition of the Company's Board of Directors and Commissioners as at 31 December 2010 based on the resolution of the Annual General Meeting of Shareholders held on 19 March 2010, as stated in the Deed of Resolution No. 155, dated 19 March 2010 prepared before Aulia Taufani, S.H. substitute of Sutjipto, S.H., Notary in Jakarta, which has been updated as of 28 December 2010, with the resignation of one of the Company's Commissioner, YBhg Dato' Yusof Annuar bin Yaacob, effectively on 28 December 2010. Due to one and another reason, Company did not hold special Annual General Meeting of Shareholders to approve this resignation.

The composition of the Company's Board of Directors and Board of Commissioners as at 31 December 2008, 2009 and 2010 is as follows:

		2008	2009	2010
BOARD OF DIRECTORS				
President Director:	Hasnul Suhaimi	✔	✔	✔
Directors:	P.Nicanor V.Santiago III	✔	✔	✔
	Joy Wahjudi	✔	✔	✔
	Willem Lucas Timmermans	✔	✔	✔
	Dian Siswarini	✔	✔	✔
	Joris de Fretes	✔	✔	–
BOARD OF COMMISSIONERS				
President Commissioner:	YBhg Tan Sri Dato' Ir.Muhammad Radzi bin Haji Mansor	✔	✔	✔
Commissioners:	YBhg Dato' Sri Jamaludin bin Ibrahim	✔	✔	✔
	Ahmad Abdulkarim Mohd Julfar	✔	✔	✔
	YBhg Dato' Yusof Annuar bin Yaacob	✔	✔	–
	Abdul Farid bin Alias	✔	–	–
	Gita Irawan Wirjawan	✔	–	–
Independent Commissioners:	Peter J. Chambers	✔	✔	✔
	Dr. Ir. Giri Suseno Hadihardjono	✔	✔	✔
	Elisa Lumbantoruan	✔	✔	✔

(Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

e. Board of Directors, Commissioners and Audit Committee (continued)

The Company's Audit Committee was established on 28 February 2005. The composition of the Audit Committee as at 31 December 2008, 2009 and 2010 is as follows:

Chairman	:	Peter J. Chambers
Members	:	Dr. Djoko Susanto, M.S.A
		Heru Prasetyo
		Elisa Lumbantoruan

The Company's Corporate Secretary as at 31 December 2008 is Ike Andriani, as at 31 December 2009 is Sutrisman, and as at 31 December 2010 is Murni Nurdini.

The Company's head office is currently located at grhaXL, Jalan Mega Kuningan Lot. E4-7 No.1 Kawasan Mega Kuningan, Jakarta 12950, Indonesia.

f. Subsidiaries

The Company has the following subsidiaries which were established for issuance of bonds and loans:

	Percentage of ownership	Country of domicile	Year of participations
Excel Phoneloan 818 B.V.*	100%	Netherlands	1997
GSM One (L) Ltd.	100%	Malaysia	1996
GSM Two (L) Ltd.	100%	Malaysia	1997
Excelcomindo Finance Company B.V.	100%	Netherlands	2003

The subsidiaries' total assets before elimination are as follow:

	2008	2009	2010
Excel Phoneloan 818 B.V.*	14,916	12,951	-
GSM One (L) Ltd.	-	-	-
GSM Two (L) Ltd.	-	-	-
Excelcomindo Finance Company B.V.	1,478,696	631,822	41,729

* In April 2010, the registration of Excel Phoneloan 818 B.V. has been terminated by the Chamber of Commerce of the Netherlands confirming the liquidation with effect from 14 December 2009, being the resolution of the Extraordinary General Meeting of the Shareholder.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of PT XL Axiata Tbk and its subsidiaries (together, "the Group") were prepared by the Board of Directors and completed on 28 January 2011.

Presented below are the significant accounting policies adopted for the preparation of the consolidated financial statements of the Group, which conform to the accounting principles generally accepted in Indonesia and the regulations imposed by the Indonesian Capital Market Supervisory Agency and Financial Institution No. VIII.G.7 regarding Guidelines for the Preparation of Financial Statements and No. SE-02/PM/2002 regarding Guidelines for the Preparation of Financial Statements for Listed or Public Telecommunications Companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis for preparation of the consolidated financial statements

The consolidated financial statements, except for the consolidated statements of cash flows and derivative instruments, have been prepared on the historical cost concept and accrual basis. Derivative instruments are stated at fair value.

The consolidated statements of cash flows are prepared using the direct method and present the sources and uses of cash and cash equivalents according to operating, investing and financing activities. Cash and cash equivalents consist of cash on hand, cash in bank and deposits with original maturities of 3 (three) months or less.

Figures in the consolidated financial statements are rounded to and stated in millions of Rupiah unless specify otherwise.

b. Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities in which the Company has ability to directly or indirectly exercise control.

The entities are consolidated from the date on which effective control was transferred to the Company and are no longer consolidated when the Company ceases to have effective control.

The effects of all significant transactions and balances between companies within the Group have been eliminated in the consolidated financial statements.

The financial statements of entities domiciled outside Indonesia are translated into Rupiah currency on the following basis:

- Monetary accounts are translated using the prevailing Bank of Indonesia middle rate as at the balance sheet date as mentioned in Note 2l. Non-monetary accounts are translated using the historical rate as at the transaction date.
- Statements of income accounts are translated using the average rate during the year as follows (full amount):

	2008	2009	2010
United States Dollar (USD)	9,629	10,485	9,112
Euro (EUR)	14,205	14,565	12,103
Singapore Dollar (SGD)	6,820	7,194	6,652

Differences arising from the translation of balance sheets and statements of income of the foreign entities are recognised in the current year's consolidated statement of income on the basis that the operations of the foreign entities formed an integral part of the operations of the Company and, as a result, the transactions of the foreign entities have been considered as if they had been carried out by the Company.

c. Related party transactions

The Company and its subsidiaries have transactions with related parties. The definition of related parties used is in accordance with Statement of Financial Accounting Standards (PSAK) 7 "Related Party Disclosures". Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Related party transactions (continued)

All material transactions and balances with related parties have been disclosed in notes to financial statements.

d. Recognition of revenues and expenses

(i) Cellular telecommunications services

Voice and non-voice revenue is derived from the use of the Company's network by GSM (Global System for Mobile communications) customers, including charges for airtime, local interconnection, domestic long-distance, international long-distance, international roaming and value added services, which are recognised based on applicable tariffs and the duration of successful calls made through the network. Voice revenue is recognised at the time the service is rendered based on the actual call duration and applicable tariffs.

Monthly service charge is derived from postpaid customers which is recognised on a monthly basis upon billing.

Revenue from prepaid services is derived from the sale of starter pack and vouchers. Starter packs consist of a SIM (Subscriber Identity Module) card and voucher. The revenue of SIM card sales and any discount granted is recognised upon delivery to distributors or directly to customers, excluding value-added taxes. Revenue from sales of vouchers for prepaid services is not recognised at the time of sale. When a voucher is sold, the full amount of airtime sold is credited, without deduction of any commission, to the "Deferred Revenue" account. When prepaid customers use the prepaid airtime or upon expiration of the voucher, the amount used or expired is recognised as cellular telecommunications revenue in the consolidated statement of income.

(ii) Cellular interconnection services

Revenue from interconnection with other operators and inbound roaming revenue from overseas telecommunication providers are recognised on the basis of actual recorded call traffic.

(iii) Other telecommunications services

Revenue from leased lines, rental of telecommunications towers, internet service provider and national roaming service revenue is recognised on a monthly basis upon billing based on prices agreed with customers. When unearned revenue is received, the amounts received are recorded as deferred revenue and recognised as revenue when the services are provided.

Revenue from *ITKP*/VoIP services is recognised at the time when the service is rendered based upon applicable tariffs.

(iv) Expenses

Expenses are recognised on an accrual basis.

e. Trade receivables

Trade receivables are presented at their estimated recoverable amount after an allowance for doubtful accounts. This allowance for doubtful accounts is made based on the management's evaluation of the collectibility of outstanding amounts. Accounts are written off in the period during which they are determined to be uncollectible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Inventories

Inventories, mainly comprising vouchers and SIM cards, are valued at the lower of cost or net realisable value. Cost is calculated using the moving-average method.

A provision for obsolete and slow-moving inventory is determined on the basis of the estimated future sales of individual inventory items.

g. Leases

In 2007, the Financial Accounting Standards Board (DSAK) issued PSAK 30 (Revised 2007), "Leases", which constituted a change in accounting policy. The PSAK is effective for the preparation of financial statements covering periods beginning on or after 1 January 2008.

Under the PSAK 30 (Revised 2007), the classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In 2008, DSAK issued an Interpretation of Statement of Financial Accounting Standard (ISAK) 8, "Determining whether an Arrangement contains a Lease and Further Explanation about Transitional Provisions of PSAK 30 (Revised 2007)".

(i) As lessee

Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Leases whereby the Company has substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The fixed asset acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Fixed assets and depreciation

Fixed assets are stated at acquisition cost, which includes any applicable import taxes, import duties, freight costs, handling costs, storage costs, site preparation costs, installation costs, internal labour costs, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, less accumulated depreciation. Depreciation is applied from the date the assets are put into service or when the assets are ready for service, using the straight-line method over their estimated useful lives and results in the following annual percentages of cost:

Buildings	:	5%, 12.5%
Network equipment		
- GSM tower	:	6.25%
- Fiber optic	:	10%
- Other network equipment	:	10%, 12.5%, 20%, 25%, 50%
Leasehold improvements	:	25%
Machinery and equipment	:	25%
Furniture and fixtures	:	25%
Support systems	:	25%
Motor vehicles	:	25%

Land is stated at cost and is not depreciated.

The Company evaluates its fixed assets for impairment whenever events and circumstances indicate that the carrying amount of the assets may not be recoverable. When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined based upon the greater of its net selling price or value in use.

The accumulated costs of network equipment are initially capitalised as Assets Under Construction. These costs are subsequently reclassified as fixed-asset accounts when the assets are put into service.

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced parts is written off. The cost of upgrading software is capitalised and the previously recorded balance is written off at the time the software upgrade is performed.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When assets are disposed of, their carrying values and the related accumulated depreciation are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognised in the respective period's statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Fixed assets and depreciation (continued)

In 2007, DSAK issued PSAK 16 (Revised 2007), "Fixed Assets". The PSAK is effective for the preparation of financial statements covering periods beginning on or after 1 January 2008. Under PSAK 16 (Revised 2007), the Company has to choose the cost model or revaluation model as their accounting policy in measuring costs of acquisition. The Company has chosen the cost model. According to PSAK 16 (Revised 2007), the initial estimate of the costs of dismantling and removing a fixed asset and restoring the site on which it is located shall be capitalised as acquisition cost. In 2008, the Company recorded the estimated dismantlement and restoration costs of Base Transceiver Stations ("BTS") as part of acquisition cost. The amount of the provision is determined based on the lease contracts; however, where contracts do not specify the amount of the obligation, the Company uses its best estimate. The management conducts a regular review of the estimation used.

Change in economic useful lives estimation

On 1 January 2008, the Company changed the estimated useful lives of certain components of other network equipment from 10 (ten) and 8 (eight) years (10% and 12.5%) to 4 (four) and 5 (five) years (25% and 20%) to reflect current asset useful life and depreciated over the remaining period of its new useful life.

On 1 March 2010, the Company changed the estimated useful lives of certain components of other network equipment from 8 (eight) years (12.5%) to 5 (five) years (20%) to reflect current asset useful life and depreciated over the remaining period of its new useful life.

i. Intangible assets

The 3G spectrum license is recorded at historical cost (refer to Notes 1d and 6). It has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of the asset (10 (ten) years). The amortisation commences from the date when the assets are available for use and amortisation costs are charged to operating expenses-others.

The accounting principles generally accepted in Indonesia do not provide clear and explicit guidance on whether the commitment to pay annual fees over 10 (ten) years as a consequence of obtaining the 3G spectrum license is a liability and whether the ten-year annual fees (*Biaya Hak Penggunaan* or BHP) are to be considered as part of the acquisition costs of the license. The management assesses that continuation of payment of annual fees will no longer be required if the Company no longer uses the license. The management considers the annual payment as a usage fee based on its own interpretation of the license conditions and written confirmation from the Directorate General of Post and Telecommunications. These annual fees are therefore not considered as part of the acquisition cost for obtaining the license.

If in future, the regulations and conditions with regard to payment of the annual fees are changed with the consequence that payment of remaining outstanding annual fees cannot be avoided upon the Company returning the license, the Company will recognise the fair value of annual fees as an intangible asset and the corresponding liability at the present value of the remaining annual fees at that point in time.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Loans

Loans are initially recognised at the amount of proceeds received, net of transaction costs incurred. Loans are subsequently stated at any difference between proceeds received (net of transaction costs incurred) and the redemption value. Transaction costs incurred as the result of the loans' issue are stated as amortised cost using the effective interest method over the period of borrowings.

k. Bond and share issue costs

Bond issue costs are directly deducted from the issue proceeds in the consolidated balance sheets as a discount and are amortised using the effective interest method over the period of the bonds.

