

BUILDING INDONESIAN DIGITAL ECONOMY



DISCLAIMER

This is the Annual Report of PT Telkom Indonesia (Persero) Tbk, or referred to as “Report” for the performance period of 1 January to 31 December 2016. Information and data presented in this Report are relevant and significant for investors, the Government of the Republic of Indonesia, and other stakeholders.

PT Telkom Indonesia (Persero) Tbk, or referred to as “Telkom”, compiled this report based on the applicable regulations in Indonesia, namely the Financial Services Authority Circular No.30/SEOJK.04/2016 about Structure and Content of the Annual Report of Public Companies. Some of the information and data in this Report also appear in the Form 20-F according to the rules of the Securities and Exchange Commission (SEC) in the United States, but this Report or its parts is not coupled with the Form 20-F Report.

The mention of “Telkom Group” in this report refers to the Telkom business group that includes the parent company, its subsidiaries and tier 2 subsidiaries operating in Indonesia and abroad. The word “government” mentioned in this report refers to the Government of the Republic of Indonesia, while the word “America” refers to Government of the United States of America.

The information and data presented in this report are derived from the Consolidated Financial Statements of Telkom and its subsidiaries and other reliable sources. Presentation of information and financial data in this report are in Rupiah (Rp) or US Dollar (US\$).

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This report can also be downloaded from <http://www.telkom.co.id>

Forward-looking statements in this report contain targets, expectations, forecasts, estimates, or projections of Telkom for the foreseeable future. The statements are disclosed by Telkom with a thorough consideration but contain risks of uncertainty in the future due to various factors. Therefore, in line with good corporate governance standards, Telkom states that it cannot guarantee that the foresights will be fulfilled completely.



REPORT THEMES

Building Indonesian Digital Economy

Indonesian society is increasingly feeling the presence of the digital era to enter many areas of life, following the global trend. Digitalization has changed human behavior, especially in the economic field, as business processes become faster, more efficient and more effective. At the same time, the digital era offers new economic opportunities that we have never seen before, through a variety of creative ways based on digital services. The business model in transaction is also moving fast, from conventional market system to the marketplace of e-commerce platform, which no longer has boundaries, both for producers and consumers.

In the face of these changes, Telkom is preparing itself by building digital infrastructure and its supporting ecosystem thoroughly and sustainably. Telkom builds infrastructure that includes three components, namely **id-Access**, **id-Ring** and **id-Con**, or known as the Indonesia Digital Network (“IDN”). For **id-Access**, which is a network of fiber-based access to customers’ homes, Telkom already has more than 16.4 million of homes-passed; for **id-Ring**, which is a broadband highway, Telkom has built 106,000 kilometers of fiber-based backbone that connects many islands throughout Indonesia from Sabang to Merauke; while for **id-Con**, a cloud service which is integrated with Telkom Group’s network, more than 95,000 m² gross facility data centers have been built in various locations both locally and abroad.

Telkom has an online shopping platform (marketplace) which continues to develop, namely blanja.com, as part of the ecosystem of the digital economy, which is expected to encourage the marketing of various products in a faster, easier, cheaper way, and to reach a larger area. Telkom is also developing a variety of applications that brings convenience and is able to stimulate economic activities. The three components of the IDN, along with its supporting ecosystem, are the main foundation of Telkom in stepping forward to be the leader in building digital economy in Indonesia.

As a country with a population of more than 250 million, Indonesia has very large potentials of digital economy. People’s increasingly high internet literacy driven by the widespread use of smartphones and fixed-broadband becomes an essential component for the growth of the digital economy, in addition to the availability of various supporting applications or contents, the readiness of small and medium enterprises (SMEs) to be able to make standardized products, and the support of reliable logistics network. The government has seen the existing great potentials, and declared Indonesia as the largest digital economy country in Southeast Asia in 2020.

This Annual Report entitling “Developing Indonesia’s Digital Economy” is a continuation of the previous theme, which is “Developing Indonesia’s Digital Society”. The current theme illustrates the readiness of Telkom Group in the transformation toward its vision that is to Be the King of Digital, which also plays an important role in accelerating the growth of digital economy of Indonesian society. As the pride of Indonesia, Telkom Group will continue to move ahead with the society to create prosperity in the present and in the future.



CONTINUITY OF THEME

2016



2016 | Building Indonesian Digital Economy

With integrated infrastructures, Telkom is ready to support the embodiment of Indonesia's vision as the largest digital economy country in Southeast Asia in 2020 and also to accelerate Indonesian economy growth in digital era. Telkom will continue to move ahead with the community to realize innovations and develop social welfare, today and in the future.

2015



2015 | Building Indonesian Digital Society

In order to realize a digital society, Telkom provides high quality connectivity through infrastructure development and developing content and applications that are useful in people's daily lives so as to provide the best digitization experience for customers.

2014

2014 | Sustainable Competitive Growth through Digital Business

Investing in digital business is a necessity for Telkom to improve competitiveness while maintaining sustainable competitive growth in the future.

2012

2012 | Bringing Indonesia to the Digital Society

We pioneered the digital community in Indonesia with a focus on providing services in information, media, edutainment and services, including the development of Indonesia Digital Network.

2013

2013 | Creating Global Talents and Opportunities

International expansion has become a necessity for us to be able to maintain a high and sustainable growth rate. This strategic initiative has led us to achieve double-digit growth and solidify us as a provider company for TIMES service, which is dominant in Indonesia and is acclaimed in the region.

BRIEF PROFILE OF TELKOM AND ITS SUBSIDIARIES

Telkom is a State-Owned Enterprise (“SOE”) conducting business in the field of integrated telecommunications services and networks in Indonesia operating domestically and abroad.





Company Name

PT Telkom Indonesia (Persero) Tbk

Commercial Name

Telkom

Category of Goods and Services

Telecommunication and information
Media and edutainment
Infrastructure

Legality

Tax Identification Number 01.000.013.1-093.000
Certificate of Company Registration 101116407740
Business License 510/3-0689/2013/7985-BPPT

Address and Contact Details of Main Office

Graha Merah Putih, Jl. Japati No. 1, Bandung, West Java,
Indonesia - 40133

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+62-22-7206757

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147

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investor@telkom.co.id

Facebook:

TelkomIndonesia

Instagram:

telkomindonesia

Twitter:

@telkomindonesia

Important Dates

Oktober 23, 1856:

Telkom's Establishment

November 19, 1991:

Transformation into Perusahaan Perseroan (Persero)
PT Telekomunikasi Indonesia

Legal Basis for Establishment

Pursuant to Government Regulation No.25 of 1991, the status of the Company is changed into a state-owned limited liability company ("persero") according to the Notarial Deed of Imas Fatimah, S.H. No.128 of September 24, 1991, as approved by the Minister of Justice of the Republic of Indonesia through Decision No. C2-6870.HT.01.01.Year.1991 dated November 19, 1991, as announced in the State Gazette of the Republic of Indonesia No.5 dated January 17, 1992, Supplement to the State Gazette No.210.

Ownership

The Government of the Republic of Indonesia 52.09%,
Public 47.91%

Listing in the Stock Exchange

The Company stock is listed at BEI/IDX and NYSE on November 14, 1995 with the stock code "TLKM" at BEI, Jakarta, Indonesia and "TLK" at the NYSE, New York, United States.

Authorized Capital

1 A Series Dwiwarna Share and
399,999,999,999 B shares Series

Issued and Fully Paid Capital

1 A Series Dwiwarna Share and
100,799,996,399 B shares Series

Rating

^{id}AAA (Pefindo) for the year 2012, 2013, 2014, 2015 and
2016

Service Centers

7	Telkom Regional Offices ("Telkom Regional")
59	Telecommunication Zones
566	Plasa Telkom Outlets
7	International GraPARI in Mecca - Saudi Arabia, Singapore, Hong Kong, Macau, Taipei & Tainan - Taiwan and Malaysia
416	GraPARI, including those managed by third parties
487	GraPARI Mobile Units

Subsidiary Entities and Associations

12	Direct Subsidiaries (including 1 subsidiary that is no longer in operation)
21	Indirect Subsidiaries



www.telkomsel.com

PT Telekomunikasi Seluler (Telkomsel)

Telkomsel is one of Indonesia's most prominent cellular operators with more than 173.9 million customers, 129,033 BTS with the widest network in Indonesia.

Product and Services:

- **Kartu Halo**
Positioned as postpaid brand for professionals and corporate customers.
- **simPATI**
Positioned as prepaid brand for middle class segment
- **Kartu As**
Positioned as affordable prepaid brand

- **LOOP**
Positioned as prepaid brand for young adult segment
- **Enterprise Mobile Product Marketing**
 - Solution for SME Segment
 - Solution for Large Enterprise Segment
- **Enterprise Digital Service**
 - Smart Connectivity
 - T-Drive
 - T-Bike
 - T-Fleet
- **Mobile Financial Service**
 - TCASH
 - TWALLET



www.telkomakses.co.id

PT Telkom Akses (Telkom Akses)

Telkom Akses provides construction and fixed-broadband network infrastructure construction services.

Product and Services:

Telkom Akses' main portfolios are the construction services (deployment), fixed broadband access networks, and operations & maintenance services of fixed broadband access networks (managed services).



www.patrakom.co.id

PT Patra Telekomunikasi (Patrakom)

Patrakom manages a broadband satellite business for the Maritime, Energy, Telecommunication, Plantation, Banking and Government business segments.

Product and Services:

- VSAT-SCPC (Single Carrier Per Channel).
- VSAT-IP.
- Radio-IP.
- MSS (Mobile Satellite Service).
- VTMS (Vessel Tracking Management System).
- Coconnet.



www.metra.co.id

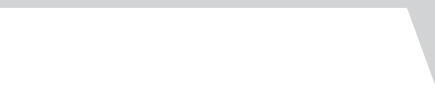
PT Multimedia Nusantara (Telkom Metra)

Telkom Metra conducts business activities in the field of network and multimedia management, covering, among others: data communications system services, portal services and online transaction service.

It is a strategic holding company transaction services in the information, media and services (IMES) industry.

Product and Services:

- *Satellite*
- *Premises Integration Services*
- *System Integration & Manage Apps*
- *Data Center*
- *Cloud & Managed Services*
- *e-Payment*
- *Business Process Management*
- *Data Analytics*
- *e-Solution*
- *Digital Media Life*
- *Digital Media Home and Digital Advertising.*



www.telkomproperty.co.id

PT Graha Sarana Duta (GSD)

Telkom Property conducts four types of business, namely property management, property development, property lease and property facilities

Product and Services:

- **Property management**
 - Building Management, security and Housekeeping services, utilities management, Energy Management, and Parking Management.
- **Property development**
 - Residential development, office development, and property investments.
- **Property lease**
 - Office space, and warehouses for corporate business needs, accommodation facilities in the form of a hotel with 291 rooms.
- **Property facilities**
 - Shuttle buses with mobile concept.
 - **Smart Office.**
 - Supporting business facilities, including official vehicles.



www.mitratel.co.id

PT Dayamitra Telekomunikasi (Mitratel)

Mitratel builds and manages telecommunications tower facilities and infrastructure as well as four main business segments, namely built to suit (B2S), collocation and reseller, microcell, project and tower related services.

Product and Services:

- **Built to suit**
 - Tower rental services by building new towers in accordance with their respective locations and specifications requested by operator.

- **Colocation and reseller**
- Existing tower rental services to customers.
- Tower rental services owned by third parties to customers.
- **Microcell**
 - In building system (IBS).
 - Outdoor solution (BTS Hotel).
- **Tower related services**
 - Combat.
 - Backhaul.
 - Survey Tower.
 - Cell Pion.
 - IMB.
 - HO.
- **Construction services**



www.telkominfra.co.id

PT Infrastruktur Telekomunikasi Indonesia (Telkom Infra)

Telkom Infra has four business portfolios, namely network managed services, service solution, power & engineering solution and submarine cable.

Product and Services:

- Site Maintenance.
- Network Managed Services.
- Network Optimization.
- Energy Solution.
- Off Grid Solution.
- On Grid Solution.
- Service Solution.
- Engineering Service.
- Construction Service.
- Submarine Cable.
- Operation & Maintenance.
- Cable Laying.



www.telin.co.id

PT Telekomunikasi Indonesia International (Telin)

Telin plans, constructs, provides, develops, operates, markets/offers/ leases and maintains the international telecommunication informatics network and service;

Products and Services:

- a. Telecommunication
 1. Mobile Services

- a. Basic services
- b. Mobile broadband
- c. Digital service
2. Network & Infrastructure Services
 - a. Interconnection & international traffic
 - b. Network services
 - c. Satellite
- b. Information
 1. Platform Services
 - a. Data center & cloud
 - b. Business Process Management
 - c. Mobile platform



PT. JALIN PEMBAYARAN NUSANTARA

PT Jalin Pembayaran Nusantara (Jalin)

JALIN was established on November 3, 2016. It is currently focus on business of non-cash payment system that supports national payment gateway.

Products and Services:

- Management of the system and/or network in a transaction using the card payment instruments (CPI).
- Cooperate with the merchant so the merchant is able to process transactions from CPI issued by other parties.
- Switching and routing services over electronic transactions using CPI.
- APMK operator in clearing transactions.
- Settlement on the calculation of the clearing.



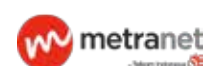
www.pins.co.id

PT PINS Indonesia (PINS)

PINS has a business portfolio that consists of three groups, namely mobility services, CPE services, and IoT services/M2M solution.

Product and Services:

- IoT Services include, among others, Smart City, Smart Building, Smart Office, Smart Water, Smart PJU, IoT Gateway, and IT Infrastructure Management
- Product Mobility Services, consists of PRIME and Handset.
- CPE Services include products such as Seat Management, Business Area Management System, ICT Security System, IT Hardware, Managed CPE Services.



www.metranet.co.id

PT Metranet (Metranet)

Metranet is currently focused on mobile business development and online media to increase online traffic, enrich the service, and optimize the monetization process.

Products and Services:

- Uad, platforms that bring together publishers, advertisers and agencies to be able to do digital advertising activities effectively and efficiently.
- UPOINT, virtual payment instruments and navigation services to make purchases virtually.

TELKOM DIGITAL EXPERIENCE

ENCOURAGES CHANGES AND CREATES OPPORTUNITIES

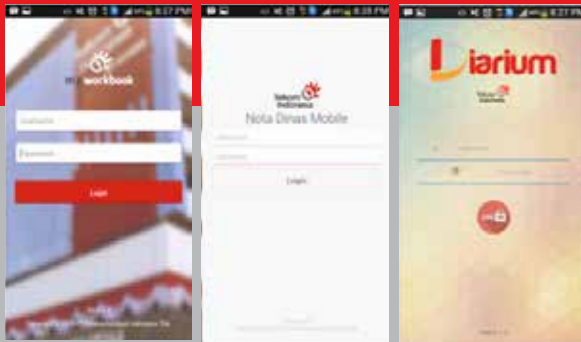
blanja UNIQUE VALUE PROPOSITION

1. Leveraging Telkom Group Ecosystem
2. Leveraging e-Bay's expertise and network with more than 500 million global products
3. Marketing the product of Small Medium Enterprise guided by State Owned Enterprises to local and global market



Customer Experience

1. Accessible through Web Desktop, Android & iOS Mobile Apps, Mobile Web
2. A wide selection of payment method
3. Search experience
4. Various promotion programs



DIGITAL EMPLOYEE EXPERIENCE

Providing digital convenience for employees through: Teleconference & video conferencing (Permata & WEBEX); Talent Management & Career Tools (Ingenuim); Digital Learning (Cognitium); Corporate social media and file sharing (Diarium), Cloud storage (Telkom drop-up); Online & Mobile Office Memorandum; Office Live; Online Procurement; Online Presence, Work diary and record keeping; Data Analytic Library; Online Recruitment.

DIGITAL MOBILE EXPERIENCE

Providing ease of access through digital mobile app through: Telkom solution; My IndiHome; My Telkomsel; T-Money; UseeTV; Wifi ID.



DIGITAL CITIZEN EXPERIENCE

Providing ease of the "Smart City Nusantara" urban service in the form of Wi-Fi based Internet access service, Social Media Analytic service, Digital Library services and Qbaca service.

DIGITAL SOCIETY EXPERIENCE

Providing easy access to digital technology and information to the society, including SME business owners, through the Kampung UKM Digital, and Pustaka Digital.



UKM GOES DIGITAL AND KAMPUNG DIGITAL

In 2015, Telkom launched Kampung UKM Digital Program. By the end of 2017, we expect to established 1,000 Kampung UKM Digital in Indonesia.



PUSTAKA DIGITAL

Telkom introduced 1,000 PaDi (Pustaka Digital) on May 4, 2016. It is a library for e-Books through which we can encourage people to read and study. PaDi is accessible at padi.qbaca.com

TO BE “THE KING OF DIGITAL IN THE REGION”

GROWTH, SYNERGY, AND VALUES

Telkom Group is transforming to become digital telecommunication company that envisions to be “the King of Digital in The Region”, the king of telecommunication and digital services in the air, land, and sea. Telkom continues to digitalize a whole process, innovate to give the best customers experience and implement lean and agile organization transformation to pursue competitive advantage and digital capabilities.

INDONESIA HAS 252 MILLION OF POPULATION SPREAD IN MORE THAN 17 THOUSAND ISLANDS

Makes digitalization to be a necessity



BECOMING THE BIGGEST DIGITAL ECONOMY IN SOUTHEAST ASIA

Indonesia is now constructing digital economy all over the country



CORPORATE STRATEGY

DIRECTIONAL STRATEGY

Disruptive competitive growth

Amid the challenging changes in the industry, Telkom Group believes that the market capitalization will grow significantly. This is done by providing added value to customers through the provision of products and services, promoting synergies and building a strong digital ecosystem in both the domestic and international markets.

PORTFOLIO STRATEGY

Customer value through digital TIMES portfolio

Telkom Group focuses on TIMES digital portfolio through the provision of convenient and convergent services synergistically to deliver high values to customers.

PARENTING STRATEGY

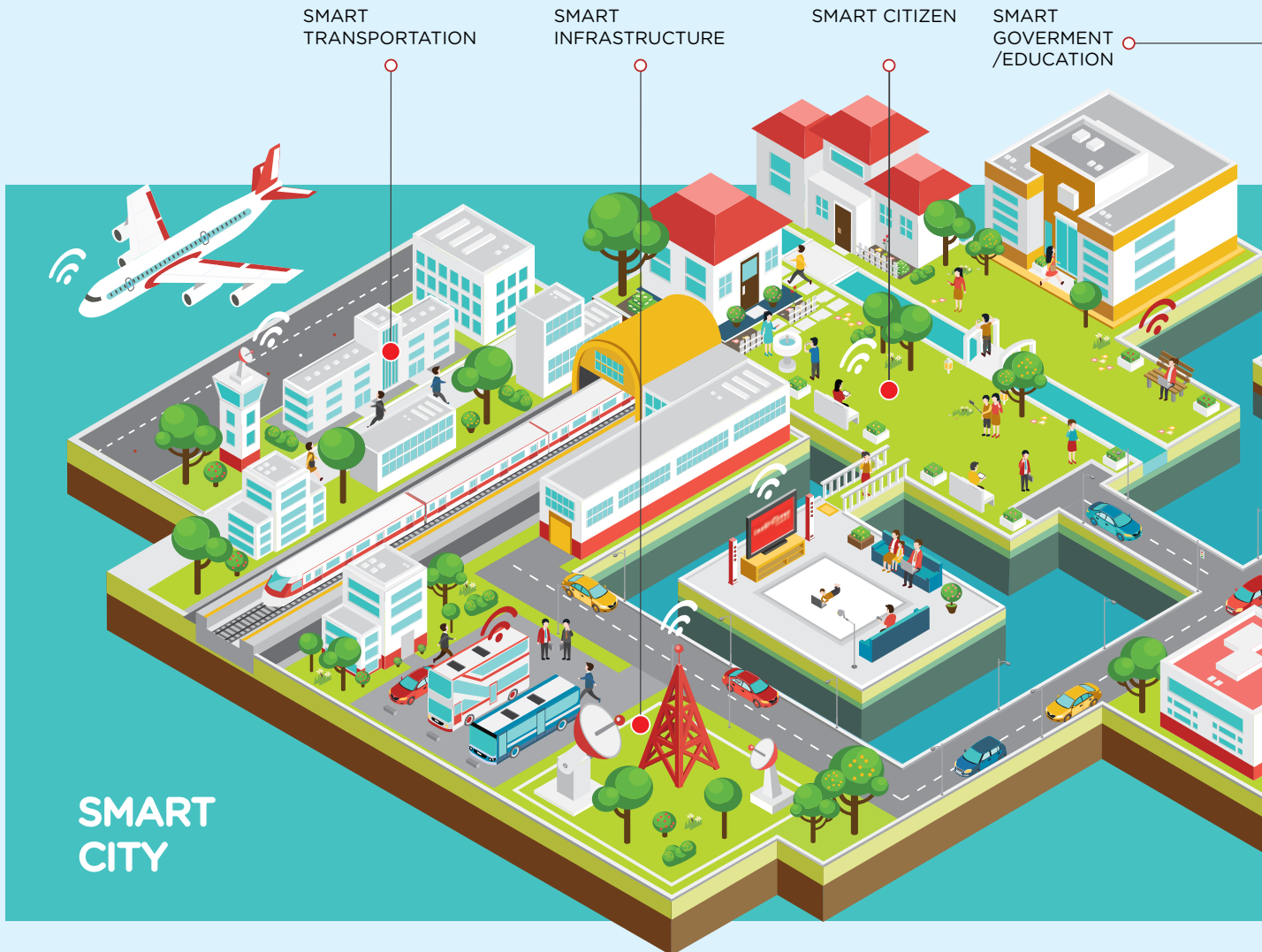
Strategic Control

To support business growth effectively, Telkom Group implements the strategic control approach to align business units, functional units and subsidiaries so that the process runs in a more targeted, synergetic, and effective way to achieve the company's goals.



PROVIDING THE DIGITAL SOLUTION

THE FUTURE FOR EVERY TELKOM CUSTOMER SEGMENT



CORPORATE

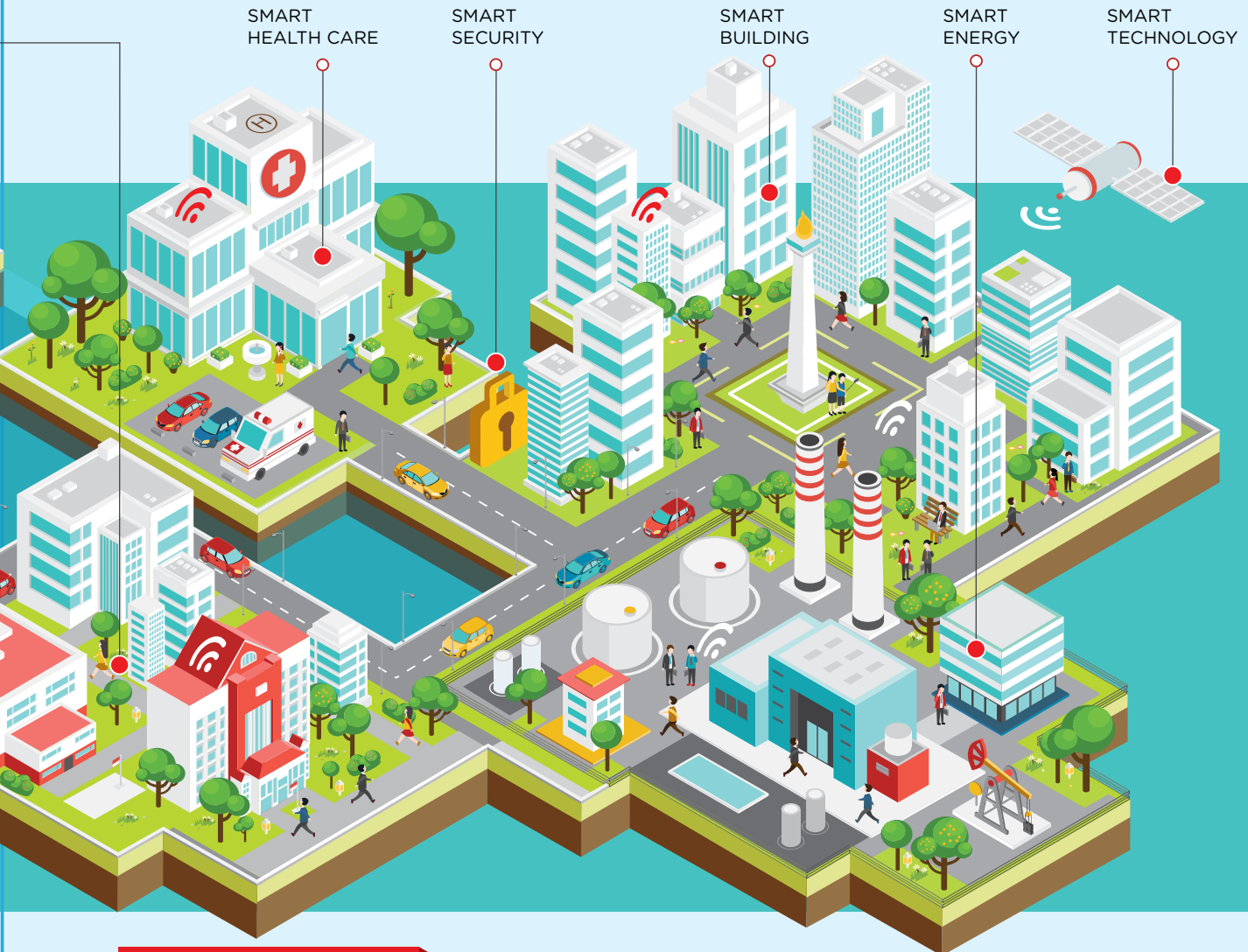
Providing telecommunications and information services, including interconnection, leased lines, satellite, VSAT, contact center, broadband access, data center and internet access to corporate customers, small medium enterprises, government institutions, wholesale, and international customers.

PERSONAL

Providing mobile telecommunication services and fixed wireless mobile to personal customers.

For the corporate customer segment, we provided integrated service solutions with the bandwidth consumption in service amounted to 2,524 Gbps in 2016. Furthermore, we served 173.9 million mobile subscribers with 60 million mobile broadband subscribers and 4.3 million fixed broadband subscribers with 1.62 million indiHome subscribers by the end of 2016.

Telkom has built smart city services in 219 cities in Indonesia.



HOME

Providing fixed line telecommunications services, subscription TV, data, and internet services to residential customers.

OTHERS

Provide building management services and facilities, including the rental of office premises, hotel development, leasing of commercial buildings, and transportation management.

TELKOM INFRASTRUCTURE

SUSTAINABLE INVESTMENT IN INFRASTRUCTURE IS THE KEY TO SERVE CUSTOMERS BETTER



id-Access
True
Broadband
Access

16.4 Million

Homes-passed

362,200

Access point Wi-Fi

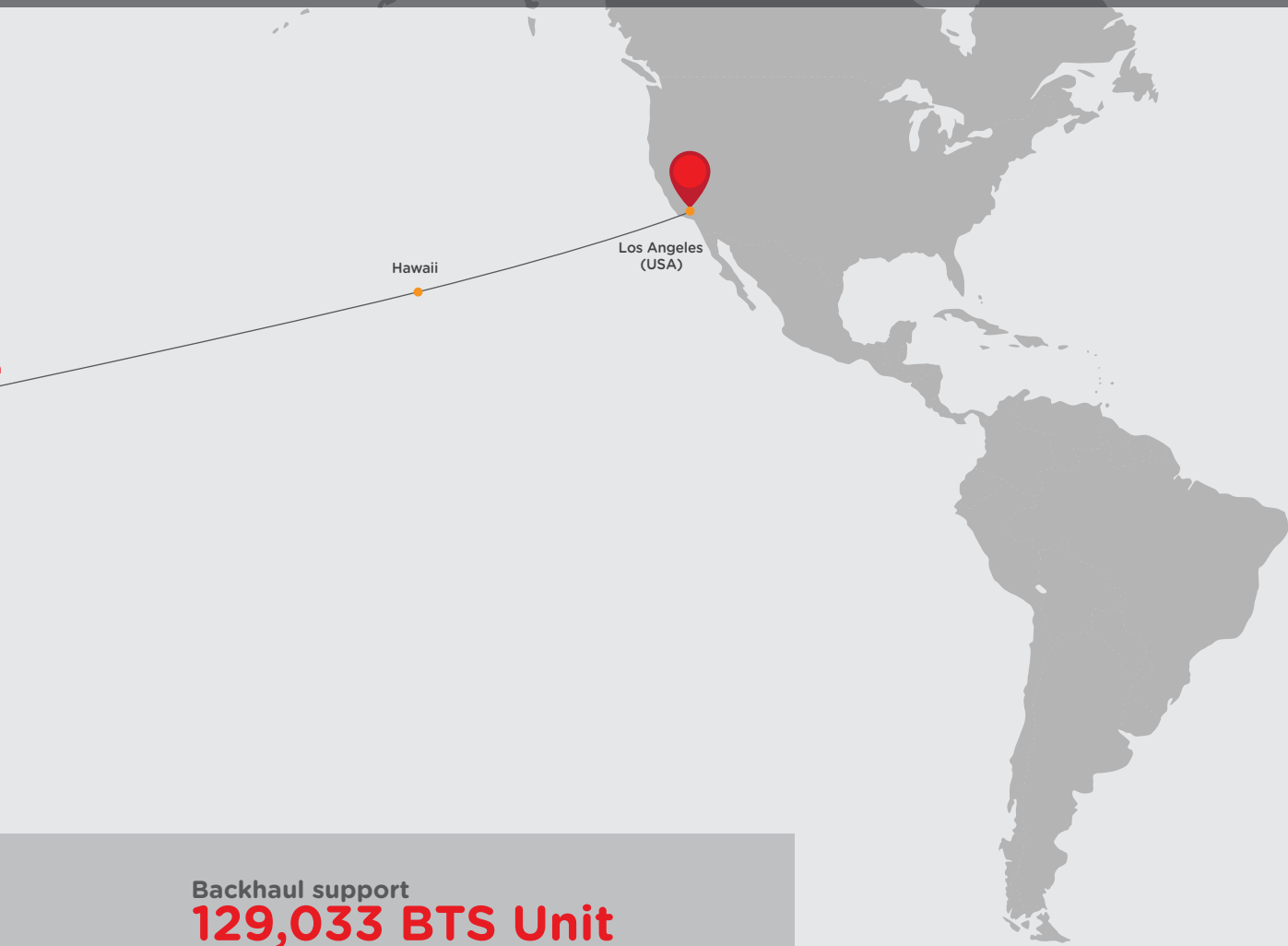
*on construction

id-Con
Indonesia
Digital
Convergence

95,000 sqm

Gross facility Data Center

In order to serve customers better as well as to grow digital business, Telkom Group continues to invest in digital infrastructure including access network, backbone network and data center. Inter-island and inter-continental optic fiber becomes the foundation of Telkom's digital business growth.



Backhaul support

129,033 BTS Unit

Including 61% BTS 3G/4G

id-Ring
Nationwide
Broadband
Backbone

106.000 km

Fiber optic backbone
(including international
backbone network)

3 satellites

2 satellites with a total capacity
of 60 transponders
and Telkom 3S with a capacity of
42 transponders
(launched on February 15, 2017)

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Reading the Report Content

For ease of stakeholders, Telkom has divided this report into two main parts.

Part One, from the front page of the report to the “Management Report” and “Statement”, is dedicated to readers who wants to understand Telkom in a short amount of time.

Investors and other stakeholders who want to know in detail about Telkom can continue to read this report from Part One to Part Two, namely the “About Telkom” section and so forth until the end.

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Financial Highlight

Consolidated Statements of Comprehensive Income (in billion of Rupiah, except for net income per share and per ADS)	Years ended on December 31				
	2016	2015	2014	2013	2012
Total Revenues	116,333	102,470	89,696	82,967	77,143
Total Expenses	77,888	71,552	61,564	57,700	54,004
EBITDA	59,498	51,415	45,673	41,776	39,757
Operating profit	39,195	32,418	29,206	27,846	25,698
Profit for the year	29,172	23,317	21,274	20,290	18,362
Profit for the year attributable to:					
• Owners of the parent company	19,352	15,489	14,471	14,205	12,850
• Non-controlling interest	9,820	7,828	6,803	6,085	5,512
Total comprehensive income for the year	27,073	23,948	22,041	20,402	18,388
Total comprehensive income attributable to:					
• Owners of the parent company	17,331	16,130	15,296	14,317	12,876
• Non-controlling interest	9,742	7,818	6,745	6,085	5,512
• Net income per share	196.2	157.8	148.1	147.4	133.8
Net income per ADS (1 ADS : 100 common stock)	19,619	15,777	14,813	14,742	13,384

Consolidated Statement of Financial Position (in billion of Rupiah)	Years ended on December 31				
	2016	2015	2014	2013	2012
Assets	179,611	166,173	141,822	128,555	111,369
Liabilities	74,067	72,745	55,830	51,834	44,391
Equity attributable to owner of the parent company	84,384	75,136	67,721	59,823	51,541
Net working capital (Current Asset - Current Liabilities)	7,939	12,499	1,976	4,638	3,866
Investment in associate entities	1,847	1,807	1,767	304	275

Capital Expenditure (in billion of Rupiah)	Years ended on December 31				
	2016	2015	2014	2013	2012
Telkom	10,309	9,641	8,099	5,313	4,040
Telkomsel	12,564	11,321	13,002	15,662	10,656
Others Subsidiaries	6,326	5,439	3,560	3,923	2,576
Total	29,199	26,401	24,661	24,898	17,272

Consolidated Financial and Operation Ratios	Years ended on December 31				
	2016	2015	2014	2013	2012
Return on Asset (ROA (%) ⁽¹⁾)	10.8	9.3	10.2	11.0	11.5
Return on Equity (%) ⁽²⁾	22.9	20.6	21.4	23.7	24.9
Operating Profit Margin (%) ⁽³⁾	33.7	31.6	32.6	33.6	33.3
Current Ratio (%) ⁽⁴⁾	120.0	135.3	106.1	116.0	116.0
Total Liabilities to Equity Ratio (%) ⁽⁵⁾	87.8	96.8	82.4	86.6	86.1
Total Liabilities to Total Assets Ratio (%) ⁽⁶⁾	41.2	43.8	39.4	40.3	39.9
Debt to Equity Ratio ⁽⁷⁾	30.1	37.0	27.3	26.4	28.8
Debt to EBITDA Ratio ⁽⁸⁾	53.4	67.3	51.3	48.5	48.5
EBITDA to Interest Ratio ⁽⁹⁾	21.2	20.7	25.2	27.8	19.3

⁽¹⁾ ROA is calculated as profit for the year attributable to owner of the parent company divided by total assets at year end December 31.

⁽²⁾ ROE is calculated as profit for the year attributable to owner of the parent company divided by total equity attributable to owner of the parent company at year end December 31.

⁽³⁾ Operating profit margin is calculated as operating profit divided by revenues.

⁽⁴⁾ Current ratio is calculated as current assets divided by current liabilities at year end December 31.

⁽⁵⁾ Liabilities to Equity Ratio is calculated as total liabilities divided by total equity attributable to owners of the parent company at year end December 31.

⁽⁶⁾ Liabilities to total assets ratio is calculated as total liabilities divided by total assets at year end December 31.

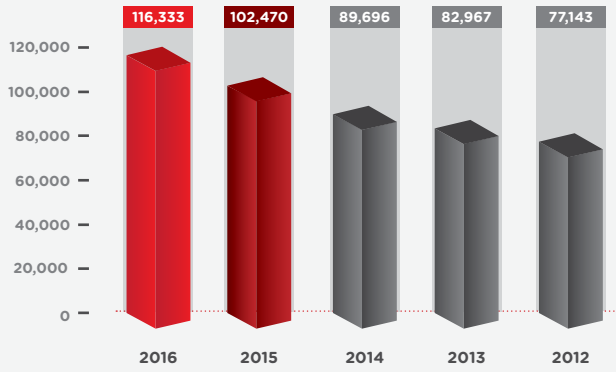
⁽⁷⁾ Debt to equity ratio is calculated as net debt divided by total equity attributable to owners of the parent company at year end December 31.

⁽⁸⁾ Debt to EBITDA ratio is calculated as net debt divided by EBITDA.

⁽⁹⁾ EBITDA to interest ratio is calculated as EBITDA divided by cost of fund.

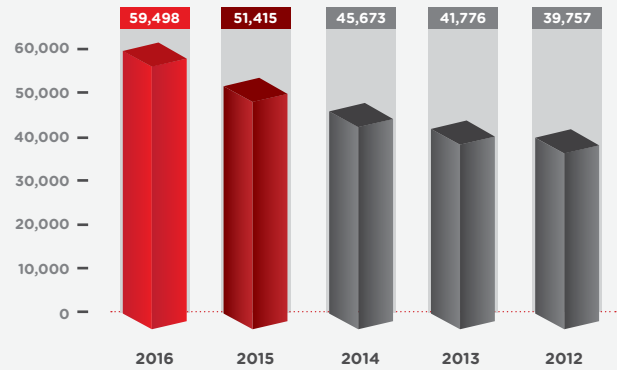
↑ 13.5% yoy Revenue

(in billions of Rupiah)



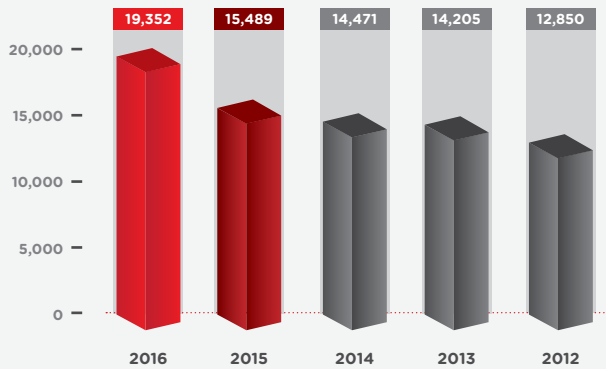
↑ 15.7% yoy EBITDA

(in billions of Rupiah)



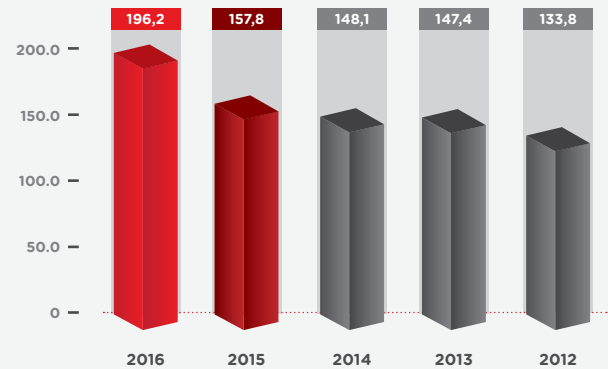
↑ 24.9% yoy Net Income

(in billions of Rupiah)



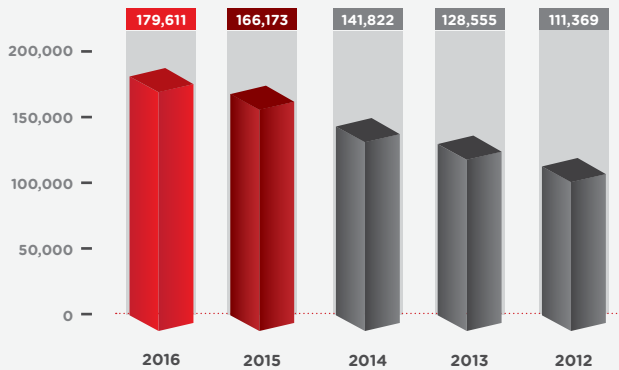
↑ 24.3% yoy Net Income/Share

(in billions of Rupiah)



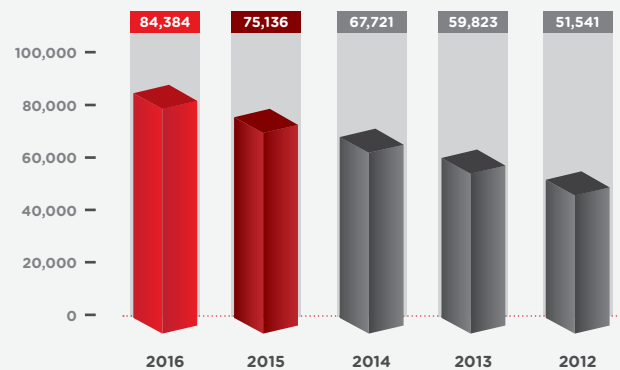
↑ 8.1% yoy Total Asset

(in billions of Rupiah)



↑ 12.3% yoy Total Equity

(in billions of Rupiah)



OPERATIONAL HIGHLIGHT

	Unit	Years ended on December 31		
		2016	2015	2014
Broadband Subscribers				
Fixed broadband ⁽¹⁾	(000) subscribers	4,329	3,983	3,400
Mobile broadband	(000) subscribers	60,030	43,786	31,216
Total Broadband Subscribers	(000) subscribers	64,359	47,769	34,616
Cellular Subscribers				
Postpaid (kartuHalo)	(000) subscribers	4,180	3,509	2,851
Prepaid (simPATI, Kartu As, Loop)	(000) subscribers	169,740	149,131	137,734
Total Cellular Subscribers	(000) subscribers	173,920	152,641	140,585
Fixed Line Subscribers				
Fixed wireline (POTS)	(000) subscribers	10,663	10,277	9,698
Fixed wireless	(000) subscribers	N/A ⁽¹⁾	N/A ⁽²⁾	4,404
Total Fixed Line Subscribers	(000) subscribers	10,663	10,277	14,102
Other Subscribers				
Datacomm	Mbps	764,397	1,907,012	930,327
Satelit-transponder	MHz	6,801	4,648	3,560
Network				
BTS 2G	unit	50,344	48,394	46,398
BTS 3G/4G	unit	78,689	54,895	39,022
Total BTS ⁽³⁾	unit	129,033	103,289	85,420
Customer Services				
PlasaTelkom	location	566	572	572
Grapari	location	416	414	409
Grapari Mobile	unit	487	392	268
Employees				
	people	23,876	24,785	25,284

⁽¹⁾ Total of broadband subscribers including IndiHome Triple Play subscribers is of 1.6 million, 1.1 million and 122 thousand in 2016, 2015, and 2014 respectively.

⁽²⁾ Until the end of 2015, wireless subscribers were entitled to migrate to cellular subscribers.

⁽³⁾ Since 2014 the BTS that we disclose is Telkomsel BTS.



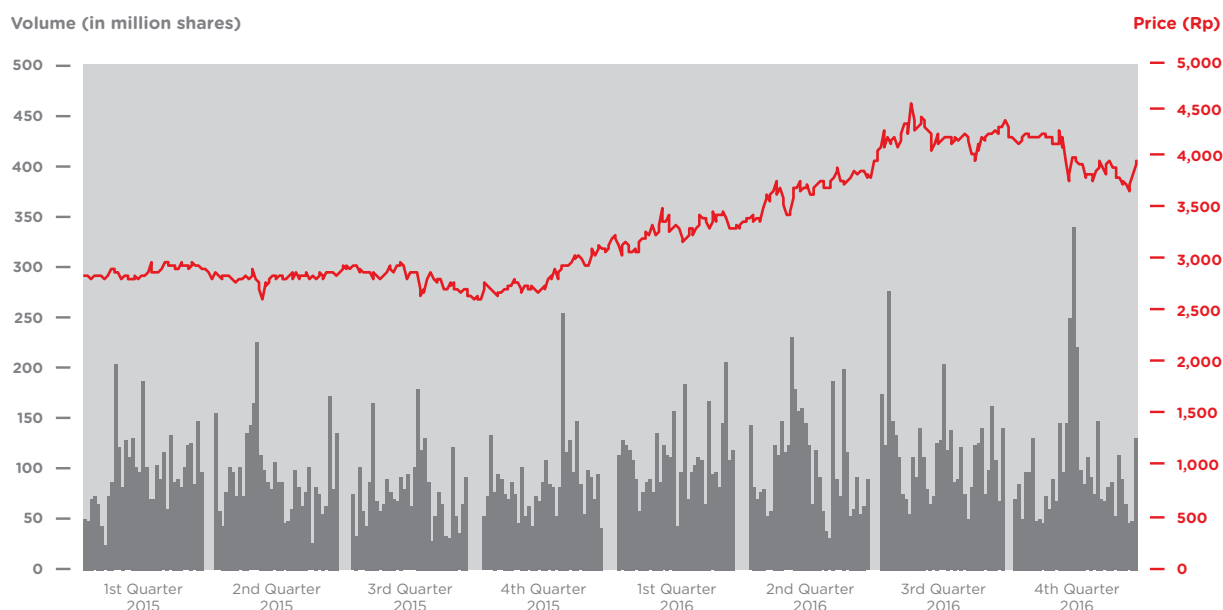
STOCK HIGHLIGHT

TELKOM'S STOCK AT IDX

Here we present a report of the highest, lowest and closing share prices, trading volumes, number of shares outstanding and market capitalization of the common stock recorded at the Indonesia Stock Exchange ("IDX") for the periods indicated:

Calendar Year	Price per Share of Common Stock			Volume (shares)	Outstanding Shares	Market Capitalization (in Rupiah)
	High	Low	Closing			
	(in Rupiah)					
2012	1,990	1,330	1,810	23,002,802,500	95,745,344,100	182,448
2013	2,580	1,760	2,150	27,839,305,000	97,100,853,600	216,720
2014	3,010	2,060	2,865	24,035,761,600	98,175,853,600	288,792
2015	3,170	2,485	3,105	18,742,850,400	98,198,216,600	312,984
First Quarter	3,020	2,770	2,890	5,209,728,100	97,100,853,600	291,312
Second Quarter	2,955	2,595	2,930	4,816,156,800	98,175,853,600	295,344
Third Quarter	2,970	2,485	2,645	4,061,559,500	98,175,853,600	266,616
Fourth Quarter	3,170	2,600	3,105	4,655,406,000	98,198,216,600	312,984
2016	4,570	3,045	3,980	23,017,915,300	99,062,216,600	401,184
First Quarter	3,510	3,045	3,325	5,852,647,000	98,198,216,600	335,160
Second Quarter	4,010	3,305	3,980	5,808,895,400	99,062,216,600	401,184
Third Quarter	4,570	3,950	4,310	5,821,745,500	99,062,216,600	434,448
Fourth Quarter	4,400	3,640	3,980	5,534,627,400	99,062,216,600	401,184
September	4,400	3,950	4,310	2,010,068,700	99,062,216,600	434,448
October	4,400	4,120	4,220	1,365,432,500	99,062,216,600	425,376
November	4,300	3,640	3,780	2,680,143,800	99,062,216,600	381,024
December	4,020	3,670	3,980	1,489,051,100	99,062,216,600	401,184
2017	4,030	3,780	3,850	2,770,417,700	99,062,216,600	388,080
January	4,030	3,780	3,870	1,280,778,000	99,062,216,600	390,096
February	3,980	3,830	3,850	1,489,639,700	99,062,216,600	388,080

On the last IDX trading day in 2016, which was on December 30, 2016, the closing price for our common stock was Rp3,980 per share. With the share price, Telkom's market capitalization reached Rp 401.2 trillion, or 7.0% of the total capitalization in the Indonesia Stock Exchange (BEI).

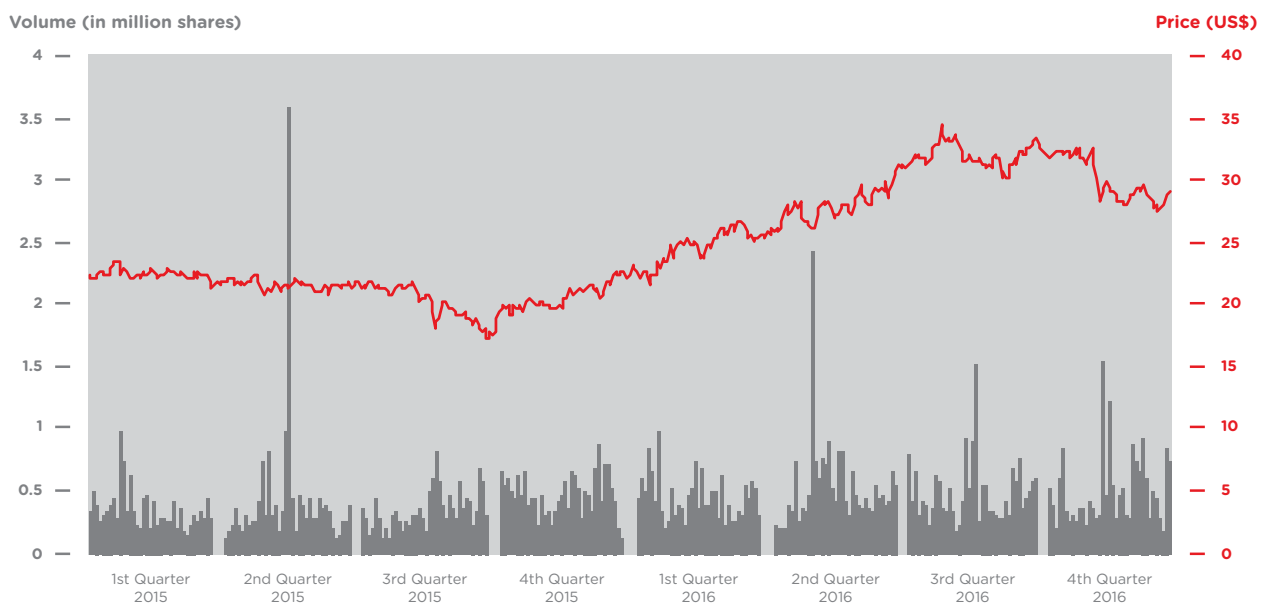


TELKOM'S STOCK AT NYSE

In the table below, we present the highest, lowest and closing share prices as well as the trading volumes of Telkom's ADS stock recorded at the New York Stock Exchange ("NYSE") for the periods indicated.

Calendar Year	Price per ADS (NYSE)			Volume (ADS)	
	High	Low	Closing		
	(in US Dollars)				
2012	20.57	14.63	18.48	177,219,324	
2013	25.31	16.88	17.93	134,122,210	
2014	24.38	16.95	22.62	104,501,896	
2015	23.54	17.05	22.20	87,438,232	
	First Quarter	23.54	20.56	21.77	18,351,674
	Second Quarter	22.48	20.26	21.70	21,794,470
	Third Quarter	21.99	17.05	17.83	20,440,486
	Fourth Quarter	22.76	17.47	22.20	26,851,602
2016	34.65	21.22	29.16	110,532,172	
	First Quarter	26.92	21.22	25.43	24,848,124
	Second Quarter	30.96	25.06	30.73	31,010,592
	Third Quarter	34.65	29.63	33.04	27,153,358
	Fourth Quarter	33.57	27.17	29.16	27,520,098
	September	33.38	29.63	33.04	8,680,416
	October	33.57	31.59	32.49	8,246,024
	November	32.85	28.00	28.10	9,242,784
	December	29.75	27.17	29.16	10,031,290
2017	30.16	28.16	28.50	16,271,010	
	January	30.16	28.16	29.42	8,079,524
	February	29.71	28.47	28.50	8,191,486

On the last trading day in NYSE for the year of 2016, which was on December 31, the closing price for Telkom's 1 ADS was in the amount of \$29.16. Effective from October 26, 2016, we changed the Depository Receipt (DR) from 1 Depository Shares (DS) representing 200 shares to 1 DS representing 100 shares. The presentation on the table above have accommodated the ratio change.



INFORMATION OF CORPORATE ACTIONS RELATED TO STOCK

On June 29, 2016, the Company sold back 172,800,000 treasury stock (equal to 864,000,000 treasury shares), which is part of the phase IV buyback program with a total fair value of Rp3,259 billion (net of costs of sale of shares).

Other than the sale of treasury stock, the Company did not carry out any other stock-related corporate actions such as stock split, reverse stock, dividend disbursement, distribution of bonus shares, Employee Stock Ownership Program (ESOP), and changes to the nominal value of shares.





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2016 Annual Report



REPORT OF THE BOARD OF COMMISSIONERS



Hendri Saporini
President Commissioner

“As an overview, we see that the performance of the Board of Directors in 2016 was exceptional, which records a double-digit growth for Revenue, EBITDA and Net Profit or triple double digit. The Board of Directors was capable to prepare and execute strategies, determine priorities as well as making adjustments over the strategies based on the characteristic of the very dynamic telecommunication industry.”

Distinguished Shareholders and Stakeholders,

The Board of Commissioners expresses our gratefulness to Allah SWT, the God almighty whose blessings have allowed Telkom to successfully pass the year 2016 with an excellent performance.

General View towards the Macro economy and Industry

In general, Indonesian economy in 2016 was in a good condition. The deceleration of global economy does not bring significant affect towards domestic economy that was supported more by the household consumption. The government has also worked hard to push the economy growth by issuing various economic policy packages as well as materializing government expenditure in the infrastructure sector. As a result, Indonesian economy in 2016 grew 5.02% which is higher than the previous year that grew at 4.88%. In particular, Bureau of Statistic Centre (BPS) has also recorded that the Information and Communication sector grew very well, way above the growth of the national economy, which means that the Information and Communication sector was one of the growth generators of the domestic economy.

Year 2016 saw relatively fair competitions in the telecommunication industry, especially in the cellular segment. The trend of telecommunication industry also moves towards digital services and leaving previous legacy services, namely voice call and SMS. Meanwhile, for the fixed-line segment, the trend of industry is on the direction towards the fiber-based broadband service. The demand for this service will grow along with the increase of middle class society in Indonesia that yearns for higher quality broadband services.

Supervision and Performance Evaluation of the Board of Directors During the Year of 2016

In performing the supervision function and giving the recommendation towards the performance of the Board of Directors, the Board of Commissioners emphasizes on Telkom's strategic activities and it oriented on the improvement of the Company's added value. Supervision activities were conducted by the Board of Commissioners by examining all reports, conducting meetings, both internal meeting of the Board of Commissioners, or joint meetings between the Board of Commissioners and the Board of Directors periodically at the minimum of 12 times. In performing its supervisory function, the Board of Commissioners was assisted by 3 (three) committees, namely the Audit Committee, Nomination and Remuneration Committee, as well as the Committee for Evaluation and Monitoring of Risk Planning (KEMPR).

As an overview, we see that the performance of the Board of Directors in 2016 was exceptional, which records a double-digit growth for Revenue, EBITDA and Net Profit or triple double digit. The Board of Directors was capable to prepare and execute strategies, determine priorities as well as making adjustments over the strategies based on the characteristic of the very dynamic telecommunication industry.

In 2016, Telkom obtained the Revenue in the amount of Rp116.3 trillion, which is 13.5% higher compared to the previous year. Meanwhile, EBITDA grew by 15.7% to Rp59.5 trillion and Net Profit was recorded at Rp19.4 trillion or grew by 24.9% compared to the net profit in the previous year. From the operational side, Telkom has successfully obtained the accumulation of fixed broadband customers in the amount of 4.3 million up to the end of 2016, with IndiHome triple play customers reaching 1.6 million as the result of the hard works of the Company in socializing the fixed broadband service. Meanwhile, on the cellular business unit, the amount of Telkomsel's customers is still



growing by 13.9% to have reached 173.9 million customers from all over Indonesia.

The Board of Commissioners would like to take this opportunity to give appreciation for the excellent performance of the Board of Directors during that it has successfully recorded an extraordinary financial performance by reaching triple double digit growth for the Revenue, EBITDA, and Net Profit. Moreover, Telkom does not only contribute to the development of the telecommunication industry, but also give the multiplier effect on the social economy to the society through the creation of employments and through other forms, especially the ease of connectivity which may be utilized by the economic actors. Therefore, the Board of Commissioners will continuously give the motivation, direction, and feedback as part of its efforts to improve the sustainable performance of the Company in the future.

Views on the Business Prospect

We expect that the macro economy condition in 2017 will continue to be solid, and continue to be supported by household consumption, including by expenditure on telecommunication, and to be supported by government

expenditure especially in the infrastructure development. We also expect for a relatively stable political situation, despite the simultaneous 2017 governor election (Pilkada) in many provinces in Indonesia. This is very important to allow for a conducive climate for business actors.

From the industrial aspects, we view that the trend of change from legacy business to become digital business continues. On one side this constitutes the challenge for Telkom to transform itself to become a digital telecommunication company. On the other side, this change offers a major opportunity for growth, by considering that the penetration of smartphone or the consumption of data service amongst Indonesians people is still so much lower compared to developed countries. Moreover, the household need for higher quality fixed broadband service continue to increase significantly.

The telecommunication industry is predicted to continue to grow above the average growth of the national economy. This is supported by the increase of data service utilization, in line with the growth of mobile broadband and fixed broadband users as well as improvement in people's digital literacy on digital services.



