No. 109/A00-A0N/FIN/18

24 Mei 2018

Kepada Yth.
Kepala Eksekutif Pengawas Pasar Modal
Otoritas Jasa Keuangan ("OJK")
Gedung Soemitro Djojohadikusumo
Jl. Lapangan Banteng Timur No. 2-4
Jakarta 10710

Hal : **Laporan dan Pengumuman Informasi atau Fakta Material**

Dengan hormat,

Dengan ini, kami untuk dan atas nama perusahaan menyampaikan Laporan dan Pengumuman Informasi atau Fakta Material sebagai berikut:

Nama Emiten atau Perusahaan Publik : PT Indosat Tbk.
Bidang Usaha : Telekomunikasi
Telepon : +6221 3000 3001
Faksimili : +6221 3000 3757
Alamat surat elektronik (*email*) : investor@indosatooredoo.com

1.	Tanggal Kejadian	22 Mei 2018
2.	Jenis Informasi atau Fakta Material	Pemeringkatan atas Korporasi
3.	Uraian Informasi atau Fakta Material	Untuk informasi lebih lanjut, silakan melihat laporan dari S&P Global Ratings terlampir
4.	Dampak kejadian, informasi atau fakta material tersebut terhadap kegiatan operasional, hukum, kondisi keuangan, atau kelangsungan usaha Emiten atau Perusahaan Publik	Untuk informasi lebih lanjut, silakan melihat laporan dari S&P Global Ratings terlampir
5.	Keterangan lain-lain	Untuk informasi lebih lanjut, silakan melihat laporan dari S&P Global Ratings terlampir

Demikian disampaikan. Atas perhatiannya kami ucapkan terima kasih.

Hormat kami,

Group Head Corporate Secretary

Hadi Susilo

Tembusan :
1. Yth. Deputi Komisioner Pengawas Pasar Modal II
2. Yth. Direksi PT Bursa Efek Indonesia
3. Yth. Indonesian Capital Market Electronic Library (ICaMel)
4. Yth. PT Bank Rakyat Indonesia Tbk. (sebagai Wali Amanat)

S&P Global
Ratings

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PT Indosat Tbk.

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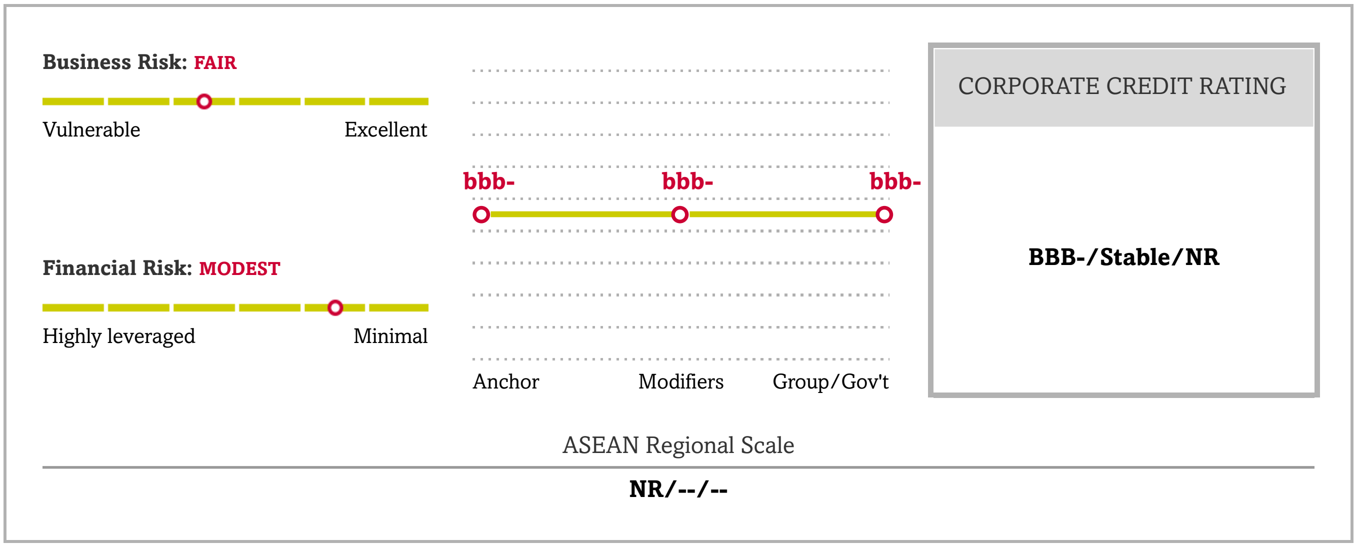
PT Indosat Tbk.