Share issue costs are directly deducted from the additional paid-in capital account in the consolidated financial statements.

l. Foreign currency translation

Transactions denominated in foreign currencies are translated into Rupiah at the rates prevailing as at the date of the transaction.

As at the balance sheet date, monetary assets and monetary liabilities denominated in foreign currencies are translated into Rupiah using the Bank of Indonesia middle rate prevailing as at that date. The exchange rates of the major foreign currencies used are as follows (full amount):

	2008	2009	2010
United States Dollar (USD)	10,950	9,400	8,991
Euro (EUR)	15,432	13,510	11,956
Singapore Dollar (SGD)	7,607	6,699	6,981
Swiss Franc (CHF)	10,349	9,087	9,600
Australian Dollar (AUD)	7,556	8,432	9,143

Realised and unrealised foreign exchange gains or losses arising from transactions in foreign currency and from the translation of foreign currency monetary assets and liabilities are recognised in the current year consolidated statements of income.

m. Taxation

Deferred income tax is provided using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for each entity separately.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised when they accrue to the employees.

Post-employment benefits

Post-employment benefits such as retirement, severance and service payments are calculated based on Labour Law No. 13/2003 ("Law 13/2003").

In relation to pension benefits, in April 2002 the Company entered into a defined contributions pension plan organised by PT Asuransi Jiwa Manulife Indonesia. This programme is provided to all permanent employees who were under 50 years of age at the commencement of the programme in April 2002. Contributions to the plan are 10% of the net base salary, comprising 7% from the Company and 3% from the employee. Employees are entitled to benefits from the pension plan, comprising pension fund contributions and accumulated interest, on retirement, disability or death.

In accordance with Law 13/2003, the Company has further payment obligations if the benefits provided by the existing plan do not adequately cover the obligations under Law 13/2003.

The liabilities recognised in the consolidated balance sheets are the present values of the defined benefit obligations as at the balance sheet date in accordance with Law 13/2003 or the Company's regulations (whichever is higher), less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. In calculating post-employment benefits, the independent actuary has considered the contribution made by the Company to PT Asuransi Jiwa Manulife Indonesia.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of Government Bonds (considering currently there is no deep market for high-quality corporate Bonds) that are denominated in Rupiah, in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans in excess of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligations are charged or credited to consolidated statements of income over the employees' expected average remaining service lives.

Past-service costs are recognised immediately in the consolidated statements of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The current service cost is recorded as an expense in the prevailing period.

Other long-term employee benefits

Other long-term employee benefits such as deferred compensation paid for twelve months or moreafter service period are calculated based on the Company's policy using the same methodology as for the simplified other post employment benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Employee benefits (continued)

Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense in the income statements over the vesting period and credited to additional paid-in capital. The total amount to be recognised over the vesting period is determined by the fair value of the shares granted on the grant date.

On each vesting period, the Company will provide an amount based on total incentives which will become the employees rights at the vesting date and recognise the impact in the income statements.

o. Financial assets and liabilities

In 2006, the DSAK issued PSAK 50 (Revised 2006) "Financial Instruments: Presentation and Disclosures" and PSAK 55 (Revised 2006) "Financial Instruments: Recognition and Measurement". These standards amend both PSAK 50 "Accounting for Investments in Certain Securities" and PSAK 55 "Accounting for Derivative Instruments and Hedging Activities". Both standards are applicable for financial statements covering periods beginning on or after 1 January 2010.

In implementing PSAK 50 (Revised 2006) and PSAK 55 (Revised 2006), the Company classifies financial instruments into financial assets and financial liabilities.

Financial assets

The Company classifies its financial assets in the following categories of (i) financial assets at fair value through profit and loss, (ii) loans and receivables, (iii) held-to-maturity financial assets, and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financials assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative receivables are also categorised as asset held for trading unless they are designated and effective as hedging instruments.

There are no financial assets categorised as held for trading except for derivative receivables.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets are included in “foreign exchange gain/loss”.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Loans and receivables consist of net investment in finance leases, other receivables and other assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Financial assets and liabilities (continued)

Financial assets (continued)

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Management has the positive intention and ability to hold to maturity, other than:

a) those that the Company upon initial recognition designates as at fair value through profit or loss;
b) those that the Company designates as available for sale; and
c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using the effective interest method.

There is no financial assets that classified as held-to-maturity financial assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initial recognised at fair value, plus transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of changes in equity is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised in the income statement. There is no financial assets that classified as available-for-sale financial assets.

The Company uses settlement date accounting for regular way contracts when recording financial assets transactions.

Financial liabilities

The Company classified its financial liabilities in the category of (i) financial liabilities at fair value through profit or loss and (ii) financial liabilities measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Financial assets and liabilities (continued)

Financial liabilities (continued)

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities classified as held for trading. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative payables are also categorised as liabilities held for trading unless they are designated and effective as hedging instruments.

There are no financial liabilities categorised as held for trading except for derivative payables.

Gain and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial liabilities are included in “foreign exchange gain/loss”.

(ii) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit and loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are other payables, accrued expenses, loans and bonds.

Fair value estimation

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price, while for financial liabilities it uses ask price.

The fair value of financial instruments that are not traded in active markets is determined by using valuation technique. The Company uses discounted cash flow methods and makes assumptions that are based on market conditions existing at each balance sheet date which are used to determine fair value for the remaining financial instruments.

p. Earning/(loss) per share

Basic earning/(loss) per share is calculated by dividing net income/(loss) by the weighted average number of ordinary shares outstanding during the year.

Diluted earning/(loss) per share is calculated by dividing net income/(loss) by the weighted average number of ordinary shares outstanding during the year, adjusted to assume conversion of all potential dilutive ordinary shares.

q. Dividends

Dividend distribution to the Company’s shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company’s shareholders.

(Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Use of estimates

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

3. CASH AND CASH EQUIVALENTS

	2008	2009	2010
Cash on hand	1,583	1,434	1,193
Cash in bank			
Rupiah			
- Standard Chartered Bank	30	4,049	18,403
- J.P.Morgan Chase Bank, N.A.	28,684	12,559	11,111
- PT Bank Central Asia Tbk	18,837	12,068	6,227
- PT Bank Mandiri (Persero) Tbk	1,832	3,625	2,357
- PT Bank Permata Tbk	3,331	3,834	419
- Deutsche Bank AG	3,177	5,297	53
- Others (individual amount less than Rp 3,000)	6,714	3,768	7,545
US Dollar			
- J.P.Morgan Chase Bank, N.A.	3,033	18,045	8,703
- PT Bank Mandiri (Persero) Tbk	-	9	8
- Standard Chartered Bank	74	57,277	277
	65,712	120,531	55,103
Time deposits (maturing within three months)			
Rupiah			
- PT Bank UOB Indonesia (formerly PT Bank UOB Buana and PT Bank UOB Indonesia)	-	100,000	175,000
- PT Bank Mega Tbk	-	100,000	-
- Deutsche Bank AG	53,000	50,000	-
- PT Bank Central Asia Tbk	113,908	-	-
- PT ANZ Panin Bank	60,000	-	-
US Dollar			
- PT Bank ICBC Indonesia	-	-	134,865
- PT Bank OCBC NISP Tbk (formerly PT Bank NISP Tbk)	-	94,000	-
- PT Bank Permata Tbk	109,500	94,000	-
- PT Bank CIMB Niaga Tbk	109,500	94,000	-
- PT Bank Danamon Indonesia Tbk	109,500	94,000	-
- PT Bank Chinatrust Indonesia	219,000	-	-
- PT Bank Mega Tbk	109,500	-	-
- PT ANZ Panin Bank	109,500	-	-
- PT Bank DBS Indonesia	54,750	-	-
- Standard Chartered Bank	54,750	-	-
	1,102,908	626,000	309,865
	1,170,203	747,965	366,161

(Expressed in millions of Rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS (continued)

The annual interest rates of the above time deposits are as follow:

	2008	2009	2010
Rupiah deposit	7.00%-13.60%	4.75%-8.00%	2.80%-3.50%
US Dollar deposit	1.00%-7.00%	1.15%-3.50%	8.12%

Refer to Note 24 for related party information.

4. TRADE RECEIVABLES - THIRD PARTIES

	2008	2009	2010
Domestic partners			
- PT Telekomunikasi Indonesia Tbk	12,217	28,343	78,776
- PT Natrindo Telepon Seluler	13,854	11,361	59,758
- PT Hutchison CP Telecommunications	6,299	10,361	41,913
- PT Mora Telematika Indonesia	80,301	50,938	37,096
- PT Indosat Tbk	2,730	18,877	26,208
- PT Bakrie Telecom Tbk	5,450	21,388	19,655
- PT AJN Solusindo	-	-	10,080
- PT Dayamitra Telekomunikasi	-	-	9,749
- PT Bank Commonwealth	1,267	1,390	5,904
- PT Sampoerna Telekomunikasi Indonesia	24,175	1,994	3,416
- PT Nettocyber Indonesia	4,513	3,519	2,407
- PT Insan Sarana Telematika	3,085	3,456	1,598
- Others (individual amount less than Rp 3,000)	233,852	180,433	124,996
	387,743	332,060	421,556
International partners			
- Shinetown Telecommunications Ltd.	13,520	9,764	9,932
- Telstra Corporation Ltd. - Australia	558	5,670	-
- Digi Telecommunications Sdn Bhd	3,463	-	-
- Others (individual amount less than Rp 3,000)	14,618	7,997	13,226
	32,159	23,431	23,158
	419,902	355,491	444,714
Allowance for doubtful accounts	(103,182)	(83,604)	(39,156)
	316,720	271,887	405,558

The aging analysis of trade receivables is as follows:

	2008	2009	2010
Current	176,458	207,067	274,530
Overdue 1 - 30 days	50,198	57,975	64,940
Overdue 31 - 60 days	46,340	29,004	32,744
Overdue > 61 days	146,906	61,445	72,500
	419,902	355,491	444,714

(Expressed in millions of Rupiah, unless otherwise stated)

4. TRADE RECEIVABLES - THIRD PARTIES (continued)

Changes in the amounts of the allowance for doubtful accounts are detailed as follow:

	2008	2009	2010
Allowance for doubtful accounts - beginning	119,005	103,182	83,604
Bad debt expenses	59,376	41,769	14,297
Doubtful debts written off	(75,199)	(61,347)	(58,745)
Allowance for doubtful accounts - ending	103,182	83,604	39,156

Based on a review of the collectibility of the individual receivable accounts, management believes that the allowance for doubtful accounts is sufficient to cover losses from non-collection of these accounts.

5. ADVANCES AND PREPAYMENTS

This account represents advances to employees, transactions with related parties and third parties for payment of the Company's operational expenses, such as utilities, customs duties and prepaid expenses for rental, insurance, maintenance and annual frequency fee.

	2008	2009	2010
Annual frequency fee	19,411	35,195	733,419
Prepaid rental - current	236,124	300,353	304,304
Other prepaid expenses - current	101,354	140,045	171,729
Advances on operational expenses	21,371	6,064	20,421
	378,260	481,657	1,229,873

The annual frequency fees comprised of 2G and 3G spectrum fees. The annual 2G spectrum fees (see Note 1d) applies for 12 months starting 15 December 2010. Previously the Company applied using estimation and charged frequency fees as period expense. With effect of the issuance of Decision Letter No. 456A/KEP/M.KOMINFO/12/2010, fees on 2G radio frequency spectrum for the first year was determined at Rp 723 billion.

Refer to Note 24 for related party information.

6. OTHER ASSETS

	2008	2009	2010
Prepaid rental - non-current	823,066	764,717	772,139
Other prepaid expenses - non-current	122,161	201,349	116,488
Down payment to suppliers	135,595	10,551	29,613
Restricted bank deposits and cash in bank	17,386	15,305	14,489
Deferred charges	8,560	51,392	12,738
Others	12,993	12,234	14,592
	1,119,761	1,055,548	960,059
Net investment in finance lease:			
Lease receivable	-	732,728	651,134
Unearned finance lease income	-	(357,441)	(308,148)
	-	375,287	342,986
Intangible assets - 3G licence:			
Acquisition cost	376,000	376,000	703,627
Accumulated amortisation	(92,351)	(131,930)	(182,430)
	283,649	244,070	521,197
	1,403,410	1,674,905	1,824,242

(Expressed in millions of Rupiah, unless otherwise stated)

6. OTHER ASSETS (continued)

	2008	2009	2010
Deduct:			
Restricted bank deposits and cash in bank - current	(16,705)	(15,305)	(14,489)
Net investment in finance lease - current	-	(15,444)	(16,572)
Other assets - current	(16,705)	(30,749)	(31,061)
Other assets - non-current	1,386,705	1,644,156	1,793,181

Net investment in finance lease are receivables related to the lease of fiber optics cables to PT Hutchison CP Telecommunications (HCPT) and PT Mora Telematika Indonesia (Moratel) (refer to Note 29l). The transactions resulted in gain of Rp 465,047 for the year ended 2009. Details of the net investment in finance lease according to the maturity schedule are as follow:

	2008	2009	2010
Not later than 1 year	-	64,737	63,341
Between 1 year and 5 years	-	253,762	248,176
More than 5 years	-	414,229	339,617
	-	732,728	651,134
Unearned finance lease income	-	(357,441)	(308,148)
Net investment in finance lease	-	375,287	342,986

As at 31 December 2010, management believes that there was no indication of impairment for intangible assets. Refer to Note 24 for related party information.