In the meantime, although it is not easy, the opportunity to grow inorganically, both domestically and overseas, may be explored further in a smart way, especially those opportunities that may add value and synergize Telkom Group. In relation to this matter, Telkom should certainly prepare itself in many aspects, including funding, technical aspect, and human resources readiness.

Any business prospect and opportunity will always pose its own challenges and obstacles in the implementation, such as challenges in aspects of government regulations, business competitions, or the fast changes of the technology. These challenges and obstacles must always be anticipated by Telkom.

Telkom's Transformation to Become Digital Telecommunication Company

The Board of Commissioners fully supports the efforts of Telkom's Board of Directors in achieving its vision, which is to make Telkom the King of Digital in the Region. To achieve such objective, Telkom should continuously develop the infrastructure and ecosystem as a whole to achieve the objective of the Company. Telkom has also transformed the organizational structure to become more lean and agile

through the implementation of the structure of Customer Facing Unit (CFU) and Functional Unit (FU) to allow better and faster service for the customers.

By developing the infrastructure of the network comprehensively, Telkom is actually playing the important role in developing the digital economy in Indonesia. Broadband service, with all of its benefits, will be enjoyed more by all classes of society in Indonesia, and the most important benefit is the access to economic activities that are more and more limitless. One of the parts of ecosystem that is important and must be strengthened is Telkom's e-commerce platform namely blanja.com that may support the marketing of the small and medium enterprise's (UKM) product in a broader and easier manner.

Social and Environment Responsibility

As a business entity that dwells among the society, we fully realize and commit that Telkom must give real contribution in the form of Social and Environment Responsibility (TJSL). In 2016, Telkom conducted TJSL program under the theme of "Telkom Indonesia for Indonesia". The ultimate goal of TJSL Telkom is to assist the development of national digital economy by facilitating synergy with other State Owned



Enterprises (BUMN), such as through the establishment of BUMN Creative House (RKB), Digital Village, and the development of Digital Library (PaDi).

The Implementation of Good Corporate Governance in Telkom

To ensure long term business continuity of the Company, we always emphasize on the importance of implementing good corporate governance. A number of prestigious awards in the field of Good Corporate Governance (GCG), which among others was the Most Trusted Company from the Indonesian Institute for Corporate Governance (IICG), shows Telkom's commitment on the importance of implementing and enforcing the GCG values based on the best practices. The Company also continuously improves the implementation and enforcement of GCG values in order to give a strong foundation for the Company to be able to keep growing sustainably in the long term.

Assessment on the Performance of Committees under the Board of Commissioners

In performing its supervision function, the Board of Commissioners is assisted by 3 (three) committees, namely the Audit Committee, Nomination and Remuneration Committee, as well as KEMPR, which have given the full support to the Board of Commissioners so that it may perform its duties and functions to conduct the supervision towards the Board of Directors of the Company in 2016. In general, those three committees have performed their duties well and able to cooperate with the Board of Commissioners and management. We always support all Committees to ensure continuous improvement of their capability and broaden their knowledge in general industry sector, business sector, and finance as well as the telecommunication technology.

The Change of Composition within the Board of Commissioners

In 2016, the composition of Telkom's Board of Commissioners was changed whereby the Annual General Meeting of Shareholders (AGMS) approved the honorable dismissal of Bapak Parikesit Suprpto as an Independent Commissioner who was then replaced by Bapak Margiono Darsasumarja. In this opportunity, we express our gratitude for the role and excellent contribution of Bapak Parikesit Suprpto as an Independent Commissioner during his term of office in Telkom. In addition, AGMS also approved the appointment of Bapak Pontas Tambunan as a Commissioner. After such change, the Board of Commissioners of Telkom then consists of seven member of the Board, with the following composition:

Hendri Saparini	: President Commissioner
Dolfie Othniel Fredric Palit	: Commissioner
Hadiyanto	: Commissioner
Pontas Tambunan	: Commissioner
Margiyono Darsasumarja	: Independent Commissioner
Rinaldi Firmansyah	: Independent Commissioner
Pamiyati Pamela Johanna Waluyo	: Independent Commissioner

Closing

The Board of Commissioners expresses its gratitude and highest appreciation to the Board of Directors, management, and all employees for the outstanding support and cooperation in the year 2016. We hope that the solid cooperation and continuous synergy will encourage even better performance in the future.

We also express the same gratitude and appreciation to the shareholders, customers, business partners, as well as other stakeholders for the supports given to Telkom Group.

In the future, Telkom will continue its effort to improve its value and give more benefits to all of our stakeholders, by keep improving and preparing ourselves to realize the vision and mission as well as to actively participate in leading the development of digital economy of Indonesia.

Jakarta, March 30, 2017



Hendri Saparini
President Commissioner

**Left to Right (Sitting down):**

Pamiyati Pamela Johanna Waluyo (Independent Commissioner),
Hendri Saparini (President Commissioner)

Left to Right (Standing):

Hadiyanto (Commissioner), Margiyono Darsasumarja (Independent Commissioner),
Pontas Tambunan (Commissioner), Dolfie Othniel Fredric Palit (Commissioner),
Rinaldi Firmansyah (Independent Commissioner)



REPORT OF THE BOARD OF DIRECTORS



Alex J. Sinaga
President Director

“The strategy and hard works that we performed during 2016 have given positive results, with the success of Telkom to record an excellent financial and operational performance.”

Distinguished Shareholders, Board of Commissioners, and all Stakeholders,

Please allow me, as a representative of the Board of Directors, to express our gratefulness to the God Almighty whose blessings have allowed PT Telkom Indonesia (Persero) Tbk to successfully pass 2016 by recording an excellent financial and operational performance

Macroeconomic and Telecommunication Industry Condition in 2016

Indonesian economy in 2016 has grown well and it is significant to give hope that the economic condition in the upcoming years will grow even better. The government shows systematic efforts to facilitate business actors by issuing various economic policy packages, and consistently realizes the development of infrastructure that will eventually stimulate the growth of national economy.

Despite sluggish global economic growth, the Central Statistics Agency (BPS) has recorded that the Indonesian economy in 2016 was able to grow slightly better at 5.02%, compared to 4.88% in 2015. The telecommunication industry, which is transforming to be a digital business, grew quite well at 8.87%. This shows that the demand for digital-based telecommunication services continues to grow, and it has even become a part of the basic necessities of Indonesians.

Strategy and Strategic Policy

Telkom envisions “To be the King of Digital In the Region”, which means that as a digital telco, Telkom is committed to provide various, customer experience-based, end-to-end digital solution services.

Telkom continues to strengthen broadband connectivity services as its core business, develop digital mediation platform and digital services. These are the three pillars for Telkom’s digital business growth in order to increase its competitiveness and company value, and to maintain its position among the Top-10 digital telcos in Asia Pacific in 2020.

In our efforts to create sustainable growth in achieving the Vision, the Company in 2016 has introduced three main programs, namely Leading Mobile Digital Business, Drive Digital Home and Enterprise, and Smart International Business Growth. These programs are the continuation to the previous year’s program, with each program is now more refined.

To reaffirm Telkom’s leading position in the Indonesian cellular industry, we took the initiative to optimize mobile core business, by developing mobile broadband network to increase its capability, coverage, capacity and service quality, and accelerating our mobile digital business by providing innovative digital services such as digital lifestyle, mobile payment, mobile advertising, M2M-IoT and big data analytic.

Telkom continues to boost the growth of its Home and Enterprise digital business segments, by focusing on developing its services in broadband connectivity, digital content and digital solution for enterprise and small, medium enterprises. We selectively develop ecosystem-based digital services such as e-commerce, e-payment, e-health, and e-tourism through synergy and collaboration with various corporations.



To successfully implement the two above-mentioned programs, Telkom continues to strengthen the Indonesia Digital Network (IDN), which is Telkom's key infrastructure and serves as the foundation for Telkom to run a high-quality and reliable digital business. IDN consists of **id-Ring** or a fiber optic-based broadband highway that serves as the urban network and the backbone that connects towns and cities across the archipelago from Aceh to Papua; **id-Access**, which provides broadband access to customers. It is a fixed broadband network using fiber optic and 3G/4G mobile broadband; **id-Convergence**, which is an integrated IT platform service facilities comprised of data center services, mediation platform and application and security to develop an ecosystem for digital services.

We continue to explore business development opportunities through various inorganic domestic and global initiatives, selectively and prudently and in consideration to synergy value. This is given the fact that technology and digital business are increasingly borderless. We always develop our digital competence in

accordance to the international standards so that we have the competitive edge to operate more extensively in the global market.

2016 Company Performance

The strategy and hard work that we performed during 2016 have resulted positively, with Telkom succeeded in recording an excellent financial and operational performance. The consolidated revenue has grown by 13.5% to the amount of Rp116.3 trillion. The Data, Internet and Information Technology (excluding SMS) segments, which are the main drivers for growth, have increased by 31.5%. The segments' contribution to Telkom's total revenue increased significantly, from 31.9% in 2015 to 37% in 2016. This signifies that the Company has moved forward in the right direction to become the digital telecommunication company as we expect it to be.

The Company has also recorded quite a high earning growth excluding interest, tax, depreciation and amortization (EBITDA), which increased by 15.7% to



the amount of Rp59.5 trillion. The EBITDA margin grew slightly to 51.1% compared to 50.2% in the previous year. Even though the operational costs increase as we develop infrastructure for cellular and fixed line segments, the total increase of operational cost (excluding Revenue and others) is relatively moderate at 8.9% to become Rp77.9 trillion and it shows that Company is able to control the operational cost in an efficient manner. The Net Profit increases significantly by 24.9% to the amount of Rp19.4 trillion.

In terms of operational performance, Telkomsel remains the leader in Indonesia's cellular market with 173.9 million customers, increased by 13.9% compared to the previous year. Mobile broadband customers reached 60.0 million or grew 37.1%. The increase in mobile broadband customers and use escalated the data traffic to 958,7 Petabytes or grew 94.8%. By the end of 2016, the mobile broadband 4G LTE service has covered 169 cities and districts all over Indonesia.

We launched IndiHome at the beginning of 2015. It is a fiber optic-based, triple play service package of fixed line, high-speed Internet and IPTV. By the end of 2016 or less than two years since it was launched, IndiHome already has 1.6 million customers.

We continue to augment our content in order to enrich our mobile and fixed customer experience, by increasing our shares in PT Melon Indonesia to 100% from 51%. PT Melon Indonesia has more than five million catalogue of digital, Indonesian and foreign songs. Moreover, we also cooperate with various music, video streaming and game providers to boost our fixed and mobile broadband products' appeal to the customers.

Our Enterprise segment recorded 2.524 Gbps bandwidth in service or about 65% out of the bandwidth enterprise market share in Indonesia. Such achievement was made possible as we focus on providing an integrated ICT solution, ranging from broadband connectivity to managed services such as enterprise and Small,

Medium Enterprise (SME) ICT Solution for corporations, government institutions and SMEs.

In 2016, Telkom released Rp29.2 trillion capital expenditure or approximately 25% out of the 2016 Revenue. This capital expenditure was mainly used to strengthen the infrastructure to anticipate the fast-growing need on broadband service, either on the mobile or fixed segment.

Telkomsel continues to strengthen its network in terms of capability, coverage, capacity and service quality. Throughout 2016, Telkomsel has built 25,744 base transceiver stations (BTS) and the end of the year Telkomsel owns 129,033 BTS or increased by 24.9%, compared to the previous year when roughly 61% of them were BTS for 3G/4G.

To support the broadband service, we have approximately 16.4 million of homes-passed, which is used to support our IndiHome customers, those who migrate from fiber optic non-IndiHome, Enterprise broadband service, backhaul node-B BTS 3G/4G, Wi-Fi access point and off-load, as well as to support Telkom's leading supply digital business strategy.

Apart from access network, we also bolster our urban, fiber optic-based backbone network and we connect various regions in the country. In 2016, the Company has finalized the Sulawesi, Maluku, Papua Cable System (SMPCS) project to increase equality of the digital information and communication technologies (ICT) in the eastern parts of Indonesia.

In our effort to make Telkom as an international data hub, the Company and a number of operators, which joined forces in a consortium, has finalized the Southeast Asia - Middle East - Western Europe 5 (SEA-ME-WE 5) underwater cable that stretches for 20,000 km and connects Indonesia (Dumai) with Middle East and Western Europe (Marseilles, France). By the end of 2016, the Company now owns more than 106,000 km of fiber-based backbone network as the SMPCS and SEA- ME-WE 5 networks are completed.

With other consortium, Telkom is completing the construction of Southeast Asia-United States (SEA-US) underwater cable that stretches for about 15,000 km and connects Indonesia in Manado to the United States in Los Angeles. We expect to complete the project by the second half of 2017.

Telkom has also started the Indonesia Global Gateway (IGG) project, which will connect Dumai to Manado and integrate the SEA-ME-WE 5 and SEA-US into the Telkom network. The project is expected to finish in 2018.

Another important project that we finalized in 2016 is the 20.000-sqm, world-class data center in Jurong, Singapore. The Company's subsidiary, Telin Singapore, manages the Tier-3 and Tier-4 data center, which aims for global corporation segment. By the end of 2016, Telkom has almost reach 100.000 sqm data center at home and in the region.

Traders in the stock markets appreciated Telkom's excellent financial and operational performance. At the closing of the last trading day in 2016, Telkom's share price rose 28.2% to Rp3,980 per share. It performed much better compared to 15.3% growth at the Jakarta Composite Index and resulted in Telkom's market capitalization reaching Rp401.2 trillion. It was the second highest market capitalization of all companies listed in the IDX and it made up about 7.0% out of the IDX total capitalization. In addition, by the end of 2016, Telkom was ranked 9th in terms of market capitalization among telecommunication operators Asia Pacific.

Supporting the Growth of Indonesia's Digital Economy

Telkom continues to bolster and enhance its infrastructure as a whole as part of efforts to foster a digital society, which will serve as the main foundation to develop digital economy in Indonesia. In the future, we expect that as the digital economy grows, our national economic competitiveness in the global market will also grow.

Our success is a realization of our loyal customers' trust and appreciation to the Company's willingness to fulfill their expectations to have a quality yet affordable service throughout the country. Such service was made possible thanks to the meticulously well-planned infrastructure development that we carried out right on target and in a measurable manner. Telkom took the initiative to actively participate in fulfilling the needs of ICT infrastructure by taking up operational areas that covers all parts of Indonesia. We believe that the availability of an ICT infrastructure will benefit and create better opportunities, including economic, for all elements of society.

Apart from digital-based telecommunication infrastructure, Telkom also built a number of digital ecosystems to provide a more integrated service. In regards to digital economy, Telkom has a few platforms, such as e-tourism through ITX or Indonesia Tourism Exchange, which users can utilise to boost the tourism industry, indigo or an initiative to encourage the establishment of a creative industry platform, and an e-commerce platform, Blanja.com, through which Telkom hopes to create a business climate conducive for micro business and SME players would have wider and faster access to the market and enjoy various other ease of doing business.

Illustration of Business Prospects

The Company believes that opportunities for future growth are still wide-open. Telecommunication service has become the basic need of the society, and in the future, its roles will be more vital, especially to support the economic activities.

In the cellular segment, the penetration of smartphones is still relatively low at less than 50%, yet it is rapidly growing. The wider penetration of smartphones will push the demand for mobile broadband services as well as various other relevant services, such as content and application. In the fixed line segment, the penetration of fixed broadband services in Indonesia is still also very low at less than 10%, as we have previously estimated. With the burgeoning middle class, we believe that the demand for high quality broadband service in Indonesian homes will increase.

On the other hand, the enterprise segment also offers opportunity for promising growth. As they strive to develop and compete in their fields, major companies require better-integrated ICT solutions similar to the services that we provide. The SME segment has a big potential for growth given that most of SMEs in Indonesia still do not have access to reliable connectivity services. Moreover, various government institutions and regional governments are now more eager to utilize digital services in improving their public services, such as the need to have a platform for their smart city program. By the end of 2016, Telkom has developed smart city services in 219 cities all over Indonesia.

We also acknowledge the global trend where the future growth of telecommunication companies will be contributed by digital services. Therefore, the Company has a systematic plan to keep exploring, cooperating, and investing in digital services field to anticipate the industry trend. The Company also established subsidiaries as corporate venture capital that will explore and invest in promising start-up companies.

In 2016 the Company has successfully obtained the Application Services License from the Ministry of Telecommunication in Myanmar as well as the license from the American government, which allows Telkom to offer ICT services to corporate customers [in the United States?]. With these licenses, we expect Telkom will continue to perform overseas.

On February 15, 2017, we have successfully launched the Telkom-3S satellite from Guiana Space Centre, Kourou, French Guiana. This satellite brought 42 transponders, which include 24 C-Band transponders, 8 extended C-Band transponders and 10 KU-Band transponders.

With this satellite, we hope to increase our capacity and improve our customer service quality. Having this satellite is imperative to ensure equal distribution of ICT services to remote areas, which our fiber optic network could not reach, and to reduce our dependence to external satellite operators.

The Company leveraged its property assets, such as lands and buildings that are idle due to network transformation, and develop those assets into profitable properties such as office buildings, hotels, data centers and other productive investment items. The properties are then utilized by Telkom Group or included in various cooperations that our subsidiary Telkom Property conducts with third parties. With the right business model, those assets could better benefit the Company in the future.

Since the beginning of 2016, Telkom has been undergoing business transformation to develop its digital business as well as improve customer experience. We conduct the organizational transformation using the Customer Facing Unit (CFU) approach, which unites subsidiaries under the same group based on the characteristics of their business segments. Moreover, we also established a support unit called Functional Unit (FU). Based on this approach, Telkom Group has 5 CFUs, namely CFU Mobile, CFU Digital Services, CFU Enterprise, CFU Consumer and CFU Wholesale & International, as well as 4 FUs, namely FU Finance, FU Digital & Strategic Portfolio, FU Human Capital Management and FU Network & IT Solutions.

The Implementation of Corporate Governance

The Company highly values good corporate governance (GCG) principles and consistently improves the quality of its implementation in all levels of company's operation. The good corporate governance implementation is aimed to create a fair and accountable decision-making process, so that it would be able to fulfill the stakeholders' expectations.

The Company continuously tries to improve the policy and infrastructure of GCG support system through new initiatives in order to strengthen the quality of good corporate governance implementation, namely the Reinforcement of Corporate Governance Structure, Reinforcement of Corporate Governance Process and Reinforcement of Culture, dubbed as the Three Main Pillars.

The Company also continuously strengthens the enterprise risk management (ERM) implementation with ongoing improvement in risk management policy and frameworks, including the improvement of internal control to ensure reliable financial reporting, considering

that the Company has adopted the International Financial Reporting Standards (IFRS) since 2011.

Throughout 2016, the Company has won various awards from independent parties as acknowledgement for the implementation of GCG in Telkom. These awards are from The Indonesian Institute for Corporate Governance (IICG), Alpha Southeast Asia and Corporate Governance Asia.

Corporate Culture

Our Corporate culture refers to The Telkom Way as the value system formulated as “Philosophy to be the best, Principles to be the Star, and Practices to be the Winner.” Philosophy to be the Best is the value to drive Telkom’s employees to be the best individual. The second Telkom Way or Principles to be the Star, constitutes of Solid, Speed, and Smart or the 3S basic principles, which drives Telkom’s employee to possess excellence in the workplace. Lastly, Practices to be the Winner is a standard of behavior in becoming a champion. The internalization of The Telkom Way values will always be implemented in various culture activation activities, cultural reinforcement and also as a part of daily work activities.

The Change of Composition of within Members of the Board of Directors

In 2016 there was a change in the composition of Telkom’s Board of Directors. In the Annual General Meeting of Shareholders (AGMS) on April 22, 2016; Mr. Harry M. Zen replaced Mr. Heri Sunaryadi as the Finance Director. On 9 September 2016, the Director of Enterprise and Business Service, Mr. Muhammad Awaluddin, was appointed as the President Director of PT Angkasa Pura II (Persero). The Company has appointed the Director of Wholesale and International Service, Mr. Honesti Basyir, as the Official Acting Director of Enterprise and Business Service. On March 15, 2017, Director Digital and Strategic Portfolio, Mr. Indra Utoyo, was appointed as Director of PT Bank Rakyat Indonesia (Persero) Tbk. The Company has appointed the Finance Director, Mr. Harry M. Zen as the Acting Director Digital & Strategic Portfolio. Therefore, the composition of the Board of Directors of Company is changed to be as follows:

Alex J. Sinaga	: President Director
Abdus Somad Arief	: Director
Harry M. Zen	: Director
Herdy R. Harman	: Director
Dian Rachmawan	: Director
Honesti Basyir	: Director

Closing

I am taking this opportunity, on behalf of the Board of Directors, to express our gratitude and highest appreciation for the support of all shareholders, Board of Commissioners, business partners, as well as the stakeholders, which has enabled Telkom to achieve an excellent performance in 2016.

We also express our high appreciation to the management and all employees for their dedication and hard work in ensuring the realization of this extraordinary performance. Therefore, we invite all management and employees to work harder to achieve an even better performance in the future.

Jakarta, March 30, 2017



Alex J. Sinaga
President Director



Left to Right

Harry M. Zen (Director), Dian Rachmawan (Director), Herdy R. Harman (Director),
Alex J. Sinaga (President Director), Indra Utoyo (Director), Honesti Basyir
(Director), Abdus Somad Arief (Director)



STATEMENT OF THE MEMBER OF BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS REGARDING WITH RESPONSIBILITY FOR 2016 ANNUAL REPORT PT TELKOM INDONESIA (PERSERO) TBK

We the undersigned hereby declare that all the information in the PT Telkom Indonesia (Persero) Tbk 2016 Annual Report has been presented in its entirety and that we assume full responsibility for the accuracy of the content of the Company's Annual Report.

This statement is made in all truthfulness.

Jakarta, March 30, 2017

Board of Commissioners



Hendri Saparini
President Commissioners



Hadiyanto
Commissioners



Dolfie Othniel Fredric Palit
Commissioners



Pontas Tambunan
Commissioners



Margiyono Darsasumarja
Independent Commissioners



Rinaldi Firmansyah
Independent Commissioners



Pamiyati Pamela Johanna Waluyo
Independent Commissioners



Parikesit Suprpto
Independent Commissioners

Board of Directors



Alex J. Sinaga
President Director



Harry M. Zen
Director of Finance



Indra Utoyo
Director of Digital &
Strategic Portfolio



Dian Rachmawan
Director of Consumer
Service



Abdus Somad Arief
Director of Network, IT
& Solution



Herdy R. Harman
Director of Human
Capital Management



Honesti Basyir
Director of Wholesale &
International Service
and
Acting Director of Enterprise
& Business Service



Heri Sunaryadi
Director of Finance



Muhammad Awaluddin
Director of Enterprise & Business
Service







**DUNIA
GAMES**



**4G
LTE**



langitmusik
Karya

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TELKOM INDONESIA IDENTITY



LOGO

The new Telkom logo is stipulated in the Company Regulations No.PD.201.03/2014 on New Corporate/Brand Identity dated June 20, 2014.

TAGLINE: THE WORLD IN YOUR HAND

The tagline conveys a message that Telkom will make things easier and more fun in accessing the world.

MEANING OF LOGO

The logo refers to Telkom Corporate philosophy, Always The Best, which is a basic belief that employees always give their best in every job they do and always improving things to be in better condition, and will eventually shape Telkom to become best telecommunications company.

COLOR PHILOSOPHY

Red - Brave, Love, Energy, Tenacious

Reflects the company spirit to always be optimistic and brave in facing challenges.

White - Pure, Peace, Light, Unified

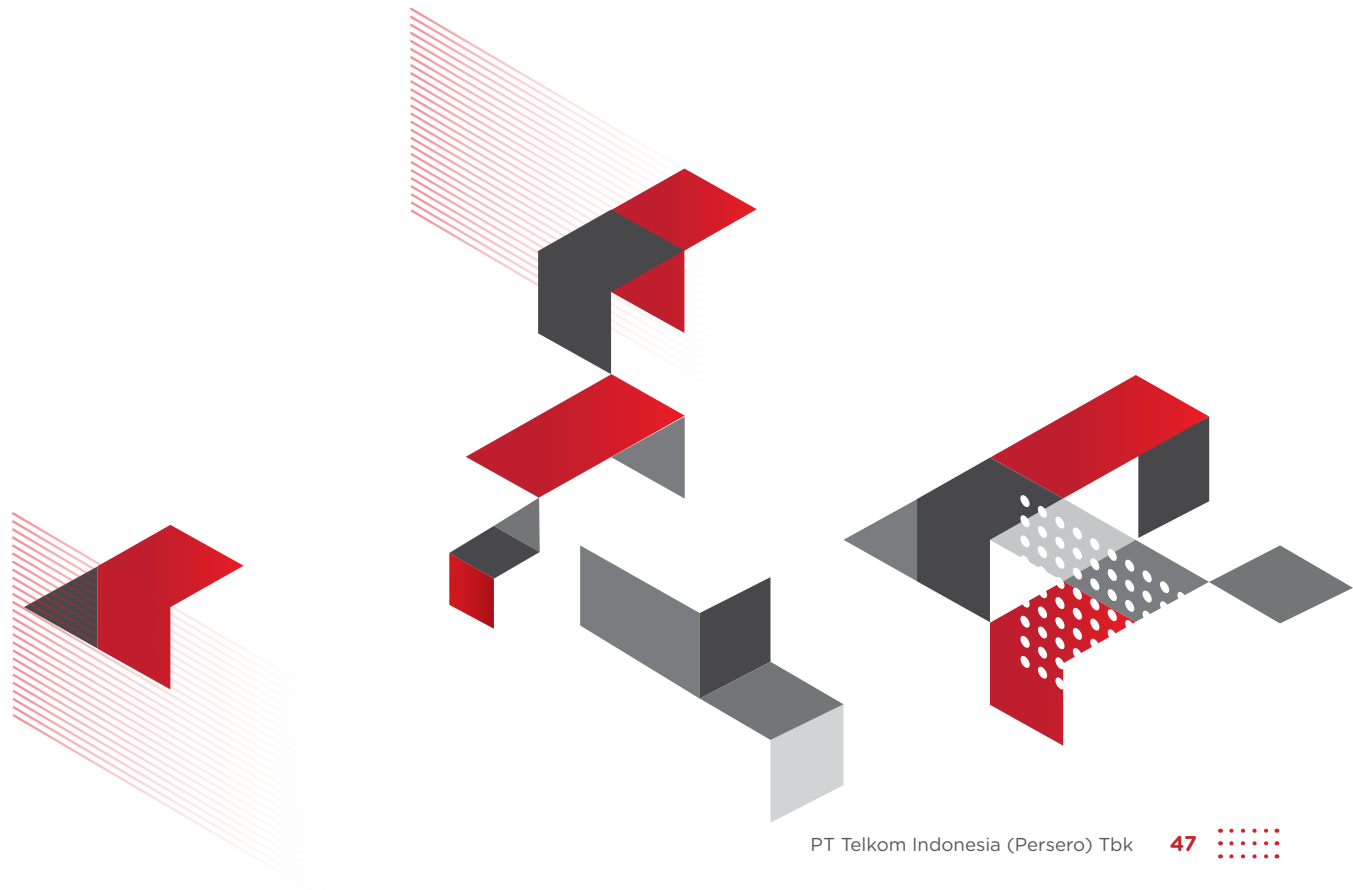
Reflects the spirit of Telkom to provide the best for the nation.

Black - Base Color

Symbolizes willpower.

Grey - Transition Color

Symbolizes technology.



VISION AND MISSION

Telkom's vision and mission, enlisted in Telkom Long Term Plan document, which was approved and signed by the Board of Commissioners on September 26, 2016.



MISSION

Lead Indonesian Digital Innovation and Globalization.



TELKOM BRIEF HISTORY

Building History of Telkom

1856 - Telkom Was Established

In brief, Telkom's history began on October 23, 1856, when the Government of the Netherlands for the first time in Indonesia provided the first electromagnetic telegraph services connecting Batavia (Jakarta) and Bogor. October 23 was then established as the day when Telkom was founded. Before the independence era, the Dutch government established "Post en Telegraafdienst" that provided postal and telegraph services, and formed the Bureau of Post, Telegraph and Telephone (Post, Telegraph en Telephone Dienst) which regulated the postal and telecommunications services.

After independence, the Government of Indonesia changed the company status to Perusahaan Negara Pos dan Telekomunikasi ("PN Postel") in 1961. In 1965, the Government launched a spin-off of telecommunications services by establishing a new entity called the Perusahaan Negara Telekomunikasi ("PN Telekomunikasi"). PN Telekomunikasi became Perusahaan Umum Telekomunikasi Indonesia (Perumtel) in 1974 and later it became a Limited Liability Company (Persero) PT Telekomunikasi Indonesia based on PP No.25 of 1991 until now

Telkom in Globalization Era

1995 - Telkomsel Established and Telkom IPO

On May 25, 1995, PT Telekomunikasi Seluler (Telkomsel) was established and marked by the launch of postpaid SIM card kartuHalo. Telkomsel has been consistent in serving the country, providing telecommunication access to the Indonesian people across the archipelago. Telkomsel is an Indonesian cellular operator and has the most extensive network that covers more than 95% of the population across the country and serve the communications need for all segments in the society.

Telkom business activities were initially divided into 12 Regional Telecommunications (Witel). In 1995, it was reorganized into seven Regional Division (Divre), Divre I Sumatra, Divre II Greater Jakarta areas, Divre III West Java, Divre IV Central Java and Yogyakarta, Divre V East Java, Divre VI Kalimantan, and Divre VII Eastern Indonesia. In the same year, on November 14, 1995, Telkom listed for the first-time its shares on the Jakarta Stock Exchange and Surabaya Stock Exchange. Telkom shares are also traded on the NYSE (New York Stock Exchange) and LSE (London Stock Exchange) in the form of ADS and was publicly offered without listing on the Tokyo Stock Exchange.

Telkom and New Paradigm in Digital Era

2012 - 2014 TIMES Portfolio

By the beginning of the second decade of the millennium, in 2012 Telkom reaffirmed itself as the provider of TIMES (Telecommunication, Information, Media, Edutainment and Services), in an effort to increase the business value creation. In addition, Telkom also built a new image by launching a new corporate logo and tagline "the world in your hand". A year later, Telkom expanded to other countries in Asia and America.

The new paradigm encourages Telkom to develop digital-based products and invest in telecommunications infrastructure and information. Telkom completed the submarine fiber optic cable project JaKaLaDeMa in April 2010, which links Java, Kalimantan, Sulawesi, Denpasar and Mataram. Telkom's submarine cable stretches from Asia to Europe and America.

Telkom also established the Telkom Nusantara Super Highway and True Broadband Access service, which provides internet access with 20 Mbps - 100 Mbps capacity for people across Indonesia. In December 2014, Telkom through its subsidiary Telkomsel launched 4G services commercially. In the following year, Telkom created IndiHome that provides internet access, home phone, and interactive TV (UseeTV cable TV) for its customers.

Telkom in 2016

In order to advance to digital telco company, Telkom is transforming its organization from four segments TIMES (Telecommunication, Information, Media, Edutainment and Services) based on digital business adjacent portfolio to Customer Facing Unit and Functional Unit model, or CFU and FU. The transformation will make Telkom's organization more lean and agile in adapting to changes in the fast-changing telecommunications industry. The new organization is also expected to increase its efficiency and effectiveness to create a quality customers experience.

BUSINESS ACTIVITIES

Telkom's business activities have grown and changed along with the development of technology, information and digital, but still within the corridor of telecommunication and information industries. This is evident from the company's business lines that are constantly developing in addition to the existing legacy business. Currently, Telkom manages six products portfolio which serve four customer segments, namely corporate, residential, individual and various other customer segments..

Business Activities based on Company's Articles of Association

The latest version of the articles of association of PT Telkom Indonesia (Persero) Tbk No.20 dated May 23, 2015 stipulates that the purpose and objective of its business activities are to operate the telecommunication network and service, informatics as well as to optimize Company's resources.

In correlation with the said purpose and objective, Telkom's business activities include:

1. Main Businesses

- a. To plan, construct, provide, develop, operate, market/sale/lease and maintain telecommunication network and informatics in a broad meaning by taking into account the laws and regulations.
- b. To plan, develop, provide, market/sale and improve telecommunication and informatics services in a broad meaning by taking into account the laws and regulations.
- c. To conduct investment including capital participation in other company along with and to reach the Company's purpose and objective.

2.Supporting Businesses

- a. To provide services for payment transaction and transfer of money through telecommunication network and informatics.
- b. To conduct other activities and businesses in order to optimize the resources owned by the Company, among others utilization of fixed assets and current assets, information system facilities, education and training facilities, maintenance and repair facilities.
- c. To cooperate with other party in order to optimize the resources of informatics, communication and technology owned by other party that are industry player of informatics, communication and technology, along with and to reach the Company's purpose and objective.

In general, Telkom's business activities in the financial year of 2016 have been in line with those that are presented in the Company's articles of association. Business activities that are operated within last year has covered the provision of services in the telecommunication, informatics, and network, which were developed in various product portfolios to maximize the Company's resources.

Portfolio, Product and Service

In 2016, Telkom planned to transform its business activities from four business segments in the TIMES (Telecommunication, Information, Media) digital portfolio into Customer Facing Unit and Functional Unit schemes, or referred to as CFU and FU. Transformation is expected to continue for the next 2-3 years and is expected to improve the efficiency and effectiveness as well as Telkom's performance.

Below is the diagram that illustrates the transformation into CFU/FU of Telkom.

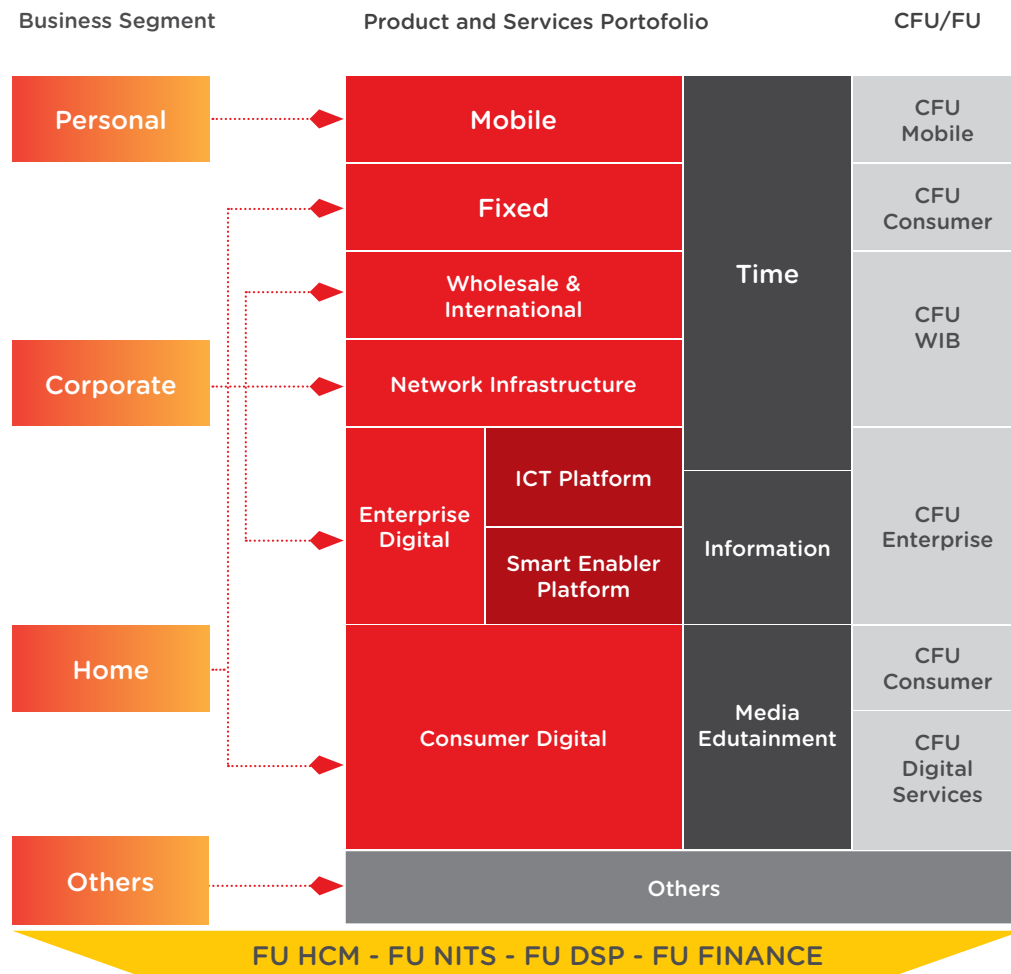


Diagram Telkom's Business Segment and Business Portfolio Transformation into CFU/FU

Telkom's four business segments that provide six portfolios:

1. Mobile

This portfolio provides product portfolio comprised of mobile voice, SMS and value-added services, as well as mobile broadband. We provide mobile cellular communications services through our subsidiaries, Telkomsel, with brand name Kartu Halo for postpaid and *simPATI*, Kartu As and Loop for prepaid.

2. Fixed

This portfolio provides fixed service (voice and broadband), with IndiHome brand.

3. Wholesale & International

The products are interconnection services, network service, Wi-Fi, VAS, hubbing, data center and content platform, data and internet, and solution.

4. Network Infrastructure

The products are network services, satellite, infrastructure and tower operations.

5. Enterprise Digital

Consists of information and communication technology platform services and smart enabler platform services.

6. Consumer Digital

Consists of media and edutainment services, such as e-commerce (*blanja.com*), video/TV and mobile-based digital service. We also provide digital life service, such as digital life style (*LangitMusik* and *VideoMax*), digital payment such as *TCASH*, digital advertising and analytics such as digital advertising business and mobile banking solution and enterprise digital service, which provides Internet of Things (IoT).

AWARDS AND CERTIFICATIONS

28 January



15. Telkom scored 722.25 and won the Industry Leader category in the State-Owned Enterprise Ministry implementation assessment or "Kriteria Penilaian Kinerja Unggul (KPKU) BUMN 2015".
21. Asian Most Admired Knowledge Enterprises (MAKE) 2016.
28. Top 10 Companies/Organization to Work For in Indonesian Employers of Choice Award 2015.

JANUARY

MARCH

2. 12 Years of Achievement for State Owned Enterprises Category in Obsession Award 2016.

3. Director of Network IT & Solution (NITS), Abdus Somad Arief was chosen as The Most Influential Chief Information Officer (CIO)

2 March



3 March



APRIL

5. Telkom won Digital Brand of the Year on State Owned Enterprises category.

MAY

3. Top Performing Listed Companies 2016 in Investor Award 2016.

3 May



- 19.** Respondents' Choice Top 20 Ideal Company in Warta Ekonomi's Indonesia Most Admired Companies Award.

19 May



- 27.** Telkom won 5 Gold, 6 Silver and 6 Bronze in various categories of innovation in the Asia Pacific Stevie Award 2016. Telkom achieved the highest award the Grand Stevie as the Organization of the Year from Stevie International.

27 May



JUNE

- 2.** Telkom won the Infrastructure, Transportation, and Utility category in Bisnis Indonesia Award.
- 8.** The 1st Champion of Indonesia Original Brand 2016 through Direct International Call 007 (Telkom SLI 007).
- 9.** Excellence in Building and Managing Corporate Image in Telecommunication category as well as The Best in Building and Managing Corporate Image in Internet Provider category in Corporate Image Award.
- 15.** Alex J. Sinaga was awarded as Telecom CEO of the Year in Asia Pacific ICT Award 2016.

15 June



- 17.** Asia's Best CEO for President Director of Telkom Alex J Sinaga, Asia's Best CFO to former CFO Heri Sunaryadi as well as Asia's Best Investor Relations Company in Asia Excellence Award.

17 June



20 July



JULY

- 20.** Ranked 1st in the Regional Top 80 Asia Pacific, Platinum Award for Technology IT Services Industry, ranked 6th World Top Worldwide Rank Annual Report 2015 in Vision Awards from the Annual Report Competition League of American Communications Professionals (LACP).

28 July



- 21.** Ranked 1st in Indonesia's Top 100 Most Valuable Brands 2015 with brand value US\$2,620 million and brand rating AAA-
- 28.** Telkom was one of the six Indonesian companies in the Forbes Global 2000 List 2016 at the Forbes Global 2000 Awards.

AUGUST

- 25.** Won the CSR category in Indonesia's Best Companies Awards.
- 31.** Selected as the corporation of choice by the Union of Press Publishers in The 5th Indonesia Public Relations Awards (IPRAS).

1 September



SEPTEMBER

- 1.** Best Annual Report in Indonesia: Ranked 1st in Most Organized Investor Relations, and Most Consistent and Dividend Policy categories respectively, ranked 3rd for Strongest Adherence to Corporate Governance.

6 September



- 6.** Best Employer 2016 and Best of The Best Employer 2016 in AON's Best Employer Award 2016.

- 8.** Won awards in six categories; Best Employee Net Promotor Score, Best Career Management Initiatives, Best Talent Management Initiative, Best Employee Self Service Initiatives, Best of CEO Commitment of Human Capital Development for Alex J. Sinaga. These awards qualified Telkom as the Best of All Human Capital Criterias (Best of the best) in the Indonesian Human Capital Study (IHCS) 2016.

8 September



- 15.** IndiHome's Triple Play service won Best Brand Award in Indonesia Best Brand Award (IBB Award) 2016.

15 September



3 October



- 3.** Telkom won the IDX TOP TEN Best Blue 2016 in The IDX Best Blue 2016 from the Indonesian Stock Exchange (IDX).
- 7.** Telkom was one of the 40 Best Issuer in the Analysts' Choice 40 Best Issuer Award from the IDX and Association of Indonesian Exchange Analysts..
- 18.** Indonesia Digital Learning (IDL) won The Best Program for Education Quality Improvement category in Nusantara CSR Summit & Awards 2016 from La Tofi School of CSR.

OCTOBER

20 October



- 19.** Indihome won Great Performing Product for the Fixed ISP category in the Digital Marketing Award.
- 20.** Telkom was one of the Top 50 best performing Indonesian Companies in Forbes Indonesia Best of The Best from Forbes Indonesia.

21 October



- 21.** Telkom won the Grand Stevie Award for winning 19 awards in The 2016 International Business Award (IBA)
- 28.** The Fastest Asset Growth Company in Telecommunication Industry 2016 in the 3rd Indonesia Living Legend Companies from Warta Ekonomi.

NOVEMBER

3. Telkom awarded as Telecom Service Provider of The Year and Fixed Broadband Service Provider of The Year in Frost and Sullivan's Indonesia Excellence Award.
5. Corporate Communication Telkom won the Social Media for PR and Digital Media Relations award in the International Public Relations Association's International Public Relations Golden Awards 2016.

3 November



7. Telkom won The Best State-Owned Enterprise in The 8th IICD Corporate Governance Award.
10. Indihome won an award as Fixed Internet Service Provider in the SWA and Frontier's Indonesian Customer Satisfaction Award.

7 November



17. Telkom was selected among the Top Companies to work for in Asia in MORS Group's ACES Award.
22. Telkom won an award in Metro TV's Economic Challenges Award 2016.

22 November



23. Telkom won awards in six categories in TOP IT & TELCO 2016.
29. Telkom was awarded as Top Infrastructure on ICT.

23 November



7 December



7. Telkom was predicated Very Good in GCG Management from Indonesia Good Corporate Governance Award II 2016.
8. President Director of Telkom, Alex J. Sinaga, was listed in the Top 20 Indonesia Most Admired CEO 2016.

DECEMBER

14 December



14. Telkom won Best Sustainability Report 2015 in the Infrastructure category, and was 2nd Runner Up in the Sustainability Report Award 2016.

15 December



15. Telkom won Best State Owned Enterprises 2016 in the Non-Financial Category for the Telecommunications and Broadcasting Sector and Alex J. Sinaga was awarded as Top Executive of Listed Company 2016 in the Indonesian Financial Figures 2016.

19 December



19. Telkom was awarded MOST TRUSTED COMPANY based on Corporate Governance Perception Index, scoring at 91.18 and MOST TRUSTED COMPANY based on Investors and Analysts Assessment Survey.
22. Telkom ranked 1st in the Indonesia SOE Performance Award 2016 in Telecommunication category.



Certifications

No	Year	Certification	Recipient	Institution	Validity Period
1	2013	ISO 9001:2008	Mitratel	United Register for System (URS)	2016
2	2013	ISO 9001:2008	Divisi Business Service	TUV Rheinland Cert GmbH	2016
3	2013	ISO 9001:2008	Telkom Akses	TUV Rheinland Cert GmbH	2016
4	2014	ISO 9001:2008	Telkom	SGS United Kingdom Ltd	2017
5	2014	ISO/IEC 27001:2013	Telkom	SGS United Kingdom Ltd	2017
6	2014	ISO/IEC 20000-1:2011	Telkom	SGS Hong Kong LLtd	2017
7	2015	ISO 22301:2012	Telkom	SGS International Certification Service Singapore Pte Ltd	2017
8	2015	ISO 9001:2008	Telkom Infra	URS International	2018
9	2015	ISO 9001:2008	Telkom Metra	TUV Rheinland	2018
10	2016	Tier III Data Center Certification for Constructed Facilities (TCCF) Sentul	Telkom Sigma	Uptime Institute	2017
11	2016	Tier III Data Center Certification for Constructed Facilities (TCCF) Serpong	Telkom Sigma	Uptime Institute	2017
12	2016	Tier III Data Center Certification	Telin	Uptime Institute	2018
13	2016	Tier IV Data Center Certification	Telin	Uptime Institute	2019
14	2016	ISO 20000 - 1:2011	Telin	PT SGS	2019
15	2016	ISO 9001 : 2015	Telkom Property	LLOYD Register	2019
16	2016	ISO 17025:2008	Testing Laboratory (Divisi Digital Service)	National Accreditation Committee	2019
17	2016	ISO 17025:2008	Calibration Laboratory (Divisi Digital Service)	National Accreditation Committee	2019

**Smart
Enough**

IS Not

Enough

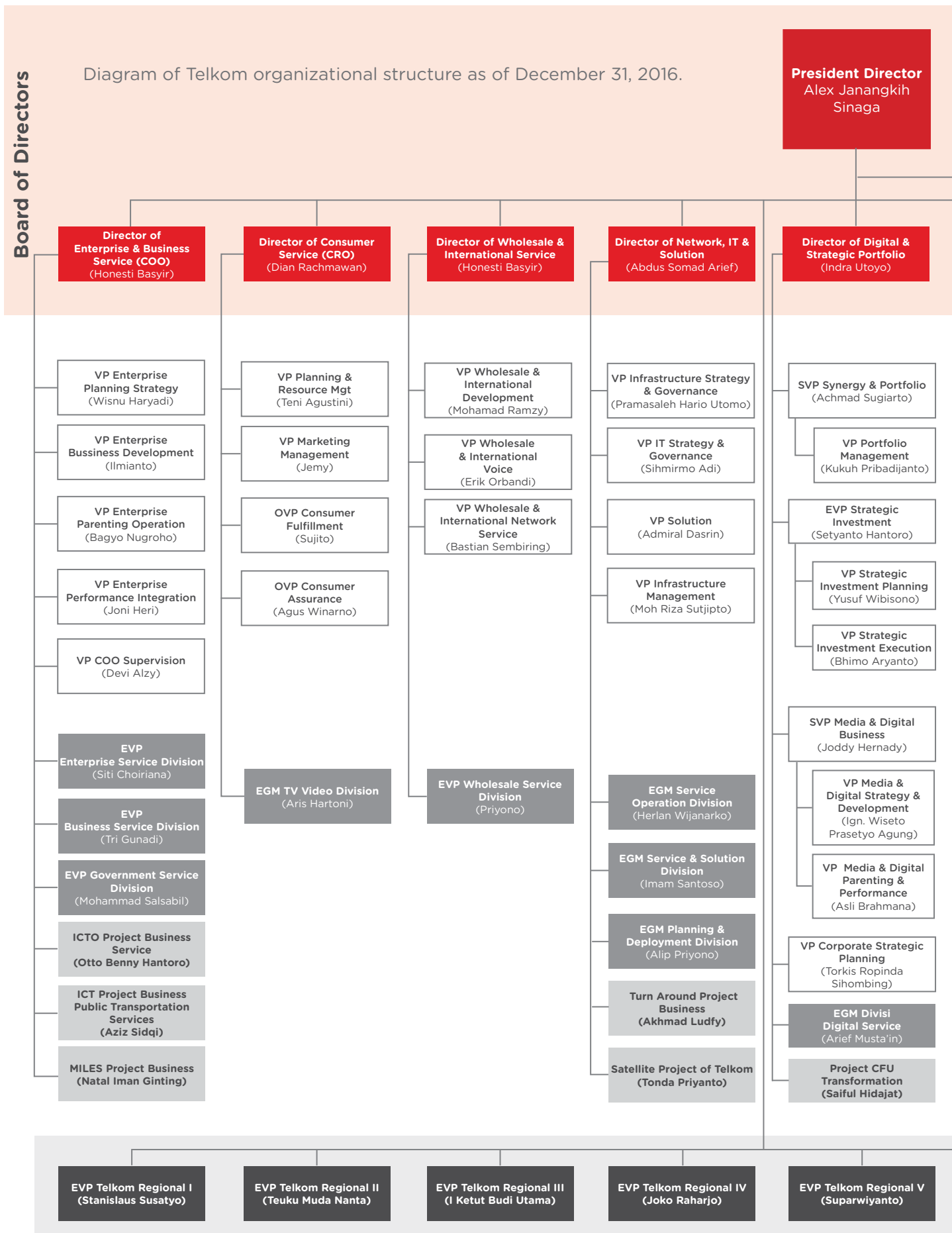
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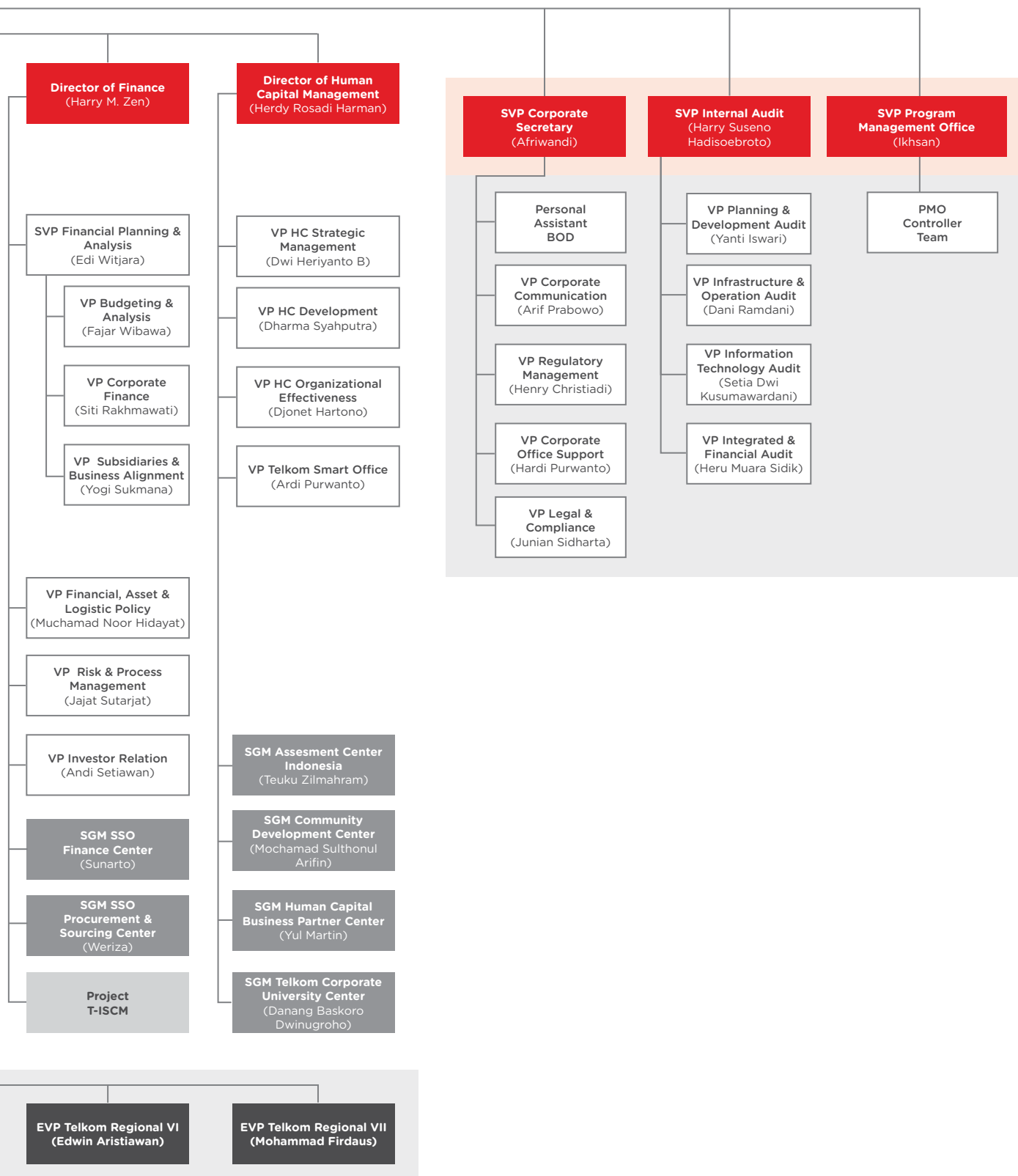
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MUST

Alex J Sinaga • CEO Telkom Group

TELKOM ORGANIZATIONAL STRUCTURE





BOARD OF COMMISSIONER PROFILES

HENDRI SAPARINI (President Commissioner)

Personal

Born : Kebumen, June 16, 1964.

Age : 52 years.

Citizenship and Domicile

Hendri Saparini is 52 years old and was born in Kebumen, on June 16, 1964, she is an Indonesian citizen and lives in Jakarta. Besides being President Commissioner, Hendri Saparini concurrently is the Founder of Center of Reformation (CORE) Indonesia as well as member of the National Economic and Industry Committee.

Education

Hendri Saparini's educational background is a Bachelor's Degree from Universitas Gadjah Mada majoring in Economics in 1988, a Masters of International Development Policy, and Doctoral degree on International Political Economy, both from University of Tsukuba, Japan.

Position and Appointment Basis

Her position of being a President Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is not an Independent Commissioner, which is documented in Minister of State Owned Enterprise Letter No.SR-7777/MBU/2/2014 about proposal to change the board of PT Telkom Indonesia (Persero) Tbk, which was read at the Extraordinary General Meeting of Shareholder dated December 19, 2014. This decision is effective from December 19, 2014 until the fifth Annual General Meeting of Shareholder since her appointment.



Previous work experience and its time period are presented as follows:

No	Position	Period
1	Member of National Economic and Industry Committee	2016 - now
2	Think Tank Independent CORE Indonesia	2013 - now
3	Guest Lecturer at LAN, Lemhanas and various Government Institutions	2009 - now
4	Budgetary Consultant for the Indonesian House of Representative Secretariat General	2009 - 2012
5	Managing Director, ECONIT Advisory Group	2005 - 2013
6	Member Committee OJK Development of Sharia Service	2004 - now

DOLFIE OTHNIEL FREDRIC PALIT (Commissioner)**Personal**

Born : Kijang, Kepulauan Riau, October 27, 1968

Age : 48 years.

Citizenship and Domicile

Dolfie Othniel Fredric Palit is 48 years old and was born in Kijang, Kepulauan Riau, on October 27, 1968, he is an Indonesian citizen and lives in Jakarta. He doesn't hold any position in other companies apart from being a member of Telkom's Board of Commissioners.

Education

Dolfie Othniel Fredric Palit 's educational background is a Bachelor's Degree from Institut Teknologi Bandung in 1995.

Position and Appointment Basis

His position of being a Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is not an Independent Commissioner, which is documented Minister of State Owned Enterprise Letter No.SR-7777/MBU/2/2014 about proposal to change the board of PT Telkom Indonesia (Persero) Tbk, which was read at the Extraordinary General Meeting of Shareholder dated December 19, 2014. This decision effective from December 19, 2014 until the fifth Annual General Meeting of Shareholder since his appointment.

**Previous work experience and its time period are presented as follows:**

No.	Position	Period
1	Executive Director, Yayasan Bumi Indonesia Hijau	2001-2003
2	Executive Director, Lembaga Konsultan Strategis (<i>Strategic Planning</i>) Riset Kebijakan dan Otonomi daerah (REKODE)	2004-2009
3	Members of Indonesian House of Representative	2009-2014
4	Coordinator, Indonesia Corruption Watch (ICW)	2010
5	Bank Century Supervisory team	2012 - 2014
6	Member of Budget Committee of House of Representative	2012 - 2014
7	Special Committee of the Law on the Healthcare and Social Security Agency	2011



HADIYANTO (Commissioner)**Personal**

Born : Ciamis, October 10, 1962.

Age : 54 years.

Citizenship and Domicile

Hadiyanto is 54 years old and was born in Ciamis, on October 10, 1962, he is an Indonesian citizen and lives in Bogor. In addition to being a member of Telkom BOC, Hadiyanto is concurrently a Secretary General of the Ministry of Finance.