Rationale

Business Risk: Fair	Financial Risk: Modest
• Second-largest telecom wireless operator in Indonesia. • Moderate regulatory risk with a one-off impact of a new regulation on SIM card registrations. • Fiercely competitive operating environment. • Highly strategic subsidiary of Ooredoo.	• Balanced shareholder returns. • Persistent capital expenditure for 4G expansion. • Sustained positive discretionary cash flows. • Supportive shareholder with a conservative financial policy.

Outlook: Stable

The stable outlook on PT Indosat Tbk. reflects our view that the company will maintain a prudent growth strategy and financial management such that its debt-to-EBITDA ratio stays sustainably below 2.0x and the ratio of funds from operations (FFO) to debt remains sustainably above 40% over the next two years. We also expect that Indosat will remain a highly strategic subsidiary of Ooredoo Q.S.C.

Downside scenario

We could lower the rating if Indosat's financial performance weakens or its debt rises such as that its debt-to-EBITDA ratio exceeds 2x and FFO-to-debt ratio falls below 40% for a prolonged period. This could materialize if :(1) operating conditions are tougher than we expect such that the company's revenue growth slows or its operating margins decline materially; or (2) the company's spending or dividends are higher than we estimate such that it needs to borrow more, eroding its financial standing.

Upside scenario

While unlikely, we could raise the rating if:

- Indosat improves its leverage such that its FFO-to-debt ratio is sustainably higher than 60% while the company broadly maintains its market share and is able to meet its financial obligations even under sovereign stress; or
- Indosat's relationship with Ooredoo does not change materially and we revise Ooredoo's stand-alone credit profile up to 'bbb+'.

Our Base-Case Scenario

Assumptions

- Indonesia's real GDP to grow 5.3% in 2018 and 5.5% in 2019.
- Indosat's subscriber base to recover to 101 million-103 million over the next 12 months, from 96.1 million on March 31, 2018.
- Its average revenue per user (ARPU) to moderate to about Indonesian rupiah (IDR) 19,000 per month over the next 12-18 months due to competitive pressures.
- The company's revenue in fixed data broadband to grow 7%-10% annually. Its fixed voice revenues to decline 3%-4% per year. Consequently, Indosat's revenue to decline by 1%-2% in 2018 before growing by about 3% in 2019.
- Indosat's EBITDA margins to dip to 41%-43% in 2018, from 42.7% in 2017, as customers switch to low-margin data from higher-margin legacy businesses (voice, SMS).
- Its annual capital expenditure (capex) to be IDR7 trillion-IDR8 trillion in 2018 and 2019, including payment for the 2.1GHz spectrum and for continued 4G service rollout.
- Indosat's annual dividend payout to be 35% of the previous year's net income.
- The company will maintain prudent financial policies, including no additional acquisitions.

Key Metrics

	2017A	2018E	2019E
EBITDA margin	42.7%	41%-43%	42%-44%
Debt/ EBITDA	1.9x	2.0x-2.1x	1.7x-1.9x
FFO/ Debt	40.7%	36%-39%	43%-46%

All figures include S&P Global Ratings' adjustments. We adjust Indosat's debt by adding the net present value of spectrum payments and netting off debt with the company's surplus cash. Other main adjustments include standard adjustments for operating leases, post-retirement benefit obligations, and provisions for litigation. FFO--Funds from operations. A--Actual. E--Estimate.

Company Description

Indosat is one of Indonesia's largest telecommunication and information service providers. It predominantly provides cellular services (with 81% of revenues from this segment in the 12 months to March 31, 2018) with the balance from fixed-data (16%) and fixed-line (3%) services.