7. FIXED ASSETS

	2008				
	Beginning	Additions	Disposals	Transfers	Ending
Cost					
Land	131,510	6,937	-	-	138,447
Buildings	53,245	4,727	(169)	37,851	95,654
Network equipment	19,407,578	9,001,586	(374,477)	1,850,718	29,885,405
Leasehold improvements	107,526	5,142	(9,138)	4,488	108,018
Machinery and equipment	339,665	111,553	(1,058)	78,384	528,544
Furniture and fixtures	33,303	12,019	(1,687)	18,736	62,371
Support systems	198,753	88,912	(25)	45,442	333,082
Motor vehicles	40,880	68	(12,942)	3,320	31,326
	20,312,460	9,230,944	(399,496)	2,038,939	31,182,847
Assets under construction	3,104,484	1,613,999	(20,042)	(2,038,939)	2,659,502
	23,416,944	10,844,943	(419,538)	-	33,842,349
Accumulated depreciation					
Buildings	(19,272)	(10,155)	169	(4,750)	(34,008)
Network equipment	(7,113,751)	(3,163,756)	255,165	8,584	(10,013,758)
Leasehold improvements	(89,562)	(11,493)	8,734	4,750	(87,571)
Machinery and equipment	(213,957)	(82,197)	1,045	(8,584)	(303,693)
Furniture and fixtures	(17,483)	(11,944)	1,505	-	(27,922)
Support systems	(118,336)	(52,052)	10	-	(170,378)
Motor vehicles	(34,360)	(3,690)	12,798	-	(25,252)
	(7,606,721)	(3,335,287)	279,426	-	(10,662,582)
Net book value	15,810,223				23,179,767

(Expressed in millions of Rupiah, unless otherwise stated)

7. FIXED ASSETS (continued)

	2009				
	Beginning	Additions	Disposals	Transfers	Ending
Cost					
Land	138,447	23,648	-	8,848	170,943
Buildings	95,654	56,729	(1,938)	69,142	219,587
Network equipment	29,885,405	2,504,175	(1,231,759)	2,436,445	33,594,266
Leasehold improvements	108,018	3,240	(2,263)	7,020	116,015
Machinery and equipment	528,544	98,480	(31,668)	78,024	673,380
Furniture and fixtures	62,371	14,132	(2,463)	21,376	95,416
Support systems	333,082	45,454	(15,017)	31,030	394,549
Motor vehicles	31,326	-	(15,589)	2,855	18,592
	31,182,847	2,745,858	(1,300,697)	2,654,740	35,282,748
Assets under construction	2,659,502	1,451,352	(35,062)	(2,654,740)	1,421,052
	33,842,349	4,197,210	(1,335,759)	-	36,703,800
Accumulated depreciation					
Buildings	(34,008)	(16,723)	268	(52)	(50,515)
Network equipment	(10,013,758)	(3,457,202)	1,223,416	(1,860)	(12,249,404)
Leasehold improvements	(87,571)	(13,738)	2,129	42	(99,138)
Machinery and equipment	(303,693)	(120,836)	26,618	1,870	(396,041)
Furniture and fixtures	(27,922)	(19,655)	988	-	(46,589)
Support systems	(170,378)	(70,113)	8,048	-	(232,443)
Motor vehicles	(25,252)	(3,613)	15,589	-	(13,276)
	(10,662,582)	(3,701,880)	1,277,056	-	(13,087,406)
Net book value	23,179,767				23,616,394

	2010				
	Beginning	Additions	Disposals	Transfers	Ending
Cost					
Land	170,943	1,106	(77)	13,465	185,437
Buildings	219,587	1,733	(368)	111	221,063
Network equipment	33,594,266	2,373,470	(343,820)	999,425	36,623,341
Leasehold improvements	116,015	3,145	(4,438)	375	115,097
Machinery and equipment	673,380	204,772	(4,660)	7,299	880,791
Furniture and fixtures	95,416	9,037	(9,561)	1,547	96,439
Support systems	394,549	108,075	-	17,486	520,110
Motor vehicles	18,592	-	(4,070)	-	14,522
	35,282,748	2,701,338	(366,994)	1,039,708	38,656,800
Assets under construction	1,421,052	1,008,138	(51,910)	(1,039,708)	1,337,572
	36,703,800	3,709,476	(418,904)	-	39,994,372
Accumulated depreciation					
Buildings	(50,515)	(21,049)	358	-	(71,206)
Network equipment	(12,249,404)	(3,788,615)	343,257	-	(15,694,762)
Leasehold improvements	(99,138)	(8,274)	4,237	-	(103,175)
Machinery and equipment	(396,041)	(143,334)	4,653	-	(534,722)
Furniture and fixtures	(46,589)	(19,243)	5,656	-	(60,176)
Support systems	(232,443)	(88,546)	-	-	(320,989)
Motor vehicles	(13,276)	(2,937)	4,070	-	(12,143)
	(13,087,406)	(4,071,998)	362,231	-	(16,797,173)
Net book value	23,616,394				23,197,199

(Expressed in millions of Rupiah, unless otherwise stated)

7. FIXED ASSETS (continued)

The Company owns land located throughout Indonesia with *Hak Guna Bangunan* ("*HGB*") for periods of 20-30 years which will expire between 2012 up to 2040.

As at 31 December 2010, there are 88 locations with a total book value of Rp 38,982 and for which *HGB* certificates are in process.

The management believes that there will be no difficulty in renewing the land rights when they expire.

Assets under construction

	2008	2009	2010
Network equipment	2,384,150	1,301,853	1,076,194
Non-network equipment	275,352	119,199	261,378
	2,659,502	1,421,052	1,337,572

Assets under construction mainly represent new BTS equipment and other equipment which is still to be installed or is currently being installed. When the equipment units are finally installed, their carrying values are reclassified as fixed assets - network equipment.

The management believes that there are no significant obstacles to the completion of the assets under construction mentioned above.

The calculation of the loss on sale and write-off of fixed assets is as follows:

	2008	2009	2010
Cost	419,538	1,335,759	418,904
Accumulated depreciation	(279,426)	(1,277,056)	(362,231)
Net book value	140,112	58,703	56,673
Proceeds from sale of fixed assets and insurance claims	(100,898)	(23,730)	(24,700)
Loss on sale and write-off of fixed assets	39,214	34,973	31,973

As at 31 December 2010, the fixed assets of the Company and its subsidiaries are insured by insurance policies covering "property all risks and business interruption" for USD 2,612,000,000 from a third party, PT MAA General Assurance, which the management believes is adequate to cover losses.

Management believes that there is no impairment in assets value as at each reporting date.

(Expressed in millions of Rupiah, unless otherwise stated)

8. TRADE AND OTHER PAYABLES

	2008	2009	2010
Third parties			
Purchase of fixed assets	2,778,160	1,474,393	810,517
Operational expenditure	548,958	459,965	600,502
Interconnection and telecommunications service payable	78,370	171,035	226,837
	3,405,488	2,105,393	1,637,856
Related parties			
Operational expenditure	4,895	19,905	15,022
Interconnection and telecommunications service payable	23,358	6,949	7,173
	28,253	26,854	22,195
	3,433,741	2,132,247	1,660,051
Less current portion:			
- Third parties	(3,250,610)	(2,072,648)	(1,637,856)
- Related parties	(28,253)	(26,854)	(22,195)
Non-current portion	154,878	32,745	-

Trade and other payables according to currency are as follow:

	2008	2009	2010
Rupiah	928,596	687,357	857,836
Foreign currencies	2,505,145	1,444,890	802,215
	3,433,741	2,132,247	1,660,051

Refer to Note 24 for related party information.

9. ACCRUED EXPENSES - THIRD PARTIES

	2008	2009	2010
License and telecommunications services	46,177	229,413	608,329
Salaries and employee benefits	126,266	165,242	228,536
Interest	156,085	104,959	58,062
Others	100,073	49,719	47,872
	428,601	549,333	942,799

10. DEFERRED REVENUE

	2008	2009	2010
Cellular telecommunications services	575,858	592,098	563,911
Leased tower	14,419	4,307	20,197
Leased lines	1,155	1,499	2,606
	591,432	597,904	586,714

(Expressed in millions of Rupiah, unless otherwise stated)

11. LONG-TERM LOANS

	2008			2009			2010		
	Original currency		Equivalent to Rupiah	Original currency		Equivalent to Rupiah	Original currency		Equivalent to Rupiah
PT Bank Mandiri (Persero) Tbk ("Bank Mandiri")	Rp	3,600,000	3,600,000	Rp	3,200,000	3,200,000	Rp	4,300,000	4,300,000
Exportkreditnämnden ("EKN")	USD	213,949,508	2,342,747	USD	344,364,981	3,237,031	USD	241,091,940	2,167,658
PT Bank Sumitomo Mitsui Indonesia	Rp	300,000	300,000	Rp	300,000	300,000	Rp	1,000,000	1,000,000
The Bank of Tokyo - Mitsubishi UFJ, Ltd.		-	-		-	-	Rp	1,000,000	1,000,000
PT ANZ Panin Bank	Rp	250,000	250,000	Rp	250,000	250,000	Rp	250,000	250,000
PT Bank DBS Indonesia	Rp	700,000	700,000	Rp	700,000	700,000		-	-
PT Bank Central Asia Tbk ("BCA")	Rp	3,000,000	3,000,000	Rp	3,000,000	3,000,000		-	-
Standard Chartered Bank ("SCB")	USD	150,000,000	1,642,500	USD	50,000,000	470,000		-	-
Syndicated loan facilities I	USD	140,000,000	1,533,000		-	-		-	-
PT Bank Mizuho Indonesia	USD	50,000,000	547,500		-	-		-	-
DBS Bank Ltd.	USD	50,000,000	547,500		-	-		-	-
The Hongkong and Shanghai Banking Corporation Ltd. ("HSBC")	USD	50,000,000	547,500		-	-		-	-
J.P.Morgan Chase Bank, N.A.	USD	30,000,000	328,500	USD	30,000,000	282,000		-	-
			15,339,247			11,439,031			8,717,658
Unamortised debt issue cost			(45,023)			(25,519)			(36,635)
			15,294,224			11,413,512			8,681,023
Less: current portion			(730,548)			(1,921,604)			(976,866)
Non-current portion			14,563,676			9,491,908			7,704,157

	Total facility		Payment schedule	Interest payment period	Interest rate	Security
Bank Mandiri						
- Facility dated 19 December 2007	Rp	4,000,000	Installment every year (December 2008-September 2012)	monthly	1 month's JIBOR + 1.50% margin	None
- Facility dated 17 September 2010	Rp	2,500,000	Installment every year (September 2011-September 2015)	quarterly	3 months' JIBOR + 1% margin	None
EKN						
- Facility 1 dated 12 December 2008	USD	213,949,508	Installment every 6 months (15 January 2009 - 15 July 2015)	semiannually	6 months' LIBOR + 0.35% margin + SEK funding cost	None
- Facility 2A dated 23 March 2009	USD	123,579,208	Installment every 6 months (1 April 2009 - 1 October 2015)	semiannually	6 months' LIBOR + 0.35% margin + SEK funding cost	None
PT Bank Sumitomo Mitsui Indonesia	Rp	1,000,000	August 2013	monthly or quarterly	SBI + 0.90% margin	None
The Bank of Tokyo - Mitsubishi UFJ, Ltd.						
- Facility dated 30 September 2009	Rp	500,000	September 2012	monthly or quarterly	SBI + certain margin	None
- Facility dated 14 July 2010	Rp	500,000	July 2013	monthly or quarterly	SBI + certain margin	None
PT ANZ Panin Bank	Rp	250,000	September 2013	quarterly	3 months' JIBOR + 1% margin	None
BCA						
- Facility dated 27 July 2010	Rp	1,500,000	Installment every year (maximum up to) January 2016)	quarterly	3 months' JIBOR + 1.40% margin	None

(Expressed in millions of Rupiah, unless otherwise stated)

11. LONG-TERM LOANS (continued)

The Company is required to comply with certain conditions, such as hedging, limitations on certain asset sales or transfers, maintaining the majority ownership of the Company's shares directly or indirectly by Axiata Group Berhad and maintaining its debt to EBITDA ratio not to exceed 4.5 to 1.0.

The above credit facilities were utilised for loan refinancing, working capital, and acquisition of fixed assets. At each reporting date, the Company was in compliance with the covenants of its long-term loans.

As at 31 December 2010, the unused credit facilities of the Company is Rp 2.5 trillion (full amount). As at the date of this report, facility amounted to Rp 1.5 trillion (full amount) from BCA is not utilized and has been ended (refer to note 32c).

On 27 January 2011, the Company paid loan facility from Bank Mandiri amounted to Rp 400 billion (refer to note 32b).

