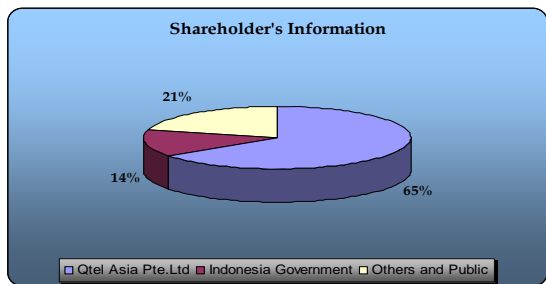


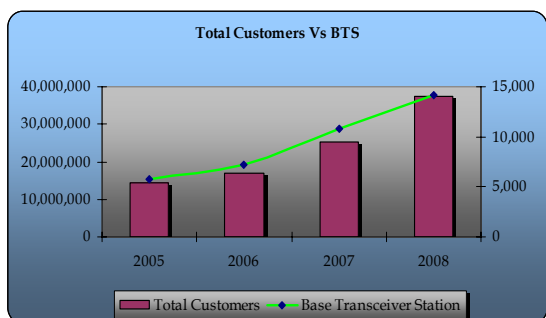
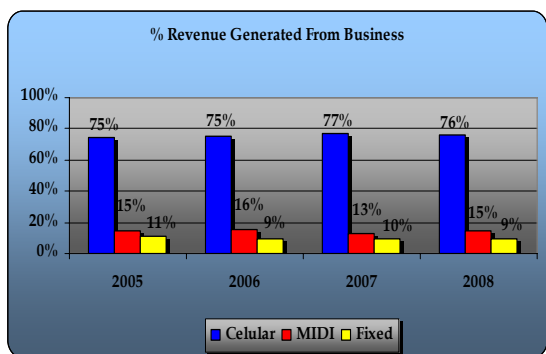
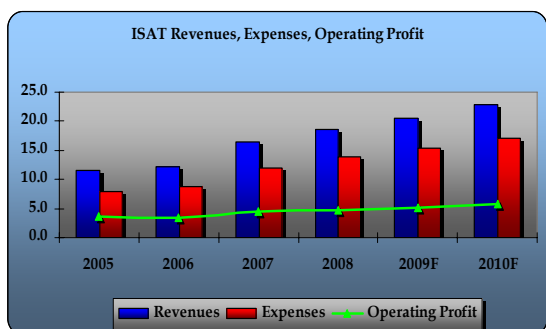
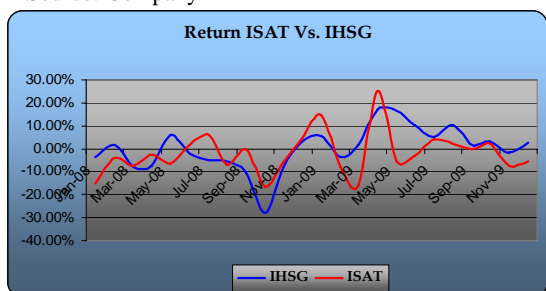
**Target Price:
Rp 5.500/Share**

PT. Indosat Tbk (ISAT)

Telecommunication Sector



Source: Company



Source: Research Department PT. FBI

Company Profile:

- PT. Indosat Tbk is the first foreign investment company to provide international telecom services in Indonesia with a majority shareholder's was Indonesia Government. A regulatory and law change in Indonesia telecom industry has forced ISAT to be independence. Therefore, a restructuring was made in 2002 that resulted in a divested government share as majority to not anymore, and at the same year ISAT start to enter domestic market. Nowadays, Qtel Asia Pte.Ltd is the majority shareholder at ISAT with 65% ownership followed by Indonesia Government with 14%, and others or public with proportion 21%.