Indosat had the country's second-largest cellular subscriber base (of 96.1 million) and revenue base (of about IDR28.3 trillion) in the 12 months ended March 31, 2018.

The company rebranded as Indosat Ooredoo in late 2015. Ooredoo has owned 65% of Indosat since 2009 with the Indonesian government holding 14.29% shares. The company was founded in 1967 and is listed on the Indonesian stock exchange.

Business Risk: Fair

We believe that Indosat can preserve its second-largest market position in Indonesia over the next two years. For the 12 months ended March 31, 2018, the company had about 28% subscriber market share and about 20% revenue market share.

We expect Indosat to maintain its lead over XL Axiata, the Indonesian unit of Axiata Group Bhd. In our view, Indosat's domestically well-known brand, its second-largest portfolio of spectrum holdings, and good operating efficiency will continue to underpin its solid business position. In late 2017, Indosat added a further 2×5MHz block in the 2100MHz band to its spectrum holdings. We believe Indosat's market position will strengthen once it puts the spectrum to use in the second quarter of 2018.

In the first quarter (typically the weakest in a year) of 2018, Indonesia's new regulation on SIM card registrations saw Indosat face more revenue pressure than we expected. Its revenue declined 22.7% from the prior quarter to IDR5,692 billion. We attribute this decline to the company's decision to ensure strict compliance with the new regulation, which resulted in the loss of revenue from non-compliant customers, and a change from a "push" marketing strategy to a customer demand driven "go-to-market" strategy.

We expect Indosat's customer base to recover over the next 12 months once implementation of the new SIM card regulation is complete and the company resumes its sales and marketing strategy of targeting the mid-to-low segment. We estimate the customer base will stabilize at 101 million-103 million subscribers. As the last phase of the SIM registration exercise gets completed in May 2018, we expect a steep loss of subscribers for all operators because unregistered SIM cards would be declassified as subscribers.

Indosat is exposed to fierce competition in Indonesia. Competition has intensified recently with the largest incumbent operator PT Telekomunikasi Selular (Telkomsel) nearly halving its data yields from a year ago to about IDR12 per megabyte (MB). Data services drive overall wireless revenue growth in the country as users move away from legacy voice and SMS services.

Despite Indosat having one of the lowest data yields (at about IDR9 per MB) in the country, we only foresee a modest recovery in the company's ARPU to about IDR19,000 per month over the next 12-18 months on the back of strong growth in data traffic. In the first three months of the year, Indosat's data revenues constituted close to 70% of its wireless revenues.

We expect the cannibalization of legacy SMS and voice revenues to begin to moderate. Additionally, with the lower churn of SIM cards and reduced dealer commissions from the new SIM card registration regulation, we expect Indosat's EBITDA margin to bottom out at 41% in 2018.

While Indosat's revenue base is geographically concentrated in Indonesia, the company benefits from some business diversity as one of the only two integrated telecom operators in the country. We expect Indosat to derive 17%-19% of its revenues from its sizable market position in fixed-data services, given the good growth potential in the fixed-fiber-to-home segment over the next two years. The segment's revenues have grown 7%-10% each year over the past three years and we expect continued growth at this rate over the next 12-24 months.