12. BONDS

Bonds	2008 Original currency		2008 Equivalent to Rupiah	2009 Original currency		2009 Equivalent to Rupiah	2010 Original currency		2010 Equivalent to Rupiah
USD 250 million Notes	USD	127,702,000	1,398,337	USD	59,432,000	558,661		-	-
Rp 1.5 trillion Notes (full amount)	Rp	1,500,000	1,500,000	Rp	1,500,000	1,500,000	Rp	1,500,000	1,500,000
			2,898,337			2,058,661			1,500,000
Unamortised discount			(19,089)			(8,510)			(2,206)
			2,879,248			2,050,151			1,497,794
Less: current portion			-			(553,822)			-
Long-term portion			2,879,248			1,496,329			1,497,794

Bonds	Issuance date	Issuer	Listed on	Maturity	Interest payment period	Interest rate
USD 250 million Notes	18 January 2006	Excelcomindo Finance Company B.V.	Singapore Exchange Securities Trading, Ltd.	18 January 2013	semiannually	7.125%
Rp 1.5 trillion Notes (full amount)	26 April 2007	PT XL Axiata Tbk	Bursa Efek Indonesia	26 April 2012	quarterly	10.35%

Bonds	Bonds ratings	Rater	Trustee	Security
USD 250 million Notes	BB- and Ba2 Rating	Standard and Poor's Rating Services and Moody's Investors Service, Inc.	Bank of New York	None
Rp 1.5 trillion Notes (full amount)	idAA- and AA-(idn)	PEFINDO and FITCH Ratings	PT Bank Permata Tbk	None

The Company is required to comply with certain conditions, such as limitations on asset sales and/ or leaseback transactions, and maintain its debt to EBITDA ratio not to exceed 4.5 to 1.0 over the period of borrowings.

The Company has bought back all of the USD 250 million Notes partially at price of 88.24% - 103.563% of the nominal value.

As at each reporting date, the Company was in compliance with the covenants of its IDR and USD Notes.

(Expressed in millions of Rupiah, unless otherwise stated)

13. PROVISIONS

	2008	2009	2010
Estimated liabilities for assets restoration	142,066	178,466	210,327
Post-employment benefits	76,912	99,956	122,398
Other long-term employee benefits	-	20,528	12,323
	218,978	298,950	345,048

a. Estimated liabilities for assets restoration

	2008	2009	2010
Beginning balance	-	142,066	178,466
Addition during the year	142,211	37,225	33,035
Realisation during the year	(145)	(825)	(1,174)
Ending balance	142,066	178,466	210,327

b. Post-employment benefits

The movements of the provision for post-employee benefits recognised in the consolidated balance sheets are as follow:

	2008	2009	2010
Beginning balance	66,228	76,912	99,956
Provision made during the year	14,753	25,749	25,235
Amounts paid during the year	(4,069)	(2,705)	(2,793)
Ending balance	76,912	99,956	122,398

The provision for post-employment benefits recognised in the consolidated balance sheets is as follow:

	2008	2009	2010
Present value of obligations	104,145	122,928	122,915
Unrecognised actuarial losses	(32,122)	(27,281)	(4,245)
Unrecognised past service costs	4,889	4,309	3,728
	76,912	99,956	122,398

Estimation of actuarial obligations as at 31 December 2008, 2009 and 2010, were based on the actuarial valuation prepared by PT Mercer Indonesia, an independent actuary, as stated in its reports dated 28 January 2009, 15 January 2010 and 20 January 2011, respectively.

The provision for employee benefits expenses charged to the consolidated statements of income are as follow:

	2008	2009	2010
Current service costs	14,429	13,714	14,591
Interest expenses	9,385	11,684	10,821
Net actuarial loss	1,631	931	403
Past service costs	(580)	(580)	(580)
Curtailment	(10,112)	-	-
	14,753	25,749	25,235

(Expressed in millions of Rupiah, unless otherwise stated)

13. PROVISIONS (continued)

b. Post-employment benefits (continued)

The pension benefit obligation was determined using the "Projected Unit Credit" method with the following assumptions:

	2008	2009	2010
Discount rate (per annum)	12%	10.5%	9%
Salary increment rate (per annum)	11%	11%	10%

14. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

Share Capital

The authorised share capital is 22,650,000,000 shares, with a par value of Rp 100 (full amount) per share. Issued and fully paid share capital since 16 November 2009 is 8,508,000,000 shares, previously was 7,090,000,000 shares.

The composition of the Company's shareholders as at 31 December 2008 was as follows:

	Number of shares	Amount Rp	%
Axiata Investments (Indonesia) Sdn. Bhd. (formerly known as Indocel Holding Sdn. Bhd.)	5,940,937,000	594,094	83.80
Emirates Telecommunications Corporation (Etisalat International Indonesia Ltd.)	1,132,497,500	113,250	15.97
Public (individually less than 5%)	16,565,500	1,656	0.23
	7,090,000,000	709,000	100.00

As at 31 December 2008, the 16,565,500 shares owned by the public included those owned by the directors of the Company, who hold 344,000 shares.

The composition of the Company's shareholders as at 31 December 2009 was as follows:

	Number of shares	Amount Rp	%
Axiata Investments (Indonesia) Sdn. Bhd.	7,358,709,290	735,871	86.50
Etisalat International Indonesia Ltd.	1,132,497,500	113,250	13.30
Public	16,793,210	1,679	0.20
	8,508,000,000	850,800	100.00

As at 31 December 2009, the 16,793,210 shares owned by the public included those owned by the directors of the Company, who hold 732,000 shares.

On 16 November 2009, the Extraordinary General Meeting of Shareholders approved the limited public offering I ("LPO I") in respect of a rights issue with pre-emptive rights. The Indonesian Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) issued an effective statement relating to LPO I on 16 November 2009. Subsequently on 11 December 2009, the Company completed the LPO I and issued 1,418,000,000 new shares. Proceeds from LPO I were utilised to repay debts (refer to note 1b).

(Expressed in millions of Rupiah, unless otherwise stated)

14. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL (continued)

Share Capital (continued)

The composition of the Company's shareholders as at 31 December 2010 was as follows:

	Number of shares	Amount Rp	%
Axiata Investments (Indonesia) Sdn. Bhd.	5,674,125,290	567,412	66.70
Etisalat International Indonesia Ltd.	1,132,497,500	113,250	13.30
Public	1,701,377,210	170,138	20.00
	8,508,000,000	850,800	100.00

As at 31 December 2010, the 1,701,377,210 shares owned by the public included those owned by the directors of the Company, who hold 2,971,500 shares.

On 29 March 2010, Axiata Group Berhad through Indocel Holding Sdn. Bhd. announced Private Placement on its shares ownership in the Company which was performed gradually in April 2010 with purpose to increase public ownership of Company's shares and increase liquidity of Company's listed shares in Indonesia Stock Exchange.

Additional Paid-in Capital

	2008	2009	2010
Additional paid-in capital	2,712,250	5,406,450	5,406,450
Share issue costs	(44,815)	(93,803)	(93,803)
Exchange rate difference due to paid-in capital	24,249	22,985	22,985
Allowance for share-based compensation	-	-	20,700
	2,691,684	5,335,632	5,356,332

Through the initial stock offering in September 2005, the Company received USD 278,213,143.70 and Rp 18,617,000,000 (full amount) for the issuance of 1,427,500,000 shares, with a nominal value amounting to Rp 100 (full amount) per share. The conversion rate of USD 1 is Rp 10,195 (full amount).

Through the LPO I in November 2009, the Company received USD 252,795,717.45 and Rp 438,232,620,000 (full amount) for the issuance of 1,418,000,000 shares with a nominal value amounting to Rp 100 (full amount) per share. The conversion rate of USD 1 is Rp 9,485 (full amount).

Details movement of the additional paid-in capital are as follow:

	Prior to public offering	Initial public offering	Limited public offering I	Allowance for share-based compensation	Total
Additional paid-in capital	-	2,712,250	2,694,200	-	5,406,450
Share issue costs	-	(44,815)	(48,988)	-	(93,803)
Exchange rate difference due to paid-in capital	11,730	12,519	(1,264)	-	22,985
Allowance for share-based compensation	-	-	-	20,700	20,700
	11,730	2,679,954	2,643,948	20,700	5,356,332

14. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL (continued)

Share-based compensation

In April 2010, the Nomination and Remuneration Committee approved a share-based compensation plan for certain employees under which Company's shares are to be given as a compensation for services provided by the employees with no cash consideration. Members of Board of Directors and certain employees who have been employed during the performance year and met certain criteria are eligible to participate in the program.

Under the program, on each end of fourth month subsequent to completion of the performance year, the Company issues shares to the eligible employees upon the Company achieving specific performance target and the employees satisfying certain performance conditions and remain in the employment at the share issuance date. Shares issued by the Company vest in two equal proportions and will become employees rights if the employees remain in employment for two years and three years as of respective share issuance date.

Eligible employees will be granted up to 2.5% of normalized income of the performance year, which is calculated based on income after tax, adjusted with unrealized foreign exchange and one-off expense.

The number of shares given to the eligible employees is calculated as the total incentives amount divided by the fair value of shares at the share issuance date. The issuance of new shares should be approved by the Annual General Meeting of Shareholders. The execution of the program covers performance year 2010 up to 2015 with grant cycles divided into six periods.

At the share issuance date, the Company will record deferred compensation expenses and capital stock, and debit the additional paid-in capital. The Company recognised expense related to share-based compensation program in the consolidated statements of income.

As at 31 December 2010 there was no additional shares issued under this scheme. Total expenses arising from share-based compensation recognised in the income statements during the year ended 31 December 2010 were Rp 20.7 billion (full amount).

15. DIVIDENDS

At the Annual General Meeting of Shareholders held on 4 April 2008, the shareholders agreed to distribute a final cash dividend from the 2007 net income which amounted to Rp 141,800. The dividend distributed amounted to Rp 20 (full amount) per share. The cash dividend was fully paid on 16 May 2008.

16. APPROPRIATED RETAINED EARNINGS

Based on the Indonesian Company Law No. 1/1995, which has subsequently been superseded by the Indonesian Company Law No. 40/2007, the Company is required to set up a statutory reserve amounting to at least 20% of the Company's issued and paid up capital.

At the Annual General Meeting of Shareholders held on 26 April 2007, 4 April 2008 and 19 March 2010 the shareholders approved an appropriation to the statutory reserve amounting to Rp 100 in each of those years, so appropriated retained earnings on 31 December 2010 was Rp 300.

(Expressed in millions of Rupiah, unless otherwise stated)

17. (LOSS)/EARNING PER SHARE

	2008	2009	2010
Net (loss)/income attributable to the shareholders	(15,109)	1,709,468	2,891,261
Weighted average number of ordinary shares outstanding	7,090,000,000	7,210,432,877	8,508,000,000
Basic (loss)/earning per share (full amount)	(2)	237	340
Diluted (loss)/earning per share (full amount)	(2)	237	340

On 31 December 2008, 2009 and 2010, there were no dilutive potential ordinary shares that would give rise to a dilution of net (loss)/earning per share of the Company.

18. REVENUE

	2008	2009	2010
Cellular Telecommunications services:			
Voice	6,626,282	7,064,139	8,456,922
Non-voice	3,137,060	4,147,308	5,953,312
Monthly service charge	4,382	8,716	12,951
	9,767,724	11,220,163	14,423,185
Cellular Interconnection services:			
Domestic interconnection	1,036,861	942,436	1,069,817
International roaming	483,468	588,111	639,203
SMS interconnection	13,802	16,435	14,321
Others	3,221	3,746	3,767
	1,537,352	1,550,728	1,727,108
Gross cellular revenue	11,305,076	12,770,891	16,150,293
Discount	(94,781)	(173,462)	(178,256)
Gross cellular revenue net of discount	11,210,295	12,597,429	15,972,037
Other telecommunications services:			
Leased towers	276,669	600,426	792,207
Leased lines	478,473	427,002	430,028
National Roaming Service	-	-	192,370
Internet service provider	63,910	52,288	52,932
Others	31,863	28,906	19,065
Gross revenues - other telecommunications services	850,915	1,108,622	1,486,602
Discount	(3)	-	-
Gross revenue from other telecommunications services net of discount	850,912	1,108,622	1,486,602
Gross revenue net of discount	12,061,207	13,706,051	17,458,639

Refer to Note 24 for related party information.

(Expressed in millions of Rupiah, unless otherwise stated)

19. INFRASTRUCTURE EXPENSES

	2008	2009	2010
License fee	660,377	1,145,386	1,093,744
Rental expense	519,121	865,718	889,631
Utilities expense	388,311	599,456	614,528
Repair and maintenance expense	302,488	450,402	496,391
Others	118,278	28,132	26,688
	1,988,575	3,089,094	3,120,982

20. INTERCONNECTION AND TELECOMMUNICATIONS SERVICE CHARGES

	2008	2009	2010
Interconnection charges	1,555,319	1,403,664	1,664,180
Other cellular telecommunications charges	601,106	537,520	534,712
Other telecommunications service costs	139,956	86,593	104,870
	2,296,381	2,027,777	2,303,762

Refer to Note 24 for related party information.