Education

Hadiyanto 's educational background is a Bachelor's Degree from Universitas Padjajaran majoring in Law, a Master of Law (LLM) from Harvard University Law School in the United States, and a Doctoral degree in Law from Universitas Padjajaran.

Position and Appointment Basis

His position of being a Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is not an Independent Commissioner, which is documented in Minister of State Owned Enterprise Letter No.SR-244/MBU/2012 about change to the Board of the Commissioner of the company, which was read at the Annual General Meeting of Shareholder dated May 11, 2012. This decision effective from May 11, 2012 until the fifth Annual General Meeting of Shareholder since his appointment.

**Previous work experience and its time period are presented as follows:**

No.	Position	Period
1	General Director for State Asset of the Ministry of Finance	2006 - 2016
2	Head of the Legal of Secretariat General of the Ministry of Finance	2005 - 2006
3	Alternative Executive Director, World Bank	2003 - 2005
4	President Commissioner, PT Garuda Indonesia Tbk	2007 - 2012
5	President Commissioner of PT Bank Export Indonesia	2007 - 2009

PONTAS TAMBUNAN (Commissioner)

Personal

Lahir : Jakarta, February 16, 1961.

Usia : 56 years.

Citizenship and Domicile

Pontas Tambunan is 56 years old and was born in February 16, 1961 in Jakarta, he is an Indonesian citizen and lives in Bekasi. In addition to being a member of Telkom BOC, Pontas Tambunan is concurrently as Deputy for the Construction and Transportation Facilities of Ministry of SOE.

Education

Pontas Tambunan's educational background is a Bachelor's Degree of law from Tarumanegara University in 1986, a Master from Gadjah Mada University in 2006.

Position and Appointment Basis

His position of being a Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is not an Independent Commissioner, which is documented in Minister of State Owned Enterprise Letter No. SR-241/MBU/04/2016 about proposal to change the board of The Company, which was read at the Annual General Meeting of Shareholder dated April 22, 2016. This decision effective from April 22, 2016 until the fifth Annual General Meeting of Shareholder since his appointment.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	Deputy for the Construction and Transportation Facilities of Ministry of SOE	2015 - now
2	Assistant Deputy for the Infrastructure and Logistic Business Sector Ministry of SOE	2010 - 2012
3	Assistant Deputy for the Transportation Facilities Business Sector Ministry of SOE	2006 - 2012
4	Commissioner PT Pertamina EP	2015 - 2016
5	Finance Director of PT Perkebunan Nusantara V	2012 - 2015
6	Commissioner of PT Wijaya Karya (Persero) Tbk	2001 - 2012
7	Commissioner of Pelabuhan Indonesia II (Persero)	2010 - 2012
8	Commissioner of PT Sucofindo (Persero)	2010 - 2012

MARGIYONO DARSASUMARJA (Independent Commissioner)**Personal**

Born : Klaten, September 14, 1976.

Age : 40 years.

Citizenship and Domicile

Margiyono Darsasumarja is 40 years old and was born in Klaten, on September 14, 1976, he is an Indonesian citizen and lives in Jakarta. He doesn't hold any position in other companies apart from being a member of Telkom's Independent Commissioners.

Education

Margiyono Darsasumarja's educational background is a Bachelor's Degree from Universitas Indonesia majoring in Law in 2008, and a Master's degree in Cyber Law from the School of Law University of Leeds in 2012.

Position and Appointment Basis

His position of being an Independent Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is an Independent Commissioner, which is documented in Minister of State Owned Enterprise Letter No.SR-209/MBU/04/2015 about proposal to change the board of The Company, which was read at the Annual General Meeting of Shareholder at April 17, 2015 and his position changes from Commissioner into Independent Commissioner based on the Minister of State Owned Enterprise Letter No. SR-241/MBU/04/2016 dated April 22, 2016 about proposal to change the board of The Company which was read at the Annual General Meeting of Shareholder at April 22, 2016. This decision effective from April 22, 2016 until the fifth Annual General Meeting of Shareholder since his first appointment.

**Previous work experience and its time period are presented as follows:**

No.	Position	Period
1	Media Development Manager at Voice of Human Rights Media	2001 - 2011
2	Coordinator of Advocacy and Partnership for Government Reform of the Bureaucracy reform Project	2012 - 2015
3	Lecturer In Law and Media Ethics at Bakrie University	2012 - 2014

RINALDI FIRMANSYAH, CFA (Independent Commissioner)**Personal**

Born : Tanjung Pinang, June 10, 1960.

Age : 56 years.

Citizenship and Domicile

Rinaldi Firmansyah is 56 years old and was born in Tanjung Pinang, on June 10, 1960, he is an Indonesian citizen and lives in Jakarta. In addition to being a member of Telkom BOC, Rinaldi Firmansyah also has several concurrent positions at other companies, including; Advisory Board Member at Daestrum Capital; Commissioner of PT Elnusa Tbk; and Commissioner of PT Bluebird, Tbk.

Education

Rinaldi Firmansyah's educational background is a Bachelor's Degree from Bandung Institute of Technology in 1985, a Master of Business Administration from IPMI in 1988, and a Doctoral degree in Management from Padjajaran University in 2014

Position and Appointment Basis

His position of being an Independent Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is an Independent Commissioner, which is documented in Minister of State Owned Enterprise Letter No.SR-209/MBU/04/2015 about proposal to change the board of The Company, which was read at the Annual General Meeting of Shareholder dated April 17, 2015. This decision effective from April 17, 2015 until the fifth Annual General Meeting of Shareholder since his appointment.

**Previous work experience and its time period are presented as follows:**

No.	Position	Period
1	Advisory Board Member of Daestrum Capital	2016 - now
2	Commissioner of PT Indosat Tbk	2015
3	Commissioner of PT Elnusa Tbk	2014 - now
4	Commissioner of PT Bluebird Tbk	2013 - now
5	President Commissioner of PT PLN Batam	2013 - 2016
6	CEO, PT Telekomunikasi Indonesia Tbk	2007 - 2012
7	CFO, PT Telekomunikasi Indonesia Tbk	2004 - 2007

PAMIYATI PAMELA JOHANNA WALUYO (Independent Commissioner)

Personal

Born : Jakarta, June 20, 1958.

Age : 58 years.

Citizenship and Domicile

Pamiyati Pamela Johanna Waluyo is 58 years old and was born in Jakarta, on June 20, 1958, she is an Indonesian citizen and lives in Jakarta. She doesn't hold any position in other companies apart from being a member of Telkom's Independent Commissioners.

Education

Pamiyati Pamela Johanna Waluyo's educational background is a Master's degree from the University of Tech. Delft, Netherlands in 1983.

Position and Appointment Basis

Her position of being Independent Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is an Independent Commissioner, which is documented in Minister of State Owned Enterprise Letter No. SR-209/MBU/04/2015 about proposal to change the board of The Company, which was read at the Annual General Meeting of Shareholder dated April 17, 2015. This decision effective from April 17, 2015 until the fifth Annual General Meeting of Shareholder since his appointment.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	Director of Corporate Marketing, Obsession Media Group	2014 - 2015
2	Assistant Director of Sales and Marketing, Metro TV	2006 - 2014
3	Corporate Public Relations, Metro TV & Media Group	2000 - 2006

Previous Board of Commissioner Profile

PARIKESIT SUPRAPTO (Independent Commissioner)

Period May 2012 - April 2016

Personal

Born : Surabaya, August 8, 1951.

Age : 65 years.

Citizenship and Domicile

Parikesit Suprpto is 65 years old and was born in Surabaya, on August 8, 1951, he is an Indonesian citizen and lives in Tangerang. Currently, Parikesit Suprpto served as Independent Commissioner of PT Bank Bukopin.

Education

Parikesit Suprpto's educational background is a Bachelor's Degree from Sekolah Tinggi Manajemen Industri majoring in Corporate Economics, and a Master's degree in Economic Development from Indiana University in United States, and a Doctoral degree in Development Economics from University of Notre Dame, Indiana, United States.

Position and Appointment Basis

His position of being an Independent Commissioner of Telkom is in accordance with the basis of appointment as a member of BOC that is not an Independent Commissioner, which is documented Minister of State Owned Enterprise Letter No.SR-7777/MBU/12/2014 about proposal to change the board of PT Telkom Indonesia (Persero) Tbk, which was read at the Extraordinary General Meeting of Shareholder dated December 19, 2014. The decision to appoint him as an Independent Commissioner took effect from December 18, 2014 until April 22, 2016.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	Independent Commissioner of PT Bank Bukopin	2013 - sekarang
2	Commissioner at PT KPEI (Kliring Penjamin Efek Indonesia)	2013 - 2016
3	Deputy of Services Business at Ministry of State Owned Enterprise	2010 - 2012
4	Deputy of Financing and Banking Industry State at Ministry of State Owned Enterprise	2008 - 2010
5	Expert Advisor of Minister of Cooperation and Micro Small and Medium Enterprise	2006 - 2008
6	Commissioner at PT Indosat Tbk	2011
7	Commissioner at PT Bank Negara Indonesia (Persero) Tbk.	2008 - 2010
8	President Commissioner at PT Pusri (Persero)	2008 - 2012

Education and/or Training, Seminar, Congress

To improve the competence of the members of the Board of Commissioners, Telkom provides an opportunity for members of the Board of Commissioners to participate in education and training throughout the financial year 2016.

No.	Education/Training, Seminar, Congress	Commissioner Name	Time	Place
1	Mobile World Congress	1. Hendri Saparini 2. Margiyono Darsasumarja 3. Dolfie Othniel Fredric Palit 4. Pamijati Pamela Johanna Waluyo	February 22-25, 2016	Barcelona, Spain
2	ERM in The Digital Age Conference	Hadiyanto	March 28-29, 2016	Singapore
3	Innovation Center Partnership with SK Telecom	1. Rinaldi Firmansyah 2. Pamijati Pamela Johanna Waluyo 3. Margiyono Darsasumarja	May 10-12, 2016	Seoul, South Korea
4	Update Knowledge Technology	Pontas Tambunan	August 3-5, 2016	Shenzen, China
5	Executive Leadership and Risk Management Program	Rinaldi Firmansyah	September 26-29, 2016	Chicago, USA
6	Practical Risk Appetite and Risk Tolerance Conference	1. Dolfie Othniel Fredric Palit 2. Margiyono Darsasumarja	October 11-12, 2016	London, UK
7	The Digital Education Show	1. Hendri Saparini 2. Pamijati Pamela Johanna Waluyo	October 17-19, 2016	Johannesburg, South Africa
8	3 Day in House Payment Disruptors	Margiyono Darsasumarja	November 9-11, 2016	Yogyakarta, Indonesia
9	Huawei International Finance Day	1. Hendri Saparini 2. Hadiyanto	November 10-11, 2016	Tokyo, Japan

Commissioner Affiliation Relationships

In accordance with the principle of transparency to implement GCG, Telkom declares affiliation with the other members of the BOC and major shareholders, including the name of the affiliated party

Name Board of Commissioners (BOC)	Financial Relationship with						Familial Relationship with					
	BOC		BOD		Controlling Shareholder*		BOC		BOD		Controlling Shareholder*	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Hendri Saparini		√		√		√		√		√		√
Hadiyanto		√		√		√		√		√		√
Dolfie Othniel Fredric Palit		√		√		√		√		√		√
Pontas Tambunan		√		√		√		√		√		√
Margiyono Darsasumarja		√		√		√		√		√		√
Parikesit Suprpto ⁽²⁾		√		√		√		√		√		√
Rinaldi Firmansyah		√		√		√		√		√		√
Pamiyati Pamela Johanna Waluyo		√		√		√		√		√		√

⁽¹⁾The controlling shareholder in this instance is the Government of Indonesia represented by the Minister of SOEs as a primary shareholder

⁽²⁾no longer in position since April 22, 2016

Declaration of Independence

Telkom requires Independent Commissioners to sign a Statement of Independence for Independent Commissioner when Independent Commissioner has served for more than two (2) periods. Until now, the drafting of this report, Independent Commissioners of Telkom have served since 2015 so as not to serve more than two (2) periods.

DIRECTOR PROFILE

ALEX J. SINAGA (President Director)

Personal

Born : Pematang Siantar, September 27, 1961.

Age : 55 years.

Citizenship and Domicile

Alex J. Sinaga is 55 years old and was born in Siantar, September 27, 1961, he is an Indonesian citizen and lives in Jakarta. Other than being the President Director of Telkom, Alex J. Sinaga is also the President Commissioner of Telkomsel.

Education

Alex J. Sinaga education background, among others, is a Bachelor degree in Electrical Engineering from Institut Teknologi Bandung and a Master's degree in Telematics from the University of Surrey, Guildford-England.

Position and Appointment Basis

His position being a Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom dated December 19, 2014. The decision effective from December 19, 2014 to the present.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	President Director of Telkomsel	2012 - 2014
2	President Director of Multimedia Nusantara	2007 - 2012
3	Executive General Manager for Enterprise Service Division	2005 - 2007
4	Executive General Manager for Fixed Wireless Network Division	2002 - 2005
5	Senior Manager Business Performance Divisi Regional II Jakarta	2002
6	General Manager Telkom Jakarta Barat	2000 - 2002
7	General Manager Telkom Surabaya Barat	1998 - 1999
8	General Manager Telkom Malang	1997 - 1998

HARRY M. ZEN (Director of Finance)

Personal

Born : Tanjung Pinang, January 9, 1969.

Age : 48 years.

Citizenship and Domicile

Harry M Zen is 48 years old and was born in Tanjung Pinang, on January 9, 1969, he is an Indonesian citizen and lives in Jakarta. Other than being Finance Director, Harry M Zen is also the President Commissioner of GSD and a Commissioner of Telkomsel.

Education

Harry M Zen's educational background is a Bachelor's Degree from University of Indonesia Faculty of Metallurgy and an MBA degree in Corporate Finance Institutions & Market from the State University of New York, Buffalo.

Position and Appointment Basis

His position being a Finance Director of Telkom is in accordance with Annual General Meeting of Shareholders (AGM) of Telkom on April 22, 2016. The decision effective from April 22, 2016 to the present.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	President Director PT Credit Suisse Securities Indonesia	2008 - 2015
2	Director Barclays Capital	2007 - 2008
3	Co-Head Investment Banking, PT Bahana Securities	2001 - 2008
4	Assistant Vice President Citibank - Global Corporate Banking	1996 - 2001
5	Official Assistant Citibank - Global Consumer Banking	1993 - 1994

INDRA UTOYO (Director of Digital & Strategic Portfolio)

Personal

Born : Bandung, February 17, 1962.

Age : 55 years.

Citizenship and Domicile

Indra Utoyo is 55 years old and was born in Bandung, on February 17, 1962, he is an Indonesian citizen and lives in Bandung. Other than being Digital & Strategic Portfolio Director, Indra Utoyo is also the President Commissioner of MDI and a Commissioner of Telkom Metra.

Education

Indra Utoyo's educational background is a Bachelor's Degree from Institut Teknologi Bandung with major in Electro Telecommunication Engineering. He has an MBA degree in Communication and Signal Processing from Imperial College of Science, Technology and Medicine, University of London, England.

Position and Appointment Basis

His position being an Digital & Strategic Portfolio Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom on May 11, 2012. The decision effective from May 11, 2012 to the present.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	Director of IT Solution & Supply, Telkom	2007 - 2012
2	Senior General Manager Information System Center Telkom	2005 - 2007

HONESTI BASYIR (Director of Wholesale And International Service And Director of Enterprise & Business Service)

Personal

Born : Padang, June 24, 1968.

Age : 48 years.

Citizenship and Domicile

Honesti Basyir is 48 years old and was born in Padang, on June 24, 1968, he is an Indonesian citizen and lives in Bandung. Other than being Wholesale and International Service Director, Honesti Basyir also have dual position as Director for Enterprise & Business Service (since September 13, 2016), the President Commissioner of Telin, and the President Commissioner of Telkom Metra.

Education

Honesti Basyir's educational background is a Bachelor's Degree from Institut Teknologi Bandung with major in Industrial Engineering. He has a Master's degree in Corporate Finance from Sekolah Tinggi Manajemen Bandung.

Position and Appointment Basis

Previously, he served as Finance Director, accordance to AGSM Telkom in May 11, 2012 and as Wholesale and International Service Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom on December 19, 2014. The decision effective from December 19, 2014 to the present.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	Director of Finance, Telkom	2012 - 2014
2	Vice President Strategic Business Development, Directorate IT Solution and Strategic Portfolio Telkom	2012
3	Vice President Strategic Business Development, Strategic Investment & Corporate Planning Telkom	2010 - 2012
4	Project Controller-1, Project Management Office Telkom	2009 - 2010
5	Assistant Vice President, Business & Finance Analysis Telkom	2006 - 2009
6	Project Management Consultant, Garuda Maintenance Facility	1992 - 1993

HERDY ROSADI HARMAN (Director of Human Capital Management)

Personal

Born : Bandung, June 28, 1963.

Age : 53 years.

Citizenship and Domicile

Herdy Rosadi Harman is 53 years old and was born in Bandung, on June 28, 1963, he is an Indonesian citizen and lives in Bandung. Other than being a Human Capital Management Director, He also has a dual position as Commissioner of GSD and a Commissioner of Infomedia.

Education

Herdy Rosadi Harman's educational background is a Bachelor's Degree from Universitas Padjajaran Bandung majoring in Law. He has a MBA degree from the Asian Institute Management Philippines-Institute Management Telkom University and Master of Law (LLM) from American University, Washington DC, the United States.

Position and Appointment Basis

His position as the Human Capital Management Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom on December 19, 2014. The decision effective from December 19, 2014 to the present.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	Director of Human Capital Management, Telkomsel	2012 - 2014
2	VP Regulatory Management, Telkom	2007 - 2012
3	VP Legal & Compliance, Telkom	2006 - 2007
4	General Manager Management Support, Telkom	2004 - 2006

ABDUS SOMAD ARIEF (Director of Network, IT & Solution)**Personal**

Born : Sidoarjo, September 25, 1963.

Age : 53 years.

Citizenship and Domicile

Abdus Somad Arief is 53 years old and was born in Sidoarjo, on September 25, 1963, he is an Indonesian citizen and lives in Jakarta. Other than being the Network, IT & Solution Director, he also serves as the President Commissioner of Telkom Infra and a Commissioner of Teltranet.

Education

Abdus Somad Arief's educational background is a Bachelor's Degree from Institut Teknologi Bandung majoring in Electro Engineering. He has a Master's degree in Information and Technology Systems from Institut Teknologi Bandung.

Position and Appointment Basis

His position as the Network, IT, & Solution Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom on December 19, 2014. The decision effective from December 19, 2014 to the present.

**Previous work experience and its time period are presented as follows:**

No.	Position	Period
1	Director of Network, Telkomsel	2012 - 2014
2	Executive General Manager Enterprise Service Division, Telkom	2009 - 2012
3	Vice President of Business Development, Telkom	2008 - 2009
4	Deputy Executive General Manager Divisi Enterprise Service, Telkom	2007 - 2008
5	President Commissioner, PT Pramindo Ikat Nusantara	2011 - 2012
6	Commissioner, PT Infomedia Nusantara	2010 - 2011

DIAN RACHMAWAN (Director of Consumer Service)**Personal**

Born : Surabaya, May 14, 1964.

Age : 52 years.

Citizenship and Domicile

Dian Rachmawan is 52 years old and was born in Surabaya, on May 14, 1964, he is an Indonesian citizen and lives in Bogor. Other than being a Consumer Service Director, He also have a dual position as President Commissioner of Telkom Akses.

Education

Dian Rachmawan's educational background is a Bachelor's Degree from Institut Teknologi Sepuluh November majoring in Electro and Telecommunication Engineering. He has a Master's degree in Communication and Real Time System, Telecommunication Engineering and from University of Bradford, England.

Position and Appointment Basis

His position as the Consumer Service Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom on December 19, 2014. The decision effective from December 19, 2014 to the present.

**Previous work experience and its time period are presented as follows:**

No.	Position	Period
1	CEO, PT Telekomunikasi Indonesia International (Hongkong) Limited	2011 - 2014
2	Director of Network Operation & Engineering, PT Telkom Indonesia International	2007 - 2011
3	Executive General Manager Divisi Fixed Wireless Network, Telkom	2005 - 2007
4	General Manager, Telkom Jakarta Selatan	2004 - 2005
5	General Manager for Interconnection & Partnership for Regional Division II Jakarta	2001 - 2004

Previous Board of Director Profile

MUHAMMAD AWALUDDIN (Director of Enterprise and Business Service)

Period May 2012 - Sept 2016

Personal

Born : Jakarta, January 15, 1968.

Age : 49 years.

Citizenship and Domicile

Muhammad Awaluddin is 49 years old and was born in Jakarta, on January 15, 1968, he is an Indonesian citizen and lives in Jakarta.

Education

Muhammad Awaluddin's educational background is a Bachelor's Degree of Electrical Engineering from Sriwijaya University, Master of Business Administration from European Antwerp Belgium and Doctoral Degree of Management Science from Padjajaran University.

Position and Appointment Basis

His position as the Enterprise and Business Service Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom on May 11, 2012. The decision effective from May 11, 2012 to September 13, 2016.



Previous work experience and its time period are presented as follows:

No.	Position	Period
1	President Director, PT Infomedia Nusantara	2010 - 2012
2	EGM Access Network Infrastructure	2010
3	EGM DIVRE 1 Medan	2007 - 2010
4	VP Public & Marketing Communication	2005 - 2007



HERI SUNARYADI (Director of Finance)

Period December 2014 - April 2016

Personal

Born : Jember, June 26, 1965.

Age : 51 years.

Citizenship and Domicile

Heri Sunaryadi is 51 years old and was born in Jember, on June 26, 1965, he is an Indonesian citizen and lives in Jakarta.

Education

Heri Sunaryadi's educational background is a Bachelor's Degree Faculty of Agricultural Technology from Institut Pertanian Bogor in 1987.

Position and Appointment Basis

His appointment as the Finance Director of Telkom is in accordance with Extraordinary General Meeting of Shareholders (EGM) of Telkom on December 19, 2014. The decision effective from December 19, 2014 to April 22, 2016.

**Previous work experience and its time period are presented as follows:**

No.	Position	Period
1	President Director, PT Kustodian Sentral Efek Indonesia	2013 - 2014
2	President Director, PT Bahana Pembinaan Usaha Indonesia	2009 - 2013
3	President Director, Bahana Securities	2007 - 2009

Education and/or Training, Seminar, Congress

To increase the competencies of the main leaders of Telkom, each member of the Board of Directors has the opportunity to participate in education and training throughout the financial year 2016.

No.	Education/Training, Seminar, Congress	Director Name	Time	Place
1	Participant at Mobile World Congress	Alex J. Sinaga	Februari 22 - 25, 2016	Barcelona
2	Speaker at Tiered Leadership Development Program Indonesia Financial Service Authority (OJK)	Alex J. Sinaga	May 19, 2016	Jakarta
3	Focus Group Discussion Synergy BUMN	Alex J. Sinaga	May 28 - 29, 2016	Parapat
4	Assessment Indonesia Human Capital Study 2016	Alex J. Sinaga	September 6, 2016	Jakarta
5	Keynote Speaker on IBD Expo	Alex J. Sinaga	September 9, 2016	Jakarta
6	Participating in CEO Forum	Alex J. Sinaga	November 24, 2016	Jakarta
7	Pacific Telecommunication Council	Honesti Basyir	Januari 17 - 20, 2016	Hawaii
8	Speaker at Stadium General in Telkom Univesity about International Expansion	Honesti Basyir	April 1, 2016	Bandung
9	International Telecoms Week	Honesti Basyir	May 6 - 12, 2016	Chicago
10	State Owned Enterprise Forum 2 Years Realizing Nawacita	Honesti Basyir	November 3, 2016	Jakarta
11	Human Resource Strategy in Transforming Organisations, London Business School	Herdy Rosadi Harman	2016	London
12	Competitive Strategy: Developing your long game	Abdus Somad Arief	2016	Fontainebleau, France
13	Speaker at MBA ITB	Dian Rachmawan	September 9, 2016	Bandung
14	National Anti Fraud Conference	Harry M. Zen	October 26, 2016	Semarang
15	Leading With Big Data Analytics	Indra Utoyo	2016	Singapore

Directors Affiliations and Relationships

In accordance with the principle of transparency to implement GCG, Telkom declares the affiliation with the other Board members, members of the Board of Commissioners and major shareholders, including the name of affiliated parties.

Directors (BOD)	Financial Relationship with						Financial Relationship with					
	BOC		BOD		Controlling Shareholder ⁽¹⁾		BOC		BOD		Controlling Shareholder ⁽¹⁾	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Alex J. Sinaga		√		√		√		√		√		√
Heri Sunaryadi ⁽²⁾		√		√		√		√		√		√
Harry M. Zen ⁽³⁾		√		√		√		√		√		√
Indra Utoyo		√		√		√		√		√		√
Dian Rachmawan		√		√		√		√		√		√
Muhammad Awaluddin ⁽⁴⁾		√		√		√		√		√		√
Abdus Somad Arief		√		√		√		√		√		√
Herdy Rosadi Harman		√		√		√		√		√		√
Honesti Basyir		√		√		√		√		√		√

⁽¹⁾ Controlling Shareholder in this matter is the Indonesian government represented by the Ministry of State Owned Enterprises as the primary shareholder

⁽²⁾ no longer in position since April 22, 2016

⁽³⁾ in position since April 22, 2016

⁽⁴⁾ no longer in position since September 13, 2016



THE

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PEOPLE

ALEX J SINAGA . CEO TELKOMGROUP

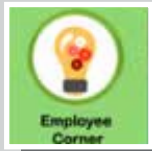


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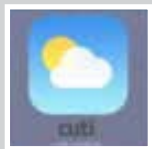
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Employees can easily check a summary of their remunerations, including their take home pays, bonuses, and incentives through this application anywhere anytime.



An application that employees use to check their leave quotas, leave applications (annual, long service, or trips) and to track the process of the approval.

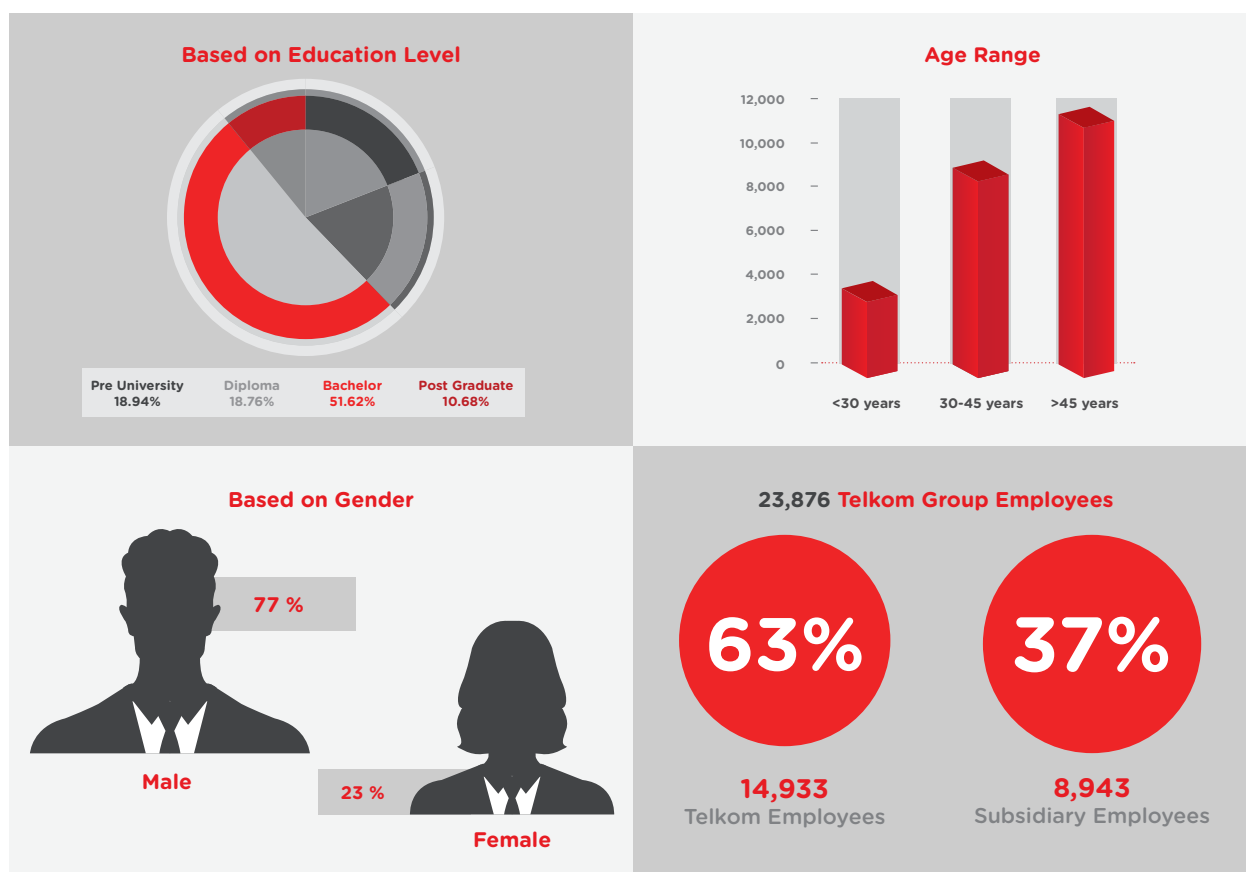


An application to facilitate employees to learn independently online. The materials are presented interactively through multimedia contents designed to optimize the trainees' comprehension. Employees may select the time and materials of the training they wish to join.

TELKOM INDONESIA EMPLOYEES

Telkom envisions to be the King of Digital in The Region. Digital technology drives total changes and will focus on human resources. Digitalization creates the perfect platform for innovation. Among the key drivers that will enable Telkom to achieve its vision are people and culture. "Telkom Group CEO believes that employees are more important than technology". A total of 23,876 employees are our most valuable asset in our preparation to achieve our goal to become a world-class digital company. This is also supported by a network of representative offices in 11 countries, and fiber optic broadband networks that cross over the Pacific Ocean. Building digital skills is crucial for our employees who want to succeed in the future. In addition, we provide a work environment tailored to the individual conditions and technology that allows us to connect with each other uninterruptedly.

HR Profile



Employees and their work culture are Telkom's most valuable asset in achieving its vision to be the King of Digital. By the end of 2016, Telkom business group has 23,876 employees, which consists of 14,933 employees in the parent company and 8,943 subsidiaries' employees.

The number of employees in the parent company in 2016 is 7.23% lower than the previous year in accordance to the ongoing early retirement program to revitalize and increase the human capital efficiency. Telkom also carried out the program in 2014 and 2015, and it reduced the number of employees at Telkom parent company by 7.34%, from 17,279 to 16,097.

In general, the number of employees also decreased in Telkom subsidiaries, whose employees in 2016 is 3.67% lower than the previous year.

The number of employees of Telkom Group is presented on table below.

Table of Number of Telkom and Subsidiaries Employees in 2014-2016

No.	Telkom Group Employees	2016	2015	2014
1	Telkom Employees	14,933	16,097	17,279
2	Telkom Subsidiary Employees	8,943	8,688	8,005
	Total Telkom Group Employees	23,876	24,785	25,284

Number of Employees by Education Level and Age Distribution of Employees

Based on the educational level distribution, 40.09% or 5,987 people employed in Telkom business group in 2016 have undergraduate degrees. The figure is higher compared to 37.78% in 2015.

A majority or 70.86% subsidiaries employees in general, or 6,337 people in 2016, have undergraduate degrees.

The following tables displays the distribution of education level of Telkom business group employees.

Table of Telkom and Subsidiaries Employees Based on Education in 2016

Education	2016			
	Telkom	Subsidiaries	Telkom Group	%
Preuniversity	3,834	689	4,523	18.94
Diploma	3,217	1,261	4,478	18.76
Undergrad	5,987	6,337	12,324	51.62
Graduate	1,895	656	2,551	10.68

Table of Telkom Business Groups Employees Based on Education in 2014-2016

Education	2016		2015		2014	
	Total	%	Total	%	Total	%
Preuniversity	3,834	25.67	4,541	28.2	5,289	30.6
Diploma	3,217	21.54	3,655	22.7	4,093	23.7
Undergrad	5,987	40.09	6,082	37.8	6,159	35.6
Graduate	1,895	12.69	1,819	11.3	1,738	10.1

In terms of age, 49.63% or 11,850 employees in Telkom business group are above 45 years old. It is the same in the parent company, where the majority or 72.40% of its employees are over 45 years or roughly 10,812 employees. Data on the number of employees by age is presented as follows.

Table of Telkom Business Groups and Subsidiaries Employees based on Age in 2016

Age (Years Old)	2016			
	Telkom	Subsidiaries	Telkom Group	%
Below 30	1,155	2,357	3,512	14.71
Between 30-45	2,966	5,548	8,514	35.66
Above 45	10,812	1,038	11,850	49.63

Table of Telkom Business Groups and Subsidiaries Employees based on Age in 2014-2016

Age (Years Old)	2016		2015		2014	
	Total	%	Total	%	Total	%
Below 30	1,155	7.73	893	5.5	680	3.9
Between 30-45	2,966	19.86	3,386	21.1	3,784	21.9
Above 45	10,812	72.40	11,818	73.4	12,815	74.2

Number of Employees by Position and Status of Personnel

Telkom in general has various levels of position, namely senior management, middle management, supervisors, and other levels of position.

In 2016, 59.71% or 8,917 employees working as supervisor made up the largest composition in the Telkom business group employees. Similarly in the subsidiary, supervisor made up the largest concentration of employees at 44.38% or 3,969 people in 2016.

Total Telkom and Subsidiaries Employees Based on Position in 2016

Level Position	2016			
	Telkom	Subsidiaries	Telkom Group	%
Senior Management	207	404	611	2.56
Middle Management	3,856	1,434	5,290	22.16
Supervisor	8,917	3,127	12,044	50.44
Others	1,953	3,969	5,922	24.80
Total	14,933	8,943	23,876	100.00

Total Telkom and Subsidiaries Employees Based on Position in 2014-2016

Level Position	2016		2015		2014	
	Total	%	Total	%	Total	%
Senior Management	207	1.39	187	1.2	151	0.9
Middle Management	3,856	25.82	3,281	20.4	2,939	17.0
Supervisor	8,917	59.71	9,913	61.6	10,233	59.2
Others	1,953	13.08	2,716	16.9	3,956	22.9

Further, from the data on gender-based employees composition, it can be seen that during 2016, the total male employees was recorded to have higher than the total female employees, with 11,803 male employees and 3,130 female employees as illustrated in the following table:

Total Employees of Telkom and Subsidiary Entities Based on Gender In 2016

Gender Classification	2016			
	Telkom	Subsidiary Entities	Telkom Group	%
Male	11,803	6,508	18,311	76.69
Female	3,130	2,435	5,565	23.31

Total Employees of Telkom Based on Gender In 2014-2016

Gender Classification	2016		2015		2014	
	Total	%	Total	%	Total	%
Male	11,803	79.04	12,935	80.4	14,091	81.5
Female	3,130	20.96	3,162	19.6	3,188	18.5

Equal Opportunities in Competence Development

The purpose of competence development is Telkom's human resources to be more innovative and creative to advance the company. All employees have an equal opportunity to participate in the company's competency development program. Telkom has carried out the following competency improvement program in 2015 and 2016.

Type of Competency Development Program	2016			
	Telkom	Subsidiaries	Telkom Group	%
Training	14,722	11,659	26,381	98.49
Certification	266	20	286	1.07
Educational Scholarship	117	1	118	0.44
Total	15,105	11,680	26,785	100

Type of Competency Development Program	2015			
	Telkom	Subsidiaries	Telkom Group	%
Training	11,699	5,725	17,424	95.40
Certification	639	-	639	3.50
Educational Scholarship	190	11	201	1.10
Total	12,468	5,736	18,264	100

In 2016, Telkom spent Rp95.13 billion for competence development, an increase of Rp16.3 billion or 20.68% compared to 2015, excluding educational scholarship.

SHAREHOLDER COMPOSITION

The authorized capital of the Company consists of 1 Series A Dwiwarna shares, and 399,999,999,999 Series B shares (common stock). The authorized subscribed and paid-up capital is 100,799,996,400, consisting of one share of Series A Dwiwarna share and 100,799,996,399 Series B shares. A single shares of the Series A Dwiwarna Share is owned by the Government of the Republic of Indonesia (the "Government").

Composition of Shareholders Telkom On December 31, 2016

	Series A Dwiwarna	Series B (Ordinary Stock)	%
Indonesian Government	1	51,602,353,559	52.09
Public		47,459,863,040	47.91
Sub Total Capital (placed and fully deposited)	1	99,062,216,599	100.0
Treasury Shares (shares that have not been repurchased)		1,737,779,800	-
Total	1	100,799,996,399	100.0

Telkom's shareholder composition per December 31, 2016 in details are as follows:

1. Shareholders with more than 5% ownership (Major Shareholder/Controller)

Type of Share	Individual or Group Identity	Total Shares	Percentage Owned
Seri A	Government	1	-
Seri B	Government	51,602,353,559	52.09

2. Ownership of Shares by Directors and Commissioners

On December 31, 2016 there was no Commissioner or Director of the Company which has more than 1.0% of Company shares.

BOD or BOC Commissioner	Total Shares	Percentage Owned
Commissioners		
Hendri Saparini	414,157	<0.01
Hadiyanto	875,297	<0.01
Dolfie Othniel Fredric Palit	372,741	<0.01
Directors		
Alex J. Sinaga	920,349	<0.01
Indra Utoyo	1,972,644	<0.01
Honesti Basyir	1,945,644	<0.01
Dian Rachmawan	888,854	<0.01
Abdus Somad Arief	828,314	<0.01
Herdy Rosadi Harman	828,012	<0.01
Total	9,046,012	<0.01

3. Shareholders with Foreign Ownership or Less Than 5%

Telkom Shareholders with Institution or Individual Ownership Less Than 5%, on December 31, 2016.

Group	Ordinary Stocks Owned	Ownership Percentage of Outstanding Common Shares (%)
Foreign		
Institutions	39,692,722,020	40.07
Individual	15,978,300	0.01
Local		
Businesses		
Limited Liability	1,527,847,372	1.54
Mutual funds	2,335,982,606	2.36
Insurance Company	2,608,784,450	2.64
Pension funds	646,453,350	0.65
Others	78,777,750	0.08
Individuals	553,317,192	0.56
Total	47,459,863,040	47.91

4. Percentage of Shares Owned inside and outside Indonesia

On December 31, 2016, a total of 47,683 shareholders, including the Government, registered as holders of ordinary shares of the Company, including 39,185,506,554 ordinary shares owned by 2,407 shareholders outside Indonesia. At the same date, there were 92 shareholders who own 66,048,569 ADS (1 ADS is equivalent to 100 ordinary shares).

5. List of 20 Largest Public Shareholders

Here is a list of the 20 largest public shareholders on December 31, 2016.

BNY MELLON SA/NV RE BNYMLB RE EMPLOYEES PROVIDEN	1.09
GIC PRIVATE LIMITED S/A GOVERNMENT OF SINGAPORE	1.04
BPJS KETENAGAKERJAAN-JHT	1.02
JPMCB NA RE-SAUDI ARABIAN MONETARY AGENC	0.88
BBH BOSTON S/A VANGARD EMERGING MARKET	0.77
PT PRUDENTIAL LIFE ASSURANCE	0.66
CITIBANK NEW YORK S/A GOVERNMENT OF NORWAY	0.63
JPMCB NA RE-VANGUARD TOTAL INTERNATIONAL	0.58
JPMCB NA RE-VIRTUS EMERGING MARKETS	0.58
THE NORTHERN TRUST CO S/A SAUDI ARABIAN	0.44
JPMCB NA AIF CLT RE-STICHTING DEPOSITARY	0.42
HSBC BANK PLC S/A SAUDI ARABIAN MONETARY	0.42
BBH BOSTON S/A MATTHEWS PACIFIC TIGER FU	0.42
RBC S/A VONTOBEL FUND - EMERGING MARKETS	0.37
SSB 1BA9 ACF MSCI EQUITY INDEX FUND B-IN	0.34
REKSA DANA SCHRODER DANA PRESTASI PLUS-9	0.34
SSB OBIH S/A ISHARES MSCI EMERGING MARKE	0.33
GIC S/A MONETARY AUTHORITY OF SINGAPORE	0.26
JPMBL SA UCITS CLT RE-JPMORGAN FUNDS	0.26
PT AIA FINL - UL EQUITY	0.25

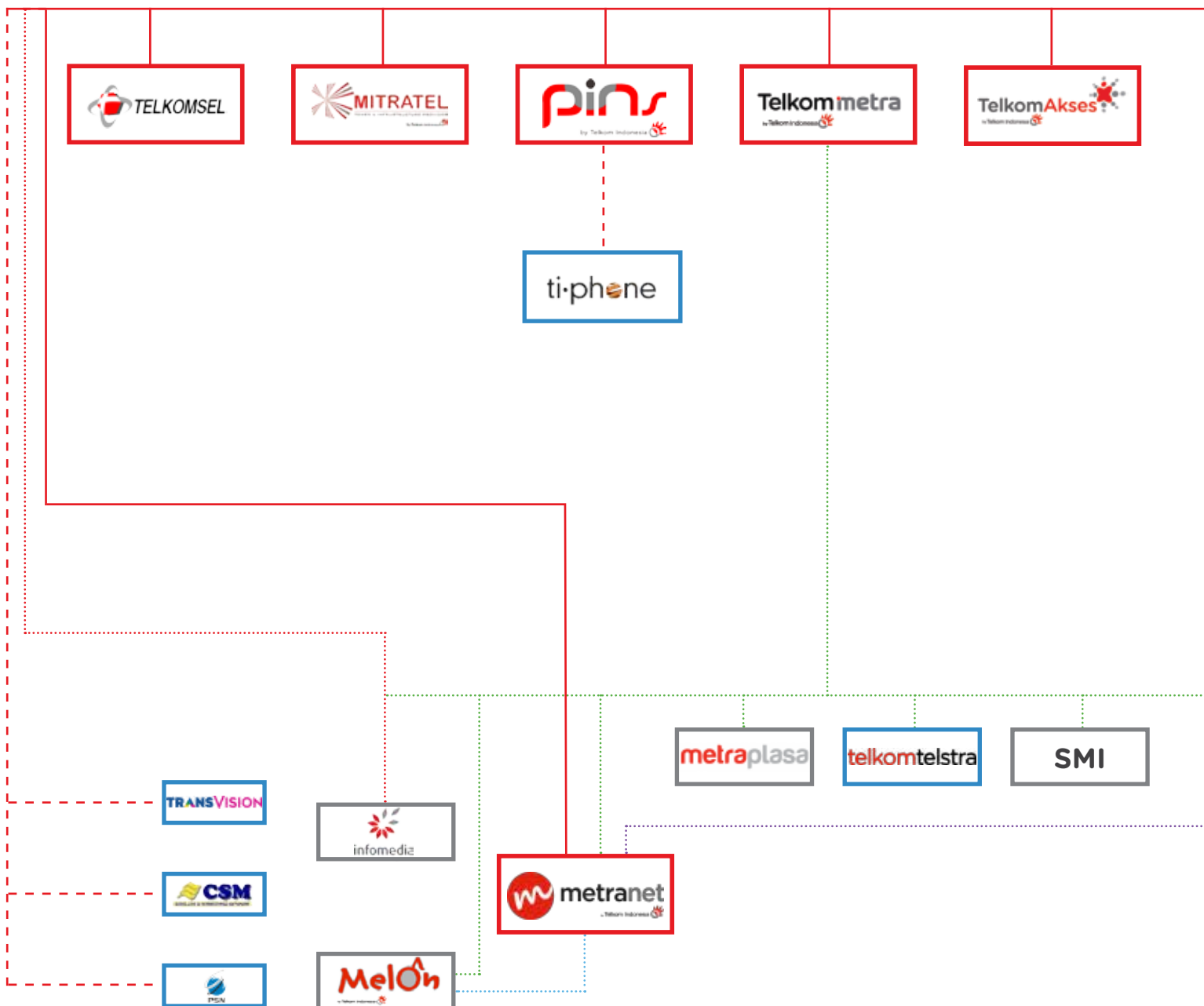


TELKOM'S SUBSIDIARIES, ASSOCIATIONS, AND JOINT VENTURES



Government

52.09 %

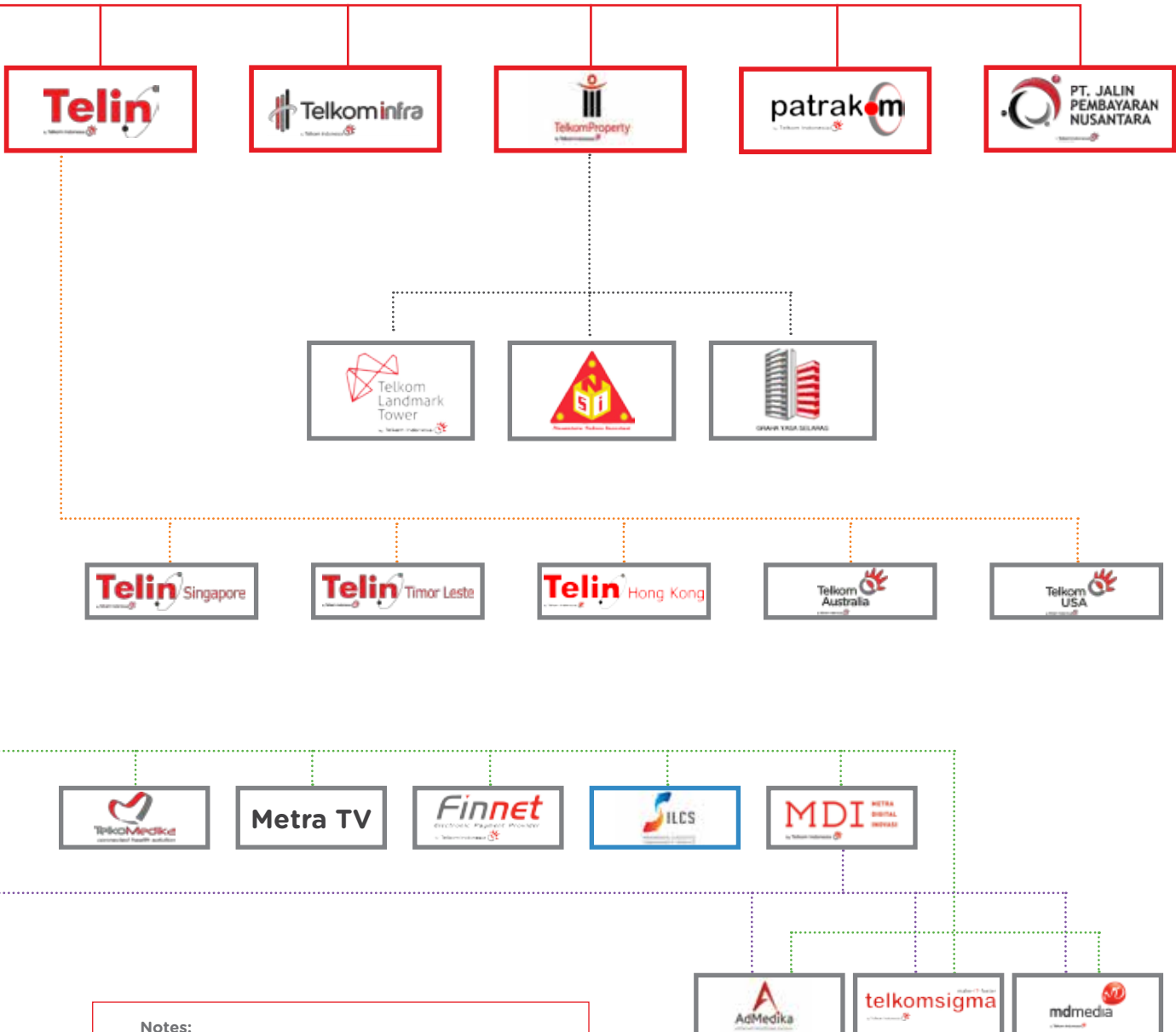


Public

47.91 %



Indonesia Stock Exchange
Bursa Efek Indonesia



Notes:

- Direct subsidiaries (consolidated)
- Indirect subsidiaries (consolidated)
- Unconsolidated



On December 31, 2016, Telkom has consolidated the financial statements of all its subsidiaries owned directly or indirectly as follows:

Subsidiaries with Direct Ownership

Company	Share Ownership	Business Field	Operational Status	Total Asset Before Elimination (Rp billion)	Address
PT Telekomunikasi Selular ("Telkomsel"), Jakarta, Indonesia	65%	Telecommunication	Operating	89,781	Telkomsel Smart Office (TSO) Kompleks Telkom Landmark Tower Jl. Jend. Gatot Subroto Kav. 52 Jakarta 12710, Indonesia
PT Dayamitra Telekomunikasi ("Mitratel"), Jakarta, Indonesia	100%	Telecommunication	Operating	10,689	Gedung Graha Pratama 5th Floor, Jl. MT. Haryono Kavling 15, Jakarta 12810, Indonesia
PT Multimedia Nusantara ("Telkom Metra"), Jakarta, Indonesia	100%	Telecommunication network services and multimedia	Operating	10,020	The East Tower 33rd & 37th Floor, Jl. DR. Ide Anak Agung Gde Agung Kav. E3.2 No.1 Kuningan Timur, Setiabudi Jakarta Selatan 12950, Indonesia
PT Telekomunikasi Indonesia International ("Telin" or "TII"), Jakarta, Indonesia	100%	Telecommunication	Operating	7,147	Menara Jamsostek, Menara Utara, 24th Floor, Jl. Jendral Gatot Subroto Kav. 38 Jakarta Selatan 12710, Indonesia
PT Telkom Akses ("Telkom Akses"), Jakarta, Indonesia	100%	Construction, services and trade in telecommunications	Operating	5,098	Gedung Telkom Jakarta Barat Jl. S. Parman Kav. 8 Jakarta Barat 11440, Indonesia
PT Graha Sarana Duta ("GSD"), Jakarta, Indonesia	99.99%	Office leasing and building management and maintenance services, civil consultant and developer	Operating	4,333	Menara Multimedia Jl. Kebon Sirih No.10, Jakarta Pusat 10110, Indonesia
PT PINS Indonesia ("PINS") dahulu Pramindo Ikat Nusantara Jakarta, Indonesia	100%	Services and telecommunications development	Operating	3,146	Plaza Kuningan Menara Utara 3rd Floor Jl. Rasuna Said Kav C11-C14 Jakarta Selatan, Indonesia
PT Infrastruktur Telekomunikasi Indonesia ("Telkom Infratel"), Jakarta, Indonesia	100%	Construction, services and trade in telecommunications	Operating	1,015	Gedung Mugi Griya, 5th Floor, Jl. MT Haryono Kav. 10 Jakarta 12810 Indonesia

Company	Share Ownership	Business Field	Operational Status	Total Asset Before Elimination (Rp billion)	Address
PT Patra Telekomunikasi Indonesia ("Patrakom"), Jakarta, Indonesia	100%	Telecommunications providing satellite communications systems and related facilities.	Operating	472	Jl. Pringgondani II, No.33, Alternatif Cibubur, Depok 16954, Indonesia
PT Metranet ("Metranet"), Jakarta, Indonesia	100%	Multimedia portal services	Operating	370	Mulia Business Park, Building J, Jl. Letjen MT Haryono Kav. C58 - 60 Pancoran, Jakarta 12780, Indonesia
PT Jalin Pembayaran Nusantara ("Jalin"), Jakarta, Indonesia	100%	Payment Services - principal activities, switching activities, clearing and settlement	Operating	15	Menara Dea, Tower 1, 8th Floor, Jl. Mega Kuningan Barat IX Kav. E.4.3 No.1 Jakarta 12950
PT Napsindo Primatel Internasional ("Napsindo"), Jakarta, Indonesia	60%	Telecommunications providing the Network Access Point (NAP), Voice Over Data (VOD), and other related services.	Stopped Operating in January 13, 2006	5 -	

Subsidiaries with Indirect Ownership

Company	Share Ownership	Business Field	Operational Status	Total Asset Before Elimination (Rp billion)	Description
PT Sigma Cipta Caraka ("Sigma"), Tangerang, Indonesia	100%	Information technology services - implementation and system integration, outsourcing, and maintenance and software licenses	Operating	4,289	Graha Telkom Sigma Jl. Kapten Subijanto DJ, Bumi Serpong Damai, Tangerang Selatan 15321
Telekomunikasi Indonesia International Pte. Ltd. ("Telin Singapore"), Singapura	100%	Telecommunication	Operating	2,566	Maritime Square, #09-63 Harbour Front Center, Singapore - 099253



Company	Share Ownership	Business Field	Operational Status	Total Asset Before Elimination (Rp billion)	Description
PT Infomedia Nusantara ("Infomedia"), Jakarta, Indonesia	100%	Data and information services - providing information services of telecommunication and other information services in the form of print and electronic media, as well as call center services	Operating	1,860	PT Infomedia Nusantara Head Office Jl. RS. Fatmawati 77-81 Jakarta 12150, Indonesia
PT Telkom Landmark Tower ("TLT"), Jakarta, Indonesia	55%	Property development and management services	Operating	1,683	Telkomsel Smart Office (TSO) Jl. Jend. Gatot Subroto Kav. 52 Jakarta 12710, Indonesia
Telekomunikasi Indonesia International (TL) S.A. ("Telin Timor Leste"), Dili, Timor Leste	100%	Telecommunication	Operating	755	Timor Plaza 4th Floor, Rua Presidente Nicolao Lobato, Comoro, Dili, Timor Leste
PT Metra Digital Media ("MD Media"), Jakarta, Indonesia	99.99%	Information Services in a special Directory Form	Operating	684	Wisma Aldiron Dirgantara 2nd Floor, Suite 202-209 & 231-237 Jl. Jend. Gatot Subroto Kav.72 Pancoran Jakarta Selatan, 12780, Indonesia
PT Finnet Indonesia ("Finnet"), Jakarta, Indonesia	60%	Information technology services	Operating	629	Menara Bidakara 1 L, 12th Floor, Jl. Jend. Gatot Subroto Kav. 71-73, Jakarta Selatan 12870, Indonesia
Telekomunikasi Indonesia International Ltd., ("Telin Hong Kong"), Hong Kong	100%	Telecommunication	Operating	441	Suite 905, 9/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
PT Metra Digital Investama ("MDI"), Jakarta, Indonesia	99.99%	Trade services, information technology and multimedia, entertainment and investment	Operating	331	The East Tower 36th Floor. Jl. Dr. Ide Anak Agung Gde Agung Kav. E.3.2 No.1, Kuningan Timur Setiabudi, Jakarta Selatan 12950, Indonesia
PT Metra Plasa ("Metra Plasa"), Jakarta, Indonesia	60%	Networking and e-commerce services	Operating	325	Mulia Business Park, Building J, Jl. Letjen MT Haryono Kav. 58 - 60 Pancoran, Jakarta 12780, Indonesia

Company	Share Ownership	Business Field	Operational Status	Total Asset Before Elimination (Rp billion)	Description
PT Nusantara Sukses Investasi (“NSI”), Jakarta, Indonesia	99.99%	Services and Trade	Operating	227	Menara Multimedia, Gedung Annex, 2nd Floor Jl. Kebon Sirih No.10-12, Jakarta Pusat, Indonesia
PT Administrasi Medika (“Ad Medika”), Jakarta, Indonesia	100%	Administrative services and health insurance	Operating	204	STO Telkom Gambir Gedung C, 3rd Floor, Jl. Medan Merdeka Selatan No.12, Jakarta Pusat, 10110, Indonesia
PT Melon Indonesia (“MelOn”), Jakarta, Indonesia	100%	Content digital services	Operating	178	Gedung Telkom, 7th Floor, Jl. Sisingamangaraja Kav. 4-6 Kebayoran Baru, Jakarta, Indonesia
PT Graha Yasa Selaras (“GYS”), Jakarta, Indonesia	51%	Tourism services	Operating	174	Jl. Cisanggarung No.2, Bandung, 40115, Indonesia
Telekomunikasi Indonesia International Pty Ltd., (“Telkom Australia”), Australia	100%	Telecommunication	Operating	161	Level 4 241 Commonwealth Street Surry Hills, NSW 2010
PT Sarana Usaha Sejahtera Insanpalapa (“TelkoMedika”) Jakarta, Indonesia	75%	Health Care services, pharmacies, and laboratories, etc.	Operating	72	Jl. Cisanggarung No.2, Citarum Bandung 40115, Indonesia
PT Satelit Multimedia Indonesia (“SMI”), Jakarta, Indonesia	99.99%	Satellite services	Operating	18	The East Tower 37th Floor, Jl. Dr. Ide Anak Agung Gde Agung Kav. E.3.2 No.1, Kuningan Timur Setiabudi, Jakarta Selatan 12950, Indonesia
Telekomunikasi Indonesia International (“Telkom USA”) Inc., Los Angeles, USA	100%	Telecommunication	Operating	9	800 Wilshire Boulevard, Suite 620, Los Angeles California 90017
PT Metra TV (“Metra TV”), Jakarta, Indonesia	99.83%	Subscription broadcasting services	Operating	-	The East Tower 37th Floor. Jl. Dr. Ide Anak Agung Gde Agung Kav. E.3.2 No.1, Kuningan Timur Setiabudi, Jakarta Selatan 12950



Company	Share Ownership	Business Field	Operational Status	Total Asset Before Elimination (Rp billion)	Description
PT Nusantara Sukses Sarana ("NSS"), Jakarta, Indonesia	99.99%	Building and hotel management services	Not Operating Yet	-	Menara Multimedia Jl. Kebon Sirih No.10-12, Jakarta Pusat, Indonesia
PT Nusantara Sukses Realti ("NSR"), Jakarta, Indonesia	99.99%	Services and Trade	Not Operating Yet	-	Menara Multimedia Jl. Kebon Sirih No.10-12, Jakarta Pusat, Indonesia

CHRONOLOGY OF SHARES LISTING

The company is listed in the Indonesian Stock Exchange (BEI) and New York Stock Exchange (NYSE) as of November 14, 1995, with shares code TLKM and TLK.