Peer comparison

Table 1

PT Indosat Tbk. -- Peer Comparison

Industry Sector: Diversified Telecom

	PT Indosat Tbk.	PT Telekomunikasi Selular	Axiata Group Bhd.	Advanced Info Service Public Co. Ltd.	PLDT Inc.
	--Fiscal year ended Dec. 31, 2017--				
(Mil. $)					
Revenues	2,214.5	6,898.0	6,017.4	4,838.6	3,202.0
EBITDA	945.3	4,380.1	2,378.5	2,256.4	1,626.7
Funds from operations (FFO)	728.1	3,488.5	1,827.2	1,776.4	1,381.5
Net income from continuing operations	84.0	2,249.3	224.3	922.7	267.7
Cash flow from operations	670.2	3,151.3	1,546.3	1,992.1	1,260.0
Capital expenditures	431.5	1,045.0	1,236.3	1,261.1	735.9
Free operating cash flow	238.7	2,106.3	310.0	731.0	524.1
Discretionary cash flow	200.7	(410.5)	188.1	18.6	192.6
Cash and short-term investments	123.9	773.2	1,637.4	326.7	680.3
Debt	1,787.7	2,383.8	4,549.6	4,947.8	3,381.8
Equity	1,096.3	4,043.9	7,522.2	1,547.0	2,215.3
Adjusted ratios					
EBITDA margin (%)	42.7	63.5	39.5	46.6	50.8
Return on capital (%)	9.8	51.1	6.3	20.6	10.1
EBITDA interest coverage (x)	5.6	19.9	7.1	7.4	8.3
FFO cash interest coverage (x)	5.8	91.5	6.8	22.2	9.9
Debt/EBITDA (x)	1.9	0.5	1.9	2.2	2.1
FFO/debt (%)	40.7	146.3	40.2	35.9	40.8
Cash flow from operations/debt (%)	37.5	132.2	34.0	40.3	37.2
Free operating cash flow/debt (%)	13.4	88.4	6.8	14.8	15.5
Discretionary cash flow/debt (%)	11.2	(17.2)	4.1	0.4	5.7

Financial Risk: Modest

We expect Indosat's capex to remain high at IDR7 trillion-IDR8 trillion over the next two years to support network investments, particularly to expand 4G coverage. Telkomsel has recently significantly ramped up its investment in 4G and Indosat's 3G/4G base transceiver station (BTS) numbers lag that of XL Axiata. Indosat will therefore need to continue to spend to remain competitive.

Over the past few years, Ooredoo has been a supportive shareholder, not taking dividends between 2014 and 2016, resulting in solid credit metrics for Indosat. We expect Ooredoo to remain supportive and cut Indosat's dividend payout to around 35% in 2018 and 2019 as the company recovers its footing.

Given Indosat's weak first quarter, we have revised our revenue expectations due to what we see as a one-off regulatory event. We anticipate that Indosat's revenue will decline by 1%-2% in 2018 before growing at about 3% in 2019. We continue to foresee Indosat generating positive discretionary cash flows (operating cash flows after capex and dividends) over the next 12-24 months. Over the past two years, Indosat has gradually reduced its balance sheet debt to IDR22.1 trillion (as of March 31, 2018), from about IDR27.6 trillion. We expect the company to continue to repay debt, in particular foreign-currency debt, given this positive discretionary cash flow.

Despite the likely modest reduction in Indosat's balance sheet debt, we project leverage (as measured by debt-to-EBITDA ratio) will rise to 2.0x-2.1x in 2018 due to weaker earnings and our larger absolute adjustments to debt. We forecast that the ratio will recover to 1.7x-1.9x in the subsequent year. Indosat has significantly increased its use of operating leases for tower space and we capitalize payments for the 2100MHz mobile spectrum the company purchased in late 2017. For the spectrum, we present value all of Indosat's payments over the next 10 years at 7% and add approximately IDR3.2 trillion to debt because of the company's financial commitment to make full and timely payments to the Indonesia's Ministry of Communication and Informatics. We believe Indosat remains committed to preserving its credit profile and will continue fund its capex and dividends using internally generated cash flows.