21. SALES AND MARKETING EXPENSES

	2008	2009	2010
Sales commission expense	692,594	488,071	669,067
Advertising and promotion expense	655,200	451,620	532,933
Services expense	26,681	90,677	89,324
	1,374,475	1,030,368	1,291,324

Refer to Note 24 for related party information.

22. SALARIES AND EMPLOYEE BENEFITS

	2008	2009	2010
Total employee costs (including outsourcing):			
- Salaries and allowances	706,479	748,512	873,387
- Payment to defined contribution pension plan	16,091	17,024	18,681
- Provision for employee benefits	14,753	25,749	25,235
Total employee costs	737,323	791,285	917,303
Internal labour cost capitalised as part of the fixed assets costs	(14,808)	(13,452)	(12,895)
Salaries and employee benefits	722,515	777,833	904,408

The number of permanent employees (unaudited) as of 31 December 2008, 2009 and 2010 are 2,114, 2,076 and 2,360 employees respectively.

Refer to Note 24 for related party information.

(Expressed in millions of Rupiah, unless otherwise stated)

23. TAXATION

a. Prepaid taxes

	2008	2009	2010
Value Added Tax - net	393,469	-	-
Income Tax article 4(2)	60,856	41,322	-
Claim for tax refund:			
- 2009	-	69,334	-
- 2008	210,373	213,198	-
- 2007	85,494	38,507	2,037
- 2006	2,005	2,005	784
- 2005	1,267	1,267	1,267
- 2004	1,073	1,073	1,073
- Others	323	470	-
	754,860	367,176	5,161

b. Taxes payable

	2008	2009	2010
Value Added Tax - net	-	84,671	86,910
Corporate Income Tax payable:			
- The Company	-	-	203,859
- The Subsidiaries	5,142	4,730	4,524
Income Tax article 21	4,660	5,299	3,938
Income Tax article 23	91,085	17,930	32,205
Income Tax article 25	-	7,674	65,167
	100,887	120,304	396,603

c. Corporate income tax benefit/(expenses)

	2008	2009	2010
Current			
- Non Final	-	(10,750)	(866,638)
- Final	(6,011)	(12,777)	(10,412)
Deferred	60,100	(630,048)	(99,670)
	54,089	(653,575)	(976,720)
Consisting of:			
- The Company:			
- Current			
- Non Final	-	(10,211)	(866,638)
- Final	(6,011)	(12,777)	(10,412)
- Deferred	60,100	(630,048)	(99,670)
	54,089	(653,036)	(976,720)
- The Subsidiaries:			
- Current	-	(539)	-
	54,089	(653,575)	(976,720)

(Expressed in millions of Rupiah, unless otherwise stated)

23. TAXATION (continued)

c. Corporate income tax benefit/(expenses) (continued)

The reconciliation between the Company's income tax benefit/(expenses) and the theoretical tax amount on the Company's (loss)/income before income tax for the years ended 31 December 2008, 2009 and 2010 is as follows:

	2008	2009	2010
Consolidated (loss)/income before income tax	(69,198)	2,363,043	3,867,981
Add: net loss before tax			
- The Subsidiaries	7,897	5,926	2,136
Income/(loss) before income tax			
- The Company	(61,301)	2,368,969	3,870,117
Benefit/(expenses) tax calculated at			
effective rates	18,391	(663,311)	(967,529)
Income subject to final tax - net	9,016	17,887	14,568
Non-deductible expenses	(76,318)	(58,558)	(113,835)
Prior years' tax adjustments	(1,716)	(10,610)	100,488
Changes in tax rate	110,727	74,333	-
Final tax expense	(6,011)	(12,777)	(10,412)
Income tax benefit/(expenses):			
- The Company	54,089	(653,036)	(976,720)
- The Subsidiaries	-	(539)	-
	54,089	(653,575)	(976,720)

The reconciliation between the Company's (loss)/income before income tax as shown in the consolidated financial statements and the estimated taxable (loss)/income for the years ended 31 December 2008, 2009 and 2010 is as follows:

	2008	2009	2010
(Loss)/income before income tax - The Company	(61,301)	2,368,969	3,870,117
Temporary differences:			
- Difference between commercial and fiscal depreciation and amortisation	(646,440)	(1,885,604)	(791,092)
- Difference between commercial and fiscal gain/(loss) on disposal and write-off of assets	11,656	(219,307)	(28,702)
- Allowance for bad debt expense	(15,847)	(19,552)	(44,453)
- Accrued expenses	-	-	6,633
- Provision for salaries and employee benefits	52,233	72,223	56,980
	(598,398)	(2,052,240)	(800,634)
Permanent differences:			
- Non-deductible expenses	254,392	209,134	455,342
- Income subject to final tax	(30,054)	(63,884)	(58,273)
	224,338	145,250	397,069
Tax (loss)/income	(435,361)	461,979	3,466,552
Accumulated tax losses	(113,075)	(543,228)	-
Tax loss adjustment 2005	-	-	-
Tax loss adjustment 2006	5,208	25,817	-
Tax loss adjustment 2007	-	82,052	-
Tax loss adjustment 2008	-	9,849	-
Taxable (loss)/income	(543,228)	36,469	3,466,552

(Expressed in millions of Rupiah, unless otherwise stated)

23. TAXATION (continued)

c. Corporate income tax benefit/(expenses) (continued)

	2008	2009	2010
Current tax expense - The Company	-	10,211	866,638
Less: Prepaid corporate income tax	(210,373)	(79,545)	(662,779)
(Over)/under payment of corporate income tax	(210,373)	(69,334)	203,859

In accordance with Indonesia Taxation Law, corporate income tax is calculated for the Company and each of its subsidiaries in the understanding that they are separate legal entities (consolidated financial statements are not permitted for computing corporate income tax).

In September 2008, Indonesian government issued a new income tax regulation which become effective commencing 1 January 2009. With this regulation, the corporate income tax rate reduced to a fixed rate of 28% in 2009 and 25% in 2010 onwards. On 31 December 2008 and 2009 the Company adjusted the deferred tax assets and liabilities to align with the changes in the corporate income tax rate.

In these consolidated financial statements, the amount of tax income for the year ended 31 December 2010 is based on preliminary calculations. These amounts may differ from tax income/(loss) reported in the corporate income tax returns. There is no significant difference between the amount of tax loss for the years ended 31 December 2008 and the amount reported in the annual tax returns.

In August 2010, the Company submitted 2009 corporate income tax returns, to follow up the 2008 tax assessment letter (refer to Note 23e). The Company revised the tax income, tax losses carried forward and taxable income into Rp 530,384, Rp 166,153 and Rp 364,230, respectively. This resulted in an underpayment of Company's corporate income tax amounted to Rp 32,671. The underpayment had been paid and difference between preliminary calculation and the amount reported had been recorded in the current period consolidated statement of income as other expenses. The impact of correction in relation with deferred tax liabilities was recognized in the current period statement of income as prior year adjustment (refer to Note 23d).

d. Deferred tax liabilities

	2007	(Charged)/ credited to consolidated statement of income	Others*	Changes in tax rate	2008
Difference between commercial and fiscal depreciation and amortisation	(721,303)	(190,435)	-	151,956	(759,782)
Allowance for bad debt expense	35,702	(4,754)	-	(5,158)	25,790
Provision for salaries and employee benefits	37,948	15,670	(152)	(8,910)	44,556
Tax losses carried-forward	33,924	130,608	(1,564)	(27,161)	135,807
	(613,729)	(48,911)	(1,716)	110,727	(553,629)

(Expressed in millions of Rupiah, unless otherwise stated)

23. TAXATION (continued)

d. Deferred tax liabilities (continued)

	2008	(Charged)/ credited to consolidated statement of income	Others*	Changes in tax rate	2009
Difference between commercial and fiscal depreciation and amortisation	(759,782)	(589,373)	2,462	63,147	(1,283,546)
Allowance for bad debt expense	25,790	(5,475)	-	587	20,902
Provision for salaries and employee benefits	44,556	20,220	-	(2,166)	62,610
Tax losses carried-forward	135,807	(119,143)	(13,072)	12,765	16,357
	(553,629)	(693,771)	(10,610)	74,333	(1,183,677)

	2009	(Charged)/ credited to consolidated statement of income	Others*	2010
Difference between commercial and fiscal depreciation and amortisation	(1,283,546)	(204,948)	103,691	(1,384,803)
Accrued expenses	-	1,658	13,153	14,811
Allowance for bad debt expense	20,902	(11,113)	1	9,790
Provision for salaries and employee benefits	62,610	14,245	-	76,855
Tax losses carried-forward	16,357	-	(16,357)	-
	(1,183,677)	(200,158)	100,488	(1,283,347)

* Others is prior year adjustment (charged)/credited to consolidated statement of income.

e. Tax assessments

2001 fiscal year

In 2005, the Tax Court accepted the Company's appeal in relation with income tax article 26 and Value Added Tax (VAT) amounted to Rp 855 and Rp 4,576 respectively. The Company recorded the result in the 2005 consolidated statement of income.

The Director General of Taxation (DGT) then requested for judicial review to the Supreme Court in respect to the above appeal decision letters. In 2009 and 2010, Supreme Court rejected the DGT request with respect to the VAT and income tax article 26.

2002 fiscal year

In 2006, the Tax Court accepted the Company's appeal in relation with income tax article 26 and VAT amounted to Rp 1,045 and Rp 2,429 repectively. The Company recorded the results in the 2006 consolidated statement of income.

The DGT then requested for judicial review to the Supreme Court in respect to the above appeal decision letters. In 2010, Supreme Court rejected the request in respect to the VAT. Up to the date of this report, the Supreme Court has not responded to the request regarding income tax article 26 submitted by DGT.

23. TAXATION (continued)

e. Tax assessments (continued)

2004 fiscal year

In 2006, the Company filed objection letters against the tax assessments confirming underpayment of income tax article 26 and VAT. In 2007, the DGT partially accepted the objection regarding VAT and reduced the underpayment of VAT by Rp 190. On the other hand, DGT rejected the objection regarding income tax article 26 and increased the underpayment of income tax article 26 by Rp 34,251. The Company paid the additional tax underpayment and recorded the results in the 2007 consolidated statement of income.

In 2007, the Company filed an appeal letter to the Tax Court in response to the results of the objection process over the income tax article 26. Up to the date of this report, the Tax Court has not responded to the appeal letter.

2005 fiscal year

In 2007, the Company filed objection letters against the tax assessments confirming underpayment of income tax article 26 and VAT. In 2008, the DGT partially accepted the objection regarding VAT and reduced the underpayment of VAT by Rp 63. On the other hand, the DGT rejected the objection regarding income tax article 26. The Company recorded the results in the 2008 consolidated statement of income.

In 2008, the Company filed an appeal letter to the Tax Court in response to the results of the objection process over the income tax article 26. Up to the date of this report, the Tax Court has not responded to the appeal letter.

2006 fiscal year

In June 2008, the Company received a tax assessment letter confirming overpayment of corporate income tax amounted to Rp 60,461. In July 2008, the Company received and recorded the restitution in the 2008 consolidated statement of income.

In September 2008, the Company received tax assessment letters confirming underpayment of various income taxes, VAT, and tax penalties totalling to Rp 158,808. Subsequently, the DGT issued decision letter of rectification to reduce the tax penalties by Rp 932. The Company paid and recorded the above taxes underpayment in the 2008 consolidated statement of income.

In December 2008, the Company filed objection letters to the DGT against the tax assessments regarding income tax article 23, article 26 and VAT. In December 2009, the DGT rejected the objection over income tax article 23 and partially accepted the objection over income tax article 26 and VAT. The Company recorded the results in the 2010 consolidated statement of income. In March 2010, the Company submitted appeal letter to Tax Court in relation to income tax article 26 and VAT. Up to the date of this report, the Tax Court has not responded to all the appeal letters submitted by the Company.

23. TAXATION (continued)

e. Tax assessments (continued)

2007 fiscal year

In 2009, the Company received tax assessment letters confirming overpayment of corporate income tax and underpayment of VAT and various income taxes. The underpayment based on tax assessment amounted to Rp 103,447 had been paid by Company, partially through offset with overpayment of corporate income tax based on tax assessment amounted to Rp 49,024.

In October 2009, the Company filed objection letters to the DGT against the tax assessments confirming underpayment of income tax article 26. Subsequently in December 2009 the Company filed objection letters to the DGT against the tax assessments confirming overpayment of corporate income tax, tax assessments confirming underpayment of income tax article 23 and VAT. In September 2010, DGT rejected the objection regarding income tax article 26 and increased the underpayment of income tax article 26 by Rp 9,642, which has been recorded by the Company in current period consolidated statement of income. In December 2010, the Company has submitted appeal letter to Tax Court in relation to income tax article 26. In December 2010, the DGT rejected the Company's objection regarding corporate income tax, income tax article 23 and VAT. The Company will submit appeal letter in response to the results of the objection process over this corporate income tax, income tax article 23 and VAT.