Company Highlight:

- As of year end December 2008, ISAT was the second largest telecommunication provider with total customers from IDD, Fixed Wireless, and Cellular around 37,2 million supported with 14,1 thousands BTS tower. To maintain its position in 2009, ISAT spent capital expenditure approximately \$ 700 million. It is used to construct new BTS tower to increase total customer based.
- We identify that ISAT strength laid at their network infrastructure to attain additional added value for customers such as international direct communication, a high speed internet connection, etc. Combining with an extensive promotion and educating customer hopefully that all the services offered and tech supported be used that would boost revenue.
- Since 2005 - 2008, ISAT revenue has growth averagely 18%. Cellular business line has contribute the most for the revenue with average 76%, followed by Fixed Wireless and IDD respectively 14% and 10%. ISAT expense also growth with average 21% and operating profit growth averagely at 10%. A high expense number would made profit not yet optimized, therefore a cost efficiency strategy we think as an important issue to achieved potential growth.
- We monitored that ISAT stock's after financial crisis 2008 has strengthened for 39,85% though it still below benchmark IHSG.
- Using Cash Flow method with WACC 9,56% and a stable growth in net income (profit after tax) for the year to come at 8% resulted in ISAT target price for Rp 5.500 per share. Currently, ISAT traded at price Rp 5.200 per share with market capitalization 28,2 trillion rupiahs.

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FORECASTS AND VALUATION

Key Forecast

	2008A	2009E	2010F	2011F	2012F
EPS	346	370	399	433	472
PER	14.44	15.45	16.69	18.11	19.74
ROE	10.79%	11.55%	12.47%	13.53%	14.75%
ROA	3.87%	4.14%	4.48%	4.86%	5.29%
Net Profit Margin	10.07%	10.77%	11.63%	12.62%	13.76%
Current Ratio	0.90	0.97	1.05	1.13	1.24
Leverage Ratio	2.74	2.93	3.17	3.44	3.75
Gearing Ratio	0.92	0.98	1.06	1.15	1.26
Gross Margin	25.37%	27.14%	29.31%	31.81%	34.67%
EV/EBITDA	3.48	3.73	4.03	4.37	4.76
EV/Sales	1.74	1.86	2.01	2.18	2.38
EV/FCFF	41.23	44.11	47.64	51.69	56.34

Source: Research Department PT. Finansial Bisnis Informatika

Proforma Balance Sheet

(Expressed in million Rupiah)

	2008A	2009E	2010F	2011F	2012F
Current Asset	9,659,773	11,301,934	12,997,225	15,011,794	17,413,681
Non-Current Asset	42,033,550	49,179,254	56,556,142	65,322,343	75,773,918
Total Asset	51,693,323	60,481,188	69,553,366	80,334,138	93,187,600
Current Liabilities	10,675,245	12,490,037	14,363,542	16,589,891	19,244,274
Non-Current Liabilities	23,319,519	27,283,837	31,376,413	36,239,757	42,038,118
Minority Interest	288,938	338,057	388,766	449,025	520,869
Equity	17,409,621	20,369,257	23,424,645	27,055,465	31,384,339
Total Liabilities & Equity	51,693,323	60,481,188	69,553,366	80,334,138	93,187,600

Source: Research Department PT. Finansial Bisnis Informatika

Proforma Income Statement

(Expressed in million Rupiah)

	2008A	2009E	2010F	2011F	2012F
Operating Revenue	18,659,133	20,151,864	21,764,013	23,613,954	25,739,210
Operating Expense	13,925,854	15,039,922	16,243,116	17,623,781	19,209,921
Operating Profit	4,733,279	5,111,941	5,520,897	5,990,173	6,529,288
Other Income (Interest)	2,408,164	2,600,817	2,808,882	3,047,638	3,321,925
Income Before Income Taxes	2,325,115	2,511,124	2,712,014	2,942,535	3,207,364
Income Taxes	419,830	453,416	489,690	531,313	579,132
Income Before Minority Interest	1,905,285	2,057,708	2,222,324	2,411,222	2,628,232
Minority Interest	26,763	28,904	31,216	33,870	36,918
Net Income	1,878,522	2,028,804	2,191,108	2,377,352	2,591,314

Source: Research Department PT. Finansial Bisnis Informatika

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