Financial summary

Table 2

PT Indosat Tbk. -- Financial Summary					
	--Fiscal year ended Dec. 31--				
	2017	**2016**	**2015**	**2014**	**2013**
(Mil. IDR)					
Revenues	29,926,098.0	29,184,624.0	26,768,525.0	24,085,101.0	23,855,272.0
EBITDA	12,774,208.5	12,993,848.5	11,453,190.0	9,921,806.0	10,575,389.0
Funds from operations (FFO)	9,839,705.2	10,189,692.0	8,615,649.9	7,455,808.6	8,292,045.4
Net income from continuing operations	1,135,783.0	1,105,042.0	(1,310,001.0)	(2,008,364.0)	(2,781,999.0)
Cash flow from operations	9,057,312.2	9,856,228.0	8,689,288.9	7,356,048.6	8,369,727.4
Capital expenditures	5,831,242.0	7,207,477.0	7,344,833.0	6,432,134.0	9,322,410.0
Free operating cash flow	3,226,070.2	2,648,751.0	1,344,455.9	923,914.6	(952,682.6)
Discretionary cash flow	2,711,933.2	2,523,319.0	1,297,411.9	877,873.6	(1,172,206.6)
Cash and short-term investments	1,674,745.0	1,850,425.0	3,623,346.0	3,480,011.0	2,233,532.0
Debt	24,157,959.9	24,658,143.4	26,503,109.2	26,103,937.6	26,630,287.5
Equity	14,815,534.0	14,177,119.0	13,263,841.0	14,298,555.0	17,430,071.3
Adjusted ratios					
EBITDA margin (%)	42.7	44.5	42.8	41.2	44.3
Return on capital (%)	9.8	10.3	7.1	4.2	3.9
EBITDA interest coverage (x)	5.6	5.5	3.9	4.0	4.6
FFO cash interest coverage (x)	5.8	5.6	4.3	4.2	4.9
Debt/EBITDA (x)	1.9	1.9	2.3	2.6	2.5
FFO/debt (%)	40.7	41.3	32.5	28.6	31.1

Table 2

PT Indosat Tbk. -- Financial Summary (cont.)					
	--Fiscal year ended Dec. 31--				
	2017	2016	2015	2014	2013
Cash flow from operations/debt (%)	37.5	40.0	32.8	28.2	31.4
Free operating cash flow/debt (%)	13.4	10.7	5.1	3.5	(3.6)
Discretionary cash flow/debt (%)	11.2	10.2	4.9	3.4	(4.4)

IDR--Indonesian rupiah.

Liquidity: Adequate

We assess Indosat's liquidity as adequate. We expect the company's internal liquidity sources to exceed liquidity uses by at least 20% in the 12 months to March 31, 2019.

We view Indosat's risk management as prudent, with sources of liquidity likely to cover uses even if EBITDA falls 15%. In addition, we expect that the company would be able to absorb high-impact, low probability events with liquidity supplemented by the flexibility to lower capital spending or monetize tower assets. In addition, we view Indosat's sound banking relationships and good standing in the credit markets as supportive factors.

Principal Liquidity Sources	Principal Liquidity Uses
• Cash and cash equivalents of IDR1.7 trillion as of March 31, 2018. • Cash flow from operations that we estimate at IDR10 trillion-IDR11 trillion over the 12 months ending March 2019. • IDR2.7 trillion domestic bond issuance completed in May 2018.	• Short-term debt maturities of about IDR4.5 trillion as of March 31, 2018. • Capex that we expect to be no more than IDR6 trillion in a stressed liquidity situation. • Payout to shareholders of around IDR450 billion, which we expect could be substantially less in a stressed liquidity situation.

Debt maturities

- 2018: IDR3.66 trillion
- 2019: IDR4.15 trillion
- 2020: IDR3.06 trillion
- 2021: IDR1.10 billion
- 2022: IDR3.06 trillion
- 2023 and beyond: IDR7.04 trillion
- Total: IDR22.07 trillion

As of March 31, 2018. Excludes finance lease obligations.

Covenant Analysis

Compliance Expectations	Requirements
Indosat has a few maintenance covenants under its debt facilities. We expect the company to be in full compliance with its covenants with generous headroom.	***EBITDA-to-interest ratio not less than 3x.*** We estimate the ratio to be at 5.6x as of March 31, 2018. ***Net debt to equity ratio to not exceed 2.5x.*** We estimate the ratio to be at 1.77x as of March 31, 2018. ***Net debt-to-EBITDA ratio to not exceed 3.5x.*** We estimate the ratio to be at 1.48x as of March 31, 2018. ***Total equity not less than IDR5 trillion.*** The total reported equity is IDR14.7 trillion as of March 31, 2018.

Group Influence

We view Indosat as a highly strategic subsidiary of the Ooredoo group. In 2017, Indosat accounted for about 25% of the group's revenue and 28% of the group's EBITDA. Indosat has the largest number of the group's customers (at 67% of total customers in 2017) and accounts for the largest share of group capex (at 37% in 2017). As such, it represents Ooredoo's most significant overseas investment.