2008 fiscal year

In August 2010, the Company received tax assessment letters confirming overpayment of corporate income tax amounted to Rp 212,959. The tax assessment reduced the compensated tax loss carry forward to Rp 166,153. In the same month, the Company also received tax assessment letters confirming underpayment, overpayment and tax penalties of various income taxes, VAT, and tax penalties totalling to Rp 11,949. The Company recorded this assessment in current period consolidated statement of income. In November 2010, the Company filed an appeal letter against the tax assessments regarding corporate income tax and income tax article 23. In addition, the Company also filed a request on penalty reduction of income tax article 26 and final income tax article 4(2). Up to the date of this report, DGT has not responded to the appeal letter and penalty reduction submitted by the Company. In September 2010, the Company also received the refund of 2009 final income tax article 4(2) amounted to Rp 40,188.

Under the Indonesia Taxation Law, the Company submits tax returns on the basis of self-assessment. The Tax Authorities may assess or amend the tax liabilities within the Statute of Limitations, under the prevailing regulations.

Based on tax Law No. 28/2007 on General Provision and Procedure of Taxation effective as of 1 January 2008, the DGT may assess or amend tax liability within 5 (five) years of the time the tax becomes due. For tax liabilities from fiscal year 2001 up to fiscal year 2007 which have not been settled, the tax assessment expires in 2013 at the latest.

24. RELATED PARTY INFORMATION

a. Nature of transactions and relationships with related parties

The nature of transactions and relationships with related parties is as follows:

Related parties	Nature of the relationships with related parties	Nature of transactions
Celcom Axiata Berhad (formerly Celcom (Malaysia) Berhad)	Entity under common control	*ITKP*/VoIP revenue, international roaming revenue, interconnection charges and reimbursement of expense
Celcom Mobile Sdn. Bhd.	Entity under common control	Cooperation for voucher recharge and airtime transfer
Celcom Multimedia (M) Sdn. Bhd.	Entity under common control	Cooperation for money transfer through remittance agent
Dialog Axiata PLC. (Sri Lanka) (formerly Dialog Telekom PLC.)	Entity under common control	International roaming revenue and interconnection charges
Hello Axiata Company Limited (Cambodia) (formerly Telekom Malaysia International (Cambodia) Co. Ltd.)	Entity under common control	International roaming revenue and interconnection charges
Robi Axiata Limited (Bangladesh) (formerly Axiata (Bangladesh) Limited)	Entity under common control	International roaming revenue and interconnection charges
Telekom Malaysia Berhad	Under common significant influence	*ITKP*/VoIP revenue, leased line revenue, interconnection charges, other telecommunications service costs and reimbursement of expenses
Telekom Malaysia - Hongkong	Under common significant influence	*ITKP*/VoIP revenue and leased line revenue
Telekom Malaysia (S) Pte., Ltd.	Under common significant influence	*ITKP*/VoIP revenue, interconnection charges and other telecommunications service costs
M1 Limited (formerly MobileOne Ltd.)	Under common significant influence	International roaming revenue and interconnection charges
Idea Cellular Limited (India) (formerly Spice Communications Ltd.)	Under common significant influence	International roaming revenue and interconnection charges
PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk and Lippo Bank)	Under common significant influence	Cash and cash equivalent, cellular and others telecommunications service
Etihad Etisalat	Under common significant influence	International roaming revenue and interconnection charges
Thuraya Satellite Telecommunications Company	Under common significant influence	International roaming revenue and interconnection charges
PT VADS Indonesia	Under common significant influence	Outsource contact centre, sale of assets and reimbursement of expenses
Axiata Group Berhad (formerly TM International Berhad)	Ultimate majority sharehoder	Reimbursement of expenses
Emirates Telecommunications Corporation	Indirect shareholder	International roaming revenue and interconnection charges
PT Rajawali Corpora	Shareholders (until May 2007), one of directors is the Company's commissioner	Building rental

(Expressed in millions of Rupiah, unless otherwise stated)

24. RELATED PARTY INFORMATION (continued)

b. Cash and cash equivalents

	2008	2009	2010
PT Bank CIMB Niaga Tbk	110,077	94,452	850
(As a percentage of total cash and cash equivalents)	9.41%	12.63%	0,23%

c. Trade receivables

	2008	2009	2010
Celcom Axiata Berhad	4,471	14,863	22,058
Telekom Malaysia Berhad	56,164	41,304	20,511
PT Bank CIMB Niaga Tbk	3,079	2,462	4,144
Celcom Mobile Sdn. Bhd.	-	1,020	3,971
M1 Limited	1,633	136	134
Telekom Malaysia (S) Pte., Ltd,	2,173	-	-
Others (individual amount less than Rp 1,000)	772	634	589
	68,292	60,419	51,407
(As a percentage of total trade receivables - net)	17.74%	18.18%	11.25%

d. Other receivables

	2008	2009	2010
Axiata Group Berhad	21,368	206	1,107
PT VADS Indonesia	-	8,239	-
Others (individual amount less than Rp 1,000)	-	13	318
	21,368	8,458	1,425
(As a percentage of total other receivable)	61.37%	89.02%	1.83%

e. Trade and other payables

	2008	2009	2010
PT VADS Indonesia	4,895	19,905	15,022
Celcom Axiata Berhad	4,641	3,046	2,722
M1 Limited	-	56	1,328
Etihad Etisalat	-	1,123	1,310
Telekom Malaysia Berhad	18,224	2,652	825
Others (individual amount less than Rp 1,000)	493	72	988
	28,253	26,854	22,195
(As a percentage of total trade and other payables)	0.82%	1.26%	1.34%

f. Revenue

	2008	2009	2010
Telekom Malaysia Berhad	127,759	148,430	138,154
Celcom Axiata Berhad	14,818	41,327	95,697
PT Bank CIMB Niaga Tbk	31,298	43,740	49,048
M1 Limited	21,520	12,440	8,027
Emirates Telecommunications Corporation	3,227	2,944	2,282
Etihad Etisalat	1,561	1,082	1,018
Telekom Malaysia (S) Pte., Ltd.	5,974	784	-
Telekom Malaysia - Hongkong	436	-	-
Others (individual amount less than Rp 1,000)	413	394	509
	207,006	251,141	294,735

(Expressed in millions of Rupiah, unless otherwise stated)

24. RELATED PARTY INFORMATION (continued)

f. Revenue (continued)

	2008	2009	2010
(As a percentage of gross revenue net of discount)	1.72%	1.83%	1.69%

g. Interconnection charges

	2008	2009	2010
Celcom Axiata Berhad	11,430	13,297	19,897
M1 Limited	5,822	7,163	11,812
Telekom Malaysia Berhad	9,198	23,414	4,806
Etihad Etisalat	1,689	2,263	3,934
Emirates Telecommunications Corporation	2,778	1,487	1,401
Telekom Malaysia (S) Pte., Ltd,	2,337	-	-
Others (individual amount less than Rp 1,000)	384	352	1,994
	33,638	47,976	43,844
(As a percentage of interconnection charges)	2.16%	3.42%	2.63%

h. Other telecommunications service costs

	2008	2009	2010
Telekom Malaysia Berhad	21,853	3,118	1,866
(As a percentage of other telecommunications service costs)	15.61%	3.60%	1.78%

i. Rental expense

	2008	2009	2010
PT Rajawali Corpora	4,618	4,618	11,546
(As a percentage of operating expenses)	0.04%	0.04%	0.09%

On 15 December 2006, the Company made a rental prepayment for the period 1 November 2006 to 30 June 2012, which the charges are recorded up to 31 December 2010. As at 31 December 2008 and 2009, the balance of the rental prepayment amounting to Rp 16,165 and Rp 11,546 respectively, consists of Rp 4,618 current portion and Rp 11,547 and Rp 6,928 non-current portion.

j. Service expense

	2008	2009	2010
PT VADS Indonesia	4,895	60,263	73,253
Axiata Group Berhad	-	-	901
	4,895	60,263	74,154
(As a percentage of operating expense)	0.05%	0.53%	0.60%

(Expressed in millions of Rupiah, unless otherwise stated)

24. RELATED PARTY INFORMATION (continued)

k. Salaries and allowances for Board of Directors and Commissioners

	2008	2009	2010
Salaries and allowances for Board of Directors and Commissioners	35,072	33,511	47,354
(As a percentage of total employee costs)	4.76%	4.24%	5.16%

l. Sale of fixed assets

In May 2009, the Company completed the sale of certain fixed assets related to call centre activities. The transaction was carried out with PT VADS Indonesia, a related party, at the net book value amounted to Rp 14,808.

The transactions with related parties are made under terms and conditions as though the transactions were made with third parties. At the time the transactions were entered, the Company is in compliance with the regulations of Indonesian Capital Market and Financial Institution Supervisory Agency No. IX.E.1 regarding Affiliated Transactions and Conflicts of Interest on Certain Transactions.

25. COMMITMENTS

a. Capital commitments

The Company has made various purchase commitments related to the expansion of the network against which the Company has made downpayments, as follows:

	2010	
	(In million USD)	(Equivalent billion Rp)
Purchase commitments	286	2,575
Downpayments	(3)	(31)
	283	2,544

b. Operating lease commitments

In 1999 the Company entered into an office rental agreement denominated in Rupiah with PT Caraka Citra Sekar Lestari (third party) for a term of 10 (ten) years. On 23 March 2007, the Company amended the office rental agreement until 31 October 2020, with a total commitment as follows:

	2010
Payable within 1 (one) year	18,850
Payable within 2 (two) years and 5 (five) years	103,118
Payable more than 5 (five) years	69,854
	191,822

The rental expenses related to this commitment for the years ended 31 December 2008, 2009 and 2010; amounted to Rp 11,088, Rp 11,088 and Rp 12,382, respectively.

(Expressed in millions of Rupiah, unless otherwise stated)

25. COMMITMENTS (continued)

b. Operating lease commitments (continued)

On 6 September 2007, the Company entered into an office rental agreement denominated in Rupiah with PT Wiratara Prima (third party) for a term of 6 (six) years. The amount of the commitment based on last addendum of the agreement on November 2010 is as follow:

Year 1-3 = Rp 143,000 per square meter, per month

Year 4-6 = Rp 161,500 per square meter, per month

Rental expenses related to this commitment for the years ended 31 December 2008, 2009 and 2010; amounting to Rp 10,199, Rp 9,390 and Rp 9,639, respectively.

c. 3G annual fees commitments

The Company has committed to pay annual fees within 10 (ten) years, as long as the Company holds the 3G license. The amount of the annual payment is based on the scheme of payment set out in Regulation No. 07/PER/M.KOMINFO/2/2006 and Decree No. 323/KEP/M.KOMINFO/09/2010 (refer to Note 1d). No penalty will be imposed in the event of the Company returning the license.

26. DERIVATIVE INSTRUMENTS

	2008	2009	2010
Derivative receivables:			
- Forward Foreign Currency Contracts	758,286	110,246	32,884
- Cross Currency Swap Contracts	200,716	18,049	-
- Interest Rate Swap Contracts	-	2,010	-
	959,002	130,305	32,884
Less: current portion	(333,324)	(18,049)	-
	625,678	112,256	32,884
Derivative payables:			
- Forward Foreign Currency Contracts	-	134,501	76,245
- Interest Rate Swap Contracts	36,828	35,440	66,583
- Cross Currency Swap Contracts	-	60,810	-
	36,828	230,751	142,828
Less: current portion	-	(166,272)	-
	36,828	64,479	142,828

The fair values on forward foreign currency contracts, cross currency swap contracts, and interest rate swap contracts have been calculated using rates quoted by the Company's bankers to terminate the contracts at the balance sheet date.

The net changes in fair value and settlement of derivates instruments are recorded as foreign exchange gain/(loss) in the consolidated statements of income. For the year ended 31 December 2010, the Company recorded foreign exchange loss amounting Rp 201,114 in the consolidated statements of income.

Other information relating to the derivative assets and liabilities as at 31 December 2010, as follows :

(Expressed in millions of Rupiah, unless otherwise stated)

26. DERIVATIVE INSTRUMENTS (continued)

Forward Foreign Currency Contracts

Counterparties	Notional Amount USD	Strike rate (full amount)	Period	Premium per annum
Standard Chartered Bank	147,727,273	1 USD = Rp 9,000 - Rp 9,725	18 September 2009 - 29 September 2015	2.25%-5.26%
J.P.Morgan Securities (S.E.A.) Ltd.	45,454,545	1 USD = Rp 9,000	31 December 2009 - 29 September 2015	3.45%

The premiums on the forward foreign currency contracts will be paid semi-annually.

Interest Rate Swap Contracts

	Notional amount USD	Period	Exchange period	Fixed interest rate paid	Fixed interest rate received
Standard Chartered Bank	241,091,940	11 February 2009 - 1 October 2015	semiannually	2.323% - 2.575%	6 months' LIBOR

27. CONTINGENCY

On 1 November and 14 December 2007, the Indonesia Business Competition Supervisory Commission ("*KPPU*") issued decisions regarding a preliminary and a second stage continued investigation into the Company and seven other telecommunications companies based on allegations of SMS price-fixing (cartel), which is a breach of Article 5 of the Anti-Monopoly Law (Law No. 5/1999).