Date	Corporate Actions	Composition Of Shareholding		
		Government Of Republic Of Indonesia	Public	%
13/11/1995	First Public Pre-Offering	8,400,000,000	-	-
	Sale Of Shares Held By Government	(933,334,000)	933,334,000	-
	Telkom New Shares Issuance	-	933,333,000	-
	Composition Of Shareholding	7,466,666,000	1,866,667,000	20.0
11/12/1996	Government Shares Block Sale	(388,000,000)	388,000,000	-
	Composition Of Shareholding	7,078,666,000	2,254,667,000	24.2
15/05/1997	Government Distributes Incentive Shares To All Public Shareholders	(2,670,300)	2,670,300	-
	Composition Of Shareholding	7,075,995,700	2,257,337,300	24.2
7/5/1999	Government Shares Block Sale	(898,000,000)	898,000,000	-
	Composition Of Shareholding	6,177,995,700	3,155,337,300	33.8
2/8/1999	Distribution Of Shares Bonus (Issuance) (Every 50 Shares Gets 4 Shares)	494,239,656	252,426,984	-
	Composition Of Shareholding	6,672,235,356	3,407,764,284	33.8
7/12/2001	Government Shares Block Sale	(1,200,000,000)	1,200,000,000	-
	Composition Of Shareholding	5,472,235,356	4,607,764,284	45.7
16/07/2002	Government Shares Block Sale	(312,000,000)	312,000,000	-
	Composition Of Shareholding	5,160,235,356	4,919,764,284	48.8
1/10/2004	Denomination Of Shares Nominal Value With Ratio Of 1:2	10,320,470,712	9,839,528,568	48.8
21/12/2005	Shares Repurchase Program (I) ¹	-	(211,290,500)	-
	Composition Of Shareholding	10,320,470,712	9,628,238,068	48.3

Date	Corporate Actions	Composition Of Shareholding		
		Government Of Republic Of Indonesia	Public	%
29/06/2007	Shares Repurchase Program (II) ²	-	(215,000,000)	-
	Composition Of Shareholding	10,320,470,712	9,413,238,068	47.7
20/06/2008	Shares Repurchase Program (III) ³	-	(64,284,000)	-
	Composition Of Shareholding	10,320,470,712	9,348,954,068	47.5
19/05/2011	Shares Repurchase Program (IV) ⁴	-	(520,355,960)	-
	Composition Of Shareholding	10,320,470,712	8,828,598,108	46.1
14/06/2013	Assignment Of Shares Repurchase Program III To Employees Through Esop Program	-	59,811,400	0.3
	Composition Of Shareholding	10,320,470,712	8,888,409,508	46.3
30/07/2013	Assignment Of Shares Repurchase Program I Through Private Placement	-	211,290,500	-
	Composition Of Shareholding	10,320,470,712	9,099,700,008	46.9
2/9/2013	Denomination Of Shares Nominal Value With Ratio Of 1:5	51,602,353,560	45,498,500,040	46.9
13/06/2014	Assignment Of Shares Repurchase Program II Through Private Placement	-	1,075,000,000	-
	Composition Of Shareholding	51,602,353,560	46,573,500,040	47.4
21/12/2015	Assignment Of Remaining Shares Repurchase Program III Through Private Placement	-	22,363,000	-
	Composition Of Shareholding	51,602,353,560	46,595,863,040	47.5
29/06/2016	Assignment Of Remaining Shares Repurchase Program IV Through Private Placement	-	864,000,000	-
	Composition Of Shareholding	51,602,353,560	47,459,863,040	47.91

⁽¹⁾ First shares repurchase program began on 21 December 2005 (simultaneously with the EGMS at the time such program is consented) and ended in June 2007.

⁽²⁾ Second shares repurchase program began on 29 June 2007 (simultaneously with the EGMS at the time such program is consented) and ended in June 2008.

⁽³⁾ Third shares repurchase program began on 20 June 2008 (simultaneously with the EGMS at the time such program is consented) and ended in December 2009.

⁽⁴⁾ Fourth shares repurchase program began on 19 May 2011 (simultaneously with the EGMS at the time such program is consented) and ended in November 2012.

CHRONOLOGY OF OTHER SECURITIES LISTING

Bond Program

Telkom issued bonds for the first time on July 16, 2002 valued at Rp1,000 billion in nominal price for a period of five years. These bonds were traded in Surabaya Stock Exchange and yielded 17% annual fixed interest. On July 16, 2007, Telkom has repaid its bond debts.

Telkom issued bonds in Rupiah for the second time on June 25, 2010, each valued at Rp1,005 billion for Series A with a period of five years and Rp1,995 billion for Series B with a period of ten years. Such bond issuance had been listed in IDX. Telkom has repaid Bond II Series A which was due on July 6, 2015.

The following is an overview of matured bonds of Telkom

Bond Name	Amount (Rp million)	Issuance Date	Maturity Date	Period (year) I	Interest Rate	Underwriter	Trustee	Date of Repayment
Bond I Telkom Year 2002	1,000,000	July 16, 2002	July 16, 2007	5	17,00%	PT Danareksa Sekuritas;	PT BNI Tbk, PT BRI Tbk	July 16, 2007
Bond II Telkom Year 2010 Series A	1,005,000	June 25, 2010	July 6, 2015	5	9,60%	PT Bahana Sekuritas; PT Danareksa Sekuritas; PT Mandiri Sekuritas	PT CIMB Niaga Tbk	July 6, 2015

Subsequently on June 16, 2015, Telkom issued Sustainable Bond I Phase I Year 2015 each in amount of Rp2,200 billion for Series A with a period of 7 (seven) years, Rp2,100 billion for Series B with a period of 10 (ten) years, Rp1,200 billion for Series C with a period of 15 (fifteen) years and Rp1,500 billion for Series D with a period of 30 (thirty) years. Such bond issuance had been listed in BEI with PT Bahana Securities, PT Danareksa Sekuritas and PT Mandiri Sekuritas as guarantors. Telkom once again appointed PT CIMB Niaga Tbk as the trustee.

Pemeringkat Efek Indonesia (Pefindo) on 10 March 2016 has rated Sustainable Bond I Telkom Phase I Year 2015 and Bond II Series B Year 2010 for period March 8, 2016 until March 1, 2017 with $_{id}AAA$ (*stable outlook*) rating.

The following is an overview of un-matured bonds of Telkom

Bond Name	Amount (Rp million)	Issuance Date	Maturity Date	Period (year)	Interest Rate	Underwriter	Trustee	Rating
Bond II Telkom Year 2010 Series B	1,995,000	June 25, 2010	July 6, 2020	10	10.20%	PT Bahana Sekuritas; PT Danareksa Sekuritas; PT Mandiri Sekuritas	PT CIMB Niaga Tbk	idAAA
Sustainable Bond I Telkom Year 2015 Series A	2,200,000	June 23, 2015	June 23, 2022	7	9.93%	PT Bahana Sekuritas; PT Danareksa Sekuritas; PT Mandiri Sekuritas; PT Trimegah Sekuritas	PT Bank Permata Tbk	idAAA
Sustainable Bond I Telkom Year 2015 Series B	2,100,000	June 23, 2015	June 23, 2025	10	10.25%	PT Bahana Sekuritas; PT Danareksa Sekuritas; PT Mandiri Sekuritas; PT Trimegah Sekuritas	PT Bank Permata Tbk	idAAA
Sustainable Bond I Telkom Year 2015 Series C	1,200,000	June 23, 2015	June 23, 2030	15	10.60%	PT Bahana Sekuritas; PT Danareksa Sekuritas; PT Mandiri Sekuritas; PT Trimegah Sekuritas	PT Bank Permata Tbk	idAAA
Sustainable Bond I Telkom Year 2015 Series D	1,500,000	June 23, 2015	June 23, 2030	30	11.00%	PT Bahana Sekuritas; PT Danareksa Sekuritas; PT Mandiri Sekuritas; PT Trimegah Sekuritas	PT Bank Permata Tbk	idAAA



Name And Address Of Institutions And/Or Capital Market Supporting Professionals

	Capital Market Supporting Professionals	Address	Service	Fee	Assignment Period
External Auditor	KAP Purwanto, Sungkoro & Surja (member firm of Ernst & Young Global Limited)	Bursa Efek Jakarta Building, Tower 2, 7 th Floor Jl. Jend. Sudirman Kav. 52-53 Jakarta - 12100	Conducting Integrated Audit of PT Telkom Indonesia (Persero) Tbk ("Telkom") and the General Audit of financial statements of subsidiaries. Publishing Consent Letter.	Rp36.5 billion	Since 2012
Securities Admin Bureau	PT Datindo Entrycom	Wisma Sudirman Jl. Jend. Sudirman Kav 34-35 Jakarta - 10220	Acting as a depository institution (Custodian) of ordinary Telkom shares traded on the Stock Exchange.	Rp136 million	Since 1995
Trustee	PT Bank CIMB Niaga Tbk.	Graha Niaga, 20 th Floor Jl. Jend. Sudirman Kav. 58 Jakarta - 12190	Representing the interests of Bond holders with the Company for Bond II Telkom.	Rp75 million	Since 2010
	PT Bank Permata Tbk.	WTC II Building 28 th Floor Jl. Jend Sudirman Kav.29-31 Jakarta 12920	Representing the interests of Bond holders with the Company for Telkom Sustainable Bond phase I.	Rp75 million	Since 2015

	Capital Market Supporting Professionals	Address	Service	Fee	Assignment Period
Central Custodian	PT Kustodian Sentral Efek Indonesia	Bursa Efek Jakarta Building, Tower 1, 5 th Floor Jl. Jend. Sudirman Kav 52-53 Jakarta - 12190	- Providing a central depository and settlement of stock transactions on the Stock Exchange. - Storage services and settlement of securities transactions, distribution of corporate action results.	Rp10 million	Since 1995
Ranking Agent	PT Pemeringkat Efek Indonesia	Panin Tower Senayan City, 17 th Floor Jl. Asia Afrika Lot. 19 Jakarta - 10270	Providing ranking on credit risk of Telkom bond issuance.	Rp150 million	Since 2012
ADS Custodian Bank	The Bank of New York Mellon Corporation	101 Barclay Street, New York United States of America - 10286	Acting as a depository institution (Custodian) of ADS shares traded on the NYSE.	- ¹	Since 1995
Official Service Agent in the United States	Puglisi and Associates	850 Library Ave # 204, Newark United States of America - 19711	Acting as an authorized representative in the US with regard to securities in accordance with the law and regulations.	US\$1,000	Since 2012
Law Consultant	Hadiputranto, Hadinoto & Partners	Gedung Bursa Efek Jakarta Tower 2, 21st Floor Jl. Jend. Sudirman Kav. 52-53 Jakarta - 12190	Acting as capital market legal counsel	Rp119 million ²	Since 1995
Notary	Notaris/PPAT Ashoya Ratam, SH, MKn	Jl. Suryo No.54 Kebayoran Baru Jakarta 12180	Acting as notary	Rp25 million	Since 2012

¹ BNY Mellon fee paid based on volume of transactions

² Fee related to capital market activities



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MANAGEMENT DISCUSSION AND ANALYSIS

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Synergy
Among us

is a **MUST**

It Makes Us
UNBEATABLE

Alex J Sinaga • CEO Telkom Group

OPERATIONAL OVERVIEW BY SEGMENT

Preface

Operational overview by segment in this report is presented according to industry type of Telkom Group. As of December 31, 2016, Telkom Group has four operation segment, they are corporate segment, home segment, personal segment, and other segment.

Table below compiles Telkom Group operation segment performance from 2014 until 2016.

Service by Customer Segment	Unit	Growth 2016 - 2015 (%)	Years Ended December 31,		
			2016	2015	2014
Corporate Segment					
Satellite-transponder	MHz	46.3	6,801	4,648	3,560
Leased channel	Mbps	47.1	146,831	99,827	88,257
IPLC	Mbps	82.0	15,348	8,435	8,639
Data comm	Mbps	(59.9)	764,397	1,907,012	930,327
Corporate internet	Mbps	1,092.2	1,750,617	146,843	93,368
Fixed Wireline (POTS)	(000) subscribers	3.5	1,601	1,547	1,465
Fixed Broadband	(000) subscribers	11.7	461	413	353
Home Segment					
Fixed Wireline (POTS)	(000) subscribers	3.8	9,063	8,730	8,233
Fixed Broadband	(000) subscribers	8.3	3,867	3,570	3,047
Personal Segment					
Cellular	(000) subscribers	13.9	173,920	152,641	140,586
Fixed wireless*	(000) subscribers	-	N/A	N/A	4,404
Mobile broadband	(000) subscribers	37.1	60,030	43,786	31,216

* Until the end of 2015, wireless subscribers get migration program to cellular subscribers.

Generally, operation segment of Telkom Group gives positive contribution to revenue/selling and segment result.

Segment Performance Highlights

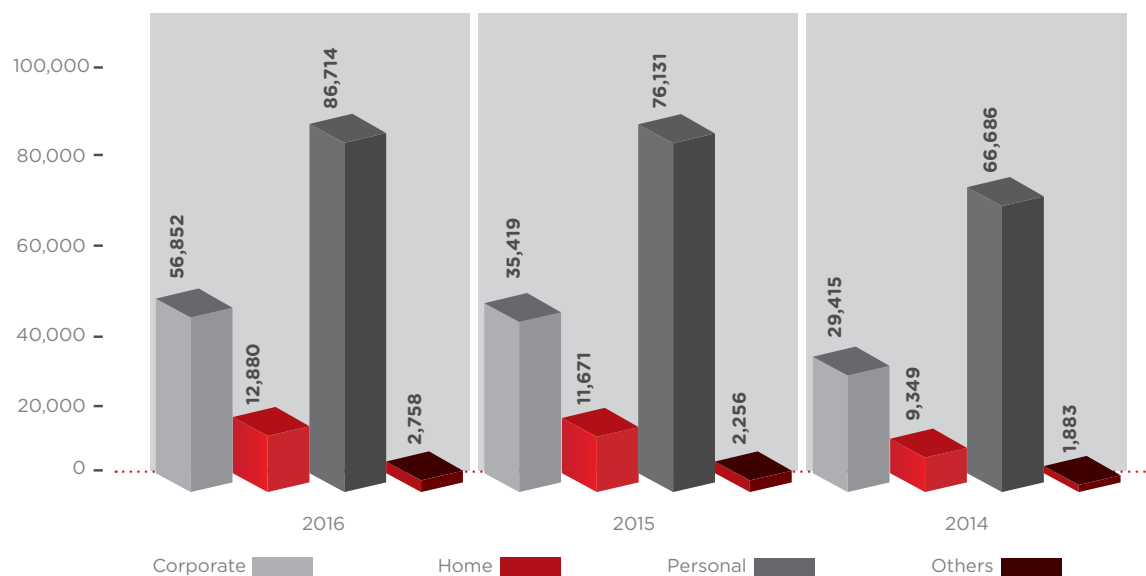
The following table provides operation segment summary of Telkom Group from 2014 until 2016.

Telkom's Results of Operation By Segment	Growth		Years Ended December 31,		
	2016-2015	2016	2015	2014	
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Corporate					
Revenues					
External Revenues	14.7	24,177	1,795	21,072	18,763
Inter-segment revenues	127.7	32,675	2,425	14,347	10,652
Total segment revenues	60.5	56,852	4,220	35,419	29,415
Segment expenses	70.8	(48,345)	(3,588)	(28,305)	(22,663)
Segment Results	19.6	8,507	631	7,114	6,752
Depreciation and amortization	53.2	(4,148)	(308)	(2,708)	(2,699)
Provision for impairment of receivables	(84.5)	(87)	(6)	(560)	(184)
Home					
Revenues					
External Revenues	6.6	7,803	579	7,319	6,682
Inter-segment revenues	16.7	5,077	377	4,352	2,667
Total segment revenues	10.4	12,880	956	11,671	9,349
Segment expenses	10.2	(12,576)	(933)	(11,411)	(8,960)
Segment Results	16.9	304	23	260	389
Depreciation and amortization	42.2	(1,711)	(127)	(1,203)	(1,495)
Provision for impairment of receivables	42.8	(424)	(31)	(297)	(467)
Personal					
Revenues					
External Revenues	13.9	83,990	6,234	73,766	64,000
Inter-segment revenues	15.2	2,724	202	2,365	2,686
Total segment revenues	13.9	86,714	6,437	76,131	66,686
Segment expenses	0	(51,303)	(3,808)	(51,303)	(44,786)
Segment Results	42.6	35,411	2,628	24,828	21,900
Depreciation and amortization	(13.6)	(12,549)	(931)	(14,531)	(12,071)
Impairment of fixed assets	-	-	-	-	(805)
Provision for impairment of receivables	50.0	(222)	(16)	(148)	(133)
Other					
Revenues					
External Revenues	16.0	363	27	313	251
Inter-segment revenues	23.3	2,395	178	1,943	1,632
Total segment revenues	22.3	2,758	205	2,256	1,883
Segment expenses	25.0	(2,549)	(189)	(2,040)	(1,718)
Segment Results	(3.2)	209	16	216	165
Depreciation and amortization	34.8	(124)	(9)	(92)	(61)
Provision for impairment of receivables	100.0	(10)	(0.1)	(5)	-

In line with telecommunication industry development particularly the cellular industry, in the financial year of 2016, business revenue by Telkom Group's operating segment was dominated by individual segment which reached the revenue of Rp86,714 billion or 54.5% from total revenue (before elimination), followed by the revenue based on the corporate segment in the amount of Rp56,852 billion or 35.7%, revenue based on the home segment in the amount of Rp12,880 billion or 8.1% and other segment in the amount of Rp2,758 billion or 1.7%.

The following graphic presents the revenue/sales of Telkom Group per operating segment

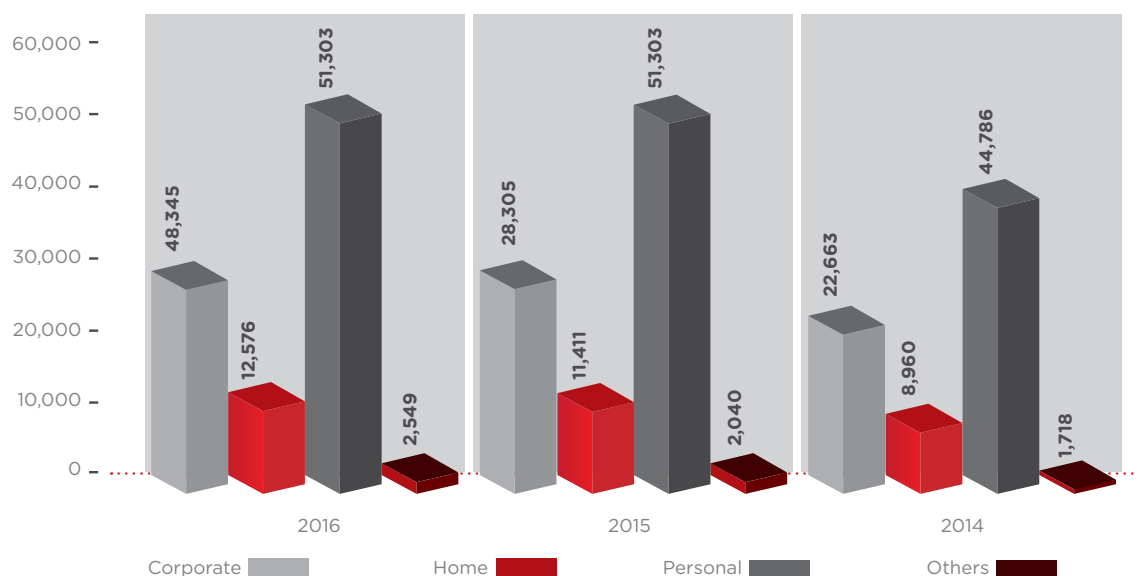
Segment Revenues



Further, the largest business expense per operating segment was in personal segment in the amount of Rp51,303 billion or 44.7%, from the total business expense of Telkom Group (before elimination). The second and third largest business expense per operating segment are in the amount of Rp48,345 billion or 42.1% for corporate segment and Rp12,576 billion or 11.0% for home segment respectively. The smallest business expense per operating segment was recorded on other segment with the amount of Rp2,549 billion or 2.2% of the total business expense in 2016.

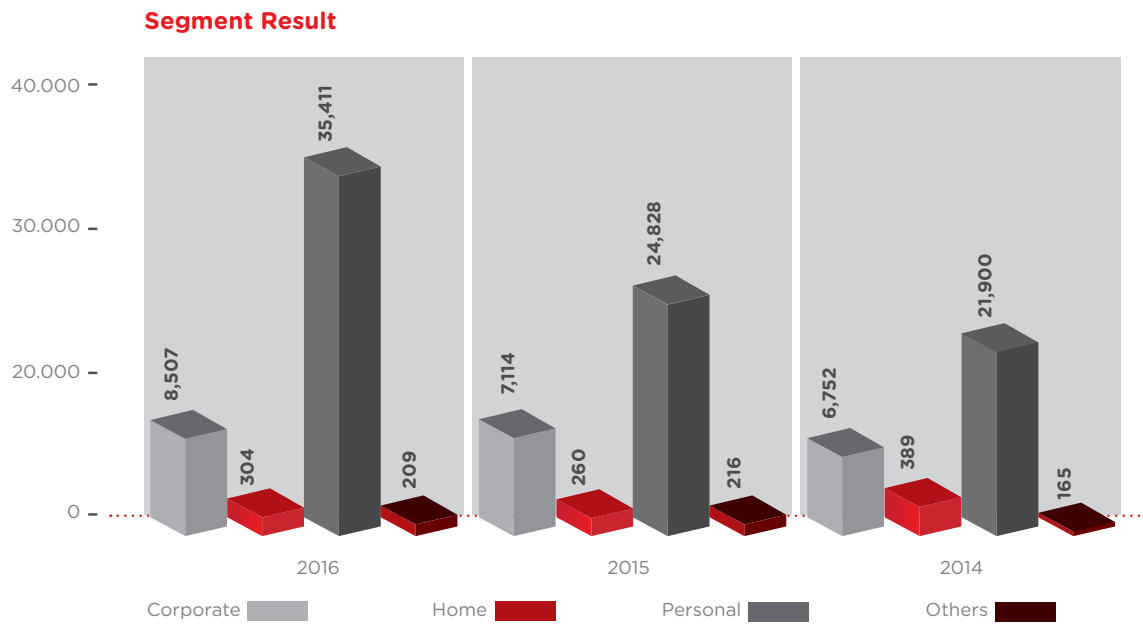
Below is the business expense per Telkom Group's operating segment from 2014-2016 presented in graphic form.

Segment Expenses



With the revenue and business expense per operating segment as stated, the largest contribution of segment result per Telkom Group's segment in 2016 was recorded from personal segment which was in the amount of Rp35,411 billion or 79.7%, from the total segment result (before elimination) in the amount of Rp44,431 billion. The second largest contribution was from corporate segment in the amount of Rp8,507 billion or 19.1% and the third one is from home segment in the amount of Rp304 billion or 0.7%. Other segment gave the smallest contribution in the amount of Rp209 billion or 0.5% from the total segment result in 2016.

Segment result per Telkom Group's operating segment is presented below.



CORPORATE SEGMENT

In corporate segment, we serve customers for business portfolio through:

1. Wholesale and International under CFU WIB
2. Network Infrastructure under CFU WIB
3. Enterprise Digital under CFU Enterprise

Telkom Group's business activities for portfolio of wholesale telecommunication services, which consist of interconnection and network services, hubbing, data center and telecommunication solutions.

Meanwhile our international business portfolio operated by our subsidiary Telin that already have point of presence

in 10 countries. Some of its services are facilities-based operator, mobile virtual network operator ("MVNO"), wholesale voice, wholesale data, business process outsourcing, and point of presence maintenance.

Further, from the aspect of fiber optic cable network infrastructures, Telkom Group has added fiber network in the length of 24,770 km domestic and internationally in 2016. With such addition, total fiber optic cable backbone has reached the total of 106,000 km.

In 2016 Telkom Group has also strengthened other infrastructures such as the development of Telkom-3S satellite, tower business expansion, the addition of data center capacity.

Telkom Group Infrastructure Table 2014 - 2016

Infrastructure Type	Unit	Value
Global and Domestic Submarine Cable		
A. Global Submarine Cable		
DMCS (Dumai-Malacca Cable System)	km	160
BSCS (Batam-Singapore Cable System)	km	70
SEA-ME-WE 5 (South East Asia-Middle East-Western Europe 5)	km	20,000
B. Domestic Submarine Cable		
SMPCS (Sulawesi Maluku Papua Cable System)	km	8,770
Nasional backbone	km	40,200
Regional Backbone	km	36,800
Data center facility	sqm	95,000
Metro ethernet network capacity	Gbps	126,284
Internet gateway capacity	Gbps	1,100
CDN (content distribution network) capacity	Gbps	1,590

Some services on business portfolio under CFU Enterprise including, provision of information & communication technology (ICT) platform and smart enabler platform, connectivity services, satellite and access that give an end to end solution. For corporate customers, in 2016 we served 2.524 Gbps bandwidth in service.

In Indonesia, the enterprise segment still has good growth opportunities. Potential growth came from higher demand from the corporations for integrated ICT services. ICT services are also increasingly required by the SMEs which are huge and most have not been enjoying good ICT services.

Meanwhile, Telkom's infrastructure is also very strategically integrated to support the business growth for both cellular and mobile, in addition to part of its capacity can be leased to other operators.



Table of Service Performance for Corporate segment of Telkom Group in 2014-2016

Description	Unit	Quantity		
		2016	2015	2014
Satellite-transponder	MHz	6,801	4,648	3,560
Leased Channel	Mbps	146,831	99,827	88,257
DataComm	Mbps	764,397	1,907,012	930,327
Corporate Internet	Mbps	1,750,617	146,843	93,368
Fixed Wireline (voice)	million subscribers	1,6	1,5	1,5
Fixed Broad-band	million subscribers	0,5	0,4	0,4

Table of Operational Performance for Corporate segment of Telkom Group in 2014-2016

Operational Results	Growth in 2016-2015 (%)	Year Ended December 31,		
		2016	2015	2014
		(Rp miliar)		
Revenue	60.5	56,852	35,419	29,415
Expenses	70.8	48,345	28,305	22,663
Segment Result	19.6	8,507	7,114	6,752

Year ended December 31, 2016 compared to year ended December 31, 2015.

Our corporate segment revenues increased by Rp21,433 billion, or 60.5%, from Rp35,419 billion in 2015 to Rp56,852 billion in 2016. The increase was primarily due to an increases in:

- Other revenues by Rp16,397 billion, or 186.7%, due to an increase e-payment revenues by Rp8,572 billion or 2,817.2%, manage services revenues by Rp5,556 billion, or 616.7%, manage device others revenues by Rp656 billion or 100.0%, health facilities and services revenues by Rp222 billion or 2,579.5%, technical assistance service revenues by Rp201 billion or 218.1%, CPE revenues by Rp581 billion or 665.0%, call center services by Rp402 billion or 19.6%, e-health revenues by Rp23 billion or 13.0%, power supply lease revenues by Rp191 billion or 74.6%. This increase was offset due to a decrease in directory assistance revenues by Rp9 billion or 2.3%;

- Data and internet revenues by Rp3,630 billion, or 37.0%, due to an increase in data communication others revenues by Rp991 billion or 72.8%, data communication IT service revenues by Rp1,339 billion or 71.1%, data communication VPN and ethernet revenues by Rp272 billion or 9.0%, e-business revenues by Rp346 billion or 85.4%, Astinet revenues by Rp339 billion or 44.4% and data access internet revenues by Rp304 billion or 13.3%;
- Network revenues by Rp1,499 billion, or 17.6%, as a result of increases in leased line revenues by Rp1,203 billion, or 20.9% and transponder revenues by Rp295 billion or 10.7%.

The revenues increase was offset by a decrease in interconnection revenues by Rp155 billion or 2.5% due to a decrease in internasional interconnection revenues by Rp536 billion or 11.6% and increase of domestic interconnection revenues by Rp381 billion or 22.0%.

Our corporate segment expenses increased by Rp20,040 billion, or 70.8%, from Rp28,305 billion in 2015 to Rp48,345 billion in 2016, primarily due to an increases in:

- Operation, maintenance and telecommunication services expenses by Rp17,168 billion, or 121.1% as a result of increases in cooperation expenses by Rp9,480 billion or 262.1%, operation and maintenance (O&M) expenses by Rp6,651 billion, or 126.6%, cost of IT services expenses by Rp960 billion, or 108.8% and electricity cost by Rp54 billion or 9.3%;
- Personnel expenses by Rp1,420 billion, or 34.6%, due to an increase in personnel expenses by Rp500 billion or 70.7%, net periodic pension cost by Rp399 billion or 361.7%, benefit expenses by Rp395 billion or 37.3% and bonuses expenses increased by Rp121 billion, or 16.4%;
- Depreciation expenses by Rp1,440 billion or 53.2% due to depreciation of transmission, satellite and other equipment.

Year ended December 31, 2015 compared to year ended December 31, 2014.

Our corporate segment revenues have increased by Rp6,004 billion, or 20.4%, from Rp29,415 billion in 2014 to Rp35,419 billion in 2015. The increase was primarily due to an increases in:

- Network revenues by Rp4,284 billion, or 101.2%, as a result of an increase in leased line revenues by Rp4,144 billion, or 309.9%, an increase in transponder revenue by Rp252 billion or 10.1% and was offset by a decrease in international leased line by Rp119 billion or 85.1%.
- Data and internet revenues by Rp939 billion, or 10.5%, due to an increase in data communication others revenues by Rp1,037 billion, or 318.4% and was offset by a decrease in high speed internet by Rp86 billion or 8.6%.

- Interconnection revenues by Rp565 billion, or 11.1%, due to an increase in international IDD OLO revenues by Rp360 billion, or 35.5% and an increase in international IDD incoming revenues by Rp354 billion, or 16.0%. The increased was offset by a decrease of long distance cellular revenues by Rp89 billion or 2.2% and other local revenues by Rp68 billion or 29.9%.
- Others telecommunications revenues by Rp418 billion, or 5.7%, due to an increase in call center services revenues by Rp591 billion, or 40.4% and was offset by a decrease in CPE and terminal by Rp225 billion or 24.3%.

The increase was offset by a decrease in fixed wireline revenues by Rp212 billion or 5.6% due to decreased on local usage by Rp117 billion or 24.5%, long distance usage by Rp53 billion or 12.3% and IDD 007 usage by Rp22 billion or 16.9%.

Our corporate segment expenses increased by Rp5,642 billion, or 24.9%, from Rp22,663 billion in 2014 to Rp28,305 billion in 2015, primarily due to an increase in:

- Operation, maintenance and telecommunication services expenses by Rp3,467 billion, or 32.2% as a result of an increase in operation and maintenance (O&M) expenses by Rp1,210 billion, or 57.9%, including an increase in cooperation expenses by Rp771 billion, or 27.2%, leased lines and CPE expenses by Rp716 billion, or 61.7%, cost of IT services by Rp525 billion, or 146.8%, O&M supporting facilities by Rp130 billion or 36.0%, transportation by Rp65 billion or 7.3% and O&M land and building by Rp46 billion or 14.4%.
- Interconnection expenses by Rp779 billion, or 19.4%, as a result of an increase in international IDD007 interconnection expenses by Rp530 billion, or 28.1% and Telkom Global international interconnection expenses by Rp258 billion, or 95.8%.
- Employee expenses by Rp534 billion, or 14.9%, due to an increase in early retirement program expenses by Rp246 billion or 100.0%, bonuses expenses by Rp179 billion, or 31.7% and personnel expense by Rp101 billion or 16.7%.
- Others expenses by Rp886 billion, or 293.5%, due to penalty and commitment charge by Rp460 billion, income tax expenses by Rp117 billion, or 25,415.4%, others non-operating expenses by Rp265 billion, or 127.3%, and tax expense by Rp33 billion or 82.9%.
- Marketing expense by Rp49 billion or 6.7% due to an increase in advertising and promotion by Rp43 billion or 10.2%.

HOME SEGMENT

In home segment, we serve the residential customers through:

1. Fixed Services under CFU Consumer
2. Consumer Digital under CFU Consumer and CFU Digital Service

Our fixed service portfolio consists of the service of fixed voice and fixed broadband. IndiHome program which gives the package for all services within one package in a competitive price that consists of broadband internet, residential telephone and interactive TV service.

On top of that we are continuously developing interesting programs, such as upgrading the internet connection speed and offering unlimited call for cellular phone in a fixed price, wifi.id service, add-on service for customers to enjoy unlimited internet access in all access points in Indonesian Wi-Fi across Indonesia.

The business portfolio of digital consumer especially media and edutainment service to the customers, covers the service of e-commerce, video/TV service (such as IPTV and over the top ("OTT") TV), and digital-based mobile service with four categories namely: digital lifestyle (such as game, music and mobile digital life service), Digital banking and advertising (such as mobile banking and location-based ads), Machine to machine (such as T-Drive, T-Bike), and mobile financial service (such as T-Cash, T-Wallet)

Telkom Group also strengthened the infrastructure for home segment through the improvement of the capacity for the exchange of fixed wireline become 15.7 million connections, and access point of Wi-Fi to become 362,200 spots.



Telkom Group Infrastructure Table 2014 - 2016

Infrastructure Type	Unit	Year		
		2016	2015	2014
Exchange capacity of fixed wireline	Line	15.738.802	14.946.076	13.946.801
Wi-fi access point	spot	362.200	321.736	177.514

In an effort to revitalize our fixed line business, in early 2015 we launched IndiHome, a fiber based fixed broadband which is a triple play services consist of home telephone, high-speed internet and IPTV. At the end of 2016, total IndiHome customer reached 1.6 million subscribers. So our total fixed broadband subscribers, including non IndiHome, reached 3.9 million subscribers, increased 8.3% from 3.6 million subscribers at the end of 2015. As for the subscribers for fixed wireline subscribers (voice) reach 9.1 million by the end of 2016, or an increase of 3.8% from 8.7 million in 2015.

We make a lot of effort to migrate fixed wireline (voice) and non IndiHome fixed broadband subscribers, to be IndiHome customers in order to enjoy a better customer experience. To further enhance the attractiveness of IndiHome, we continued to enrich the content, among which by cooperating with world-class video streaming providers, music streaming provider and games developers. We have also increased our stake in PT Melon Indonesia, music streaming provider that has more than 5 million song catalog, to 100% from 51% previously.

Telkom believes the prospect of IndiHome. In the future, the need for high quality fixed broadband services will increase along with the growing middle class segment in Indonesia. Moreover, the penetration of fixed broadband services in Indonesia is still relatively low at less than 10%. The high potential of fixed broadband business has also attracted some fixed broadband providers to compete, especially in big cities.

Table of Service Performance for Home Segment of Telkom Group in 2014-2016

Description	Unit	Quantity		
		2016	2015	2014
Fixed Wireline (voice)	million subscribers	9.1	8.7	8.2
Fixed Broadband (IndiHome)	million subscribers	3.9	3.6	3.0

Table of Operational Performance for Home Segment of Telkom Group in 2014-2016

Operational Result	Growth in 2016-2015 (%)	Year Ended December 31,		
		2016	2015	2014
Rp (billion)				
Revenues	10.4	12,880	11,671	9,349
Expenses	10.2	12,576	11,411	8,960
Operating Profit	16.9	304	260	389

Year ended December 31, 2016 compared to year ended December 31, 2015.

Our home segment revenues increased by Rp1,209 billion, or 10.4%, from Rp11,671 billion in 2015 to Rp12,880 billion in 2016 mainly due to an increases in:

- Other revenues by Rp926 billion, or 51.5%, primarily due to an increase in CPE revenues by Rp930 billion or 53.5% and offset by decrease in other telecommunication service revenues by Rp4 billion or 78.0%;
- Data and internet revenues by Rp163 billion, or 2.9%, as a result of an increase in Pay TV revenues by Rp591 billion, or 141.8%, in line with the increase in the IndiHome subscribers 8.3% from 3.6 million as of December 31, 2015 to 3.9 million as of December 31, 2016. This increase partially offset by decrease in data communication others revenues by Rp451 billion, or 38.2%.

The increase was partially offset by a decrease in fixed wireline revenues by Rp74 billion or 1.7% due to decrease in usage;

Our home segment expenses increased by Rp1,165 billion, or 10.2% from Rp11,411 billion in 2015 to Rp12,576 billion in 2016. This increase primarily due to an increases in:

- Operation, maintenance and telecommunication services expenses by Rp1,187 billion, or 27.1%, due to an increase in cooperation expenses by Rp566 billion, or 79.7%, leased lines and CPE expenses by Rp376 billion, or 71.2%, operation and maintenance expenses by Rp102 billion or 39.1% and call center expense by Rp134 billion or 157.9%;
- Marketing expenses by Rp145 billion or 25.4% due to increase in advertising and promotion by Rp114 billion or 32.5%.

The increases were partially offset by a decrease in personnel expenses by Rp186 billion or 4.9% due to a decrease in early retirement program expenses by Rp154 billion or 46.9% and post retirement health care by Rp49 billion or 39.7%.

Year ended December 31, 2015 compared to year ended December 31, 2014.

Our home segment revenues increase by Rp2,322 billion, or 24.8%, from Rp9,349 billion in 2014 to Rp11,671 billion in 2015 mainly due to an increase in:

- Data and internet revenues by Rp1,361 billion, or 32.3%, as a result of an increase in others data communication by Rp722 billion, or 26.3%, Pay TV revenues by Rp341 billion, or 451.7%, in line with the achievement of the IndiHome subscribers by 1 million subscribers, an increase in high speed internet revenues by Rp150 billion, or 4.0% and high speed internet monthly subscription by Rp52 billion or 408.7%.
- Others telecommunication revenues by Rp1,118 billion or 164.6% primarily due to an increase in Customer Premise Equipment (CPE) and terminal sale and leased revenues by Rp1,185 billion or 214.1%

The increase was offset by a decrease in other revenue by Rp49 billion or 21.9% and fixed wireline revenue by Rp25 billion or 0.6%.

Our home segment expenses increased by Rp2,451 billion, or 27.4% from Rp8,960 billion in 2014 to Rp11,411 billion in 2015. This increase primarily due to an increase in:

- Operation, maintenance expenses by Rp1,932 billion, or 79.2%, due to an increase in terminal/handset expenses by Rp1,071 billion, or 258.4%, increased in cooperation expenses by Rp552 billion, or 349.6%, an increase in leased lines and CPE expenses by Rp403 billion, or 322.2%. This increase was offset by a decrease in insurance expense by Rp40 billion or 33.4% and vehicle rent by Rp30 billion or 30.7%.
- Employee expenses by Rp508 billion, or 15.4%, due to early retirement program expenses by Rp328 billion or 100.0%, an increase in bonuses expenses by Rp231 billion, or 35.1%, an increase in net periodic post-retirement healthcare benefits by Rp81 billion or 192.1%. This increase was offset by a decrease in net periodic pension costs by Rp156 billion or 51.2%.
- Other expense by Rp606 billion or 1,444.9% due to an increase in penalty and commitment charge by Rp364 billion or 100.0% and others non-operating expenses by Rp243 billion or 1,151.1%.

The increased were offset by a decrease in:

- General administrative expense by Rp291 billion or 19.7% due to a decrease in provision for impairment of receivables by Rp160 billion or 35.1% and training, education and recruitment by Rp119 billion or 46.4%.
- Depreciation and amortization expenses by Rp291 billion, or 19.4%.

Testimony IndiHome Customer



Febry Meuthia
Blogger

I become customers indihome since February 2016. And all my needs are met. Fast internet, UseeTV indulgent audience and fixed phone with the best connection quality.

Amenities TV on demand, playback and record are my favorite, because I can watch favorite shows anytime so I will not missed my favorite athletes on sports channel.

Furthermore the additional services such as Movin, Iflix, CACTHPLAY and HOOQ, those are about "all you could ask" for these OTT services. IndiHome is certainly the best!

PERSONAL SEGMENT

We serve individual customers in our personal segment through mobile business portfolio under CFU mobile.

Portfolio of mobile or cellular products consists of the service of mobile voice, SMS as well as mobile broadband with GSM technology through Telkomsel and it becomes the largest contributor to the consolidated revenue in 2016.

Market brand mobile for postpaid customers is kartuHalo, meanwhile our prepaid customers in the approximate amount of 98% of total mobile customers, named *simPATI*, Kartu As and Loop. Our mobile broadband service under the name of Telkomsel Flash, is supported by the technology of LTE/HSDPA/3G/EDGE/GPRS.

To support our mobile customers, we had 129,033 BTS as infrastructure, which consists of 78,698 BTS 3G/4G. Especially for 4G LTE services we have 6,362 BTS in 169 cities.

Service performance in personal segment was conducted well during 2016. This can be seen from the growth of total customers of mobile in the amount of 13.9% in 2015 to 173.9 million, consisting of 4.2 million postpaid customers and 169.7 million prepaid customers. Further, until December 31, 2016, we have 60 million customers for mobile broadband (TelkomselFlash) compared to 43.8 million in December 31, 2015. The growth in mobile broadband subscribers has driven mobile data traffic to grow by 94.8% to 958.7 petabytes.

We also enrich the content to further enhance the customer experience of our mobile customers, including by working with video streaming providers, music streaming providers and games developers.

Although SIM card penetration has been relatively high, but we believe that the growth potential of the mobile industry will remain good, mainly driven by digital businesses, in line with the increasingly widespread use of smartphones. Smartphone penetration is still relatively low in Indonesia of less than 50%, but is growing rapidly supported by the lower handset price. The more variety of content and applications, in particular video based ones, will encourage more data consumption.

Table of Service Performance for Personal Segment of Telkom Group in 2014-2016

Keterangan	Unit	Quantity		
		2016	2015	2014
Cellular	million subscribers	173.9	152.6	140.6
Mobile Broadband	million subscribers	60.0	43.8	31.2

Table of Operational Performance for Personal Segment of Telkom Group in 2014-2016

Operating Result	Growth in 2016-2015 (%)	Year Ended December 31,		
		2016	2015	2014
Rp (billion)				
Revenues	13.9	86,714	76,131	66,686
Expenses	0.0	51,303	51,303	44,786
Operating Profit	42.6	35,411	24,828	21,900

Year ended December 31, 2016 compared to year ended December 31, 2015.

Our personal segment revenues increased by Rp10,583 billion, or 13.9% from Rp76,131 billion in 2015 to Rp86,714 billion in 2016, mainly due to an increase in:

- Data and internet revenues by Rp9,416 billion, or 27.1%, due to an increase in cellular data communication revenues by Rp8,548 billion, or 43.8%, in line with the increase in Telkomsel Flash subscribers 37.1% from 43.8 million as of December 31, 2015 to 60.0 million as of December 31, 2016. SMS revenues increased by Rp868 billion, or 5.8% as a result of cluster based pricing implementation;
- Cellular revenues by Rp1,263 billion, or 3.4%, due to an increase in cellular monthly subscription by Rp1,369 billion, or 13.9%, in line with increased cellular subscribers by 13.9% to 173.9 million in 2016. The increase partially offset by decrease international usage by Rp120 billion, or 20.9%.

The increase was partially offset by a decrease in fixed wireless revenues by Rp101 billion or 109.0% because of Flexi termination.

Our personal segment expenses stagnant in Rp51,303 billion in 2016. The expenses were primarily due to the increases in:

- Operation, maintenance and telecommunication services expenses by Rp1,255 billion, or 5.0%, due to the increase in radio frequency usage charges by Rp1,129 billion or 28.3% and leased line and CPE expenses by Rp85 billion or 5.0%;



- Marketing expenses by Rp728 billion, or 26.4%, mainly due to an increase in advertising and promotion by Rp609 billion, or 27.0% and customer education and press release by Rp119 billion or 24.1%;
- Personnel expenses by Rp505 billion, or 13.2%, primarily due to an increase in personnel expenses and employee benefit by Rp285 billion or 19.4%, net periodic pension Rp132 billion or 262.7% and bonuses expenses by Rp60 billion, or 5.6%.

These increase was partially offset by decrease in:

- Depreciation and amortization expenses by Rp1,982 billion, or 13.6%, primarily due to depreciation of transmission and switching equipment;
- General administration expenses by Rp174 billion or 121.9% due to a decrease in collection fee expenses by Rp277 billion or 63.7%, partially offset by provision for impairment of receivables by Rp73 billion or 49.0% and increased in social contribution by Rp27 billion or 55.2%;
- Other expenses by Rp244 billion or 121.9% due to decrease in non operating expenses.

Year ended December 31, 2015 compared to year ended December 31, 2014.

Our personal segment revenues increased by Rp9,445 billion, or 14.2% from Rp66,686 billion in 2014 to Rp76,131 billion in 2015, mainly due to the an increase in:

- Data and internet revenues by Rp7,083 billion, or 25.7% due to an increase in communication data cellular by Rp6,015 billion, or 44.5% in line with an increase in Telkomsel Flash subscribers by 40.3% from 31.2 billion in 2014 to 43,8 billion in 2015, an increase in payload data by 109.6% to 492.245 TB in 2015 and SMS revenue by Rp1,195 billion or 8.6% due to an accomplishment in cluster based pricing implementation. This increase was offset by a decrease in SMS fixed wireline by Rp100 billion or 97.0%.
- Cellular revenues by Rp3,088 billion or 9.1% due to an increase in cellular commitment revenues by Rp2,083 billion or 28.3%, in line with an increase in cellular subscribers by 8.6% to 152.6 billion in 2015, cellular long-distance usage revenues by Rp658 billion or 7.0% and cellular features revenue by Rp286 billion or 37.5%.

This increase was offset by a decrease in:

- Fixed wireless revenues by Rp437 billion, or 82.5% due to Flexi service termination, local used by Rp119 billion or 71.9%, long distance usage by Rp266 billion, or 89.4% and monthly subscription by Rp49 billion or 78.1%
- Other revenues by Rp110 billion or 50% due to a decrease in non operational revenues.

Our personal segment expenses increased by Rp Rp6.517 billion, or 14,6% from Rp44.786 billion in 2014 to Rp51.303 billion in 2015, primarily due to an increases in:

- Operation and maintenance (O&M) expenses by Rp4,540 billion, or 21.9% due to an increase in manage capacity service by Rp1,686 million or 100.0%, O&M power supply expenses by Rp906 billion or 43.8% in line with BTS Telkomsel growth by 20,9% to 103,289 units in 2015, O&M transportation expenses by Rp749 billion or 16.2%, O&M radio base station by Rp1,024 billion or 24% dan leased expenses by Rp210 billion or 23.2%.
- Depreciation and amortization expenses by Rp2,460 billion, or 12.8% primarily due to an increase in transmission installation and equipment depreciation expenses by Rp1,771 billion or 21.8%, amortization by Rp226 billion or 67.3%, leased assets depreciation by Rp216 billion or 34.1%, building depreciation by Rp20 billion or 76.6%, cable network depreciation by Rp55 billion or 103.9%, switching depreciation by Rp13 billion or 1.1%, leasehold depreciation by Rp17 billion or 34.5% dan vehicle depreciation by Rp3 billion or 11.4%.
- Employee expenses by Rp1,091 billion or 39.9% due to an increase in bonuses expenses by Rp497 billion or 87.2%, employees' income tax expenses by Rp200 billion or 44.6%, early retirement expenses by Rp216 billion or 100% and long service award by Rp190 billion or 165.5%.

This increase were offset by a decrease in:

- Interconnection expenses by Rp1,481 billion or 31.3% due to a depreciation in Blackberry collaboration expenses by Rp1,078 billion or 69% in line with a decrease in Blackberry subscribers by 31.7% to 4,0 million subscribers in 2015 and a decrease in cellular IDD interconnection expenses by Rp331 billion or 54.1%.
- General and administration expenses by Rp66 billion or 4.1% due to a decrease in collection expenses by Rp270 billion or 38.3%, and was offset by an increase in professional fees by Rp118 million or 98.7%, training, education, and recruitment by Rp28 billion or 40.6%, social contribution by Rp22 billion or 83.6%, and receivable by Rp15 billion or 11.3%.
- Foreign exchange loss by Rp55 billion or 53.5%.

OTHER SEGMENT

In other segment, Telkom Group through Telkom Property provides the services for building management and its facilities, including the lease of office buildings, hotel development, of commercial buildings leases and transportation management.

In this segment, the Company is leveraging its property assets, such as land and buildings which are not optimally utilized, to be developed into office buildings, business buildings, hotels, and other profitable investments. These lands are the result of the implementation of the network transformation made by Telkom in the past several years. The property can be used by Telkom Group or cooperated with third parties through our subsidiary, Telkom Property. With the right business model, these assets are expected to provide greater benefits for the Company in the future.

A major projects that has been built is Telkom Smart Office tower with 20 floors which is occupied by Telkomsel, and we are in the stage of development of other office tower with 52 floors which will be the new Telkom headquarters and is planned for completion in 2017.

Table of Operational Performance for Other Segments of Telkom Group In 2014-2016

Operational Result	Growth in 2016-2015 (%)	Year Ended December 31.		
		2016	2015	2014
		(Rp billion)		
Revenue	22.3	2,758	2,256	1,883
Expense	25.0	2,549	2,040	1,718
Operating Profit	(3.2)	209	216	165

Year ended December 31, 2016 compared to year ended December 31, 2015.

Our other segment revenues increased by Rp502 billion, or 22.3%, from Rp2,256 billion in 2015 to Rp2,758 billion in 2016 mainly due to an increase in other revenues by Rp502 billion or 22.3%. This increase were contributed by lease building and hotel revenues by Rp140 billion, or 10.7% and project management service, property development and retail revenues by Rp362 billion, or 38.2%.

Our other segment expenses increased by Rp509 billion, or 25.0%, from Rp2,040 billion in 2015 to Rp2,549 billion in 2016 mainly due to an increases in:

- Operation, maintenance and telecommunication service expense by Rp402 billion, or 23.3%, due to an increase in project management expenses by Rp311 billion, or 268.2%, and in operation & maintenance other by Rp57 billion, or 61.1%.
- Depreciation expenses by Rp32 billion, or 34.8%, mainly due to an increase in depreciation of property.
- General and administration expense by Rp14 billion, or 22.7%, primarily due to an increase in provision for impairment of receivables by Rp6 billion, or 114.3% and remuneration expenses by Rp4 billion, or 12.8%.
- Personnel expenses by Rp19 billion, or 13.6%, due to an increase in personnel expenses, position, conjunctur and medical benefit.

Year ended December 31, 2015 compared to year ended December 31, 2014.

Our other segment revenues increased by Rp373 billion, or 19.8% from Rp1,883 billion in 2014 to Rp2,256 billion in 2015 mainly due to an increases in:

- Leased revenues by Rp225 billion or 20.8% due to an increase in building management revenues by Rp193 billion or 20.5% and building lease revenues by Rp28 billion or 22.6%
- Other revenues by Rp148 billion or 18.4% due to an increase in other revenues by Rp72 billion or 329.1%, transportation management service revenues by Rp50 billion or 40.1% and security service revenues by Rp44 billion or 13.6%. This increase was offset by a decrease in management project revenues by Rp30 billion or 13.7%.

Our other segment expenses increased by Rp322 billion, or 18.7%, from Rp1,718 billion in 2014 to Rp2,040 billion 2015 mainly due to an increases in:

- Operation and maintenance expenses by Rp246 billion or 16.7% due to an increase in collaboration with third parties by Rp112 billion or 71.7%, vehicle rent and supported facilities by Rp42 billion or 43.9%, electricity, gas, and water expenses by Rp44 billion or 6.8%, and security operational expenses by Rp44 billion or 15.7%.
- Depreciation and amortization expenses by Rp31 billion or 50.8% due to an increase in power supply depreciation expenses, vehicles depreciations, and building depreciations.
- General and administration expenses by Rp20 billion or 53.6% primarily due to an increase in provision for impairment of receivables by Rp5 billion or 2,793.9%, meeting expenses by Rp4 billion or 155.7%, professional fees expenses by Rp3 billion or 224.0%.
- Employees expenses by Rp16 billion or 12.9% due to an increase in outsourcing expenses by Rp6 billion, or 11.9%, bonuses expenses by Rp4 billion or 61.9%, pension expenses by Rp3 billion or 158.9%, incentives expenses by Rp2 billion or 20.8% and marketing expenses by Rp2 billion or 19.7% due to an increase in representative expenses.



Triple Double Digit Growth



Revenues

.....
Rp116,333
billion
.....

Increase by
13.5%

EBITDA

.....
Rp59,498
billion
.....

Increase by
15.7%

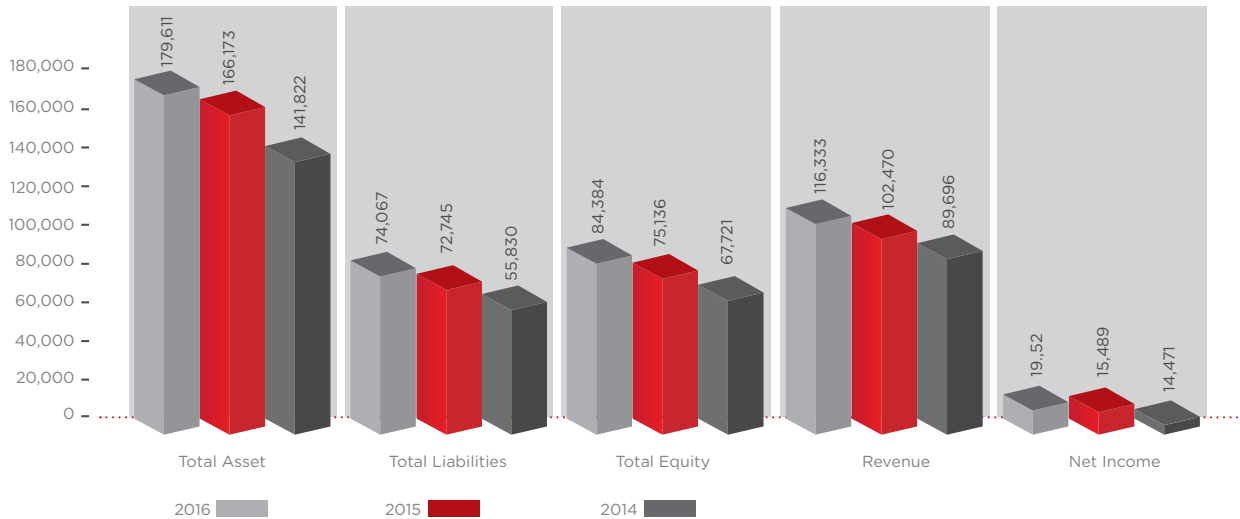
Net Income

.....
Rp19,352
billion
.....

Increase by
24.9%

FINANCIAL PERFORMANCE OVERVIEW

The year of 2016 was an encouraging year because Telkom had recorded a triple double digit growth performance, they were double digit growth for revenue, EBITDA and net income. Briefly, the growths of key financial performances of Telkom Indonesia the the last 5 (five) years are as follows:



Total assets were increased by 8.1% from Rp166,173 billion in 2015 to Rp179,611 billion in 2016, while revenues in 2016 were increased by 13.5% from in Rp102,470 billion in 2015 to Rp 116,333 billion in 2016. This drove an increase in net income in 2016 by Rp 3,863 billion, or 24.9%, from Rp15,489 billion in 2015 becoming Rp19,352 billion and EBITDA in 2016 amounted Rp59,498 billion, or increased 15.7% from previous year.