In our opinion, Indosat is integral to the group's identity and future strategy. Ooredoo dictates Indosat's business and financial strategy through its 65% ownership and aligns them with that of its other subsidiaries. Indosat shares common branding with Ooredoo, which includes the logo, websites, and other marketing material, driving a strong association of its name and reputation.

In our view, Ooredoo has a strong incentive to support Indosat, given the cross-default clauses in Ooredoo's bonds and loans. That said, while we expect Indosat to receive support from Ooredoo, we do not expect extraordinary support from the Qatar government (which effectively owns 69% of Ooredoo) to Indosat.

Ratings Score Snapshot

Corporate Credit Rating

BBB-/Stable/NR

Business risk: Fair

- **Country risk:** High
- **Industry risk:** Intermediate

- **Competitive position:** Fair

Financial risk: Modest

- **Cash flow/Leverage:** Modest

Anchor: bbb-

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Fair (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb-

- **Group credit profile:** bbb-
- **Entity status within group:** Highly strategic (no impact)

Reconciliation

Table 3

Reconciliation Of PT Indosat Tbk. Reported Amounts With S&P Global Ratings Adjusted Amounts (Mil. IDR)

	--Fiscal year ended Dec. 31, 2017--						
PT Indosat Tbk. reported amounts							
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**
Reported	22,635,752.0	13,996,976.0	12,885,311.0	4,032,499.0	2,121,246.0	12,885,311.0	8,960,936.0
S&P Global Ratings adjustments							
Interest expense (reported)	--	--	--	--	--	(2,121,246.0)	--
Interest income (reported)	--	--	--	--	--	64,643.0	--
Current tax expense (reported)	--	--	--	--	--	(763,880.0)	--
Operating leases	1,148,156.9	--	237,172.5	67,613.1	67,613.1	169,559.4	169,559.4
Postretirement benefit obligations/deferred compensation	868,104.8	--	(186,815.0)	(186,815.0)	83,464.0	(233,222.3)	(111,170.3)
Surplus cash	(1,674,745.0)	--	--	--	--	--	--
Non-operating income (expense)	--	--	--	64,643.0	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	37,987.0
Non-controlling Interest/Minority interest	--	818,558.0	--	--	--	--	--

Table 3

Reconciliation Of PT Indosat Tbk. Reported Amounts With S&P Global Ratings Adjusted Amounts (Mil. IDR) (cont.)							
Debt - Accrued interest not included in reported debt	119,568.0	--	--	--	--	--	--
Debt - Litigation	1,018,982.3	--	--	--	--	--	--
Debt - Issuance cost	42,141.0	--	--	--	--	--	--
EBITDA - Foreign Exchange gain/(loss)	--	--	(20,410.0)	(20,410.0)	--	(20,410.0)	--
EBITDA - Other	--	--	(141,050.0)	(141,050.0)	--	(141,050.0)	--
Total adjustments	1,522,207.9	818,558.0	(111,102.5)	(216,018.9)	151,077.1	(3,045,605.8)	96,376.2
S&P Global Ratings adjusted amounts							
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**
Adjusted	24,157,959.9	14,815,534.0	12,774,208.5	3,816,480.1	2,272,323.1	9,839,705.2	9,057,312.2

IDR--Indonesian rupiah.

Related Criteria

- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	**Modest**	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	**bbb-**	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of May 22, 2018)

PT Indosat Tbk.		
Corporate Credit Rating		BBB-/Stable/NR
ASEAN Regional Scale		NR/--/--
Corporate Credit Ratings History		
08-Dec-2017		BBB-/Stable/NR
21-May-2015		BB+/Positive/NR
20-Jan-2014		BB+/Stable/NR
26-Nov-2013		BB+/Watch Pos/NR
24-Aug-2017	*ASEAN Regional Scale*	NR/--/--
20-Jan-2014		axBBB+/--/--
26-Nov-2013		axBBB+/Watch Pos/--
Related Entities		
Ooredoo Q.P.S.C.		
Issuer Credit Rating		A-/Negative/A-2
Senior Unsecured		A-

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.