In the event that the Company is found liable for SMS price-fixing, the *KPPU* may order the Company to pay fines up to Rp 25 billion (full amount) and require the Company to revise its SMS charges. In the event that the *KPPU*'s decision stipulates that the alleged price fixing has caused consumer loss, the Company may also be exposed to consumer class action suits. Each of these decisions could have a material adverse effect on the Company's business, reputation and profitability.

On 18 June 2008, *KPPU* in one of its decisions assessed a penalty amounting to Rp 25 billion (full amount) to the Company. On 9 July 2008, the Company submitted an appeal letter regarding *KPPU*'s decision to South Jakarta District Court. Due to different jurisdiction domicile, the Company along with other operators, as requested by *KPPU*, filed an application to the Supreme Court to determine which Court will hear the proceedings. Up to the issue date of the consolidated financial statements, the Company has not received any response from both institutions.

28. TELECOMMUNICATIONS SERVICES TARIFFS

Under Law No. 36/1999 and Government Regulation No. 52/2000, tariffs for the use of telecommunications network and telecommunication services are determined by providers based on the tariffs category, structure and with respect to fixed line telecommunications services, in accordance with a price cap formula set by the Government.

28. TELECOMMUNICATIONS SERVICES TARIFFS (continued)

a. Mobile cellular telephone tariffs

On 7 April 2008, the Minister of Communication and Information Technology issued Decree No. 09/PER/M.KOMINFO/04/2008 on “The Procedures for Determination of the rate (Tariff) of Telecommunication Services which Connected Through Mobile Cellular Network” which provides guidelines to determine cellular tariffs with a formula consisting of network element cost and retail services activity cost.

The cellular tariffs consist of the following:

- Basic services tariff
- Roaming tariff
- Multimedia tariff,

with the following structure:

- Activation fee
- Monthly charges
- Usage charges
- Additional facilities fee.

The tariffs are determined based on certain formula consisting of:

- Network element cost, which is determined using the Long Run Incremental Cost (LRIC) Bottom Up Method.
- Retail service activity cost plus margin.

b. Interconnection tariffs

On 28 December 2006, the Company and all network operators signed amendments to their interconnection agreements for fixed line networks (local, long distance and international) and mobile network for the implementation of the cost-based tariff obligations under the Minister of Communication and Information Technology Regulations No. 08/PER/M.KOMINFO/02/2006. These amendments took effect on 1 January 2007.

The Interconnection tariff applied by Company currently is based on the latest *Dokumen Penawaran Interkoneksi* which was based on Director General of Post and Telecommunications Decree No. 205/2008 dated 11 April 2008.

The Government has determined interconnection cost reference as of 31 December 2010 through Letter from *Badan Regulasi Telekomunikasi Indonesia* No. 227/BRTI/XII/2010 regarding Interconnection Implementation for 2011. For cellular mobile telecommunication services, this reference will be effective starting 1 January 2011, while for fixed wireless access service, this reference will be effective starting 1 July 2011.

c. VoIP interconnection tariff

Previously, the MoC Decree No. KM. 23/2002 provided that access and network lease line charges for the provision of VoIP services should be approved between network operators and VoIP operators. On 11 March 2004, the MoC issued Decree No. 31/2004, which stated that interconnection charges for VoIP shall be stipulated by the MoC. Currently, the Minister of Communication and Information Technology has not yet determined the new VoIP interconnection charges. Since the new charges have not been determined by the government, the Company still use the agreed interconnection fees between network operators and VoIP operators.

28. TELECOMMUNICATIONS SERVICES TARIFFS (continued)

d. Leased line tariff

Based on Minister of Communication and Information Technology Decree No. 03/PER/M.KOMINFO/1/2007 dated 26 January 2007 on Lease Line, the Government regulates the form, type, tariff structure and the formula for determination of lease line services tariff. Pursuant to the Minister of Communication and Information Technology Decree, the Government released Director General of Post and Telecommunication Decision Letter No. 115/Dirjen/2008 dated 24 March 2008 on the approval of the Documents of the type of lease line, the tariff of lease line services, the Availability of Lease line Service Capacity, the quality of lease line services and Procedures of Lease line Service provision in year of 2008 belongs to the Dominant Lease line Service Provider, as approval on the Company's proposal.

e. Tariff for other services

The tariffs for tower rental, internet telephony services, national roaming and other services are determined by the service provider by taking into account the expenditures and market price. The Government only determines the tariff formula for basic telephony services. No other ruling for other services.

29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES

The Company entered into several significant contract agreements with third parties as follows:

a. General purchase agreement with Ericsson AB

On 11 July 2007, the Company signed a general purchase agreement with Ericsson AB for the supply of network equipment and various network-related services. This agreement is valid until 31 December 2010, unless terminated by either party in accordance with the agreement. This contract sets out terms and conditions for the purchase of various products and services which may be supplied by Ericsson AB from time to time, following the issue of one or more purchase orders by the Company. This agreement replaces all other agreements signed previously.

Up to the date of this report, the extention of this contract is being process.

Purchase orders issued for the years ended 31 December 2008, 2009 and 2010; amounted to USD 316,078,057, USD 69,461,835 and USD 162,402,322, respectively.

b. Maintenance agreements and installation agreement with PT Ericsson Indonesia

As at 31 December 2010, the Company has several agreements with PT Ericsson Indonesia, such as: (i) Installation agreement, (ii) Maintenance agreement.

(i) On 11 July 2007, the Company signed an installation agreement with PT Ericsson Indonesia for the installation of the Company's telecommunications network equipment. This agreement is valid until the last purchase order or the date on which the agreement is terminated by either party in accordance with the terms of the agreement. This agreement replaces all other agreements signed previously.

(ii) On 27 September 2007, the Company signed a maintenance agreement with PT Ericsson Indonesia for the supply of maintenance services for the Company's telecommunications network. This agreement is valid until the last purchase order or the date on which the agreement is terminated by either party in accordance with the terms of the agreement. This agreement replaces all other agreements signed previously. On 21 April 2010, there is amendment no. 2 on service fee.

29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

b. Maintenance agreements and installation agreement with PT Ericsson Indonesia (continued)

Purchase orders issued for the years ended 31 December 2008, 2009 and 2010; amounted to Rp 262,562 & USD 44,048,064, Rp 165,715 & USD 25,870,693 and Rp 303,300 & USD 32,254,160, respectively.

c. Managed Services Agreements for Billing and Customer Management System Operation, Software license and maintenance agreement for billing system

In September 2010, the Company early terminated several agreements which previously entered into with Amdocs. The Company then entered into managed services agreements for billing and customer management system operation, software license and maintenance agreements for billing system. The agreement consists of:

(i) Managed Services Agreement between the Company and PT Software Solutions Indonesia, with effect from 1 October 2010 to 31 December 2017, unless terminated earlier by either party in accordance with the agreement.

(ii) Remote Services Agreement between the Company and Hungarian Innovation Systems Limited Liability Company, with effect from 1 October 2010 to 31 December 2017, unless terminated earlier by either party in accordance with the agreement.

(iii) Software License and Maintenance Agreement between the Company and Hungarian Innovation Systems Limited Liability Company, with effect from 23 September 2010 to 31 December 2019. This agreement also sets out the right and obligation of both parties. Certain scope of services in this agreement amended previous agreement which should be ended by 31 December 2011.

Purchase orders issued for the years ended 31 December 2010 amounted to Rp 7,782,627.

d. Supply, installation and maintenance agreement with PT Huawei Tech Investment ("HTI")

As at 31 December 2010, the Company has several agreements with HTI, such as: (i) Master supply and installation of 3G agreement, (ii) Master maintenance agreement and (iii) Master purchase of various products including the installation agreement.

(i) On 8 June 2006, the Company signed a supply and installation agreement with HTI for the supply and installation of 3G, to provide and support a mobile telecommunications system throughout Indonesia. The agreement is valid from 8 June 2006 to 8 June 2011, unless terminated earlier by either party.

(ii) On 27 December 2007, the Company signed a maintenance agreement with HTI. The agreement sets out terms and conditions for the maintenance of various products and services which may be supplied by HTI from time to time, following the issue of one or more purchase orders by the Company. This agreement is valid from 1 January 2008 until the last purchase order or the date on which the agreement is terminated by notice by either party.

(iii) On September 2008, the Company signed a purchase and installation agreement with HTI. The agreement sets out terms and conditions for the purchase of various products and services, including the installation which may be supplied by HTI from time to time, following the issue of one or more purchase orders by the Company. This agreement is valid from September 2008 until the last purchase order or the date on which the agreement is terminated by notice by either party.

Purchase orders issued for the years ended 31 December 2008, 2009 and 2010; amounted to Rp 80,253 & USD 71,376,311, Rp 20,209 & USD 29,940,890 and Rp 81,275 & USD 71,183,562, respectively.

29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

e. Equipment supply, maintenance and installation agreement with PT Alita Praya Mitra ("APM")

As at 31 December 2010, the Company has several agreements with APM, such as: (i) Master maintenance agreement, (ii) Master general purchase agreement and (iii) Master installation Agreement.

(i) On 26 March 2008, the Company signed a maintenance agreement with APM. The agreement sets out terms and conditions for the maintenance for various products and services which may be supplied by APM from time to time, following the issue of one or more purchase orders by the Company. This agreement is valid from 1 January 2008 to December 2010 or the date on which the agreement is terminated by either party.

With effect from 16 August 2010, the Company signed amendment to add the equipment maintenance scope, thus the agreement is valid up to 31 December 2011 or the date on which the agreement is terminated by notice by either party.

(ii) On 1 May 2008, the Company signed a general purchase agreement with APM for the supply of network equipment. This Agreement is valid until 31 December 2010 unless terminated earlier by either party. The agreement sets out the terms and conditions for the purchase of various products and services which may be supplied by APM from time to time, following the issue of one or more purchase orders by the Company. This agreement replaces all other agreements signed previously.

(iii) On 13 August 2008, the Company signed an installation Agreement with APM for the installation of the Company's network equipment. This agreement is valid until the latest purchase order issued by the Company, unless the agreement is terminated earlier by a single party. The agreement sets out the terms and conditions for the installation of various products which may be supplied by APM from time to time, following the issue of one or more purchase orders by the Company. This agreement replaces all other agreements previously signed.

Purchase orders issued for the years ended 31 December 2008, 2009 and 2010; amounted to Rp 48,027 & USD 29,418,551, Rp 26,766 & USD 4,615,565 and Rp 61,383 & USD 19,504,949, respectively.

f. Fiber optic cable installation and land lease agreement with PT Kereta Api (Persero) ("PT KAI")

(i) On 20 December 1996, the Company signed an Agreement with PT KAI to install a fiber optic cable along the railroad in Java island. This Agreement is effective from 20 December 1996 with a one-year grace period for the project's development stage, and ends on 19 December 2017 at which time payment of rent is to be executed in two phases.

This agreement can be extended with both parties' approval. To ensure the validity of such an extension of the agreement, the Company should submit a written proposal at least 3 (three) months prior to the expiry date of the agreement. If the Company fails to pay the rent on the due date, PT KAI reserves the right to claim a late payment charge at 1‰ (one per mile) per day of the due amount, and these late payment charges are capped at a maximum of 5% (five percent).

On 15 September 2006, the Company signed a contract amendment related to the second phase payment to determine the rental extension period, which was to expire on 19 December 2017. This agreement was extended until 19 December 2022.

29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

f. Fiber optic cable installation and land lease agreement with PT Kereta Api (Persero) ("PT KAI") (continued)

(ii) On 24 February 1997, the Company also signed land lease Agreement with PT KAI to build the Company's telecommunications tower and building. The agreement is valid for 20 years with a one-year grace period; thus, the Agreement should be valid until 19 December 2017. On 11 May 2007, the agreement was further extended until 19 December 2022.

g. Interconnection agreements

The Company entered into interconnection agreements with PT Telekomunikasi Indonesia Tbk ("Telkom"), PT Telekomunikasi Selular ("Telkomsel"), PT Indosat Tbk and others. These agreements outline the tariffs, rights and obligations of the parties, settlements, reconciliation of billing, and penalties.

h. International roaming agreements

The Company entered into international roaming agreements with several international roaming partners. These agreements outline charges and tariffs, billing and accounting, services provided for roaming subscribers, liability of parties, and settlement procedures. The international roaming revenue calculation is based on GSM International Roaming Agreements (AA14).

i. Leased line agreements

Leased line agreements exist with Moratel, PT Bank CIMB Niaga Tbk (formerly Lippo Bank), PT Bank Commonwealth, PT Indosat Tbk, PT Pertamina EP and others. These agreements outline lease costs and terms of payment, rights and obligations of the parties, penalties, restitutions and termination procedures.

j. Consortium agreement, Palapa Ring Construction and Maintenance

On 10 November 2007, the Company and five other telecommunication operators signed a Construction and Maintenance Consortium Agreement. All parties agreed to participate in the construction of the Palapa Ring for Eastern part of Indonesia. This agreement has an initial term of 15 (fifteen) years from the signing date, and can be extended for the next 5 (five) years. However, 2 (two) of the telecommunication operators subsequenty decided not to join the project.

k. Master Tower Lease Agreement

In 2008, the Company signed Master Tower Lease Agreements with HCPT, PT Sampoerna Telekomunikasi Indonesia, PT Bakrie Telecom Tbk, PT Natrindo Telepon Seluler and PT Mobile-8 Telecom Tbk. During 2009, the Company signed Master Tower Lease Agreement with PT Telekomunikasi Indonesia Tbk (Fixed Wireless Network division), PT Smart Telecom, and PT Indosat Tbk.