FINANCIAL POSITION OVERVIEW

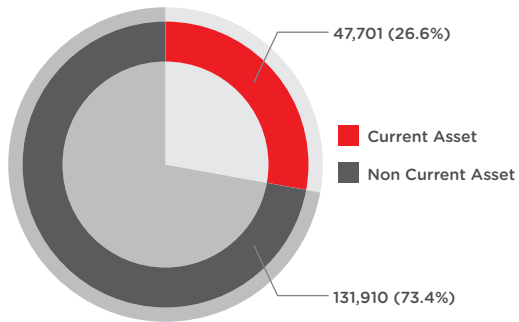
These tables show financial position of Telkom for three years, from 2014 to 2016.

Consolidated statements of financial position table	Pertumbuhan	Tahun-tahun yang berakhir 31 Desember			
	2016-2015	2016	2015	2014	
	(%)	(Rp miliar)	(US\$ juta)	(Rp miliar)	(Rp miliar)
Total Current Assets	(0.4)	47,701	3,541	47,912	34,294
Total Non-Current Assets	11.5	131,910	9,791	118,261	107,528
Total Assets	8.1	179,611	13,332	166,173	141,822
Total Current Liabilities	12.3	39,762	2,951	35,413	32,318
Total Non-Current Liabilities	(8.1)	34,305	2,546	37,332	23,512
Total Liabilities	1.8	74,067	5,498	72,745	55,830
Total Equity attributable to owners of the parent company	12.3	84,384	6,263	75,136	67,721

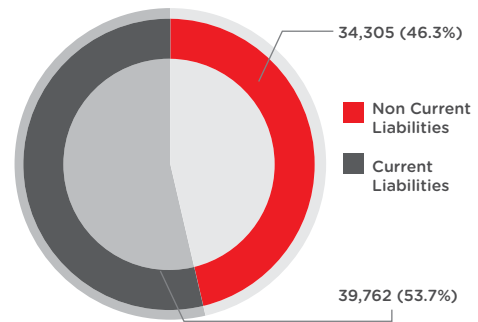
Financial Position Comparison

Composition of Assets and Liability during 2016, 2015 and 2014

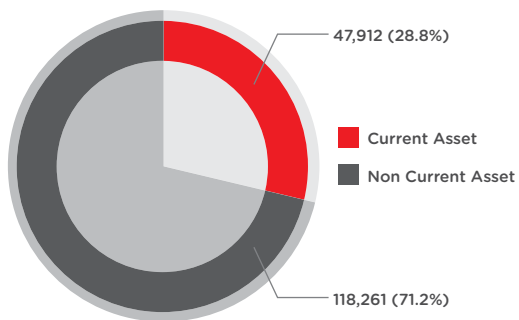
Composition of Asset 2016



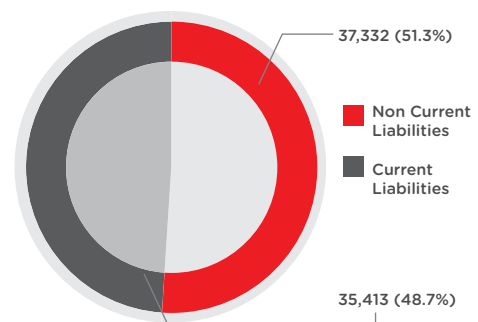
Composition of Liabilities 2016



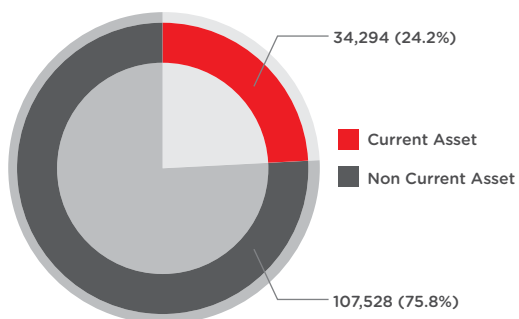
Composition of Asset 2015



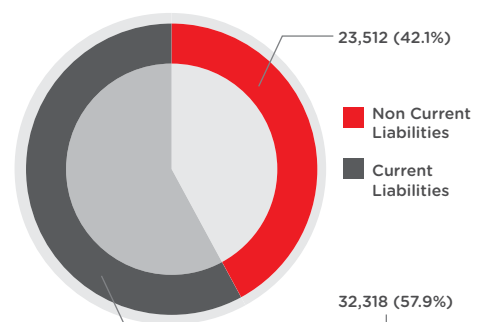
Composition of Liabilities 2015



Composition of Asset 2014



Composition of Liabilities 2014



As of December 31 2016 compared to as of December 31 2015

1. Assets

As of December 31, 2016, total assets of Telkom I shows an increase by 8.1% from Rp 166,173 billion in 2015 to Rp 179,611 billion (US\$13,332 million) in 2016.

a. Current Assets

As of December 31, 2016, our current assets were Rp47,701 billion (US\$3,541 million) compared to Rp47,912 billion as of December 31, 2015. The decrease in current assets were mainly due to:

- A decrease in other current financial assets by Rp1,347 billion, or 47.8% due to the withdrawal of escrow account related to the transfer of Flexi business;
- A decrease in our advances and prepaid expense by Rp593 billion, or 10.2%;
- A decrease in prepaid tax amounted to Rp534 billion, or 20.0%;
- A decrease in receivable by Rp154 billion, or 2.0% due to a decrease in related party receivable.

These decreases were offset by:

- An increase in our cash and cash equivalents Rp1,650 billion, or 5.9% due to an increase in cash receipt from operational activities;
- An increase in tax restitution by Rp526 billion, or 797.0% related to income tax restitution for Telkom's subsidiaries;
- An increase in receivable by Rp182 billion, or 51.3%;

b. Non Current Assets

As of December 31 2016, our non current assets were Rp131,910 billion (US\$9,791 million) and Rp118,261 billion as of December 31, 2015.

The increases in non current assets were mainly due to:

- An increase in fixed asset by Rp10,798 billion or 10.4% related to addition of fixed assets of Telkom primarily related to access infrastructure and backbone installation and addition of fixed assets of Telkomsel primarily related to access radio network;
- An increase in our advanced and other non-current asset of Rp3,342 billion, or 40.9% related to an increase in down payment for Telkom 3S and Telkom 4 satellite purchases, restitution claim VAT of subsidiaries and prepaid taxes of overpaid VAT of Telkom;
- An increase in deferred tax assets Rp568 billion, or 282.6%;

This increase was offset by decrease in prepaid pension benefit costs amounted to Rp1,132 billion, or 85.1% due to an increase in defined benefit obligation by Rp2,344 billion or 14% due to a change in actuarial assumption related to a decrease in discount rate by 1% from 9% in 2015 to 8% in 2016. Meanwhile, fair value of pension assets increase by Rp1,212 billion or 6.8% due to actual benefit from investment by Rp2,601 billion and was offset by benefit paid by Rp1,432 billion.

2. Liabilities

As of December 31, 2016, total liabilities increase by 1.8% from Rp72,745 billion in 2015 to Rp74,067 billion (US\$ 5,498 million) in 2016.

a. Current Liabilities

As of December 31, 2016, our current liabilities were Rp39,762 billion (US\$ 2,951 million) compared to Rp35,413 billion as of December 31, 2015.

The increases in current liabilities were primarily due to:

- An increase in accrued expenses by Rp3,036 billion, or 36.8% in line with operating, maintenance and telecommunication service as well as an increase in expenses by 12%. This increase was related significantly with operational and maintenance expenses of Telkomsel Tower in line with an increase in tower leased addition in 2016 significantly. In addition, it was also due to an increase in employee benefit expenses of Telkom and Telkomsel Rp720 billion and Rp284 billion respectively, especially related to an increase in incentives;
- An increase in unearned revenues amounted to Rp1,203 billion, or 27.6% related to prepaid pulse reload voucher;
- An increase in current maturities on long-term liabilities Rp679 billion, or 17.7%;
- An increase in short-term bank loan Rp309 billion, or 51.3%;

These increases were offset by:

- A decrease in trade payable by Rp476 billion, or 3.4% due to a decrease in trade payables to related party;
- A decrease in tax payable by Rp319 billion, or 9.7%;
- A decrease in other debts by Rp118 billion, or 40.7%.

b. Non Current Liabilities

As of December 31, 2016, our non current liabilities were Rp34,305 billion (US\$ 2,546 million) compare to Rp37,332 billion as of December 31, 2015. The decrease in non current liabilities was primarily due to:

- A decrease in bank loans amounted to Rp3,505 billion, or 22.7% due to a decrease of bank debt of Telkomsel by Rp4,172 billion and was offset by an increase in bank debt of Dayamitra by Rp1,079 billion;
- A decrease in deferred amounted to Rp1,365 billion, or 64.7% due to a decrease in deferred tax liabilities of Telkom and Telkomsel by Rp459 billion and Rp950 billion respectively. The decrease of Telkomsel was related to assets transfer of flexi business (CBTA);
- A decrease in obligations under finance leases amounted to Rp587 billion, or 14.9%;
- A decrease in two-step loans amounted to Rp229 billion, or 17.7%;
- A decrease in bond and notes by Rp177 billion, or 1.9%.

This increase was offset by:

- An increase in pension and other post-employment benefits amounted to Rp1,955 billion, or 46.9% due to an increase in define benefit obligation by Rp2,415 billion or 22% due to a change in actuarial assumption related to a decrease in discount rate by 0.75% from 9.25% in 2015 to 8.5% in 2016 resulting in actuarial loss by Rp1,735 billion. Meanwhile, fair value of pension assets increase by Rp941 billion or 8.6% due to an increase in stock fair value and mutual fund by Rp403 billion and Rp473 billion respectively;
- Other lending of Dayamitra by Rp697 billion;
- An increase in long service awards amounted to Rp112 billion, or 22.4%.

3. Equity

Total equity increase by Rp12,116 billion, or 12.9%, from Rp93,428 billion as of December 31, 2015 to Rp105,544 billion (US\$7,834 million) as of December 31, 2016. The increase of equity was primarily due to:

- An increase in additional paid-in capital and a decreased in treasury stock due to sale of treasury stock in 2016 by Rp3,300 for 864 million shares in the price of Rp3,820/share (full value) while the price of treasury stock was Rp1,263 billion;
- An increase in retained earnings by Rp6,158 billion or 8.7% due to total comprehensive income for the year attributable to parent company by Rp17,331 billion reduced by dividend by Rp11,213 billion;
- An increase in non-controlling interest edpenses due to the addition of net comprehensive income attributable to non-controlling owner by Rp9,820 billion reduced by dividend by Rp7,058 billion.

As of December 31, 2015 compared to as of December 31, 2014**1. Assets**

As of December 31, 2015, total assets increase by 17.2% from Rp141,822 billion in 2014 to Rp166,173 billion in 2015.

a. Current Assets

As of December 31, 2015, our current assets were Rp47,912 billion compare to Rp34,294 billion as of December 31, 2014. The increase in current assets was mainly due to:

- An increase in our cash and cash equivalents Rp10,445 billion, or 59.1% in time deposit,
- An increase in prepaid tax amount Rp1,782 billion, or 200.2% due to tax incentive policy,
- An increase in our advances and prepaid expenses Rp1,106 billion, or 23.4%, and
- An increase in our trade receivables by Rp520 billion, or 7.4%.

This increased was offset by decreased in tax restitution amounted to Rp225 billion, or 77.3%.



b. Non Current Assets

As of December 31, 2015 our non current assets were Rp118,261 billion and Rp107,528 billion as of December 31, 2014.

This increase was due to:

- An increase in property, plant and equipment-net accumulated depreciation by Rp8,891 billion, or 9.4%,
- An increase in our advanced and other non-current asset of Rp942 billion, or 13.0%, and
- An increase in intangible assets-net accumulated amortization by Rp593 billion or 24.1%.

2. Liabilities

As of December 31, 2015, total liabilities increase by 30.3% from Rp55,830 billion in 2014 to Rp72,745 billion in 2015.

a. Current Liabilities

As of December 31, 2015, our current liabilities were Rp35,413 billion compared to Rp32,318 billion as of December 31, 2014.

This increase was primarily due to:

- An increase of Rp3,036 billion, or 58.3%, in accrued expenses, related to early termination of Flexi Tower provision,
- An increase of Rp1,632 billion or 13.2%, in trade payable, and
- An increase of Rp897 billion, or 37.8%, in tax payable.

This increase was partially offset by

- A decrease in current maturities on long-term liabilities Rp2,057 billion, or 34.9%;
- A decrease in short-term bank loan Rp1,208 billion, or 66.7%.

b. Non Current Liabilities

As of December 31, 2015, our non current liabilities were Rp37,332 billion and Rp23,512 billion as of December 31, 2014 which was primarily due to:

- An increase in bank loans of Rp7,556, or 95.9%, primarily contributed by medium-term loans of Telkomsel amounted to Rp5,061 billion:
- An increase in bond and notes Rp7,260 billion, or 324.3% related to Telkom bond issued in 2015.

3. Equity

Total equity increased by Rp7,436 billion, or 8.6%, from Rp85,992 billion as of December 31, 2014 to Rp93,428 billion as of December 31, 2015. The increase of equity was primarily the result of total comprehensive income for the year attributable of Rp23,948 billion as of December 31, 2015. Retained earning increased to Rp7,220 billion, or 11.4% and total equity attributable to owner of the parent company increased by Rp7,415 billion, or 10.9%, from Rp67,721 billion as of December 31, 2014 to Rp75,136 billion as of December 31, 2015.

PROFIT AND LOSS OVERVIEW

This table shows Telkom Comprehensive Profit from 2014 until 2016, each item is presented in percentage of total income or expense:

Table of Comprehensive Income	Growth 2015 - 2014 (%)	Years ended December 31,						
		2016		2015		2014		
		(Rp billion)	(US\$ million)	%	(Rp billion)	%	(Rp billion)	%
Revenues	13.5	116,333	8,635	100.0	102,470	100.0	89,696	100.0
Telephone Revenues	2.0	46,039	3,417	39.6	45,118	44.0	42,725	47.6
Cellular	3.3	38,497	2,857	33.1	37,285	36.3	34,290	38.2
Usage charges	3.8	38,238	2,838	32.9	36,853	35.9	33,723	37.6
Monthly subscription charges	(40.0)	259	19	0.2	432	0.4	567	0.6
Fixed Line	(3.7)	7,542	561	6.5	7,833	7.7	8,435	9.4
Usage charges	(17.0)	3,847	286	3.3	4,635	4.5	5,347	6.0
Monthly subscription charges	17.4	3,311	246	2.8	2,821	2.8	2,697	3.0
Call center	5.5	290	22	0.2	275	0.3	290	0.3
Others	(7.9)	94	7	0.1	102	0.1	101	0.1
Interconnection Revenues	(3.2)	4,151	308	3.6	4,290	4.2	4,708	5.2
Data, Internet and Information Technology Revenues	23.3	58,971	4,377	50.6	47,820	46.6	37,808	42.2
Cellular internet and data	43.9	28,308	2,101	24.3	19,665	19.2	13,563	15.1
Short Messaging Service (SMS)	5.6	15,980	1,186	13.7	15,132	14.8	14,034	15.6
Internet, data communication and information technology services	6.2	13,073	970	11.2	12,307	12.1	9,987	11.1
Pay TV	166.1	1,546	115	1.3	581	0.4	96	0.1
Others	(52.5)	64	5	0.1	135	0.1	128	0.1
Network Revenues	17.3	1,444	107	1.2	1,231	1.2	1,280	1.4
Other Telecommunications Revenues	42.8	5,728	425	4.9	4,011	4.0	3,175	3.5
Sales of handset	(1.7)	1,490	111	1.3	1,516	1.5	582	0.6
Tower leased	1.6	733	54	0.6	721	0.7	700	0.8
Call center service	1.5	678	50	0.6	668	0.7	446	0.5
E-payment	236.8	424	31	0.4	126	0.1	74	0.1
E-Health	116.0	415	31	0.4	192	0.2	165	0.2
CPE and terminal	(13.3)	192	14	0.1	221	0.2	61	0.1
Others	216.8	1,796	134	1.5	567	0.6	1,147	1.3
Expenses	8.9	77,888	5,781	100.0	71,552	100.0	61,564	100.0
Depreciation and Amortization Ex- penses	0.0	18,532	1,376	23.8	18,534	25.9	17,131	27.8
Operations, Maintenance and Telecommunication Services Expenses	11.2	31,263	2,320	40.1	28,116	39.2	22,288	36.2
Operations and Maintenance	12.7	17,047	1,265	21.9	15,129	21.1	11,512	18.7
Radio frequency usage charges	1.7	3,687	274	4.8	3,626	5.1	3,207	5.2
Leased lines and CPE	34.8	2,578	191	3.3	1,913	2.7	1,073	1.7
Concession fees and Universal Service Obligation (USO) charges	(0.6)	2,217	165	2.8	2,230	3.1	1,818	3.0
Cost of information technology service	77.2	1,563	116	2.0	882	1.2	357	0.6
Cost of handset sold	(0.8)	1,481	110	1.9	1,493	2.1	421	0.7
Electricity, gas and water	(5.3)	960	71	1.2	1,014	1.4	1,180	1.9



Table of Comprehensive Income	Growth 2015 - 2014 (%)	Years ended December 31,						
		2016		2015		2014		
		(Rp billion)	(US\$ million)	%	(Rp billion)	%	(Rp billion)	%
Cost of SIM cards and vouchers	40.6	624	46	0.8	444	0.6	610	1.0
Vehicles rental and supporting facilities	24.0	367	27	0.5	296	0.4	272	0.4
Tower Rent	(50.2)	322	24	0.4	646	0.9	1,065	1.7
Insurance	(17.9)	256	19	0.3	312	0.4	335	0.5
Others	22.9	161	13	0.2	131	0.2	438	0.7
Personnel Expenses	14.6	13,612	1,010	17.5	11,874	16.7	9,787	15.9
Salaries and related benefits	25.3	7,122	529	9.2	5,684	7.9	5,076	8.2
Vacation pay, incentives and other benefits	(7.8)	4,219	312	5.4	4,575	6.4	3,504	5.7
Pension benefit cost	147.3	1,068	79	1.4	432	0.6	654	1.1
Early Retirement Program	(8.0)	628	47	0.8	683	1.0	-	-
LSA Expense	56.0	237	18	0.3	152	0.2	115	0.2
Post employment health care benefits cost	(24.7)	163	12	0.1	216	0.3	248	0.4
Other Employee benefit	54.7	82	6	0.1	53	0.1	56	0.1
Other Post Employee benefit	2.1	48	4	0.1	47	0.1	48	0.1
Others	40.6	45	3	0.1	32	0.0	86	0.1
Interconnection Expenses	(10.3)	3,218	239	4.1	3,586	5.0	4,893	7.9
Marketing Expenses	26.2	4,132	307	5.3	3,275	4.6	3,092	5.0
General and Administrative Expenses	9.7	4,610	342	5.9	4,204	5.8	3,963	6.4
General and Administrative Expenses	57.6	1,626	121	2.1	1,032	1.4	967	1.6
Provision for impairment of receivables	(26.4)	743	55	1.0	1,010	1.4	784	1.3
Training, education and recruitment	1.4	399	30	0.5	393	0.5	528	0.9
Collection expenses	(58.7)	152	11	0.2	368	0.5	369	0.6
Travelling	25.8	436	32	0.6	347	0.5	355	0.6
Professional fees	40.2	594	44	0.8	424	0.6	266	0.4
Meeting	27.2	207	15	0.3	163	0.2	162	0.3
Social contribution	15.6	134	10	0.2	116	0.2	96	0.2
Others	(9.3)	319	24	0.4	351	0.5	436	0.7
Other expenses	28.4	2,521	187	3.2	1,963	2.8	410	0.7
Lost on foreign exchange-net	13.0	52	4	0.1	46	0.1	14	0.0
Other expenses	28.8	2,469	183	3.2	1,917	2.7	396	0.6
Other Income	(50.0)	750	56		1,500		1,074	
Operating Profit	20.9	39,195	2,909		32,418		29,206	
Finance Income	22.0	1,716	127		1,407		1,238	
Finance Costs	13.3	(2,810)	(209)		(2,481)		(1,814)	
Share of loss of associated companies	4500.0	88	7		(2)		(17)	
Profit Before Income Tax	21.8	38,189	2,835		31,342		28,613	
Income Tax (Expense) Benefit	12.4	(9,017)	(669)		(8,025)		(7,339)	
Profit for the Year	25.1	29,172	2,165		23,317		21,274	
Other comprehensive income (expenses) - net	(432.7)	(2,099)	(156)		631		767	

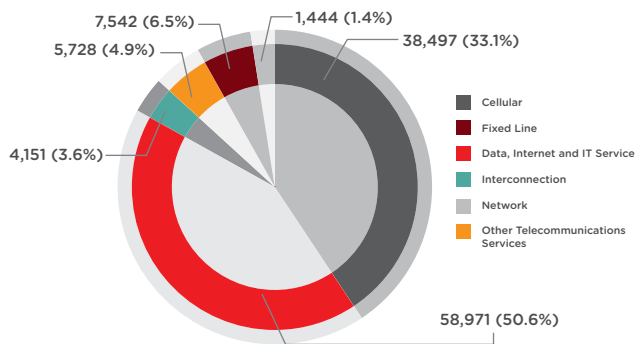
Table of Comprehensive Income	Growth 2015 - 2014 (%)	Years ended December 31,					
		2016		2015		2014	
		(Rp billion)	(US\$ million)	%	(Rp billion)	%	(Rp billion)
Net comprehensive income for the year	13.0	27,073	2,009		23,948		22,041
Profit for the year attributable to owners of the parent company	24.9	19,352	1,436		15,489		14,471
Profit for the year attributable to non-controlling interest	25.5	9,820	729		7,828		6,803
Net comprehensive income for the year attributable to owners of the parent company	7.4	17,331	1,286		16,130		15,296
Net comprehensive income for the year attributable to non-controlling interest	24.6	9,742	723		7,818		6,745



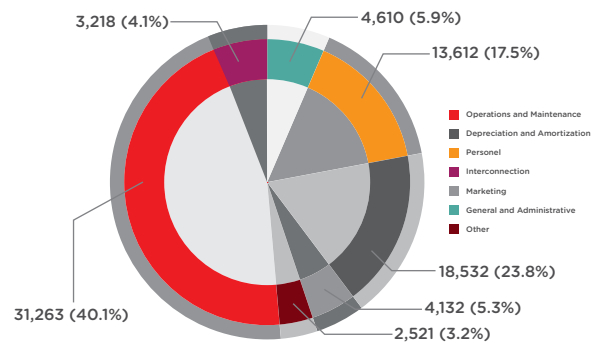
Profit and Loss Comparison

Composition of Revenues and Composition of Expenses in 2016, 2015, and 2014

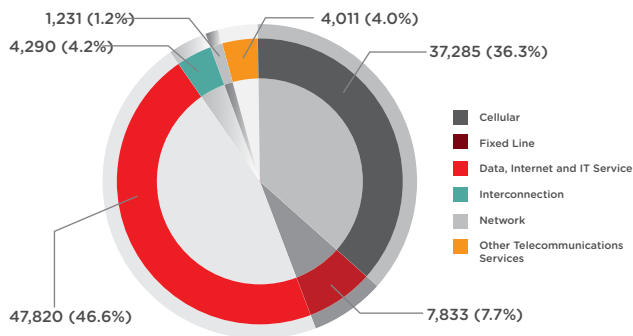
Composition of Revenues 2016



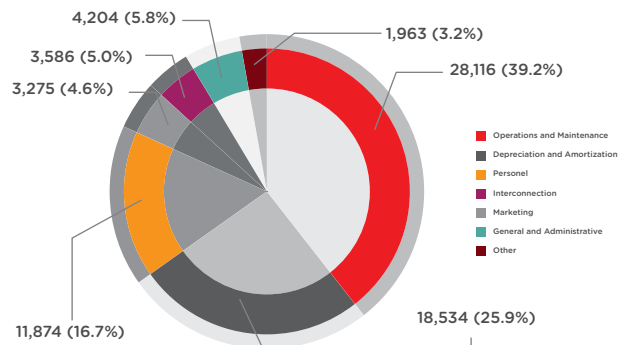
Composition of Expenses 2016



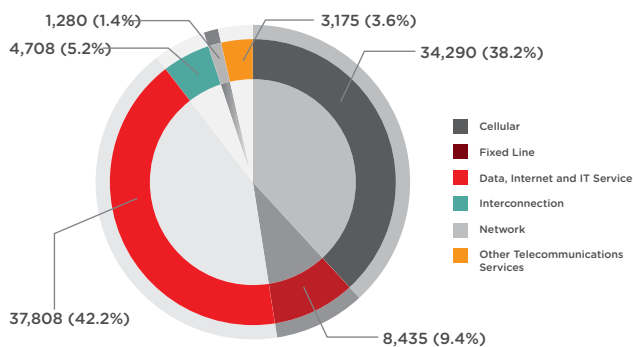
Composition of Revenues 2015



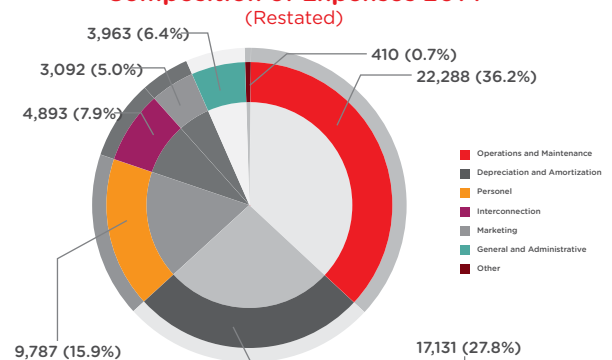
Composition of Expenses 2015



Composition of Revenues 2014



Composition of Expenses 2014



Year ended December 31, 2016 compared to year ended December 31, 2015

1. Revenues

Total revenues increased by Rp13,863 billion, or 13.5%, from Rp102,470 billion in 2015 to Rp116,333 billion (US\$8,635 million) in 2016. The increase in revenues in 2016 was due to the increase in data internet and information technology service revenues and cellular telephone revenues, and to a lesser extent others telecommunication services revenues.

a. Cellular Telephone Revenues

Cellular telephone revenues contributes 33.1% of our consolidated income as of 31 December 2016. Cellular telephone revenues increase by Rp1,212 billion, or 3.3%, from Rp37,285 billion in 2015 to Rp38,497 billion (US\$2,857 million) in 2016. This increase was due to an increase in usage charges by Rp1,385 billion or 3.8% due to an increase in Telkomsel subscribers from 152.6 million to 173.9 million.

This increase was offset by an decrease in monthly subscription charges by Rp173 billion, or 40.0%.

b. Fixed Lines Revenues

Fixed lines revenues decreased by Rp291 billion, or 3.7%, from Rp7,833 billion in 2015 to Rp7,542 billion (US\$561 million) in 2016. The decrease in fixed lines revenues was primarily due to decrease in usage charges by Rp788 billion, or 17.0% from Rp4,635 billion in 2015 to Rp3,847 billion in 2016.

This decrease was due to an increase in monthly subscription amounted to Rp490 billion, or 17.4% due to the success of IndiHome Triple Play bundling program implementation.

c. Data, Internet and Information Technology Services Revenues

Our data, internet and information technology service revenues contributed 50.6% of our consolidated revenues as of December 31, 2016, compared to 46.6% as of December 31, 2015. The increase of data, internet and information technology service revenues amounted to Rp11,151 billion, or 23.3%, from Rp47,820 billion in 2015 to Rp58,971 billion (US\$4,377 million) in 2016 was due to:

- An increase in data cellular and internet revenues by Rp8.643 billion, or 43.9% due to a growth in mobile broadband usage from 43.8 million subscribers in 2015 to 60 million subscribers in 2016 related to high adoption of smartphone (3G/4G);

- An increase in Pay TV income by Rp965 billion, or 166.1% due to an increased in UseeTV subscribers;
- An increase in SMS Revenues increased by Rp848 billion, or 5.6%, driven from successful implementation of cluster-based pricing;
- An increase in communication internet revenue by Rp766 billion, or 6.2% related to an increased of Fixed Broadband subscribers growth from 4.0 million to 4.3 million, which include IndiHome subscribers.

This increase was offset by decrease in other data and internet revenues by Rp71 billion, or 52.5% from Rp135 billion in 2015 to Rp64 billion in 2016.

Data, internet and information technology services revenues, excluding SMS revenues, grew by 31.5% or Rp10,303 billion, mainly driven by healthy growth in mobile broadband. This revenues contributed 37.0% of total revenues in 2016, increased compared to contribution in 2015 of 31.9%.

d. Interconnection Revenues

Interconnection revenues comprised interconnection revenues from our fixed line network and interconnection revenues from Telkomsel's mobile cellular network. Including incoming international long-distance revenues from our IDD service (TIC-007).

Interconnection revenues decreased by Rp139 billion, or 3.2% from Rp4,290 billion in 2015 to Rp4,151 billion (US\$308 million) in 2016.

e. Network Revenues

Network revenues increased by Rp213 billion, or 17.3%, from Rp1,231 billion in 2015 to Rp1,444 billion (US\$107 million) in 2016 primarily due to a decrease in leased line amounted and an increase in number of leased transponder satellite from 4,648 million MHz to 6,801 million MHz.

f. Other Telecommunications Services Revenues

In 2016, revenues from other telecommunications service increased by Rp1,717 billion, or 42.8%, from Rp4,011 billion in 2015 to Rp5,728 billion (US\$425 million) in 2016. The increase was primarily due to:

- An increase in other revenues by Rp1,229 billion, or 216.8% due to an increase in e-payment and manage service revenues;
- An increase in e-payment revenues by Rp298 billion or 236.8%;
- An increase in e-health by Rp223 billion, or 116.0%.

g. Other Income

Other income decreased by Rp750 billion, from Rp1,500 billion in 2015 to Rp750 billion (US\$56 million) in 2016.

2. Expenses

Total expenses increased by Rp6,336 billion, or 8.9%, from Rp71,552 billion in 2015 to Rp77,888 billion (US\$5,781 million) in 2016.

a. Operations, Maintenance and Telecommunication Service Expenses

Operations, maintenance and telecommunication service expenses contributed 40.1% from the total of company's expenses. Operations, maintenance and telecommunication service expenses increased by Rp3,147 billion, or 11.2%, from Rp28,116 billion in 2015 to Rp31,263 billion (US\$2,320 million) in 2016. This increase was primarily attributable to the following:

- An increase in operations, maintenance and telecommunication service expenses by Rp1,918 billion, or 12.7%, due to an increase of expenses in line with network maintenance to improve our cellular and IndiHome business performance;
- An increase in leased lines and CPE amounted Rp665 billion, or 34.8% used for operational and maintenance of leased lines;
- An increase in informatics technology services expenses by Rp681 billion, or 77.2%;
- An increase in SIM card sales expenses and voucher by Rp180 billion, or 40.6%;

This increase was offset by a decrease in tower leased amounted to Rp324 billion, or 50.2%;

b. Depreciation and Amortization Expenses

Depreciation and amortization expenses decreased by Rp2 billion, or 0%, from Rp18,534 billion in 2015 to Rp18,532 billion (US\$1,376 million) in 2016.

c. Personnel Expenses

Personnel expenses contributed 17.5% from our total expenses. This expense increases by Rp1,738 billion, or 14.6%, from Rp11,874 billion in 2015 to Rp13,612 billion (US\$1,010 million) in 2016. This increase was driven by:

- An increase in employees' salary expenses amounted to Rp1,438 billion, or 25.3%;
- An increase in net periodic pension costs amounted to Rp636 billion, or 147.3%;

This increase was offset by:

- A decrease in employees incentives expenses amounted Rp356 billion, or 7.8%;

d. Interconnection Expense

Interconnection expense decreased by Rp368 billion, or 10.3%, from Rp3,586 billion in 2015 to Rp3,218 billion (US\$239 million) in 2016 in line with decrease in interconnection revenues.

e. Marketing Expense

Marketing expenses increased by Rp857 billion, or 26.2%, from Rp3,275 billion in 2015 to Rp4,132 billion (US\$307 million) in 2016. This increase was primarily due to an increased promotion of 4G LTE and IndiHome Triple Play.

f. General and Administrative Expenses

General and administrative expenses increased by Rp406 billion, or 9.7%, from Rp4,204 billion in 2015 to Rp4,610 billion (US\$342 million) in 2016 primarily due to:

- An increase in general and administrative expenses amounted to Rp594 billion, or 57.6%;
- An increase in professional service expenses amounted to Rp170 billion, or 40.2%;

This increase was offset by:

- A decrease in provision for doubtful impairment of receivables by Rp267 billion, or 26.4%;
- A decrease in collection expenses amounted to Rp216 billion, or 58.7%.

g. Gain (loss) on Foreign Exchange - net

Loss on foreign exchange - net increased by Rp6 billion, from Rp46 billion in 2015 to Rp52 billion (US\$4 million) in 2016.

h. Other Expenses

Other expenses increased by Rp552 billion, from Rp1,917 billion in 2015 to Rp2,469 billion (US\$183 million) in 2016.

3. Operating Profit and Operating Profit Margin

As a result of the foregoing, operating profit increased by Rp6,777 billion, or 20.9%, from Rp32,418 billion in 2015 to Rp39,195 billion (US\$2,909 million) in 2016. Operating profit margin increased from 31.6% in 2015 to 33.7% in 2016.

4. Profit before Income Tax and Pre-Tax Margin

As a result of the foregoing, profit before income tax increased by Rp6,847 billion, or 21.8%, from Rp31,342 billion in 2015 to Rp38,189 billion (US\$2,835 million) in 2016. Pre-tax margin increased from 30.6% in 2015 to 32.8% in 2016.

5. Income Tax Expense

Income tax expense increased by Rp992 billion, or 12.4%, from Rp8,025 billion in 2015 to Rp9,017 billion (US\$669 million) in 2016, following the increase in profit before income tax.

6. Other Comprehensive Income

In 2016, other comprehensive income amounted to Rp2,099 billion (US\$156 million) due to an actuarial losses amounted to Rp2.058 billion. In the previous year, Telkom recorded other comprehensive income in the amount of Rp631 billion.

7. Profit for the Year Attributable to Owners of the Parent Company

Profit for the year attributable to owners of the parent company increased by Rp3,863 billion, or 24.9%, from Rp15,489 billion in 2015 to Rp19,352 billion in 2016.

8. Profit for the Year Attributable to Non-controlling Interest

Profit for the year attributable to non-controlling interest increased by Rp1,992 billion, or 25.5%, from Rp7,828 billion in 2015 to Rp9,820 billion (US\$729 million) in 2016.

9. Net Comprehensive Income for the Year

Net Comprehensive income for the year increased by Rp3,125 billion, or 13.0%, from Rp23,948 billion in 2015 to Rp27,073 billion (US\$2,009 million) in 2016.

10. Net Income per Share

Net income per share increased by Rp38, or 24.3%, from Rp157.77 in 2015 to Rp196.19 in 2016.

Year ended December 31, 2015 compared to year ended December 31, 2014.

1. Revenues

Total revenues increased by Rp12,774 billion, or 14.2%, from Rp89,696 billion in 2014 to Rp102,470 billion in 2015. The increase in revenues in 2015 was due to the increase in data, internet and information technology service revenues, cellular telephone revenues, and others telecommunication services revenues.

a. Cellular Telephone Revenues

Cellular telephone revenues contributed 36.4% of our consolidated revenue for the year ended December 31, 2015. This revenues increased by Rp2,995 billion, or 8.7%, from Rp34,290 billion in 2014 to Rp37,825 billion in 2015 due to an increase in usage charges increased by Rp3,130 billion, or 9.3%, from Rp33,723 billion in 2014 to Rp36,853 billion in 2015 due to an increase in both our prepaid and postpaid subscriber

This increase was offset by a decreased of monthly subscription charges by Rp135 billion, or 23.8%, from Rp567 billion in 2014 to Rp432 billion in 2015.

b. Fixed Lines Revenues

Fixed lines revenues decreased by Rp602 billion, or 7.1%, from Rp8,435 billion in 2014 to Rp7,833 billion in 2015. The decrease in fixed lines revenues was due to decrease in usage charges of Rp712 billion, or 13.3%, due to a decrease in local and domestic long distance usage. The decrease mainly contributed by Flexi termination.

The decreased was offset by an increase in monthly subscription amounted to Rp124 billion, or 4.6%.

c. Data, Internet and Information Technology Services Revenues

Our data, internet and information technology service revenues contributed 46.7% of our consolidated revenues as of December 31, 2015, compared to 42.2% for the year ended December 31, 2014. This revenues increased by Rp10,012 billion, or 26.5%, from Rp37,808 billion in 2014 to Rp47,820 billion in 2015 due to:



- An increase in revenue of data cellular internet by Rp6,102 billion, or 45.0% due to a growth in mobile broadband usage from 31.2 million subscribers in 2014 to 43.8 million subscribers in 2015 related to high adoption of smartphone (3G/4G);
- An increase in revenues of communication internet by Rp2,320 billion, or 23.2%, which was driven by an increase in IndiHome subscribers;
- An increase in revenue of SMS by Rp1,098 billion, or 7.8% driven from successful implementation of cluster-based pricing .

d. Interconnection Revenues

Interconnection revenues comprised interconnection revenues from our fixed line network and interconnection revenues from Telkomsel's mobile cellular network, including international long-distance revenues from our IDD service (TIC-007).

Interconnection revenues decreased by Rp418 billion, or 8.9%, from Rp4,708 billion in 2014 to Rp4,290 billion in 2015 primarily due to a decrease in domestic interconnection by Rp632 billion, or 21.7%. This decrease was offset by an increase in international interconnection revenues by Rp214 billion, or 11.9%.

e. Network Revenues

Network revenues decreased by Rp49 billion, or 3.8%, from Rp1,280 billion in 2014 to Rp1,231 billion in 2015 primarily due to an decrease in our satellite transponder lease revenue by Rp158 billion, or 23.6%, from Rp670 billion in 2014 to Rp512 billion in 2015, and was partly offset primarily by an increase in leased line amounted to Rp109 billion, or 17.9%.

f. Other Telecommunications Services Revenues

In 2015, revenues from other telecommunications service increased by Rp836 billion, or 26.3%, from Rp3,175 billion in 2014 to Rp4,011 billion in 2015. The increase was primarily due to:

- An increase in handset sales by Rp934 billion, or 160.5%;
- An increase in call centre revenues by Rp222 billion, or 49.8%

This increase was offset by a decrease in other revenues by Rp429 billion, or 43.1%.

g. Other Income

Other income increased by Rp426 billion, from Rp1,074 billion in 2014 to Rp1,500 billion in 2015.

2. Expenses

Total expenses increased by Rp9,988 billion, or 16.2%, from Rp61,564 billion in 2014 to Rp71,552 billion in 2015. For further explanation as shown below:

a. Operations, Maintenance and Telecommunication Service Expenses

Operations, maintenance and telecommunication service expenses increased by Rp5,828 billion, or 26.1%, from Rp22,288 billion in 2014 to Rp28,116 billion in 2015 which was primarily attributable to the following:

- An increase in operations and maintenance increase by Rp3,617 billion, or 31.4%, due to an increase in expenses associated with network maintenance to improve our mobile cellular and IndiHome business performance;
- An increase in cost of handset sales increased by Rp1,072 billion, or 254.6% due to increase terminal bundling program;
- An increase in leased lines and CPE increased by Rp840 billion, or 78.3%, which was used for operation and maintenance of leased lines.

This increased were offset by

- A decreased in tower leased by Rp419 billion, or 39.3%;
- A decreased in other expenses by Rp307 billion, or 70.1%.

b. Depreciation and Amortization Expenses

Depreciation and amortization expenses increased by Rp1,403 billion, or 8.2%, from Rp17,131 billion in 2014 to Rp18,534 billion in 2015, primarily due to an increase in property, plan and equipment to improve our service to customers and accelerate fixed wireless business assets, fixed wireless assets has been fully depreciated amounted to Rp545 billion.

c. Personnel Expenses

Personnel expenses increased by Rp2,087 billion, or 21.3%, from Rp9,787 billion in 2014 to Rp11,874 billion in 2015, due to

- An increased in employees incentive expenses by Rp1,071 billion, or 30.6%, in line with company's performance;
- Expenses in early retirement program by Rp683 billion;
- An increased in salaries and related benefits by Rp608 billion, or 12.0%.

d. Interconnection Expense

Interconnection expense decreased by Rp1,307 billion, or 26.7%, from Rp4,893 billion in 2014 to Rp3,586 billion in 2015 primarily due to a decrease in domestic interconnection expense by Rp1,288 billion, or 35.4% and international interconnection expense by Rp19 billion, or 1.5% in result of inter operator discount tariff.

e. Marketing Expense

Marketing expenses increased by Rp183 billion, or 5.9%, from Rp3,092 billion in 2014 to Rp3,275 billion in 2015 due to an increase in advertising and promotion expenses by Rp142 billion, or 5.9%, due to promotion of 4G LTE and IndiHome Triple Play.

f. General and Administrative Expenses

General and administrative expenses increased by Rp241 billion, or 6.1%, from Rp3,963 billion in 2014 to Rp4,204 billion in 2015 primarily due to an increase in provision for doubtful impairment of receivables by Rp226 billion, or 28.8%.

g. Gain (loss) on Foreign Exchange - net

Loss on foreign exchange - net increased by Rp32 billion, from Rp14 billion in 2014 to Rp46 billion in 2015.

h. Other Expenses

Other expenses increased by Rp1,521 billion, from Rp396 billion in 2014 to Rp1,917 billion in 2015.

3. Operating Profit and Operating Profit Margin

As a result of the foregoing, operating profit increased by Rp3,212 billion, or 11.0%, from Rp29,206 billion in 2014 to Rp32,418 billion in 2015. Operating profit margin decreased from 32.6% in 2014 to 31.6% in 2015.

4. Profit before Income Tax and Pre-Tax Margin

As a result of the foregoing, profit before income tax increased by Rp2,729 billion, or 9.5%, from Rp28,613 billion in 2014 to Rp31,342 billion in 2015. Pre-tax margin decreased from 31.9% in 2014 to 30.6% in 2015.

5. Income Tax Expense

Income tax expense increased by Rp686 billion, or 9.3%, from Rp7,339 billion in 2014 to Rp8,025 billion in 2015, in line with the increase in profit before income tax.

6. Other Comprehensive Income

Other comprehensive income decreased by Rp136 billion, or 17.7%, from Rp767 billion in 2014 to Rp631 billion in 2015 was offset by a decrease in actuarial gain amounted Rp236 billion, or 31.8%.

7. Profit for the Year Attributable to Owners of the Parent Company

Profit for the year attributable to owners of the parent company increased by Rp1,018 billion, or 7.0%, from Rp14,471 billion in 2014 to Rp15,489 billion in 2015.

8. Profit for the Year Attributable to Non-controlling Interest

Profit for the year attributable to non-controlling interest increased by Rp1,025 billion, or 15.1%, from Rp6,803 billion in 2014 to Rp7,828 billion in 2015.

9. Net Comprehensive Income for the Year

Net Comprehensive income for the year increased by Rp1,907 billion, or 8.7%, from Rp22,041 billion in 2014 to Rp23,948 billion in 2015.

10. Net Income per Share

Net income per share increased by Rp9.64, or 6.5%, from Rp148.13 in 2014 to Rp157.77 in 2015.



CASHFLOW OVERVIEW

The following table presents the information in line with corporate's consolidated cash flow, similar with what have been expressed in Consolidated Financial Report

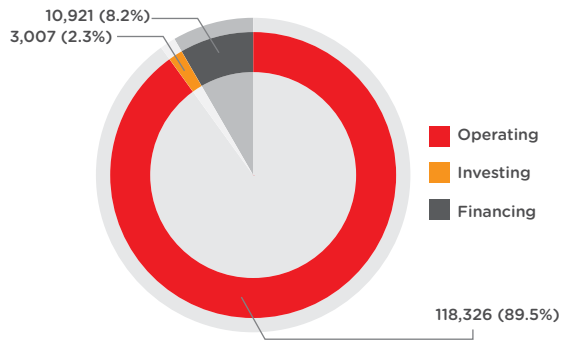
Cash Flow Table	Growth		As of Desember 31,		
	2016-2015	2016	2015	2014	
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Net Cash					
provided by operating activities	8.2	47,231	3,506	43,669	37,736
used in investing activities	0.5	(27,557)	(2,046)	(27,421)	(24,748)
used in financing activities	179.5	(17,905)	(1,329)	(6,407)	(10,083)
Net increase in cash and cash equivalents	(82.0)	1,769	131	9,841	2,905
Effect of exchange rate changes on cash and cash equivalents	(119.7)	(119)	(8)	604	71
Cash and cash equivalents at beginning of year	59.1	28,117	2,087	17,672	14,696
Cash and cash equivalents at end of year	5.9	29,767	2,210	28,117	17,672



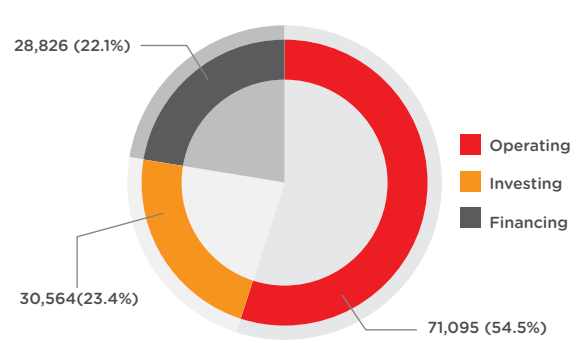
Cashflow Comparison

Composition of Cash Receipt and Cash Disbursement year in 2016, 2015 and 2014

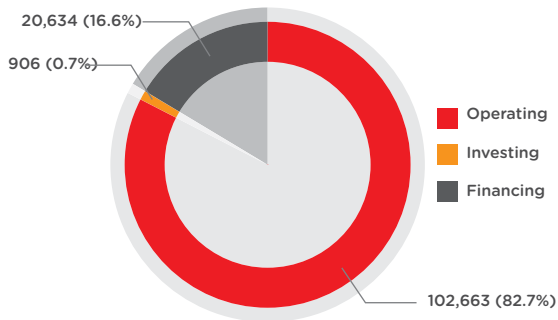
Composition of Cash Receipt 2016



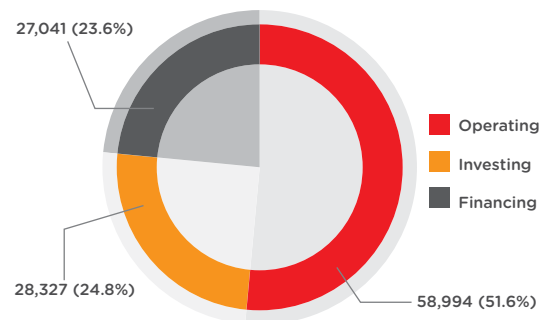
Composition of Cash Disbursement 2016



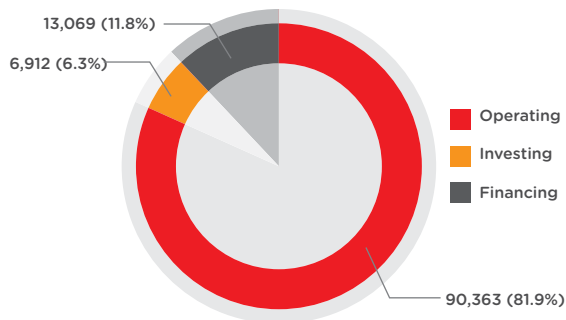
Composition of Cash Receipt 2015



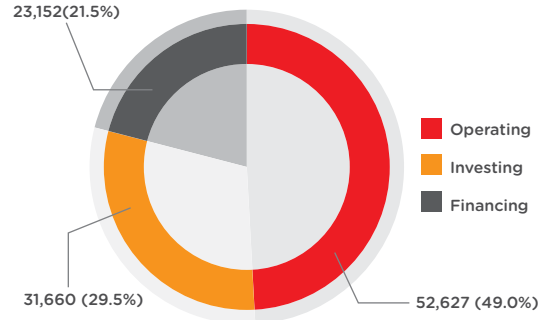
Composition of Cash Disbursement 2015



Composition of Cash Receipt 2014



Composition of Cash Disbursement 2014



Year ended December 31, 2016 compared to year ended December 31, 2015

As of December 31, 2016, total cash and cash equivalent amounted to Rp29,767 billion, increased by Rp1,650 billion, or 5.9% compared to 2015. Operating activity accounted for the largest cash receipts Rp118,326 billion, or 89.5%, followed by financing activity amounted to Rp10,921 billion, or 8.2% and investing activity amounted to Rp3,007 billion, or 2.3%. In total, cash receipts increased by Rp8,051 billion, or 6.5% compared to 2015.

The majority of cash used for operating activities amounted to Rp71,095 billion, or 54.5% investment activities amounted to Rp30,564 billion, or 23.4% and financing activities amounted to Rp28,826 billion, or 22.1%. Compared to 2015, cash disbursement increased by Rp16,123 billion, or 14.1%.

1. Cash Flows from Operating Activities

In 2016 net cash provided by operating activities was Rp47,231 billion (US\$ 3,506 million) compared to Rp43,669 billion in 2015.

Cash receipts from operating activities amounted to Rp118,326 billion, increased by Rp15,663 billion, or 15.3% compared to 2015. The cash receipts came from:

- Cash receipts from customers and other operator of Rp116,116 billion;
- Interest income received of Rp1,736 billion;
- Other cash receipts after netted with the other cash disbursement of Rp474 billion.

Cash disbursements from operating activities amounted to Rp71,095 billion, increased by Rp12,101 billion, or 20.5% compared to 2015. The cash disbursements were used for:

- Cash disbursements for expenses of Rp42,433 billion;
- Payment for corporate and final income taxes of Rp11,304 billion;
- Cash payments for employees of Rp11,207 billion;
- Payments for interest cost of Rp3,455 billion;
- Payment for value added taxes after netted with the receipt of claim for value added taxes of Rp2,696 billion;

2. Cash Flows from Investing Activities

Net cash flows used in investing activities in 2016 was Rp27,557 billion (US\$ 2,045 million) compared to Rp27,421 billion in 2015, an increase of Rp136 billion or 0.5%.

Cash receipts from investing activities amounted to Rp3,007 billion, increased by Rp2,101 billion, or 231.9% compared to 2015. The cash receipts came from:

- Proceeds from escrow accounts of Rp2,159 billion;
- Proceeds from sale of property and equipment of Rp765 billion;
- Proceeds from insurance claim of Rp 60 billion.
- Dividends received from associated entities of Rp23 billion.

Cash disbursements from investing activities amounted to Rp30,564 billion, increased by Rp2,237 billion, or 7.9% compared to 2015. Cash disbursements were used for:

- Purchases of property and equipment of Rp26,787 billion;
- Increases advances for purchases of property and equipment of Rp1,338 billion;
- Purchases of intangible assets of Rp1,098 billion;
- Placement in time deposits and available-for-sale financial assets of Rp983 billion;
- Acquisition of non-controlling interest in subsidiary of Rp138 billion;
- Acquisition of business, net of acquired cash of Rp137 billion;
- Additional contribution on long-term investments of Rp43 billion;
- Increase in other assets of Rp40 billion.

3. Cash Flows from Financing Activities

Net cash flows used in financing activities in 2016 was Rp17,905 billion (US\$ 1,329 million) compared to with Rp6,407 billion in 2015.

Cash receipts from financing activities amounted to Rp10,921 billion, which decreased by Rp9,713 billion, or 47.1% compared to 2015. The cash receipts came from:

- Proceeds from loans and other borrowings of Rp7,479 billion;
- Proceed from sale of treasury stock of Rp3,259 billion;
- Capital contribution of non-controlling interests in subsidiaries of Rp183 billion.

Cash disbursements from financing activities amounted to Rp28,826 billion, which increased by Rp1,785 billion, or 6.6% compared to 2015. The cash disbursements were used for:

- Cash dividends paid to the Company's stockholders and to non-controlling stockholders of subsidiaries of Rp11,213 billion, and Rp7,058 billion.
- Repayment of loans and other borrowings of Rp10,555 billion.

Year ended December 31, 2015 compared to year ended December 31, 2014

As of December 31, 2015, total cash and cash equivalent amounted to Rp28,117 billion, increased by Rp10,445 billion, or 59.1% compared to 2014.

In 2015, operating activity accounted for the largest cash receipts Rp102,663 billion, or 82.7%, followed by financing activity amounted to Rp20,634 billion, or 16.6% and investing activity amounted to Rp906 billion, or 0.7%. In total, cash receipts increase by Rp13,859 billion, or 12.6% compared to 2014.

The majority of cash used for operating activities amounted to Rp58,994 billion, or 51.6% investment activities amounted to Rp28,327 billion, or 24.8% and financing activities amounted to Rp27,041 billion, or 23.6%. Compared to 2014, cash disbursement increased by Rp6,923 billion, or 6.4%.

1. Cash Flows from Operating Activities

Net cash provided by operating activities in 2015 was Rp43,669 billion compared to Rp37,736 billion in 2014.

Cash receipts from operating activities amounted to Rp102,663 billion, increased by Rp12,300 billion, or 13.6% compared to 2014. The cash receipts came from:

- Cash receipts from customers and other operator of Rp100,702 billion;
- Interest income received of Rp1,386 billion.
- Other cash receipt after netted with other cash disbursement of Rp575 billion.

Cash disbursements from operating activities amounted to Rp58,994 billion, increased by Rp6,367 billion, or 12.1% compared to 2014. The cash disbursements were used for:

- Cash payments for expenses of Rp35,922 billion;
- Cash payments to employees of Rp10,940 billion;
- Payments for corporate and final income taxes of Rp9,299 billion.
- Payments for interest costs of Rp2,623 billion.
- Payments for value added taxes after netted with the receipt of claim for value added taxes of Rp210 billion.

2. Cash Flows from Investing Activities

Net cash flows used in investing activities in 2015 was Rp27,421 billion compared to Rp24,748 billion in 2014.

Cash receipts from investing activities amounted to Rp906 billion, decrease by Rp6,006 billion, or 86.9% compared to 2014. The cash receipts came from:

- Proceeds from sale of property and equipment of Rp733 billion;
- Claim for insurance of Rp119 billion;
- Decrease in other assets of Rp36 billion;
- Dividends received from associated company of Rp18 billion.

Cash disbursements from investing activities amounted to Rp28,327 billion, decrease by Rp3,333 billion, or 10.5% compared to 2014. The cash disbursements were used for:

- Purchases of property and equipment of Rp26,499 billion;
- Purchases of intangible assets of Rp1,439 billion;
- Placement of time deposit and available-for-sale financial assets of Rp146 billion;
- Acquisitions of business, net of acquired cash of Rp114 billion
- Increase in advances for purchases of property and equipment of Rp67 billion;
- Additional contribution on long-term investments of Rp62 billion

3. Cash Flows from Financing Activities

Net cash flows used in financing activities was Rp6,407 billion in 2015 compared to with Rp10,083 billion in 2014.

Cash receipts from financing activities amounted to Rp20,634 billion, which increased by Rp7,565 billion, or 57.9% compared to 2014. The cash receipts came from:

- Proceeds from long-term bank loans amounted to Rp10,698 billion;
- Proceed from short-term amounted to Rp2,558 billion;
- Proceed from obligation amounted to Rp6,985 billion;
- Proceed from sale of treasury stock amounted to Rp68 billion;
- capital contribution of non-controlling interests in subsidiaries of Rp5 billion

Cash disbursements from financing activities amounted to Rp27,041 billion, which increased by Rp3,889 billion, or 16.8% compared to 2014. The cash disbursements were used for:

- Cash dividen paid to the Company's stockholders and to non-controlling stockholders of subsidiaries amounted to Rp8,783 billion and Rp7,831 billion;
- Repayment two step and bank loan amounted Rp4,749 billion;
- Repayment of short-term amounted to Rp3,987 billion;
- Payment for bonds amounted to Rp1,005 billion.

SOLVENCY

Liquidity is key to short-term and long-term solvency. All liquidity ratios presented in these Statements show good ability of Telkom and its Subsidiary to pay their debts. In general, Telkom's liquidity in 2016 was better than its liquidity in 2015. This indicates that Telkom business group has good liquidity and the ability to meet its liabilities.

The sources of liquidity of Telkom and its subsidiary primarily come from the cash inflows and outflows from business operations, financing and investments. Please refer to section "Liquidity". For more details on the debts of Telkom and its Subsidiary, please see notes 16-20 to the Consolidated Financial Statements.

a. Short-term liabilities

Telkom and its subsidiary use and analyze short-term liquidity ratios to oversee the current asset adequacy to carry on the business and meet the current liabilities due. The short-term liquidity ratios of Telkom and its Subsidiary are presented in current ratio, quick ratio and cash ratio in the following table.

RATIO	2016	2015	2014
Current Ratio	120.0%	135.3%	106.1%
Quick Ratio	98.4%	133.8%	86.2%
Cash Ratio	78.6%	87.4%	63.3%

b. Long-term Liabilities

The long-term liquidity ratios serve as the measuring instrument for Telkom and its Subsidiary to analyze their ability to meet long-term liabilities. Three ratios are used, which are liability-to-equity ratio, liability-to-earnings ratio and earnings-to-interest-expense ratio as shown in the following table.

