



Press Release – January 15, 2014

Re: Merger of SCMA and IDKM - Tax Notification

On 19 February 2013, PT Surya Citra Media Tbk (“**SCMA**”) and PT Indosiar Karya Media Tbk (“**IDKM**”) announced the proposed merger of the two listed companies (“**Merger**”). Shareholders’ approval was obtained at the extraordinary shareholders meetings of both companies held on 5 April 2013, and in each meeting, 99.9% of the shareholders attending voted in favour of the merger.

SCMA received an effective letter from Otoritas Jasa Keuangan (“**OJK**”) regarding the Merger on 2 April 2013, and received an approval from the Minister of Law and Human Rights for the Merger on 19 April 2013. The merger was effective on 1 May 2013 based on the Minister of Law and Human Rights approval.

It was indicated in the SCMA-IDKM merger plan as elaborated in the prospectus dated 3 April 2013 (“**Merger Plan**”), and which has also published in national newspaper, that the Merger was expected to be able to be implemented on a tax neutral book value basis (“**Tax Neutrality Principle**”) in accordance with the provisions of Peraturan Menteri Keuangan No. 43/PMK.03/2008, Peraturan Dirjen Pajak No. PER-28/PJ./2008 and Surat Edaran Dirjen Pajak No. SE-45/PJ./2008 (together the “**Tax Rules**”).

Considering the fact that (i) there is no pre-approval process under the Tax Rules, hence SCMA and IDKM were unable to seek the approval of the Directorate General of Tax for using the Tax Neutrality Principle prior to implementing the Merger, and (ii) the application by SCMA as the surviving entity can only be made after the effective date of the Merger, there was always a risk that the Directorate General of Tax might have a different opinion with SCMA with respect to the application of the Tax Neutrality Principle. This risk was disclosed in the Merger Plan in order to inform and protect the interests of the stakeholders.

Since the Merger was approved by shareholders, SCMA has worked with its tax advisers to ensure compliance with the conditions in the Tax Rules and SCMA has filed all of the necessary documents with the Directorate General of Tax within the required timetables in accordance with the Tax Rules. SCMA’s application (“**Application**”) to the Directorate General of Tax was made on 25 October 2013. This is in line with the timing requirement under the Tax Rules where the application for using Tax Neutrality Principle must be submitted within 6 months since the effective date of a merger.

As stipulated in the Tax Rules, if the Directorate General of Tax has not issued any request for supplemental documents within 3 days after submission of the application, such application will be deemed complete and the Directorate General of Tax must issue its decision within 30 days after such completion. Since the Directorate General of Tax did not

issue any request within the above 3 day period, in accordance with the Tax Rules, the Application should be deemed complete on 28 October 2013 and the decision from the Directorate General of Tax must be issued at the latest on 28 November 2013.

In accordance with the Tax Rules, if the Directorate General of Tax' decision is not issued within the above 30 days period, the Application is deemed approved. Since the Directorate General of Tax has not issued its decision by 28 November 2013, SCMA's Application should have already been deemed approved.

Despite the above fact, the Directorate General of Tax only issued a letter rejecting SCMA's Application (the "**Ruling**") on 13 December 2013, which stated that the Application does not meet the formal requirement to be considered (does not meet the formal requirement only and not the material requirement).

To protect its legal rights and to also protect the interests of all its stakeholders, on January 10, 2014, SCMA submitted a lawsuit against the Directorate General of Tax to the Tax Court. SCMA is confident that it has a strong legal position in this tax dispute. The amount of potential tax exposure, if any, can only be determined after tax audit and issuance of a tax assessment letter by the Directorate General of Tax

SCMA will perform all necessary actions, including appeal to the Supreme Court, if required, to have the Ruling annulled, as SCMA is certain of its compliance with the Tax Rules.

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