During 2010, the Company signed Master Tower Lease Agreement with PT AJN Solusindo, PT Dayamitra Telekomunikasi and PT Berca Global Access, and also signed memorandum of understanding for rental of Extended Service (tower and CME equipment) with PT First Media Tbk.

29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

k. Master Tower Lease Agreement (continued)

The Agreements are valid for 10-12 years and can be extended for the following 5-6 years. Based on these Agreements, the Company leases parts of its telecommunications towers and sites to other telecommunications operators. As compensations, the Company receives regular lease payments and maintenance fees throughout the lease period. The Master Tower Lease Agreements set out the rights and obligations of the Company and the lessee.

l. Fiber optics lease agreement

The Company entered into agreements with HCPT and Moratel to lease the Company's fiber optics network. These agreements are valid until the end of leased terms to utilise the fiber optics network, being 15 years (HCPT) and 10 years (Moratel), respectively from the utilization of the agreed spots and unless terminated earlier by either parties in accordance with the agreement. The first utilization took place in January 2009 and additions are made when both parties agreed. The Company is entitled to receive periodic lease payments, which is set in the agreements. In addition, these agreements also set out the rights and obligation of the Company and the lessees.

m. National roaming agreement

In December 2009, the Company signed national roaming agreement with PT Natrindo Telepon Selular (NTS). The service enables NTS's subscribers to access the Company's network in certain areas. The agreement is commencing on 1 January 2010 for service term of 3 (three) years unless terminated earlier by either parties in accordance with the provisions stipulated in the agreement. The extension of the service term shall be agreed by both parties. In addition, this agreement also set out the rights and obligation of both parties.

n. Joint construction of submarine fiber optic link agreement

In November 2009, the Company entered into agreement with PT PGAS Telekomunikasi Nusantara for joint construction of the submarine fiber optic link Kalianda-Anyer. The agreement sets out the right and obligation of both parties and will be valid up to the end of the warranty period for submarine fiber optic link unless terminated earlier by either party in accordance with the agreement.

In February 2010, the Company entered into agreement with PT Bakrie Telecom Tbk for the joint construction of submarine fiber optic link along the routes of Kalianda-Anyer, Takesung-Bawean and Ujung Pangkah-Bawean. The agreement sets out the right and obligation of both parties and will be valid up to the end of the warranty period for submarine fiber optic link based on the Cable Supply and Installation Agreement between the Company and Alcatel-Lucent Submarine Networks, unless terminated earlier by either party in accordance with the agreement.

o. Managed utility services for billing infrastructure environment agreements with PT Sun Microsystems Indonesia

In March 2010, the Company entered into managed utility services for billing infrastructure environment agreements with PT Sun Microsystems Indonesia. This agreement is commencing on 1 January 2010 until 31 December 2014 unless terminated earlier by either party in accordance with the agreement. This agreement also sets out the right and obligation of both parties.

(Expressed in millions of Rupiah, unless otherwise stated)

29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

p. Mobile Data Service Agreement with Motricity

In May 2010, the Company entered into an agreement to procure Hardware, Software, Licence and managed services related to operate the Mobile Data Service operation. The agreement consist of three contracts with Motricity Pte. Ltd. Singapore, Motricity, Inc. USA, and mCore International, Inc. USA. The contract is valid for 3 (three) years starting from the final acceptance, and can be renewed for another two years.

On 1 April 2010, the SSIA (System Supply, Installation and Managed Services Agreement) with Motricity Pte. Ltd. Singapore was terminated and the Company entered into SSIA contract with PT Motricity Indonesia.

30. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

	2010			
	USD	EUR	SGD	Equivalent to Rupiah
Asset				
Cash and cash equivalents	16,013,875	-	-	143,981
Trade receivables	8,148,666	-	-	73,265
Other assets	45,920,815	-	-	412,874
Total Assets	70,083,356	-	-	630,120
Liabilities				
Trade and other payables	(88,503,768)	(220,073)	(43,418)	(802,215)
Accrued expenses	(2,074,733)	-	-	(18,654)
Long-term loans	(241,091,940)	-	-	(2,167,658)
Total Liabilities	(331,670,441)	(220,073)	(43,418)	(2,988,527)
Net Liabilities	(261,587,085)	(220,073)	(43,418)	(2,358,407)

Since the Company's revenues are mainly denominated in Rupiah and the Company's liabilities are mainly denominated in US Dollars, the Company is exposed to fluctuations in foreign exchange rates resulting mainly from its debt denominated in US Dollars. Most of the liabilities denominated in US Dollars are long-term and management is continuously evaluating feasible long-term hedging structures.

31. SEGMENT INFORMATION

The Group operates and manages the business in a single segment which provides GSM mobile and telecommunications network services to its customers. The management allocates resources and assesses performance at the Group level.

32. SUBSEQUENT EVENTS

a. The Company's monetary assets and liabilities on 31 December 2010 were reported in Rupiah using the rates 1 USD = Rp 8,991 (full amount), 1 EUR = Rp 11,956 (full amount) and 1 SGD = Rp 6,981 (full amount). Since 31 December 2010, those rates have been changed to 1 USD = Rp 9,032 (full amount), 1 EUR = Rp 12,377 (full amount) and 1 SGD = Rp 7,059 (full amount) on 27 January 2011. If the Company reports monetary assets and liabilities in foreign currency as at 31 December 2010 using these rates, unrealised foreign exchange loss will increase in the amount of Rp 10,873. In the future, the rates might fluctuate, and Rupiah might depreciate or appreciate significantly compared to other currencies.

b. On 27 January 2011, the Company paid loan facility from PT Bank Mandiri (Persero) Tbk amounted to Rp 400 billion (full amount) (refer to Note 11).

c. On 27 January 2011, facility amounted to Rp 1.5 trillion (full amount) from BCA is not utilized and has been ended (refer to note 11).

33. FINANCIAL ASSETS AND LIABILITIES

Financial risk management

The Company's activities expose it to variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments such as forward foreign currency contracts, cross currency swap and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors. Treasury department identifies, evaluates and hedges financial risks.

<u>Foreign exchange risk</u>

Changes in exchange rates have affected and may continue to affect the Company's results of operations and cash flows. Some of the Company's debt obligations and capital expenditures are, and expected will continue to be, denominated in U.S. dollars. Most of the Company's revenues are denominated in Rupiah.

The Company currently hedge a portion of its foreign currency exposure principally because the annual USD-denominated operating revenue is less than the sum of USD-denominated capital expenditures, annual payments of USD-denominated principal and interest payments. In an effort to manage foreign currency exposure, the Company enters into forward foreign currency contracts and cross currency swap contracts with international financial institutions. For the forward foreign currency contracts, the Company typically pays a fixed rate premium. As a result of these contractual arrangements, the Company believes that it has reduced some of foreign exchange risk exposure although not all of our foreign exchange exposure is hedged and replacement hedging agreements may not be available when the current hedging agreements expire.

<u>Interest rate risk</u>

Interest rate exposure is monitored to minimise any negative impact to the Company. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

To measure market risk fluctuations in interest rates, the Company primarily uses interest margin and spread analysis, and enters into cross currency and interest rate swap contracts to hedge the foreign currency interest loans from interest rate uncertainty.

(Expressed in millions of Rupiah, unless otherwise stated)

33. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial risk management (continued)

Interest rate risk (continued)

The following table represents a breakdown of the Company's financial asset and financial liabilities which are impacted by interest rates.

	2010					
	Floating rate		Fixed Rate			
	Less than one year	More than one year	Less than one year	More than one year	Non interest bearing	Total
Asset						
Cash and cash equivalents	364,968	-	-	-	1,193	366,161
Trade receivables	-	-	-	-	496,121	496,121
Other receivables	-	-	-	-	77,752	77,752
Derivative receivables	-	-	-	32,884	-	32,884
Other assets	-	-	16,572	326,414	-	342,986
Total financial assets	364,968	-	16,572	359,298	575,066	1,315,904
Liabilities						
Trade payables	-	-	-	-	1,660,051	1,660,051
Accrued expenses	-	-	-	-	942,799	942,799
Derivative payables	-	-	-	142,828	-	142,828
Long-term loans	976,866	7,704,157	-	-		8,681,023
Bonds	-	-	-	1,497,794	-	1,497,794
Total financial liabilities	976,866	7,704,157	-	1,640,622	2,602,850	12,924,495
Total interest repricing gap	(611,898)	(7,704,157)	16,572	(1,281,324)	-	(9,580,807)

Credit risk

Credit risk arises from favourable derivatives financial instruments with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

For banks, only independent parties with a good rating are accepted. The compliance with a credit limits by customers is regularly monitored by line management. Sales to retailers are required to be settled in cash. For derivative financial instruments, management has established criteria such that, only independent parties with a good rating are accepted.

The following table sets out the maximum exposure of credit risk and concentration risk of the Company:

	Credit Risk Concentration		Maximum
	Corporate	Others	exposure
Trade receivables	418,732	77,389	496,121
Other receivables	-	77,752	77,752
Derivative receivables	-	32,884	32,884
Other assets	342,986	-	342,986
	761,718	188,025	949,743

The above table represents a maximum of credit risk exposure to the Company at 31 December 2010. The exposures set out above are based on net carrying amounts as reported in the balance sheet.

(Expressed in millions of Rupiah, unless otherwise stated)

33. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial risk management (continued)

Liquidity risk

Liquidity risk arises in situations where the Company has difficulties in obtaining funding. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk given that the Company have provided sufficient allowance for doubtful accounts to cover incurred losses arising from uncollectible receivables based on existing historical loss.

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction basis.

The table below sets out the carrying amounts and fair value of those financial assets and liabilities not presented on the Company's balance sheets at their fair values:

	2010	
	Carrying value	Fair value
Long-term loans	8,681,023	8,819,323
Bonds	1,497,794	1,530,000

The fair value of long-term loans are estimated by using discounted cash flow applying the effective interest rate charged by the lenders for the last utilisation in each currency borrowings. The fair value of bonds is estimated by using the last quoted market price.

34. NEW ACCOUNTING STANDARDS

The Indonesian Institute of Accountants has issued the following revised financial accounting standards which will be effective since 1 January 2011 and 2012 and might have an impact on the Company's consolidated financial statements as follows:

- PSAK No. 1 : Presentation of Financial Statements
- PSAK No. 2 : Statement of Cash Flows
- PSAK No. 3 : Interim Financial Reporting
- PSAK No. 4 : Consolidated and Separate Financial Statements
- PSAK No. 5 : Operating Segments
- PSAK No. 7 : Related Party Disclosures
- PSAK No. 8 : Events after the Reporting Period
- PSAK No. 10 : The Effects of Changes in Foreign Exchange Rates
- PSAK No. 12 : Interests in Joint Ventures.
- PSAK No. 15 : Investments in Associates
- PSAK No. 18 : Accounting and Reporting by Retirement Benefit Plans

34. NEW ACCOUNTING STANDARDS (continued)

- PSAK No. 19 : Intangible Assets
- PSAK No. 22 : Business Combinations
- PSAK No. 23 : Revenue
- PSAK No. 24 : Employee Benefits
- PSAK No. 25 : Accounting Policies, Changes in Accounting Estimates and Errors
- PSAK No. 34 : Construction Contracts
- PSAK No. 46 : Income Taxes
- PSAK No. 48 : Impairment of Assets
- PSAK No. 50 : Financial Instruments: Presentation
- PSAK No. 53 : Share-based Payment
- PSAK No. 57 : Provisions, Contingent Liabilities and Contingent Assets
- PSAK No. 58 : Non-current Assets Held for Sale and Discontinued Operations
- PSAK No. 60 : Financial Instruments: Disclosures
- PSAK No. 61 : Accounting for Government Grants and Disclosure of Government Assistance
- PSAK No. 63 : Financial Reporting in Hyperinflationary Economies
- ISAK No. 7 : Consolidation of Special Purpose Entities
- ISAK No. 9 : Changes in Existing Decommissioning, Restoration and Similar Liabilities
- ISAK No. 10 : Customer Loyalty Programs
- ISAK No. 11 : Distribution of Non-cash Assets to Owners
- ISAK No. 12 : Jointly Controlled Entities: Non-monetary Contributions by Venturers
- ISAK No. 13 : Hedges of a Net Investment in a Foreign Operation
- ISAK No. 14 : Intangible Assets - Website Cost
- ISAK No. 15 : The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- ISAK No. 16 : Service Concession Arrangements
- ISAK No. 17 : Interim Financial Reporting and Impairment
- ISAK No. 18 : Government Assistance - No Specific Relation to Operating Activities
- ISAK No. 20 : Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company is still evaluating the possible impact on the issuance of these financial accounting standards and interpretations.

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