RATIO	2016	2015	2014
Debt To Equity Ratio	30.1%	37.0%	27.3%
Debt To Ebitda	53.4%	67.3%	51.3%
Times Interest Earned Ratio	21.2x	20.7x	25.2x

RECEIVABLES COLLECTABILITY

Collectability rates of Telkom in 2016 is 23.1days with receivables rollover ratio of 15.8. Telkom also created provision against business receivables value depreciation based on the collective historical rate of value depreciation and credit history of customers individually in the amount of Rp2.990 billion in 2016 and Rp3.048 billion in 2015. This was done to anticipate the uncollected parts of business receivables throughout 2016.

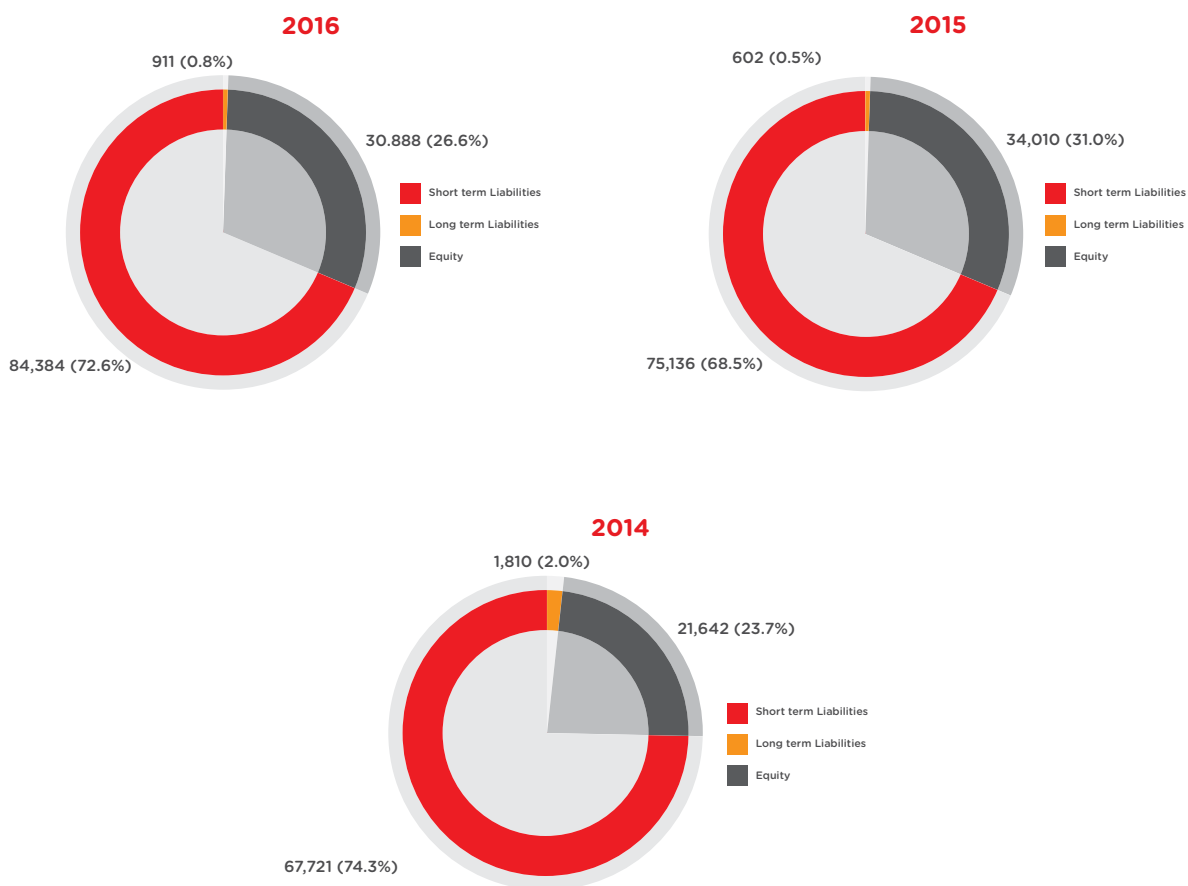
In calculating and presenting the due receivables amount, Telkom does not differentiate business receivables of affiliated party and receivables of third party. The due receivables value of Telkom and subsidiary per December 31, 2016 and 2015 are of Rp3,005 billion and Rp3,430 billion respectively. Receivables that were not depreciated in value considered as good rating and collectible. For further details on Company's receivables, please see Note 5 in the Consolidated Financial Statement.

Table of Receivables Collectability of Telkom and Subsidiary Year 2014-2016

Ratio	Average Collection Duration Ratio		
	2016	2015	2014
Average collection ratio	23.1	26.8	28.5
Receivables turnover ratio	15.8	13.6	12.8

CAPITAL STRUCTURE

Telkom and its subsidiaries have funding resources available to run the company resulting from short-term debt, long-term debt and equity. The following are tables and diagrams which illustrating the capital structure and composition of Telkom during the last 3 (three) years.



Capital Structure

Telkom capital structure as of December 31, 2016 is described as follows:

Capital Structure	2016		2016	2014
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Short Term	911	68	602	1,810
Long Term	30,888	2,293	34,010	21,642
Debt	31,799	2,360	34,612	23,452
Equity	84,384	6,263	75,136	67,721
Total Invested Capital	116,183	8,624	109,748	91,173

Management policy on capital structure

Management policy on capital structure was drawn based on qualitative and quantitative approaches, in order to determine the optimal funding composition from equity and debt. Periodically, Telkom assess its capital structure, leverage level and performance of the debt payment as the basis of decision for addition or payments of short-term or long-term debt. If possible, a financing scheme can be renewed with a more efficient funding scheme.

Telkom also maintains its capital structure well at the level it believes will not risk its credit rating, or at least equal to its competitors' credit rating while at the same time maintains a capital structure to optimize the cost of capital (weighted average cost of capital) as well as tax benefits. In 2016, Telkom's Debt-to-Equity Ratio ("DER") was 29.5 and Telkom's debt service coverage ratio was 4.8 times, indicating the company's high ability to repay the debt. During 2016, the Company has complied with capital requirements provided by the external parties. For information of management policy on capital management, see Note 38 to the Consolidated Financial Statements.

CAPITAL EXPENDITURE

Types of capital expenditure

In 2016, Telkom has carried out capital expenditure with the purpose to improve the company performance. Capital expenditure carried out by Telkom can be categorized as follows:

- Broadband services, comprises of broadband access, IT, application and content, as well as service node;
- Network infrastructure, comprises of transmission network, metro ethernet and Regional Metro Junction ("RMJ"), and IP backbone as well as satellite;
- Optimizing legacy, comprises of fixed wired telephone; and
- Other supporting capital expenditures

Purpose of capital expenditure

Telkom has done capital expenditure to strengthen and increase company performance. The purpose of this is to anticipating of data service needs, both mobile segment and fixed segment which grow rapidly.

Amount of capital expenditure

The total capital expenditure of Telkom business group in 2016 has reached Rp 29,199 billion (US\$ 2,167 million), increased by Rp 2,798 billion or 10.6% compared to capital expenditure in 2015. Telkomsel as one of subsidiaries of Telkom, has a total of capital expenditure of Rp 12,564 billion compared to Telkom as holding entity in the amount of Rp 10,309 billion, while the amount of capital expenditure from other subsidiaries is in the amount of Rp 6,326 billion.

The following is the table of Capital Expenditure of Telkom Group Year 2014-2016:

Table of Amount of Our Capital Expenditure	Years Ended December 31,			
	2016		2015	2014
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Telkom (parent company)	10,309	765	9,641	8,099
Subsidiaries				
Telkomsel	12,564	933	11,321	13,002
Others	6,326	470	5,439	3,560
Subtotal for subsidiaries	18,890	1,402	16,760	16,562
Total for Telkom Group	29,199	2,167	26,401	24,661

In the past three years, Telkomsel had the highest position in capital expenditures within Telkom Group. Capital expenditures in Telkomsel is mainly utilized to build BTS. In 2016, Telkomsel build 25,744 units of BTS, so that by the end of 2016 Telkomsel had a total of 129,033 BTS, growth by 24.9% from the previous year. Around 61% of the total BTS were 3G/4G BTS. Besides being used to build BTS, Telkomsel also utilized its capital expenditures to build supporting infrastructure such as IT.

Meanwhile, to support the backhaul of Telkomsel 3G/4G BTS, Telkom built fiber optic networks that become our advantage as access to the houses to support fixed broadband services, help traffic off-load, WiFi access points, broadband services to the enterprise segment, and to support leading supply for Telkom digital business strategy. As a result, Telkom already has 16.4 million homes-passed by end of 2016 to support the fixed broadband service IndiHome.

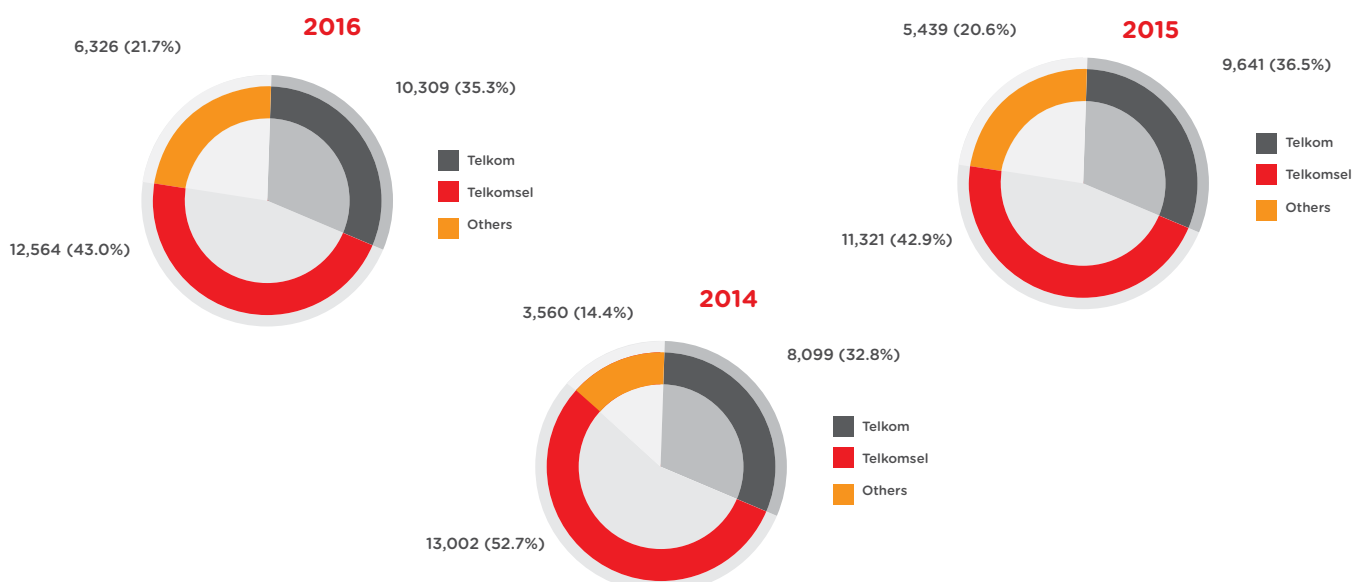
Telkom also continued to build fiber optic backbone networks, which in 2016 Telkom has completed submarine cable project of Sulawesi, Maluku, Papua Cable System (SMPCS) for domestic projects. For international projects, together with a number of other operators in a consortium, Telkom has completed submarine cable Southeast Asia-Middle East-Western Europe 5 (SEA-ME-WE 5) with 20,000 km length connecting Dumai, Indonesia, Middle East and Marseille, France. In addition, other important infrastructure that Telkom built included satellite 3S manufacture, construction of the tower and the development of data center. The following is the graphic of capital expenditure composition of Telkom Group in the past three years.

On February 15, 2017, Telkom 3S satellite was successfully launched from Kourou, French Guiana. 3S satellite carries 42 transponders consisting of 24 C-Band transponders, 8 extended C-Band and 6 Ku-Band and 4 extended Ku-Band. With this satellite, Telkom can increase its capacity and quality to serve customers better, while supporting equitable distribution of ICT services in remote areas that can be reached by our fiber optic network, as well as reduce dependency on other satellite operators.

Our subsidiary that engage in the development and supply of towers, Mitratel, throughout 2016 continued its investment to build towers primarily to support the expansion of our mobile business unit, Telkomsel. At the end of 2016, the total towers owned Mitratel were 8,695.

Meanwhile, through Telin Singapore, Telkom successfully completed the construction of a world-class data center of 20,000 m² in Jurong - Singapore. The multi-tier data center that consists of Tier-3 and Tier-4 is targeting the corporate segment both regionally and globally. Until the end of 2016, Telkom has data center facilities covering a total area of about 95,000 m².

Graphic of Capital Expenditure Composition of Telkom Group Year in 2014-2016



MATERIAL COMMITMENT FOR CAPITAL EXPENDITURE

Objectives of material contracts

Telkom and its Subsidiaries have a number of material contracts for the investment in capital goods, particularly for the procurement and installation of transmission equipment and cable networks. The material contracts include agreements related to projects performed by Telkom and its Subsidiary as presented in the following tables.

Telkom

Parties To Contract	Contract Date	Agreement
PT Cisco Technologies Indonesia	November 14, 2013	Agreement on Procurement and Installation of WIFI CISCO
Thales Alenia Space France	July 14, 2014	Agreement on Telkom-3 Substitution (T3S) Satellite System
PT Huawei Tech Investment	October 23, 2014	Agreement on Procurement and Installation of Access Point Indonesia WIFI Platform Huawei
Telkom Malaysia Berhad, Telin, Alcatel-Lucent Submarine Networks dan NEC Corporation	January 30, 2015	Agreement on Procurement and Installation of Southeast Asia-Middle East-Western Europe 5 Cable System (SEA-ME-WE)
PT ZTE Indonesia	August 28, 2015	Agreement on Procurement and Installation of MSAN Modernization for Acceleration of Platform ZTE Copper Cable Easing
PT Datacomm Diangraha	November 20, 2015	Agreement on Procurement and Installation of ALU Metro Ethernet Platform
PT Sarana Global Indonesia	December 31, 2015	Agreement on Procurement and Installation of Submarine Communication Cable Sibolga-Nias, Batam-Tanjung, Balai Karimun, Larantuka-Kabalahi-Atambua
PT Industri Telekomunikasi Indonesia	December 29, 2015	Agreement on Renewal of Procurement and Installation Agreement of Copper Cable Network Access Modernization Through Optimization in Copper Cable Network Asset with Trade In/Trade Off Pattern
PT Len Industri (Persero)	December 29, 2015	Agreement on Renewal of Procurement and Installation Agreement of Copper Cable Network Access Modernization Through Optimization in Copper Cable Network Asset with Trade In/Trade Off Pattern
Space System/Loral, LLC	February 29, 2016	Agreement on Procurement of Telkom 4 Satellite
NEC Corporation	May 12, 2016	Agreement on Procurement and Installation of Indonesia Global Gateway Submarine Communication System
PT Mastersystem Infotama	October 24, 2016	Agreement on Procurement of Ekspan IP Backbone 2016
Space Exploration Technologies Corp	November 3, 2016	Agreement on TELKOM 4 Satellite Launching
PT Huawei Tech Investment	November 25, 2016	Agreement on Procurement and Installation of Huawei DWDM Platform
PT ZTE Indonesia	December 15, 2016	Procurement of ZTE STB Platform
PT ZTE Indonesia	December 15, 2016	Agreement on Procurement of ZTE ONT Retail Platform
PT Sigma Cipta Caraka, PT Graha Sarana Duta dan PT Huawei Tech Investment	December 29, 2016	Agreement on Procurement of IOC-N
PT Lancs Arche Consumma	December 30, 2016	Procurement and Installation of Reengineering and Addition of Coriant DWDM Platform Capacity

Telkomsel

Parties To Contract	Contract Date	Agreement
PT Ericsson Indonesia, Ericsson AB, PT Nokia Siemens Networks, NSN Oy, dan Nokia Siemens Network GmbH & Co. KG	April 17, 2008	Agreement on developing 2G and 3G combination network (Combined 2G and 3G CS Core Network Rollout Agreements)
PT Ericsson Indonesia dan PT Nokia Siemens Networks	April 17, 2008	Agreement on TSA support for 2G and 3G combination network (Combined 2G and 3G CS Core Network)
PT Ericsson Indonesia Ericsson AB, PT Nokia Siemens Networks, NSN Oy, Huawei International Pte. Ltd., PT Huawei dan PT ZTE Indonesia	March and June 2009	Agreement on developing 2G BSS and 3G UTRAN Rollout network (2G BSS and 3G UTRAN Rollout Agreements) as 2G GSM BSS and 3G UMTS Radio Access Network provider
PT Dimension Data Indonesia dan PT Huawei	February 3, 2010	Agreement on maintenance and procurement of equipment and services related to Next Generation Convergence IP RAN Rollout and Technical Support
Amdocs Software Solutions Limited Liability Company dan PT Application Solutions	February 8, 2010	Agreement on Onlince Charging System (OCS) and Service Control Points (SCP) System Solution Development
PT Application Solutions	February 8, 2010	Agreement on technical support (TSA) to provide technical support service for OCS and SCP
Amdocs Software Solutions Limited Liability Company dan PT Application Solutions	July 5, 2011	Agreement on developing and extension of Customer Relationship Management and Contact Center Solutions
PT Huawei	March 25, 2013	Agreement on technical support (TSA) to provide Gateway GPRS Support Node (GGSN) Service Complex
Wipro Limited, Wipro Singapore Pte. Ltd. dan PT WT Indonesia	April 23, 2013	Agreement on developing and procurement of OSDSS Solution
PT Ericsson Indonesia	October 22, 2013	Agreement on Procurement of GGSN Service Complex Rollout
PT Dimension Data Indonesia	May 25, 2016	Agreement on maintenance and procurement of equipment and services related to Next Generation Convergence RAN Transport Rollout.

GSD

Parties To Contract	Contract Date	Agreement
PT Adhi Karya	November 6, 2012	Agreement Structure And Architectural Services as Main Contractor Development Projects of Telkom Building Landmark Tower

Sources of funds for material contracts

The sources of funds utilized to fulfill the above contracts were generated from the company's internal and external sources. Historically, the company has good leverage ratios and is able to finance capital expenditures. In 2016, company's capital expenditures allocation was adjusted to the company's business plans. Please refer to the discussion of "Capital Expenditure".

Denominated currencies

In addition to the Rupiah, the values of the material contracts are denominated in foreign currencies especially in the U.S. Dollar and the Japanese Yen. Following is the details of the material contracts based on currency as of December 31, 2016:

Table of Material Commitment based on Currencies	Amounts in Foreign Currencies (in millions)	Equivalent in Rupiah (in billions)
Rupiah	-	7,210
US Dollar	341	4,600
Euro	0.16	2
Total		11,812

Foreign currency risk mitigation

The use of foreign currencies exposes the Company to foreign exchange risks. In general, the Company's foreign exchange risk exposure is not material. The risk of increasing foreign exchange rates against the Company's liabilities is expected to set off the impacts of exchange rates on time deposits and receivables in foreign currencies set at a minimum of 25% of short-term liabilities in foreign currencies outstanding. For more details on the material contracts for the purchase of capital goods and the foreign exchange risks, please refer to Notes 34 and 37 to the Consolidated Financial Statements

MATERIAL INFORMATION AND FACTS AFTER ACCOUNTANT REPORTING DATE

Here is the information and material facts occurring after the date of the auditor's report, namely:

- On January 23, 2017, Telkom access receive tax refunds on overpaid VAT provisions for the financial period from May to December 2014 amounted to Rp169,4 billion.
- On February 15, 2017, the Company has successfully launched its 9th satellite, Telkom 3S in Kourou, French Guiana with US\$215 million investment which includes the cost of satellite manufacture, launch services and insurance

MACROECONOMY

Global Economy and Geopolitics in 2016

Various events have marked the global geopolitics in 2016, including the conflict and upheavals in the Middle East, while in Europe, the United Kingdom held a referendum to to leave the European Union, (EU) a decision known as Brexit which poses risk to disrupt the regional bloc, should other EU countries emulate the move to hold a referendum to exit the bloc.

In the United States, Donald Trump was elected as President in the November 2016 election and his victory could impact other countries due to the changes of policies in the US.

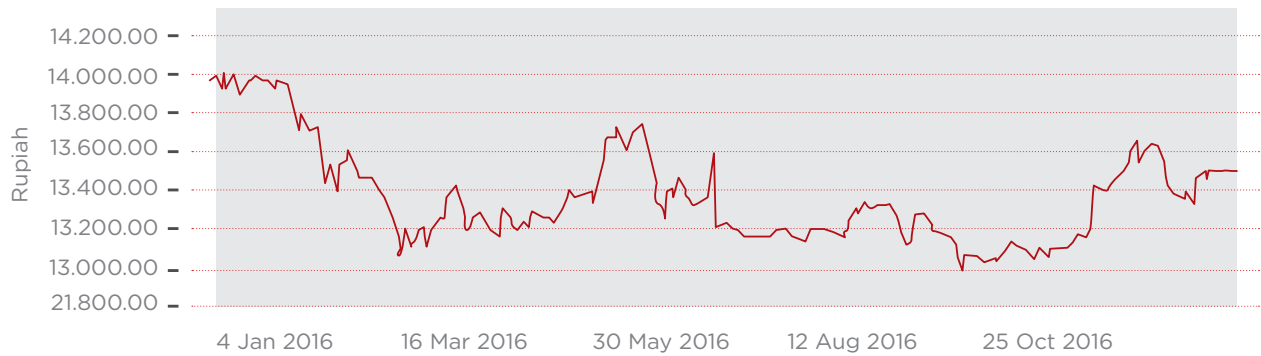
Amidst these historical events, the global economy is slowing down, influenced by the economic slowdown in China, the United States and other major countries.

Indonesian Economy

The Indonesian economy performed quite well, recording 5.02% growth despite the sluggish global economy. The growth was higher compared to 4.88% in the previous year. Such growth was due to strong consumer spending and government expenditures on infrastructure. The inflation rate was stable at 3.02% throughout the year, showing indication that the Indonesian economy will continue to grow positively in the future.

In terms of currency exchange rate, Rupiah has a positive trend strengthening against the US Dollar with an average exchange rate at Rp13,330 per Dollar. If at the beginning of the year Rupiah was nearly Rp14,000 per Dollar, during mid-year approaching to the end of 2016, it was recorded under Rp13,600 per Dollar and Rp13.473 at closing in the end of 2016. With the Government's initiative, tax amnesty program was one of the factors that support the stability and the strengthening of Rupiah exchange rate.

Exchange Rates on Transaction



Graphic of Rupiah Exchange Rate Against The US Dollar

Source: bi.go.id

The government's commitment to mobilize the economy is also reflected by issuing 14 Economic Policy Packages. Although the policies' implementation is far from ideal and effective, it gives hope for the business world. Telkom as a state-owned enterprise that runs a business in telecommunication industry has a significant interest in the 14th Economic Policy Package, which lays out the Government e-commerce roadmap and target to become the largest digital economy in Southeast Asia in 2020. The policy package covers various aspects on taxation funding, consumers protection, education and HR, logistic, communication infrastructure, cyber security, and management implementer establishment.

The digital economy in Indonesia is potential given there are approximately 133 million internet users in the country. Smartphone users in Indonesia are growing rapidly and it was expected to reach 150 million people by the end of 2016. Given this potential, Telkom continuea to prepare itself to realize the Government's vision to develop the number one digital economy in Southeast Asia.

INDONESIA TELECOMMUNICATION INDUSTRY

Telecommunication Industry as the Generator for National Economy

Globalization, democratization, and technological innovation, specifically, Information and Communication Technology (ICT) enables information to flow freely across borders and time. Currently the role of information is crucial for either government, economy, socio-cultural, and defense as well as security purposes. Therefore, it requires a change in point of view in keeping with the current global conditions that information and communication infrastructure is no longer merely complementary and as enabler, but it has become a driver of development.

In line with the global trend that places ICT, in this case specifically, the broadband as the key of development, Indonesia encourages the development of broadband in national development to realize the vision of 2025. This step is taken with due observance to four matters namely the constitutional mandate, Indonesian transformation vision of 2025, stages and direction of national development, as well as efforts to increase Indonesia's competitiveness at the global level. Currently the Government pushes acceleration on the development of broadband through Ring Palapa project in 51 districts/cities in non-commercial area. The development has started since 2015 and funded by KPU Funds and development in 446 other districts/cities has been conducted by Telkom. As implication of the importance of ICT in national development, the telecommunication and information sectors have been able to contribute 4 (four) percent from the total gross domestic product (GDP) of Indonesia in 2016 (department of communication and information technology, 2017). This contribution is expected to rise to 9% until the upcoming 2020.

The Largest Potential Digital Economy in ASEAN

In the current digital economy era, President Jokowi aims Indonesia to become the largest digital economy in South East Asia by 2020. That target is in line with the drive for digital access expansion at all levels of the society. The government through the Ministry of Communication and Information Technology has built infrastructures by developing the Palapa Ring satellite, which is expected

to expand digital access to all parts of Indonesia and encourage ease of use of digital applications. This will contribute significantly to the economic development of Indonesia in the form of the growth of creative industries, such as fashion, culinary, film, design, architecture and other industries, needing digital infrastructures to accelerate its growth. The President believes that there is a large market potential where this potential will become the foundation for Indonesia to become the largest digital economy country in Southeast Asia.

In line with the promising potential of digital economy development, Indonesian telecommunication industry recorded an encouraging growth during 2016 at almost 2 (two) times the GDP growth. Indonesia recorded 364.2 million mobile phone users in year 2016, with the number of smartphone users that continues to grow 10.4% since 2015 to 2016 as well as IT spending recorded at 9% growth since 2015 to 2016. These indicate that the need for telecommunication and information access continues to increase and has become a part of the society's basic needs. Telecommunication spending of Indonesian society will continue to grow in line with the increasing consumer spending, which resulted from macroeconomics conditions that is well maintained by the government.

The increase in telecommunication and information needs has implicated in the growth of digitalization of companies, online transactions, digital advertising and digital media content. In accordance with the government initiative to declare Indonesia as the largest digital economy country in Southeast Asia in 2020, one sector that gets the attention of the government is the financial sector in relation to financial technology (FinTech). Telecommunication industry is an industry that must be adaptable to any scale of technology movement, this is required by the relevant stakeholders to support the Indonesian government's aspiration to become the largest digital economy country in Southeast Asia.

Industry Competition

Telkom Group has comprehensive products and services including connectivity, information technology and digital media services referred as TIME (Telecommunication, Information, Media and Edutainment). Each group of portfolio has its own characteristics so the depiction of the competition situation is divided according to the following grouping:

1. Mobile Business

Indonesian telecommunication industry, specifically the mobile segment, has a relatively healthy competition, indicated with a rational pricing strategy condition. This occurs as a positive implication of the industrial consolidation that happened several years ago and so that the market players would focus in improving a reliable customer experience. SIM card penetration in Indonesian mobile industry is quite high exceeding 100%, which results in a more challenging penetration growth. Mobile market penetration until the end of December 2016 reaches 364.3 million users dominated by prepaid customers. With an increasingly greater data service proportion per customer, then the ARPU trend tends to decrease, and the operators will strive to maintain ARPU in a reasonable rate, among others by migrating prepaid customers to postpaid and offering a higher service value. 4G network expansion is also intensively carried out by operators, and in line with an encouraging smartphone sales at the end of 2016 the total 3G/4G customer is predicted to reach 144.6 million.

Telkomsel, Indosat Ooredoo, and XL Axiata are the three operators dominating the Indonesian mobile market with a total market share of more than 84%, despite still having to face an increasing competition from smaller operators such as Hutch, Smartfren, and others. Telkomsel currently remains to be the market leader with the most extensive coverage advantage, while XL and Indosat Ooredoo continue to compete by offering more competitive price and speed of data network. The challenges of Telkomsel in facing the development of mobile broadband services specifically on the availability of frequency spectrum, where the ratio of number of customer per MHz of Telkomsel is at the moment far higher compared to XL and Indosat Ooredoo.

2. Voice & Broadband Fixed Business

Indonesia, as well as other operators in the region, has a market fixed-voice that is decreasing with the presence of a more popular substitute service, and is predicted to continue this way. Currently there are several fixed network providers in Indonesia, although not all, are active in providing services. A large number of these providers operate closed private networks

Fixed broadband customers are projected to grow by 18.3% and is expected to increase up to 14 million customers in year 2020, but the penetration will still remain under 6.0%. Efforts from the private sector and the government in increasing the number of fiber connections is the driving force for the broadband sector. Competition in the fixed broadband arena also increases with the entry of ISP (Internet Service Provider based in Singapore, MyRepublic, in July 2015. Several strategies carried out by fixed broadband operators in facing increasing competition among others are making bundling service, increasing broadband frequency, and targeting high value customers.

3. International Traffic and Interconnection

Level of competition in traditional international traffic SLI services (non-VoIP) in Indonesia specifically with Indosat. SLI also faces competition with VoIP and other internet based voice services such as Skype, Line and WhatsApp. Telkom has long launched VoIP services and offered cost savings to customers. A number of companies also provide licensed VoIP services in Indonesia, on the other hand there are also unlicensed operators. VoIP Operators competes mainly based on price and service quality by providing budget call and other products intended for price sensitive users. Currently Telkom offers main VoIP service Telkom Global-01017 and Telkom Save as its low-cost alternative. Telkom Save offers discounts for certain countries with the largest traffics for calls from Indonesia, whereas for other countries Telkom offers regular VoIP tariffs.

4. Satellite and Network Infrastructure Business

Satellite industry in Indonesia is one of the industries with the highest competition level in Southeast Asia region. This may be seen in the market structure shift since 2003 from monopoly to oligopoly. One of the reason of this structure shift is because the Government of Indonesia neglected in strictly regulating the satellite industry in Indonesia. Despite the Ministerial Regulation number 37/P/M.KOMINFO/12/2006 dated 6 December 2006 issued by the Minister of Communication and Information Technology has given an entry barrier for foreign satellite operators, but the "open-sky" policy applicable in reality increases the competition between Indonesian satellite operator with foreign satellite operators. Other causes of this market structure shift is the domestic operator capacity limitations, that is unable to take advantage of the vast growth of market demand in Indonesia.

At the moment the need for satellite in Indonesia may be categorized as undersupply, so the presence of external satellite services offers a promising business opportunity. Based on data of 2015, there is a demand of approximately 250 transponders. The inability of Indonesia's satellite capacity to meet such demand is one of the driving factors for new satellite deployments, namely BRISat with 45 transponder and Telkom 3S with 42 transponders.

For tower infrastructure business, Telkom operates 129,033 BTS all across Indonesia. Through Mitratel, Telkom rents the room for other operators to place their telecommunication tools on those towers. Business competition relating to this tower comes from other providers and operators such as Tower Bersama, Protelindo, Solusi Tunas Pratama and several mobile operators. Aggressive 4G expansion will increase the tenancy ratio and enables operators to produce revenues from tower renting.

In January 2016, XL Axiata announces a plan to sell more than 2,500 of 6,500 telecommunication towers with the purpose of reducing indebtedness. Indosat also endeavors to increase operational efficiency through tower sales, in addition to funding the expansion project.

5. Enterprise and Consumer Digital Business

The vast growth of company, online transaction, digital advertising and digital media content digitalization has driven the ICT industry and digital. ICT Market and digital consumer are opportunities that must be captured as one of the source of growth and improvement of competitive advantage. The government has declared Indonesia to be a country with the largest digital economy in Southeast Asia in 2020. One sector that gets the attention of the government is the financial sector in relation to financial technology (FinTech).

In Indonesia FinTech presents itself as one of the catalyst in improving financial inclusion. Indonesia has more than 200 million population spread all across the archipelago. This geographical condition provides its challenges for traditional banking in reaching communities in rural Indonesia. As a result, only 20% of the total Indonesian population have accounts in formal banking. The high

and increasing smartphone penetration opens the opportunity for financial service industry including telecommunication, such as services of lending, crowd funding, payment, remittance, investment management as well as providing personal financial management education services. Currently FinTech startups have started emerging and are expected to become a trend until the coming 2017. Telecommunication industry is an industry that must be adaptable to any scale of technology movement. A number of mobile financial services (MFS) has been carried out by telecommunication operators, such as Dompetku and Dompetku+ by Indosat Ooredoo, XL Tunai by XL Axiata and T-Cash by Telkomsel, that continue to grow each year.

Industrial Challenges in Digital Era

One of the main challenges faced in the telecommunication industry comes from the over the top (OTT) business players. Services developed by the OTT directly or indirectly substitute the telecommunication such as voice services and SMS, which continue to show declining trend. Such rate of decline increases with the growth of smartphone users. This condition occurs not only in Indonesia, but also in other countries with a relatively high smartphone penetration. Therefore, telecommunication operators need to prepare strategies in order to sustain the sharp rate of revenue decline in the legacy business through.

On the other hand, signal coverage distribution and data access also poses a big challenge in the telecommunication industry that is important to drive the digital economy development in Indonesia.

Data access quality for data downloading and uploading also still have an inequality with the largest average access quality in Island of Java.

Further, the education to the stakeholders shall also become a separate challenge in developing the Indonesian digital economy. The Survey from the Center of Research and Development for the Operation of Post and Telematics (Puslitbang PPI) in 2015 showed that farmers and fishermen have a low internet and access to internet, so they need more further education so they can enjoy the convenience and benefits of digital services.

3 MAIN PROGRAM IN 2016

Telkom has set a corporate vision of “Be The King of Digital In The Region”, which means that as a digital telco company, we remain committed to providing an integrated (end to end) through a variety of digital solutions oriented to customer experience excellence. Telkom continued to encourage the strengthening of the main pillars of digital business growth which are broadband connectivity services, digital mediation platform and digital services development in order to create sustainable growth in order to achieve the company’s Vision.

In 2016, the Company has set three main programs which are continuation of the previous year, with sharpening on each program. The three programs are the Leading Mobile Digital Business, Drive Digital Home and Enterprise and Smart International Business Growth.

Telkom continued its efforts to strengthen its leading position in the cellular industry in Indonesia. Through its subsidiaries, namely Telkomsel, we consistently continued to invest in developing an integrated network to advance coverage, capacity and capability for mobile broadband services to optimize mobile business core. Telkomsel also accelerated digital mobile business through a range of innovative digital services, such as digital lifestyle (digital music, video and games), mobile payment, mobile advertising, as well as more advanced digital services such as M2M-IoT and big data analytics.

In addition, Telkom continued to drive growth of digital business for Home and Enterprise segments with focus on the development of broadband connectivity services, digital content services and digital solutions for enterprise and SMEs. We selectively develop ecosystem-based digital services such as e-commerce, e-payment, e-health and e-tourism which we do through synergy and collaboration with other firms.

Furthermore, we continued to explore business development opportunities through inorganic initiatives both domestically and globally in selective, prudent and synergy approaches. Inorganic expansion becomes a necessity given the broadband and digital-based telecommunications industry has no longer boundaries between regions (borderless). Telkom continued to strengthen its footprint in the region and look for strategic business opportunities that can add value to the Company as well as finding a profitable business model. To that end, we continued to build digital competence of international standard in order to have a competitive edge to work on a wider global market. In 2016, Telkom managed to get a license application services from the Ministry of Telecommunications Myanmar as well as a license from the US government, which allows Telkom to run business in ICT services to corporate customers. With these licenses, we expect Telkom presence in the region to increase in the future.

Telkom also established a subsidiary in the form of corporate venture capital, Metra Digital Innovation (MDI), which play a role in exploration and investment in potential start-up companies. MDI strategy is to drive Telkom for long-term value creation through investments in companies that have a solid business model and to develop synergies with our business, considering Telkom already has the infrastructure, end users and corporate customers, as well as data.

Telkom will continue to drive growth in digital business and also undertake other efforts to improve competitiveness and to maintain the company value to remain in the Top-10 digital telcos in Asia Pacific in 2020.



BUSINESS PROSPECT

The Political and Economic Outlook

Telkom believes that telecommunication industry business prospect is still widely open. However, Telkom is still aware with the dynamic of international and national politics and economics that may occur and may negatively influence the performance of Telkom, especially in short-term. The economic growth in China and India, which are main drivers of Asian economy, are projected to slightly improve in 2017. In the United States, President Donald Trump political and economic policies still remains to be seen and reviewed, while we are also remain watchful of United Kingdom's ongoing exit from the EU and how they would impact on the economy. Further, we also need to monitor the ongoing conflicts in the Middle-East as it has its effects to oil price fluctuation.

Further, even though World Bank has estimated that the economic growth in Indonesia will increase to 5,3% in 2017 (worldbank.org, January 2017), Telkom will continuously scrutinize the change of economic and politic with a reliable risk management. In the national level, Indonesia has held the General Election of the Regional Head (Pilkada) simultaneously in February 2017. The changes of regional heads following the elections may cause policy changes that could impact on Telkom's business positively or negatively.

The regional heads changes may also cause some new adjustments at the operational level to seize existing business opportunities

Digital Economy Prospect

The government has set out Indonesia to be the largest digital economy country in Southeast Asia in year 2020. The population of Indonesia that is expected to reach 271 million populations in 2020 (source bps.go.id) is a large digital economy market. SMEs, which became the backbone of Indonesia's economy, has also shown its potential in playing a role to drive the national digital economy. With all its integrated infrastructure, the involvement of Telkom shall have a crucial role in developing digital economy ecosystem and creating new business opportunities in Indonesia. Digital Economy will become part of economic activities, beginning with product research, product and service design, marketing and advertising, business operations, until payment which all are based on digital services. Be that as it may, entrepreneurial competencies, management skills and market control remain as important components in the business world.

Digital Lifestyle Opens the Opportunity for New Products and Services

Business prospect of telecommunication industry also experiences the friction influenced by digital lifestyle. The increasing use of smartphone and internet which is getting higher, has pushed the increase in the demand of broadband and given the pressure to the legacy business such as voice, and sms. Therefore, Telkom takes a strategical step to invest in order to grow the digital services, either fixed broadband or mobile broadband.

The lifestyle needs of digital services and multimedia has become the business opportunity of Telkom in the future. Telkom sought to presents digital services to meet digital needs and facilitate activities as well as the lifestyle for its users. We developed digital services from entertainment at home as well as when in mobility and interact within the community. IndiHome Triple Play offer as one of digital service at home which is a new product integrating the services of IPTV, high speed internet connection and home telephon. Telkom expected this kind of digital service will become one of the contributor for the growth of Telkom in the future and make Telkom as the key player in Media and Edutainment business.

Telkom is preparing to build a comprehensive network infrastructure, in order to play a key role in responding to changes in the direction broadband and digital-based telecommunications services, including in the development of the digital economy. With lower smartphones prices and increased demand for fixed broadband services, the availability of ICT infrastructure will make more Indonesia people who can enjoy a variety of benefits, especially the opening of economic opportunities. Telkom also continues to develop the digital ecosystem to provide more integrated services, such as e-commerce platform blanja.com as part of the ecosystem in the digital economy, in order to support the marketing of MSME products more widely and easily, Indonesia Tourism Exchange (ITX) to encourage the growth of the tourism industry, and indigo, which is an initiative to accelerate the establishment of a creative industry ecosystem.

Facing Competition and Seize Opportunities

In the digital era, the competition is expected to be tougher. Not only Telkom competes with other operators but also over the top (OTT) digital companies that operate cross-industry. Therefore, Telkom continues to innovate in improving new digital services internally and also collaborates with potential digital startups. Telkom keep investing in building infrastructure to ensure the best customer experience maintained.

Further, we strive to continue delivering the best digital services in the personal, home, enterprise customer segments. We provide the best world class digital services through collaborations with the best world partners to strengthen the key capabilities and establish the competitive advantage of Telkom Group.

COMPARISON BETWEEN TARGETS AND REALIZATIONS

This section presents information of a comparison between the targets in the beginning of the financial year and the results achieved or performance realization of Telkom 2016.

The strategies of Telkom in 2016 including increasing revenues and capital expenditure to infrastructure development. Furthermore, digital business acquisitions continued to be conducted in order to improve Telkom's digital business portfolio.

Below is the table to illustrate the targets and the realizations of the strategies of Telkom and its subsidiary in 2016.

Telkom Group Targets of Strategies for 2016

Indicator	Targets of Strategies for 2016
Revenue growth	The revenue growth is expected to grow better than market rate by the end of the year by continued effort in growing digital business.
EBITDA Margin	EBITDA and margin net income are expected to slightly decline in line with continued broadband infrastructure development, both in mobile and fixed line businesses.
Capital expenditure	Capital expenditure of 22-25% of the annual revenue is allocated for broadband infrastructure: <ul style="list-style-type: none"> • Mobile business: 60% - 65% • Fixed broadband: +/- 25% • The rest is for other business lines

The realization of Telkom's performance throughout 2016 was satisfactory, with its triple double digit growth achievement for revenues, EBITDA, and net income. In 2016, Telkom has realized 13.5% revenue growth, far above the 8.87% industry average. Data, internet, and IT revenues (digital business) grew 31% and revenues portion from this segment increased to 37% from 32% from the previous year. Moreover, EBITDA margin in 2016 reached 51.1%. It was 0.9 ppt (percentage point) higher than 50.2% EBITDA margin in 2015. Meanwhile, the realization of net income margin was excellent at 16.6% or 1.5 ppt higher than 15.1% in 2015. Telkom realized the Capex by 25% from the revenues throughout 2016, in line with the 22%-25% target set at the beginning of the year.



TARGETS FOR THE NEXT YEAR

In 2017, Telkom set the target for the revenues to grow above the industry, in order to maintain its domination in cellular market and expand its foot print in fixed broadband market. EBITDA margin and Net Income margin are estimated to slightly decline unanimously with the increase of digital business portion and the decrease of revenues portion from legacy service consists of voice and SMS. Telkom also allocates roughly 23%-25% of its capital expenditure to focus on building broadband infrastructure both in cellular and fixed line segments.

In general, Telkom Group strategic plan for 2017 may be seen as follows.

Table of Target Strategy of Telkom Group in 2017

Indicators	Targets for 2017
Revenue growth	Revenue growth far above the industry.
EBITDA Margin	EBITDA margin and net income margin are projected to slightly decline in accordance to broadband infrastructure development, in mobile and fixed line business, and increase revenues portion from digital business segment
Capital expenditure	Capital expenditure around 23%-25% from revenues

DIVIDEND

Policy on the distribution of dividend must be agreed by the Annual General Meeting of Shareholders ("AGMS"). In each year for the past five years, Telkom has made payments of dividend to all of its shareholders. The ratio, amount and total amount of dividend for the financial year of 2016 shall be determined in the 2017 AGMS.

Table of Dividend Payments of Telkom for 2012 -2016

Dividend Year	Table of Dividend Payments of Telkom for 2012 -2016				
	Dividend Policy	Date of Dividend Payment in Cash and/ or Date of Dividend Distribution in Non-Cash	Payment Ratio / Pay out ratio (%) ¹	Dividend Amount paid per year (Million Rp)	Dividend Amount per Share (cash and/or non-cash) after Stock Split (Rp)
2011	AGMS, May 11, 2012	June 22, 2012	65	7,127,333 ²	74.21
2012	AGMS, April 19, 2013	June 18, 2013	65	8,352,597 ³	87.24
2013	AGMS, April 4, 2014	May 19, 2014	70	9,943,294 ⁴	102.40
2014	AGMS, April 17, 2015	May 21, 2015	60	8,782,812 ⁵	89.46
2015	AGMS, April 22, 2016	May 26, 2016	60	9,293,184 ⁶	94.64

1. The payment ratio shall be the profit percentage attributable to the owner of holding entity paid to the shareholders as dividends.

2. Consist of cash dividend amounting to Rp6,030,820 million and special cash dividend amounting Rp1,096,513 million.

3. Consist of cash dividend amounting to Rp7,067,582 million and special cash dividend amounting Rp1,285,015 million.

4. Consist of cash dividend amounting to Rp7,812,588 million and special cash dividend amounting Rp2,130,706 million.

5. Consist of cash dividend amounting to Rp7,319,010 million and special cash dividend amounting Rp1,463,802 million.

6. Consist of cash dividend amounting to Rp7,744,304 million and special cash dividend amounting Rp1,548,880 million.

In 2016, we paid an interim cash dividend for 2016 of Rp19,379 per share on December 27, 2016.

REALIZATION OF PUBLIC OFFERING FUND

On June 16, 2015, the Company issued the Continuous Bonds I Telkom Phase I 2015 (*Obligasi Berkelanjutan I Telkom Tahap I Tahun 2015*) in the amount of Rp7,000 billion which consist of:

- Rp2,200 billion for Series A, with 7 (seven) years tenure;
- Rp2,100 billion for Series B, with 10 (ten) years tenure;
- Rp1,200 billion for Series C, with 15 (fifteen) years tenure; and
- Rp1,500 billion for Series D, with 30 (thirty) years tenure.

The rating of the bonds is AAA of Pefindo and secured by all of the Issuer Company's assets, movable or non-movable, either existing or those will exist in the future. The underwriters of the bonds are PT Bahana Sekuritas ("Bahana"), PT Danareksa Sekuritas, PT Mandiri Sekuritas and PT Trimegah Sekuritas, with PT Bank Permata Tbk as the appointed Trustee.

Realization of Public Offering Fund	Amount (in billion Rupiah)
Public Offering Fund	7,000
Public offering cost	16
Net amount	6,984
Realization:	
a. Business Development	6,062
b. Acquisition	922
Total realization	6,984
Balance	0

Total funds received by the Company after deduction of public offering cost is in the amount of Rp6,984 billion. During the 2016 financial year, there is no change in the plan of the use of public offering proceeds. Cumulatively, the realization of the use of public offering proceeds up to the end of financial year of December 31, 2016, is in the amount of Rp6,984 billion, which used for:

- Business development of Rp6,062 billion, consisting of business development in Broadband, Backbone, Metro & Regional Metro Junction (RMJ) and IT Application & Support.
- Acquisition of Rp922 billion, executed by the Company or its Subsidiaries.

Therefore, the public offering funds from Sustainable Bond I Telkom Phase I Of 2015 has been used entirely. Details of Bonds, see Note 16 to the Consolidated Financial Statements.

MATERIAL INFORMATION

Based on the Financial Service Authority Regulation No.31/POJK.04/2015, as a public company, Telkom is obligated to disclose any material information or significant facts which relevant to and may affect the securities price or the decision of investors, prospective investors, or other interested parties on such information.

Telkom has identified and declared to have any material information, among others, in regard to investments, expansion, divestment, merger/consolidation, acquisition, debt/capital restructuring, Affiliated transactions, and conflict of interest transactions, which happened on the 2016 financial year as follows:

1. On 25 May 2016, Telkom Metra acquired 2,000 shares of Ad Medika from the minority shareholders equal to 25% of the shareholding at the price of Rp138 billion.
2. On June 29, 2016, Sigma purchased 13,770 shares of PT Pojok Celebes Mandiri ("PCM") (equivalent to 51% ownership) from Metra amounting to Rp7.8 billion.
3. On 3 November 2016, Telkom established subsidiary entity namely Jalin Pembayaran Nusantara (Jalin), having its business in carrying out principal, switching, clearing and settlement activities.
4. On 10 November 2016, Metranet increased its authorized capital originally from Rp244 billion to Rp324 billion by issuing 18,800,000 new shares wholly owned by Telkom.
5. On 14 November 2016, Metranet acquired 4,900,000 shares of Melon (equal to 49% of shareholding) from SK Planet Co. Ltd. and 300,000 shares of Melon (equal to 3% of shareholding) from Telkom Metra, each at the price of US\$13,000,000 or equal to Rp170.4 billion and Rp13.2 billion. From these transactions, Metranet acquired 52% shareholding over Melon and the remaining shares are held by Telkom Metra.

MARKETING OVERVIEW

Market Share

In 2016, Telkom Group's market share by geography was 96.9% of income generated from Indonesia and only 3.1% of income generated from international market share. Based on income perspective, mobile business which Telkomsel manages and fixed line are still the biggest contributions with 33.1% and 6.5% contributions respectively. For the fixed line market share, Telkom currently dominates the market with 99% share.

Through its subsidiary Telkomsel, Telkom competes with other operators such as Indosat and XL Axiata in mobile business. Telkomsel still dominates the market share for mobile business in Java with 22.4% share and outside Java as well with 77.6% share, while XL Axiata has 11.2% share and Indosat has 6.2% share. Hutchison Tri and Smartfren have the remaining 5% share (katadata.co.id, November 11, 2016).

For mobile broadband business, Telkomsel has 60 million flash customers with 5.9 million which among others, have migrated to 4G technology. With such amount, Telkomsel's market share for mobile broadband has reached 48%. This sector is expected to keep growing along with the increase of smartphone users in Indonesia.

Telkom's newest product, IndiHome, still has a small market share but it is rapidly growing. After its launch in 2015, Telkom is estimated to have 4.3 million customers of fixed broadband who are also IndiHome triple play customers.

Further in 2016, Enterprise segment used 2,524 Gbps bandwidth in service which we predicted around 65% from enterprise traffic market share in Indonesia, where we serve more than 1,300 corporate customers, nearly 300,000 SME customers, and several government institutions.

Marketing Strategy

The marketing strategy for Telkom Group's products and services are correlated with series of development process of products and services. This starts with market research and evaluation of products and services users for telecommunication and information. Based on the result, Telkom Group designs the products and services as well as conducts the market test. Telkom then conducts the go-to-market strategy, which is to plan and to prepare the production and marketing channel. The next stage is to launch and to market the products and services, to implement the improvement as well as to provide after sales service.

Below is the diagram of Telkom Group Marketing Strategy.

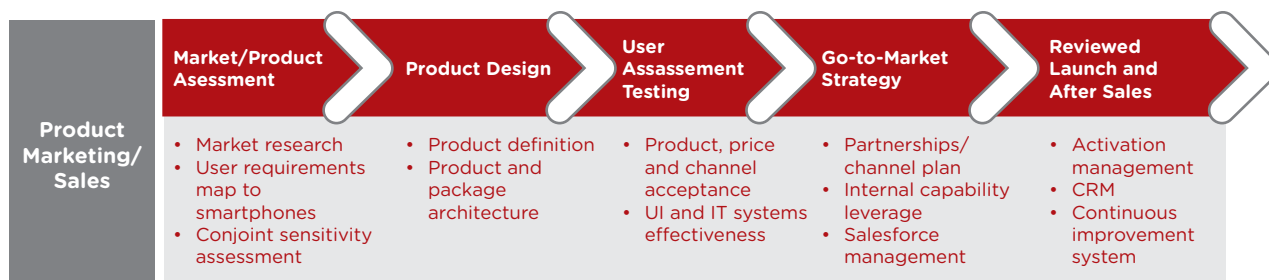


Diagram of Telkom Group Marketing Strategy

Promotion and Customer Service

Telkom Group has different strategies for promotion and customer service and they are adjusted in accordance to the characteristics of segment, products and services as well as customer types. Below are the promotion and customer service strategies, based on CFU (customer facing unit) in Telkom:

1. CFU Consumer

The “more-for-less” strategy is implemented in CFU Consumer, especially market IndiHome Triple Play and dual play products through Fiber-To-The-Home network. Through this strategy, the customers are offered to obtain a better benefit with less fee compared to the fee for individual service.

2. CFU Enterprise

The “go-to-market” strategy implemented by CFU Enterprise was conducted through SMART CONNECTED SOCIETY program which consists of:

- **SMART** Government Initiative: to collaborate with the Government to become Strategic ICT Partner by taking part to make the strategic Government ICT mega deals a success
- Enterprise **CONNECTED** Ecosystem: to evolve as the end to end digital ICT player and to become market leader in the enterprise ICT solution market.
- SME's Digital **SOCIETY**: to create SME ICT market in Indonesia, to collaborate with SME player, community, Government and academic institution.

3. CFU Wholesale and International Business

The strategy of “wholesale facilitate retail” on this business sector is interpreted in the strategy of “3C”, namely:

- Collect traffic through organic to organic (O2O).
- Creating smart pricing.
- Customer relationship improvement.

“Wholesale facilitate retail” is implemented in the domestic interconnection consisting of termination and transit. The implemented sale scheme are, among others:

- Fixed bandwidth and burstable bandwidth.
- FTTM (metro-E), which is in the form of backhaul service for macro tower, BTS hotel and backhaul indoor building solutions (B-IBS).
- Leased channel (LC) with creative pricing.
- Smart swap scheme.
- Indefeasible Right of Use (IRU) or the Irrevocable Utilization Right.
- Bundling service as the part of large business deal.
- Collaborative satellite supply, in the form of collaboration and consolidation of the availability of satellite capacity to give a maximum benefit to the customers.

Wi-Fi wholesale service is one of the service portfolios of Indonesia Wi-Fi offered through the cooperation with domestic or international partner, namely OLO, ISP and roaming partner.

4. CFU Mobile

The marketing strategy for mobile business emphasizes on the true broadband experience, enriches the smartphone experience, postpaid privilege experience, engaged youth experience, trustworthy service experience, and customer experience. *simPATI*, Kartu As and LOOP are some of Telkom's products managed under CFU Mobile.

The implementation of this strategy on the legacy business and program data penetration marketing covers some programs such as SLI 007 special campaign, halo-fit-my-plan package which was launched in order to increase the total costumers of kartuHalo, Telkomsel android united (TAU) program which bundled with smartphone, and *simPATI-go-discover* which constitutes the entertainment package of *simPATI*.

In addition to the marketing and sales strategy as mentioned above, Telkom also accelerates the adoption of 3G/4G equipment to support the use of smartphone effectively and efficiently.

5. CFU Digital Services

“Go To Market” strategy of CFU Digital Service will focus on strengthening and increasing Digital Innovation, namely:

- Creating unique digital services with different experiences from before for digital music service, video, gaming, e-commerce, and travelling.
- Building Digital Business Model covering a wider market in order to support Indonesia Digital Economics.
- Providing customer experience innovation through Digital Theme Park, Experience Center and Digital Experience in Telkom Group service outlets.
- Combining assets and inventory of Telkom Group to become an insight in increasing Digital Service and Customer Experience.
- Growing Digital Business Portfolio through investments in Digital Startups until they become a part of Indonesian Digital Ecosystem.

CHANGES IN REGULATION

Compliance with regulations is a form of implementation of good corporate governance (GCG) in Telkom. In 2016, Telkom has identified some new regulations in the telecommunication and information industry as well as the possibility of their impacts upon the operations and financial statements [of Telkom].

Table of Amendments to Legislations in Year 2016

No	Laws And Regulations Having Significant Effect	Effect On Financial Statement
1	<p>Regulation of the Minister of Communications and Information Number 4 of 2016 regarding Information Security Management System.</p> <p>On April 11, 2016, the government through Directorate General of Legislations of the Ministry of Law and Human Rights enacted Regulation of the Minister of Communications and Information Number 4 of 2016 regarding Information Security Management System. This ministerial regulation governs the implementation of Information Security Management System by Electronic System Developer for Public Services based on Risks which is performed by corporations such as SOEs. This regulation governs the categorization of Electronic Systems which subsequently triggered Electronic System Developers including Telkom to implement Information Security Management System namely SNI ISO/IEC 270001.</p>	<ul style="list-style-type: none"> Does not materially affect financial statements [of the Company]; Affects the operations of Telkom that are required to improve the protection to consumers, businessmen, labors, and the society either for the safety, security, health or preservation of environment, improving trade continuity and achieving healthy business competition in a trade.
2	Tax Incentive	<p>In December 2015, the Company utilized the Economic Policy Package Part V in the form of tax incentive namely the provision of special tariff for the revaluation of fixed assets as further stipulated under the Regulation of Minister of Finance (PMK) No. 191/PMK.010/2015 in conjunction with PMK No. 29/PMK.03/2016. According to the said PMK, the Company may conduct a revaluation of fix assets for the purpose of taxation based on the market value to be appraised by a Public Appraiser Service Office (KJPP) or appraisal expert having the license from the Government. The company has conducted the payment of final income tax in the amount of Rp750 billion and submit the Letter No. C.Tel. 282/KU000/COP-1000000/2015 dated 29 December 2015 regarding "the Application to Re-evaluate the Fixed Assets for the Purpose of Taxation submitted in 2015 by the Tax Payer that Has Not Conducted the Revaluation of Fixed Assets ". The company has submitted the said application letter to the Regional Office of Directorate General of Tax for the Large Tax Payer on 30 December 2015.</p>

No	Laws And Regulations Having Significant Effect	Effect On Financial Statement
		<p>With regard to the distribution of company's fixed assets, location that is hard to reach, assets which are in the form of very specific TELKOM's production equipment, and a rapid development of telecommunication technology, TELKOM divided the completion of appraisal by KJPP in two phases. The first phase of appraisal has been completed and the Director General of Tax has issued the Decision letter of Director General of Tax Number KEP-580/WPJ.19/2016 dated 10 November 2016 regarding "the Re-Approval of Fixed Assets Valuation for the Taxation Purpose To the Application Submitted In 2015 and 2016" with the surplus of revaluation of Rp Rp7,078 billion" and Income Tax upon the revaluation in the amount of Rp212 billion so that there will be an excess of payment from the advance payment of the Income Tax for Revaluation in the amount of Rp538 billion. Further in 19 December 2016 TELKOM submitted a letter "Application for the Revaluation of Fixed Assets for Taxation Purpose Submitted In 2016 by the Tax Payer that Has Not Conducted the Revaluation of Fixed Assets" number C.Tel.286/KU320/COP-I0000000/2016. This application is still based on the estimation since the appraisal from KJPP is still ongoing so that the paid tax is still considered as the advanced payment and it came from the compensation of excess of payment/the remaining of the advance payment of Income Tax for Revaluation in 2015 in the amount of Rp538 billion. Until the preparation of this report, the process of appraisal by KJPP is still ongoing.</p>
3	<p>NUMBER 11 OF 2008 REGARDING ELECTRONIC INFORMATION AND TRANSACTION</p> <p>In November 25, 2016, the President of RI passed Law Number 19 Of 2016 which amended some provisions under Law Number 11 Of 2008 Regarding the Electronic Information and Transaction. The new law amends some provisions, namely: To add some elucidations to affirm the provisions on the defamation and to reduce the criminal sanction, to give mandate the stipulation on the interception procedure into the law, to synchronize the provisions of procedural law into Law of ITE with the provisions under the procedural law as stipulated under KUHAP or the Criminal Law Procedures Code, to strengthen the role of investigator from Civil Servant (PPNS), to add the provision on or the obligation to delete content that is not relevant to the operator of electronic system as the guarantee to protect private data and give the strong basis to the government to prevent the spread of negative content in the internet.</p>	<ul style="list-style-type: none"> • Has no material impact to the financial report [of the Company]; • Has the impact on the Telkom's operational aspect, which is to actively involve in assisting the government in order to conduct a law interception as mandated by the prevailing regulations and participate in preventing the spread of negative content in the internet.

No	Laws And Regulations Having Significant Effect	Effect On Financial Statement
4	<p>REGULATION OF THE MINISTER OF COMMUNICATION AND INFORMATICS NUMBER 17 OF 2016 AS AMENDED WITH THE REGULATION OF MINISTER OF COMMUNICATION AND INFORMATICS NUMBER 19 OF 2016 REGARDING THE IMPLEMENTING GUIDELINE TO THE TARIFF FOR THE NON-TAX STATE INCOME FROM THE LEVY ON THE RIGHT FOR TELECOMMUNICATION OPERATION AND THE CONTRIBUTION FOR UNIVERSAL SERVICE OBLIGATION.</p> <p>In September 26, 2016, the Minister of Communication and Informatics promulgated the REGULATION OF MINISTER OF COMMUNICATION AND INFORMATICS NUMBER 17 OF 2016 and therefore, it revoked some regulations in relation to the Implementing Guideline For the Tariff for PNBP and the levy to Telecommunication BHP and the Contribution for Universal Service Obligation (USO). The amendments were made in order to implement the record and collection of receivables on PNBP from the levy to the Telecommunication BHP and the contribution for USO. This ministerial regulation stipulates the implementing guideline in relation to the type of income that is not included in the gross income from telecommunication operation, the procedure to calculate, deposit, submission of financial report, and the determination of the Fee for the Right to Operate the Telecommunication and the Contribution for Universal Service Obligation, as well as the procedure to submit the objection against the determination of the unpaid Non-Tax State Income.</p>	<ul style="list-style-type: none"> • Has no material impact to the financial report [of the Company]; • Has the impact to the procedure to record the gross revenue on Telkom's revenue account.

CHANGES IN ACCOUNTING POLICY

Summary of Significant Accounting Policy

Group Consolidated Financial Report was prepared pursuant to the Financial Accounting Standard (“SAK”) in Indonesia which covers the Statement of Financial Accounting Standard (“PSAK”) in Indonesia and Interpretation of Financial Accounting Standard (“ISAK”) in Indonesia issued by the Board of Financial Accounting Standard - Indonesian Accountant Association and Regulation of Capital Market and Financial Institution Supervisory Body (Bapepam-LK) No.VIII.G.7 regarding “the Financial Report Presentation and Disclosure of Issuer or Public Company”, as attached in the letter KEP-347/BL/2012. Accounting standard and interpretation that have been certified by the Board of Financial Accounting Standard (“DSAK”), but have not been taken into effect for the ongoing financial report are disclosed in note 2.a Consolidated Financial Report.

Summary of Significant Differences between PSAK and the International Financial Reporting Standard (“IFRS”)

Since 2011, Telkom adopted IFRS in preparing financial statements to the New York Stock Exchange (NYSE). Summary of significant differences between the PSAK and IFRS are as follows:

1. Land Rights.

According to PSAK, land rights shall be recorded as part of fixed asset and shall not amortized unless there is an evidence indicating that the extension or renewal of land right is most likely or certainly unobtainable. The legal fee for the application of extension or renewal of land right shall be acknowledged as intangible asset and shall be amortized for the duration of legal period or economical period of the land, whichever shorter. According IFRS, land right shall be recorded as the lease and be presented as part of fixed assets. The land right shall be amortized during the lease period.

2. Transaction with Related Parties.

According to Regulation of Bapepam-LK No.VIII.G.7 regarding the Financial Report Presentation and Disclosure of Issuer or Public Company, the entity related to the government constitutes a party controlled, jointly controlled or influenced by a government. The government in this matter is the Minister of Finance or Regional Government that constitutes the shareholder of the entity. According to IFRS, entity related to the government is the entity that is controlled, jointly controlled or influenced by a government. The government in this matter shall refer to the government, government institution and similar institution either local, national or international.

In 2016, there was no new PSAK/ISAK that has significant impact to Telkom’s financial report.







CORPORATE GOVERNANCE

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TELKOM CORPORATE GOVERNANCE ROAD MAP

2012

- The strengthening of the governance organs by empowering Telkom Group's GCG, designing the GCG implementation and self-assessment checklist for subsidiary entities, and the appointment of members of the Board of Directors of subsidiary entities as members of Telkom Group's executive board and Telkom's Vice President in accordance with their field of work and responsibilities as Telkom Group's Group Head, as stipulated in the Corporate Office Organizational Policy No.PD.202/2012.
- The strengthening of the governance process to ensure that the business process is in line with business and organizational transformation.

2013

- The strengthening of the governance organs through GCG development and implementation involving the business group through the establishment of an Executive Board with the aim of shaping the Company's capabilities in carrying out strategic steps related to portfolio management supported by a parenting mechanism more in line with business ecosystem demands.
- Continuing the strengthening of the governance process to ensure that the business process is in line with the "New Telkom" business and organizational transformation in accordance with the Telkom's Corporate Office Organizational Policy No.202.11/2013.

2014

- The strengthening of the governance organs through GCG for the implementation of an organization having the characteristics of a holding company encompassing subsidiary entities through the implementation of an Executive Board mechanism and implementational improvements.
- The strengthening of the governance process through ISO/ISO certification process discipline for “New Telkom”.
- The implementation of the COSO 2013 Framework as a basis for Internal Control and Integrated Audit.

2015

- The strengthening of Business Ethics encompassing Telkom Group.
- The launching of the Culture Year.
- The strengthening of the governance organs through GCG assessment for subsidiary entities.
- The strengthening of the governance process to ensure ISO certification/ surveillance.

2016

The implementation of
“Role Model GCG”.

2017

Enhancing **GCG Framework**, comply with the national regulation and following international best practices.

TELKOM CORPORATE GOVERNANCE PRINCIPLE

The Company has been consistently implementing the principles of good corporate governance (GCG) at all of the Company's operational levels in order to create good decision making processes, enhance productivity and accountability, as well as to serve the interests of all stakeholders.

The Company's commitment in implementing GCG is reflected through the Resolution of the Directors regarding GCG Guidelines No.29/2007 and GCG Guidelines No.602/2011. The Resolution comprises of several GCG implementation systems to guarantee that GCG is ethically and duly implemented upon internal and external transactions in accordance with good corporate governance practices.

Implementation of Basic GCG Principles

As a publicly listed company at IDX for over 20 years, Telkom has implemented all basic GCG principles, as follows:

a. Principle of Transparency - transparency in the decision-making process and providing material and relevant information regarding the Company. The Company routinely publishes a Financial Statements and Annual Report and other material information easily accessible to investors. Such information is provided in the form of: the Company's website, print media and press releases, one-on-one meetings with investors, public expose and press gatherings.

b. Principle of Accountability - clarity of the functions, role and responsibilities of shareholders, Board of Commissioners, Directors, Committees, and the Corporate Secretary in order to make the management effective. The Company ensures the availability of charters necessary for each of the Company's main organs, to create check and balances mechanism on the authorities and roles in the management of the Company. Furthermore, KPI criteria and operational targets are also clearly set out.

c. Principle of Responsibility - complying with laws and regulations and implementing sound corporate principles. The Company ensures that Telkom continues to comply with all prevailing laws and regulations, consisting of laws/regulations on taxation, fair competition, industrial relations, work health/safety, remuneration standards, as well as other relevant regulations. Furthermore, a VP Legal and Compliance function has also been established, structurally assigned to ensure the compliance of all laws and regulations.

d. Principle of Independence - professional without any conflicts of interest nor pressure from any party that is against the laws and regulations and sound corporate principles. The Company has expressly set forth the rules/authorities in regard to corporate decision making in the Board Charter and the Company's Articles of Association. Furthermore, the Company implements several supplementary policies in the Company's Corporate Governance Guidelines, such as policy regarding conflict of interest transactions, prohibition of political party donations, and prohibition on affiliations.

e. Principle of Equality and Equity - fairness and equality in fulfilling the rights of stakeholders arising from agreements and prevailing laws and regulations. The implementation is conducted in several operational aspects, covering honoring minority shareholder rights, insider trading prohibition, balanced scorecard-based performance management, open bidding and e-procurement in the procurement of goods/services.

Implementation of GCG Principal Based on OJK Corporate Governance Guidance

Furthermore, Telkom already implementing 8 corporate governance principle based on OJK's Corporate Governance Guidance for Public Company, as follow:

Principle	Recommendation	Implementation
Principle 1		
Improving the value of shareholders Annual General Meeting (RUPS) management	1. Technical methods or procedures for open and closed voting that prioritize independence and interest of the shareholders	The Company already has technical procedures for voting set out in the procedures for the General Meeting of Shareholders Remark: Comply
	2. Members of the Board of Directors and the Board of Commissioners attend the Annual GMS	All of the members of the Board of Directors and the Board of Commissioners attended the GMS Remark: Comply
	3. A summary of minutes of GMS is available at the Website at least 1 year	The Company provided a Summary of Minutes of GMS at the Company's Website under Investor Relations Remark: Comply
Principle 2		
Improving the Public Listed Company Communication Quality with Shareholders or Investors	1. To have a policy on communications between Public Company and shareholders and investors	The Company has a policy on communications with Investors through Non Deal Roadshow, One on One Meeting, Earnings Call, Public Expose, Conference and Investor Summit Remark: Comply
	2. Post the policy on communications of a Public Company at the Website	The Company has made available materials of each Earnings Call, Conference and materials of presentation to investors at the Company's website to provide equality for Shareholders and Investors regarding the implementation of Communications with the Company Remark: Comply
Principle 3		
Strengthen the Membership and Composition of Board of Commissioner	1. Determination of the number of members of the Board of Commissioners takes into account the company's Conditions	The Company has complied with the provision applicable to the Company as Public Company as set out in Article 20 of POJK No.33/POJK.04/2014 that the number of members of the Board of Commissioners must be more than 2 (two) persons. Remark: Comply

Principle	Recommendation	Implementation
	2. Determination of the composition of members of the Board of Commissioners takes into account the required variety of skills, knowledge and experience	At the Shareholders' discretion, members of the Board of Commissioners have been appointed by taking into account a variety of skills, knowledges, experiences and the Company's business conditions and complexity Remark: Comply
Principle 4		
Improving the Quality of Duty and Responsibility of Board of Commissioner	1. The Board of Commissioners has a policy to self-assess the performance of the Board of Commissioners	Basically, the assessment of the performance of the Board of Commissioners is carried out by Class A Dwiwarna Shareholders through the mechanism of a General Meeting of Shareholders Remark: Explain
	2. The self-assessment policy is reported in an Annual Report	The Company does not have any self-assessment policy yet, that therefore there is no self-assessment policy reported in the Annual Report Remark: Explain
	3. The Board of Commissioners has a policy of resignation in the event of involvement in any financial crimes	In accordance with our Articles of Association, any member of the Board of Commissioners who does not meet any requirements to be a member of the Board of Commissioners as set out in the Articles of Association including any involvement in any financial crimes, the consequence of which is that his/her position will be null and void In the event that the member of the Board of Commissioners resigns, it will be resolved at a GMS Remark: Comply

Principle	Recommendation	Implementation
	4. The Board of Commissioners or the NRC sets out a provision of succession in the Nomination Process of a member of the Board of Directors	<p>The Nomination and Remuneration Committee sets out in the Nomination and Remuneration Committee Charter that among its duties is to give recommendations to the Board of Commissioners to be informed to the Class A Dwiwarna Shareholders about the Planning of Succession of Members of the Board of Directors</p> <p>In addition, as an SOE, the provision of succession of the Board of Directors refers to Regulation of the SOE Minister No.PER-03/MBU/2015 on the requirements, procedures for the appointment and dismissal of a member of the Board of Directors of an SOE</p> <p>Remark: Comply</p>
Principle 5		
Strengthening Membership and Compositions of Directors	1. Determination of the number of members of the Board of Directors takes into account the Company's conditions and effectiveness in decision-making	<p>Determination of the number of members of the Board of Directors of the Company refers to the provision of POJK No.33/POJK.04/2014 which provides that the Board of Directors and Board of Commissioners of Listed Companies or Public Companies must consist of at least 2 (two) members</p> <p>Remark: Comply</p>
	2. Determination of the Composition of members of the Board of Directors takes into account a variety of skills, knowledges and experiences as required	<p>At the Shareholders' discretion, members of the Board of Directors of the Company have been appointed by taking into account a variety of skills, knowledges, experiences and the Company's conditions and business complexity</p> <p>Remark: Comply</p>
	3. Members of the Board of Directors in charge of accounting and finance have skills and/or knowledge in accounting	<p>The member of the Board of Directors in charge of accounting and finance in the Company is the Finance Director who has sufficient accounting and financial knowledge and experience as can be seen in the position and education history of the Board of Directors under the section of Profiles of the Board of Directors</p> <p>Remark: Comply</p>

Principle	Recommendation	Implementation
Principle 6		
Improving the Quality of Implementing Task and Responsibility of Board of Directors	1. The Board of Directors has a policy to self-assess the performance of the Board of Directors	The Board of Directors has a Self-Assessment policy as set out in the section of Performance Assessment of the Board of Commissioners and the Board of Directors Remark: Comply
	2. The self-assessment policy is reported in an Annual Report	Results of the Self-Assessment of the Board of Directors are reported in the Company's Annual Report under the section of Corporate Governance Remark: Comply
	3. The Board of Directors has a policy of resignation in the event of involvement in any financial crimes	In accordance with our Articles of Association, any member of the Board of Directors who does not meet any requirements to be a member of the Board of Directors as set out in the Articles of Association including any involvement in any financial crimes, the consequence of which is that his/her position will be null and void In the event that the member of the Board of Directors resigns, it will be resolved at a GMS Remark: Comply
Principle 7		
Improving Corporate Governance Aspect through Stakeholders Participation	1. To have a Policy to prevent Insider Trading	In accordance with Regulation of the Human Capital Management Director No.PR 209.05.r.00/PS800/COP-A4000000/2017 on Employees' Compliance Ethics, the provision to prevent Insider Trading is as set out in Article 7 on Gross Violations, which include Abuse of Authority or Position Remark: Comply
	2. To have a Policy of Anticorruption and Antifraud	We are always committed to preventing Corruption in our company. This is realized through the existence of integrity pact completed by all employees of Telkom and the existence of a separate website as an integrity portal for all employees of Telkom, called myintegrity.telkom.co.id Remark: Comply

Principle	Recommendation	Implementation
	3. To have a Policy on the Selection and Capacity Building of Suppliers and Vendors	<p>We select our vendors and suppliers in accordance with our internal procurement policy managed through the Share Service Operation Procurement Department and implemented by reference to Regulation of the Finance Director No.PR.301.08/r.01/COP-A00110000/2016 on Procurement Implementation Guidelines</p> <p>Remark: Comply</p>
	4. To have a Policy on the Fulfillment of Creditors' Rights	<p>We have a policy to fulfill the rights of our creditors through the Corporate Finance Unit that sets out and manages the rights of our creditors</p> <p>Remark: Comply</p>
	5. Memiliki Kebijakan system whistleblowing	<p>Pursuant to Decision of the Board of Commissioners No.08/KEP/DK/2016 dated 8 June 2016 on the Provision of Complain Handling Procedures (Whistleblowers) at PT Telkom Indonesia, Tbk and its consolidated Subsidiaries and ratified by Regulation of the Board of Directors No. PD.618.00/r.00/HK200/COP-C0000000/2016 dated 21 December 2016, Telkom guarantees and ensures the protection of identity of the whistleblowers, whether the employees or third parties filing any complaints or reports of alleged violations</p> <p>Remark: Comply</p>



Principle	Recommendation	Implementation
	6. To have a Policy on the granting of long-term incentives to the Board of Directors and Employees	<p>In determining the incentives to be earned by the Board of Directors, we are guided by Regulation of the Minister of SOEs No.Per-04/MBU/2014 on Income Allocation Guidance for Board of Directors, Board of Commissioners and Board of Trustees of State Owned Enterprises, as for the incentives for employees, it is set out in the Collective Labour Agreement Chapter VI on compensations and benefits. In addition, we also provide long-term incentives in the form of Employee Stock Option Plan (ESOP), which was last done in 2013.</p> <p>Remark: Comply</p>
Principle 8		
Improving the Implementation of Information Disclosure	1. To use information technology more widely other than a Website as a medium of information disclosure	<p>We are also active in a variety of social media as a medium of information disclosure and product promotion. In addition, we also use the mailing list system as a medium of information disclosure and communication for investors</p> <p>Remark: Comply</p>
	2. The Annual Reports of Public Companies disclose the most current beneficial owners of the Company's shareholding, at least 5% other than major shareholders and Controllers	<p>We disclose the most current beneficial owners of the Company's shareholding with 5% or more shareholding in our Annual Report under the section of Composition of Shareholding</p> <p>Remark: Comply</p>

TELKOM CORPORATE GOVERNANCE ASSESSMENT

The Corporate Governance Perception Index assessment and rankings process consist of four phases with each of them have a different value:

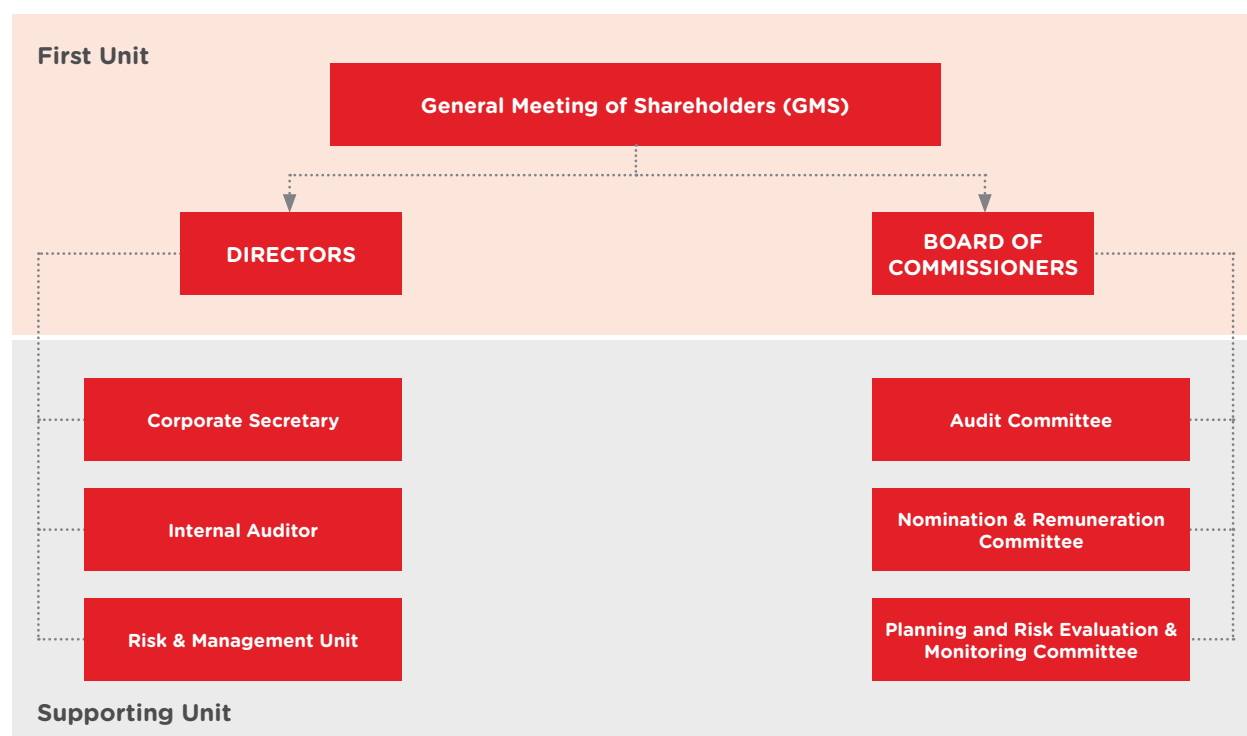
1. The self assessment phase, when the Company complete self assessment questionnaires based on GCG rating theme.
2. The document observation phase, when the Company submit their policies, procedures, and other evidence that reflects GCG implementation in the Company.
3. The paper and presentation assessment phase, when the Company prepare and submit papers describing the Company's activities in implementing GCG based

on assessment theme, to be followed by presentations in front of judges.

4. The observation phase, when the IICG Jury reviews the Company and conduct discussions and question and answer sessions, as well as confirm the implementation of GCG in the Company to the Board of Directors, Board of Commissioners and Senior Leader.

The results of the GCG assessment and grading are determined from the self assessment results, completion of documents, papers and observations. From these results, Telkom has once again received the title of "The Most Trusted Company", with a total score of 91.18. The GCG assessment theme of 2015/2016 is "GCG through the Sustainability Perspective".

TELKOM CORPORATE GOVERNANCE STRUCTURE



Telkom's governance structure is arranged in accordance with the two tier board structure mechanism. With reference to Law No.40/2007 of the Republic of Indonesia regarding Limited Liability Companies, Telkom has already in place a governance structure comprising of the Company's Main Organ and Supporting Organ. The Company's Main Organ comprises of the General Meeting of Shareholders (GMS), the Board of Commissioners and the Board of Directors. Meanwhile, the Company's Supporting Organ comprises of, among others, the Audit Committee, the Nomination and Remuneration Committee, the Planning and Risk Evaluation & Monitoring Committee, the Corporate Secretary, the Internal Auditor and the Risk Management Unit.

GENERAL MEETING OF SHAREHOLDERS

The GMS is the highest governance organ that facilitates shareholders in making important decisions for the Company in accordance with the Company's Articles of Association and the prevailing laws and regulations.

Telkom routinely holds an annual GMS (AGMS). The agenda of the AGMS including:

1. Approval of the Company's Annual Report, including the Board of Commissioners Supervisory Task Report.
2. Ratification of the Company's Financial Statement and the Annual Partnership and Community Development Program Report, as well as the Exemption of Liabilities of the members of the Board of Directors and Board of Commissioners.
3. Appropriation of the Company's net profit within the Financial year.
4. The determination of remuneration for the members of the Board of Directors and Board of Commissioners.
5. The appointment of a Public Accounting Firm to Audit the Company's Financial Statements, including Audit of Internal Control over Financial Reporting and Appointment of a Public Accounting Firm to Audit the Financial Statements of Partnership and Community Development Programs.
6. Amendments to the Articles of Association.
7. The Delegation of authority to the Board of Commissioners for the Use/Transfer of Treasury Stock resulting from Share Buyback III and IV.
8. Changes in the composition of the Company Board.

Resolutions of the 2015 GMS

The AGMS of the 2014 Financial year was convened on 17 April 2015 with the following agenda and resolutions:

Agenda	AGMS Resolution	Status of the AGMS Resolution
1	To approve the Annual Report of the Company which in principle have been presented in the Meeting by the Board of Directors regarding the condition and operation of the Company for the Financial Year 2014 including the Board of Commissioners' Supervision Duty Report for the Financial Year 2014.	Effective immediately
2	<ol style="list-style-type: none"> 1. To ratify: <ol style="list-style-type: none"> a. The Company's Financial Statements (Consolidated) for the Financial Year 2014 which has been audited by the Public Accountant Office Purwantono, Suherman & Surja (a member firm of Ernst & Young Global Limited) according to its report No.RPC 6824/PSS/2015 dated 27 February 2015 stated with opinion "the consolidated financial statements report present fairly, in all material respects in accordance with Indonesian Financial Accounting Standards"; b. Partnership and Community Development Annual Report for the Financial Year 2014 which compiled pursuant to Minister of State Owned Enterprises Regulation that is comprehensive accounting bases besides Indonesian Financial Accounting Principle that generally accepted in Indonesia and have been audited by the Public Accountant Office Purwantono, Suherman & Surja (a member firm of Ernst & Young Global Limited) according to its report RPC-6644/PSS/2015 dated 11 February 2015 stated with opinion "the accompanying financial statements present fairly, in all material respects in accordance with the Non Publicly Accountable Entities Financial Accounting Standards". 2. Then, by the approval of the Company's Annual Report and the ratification of Financial Statement for the Financial Year 2014 and Annual Report on Partnership and Community Development Program for the Financial Year 2014, the Meeting hereby grant a full acquittal and discharge (volledig acquit et decharge) to all members of the Board of Directors who serves in the Financial Year 2014 for their management of the Company and all members of Board of Commissioners who serves in the Financial Year 2014 for the supervision of the Company and management and supervision of the Partnership and Community Development Program performed during the Financial Year 2014, as long as the actions are reflected in the Company's Annual Report, Financial Statements for Financial Year 2014 and Annual Report of Partnership and Community Development for the Financial Year 2013 above and the actions are not contradict with the prevailing laws and regulations. 	Resolution Effective Immediately

Agenda	AGMS Resolution	Status of the AGMS Resolution
3	<ol style="list-style-type: none"> 1. The appropriation of the Company's net profit for the Financial Year 2014 in the amount of Rp14,638,101,099,000,- which will be allocated to: <ol style="list-style-type: none"> a. Cash Dividend amounting to 50% of the net profit or in the amount of Rp7,319,009.885,880,- or in the amount Rp74.55 per share based on the number of shares issued (excluding the shares already bought back by the Company) as of the date of the Meeting date which numbers 98,175,853,600 shares; b. Special Dividend amounting to 10% from net profit or in the amount of Rp1,463,801,977,176,- or in the amount Rp14.91 per share based on the number of shares issued (excluding the shares already bought back by the Company) as of the date of the Meeting date which numbers 98,175,853,600 shares; c. Recorded as Retained Earning in the amount of 40% from net profit or amounting to Rp5,855,289,235,944,- which will be used for the development of the Company. 2. The distribution of Cash Dividend and Special Dividend for the Financial Year 2014 will be conducted with the following conditions: <ol style="list-style-type: none"> a. those who are entitled to receive Cash Dividend and Special Dividend are shareholders whose names are recorded in the Company's Shareholders on April 29, 2015 up to 16:00 Western Indonesia Standard Time; b. Cash Dividend and Special Dividend shall be paid all at once on May 21, 2015. 3. To the Board of Directors granted the authorization to regulate further the procedure of dividend distribution and to announce the same with due observance of the prevailing laws and regulations in the stock exchange where the Company's share are listed. 	<ul style="list-style-type: none"> • Dividend distribution was conducted on 21 May 2015 • The decision on reserve effective immediately.
4	To grant authority and authorize to the Board of Commissioners, with prior approval from Seri A Dwiwarna shareholder to determine the amount of tantieme which will be given to the members of Board of Director and Board of Commissioners for the Financial Year 2014 and also to determine the amount of the salary/honorarium, allowances, facilities and other incomes for the members of Board of Director and Board of Commissioners for the 2015 year.	Has been implemented
5	<ol style="list-style-type: none"> 1. Reappointment of Public Accounting Firm Purwantono, Suherman & Surja (a member firm of Ernst & Young Global Limited) to conduct an integrated audit of the Company for the Financial Year 2015 which include the audit of the Consolidated Financial Statements of the Company, and the audit of the Internal Control over Financial Reporting for the Financial Year 2015 and to audit the Financial Statements of Partnership and Community Development Program for the Financial Year 2015. 2. Reappointment of Public Accounting Firm Purwantono, Suherman & Surja (a member firm of Ernst & Young Global Limited) to audit the appropriation of funds for the Partnership and Community Development Program for the Financial Year 2015. 3. To grant authority to the Boards of Commissioners to determine the appropriate audit fee and other terms and conditions of appointment of the relevant Public Accounting Firm. 4. To grant authority to the Board of Commissioners to appoint an alternate Public Accounting Firm and determine the term and condition of its appointment; in the event the appointed Public Accounting Firm can not perform or continue its duty for any reason including does not achieve conformity for audit fee. 	<p>The PAF's approval is effective immediately</p> <p>Has been implemented</p> <p>Has been implemented</p> <p>Has been implemented</p>



Agenda	AGMS Resolution	Status of the AGMS Resolution
7	To grant authority and authorize to the Board of Commissioners with prior approval from Series A Dwiwarna for use/diversion Company's Treasury Stock from Share Buy Back III and IV.	Has been implemented
8	<p>1. Honorably dismissal from their offices names as follows:</p> <ul style="list-style-type: none"> a. Mister JOHNNY SWANDI SJAM as Independent Commissioner; b. Mister IMAM APRIYANTO PUTRO as Commissioner; c. Mister VIRANO G NASUTION as Commissioner; <p>effective as of the close of the Meeting with appreciation for contribution of efforts and thoughts during their term as the member of Board of The Commissioners of the Company.</p> <p>2. Appoinment the names as follows:</p> <ul style="list-style-type: none"> a. Mister RINALDI FIRMANSYAH as Independent Commissioner; b. Mistress PAMIYATI PAMELA JOHANNA WALUYO as Independent Commissioner; c. Mister MARGIYONO DARSASUMARJA as Commissioner; with the term of office effective as of the close of the Meeting and will end as of close of the fitfth Annual General Meeting of Shareholders without prejudice the right of General Meeting of Shareholders to dismiss anytime. <p>3. For the members of Board of the Commisioners who appointed as reffered in number 2 above who still serve in other position that prohibited based on the prevailing regulation to concurrently performed with the position as the member of Board of Commisioner of State Owned Enterprises, then the concerned must resign from their position.</p> <p>y the dismissal and the appointment as stated in number 1 and 2 above, the composition of the member of the Board of Commisioner are becomes as follows:</p> <p>THE BOARD OF COMMISSIONERS:</p> <p>Mistress HENDRI SAPARINI as President Commissioner;</p> <p>Mister HADIYANTO as Commissioner;</p> <p>Mister PARIKESIT SUPRAPTO as Independent Commissioner;</p> <p>Mister DOLFIE OTHNIEL FREDRIC PALIT as Commissioner;</p> <p>Mister RINALDI FIRMANSYAH as Independent Commissioner;</p> <p>Mistress PAMIYATI PAMELA JOHANNA WALUYO as Independent Commissioner;</p> <p>Mister MARGIYONO DARSASUMARJA as Commissioner.</p>	Effective immediately

Note: All of the above AGMS resolutions are in line with the adopted agenda and is reflected in the AGMS invitation.



Resolutions of the 2016 GMS

The AGMS of the 2015 Financial Year was conducted on 22 April 2016. The agenda and status of the AGMS of the 2015 Financial year are as follows:

Agenda	AGMS Resolution	Status of the AGMS Resolution
1	To approve the Annual Report of the Company which substantially have been presented in the Meeting by the Board of Directors regarding the condition and operation of the Company for the Financial Year 2015 including the Board of Commissioners' Supervision Duty Report for the Financial Year 2015.	Effective Immediately
2	<p>To ratify:</p> <ul style="list-style-type: none"> a. The Company's Financial Statements for the Financial Year 2015 which has been audited by the Public Accountant Firm Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) according to its report No.RPC 326/PSS/2016 dated February 26, 2016 stated with opinion "the accompanying consolidated financial statements report present fairly, in all material respects, the consolidated financial position of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk and its subsidiaries ended as of December 31, 2015 and the financial performance in accordance with Indonesian Financial Accounting Standards"; b. Partnership and Community Development Annual Report for the Financial Year 2015 which compiled pursuant to Minister of State Owned Enterprise's Regulation which is a comprehensive accounting basis in addition to Indonesian Financial Accounting Principle that generally accepted in Indonesia and have been audited by the Public Accountant Firm Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) according to its report No.RPC-103/PSS/2016/DAU dated January 27, 2016 stated with opinion "the accompanying financial statements present fairly, in all material respects, financial position of Center for the Management of Partnership and Community Development Program of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk dated December 31, 2015 and financial performance and cash flow for the year ended on such date in accordance with the Non Publicly Accountable Entities Financial Accounting Standards". - Then, by the approval of the Company's Annual Report including Supervisory Task of the Board of Commissioner Report and the ratification of Financial Statement for the Financial Year 2015 and Annual Report on Partnership and Community Development Program for the Financial Year 2015, the Meeting hereby grant a full acquittal and discharge (volledig acquit et de charge) to members of the Board of Directors dan the Board of Commissioners who serves in the Financial Year 2015 consecutively for the managerial and supervisory actions of the Company as long as those actions are not criminal act and those actions are reflected in the Company's Annual Report, Financial Statements (Consolidated) for Financial Year 2015 and Annual Report of Partnership and Community Development for the Financial Year 2015. 	Keputusan langsung berlaku

Agenda	AGMS Resolution	Status of the AGMS Resolution
3	To approve the enforcement of Minister of State Owned Enterprise's Regulation No.PER-09/MBU/07/2015 dated July 3, 2015 regarding Partnership Program and Community Development Program as of the implementation of such regulation to become guidance for the Company in conducting the Partnership and Community Development Program, with due regard to provision in the field of Capital Market.	<ul style="list-style-type: none"> Dividend distribution was conducted on 21 May 2015 The decision on reserve effective immediately.
4	<ol style="list-style-type: none"> To Approve and determine the appropriation of the Company's net profit for the Financial Year 2015 in the amount of Rp15,488,659,107,742,- which will be allocated to: <ol style="list-style-type: none"> Cash Dividend amounting to 50% of the net profit or in the amount of Rp7,744,304,153,942,- in amount Rp78.864 per share based on the number of shares issued (excluding the shares already bought back by the Company) as of the date of the Meeting date which numbers 98,198,216,600 shares; Special Dividend amounting to 10% from net profit or in the amount of Rp1,548,880,470,432,- in amount Rp15.773 per share based on the number of shares issued (excluding the shares already bought back by the Company) as of the date of the Meeting date which numbers 98,198,216,600 shares; Recorded as Retained Earning in the amount of 40% from net profit or amounting to Rp6,195,474,483,368,- which will be used for the development of the Company. To Approve the distribution of Cash Dividend and Special Dividend for the Financial Year 2015 will be conducted with the following conditions: <ol style="list-style-type: none"> those who are entitled to receive Cash Dividend and Special Dividend are shareholders whose names are recorded in the Company's Shareholders on May 4, 2016 up to 16:00 Western Indonesia Standard Time; Cash Dividend and Special Dividend shall be paid all at once on May 26, 2016. To the Board of Directors granted the authorization to regulate further the procedure of dividend distribution and to announce the same with due observance of the prevailing laws and regulations in the stock exchange where the Company's share are listed. The amount of fund of Community Development Program of Telkom Group for the Financial Year 2016 of Rp82,000,000,000,- or equivalent with 0.53% of the Net Income for the Financial Year 2015 which source of funds taken from the Company's burden. 	Has been followed-up



Agenda	AGMS Resolution	Status of the AGMS Resolution
5	<ol style="list-style-type: none"> To grant authority and authorize to the Board of Commissioners, with prior approval from Serie A Dwiwarna shareholder to determine the amount of tantieme which will be given to the members of Board of Director of the Company for the Financial Year 2015 and salary including facility and allowances fo the financial year 2016. To determine the amount of performance tantieme for the Board of Commissioners of the Company for the Financial Year 2015 and honorarium including facility and allowances fo the financial year 2016 in accordance with prevalling laws, then authorize to the Board of Commissioners after consultation with Serie A Dwiwarna shareholder to put in detail this Meeting's resolution in a Board of Commissioner's Resolution in the name of General Meeting of Shareholder. 	<p>The PAF's approval is effective immediately</p> <p>Has been implemented</p>
6	<ol style="list-style-type: none"> Reappointment of Public Accounting Firm Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) to conduct an integrated audit of the Company for the Financial Year 2016 which include the audit of the Consolidated Financial Statements of the Company, and the audit of the Internal Control Audit on Financial Reporting for the Financial Year 2016 and to audit the Financial Statements of Partnership and Community Development Program for the Financial Year 2016. Reappointment of Public Accounting Firm Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) to audit the appropriation of funds for the Partnership and Community Development Program for the Financial Year 2016. To grant authority to the Boards of Commissioners to determine the amount of audit fee and other terms and conditions of appointment of the relevant Public Accounting Firm. To grant authority to the Board of Commissioners to appoint an alternate Public Accounting Firm and determine the terms and conditions of its appointment; in the event the appointed Public Accounting Firm can not perform or continue its duty for any reason including the agreement on the amount for audit fee is unattainable. 	<p>Resolution effective immediately</p> <p>Has been implemented</p>
7	<ol style="list-style-type: none"> To approve granting the authority and authorize to the Board of Commissioners with prior approval from Serie A Dwiwarna shareholder, in the case of the Board of Directors uses/diverts Company's Treasury Stock from Buy Back Share IV. Utilization/diversion of Company's Treasury Stock from Buy Back Share IV through the sales either within or outside stock exchange does not require approval from General Meeting of Shareholders in accordance with regulation in the field of Capital Market. 	<p>Has been implemented</p>

Agenda	AGMS Resolution	Status of the AGMS Resolution
8	<ol style="list-style-type: none"> 1. Honorably dismissal from their offices the following names: <ol style="list-style-type: none"> a. Mister HERI SUNARYADI as Director; b. Mister PARIKESIT SUPRAPTO as Independent Commissioner; <p>effective as of the close of the Meeting with appreciation for contribution of efforts and thoughts during their term as the member of Board of the Commissioners and the Board of Directors of the Company;</p> 2. To assign mister MARGIONO DARSASUMARJA from his office as Commissioner who was appointed under resolution Annual General Meeting of Shareholders year 2015 PT Telkom Indonesia (Persero) Tbk on the April 17, 2015 to become Independent Commissioner by continuing his term of office. 3. To appoint the following names: <ol style="list-style-type: none"> a. Mister HARRY M ZEN as Director; b. Mister PONTAS TAMBUNAN as Commissioner; <p>with the term of office effective as of the close of the Meeting and will end as of close of the fifth Annual General Meeting of Shareholders without prejudice the right of General Meeting of Shareholders to dismiss anytime</p> 4. For the members of the Board of the Commissioners and the Board of Directors who are appointed as referred in number 3 above who still serve in other positions that are prohibited under the prevailing regulation to hold multiple offices with the position as member of the Board of Commissioner and the Board of Directors of State Owned Enterprises, then the concerned must resign from his position. 5. By the dismissal, assignment and appointment as stated in number 1 and 2 above, the composition of the member of the Board of the Company are becomes as follows: <ol style="list-style-type: none"> a. BOARD OF DIRECTORS: <ul style="list-style-type: none"> • Mr ALEX J. SINAGA - President Director; • Mr HARRY M. ZEN - Director; • Mr INDRA UTOYO - Director; • Mr MUHAMMAD AWALUDDIN - Director; • Mr HONESTY BASYIR - Director; • Mr HERDY ROSADI HARMAN - Director; • Mr ABDUS SOMAD ARIEF - Director; • Mr DIAN RACHMAWAN - Director b. BOARD OF COMMISSIONERS : <ul style="list-style-type: none"> • Mrs HENDRI SAPARINI - President Commissioner; • Mr DOLFIE OTHNIEL FREDRIC PALIT - Commissioner; • Mr HADIYANTO - Commissioner; • Mr PONTAS TAMBUNAN - Commissioner; • Mr MARGIYONO DARSASUMARJA - Independent Commissioner; • Mr RINALDI FIRMANSYAH - Independent Commissioner; • Mrs PAMIYATI PAMELA JOHANNA WALUYO - Independent Commissioner; 6. To authorize with the right of substitution to the Board of Directors to state resolution adopted in the Meeting into notarial deed and to appear before Notary or authorized official and to make any adjustments or corrections which are necessary when required by the competent authority for the purposes of implementation of the resolutions of the Meeting. 	Effective immediately

Note: All of the above AGMS resolutions are in line with the adopted agenda and is reflected in the AGMS invitation.



THE BOARD OF COMMISSIONERS

The Board of Commissioners constitutes the Company's organ having collective duties and responsibilities in supervising the execution of duties and responsibilities of the Board of Directors as well as to give the advice to the Board of Directors in managing the Company and implementing the Good Corporate Governance (GCG).

The Composition of Board of Commissioners

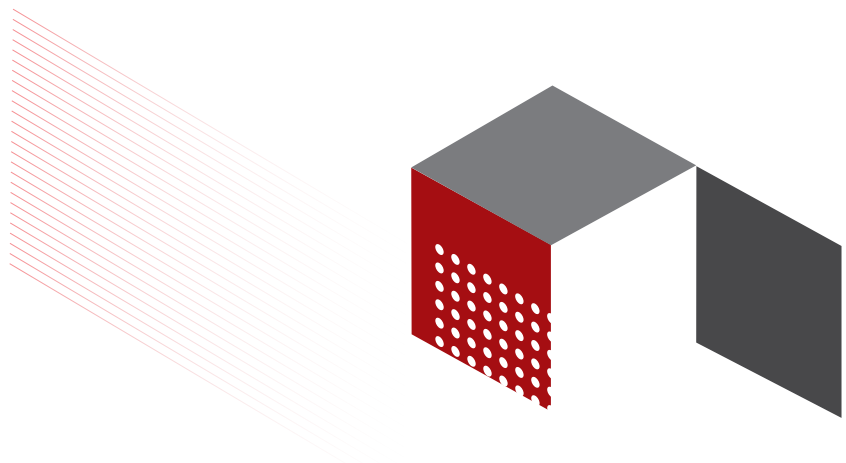
In 2016, there was a change of composition of Telkom's Board of Commissioners. Pursuant to the resolutions of the Annual General Meeting of Shareholders (AGMS) on April 22, 2016, Mr. Parikesit Suprpto was respectfully discharged from his title as the Independent Commissioner and to appoint Mr. Pontas Tambunan as the Commissioner. In addition to it, there was an exchange of title of Mr. Margiyono Darsasumarja from his position as the Commissioner to become the Independent Commissioner by continuing his term of office.

Table of Composition of the Board of Commissioners of PT Telkom per 31 December 2015

No	Name	Title	Appointment	Discharge Date
1	Hendri Saporini	President Commissioner	December 19, 2014	AGMS 2019
2	Dolfie Othniel Fredric Palit	Commissioner	December 19, 2014	AGMS 2019
3	Hadiyanto	Commissioner	May 11, 2012	AGMS 2017
4	Margiyono Darsasumarja	Commissioner	April 17, 2015	AGMS 2020
5	Parikesit Suprpto	Independent Commissioner	May 11, 2012	April 22, 2016
6	Rinaldi Firmansyah	Independent Commissioner	April 17, 2015	AGMS 2020
7	Pamiyati Pamela Johanna Waluyo	Independent Commissioner	April 17, 2015	AGMS 2020

Table of Composition of the Board of Commissioners of PT Telkom per 31 December 2016

No	Name	Title	Appointment	Discharge Date
1	Hendri Saporini	President Commissioner	December 19, 2014	AGMS 2019
2	Dolfie Othniel Fredric Palit	Commissioner	December 19, 2014	AGMS 2019
3	Hadiyanto	Commissioner	May 11, 2012	AGMS 2017
4	Pontas Tambunan	Commissioner	April 22, 2016	AGMS 2021
5	Margiyono Darsasumarja	Independent Commissioner	April 17, 2015	AGMS 2020
6	Rinaldi Firmansyah	Independent Commissioner	April 17, 2015	AGMS 2020
7	Pamiyati Pamela Johanna Waluyo	Independent Commissioner	April 17, 2015	AGMS 2020



Double Title of the Board of Commissioners

Some members of Telkom's Board of Commissioners serve double titles, either in Telkom or in Telkom's subsidiary. Complete information regarding the double title of the Board of Commissioners may be seen in the following table:

Table of Double Title of Telkom's Board of Commissioners

No	Name	PT Telkom		Subsidiary
		Title	Other Title	
1	Hendri Saparini	President Commissioner	None	None
2	Dolfie Othniel Fredric Palit	Commissioner	1. Member of Audit Committee 2. Member of KNR 3. Member of KEMPR	None
3	Hadiyanto	Commissioner	1. Chairman of KEMPR 2. Member of KNR	None
4	Pontas Tambunan	Commissioner	1. Member of Audit Committee 2. Member of KNR	None
5	Margiyono Darsasumarja	Independent Commissioner	1. Chairman of KNR 2. Member of Audit Committee 3. Member of KEMPR	None
6	Rinaldi Firmansyah	Independent Commissioner	1. Chairman of Audit Committee 2. Member of KNR	None
7	Pamiyati Pamela Johanna Waluyo	Independent Commissioner	1. Member of KNR 2. Member of KEMPR	None

Remarks: KEMPR (Planning and Risk Evaluation and Monitoring Committee), KNR (Nomination and Remuneration Committee)

Duties and Responsibilities of the Board of Commissioners

1. To conduct the supervision and accountable for the supervision to the management policies, the performance of management in general, either regarding the Company or the Company's business, give advice to the Board of Directors.
2. To supervise the policies of Company's management conducted by the Board of Directors as well as to give advice to the Board of Directors including to give advice regarding the development plan of the Company, annual plan and budget of the Company, the implementation of the provisions in Articles of Association of the Company and resolutions of GMS as well as the provisions of laws and regulations by taking into account the Company's interest.
3. To organize the annual GMS and other GMS pursuant to its authority as stipulated under the laws and regulations and articles of association.
4. To conduct the duties, authorities and responsibilities pursuant to the provisions of laws and regulations, Articles of Association of the Company and GMS resolutions.
5. To conduct the duties and responsibilities in good faith, full responsibility, and prudentially.
6. To scrutinize and review the Annual Report prepared by the Board of Directors as well as to sign the said Annual Report.

7. To form the Audit Committee and other committee to assist the Board of Commissioners in performing its duties and responsibilities.
8. To evaluate the performance of the committee that assists the performance of its duties and responsibilities at the end of financial year.

The Authorities of the Board of Commissioners

1. To give the opinion and inputs to AGMS regarding the periodic report and other report from the Board of Directors.
2. To supervise the implementation of working plan and budget of the Company (including the investment budget) for the previous financial year as well as to submit the assessment as well as the opinion to AGMS.
3. To monitor the development of Company's activities and in the event that the Company indicates the degradation symptom, to immediately request the Board of Directors to announce it to the shareholders and to give inputs regarding the improvement steps to be taken.
4. To give opinions and inputs to GMS regarding any other issue deemed important for the management of the Company.
5. To propose to GMS, through the Board of Directors, the appointment of public accountant to conduct the audit towards Company's Financial Report including the audit for the internal control upon the financial

report, pursuant to the prevailing provisions from the capital market authority whereby the Company's shares are listed and/or registered.

6. To give the report regarding the supervision duties that have been conducted in the financial year that has just ended to GMS.
7. To conduct other supervisory duties as determined by GMS.

Responsibilities of the Board of Commissioners

Any member of Board of Commissioners shall be jointly responsible for all Company's losses caused by the mistake or negligence of the member of Board of Commissioners in performing the duties. Members of Board of Commissioners shall not be liable for the Company's loss if they can prove that:

1. Such loss is not caused by their mistake or negligence;
2. They have performed in good faith, full responsibility, and prudentially for the interest and based on the purpose and objective of the Company;
3. They do not have any conflict of interest either directly or indirectly with the management activities causing the loss; and
4. They have taken the action to prevent the occurrence or continuation of such loss.

The Board Charter of the Board of Commissioners

In performing its duties and authorities, Telkom's Board of Commissioners shall refer to the Board Charter as stipulated under the Decision Letter of the Board of Commissioners No.16/KEP/DK/2013 dated December 17, 2013. The Charter constitutes the reference for the Board of Commissioners in performing their duties so that it will

be in line with Good Corporate Governance practices. Charter of Board of Commissioners shall consist of the elaboration of duties, authorities, obligations, responsibilities, division of duties, meeting, provisions regarding the conflict of interest, share ownership, and the relationship between the Board of Commissioners and the Board of Directors and GMS. In performing its duties and function, besides referring to the Charter of the Board of Commissioners, the Board of Commissioners shall also refer to the Articles of Association as well as Letter of the Joint Decision made by the Board of Commissioners and the Board of Directors.

The Board of Commissioners' Meeting

Based on the Regulation of OJK No.33/POJK.04/2014 Article 31, the Board of Commissioners shall be obliged to conduct the meeting for at least 1 (one) time within 2 (two) months or at any time as deemed necessary. The quorum for all of Board of Commissioners' meeting shall be the presence of more than half of total members of Board of Commissioners. In addition to it, Board of Commissioners shall also be obliged to organize joint meeting with the Board of Directors at least 1 (one) time within 4 (four) months and it may also be held at any time as deemed necessary. Joint meeting by the Board of Directors and Board of Commissioners within the Company shall also be referred to as the Joint Meeting.

The mechanism in making the resolutions in the Board of Commissioners' meeting shall be based on the deliberation to reach a consensus. If a consensus cannot be reached, then the resolution shall be made based on the majority votes from members of Board of Commissioners that are present or represented in the meeting. If the votes are equal, then the resolution shall be made based on the opinion of the Chairman of Meeting.

In 2016, the Board of Commissioners has held internal meetings 19 times. The agenda that was discussed and the attendance level of members of Board of Commissioners in the internal meeting can be seen in the following table.

Table of the Agenda and Attendance in the Board of Commissioners' Meetings

No	Date	Agenda/Discussion of the Meeting	Board of Commissioners that present								
			HS	HD	PT	DOFP	MGD	RF	PJW	PS	
1	Wednesday, January 6, 2016	1. Inputs from the Audit Committee for the Organization of Internal Audit Unit 2. Candidate for Members of Audit Committee 3. Strategic Fit Project Flus 4. Others: Visit Schedule of the Board of Commissioners	v	v	N/A	-	v	v	v	v	
2	Monday, January 18, 2016	1. Proposal for the approval of Strategic Fit Project Flus and Project Queen 2. Meeting preparation with the Deputy of Minister of SOE	v	-	N/A	v	v	v	v	v	
3	Monday, February 15, 2016	1. Key Performance Indicators (KPI) of the Board of Directors of 2016 2. The Development of Retirement Insurance 3. Others: Schedule for the Implementation of Sign-Off Closing Integrated Audit for IFASS	v	v	N/A	-	v	v	v	-	
4	Tuesday, March 22, 2016	1. Proposal for the remuneration of 2016 and Tantiem of 2015 (by the Consultant from Tower Watson) 2. Zorro Project 3. The Development of Telkom Innovation Center 4. Others: a. Preparation for AGMS of 2016 b. Corruption Eradication Commission (KPK)	v	-	N/A	-	v	-	v	v	
5	Monday, April 18, 2016	1. The selection for the chairman of GMS of 2016 2. Meeting preparation for Pre-GMS 3. The submission of Names of Candidates for the Board of Directors of Telkom 4. Agenda 7 of GMS regarding Share Buy Back (SBB) IV	v	-	N/A	-	v	v	v	v	

No	Date	Agenda/Discussion of the Meeting	Board of Commissioners that present							
			HS	HD	PT	DOFP	MGD	RF	PJW	PS
6	Friday, May 13, 2016	1. The discussion on the Strategic Fit Project Discovery and Project Inspire 2. The Presentation on Digital Business by the Consultant from Delta Partners	v	v	v	-	v	v	v	N/A
7	Wednesday, May 25 2016	1. The Discussion on the Rolling of CSS 2017-2021 2. Audit Committee Report 3. Others: Proposal on the Remuneration to SOE	v	v	v	-	v	v	v	N/A
8	Thursday, June 23, 2016	1. Remuneration of the Secretariat 2. Budget Allocation for Long Term Incentive (LTI) 3. Retirement of Mr. Rustanto Hadimartono 4. Anniversary of Telkom 5. Proposal for the Approval of CSS 2017-2021 and Financing 6. Whistleblower	v	v	-	-	v	v	v	N/A
9	Wednesday, July 20, 2016	1. Approval of CSS 2017-2021 and SHL on Jurong Data Center 2. Approval for the Tantiem of the Secretary of Board of Commissioners	v	v	-	-	v	v	v	N/A
10	Friday, July 29, 2016	Proposal on the change of Commissioners of PT Telkomsel	v	-	-	-	-	v	v	N/A
11	Thursday, August 4, 2016	Proposal on the change of Commissioners of PT Telkomsel	v	v	v	-	v	v	v	N/A
12	Thursday, August 25, 2016	1. Approval for the grant of Equity Injection to Telkom Metra for Metraplasa (Blanja.com) 2. Report on the Position of Equity Call in PT TelkomSigma 3. Discussion on the Threshold for Certain Activities by the Board of Directors that require the approval from the Board of Commissioners 4. Others: a. CSS 2017-2021 b. Roadmap of Satellite c. Power of Attorney of the President Commissioner	v	v	v	-	v	v	v	N/A

No	Date	Agenda/Discussion of the Meeting	Board of Commissioners that present								
			HS	HD	PT	DOFP	MGD	RF	PJW	PS	
13	Wednesday, September 21, 2016	1. Approval for Princess Project 2. Discussion on the Roadmap of Satellite 3. Others: a. The proposal to write-off the Business Receivables b. Proposal for the Remuneration of the Secretary of the Board of Commissioners		v	v	v	v	v	v	v	N/A
14	Wednesday, 5 October 2016	1. Discussion on the Term Sheet of NewCo 2. Discussion on the Financing of Jurong Data Center 3. Others: a. Retirement Insurance b. Proposal on the Escrow of Long Term Incentive (LTI) for Independent Commissioner	v	v	v	-	v	v	v	v	N/A
15	Wednesday, 12 October 2016	1. The Approval for Strategic Fit and Final Implementation of Metranet as the Holding of CFU Digital 2. The approval for the acquisition of 49% Shares MeOn of SKP by Metranet	v	v	-	-	v	v	v	v	N/A
16	Thursday, November 24, 2016	1. Proposal on the Work Plan and Budget of the Secretariat of the Board of Commissioners 2. The Presentation on the Digitalized Administration for the Secretariat of Board of Commissioners 3. Others: The Determination of Absolute Target of RKAP 2017 from SOE	v	-	v	v	v	v	v	v	N/A
17	Thursday, 1 December 2016	1. Approval for the proposal of RKAP 2017 2. Discussion on the Proposal to Release the Capex phase II 3. Approval for the Strategic Fit Project Shine	v	-	v	-	v	v	v	v	N/A
18	Tuesday, December 20, 2016	1. Discussion on Capex SKKL Sabang-Medan 2. Discussion on the approval for Strategic Fit of Project Shine 3. Others: Cost to make the Digitalized Administration for the Secretariat of the Board of Commissioners	v	-	v	-	v	-	v	v	N/A
19	Friday, December 23, 2016	1. Discussion on the Contract of Management of 2017 2. Discussion on the Permit for External Funding of 2017	v	v	-	-	v	-	v	v	N/A
Total Attendances			19	12	9	3	18	15	19	4	
Total Meetings			19	19	14	19	19	19	19	5	
Attendance Level of the Board of Commissioners			100%	63%	64%	16%	95%	79%	100%	80%	

Remarks: HS (Hendri Saparini), HD (Hadiyanto), PT (Pontas Tambunan), DOFP (Dolfie Othniel Fredric Palit), MGD (Margiyono Darsasumarja), RF (Rinaldi Firmansyah), PJW (P. Pamela Johanna Waluyo), PS (Perikesit Suprpto).



In addition to the above, the Board of Commissioners also conducted the Joint Meeting between the Board of Commissioners and the Board of Directors which was conducted for 13 times in 2016. Below is the agenda which was discussed and the frequency of attendance of the Board of Commissioners in the Joint Meeting.

Table of Agenda and Attendance of the Joint Meeting

No	Date	Agenda/Discussion of the Meeting	Board of Commissioners who were present							
			HS	HD	PT	DOFP	MGD	RF	PJW	PS
1	Monday, January 25, 2016	1. Performance of the Company In December 2015 2. Progress of the Integrated Audit for the Financial Year of 2015	v	v	N/A	-	v	v	v	v
2	Monday, February 29, 2016	1. Sign-Off for the Consolidated Financial Report (IFAS version) of 2015 2. Performance of the Company in January 2016	v	-	N/A	-	v	v	-	v
3	Wednesday, March 23, 2016	1. Performance of the Company in February 2016 2. Preparation of GMS of 2016	v	v	N/A	-	v	v	v	v
4	Wednesday, April 20, 2016	1. Performance of the Company in March 2016 2. OtherS: a. Final Preparation for GMS of 2016 b. Talent Pool Management	v	-	N/A	v	v	v	v	v
5	Wednesday, May 25, 2016	1. Performance of the Company In April 2016 2. Discussion on the Final Draft CSS 2017-2021	v	v	v	-	v	v	v	N/A
6	Thursday, June 23, 2016	1. Performance of the Company In May 2016 2. Discussion on the Anniversary of Telkom	v	v	v	-	v	v	v	N/A
7	Wednesday, July 20, 2016	Performance of the Company In June	v	v	v	v	v	v	v	N/A
8	Monday, August 22, 2016	1. Performance of the Company In July 2016 2. Proposal of RJPP/CSS 2017-2021	v	v	v	-	v	v	v	N/A
9	Wednesday, September 21, 2016	1. Performance of the Company In August 2016 2. Others: Final Development of the Revision Plan of PP No. 52/2000 and No. 53/2000	v	v	v	v	v	-	v	N/A
10	Monday, October 24, 2016	1. Performance of the Company In September 2016 2. Proposal Submission of RKAP of 2017	v	-	-	-	v	v	v	N/A
11	Tuesday, November 29, 2016	1. Performance of the Company In October 2016 2. Proposal Submission of RKAP 2017	v	-	v	v	v	-	v	N/A
12	Monday, December 5, 2016	The Ratification of RKAP 2017	v	v	v	v	v	v	v	N/A
13	Tuesday, December 20, 2016	1. Performance of the Company In November 2016 2. Proposal on the Contract of Management of the Board of Directors of 2017	v	-	v	-	v	-	v	N/A
Jumlah Kehadiran			13	8	8	5	13	10	12	4
Jumlah Rapat			13	13	9	13	13	13	13	4
Tingkat Kehadiran Dewan Komisaris			100%	62%	89%	38%	100%	77%	92%	100%

Remarks: HS (Hendri Saporini), HD (Hadiyanto), PT (Pontas Tambunan), DOFP (Dolfie Othniel Fredric Palit), MGD (Margiyono Darsasumarja), RF (Rinaldi Firmansyah), PJW (Pamela Johanna Waluyo), PS (Perikesit Suprpto).

The Assessment of Committee under the Board of Commissioners

In carrying out its duties and responsibilities, the Board of Commissioners is assisted by several committees, among others the Audit Committee, the Nomination and Remuneration Committee, as well as the Planning & Risk Evaluation and Monitoring Committee (PREMC). We see that these Committees have been carrying out their duties properly.

In 2016, the Audit Committee assisted the Board of Commissioners in overseeing the audit process conducted by an independent auditor office. In addition, the Audit Committee also properly helped in evaluating and providing recommendations on the results of the

internal and external audits.

The Nomination and Remuneration Committee has also been performing its responsibilities properly. Various proposals related to the candidates and remuneration of directors and senior leaders have assisted the Board of Directors in making strategic decisions.

The Planning & Risk Evaluation and Monitoring Committee (PREMC) assisted the Board of Commissioners in business planning and risk management. With the existence of this Committee, the Board of Commissioners can provide consideration to the Board of Directors in relation to the operations of Telkom in the long term, including the decisions on mergers & acquisitions (M&A).

Board Of Commissioner Remuneration Policy



Board of Commissioners Remuneration Mechanism and Procedure

*KNR :Nomination and Remuneration Committee

Procedure for Determining the Remuneration

The procedure for determining the remuneration of members of the Board of Commissioner of Telkom are as follows:

1. The Board of Commissioners requests the NRC to draft a remuneration proposal for the Board of Commissioner.
2. The Nomination and Remuneration Committee requests an independent party to draw up a framework on the remuneration of the Board of Commissioner.
3. The Nomination and Remuneration Committee proposes the remuneration to the Board of Commissioners.
4. The Board of Commissioner proposes remuneration for the Board of Commissioner the AGM.
5. The AGM delegates authority and power to the Board of Commissioners with the prior approval of Series A Shareholders to determine the remuneration for the Board of Commissioner and Board of Directors.

Basis for the Determination and Structure of Remuneration

The structure of the remuneration of the Board of Commissioners is governed by the provisions of the Regulation of the State Minister for State Owned Enterprises No.Per-04/MBU/2014 on Guidelines for the Determination of Income for Directors, Board of Commissioner and Board of Trustees of SOEs. Based on the said regulation, the income component for members of the Board of Commissioners consists of:

1. Salaries;
2. Allowances;
3. Facilities;
4. Bonus/Incentive.

Amount of Remuneration for the Board of Commissioners

In 2016, the remuneration paid to the Company's Board of Commissioners amounted to Rp50.1 billion. Taxes on the remuneration paid by the Company amounted to Rp 3.5 billion. Recapitulation of the remuneration of the Telkom's Board of Commissioners in 2016 is reflected in the following table.

Table on the Recapitulation of Remuneration for Telkom's Board of Commissioners

Board of Commissioners	Value (Rp million)		
	Salary & other Wages	Bonuses	Total
Hendri Saparini	1,244	7,889	9,133
Hadiyanto	1,120	7,100	8,220
Pontas Tambunan*	1,120	7,100	8,220
Dolfie Othniel Fredric Palit	774	71	845
Rinaldi Firmansyah	1,120	5,040	6,160
Pamiyati Pamela Johanna Waluyo	1,120	5,040	6,160
Margiono Darsasumarja	1,120	5,040	6,160
Parikesit Suprpto**	346	7,889	8,235
Imam Apriyanto Putro***	-	1,904	1,904
Johny Swandi Sjam***	-	1,904	1,904
Virano Gazi Nasution***	-	1,904	1,904

Note

*) As of the GMS of April 22, 2016

***) Until GMS of April 22, 2016

***) Until GMS of April 17, 2015

Assesment on the Board of Commissioners Performance

Procedures for implementing the performance assesment of the Board of Commissioners is conducted in the Annual GMS mechanism, where the Shareholders assesses the performance of the Company's Board of Commissioners based on the task implementation report submitted to the Shareholders.

The criteria used in the assessment is based on the task implementation report of the Board of Commissioners which submitted in the Annual GMS of the Company. Based on the report, the Shareholders performance during the current financial year is assessed by the Shareholders. The Company's Board of Commissioners is assessed by the Shareholders through the Annual GMS of the Company.

Assesment on the Board of Directors Performance

The criteria used in the assessment on the performance of the Board of Directors members is based on a balanced scorecard that measures 4 (four) main aspects, namely, financial, customer, internal business process as well as learning and growth process. It is also containing 3 (three) elements of Key Peformance Indicator ("KPI"), namely, shared KPI, common KPI and specific KPI.

Shared KPI is a KPI with the meaning, target, realization and achievement for the entire Board of Directors. Common KPI is a KPI with the same meaning and target, yet it has different realization and achievement from each member of the Board of Directors. Specific KPI is a KPI that is different for each member of the Board of Directors and a specific program that becomes a part of the main task and priority of each Director and the Directorate that he or she leads.

The assessment of the performance of the Board of of Directors is conducted both by the Board of Commissioners and the GMS, by referring to the achievement of KPI of the Board of Directors in its tasks and duties implementation as in accordance with the Company's Articles of Association and its achievement on the realization of RKAP. The KPI achivement of the Board of Directors, which will be a reference assessment for the Board of Commissioners, is obtained after a process of internal determination. Assessment on the performance of the Board of Directors is started by filling out the Management Contract ("MC") online and it is then followed by a face-to-face meeting as part of the clarification process and aimed to determine final results of performance, which will be submitted to the Performance Committee and the President Director to be finalized and submitted to the Board Commissioners.

One of the measure to see Board of Directors performance is through excellence performance assessment criteria (KPKU). In 2016, the performance of the Board of Directors is re-assessed by a Team appointed by the State Ministry of the State-Owned Enterprises to assess the company's performance with reference to the Superior Performance Assessment Criteria of State-Owned Enterprises. The Superior Performance Assessment Criteria is none other than the superior performance assessment criteria based on the Malcom Baldrige Criteria for Performance Excellence (MBCFPE).

Table of the 2014-2016 Performance Assessment of KPKU

Tahun	Nilai
2014	667
2015	722.25
2016	730.5

Composition of the Audit Committee

In reference to the Regulation of OJK and regulation of US SEC, the Audit Committee must at least consist of three members and of them is the Independent Commissioner that acts as the chairman and the other two members must be independent parties.

Pursuant to the resolution of the Annual GMS of 2016 dated April 22, 2016 that determined the change of composition of the Board of Commissioners, the adjustment to the composition of members of Audit Committee was made and lastly made through a decision of the Board of Commissioners No.09/KEP/DK/2016 dated July 27, 2016 regarding the Composition of Membership of Audit Committee of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk as follows:

Table of the Composition of Audit Committee Per 31 December 2016

Title	Name	Basis of Appointment	Term of Service
Chairman	Rinaldi Firmansyah* (Independent Commissioner)	Decision of the Board of Commissioners No.06/KEP/DK/2015 dated 7 May 2015	2015 - present
Secretary	Tjatur Purwadi (Non-affiliated external member)	Decision of the Board of Commissioners No.05/KEP/DK/2014 dated March 25, 2014 and lastly stipulated under the decision of the Board of Commissioners No.09/KEP/DK/2016 dated 27 July 2016.	2014 - present
	Margiyono Darsasumarja* (Independent Commissioner)	Decision of the Board of Commissioners No.07/KEP/DK/2016 dated 29 April 2016	2016 - present
	Dolfie Othniel Fredric Palit* (Commissioner/Non-Voting Member)	Decision of the Board of Commissioners No.02/KEP/DK/2016 dated February 2, 2015	2015 - present
Member	Pontas Tambunan* (Commissioner/Non-Voting Member)	Decision of the Board of Commissioners No.09/KEP/DK/2016 dated July 27, 2016 regarding the composition of Membership of Audit Committee of the Company (Persero) PT Telekomunikasi Indonesia Tbk	2016 - present
	Sarimin Mietra Sardi (Independent Member)	Decision of the Board of Commissioners No.04/KEP/DK/2016 dated March 31, 2016	2016 - present

Remarks: *Profile of members of Audit Committee can be seen on the profile of the Board of Commissioners

AUDIT COMMITTEE

Audit Committee was formed by referring to the Regulation of the Financial Services Authority (OJK) No.55/POJK.04/2015 dated December 23, 2015 and regulation of US SEC Exchange Act 10A-3 as well as other regulations.

The formation of Audit Committee was intended to assist the Board of Commissioners in performing the supervision function as stated in the Audit Committee Charter which has been adjusted few times and lastly amended in 2013 through the decision of the Board of Commissioners No.07/KEP/DK/2013 dated July 22, 2013. By the issuance of the copy regulation of OJK No.55/POJK.04/2015 dated December 23, 2015 regarding the Formation and the Guideline for the Work Performance of the Audit Committee, the Audit Committee has conducted the review of which result stipulates that during 2016 there has not been an adjustment since there is no significant amendment of the regulation to re-determine the guideline for the work performance of the Audit Committee.



Table of the Composition of the Previous Audit Committee

Title	Name
Chairman	Rinaldi Firmansyah (Independent Commissioner)
Secretary	Tjatur Purwadi (Non-affiliated external member)
Member	Parikesit Suprpto (Independent Commissioner) Dolfie Othniel Fredric Palit (Commissioner)

Profile of Members of Audit Committee that is not in Double Title as the Board of Commissioners

Tjatur Purwadi - Secretary/Member of Audit Committee

Date of Birth : Surabaya, January 28, 1956.

Age : 60 years

Citizenship and Domicile

Indonesian citizen, domiciled in Indonesia.

Title and Basis of the Appointment

Secretary of the Committee pursuant to Decision of the Board of Commissioners Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk No.05/KEP/DK/2014 dated March 25, 2014 and lastly appointed through the Decision of the Board of Commissioners No.09/KEP/DK/2016 dated July 27, 2016.

Term of Service

2014 up to present.

Education

S1 in Accounting from Gadjah Mada University and Magister Manajemen in the Finance Sector from Padjajaran University.

Career Experience

Prior to becoming the Secretary/Member of Audit Committee of Telkom, Tjatur Purwadi has worked in PT Telkom Indonesia, Tbk since 1979 to 2012. During his term of service in PT Telkom Indonesia (Persero) Tbk, Tjatur Purwadi has been in some strategic positions which among others were the Vice President (VP) - Financial & Logistic Policy and Head of Internal Audit. After retiring from PT Telkom Indonesia (Persero) Tbk he has the position as the Director - Assurance Team of KAP Tanudiredja, Wibisana & Rekan/PwC.

Tjatur Purwadi became the member of Audit Committee since 1 March 2014 and has his duties to facilitate the performance of duties of members of Audit Committee, to maintain correspondences, prepare documentation, make report on the amendment of Audit Committee Charter, as well as to coordinate the selection process of the independent auditor. Pursuant to the decision of the Board of Commissioners No.09/KEP/DK/2016, he was appointed as the Secretary and also as the financial expert in the Audit Committee. In addition to being the secretary of the audit committee, currently there is no other position held by Tjatur Purwadi inside and out side the Company.

Sarimin Mietra Sardi - Independent Member of the Audit Committee

Date of Birth : Ujungpandang, September 17, 1958

Age : 58 years.

Citizenship and Domicile

Indonesian citizen, domiciled in Indonesia

Title and Basis of the Appointment

Member of Audit Committee pursuant to Decision of the Board of Commissioners Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk No.04/KEP/DK/2016 dated March 31, 2016 and lastly appointed through the Decision of the Board of Commissioners No.09/KEP/DK/2016 dated July 27, 2016.

Term of Service

2016 up to present.

Education

D4 in Accounting at State Higher Education in Accounting (STAN) and Magister Manajemen from Indonesian Education University.

Career Experience

Prior to becoming the member of Audit Committee of Telkom, Sarimin Mietra Sardi has worked in PT Telkom Indonesia (Persero) Tbk, since 1982 until 2014. During his term of service in PT Telkom Indonesia (Persero) Tbk, Sarimin Mietra Sardi has been in some strategic positions which among others were the Deputy of SGM Finance Operation and Director of Finance & SDM in the Pension Fund of Telkom.

Sarimin Mietra Sardi became the member of Audit Committee since March 31, 2016 and has his duties to supervise and monitor the process of integrated audit, the process of consolidation of financial report, effectiveness of internal control upon the financial reporting. Pursuant to the decision of the Board of Commissioners No.09/KEP/DK/2016, he was appointed as the member of Audit Committee.

Duties and Responsibilities of Audit Committee

In performing its function, the Audit Committee has the duties and responsibilities consisting: (i) to supervise the effectiveness of the implementation of internal control in the preparation of financial report (Internal Control Over Financial reporting/ICOFR); (ii) to conduct the review on the financial information to be released to Public and/or capital market authority as well as the compliance to the laws and regulations related to the company's activities; (iii) to give the recommendation to appoint an external auditor based on the principle of independence, scope of assignment and compensation; (iv) to conduct the review on the examination conducted by the Internal Auditor and to supervise the follow up by the Board of Directors on the findings from Internal Auditor; (v) to review on complaints related to the accounting process and financial reporting; (vi) to review and give advice to the Board of Commissioners on the possibility of conflict of interest within the company; and (vii) the implementation of Good Corporate Governance.

Independence of Audit Committee

The Audit Committee has made the statement of integrity and independence as stated in a statement letter signed by all members of the Audit Committee. Such statement gives the guarantee that any decision taken by this committee constitutes the decision that is free from other influence.

Audit Committee's Meeting

Pursuant to the Regulation of the Financial Service Authority No.55/POJK.04/2015 dated December 23, 2016 regarding the Formation and the Guideline for the Work Implementation of the Audit Committee, Article 13 stipulates that the Audit Committee shall conduct a periodic meeting at least 1 (once) in 3 Months. However, in the Company's Audit Committee Charter it is stipulated that Audit Committee shall conduct a meeting 1 (once) in 1 (one) month

In 2016, the Audit Committee has conducted the meeting for 32 times. Those meetings were held pursuant to the requirements under the Audit Committee Charter and has the objective to facilitate the implementation of duties and responsibilities of each member of Audit Committee. Total meetings and attendance level of member of Audit Committee is as follows.

Table of the Attendance of Audit Committee's Meetings

Name	Total Meetings	Total Attendance	Percentage of Attendance (%)
Rinaldi Firmansyah	32	30	94
Tjatur Purwadi	32	32	100
Margiyono Darsasumardja ¹⁾	23	18	78
Dolfie Othniel Fredric Palit	32	18	57
Pontas Tambunan ²⁾	18	13	72
Sarimin Mietra Sardi ³⁾	25	24	94

1) Started in April 2016

2) Started in July 2016

3) Started March 2016

Education and Training

In the financial year of 2016, there have been some educations and trainings to improve the competence of members of Audit Committee of Telkom. Various programs of training, workshop, conference and seminar were conducted by the Company and/or credible external party. Below is the list of education and training participated by members of Audit Committee in 2016.

Table of Education and Training of Audit Committee

Name	Training Program	Date
Rinaldi Firmansyah	<ul style="list-style-type: none"> The Leading Risk Management Conferences, by: Risk Minds Americas Panel Discussion: The Role of Independent Commissioner in pushing the effectiveness of the oversight function of the Audit Committee from Regulator's perspective, by: Association of the Indonesian Audit Committees (IKAI) 	<p>Chicago, September 20 - 23, 2016</p> <p>Jakarta, November 9, 2016</p>
Margiyono Darsasumardja	<ul style="list-style-type: none"> Training: Practical Risk Appetite & Tolerances, by the Institute of Risk (IRM) Panel Discussion: The Role of Independent Commissioner in pushing the effectiveness of the oversight function of the Audit Committee from Regulator's perspective, by: Association of the Indonesian Audit Committees (IKAI) Certified in Audit Committee Practice, by: Association of the Indonesian Audit Committees (IKAI) 	<p>London, October 11 - 12, 2016</p> <p>Jakarta, November 9, 2016</p> <p>Jakarta, December 6, 2016</p>
Dolfie Othniel Fredic Palit	<ul style="list-style-type: none"> Training: Practical Risk Appetite & Tolerances, by the Institute of Risk (IRM) 	<p>London, October 11 - 12, 2016</p>
Tjatur Purwadi	<ul style="list-style-type: none"> The current PSAK based on the Convergence program of IFRS, by: The Indonesian Accounting Association (IAI) ECIIA Conference on Governance, Risk and Control, by : European Confederation of Institutes of Internal Audit Panel Discussion: The Role of Independent Commissioner in pushing the effectiveness of the oversight function of the Audit Committee from Regulator's perspective, by: Association of the Indonesian Audit Committees (IKAI) 	<p>Bali, May 17 - 20, 2016</p> <p>Stockholm, October 6 - 7, 2016</p> <p>Jakarta, November 9, 2016</p>
Sarimin Mitra Sardi	<ul style="list-style-type: none"> he current PSAK based on the Convergence program of IFRS, by: The Indonesian Accounting Association (IAI) ECIIA Conference on Governance, Risk and Control, by : European Confederation of Institutes of Internal Audit Certified in Audit Committee Practice, by: Association of the Indonesian Audit Committees (IKAI) 	<p>Bali, May 17 - 20, 2016</p> <p>Stockholm, October 6 - 7, 2016</p> <p>Jakarta, November 9, 2016</p>

The Implementation of Audit Committee's Activities

During 2016, the Audit Committee has implemented its functions, among others, as follows:

- To conduct the supervision of the Integrated Audit process for the financial year of 2016.

The Audit Committee has conducted the discussion with the Internal Auditor and independent auditor Ernst & Young (EY) in relation to the quality and acceptability of financial accounting standard implemented by the Company, the properness of significant accounting estimate and judgement and the adequacy of disclosure in the consolidated financial report as well as the internal control conducted by the Management, so that the quantity and the quality of financial report that has been released by the Management can be presented properly and there is no mistake on the material presentation.

The Audit Committee has also reviewed and discussed the audited consolidated financial report and the notes upon the consolidated financial report in the Annual Report (Form 20F) with Company's management. With regard to the company's risk management, the Audit Committee also supervised and monitored the frauds and risks on the financial reporting that may materially affect the financial report.

- To conduct the supervision and review to the plan and implementation of the work program of Internal Auditor Unit for the financial year of 2016.

The Audit Committee has conducted the review and discussion regarding the proposal of work program of Internal Audit Unit for 2016 in relation to the risks that may occur in 2016 before such work program is determined by the Management.

The Audit Committee conducted a quarterly discussion on the findings and recommendation of the result of audit process and internal consultation from Internal Auditor Unit, including the monitoring of the follow ups completed by the Management.

- To conduct the supervision upon the audit process of Partnership and Community Development (PKBL) program conducted by Community Development Center (CDC) Unit for the financial year of 2016.

The Audit Committee has conducted the discussion with the Management of CDC and independent auditor Ernst & Young (EY) in relation to the implementation of Partnership and Community Development program in 2016, the audit process for the financial report in the financial year of 2016 as well as the agreed upon procedure/AUP.

- To conduct the review of the information on the incoming complaints through the Whistleblower (WBS) program for the financial year of 2016.

In relation to the issuance of Regulation of the Financial Service Authority (OJK) No.55/POJK.04/2015 dated December 23, 2015, the Audit Committee has conducted perfection on the policy regarding the Procedure to Handle the Service for Complaint (Whistleblower) through the decision letter of the Board of Commissioners No.08/KEP/DK/2016 dated June 8, 2016.

As the follow up for the perfection of policy on the said procedure to handle the Whistleblower and to give the opportunity and comfort to all parties in submitting the complaint either by the employees of Telkom Group or outside the Telkom Group (third party), the Audit Committee cooperated with IS Center Unit which has perfected the Whistleblower application system so that it may be easily accessed from anywhere through the internet access and the operation has been launched since October 1, 2016.

COMMITTEE FOR NOMINATION AND REMUNERATION

Committee for Nomination and Remuneration constitutes the committee formed to assist the Board of Commissioners to supervise the determination of qualification and the process of nomination as well as remuneration of the Board of Commissioners, the Board of Directors and the Executives. This committee has an important role in the implementation of GCG principles, especially to ensure the selection process and the making of remuneration policies according to the professional consideration without any pressure from other parties.

Composition of the Committee for Nomination and Remuneration

Pursuant to the provisions in the regulation of OJK No.34/POJK.04/2015 regarding the Committee for Nomination and Remuneration, Member of Committee for Nomination and Remuneration shall consist at least 3 persons and one of them is the Independent Commissioner who also serves as the chairman of the Committee for Nomination and Remuneration. Pursuant to such OJK Regulation, the Board of Commissioners issued the decision of the Board of Commissioners No.06/KEP/DK/2016 dated April 25, 2016 regarding the Composition of Membership of the Committee for Nomination and Remuneration Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk which stipulates that the Member of Committee for Nomination and Remuneration is as follows.

Table of the Composition of the Committee for Nomination and Remuneration

Title	Member's Name	Duties of each member
Chairman/ Member	Margiyono Darsasumarja/Independent Commissioner	To be responsible to give the directions and coordination of the implementation of Committee's duty.
Secretary	Ario Guntoro/Secretary of the Board of Commissioners	To be responsible to give and manage the administration and documentation of the Committee
Member	Pontas Tambunan*/Commissioner	To be responsible to coordinate the inputs coming from the parties that has relationship with the controlling shareholders in relation to the issue of nomination and remuneration.
	Hadiyanto */Commissioner	
	Dolfie Othniel Fredric Palit*/Commissioner	
	Rinaldi Firmansyah*/Independent Commissioner	
	Pamiyati Pamela Johanna Waluyo*/Independent Commissioner	

Remarks: *profile of member of KNR can be seen on the profile of the Board of Commissioners



Profile of Member of KNR who has no double title as the Board of Commissioners

Ario Guntoro Secretary of KNR

Date of Birth : Prabumulih, 27 January 1970

Age : 47 years.

Citizenship and Domicile

Indonesian Citizen, domicile in Indonesia

Title and Basis of Appointment

Decision of the Board of Commissioners No.15/KEP/DK/2013 dated December 16, 2013

Term of Service

Until presently

Education

Strata-1 (S1), Sarjana Ekonomi (SE).

Career Experience

Career Experience

Ario Guntoro is a professional with a broad experience in the sector of finance, investment and banking. After making experience in the sector of national private banking since 1994 to 1999 as the Corporate Officer to the Brand Manager, Ario Guntoro worked for the National Banking Recovery Body Nasional ("BPPN") since 1999 to 2004, with the last position as Assistant Vice President of HIPA Division, in 2004 he worked as the special advisor in PT PPA (Persero). Prior

to serving as the Secretary, from 2004 to 2013 he worked as the Secretary of the Committee for the Planning and Risk Evaluation and Monitoring (KEMPR) of PT Telkom Indonesia (Persero) Tbk.

Duties and Responsibilities of KNR

Duties and responsibilities of the Committee for the Nomination and Remuneration are as follows:

1. To prepare the policy, criteria and selection needed for the strategic titles within the Company namely the one title below the Director and Executive (member of the Board of Directors and member of the Board of Commissioners) consolidated subsidiaries that refer to the principles of good corporate governance.
2. To assist the Board of Commissioners together with or through the consultation with the Board of Directors to select the candidate for strategic titles within the Company (member of the Board of Directors and member of the Board of Commissioners) consolidated subsidiaries.
3. To give recommendations to the Board of Commissioners to be conveyed to the holder of series A Dwiwarna shares regarding:
 - a. The composition of title of member of the Board of Directors.

- b. The succession planning of members of the Board of Directors.
- c. Assessment based on the parameter that has been prepared as the evaluation material for the development of capability of members of the Board of Directors.

Guideline/Charter of KNR (Charter KNR)

Committee for Nomination and Remuneration has working guidelines in place namely the Regulation of OJK No.34/POJK.04/2015 regarding the Committee for Nomination and Remuneration of Issuer of Public Company and Charter of the Committee for Nomination and Remuneration which was stipulated through the decision of the Board of Commissioners No.06/KEP/DK/2016 dated April 25, 2016 regarding the Composition of Membership of the Committee for Nomination and Remuneration Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia, Tbk.

Independence of the Committee for Nomination and Remuneration

The Committee for Nomination and Remuneration, pursuant to the Regulation of OJK, shall at least consist of 3 persons chaired by the Independent Commissioner, meanwhile, two other members may come from the member of the Board of Commissioners, company's external party, or the management below the Board of Directors. In addition to it, there are requirements for members of Committee for Nomination and Remuneration that come from the Company's external parties. Such requirements are:

1. They are not affiliated to the Company, members of the Board of Commissioners, or Major Shareholders of the Company;
2. They have the experience in relation to the Nomination and/or Remuneration; and
3. They do not have double titles as a member of other Committee in the Company

Any member of Committee for Nomination and Remuneration must comply with the independence principle in performing their duties. Therefore, member of Committee for Nomination and Remuneration has made a statement on the integrity and independence as stated in a statement letter signed by all members of the Committee for Nomination and Remuneration.

Meeting of the Committee for Nomination and Remuneration

Pursuant to the Regulation of the Financial Service Authority No.34/POJK.04/2014 regarding the Committee for Nomination and Remuneration it is stated that the Meeting of the Committee for Nomination and

Remuneration shall be conducted regularly at least 1 (one) time within 4 (four) months. In 2016, the Committee for Nomination and Remuneration has held 23 meetings, including 12 times of circular meeting.

Name	Total Meetings	Total Attendance	Percentage of Attendance (%)
Margiyono Darsasumarja	23	22	96%
Ario Guntoro	23	23	100%
Hendri Saparini	23	23	100%
Hadiyanto	23	20	87%
Pontas Tambunan	15	12	80%
Dolfie Othniel Fredric Palit	23	13	57%
Rinaldi Firmansyah	23	21	91%
Pamela Johanna Waluyo	23	23	100%

Education and Training of KNR

In the financial year of 2016 the Committee for Nomination and Remuneration has not conducted any education and training to its member to improve the competence and capability of the members of Committee, this is because of all processes of remuneration proposals are conducted by the professional independent consultant.

The Implementation of KNR's Activities

The Committee for Nomination and Remuneration in the financial year of 2016 has conducted activities to assist the implementation of duties of the Board of Commissioners in the Nomination and Remuneration sector. In the financial year of 2016 the Committee for Nomination and Remuneration has conducted the duties by producing the decisions of Committee for Nomination and Remuneration which among others are:

No	Letter/Decision	Date
1.	Letter of the Board of Commissioners No.120/SRT/DK/2016/RHS regarding the Determination of Salary/Honorarium, Allowance and Facility for 2016 as well as Tantiem for the Performance in Financial Year of 2015	June 29, 2016
2.	Letter of the Board of Commissioners No.136/SRT/DK/2016/RHS regarding the Proposal to Change the Member of the Board of Commissioners of PT Telkomsel	August 11 2016
3.	Decision of the Board of Commissioners No.11/KEP/DK/2016/RHS regarding the Grant of Business Trip Allowance for the Secretary of the Board of Commissioners, Member of Committee Who is not the Member of the Board of Commissioners as well as Staff of the Secretariat of the Board of Commissioners	November 9, 2016



COMMITTEE FOR THE PLANNING AND RISK EVALUATION AND MONITORING

Committee for the Planning and Risk Evaluation and Monitoring constitutes a committee formed by the Board of Commissioners with the purpose to assist the duties of the Board of Commissioners in the sector of risk planning, management and evaluation.

Composition of KEMPR

Membership composition of the Committee for the Planning and Risk Evaluation and Monitoring (KEMPR) was determined pursuant to the Decision of the Board of Commissioners No.12/KEP/DK/2016 dated November 29, 2016 regarding the Membership Composition of the Committee for the Planning and Risk Evaluation and Monitoring of Telkom. Below is the names and term of service of the membership of Committee for the Planning and Risk Evaluation and Monitoring.

Table of Composition of Committee for the Planning and Risk Evaluation and Monitoring

Title	Name	Term of Service	Duties of Each Member
Chairman of KEMPR	Hadiyanto*/ Commissioner	Starting from February 2, 2015	To give the direction, to coordinate and monitor the implementation of duties of all Members of Committee.
Member of KEMPR	Dolfie Othniel Fredric Palit*/ Commissioner	Starting from May 12, 2015	To conduct the supervision and monitoring towards the implementation of RJPP/CSS, RKAP and the enterprise risk management as well as the implementation of initiative for the non-organic growth.
Member of KEMPR	Margiyono Darsasumarja*/ Commissioner	Starting from May 12, 2015	To conduct the supervision and monitoring towards the implementation of initiative for the non-organic growth.
Member of KEMPR	Pamiyati Pamela Johanna Waluyo*/ Independent Commissioner	Starting from May 12, 2015	To conduct the supervision and monitoring towards the implementation of initiative for the non-organic growth.
Member of KEMPR	Sri Hartati Rahayu	Starting from March 31, 2016	To give the review, evaluation and report in the sector of legal, compliance as well as risk control to support the implementation of duties of supervision of the Board of Commissioners towards the management of the Company conducted by the Board of Directors.

Remarks: * profile of the Members of KEMPR can be seen on the profile of the Board of Commissioners.

Profile of Member of KEMPR Outside the Member of the Board of Commissioners

Sri Hartati Rahayu

Date of Birth : Majalengka, December 21, 1971

Age : 45 years old

Citizenship and Domicile

Indonesian citizen, domiciled in Indonesia

Title and Basis of Appointment

Independen Member based on Decision of the Board of Commissioners No.12/KEP/DK/2016 dated December 16, 2013

Term of Service

Until presently

Education

S1 of Law in Padjajaran University (1995), Postgraduate degree in Banking Law, Law of Finance and Investments in Emerging Economies, Legal Aspects of International Finance and Trade Law (LL.M Banking & Finance Law) in London School of Economics and Political Science (LSE), London, United Kingdom (1999).

Career Experience

Sri Hartati Rahayu started her professional career in 1995. In the last five years, Sri Hartati Rahayu performed a series of duties/career especially in the finance and banking sector, among others as the Member of independent Audit Committee and Risk Monitoring Committee of PT Bank DBS Indonesia (July 2010 – July 2011), Head of Legal and Corporate Secretary of PT Bank Barclays Indonesia (November 2008 – June 2009), Vice President of Global Consumer Group Legal Counsel of CitiGroup Indonesia – Citibank N.A. (October 2002 – March 2005).

Duties and Responsibilities of KEMPR Duties and Responsibilities of KEMPR

Committee for the Planning and Risk Evaluation and Monitoring has the following duties and responsibilities.

1. To conduct a comprehensive evaluation upon the proposal of the Company's Long Term Plan ("RJPP") or CSS and Company's Budget Activity Plan as submitted by the Board of Directors;
2. To conduct the evaluation towards the implementation of RJPP and RKAP to be in line with the target of RJPP and RKAP as have been ratified by the Board of Commissioners; and
3. To conduct the monitoring towards the implementation of enterprise risk management within the Company.

Guideline/Charter of KEMPR (Charter KEMPR)

KEMPR was formed by the Board of Commissioners to assist the duties of the Board of Commissioners pursuant

to the scope of duties as stipulated under charter KEMPR. Charter KEMPR is stated in the Decision of the Board of Commissioners No.04/KEP/DK/2011 dated March 24, 2011 regarding the Guideline for the Work Implementation (Charter) of the Committee for the Planning and Risk Evaluation and Monitoring of the Company (Persero) PT Telekomunikasi Indonesia, Tbk such decision stipulates among others the formation and appointment of members; membership structure and requirements; duties, obligations and authorities; scope of the work implementation; meeting, reporting, term of service and funding.

Independence of KEMPR

KEMPR Committee constitutes the Committee that is not mandatorily formed by the company according to the regulation. However, this does not mean that KEMPR is not independent in performing its duties. Any Member of KEMPR must comply with the independence principle in performing the duties. This has been stipulated under the charter KEMPR Chapter 4 point 4.b.

KEMPR's Meeting

In 2016, KEMPR conducted 10 Committee meetings attended by the members who are members of the Board of Commissioners and non-members of the Board of Commissioners, with the following detail of attendance:

Name	Total Attendance	Percentage of Attendance (%)
Hadiyanto	9	90%
Dolfie Othniel F.P*	0	0%
Margiyono D.S	10	100%
Pamiyati Pamela J.W	10	100%
Sri Hartati Rahayu**	8	100%
Rustanto Hadimartono***	2	100%

Remarks :

*Was not able to attend the meeting due to the same schedule with the state duty

**Started as of 31 March 2016

***Terminated as of 31 March 2016

Education and Training of KEMPR

In the financial year of 2016 education and training have been given to the Members of KEMPR in order to improve the competence of the Member of KEMPR. Education and training that have been conducted by KEMPR for the financial year of 2016 are among others:

No	Date	Name of Training	Organizer	Remarks
1.	28-29 March 2016	ERM in the Digital Age Conference	Pacific Conference	-
2.	11-12 October 2016	Practical Risk Appetite and Risk Tolerance Conference	Institute of Risk Management	Also as the education/training from Audit Committee
3.	9-11 November 2016	Payment Disruptors	Terappinn Training	-
4.	7 December 2016	Risk Governance Master Class Training & Certification	Enterprise Risk Management Academy	-
5.	8-9 December 2016/2016	Bali ERM 2016 International Conference	Enterprise Risk Management Academy	-



Implementation of KEMPR's Activities

Pursuant to charter KEMPR, the Decision of the Board of Commissioners No.02/KEP/DK/2013 dated March 27, 2013 regarding Certain Action of the Board of Directors that Must First Obtain a Written Approval from the Board of Commissioners, as well as Decision of the Board of Commissioners No.09/KEP/DK/2015 dated August 31, 2016 regarding Standard Operating Procedures (SOP) In Relation to the Process of Approval from the Board of Commissioners, the scope of works of KEMPR shall consist of:

1. Company's Long Term Plan ("RJPP")

a. Evaluation of RJPP 2016 -2020

In RJPP 2016-2020, the Company's transformation to the customer facing unit (CFU)-based organization which is supported by the consolidation of functional unit (FU) became the critical point in the monitoring of KEMPR. The change of Company's business management was conducted as the effort to consolidate Company's resources spread in Telkom unconsolidated and the subsidiaries as well as other affiliated company. Such consolidation is the key for the improvement of Company's value. On the other hand, the consolidation is expected to synergize the Company and other SOE and or other domestic relevant industry actors.

b. Preparation of RJPP 2017-2021

The change of telecommunication industry map which is very influenced by the growth of digital business has pushed the Company to sharpen the business direction in the future. In addition to it, Company's business direction's sharpening is also to response the demand to obtain and/or create a new source of growth of the Company, the change of regulation in telecommunication sector, competition within the industry. According to KEMPR, the business direction's sharpening in the next five years needs to consider the Company's external and internal risk.

2. Company's Work and Budget Plan as well as Capital Expenditure

a. Monitoring focus of RKAP and Capital Expenditure of 2016

In the implementation of RKAP 2016, the focus of monitoring of KEMPR is among others to penetrate the broadband business, the monitoring of realization of capital expenditure, as well as the management of subsidiaries.

The penetration of broadband business conducted by Telkom unconsolidated or its subsidiaries constitutes one of the backbones of Company's growth in the future. The company has the portfolio of fixed broadband and mobile broadband which can be synergized to fulfill the need of people for the seamless and high quality service. KEMPR notes the necessity to improve the network quality, preciseness and speed of customer's complaint, as well as the determination of competitive price.

On the side of capital expenditure, the monitoring for the absorption of capital expenditure does not only refer to the value of budget that has been realized, but also to support the Company to organize the evaluation process of each rupiah in the capital expenditure budget that has been released. The said evaluation implementation also needs to be supported with the information technology that is capable to validate the capital expenditure plan with the realization of business plan from the capital expenditure of the Company.

In terms of the management of subsidiaries, KEMPR is of the view that it requires prudence in the transformation process of the management of subsidiaries in the scheme of CFU - FU, interaction among the subsidiaries, or between the subsidiary and Telkom unconsolidated, as well as the resources allocation either financial or non-financial.

b. Evaluation to the Proposal of RKAP and Capital Expenditure of 2017

After successfully recording the double-digit growth for the revenue pursuant to RKAP 2016, RKAP 2017 was prepared in the spirit to improve the achievement in 2016. In the preparation of RKAP and Capital Expenditure of 2017, it is understood that it is necessary to have an improvement in the management of costs, an improvement of synergy value in Telkom Group, and sharpening of inorganic initiatives which are expected to become the new source of growth to the Company.

3. Enterprise Risk Management

The monitoring of the update of Company's risk profile constitutes one of the approaches conducted by KEMPR in conducting the evaluation for the implementation of Enterprise Risk Management. According to CSS 2016-2020, risk categories that may get the attention of the Company are among others the strategic risks in relation to the competition pressure and inorganic initiatives, and operational risks in relation to the risk of leak of revenue & fraud from Company's external parties, as well as the weakness in the project management. Based on the data submitted by the management, the risk in relation to the competition, inorganic initiative, and the leak of revenue as well as external fraud still need the improvement of mitigation from the Company.

4. Certain Action from the Board of Directors that Requires the Approval from the Board of Commissioners

In 2016, KEMPR has assisted the Board of Commissioners in reviewing the proposal of strategic plans as submitted by the Board of Directors, among others:

- The Release of budget of capital expenditure of 2016;
- The implementation of external funding of the Company;
- Strategic fit* of corporate action in the digital telecommunication portfolio.

BOARD OF DIRECTORS

Board of Directors constitutes the Company's organ having collective duties and responsibilities in managing the Company pursuant to the provisions of Company's Articles of Association. In performing the duties, members of Board of Directors shall act and decide any policy pursuant to the duty and authority of each member.

Composition of the Board of Directors

In 2016, there was a change of composition of Telkom's Board of Directors. Pursuant to the resolutions of the Annual General Meeting of Shareholders (AGMS) on April 22, 2016, Mr. Heri Sunaryadi was respectfully discharged from his title and was replaced by Mr. Harry M. Zen as the Finance Director. In addition to it, pursuant to Decision Letter of the Minister of State-Owned Enterprise as the General Meeting of Shareholders of the Company (Persero) PT Angkasa Pura II No.SK-227/MBU/09/2016 in relation to the appointment of Muhammad Awaluddin as the President Director of PT Angkasa Pura II, then the position of Muhammad Awaluddin as the Director of EBIS of Telkom was temporarily replaced by Honesti Basyir as per September 13, 2016. Therefore, the composition of the Board of Directors for the financial year of 2015 and 2016 may be seen in the following table.

Table of Composition of Board of Directors of PT Telkom per 31 December 2015

NO	NAME	TITLE	APPOINTMENT	DISCHARGE DATE
1	Alex J. Sinaga	President Director	2014	AGMS 2019
2	Heri Sunaryadi	Director of KEU	2014	APRIL 22, 2016
3	Indra Utoyo	Director of ISP	2012	AGMS 2017
4	Muhammad Awaluddin	Director of EBIS	2012	September 13, 2016
5	Honesty Basyir	Director of WINS	2012	AGMS 2017
6	Herdy Rosadi Harman	Director of HCM	2014	AGMS 2019
7	Abdus Somad Arief	Director of NITS	2014	AGMS 2019
8	Dian Rachmawan	Director of CONS	2014	AGMS 2019

Remarks: KEU (Finance), ISP (Innovation & Strategic Portfolio), EBIS (Enterprise & Business Service), WINS (Wholesale and International Service), HCM (Human Capital Management), NITS (Network, IT & Solution), and CONS (Consumer Service).

Table of Composition of the Board of Directors of PT Telkom per 31 December 2016

NO	NAME	TITLE	APPOINTMENT	DISCHARGE DATE
1	Alex J. Sinaga	President Director	2014	AGMS 2019
2	Harry M. Zen	Director of KEU	2016	AGMS 2021
3	Heri Sunaryadi	Director of KEU	2014	April 22, 2016
4	Indra Utoyo	Director of DSP	2012	AGMS 2017
5	Muhammad Awaluddin	Director of EBIS	2012	September 13, 2016
6	Honesty Basyir	Director of WIBS	2012	AGMS 2017
7	Herdy Rosadi Harman	Director of HCM	2014	AGMS 2019
8	Abdus Somad Arief	Director of NITS	2014	AGMS 2019
9	Dian Rachmawan	Director of CONS	2014	AGMS 2019

Remarks: KEU (Finance), DSP (Digital & Strategic Portfolio), EBIS (Enterprise & Business Service), WINS (Wholesale and International Service), HCM (Human Capital Management), NITS (Network, IT & Solution), and CONS (Consumer Service).

Double Title Board of Directors

Some members of Telkom's Board of Directors serve double titles, either in Telkom or in Telkom's subsidiary. Complete information regarding the double title Board of Directors may be seen in the following table.

Table of Double Title of the Board of Directors per 31 December 2016

NO	NAME	PT TELKOM		SUBSIDIARY
		TITLE	OTHER TITLE	
1	Alex J. Sinaga	President Director	None	President Commissioner of Telkomsel
2	Harry M. Zen	Director of KEU	None	President Commissioner of Telkom Property, Commissioner of Telkomsel
3	Indra Utoyo	Director of DSP	None	Commissioner of Telkom Metra, President Commissioner of Mdi
4	Honesti Basyir	Director of WIBS	Plt Dir EBIS	President Commissioner of Telin, President Commissioner of Metra
5	Herdy Rosadi Harman	Director of HCM	None	Commissioner of Telkom Property
6	Abdus Somad Arief	Director of NITS	None	President Commissioner of Telkom Infra, Commissioner of Teltranet
7	Dian Rachmawan	Director of CONS	None	President Commissioner of Telkom Akses

Duties and Responsibilities of the Board of Directors

1. To Conduct and be responsible for the management of the Company for the Company's interest pursuant to the purposes and objectives of the Company as stipulated under the articles of association.
2. To organize the annual GMS and other GMS as stipulated under the provisions of laws and regulations and articles of association.
3. To conduct the duties and responsibilities in good faith, full responsibility, and prudentially.
4. To form the Committee to support the effectiveness of the implementation of duties and responsibilities of the Board of Directors.
5. To evaluate the performance of the committee that has been formed at the end of financial year

Authorities of the Board of Directors

1. Setiap anggota Direksi berwenang bertindak untuk dan atas nama Direksi dalam mewakili Perseroan di dalam dan di luar pengadilan tentang segala hal dan dalam segala kejadian, mengikat Perseroan dengan pihak lain dengan Perseroan, serta menjalankan segala tindakan baik yang mengenai kepengurusan maupun kepemilikan dengan pembatasan yang terdapat dalam Anggaran Dasar dan peraturan perundang-undangan di bidang pasar modal.
2. Tanpa mengurangi tanggung jawabnya Direksi untuk perbuatan tertentu dapat mengangkat seorang atau lebih sebagai kuasanya dengan syarat yang ditentukan oleh Direksi dalam suatu surat kuasa khusus.
3. Untuk tindakan tertentu Direksi harus terlebih dahulu mendapatkan persetujuan tertulis dari Dewan Komisaris dan/atau RUPS sebagaimana dijelaskan dalam Anggaran Dasar Perseroan.

Responsibilities of the Board of Directors

Any member of the Board of Directors shall be jointly responsible for all Company's losses caused by the mistake or negligence of the member of Board of Directors in performing its duties. Members of Board of Directors shall not be liable for the Company's loss if they can prove that:

1. Such loss is not caused by their mistake or negligence;
2. They have performed actions in good faith, full responsibility, and prudentially for the interest and based on the purpose and objective of the Company;
3. They do not have any conflict of interest either directly or indirectly for the management activities causing the loss; and
4. They have taken the action to prevent the occurrence or continuation of such loss.

The Board Charter of the Board of Directors

In performing the duties, responsibilities and authorities in managing the Company, Telkom's Board of Directors shall refer to the Board Charter of Board of Directors No.PD.604.00/r.00/HK000/C00-D0030000/2011 dated July 11, 2011. The Board Charter of Board of Directors shall consist agreements which are among others in the form of stipulation of mechanism and division of works among members of the Board of Directors which are not stipulated under Company's Articles of Association or the prevailing laws and regulations. The purpose is to improve and coordinate the performance of the Board of Directors as well as to optimize the utilization of working time of the Board of Directors in managing the Company. The duty of each member of Board of Directors shall be in line with the activities that constitute part of his/her responsibilities as follows.

A. President Director (CEO Telkom Group)

1. To coordinate the process, to structure or reconstruct the corporate philosophical aspects which shall include but not limited to the vision, mission, objective, corporate culture as well as leadership architecture;
2. To formulate and state the strategic direction in order to enable the Company to realize the sustainable competitive growth in all Telkom's business portfolios, and risk control as well as interfacing with external constituent;
3. To control the function of strategic planning within Telkom as a group and direct the effort to grow by focusing to the new business portfolio;
4. To control the corporate direction in the effort for driving new business, entering/developing new market as well as internationalization/regionalization;
5. To control the management of strategic aspect of the functions of Finance, human capital and innovation & strategic portfolio in all business portfolio implemented by Telkom as a group;
6. To lead the process of leader development of Telkom Group as well as to appoint and terminate the title holder in certain position pursuant to the stipulation of career management as determined as well as leader development for Telkom as a group;
7. To periodically report the performance of the Company pursuant to the provisions prevail for public company.

B. Director of Finance (“KEU”)

1. To determine the conception and formulation of Long-Term Plan of Company’s Finance within Telkom as a group.
2. To facilitate the process for the formulation of the concept of corporate level strategy especially the financial & asset perspective for the aspect of among others, but not limited to the strategic budgeting, business & investment, parenting strategy, subsidiary performance, capital management and supply management.
3. To determine the functional strategy and policy in the financial and asset sectors, which shall cover among others, but not limited to the financial policy, asset management policy, supply management policy and financial system support policy;
4. To determine the functional strategy and policy in the sector of risk management to ensure the effectiveness of business continuity management;
5. To manage investor relations to protect the psychology of investors;
6. To determine the policy of good governance, and mechanism of management of financial accounting (accounting sector including the presentation of financial reporting), management accounting (budgeting sector) and corporate finance supply and risk as well as the control of its implementation;
7. To determine the policy, good governance and mechanism of the management of Company’s budgeting process (RKAP).
8. To implement advisory functions in the determination of corporate level strategies, especially for the matters related to the aspect of financial and supply resources of Telkom as a group.
9. To ensure the effectiveness of management of all risks in the business process within the scope of all units under the supervision of Directorate of KEU.

C. Director of Digital & Strategic Portfolio (“DSP”)

1. To determine the conception and formulation of Company’s Long-Term Plan (corporate strategic scenario).
2. To determine the policies on good governance and mechanism to manage the Company’s planning and its strategy (the policy for the setting of planning level and its strategy - corporate level, business level and functional level);
3. To determine the strategy and policy of Telkom Group’s business portfolio;
4. To determine the strategy, policy and recommendation of corporate action and strategic investment for Telkom Group’s business development;

5. To determine the innovation strategy in order to “explore” to get new source of growth for the development of Telkom Group’s business portfolio;
6. To determine the parenting strategy to harmonize and optimize the capability of Telkom Group’s business entities in improving the Value of the Company;
7. To determine the policy, good governance, and mechanism for the innovation for the development of Telkom Group’s business portfolio;
8. To determine the policy, good governance and mechanism to manage the synergy of Telkom Group;
9. To conduct the advisory function in the process to set the strategy on the corporate level strategy, especially for the matters in relation to the aspect of business portfolio development;
10. To ensure the effectiveness of the management of all risks in the business process within all units under the supervision of the Directorate of ISP.

D. Director of Human Capital Management (“HCM”)

1. To determine the conception and formulation of Long-Term Plan of Human Capital and Master Plan of Human Capital as a group;
2. To facilitate the formulation process of corporate level strategy concept especially for the aspect in relation to the development of center of excellence, for people aspect, human capital, organization design corporate culture and leadership architecture and industrial relation;
3. To determine the functional strategy and policy in the sector of human capital, among others but not limited to the sector of human capital development, human capital system, human capital operation, organization development, and industrial relation.
4. To prepare and execute the program of Telkom Smart Office;
5. To determine the policy, good governance, and mechanism to manage and the planning as well as the management of resources (development, empowerment and management of HR) and organization development;
6. To determine the policy, good governance, and mechanism of development and inter-relation with the entity/institution that relates to the management of HR which are among others but not limited to the institutions that manage the pension fund, the management of employees and retired people, the management to develop the skill and competence or educational institution as well as labor union institution;

7. To conduct the partnership and community development program;
8. To conduct the advisory function in the determination of strategy on the corporate level strategy, especially those that relate to HR of Telkom as a group;
9. To ensure the effectiveness of management of all risks in the business process within all units under supervision of the Directorate of HCM.

E. Director of Network, IT & Solution (“NITS”)

1. To determine the planning and business strategy to leverage the capability of Company’s resources in order to grow/make bigger/“exploit” the “established” business/service through the utilization of infrastructure, IT and solution to support the business portfolio of Telkom Group in synergy;
2. To determine the policy, good governance and mechanism to utilize the infrastructure/network to support the business portfolio of Telkom Group;
3. To determine the policy, good governance and mechanism to utilize IT to support the growth of business portfolio of Telkom Group;
4. To determine the policy, good governance and mechanism to create the best performance upon the service/solution that supports the sustainable competitive growth of Telkom Group;
5. To set and control the mechanism of “parenting” which is adjusted with parenting strategy to all units under the supervision of Directorate of NITS and or other unit that is directly involved in the implementation process of utilization activities and infrastructure operation;
6. To ensure the effectiveness of management of all risks in the business process of all units under the supervisions of the Directorate of NITS.

F. Director of Consumer Service (“CONS”)

1. To determine the planning and business strategy to leverage the capability of Company’s resources in realizing the competitive advantage to win the competition and the long-term growth of business portfolio in the consumer segments (consumer home services and consumer personal services) within the scope of Telkom as a group;
2. To determine the policy and mechanism of parenting in order to create value of the Company by optimizing and harmonizing the interrelation between “parent” and all entities that manage the business operation of the consumer segment within the scope of Telkom as a group;
3. To determine policy, good governance and mechanism of the management of marketing

function in consumer segment;

4. To determine the policy, good governance and mechanism of the management of sales function and/or channel partnership in consumer segment;
5. To determine the policy, good governance and mechanism of the management of customer relationship management in consumer segment;
6. To ensure the effectiveness of management of all risks in the business process of all units under the supervisions of the Directorate of Consumer Service.

G. Director of Enterprise Business Service (“EBIS”)

1. To determine the planning and business strategy to leverage the capability of Company’s resources in the realization of competitive advantage to win the competition and long-term growth of business portfolio in the corporate segment (enterprise, government and business) within the scope of Telkom as a group;
2. To determine the policy and mechanism of parenting in order to create the value of the Company by optimizing and harmonizing the inter-relation between “parent” and all entities that manage the business of corporate segment (enterprise, government and business) within the scope of Telkom as a group;
3. To determine the policy, good governance and mechanism of the management of marketing function in the corporate segment (enterprise, government and business);
4. To determine the policy, good governance and mechanism of the management of sales function and/or account management in the corporate segment (enterprise, government and business);
5. To determine the policy, good governance and mechanism of the management of customer relationship management in the corporate segment (enterprise, government and business);
6. To ensure the effectiveness of management of all risks in the business process of all units under the supervisions of the Directorate of EBIS.

H. Director of Wholesale & International Business Service (“WIBS”)

1. To determine the planning and business strategy to leverage the capability of Company’s resources in the realization of competitive advantage to win the competition and long-term growth of business portfolio in the wholesale & international segment within the scope of Telkom as a group;
2. To determine the policy and mechanism of parenting in order to create the value of the Company by optimizing and harmonizing the inter-relation

between “parent” and all entities that manage the business of wholesale & international segment within the scope of Telkom as a group;

3. To determine policy, good governance and mechanism of management of marketing function in the wholesale & international segment;
4. To determine the policy, good governance and mechanism of the management of sales function and/or account management in the wholesale & international segment;
5. To determine the policy, good governance and mechanism of the management of customer relationship management in the wholesale & international segment;
6. To ensure the effectiveness of management of all risks in the business process of all units under the supervisions of Directorate of WINS.

deemed necessary. Moreover, the Board of Directors shall also be obliged to organize joint meeting with the Board of Commissioners at least 1 (one) time within 4 (four) months and it may also be held at any time as deemed necessary. Joint meeting by the Board of Directors and Board of Commissioners within the Company shall also be referred to as the Joint Meeting.

The meeting quorum shall be reached if more than half of members of Board of Directors are present or legally represented in such meeting. Any member of Board of Directors that present shall have a casting vote (and one vote for any other Director that is being represented). The decision making in the Board of Directors' meeting shall be based on the deliberation to reach a consensus. If the consensus cannot be reached, then the resolution shall be made based on the majority votes from members of Board of Directors that are present.

Board of Directors' Meeting

Pursuant to the prevailing provisions applied to public companies and the Board Charter of Board of Directors (BoD Charter), the Board of Directors must conduct a periodical internal meeting at least 1 (one) time within a month and it may also be conducted at any time as

In 2016, the Board of Directors' meetings have been held for 48 times with the agenda and attendance level of the Board of Directors as follows.

Table of Agenda and Attendance in the Board of Directors' Meetings

No	Date	Agenda	Board of Directors who were present								
			IU	DR	MA	HMZ	ASA	HRH	HB	HS	
1	January 5, 2016	1. Report : Progress of the preparation of the Muster of the Work Readiness of Telkom Group in 2016 2. Report : Performance of Operations & Revenue for the MtD December 2015 3. Report on the Limited Agenda	v	v	v	v	-	v	v	v	v
2	January 12, 2016	1. Report : Recap of the Performance of Revenue in 2015 and Operation for the MtD in January 2016 2. Report on the Limited Agenda	v	v	v	v	-	-	v	v	v
3	January 19, 2016	1. Report on the Performance of the Operations and Revenue for the MtD in January 2016 2. Report of FU Finance: Management Report of December 2015 3. Report on the Limited Agenda	v	v	v	v	-	-	v	-	v
4	January 26, 2016	1. Report on the Performance of the Operations and Revenue for the MtD in January 2016 2. Report on the Limited Agenda	v	v	v	v	-	v	v	v	-
5	2 Februari 2016	1. Report on the Performance of the Operations and Revenue for the MtD in January 2016 2. Report: Draft Annual Report for the financial year of 2015 3. Report on the Format and Outline for the CFU/ FU-based Management Report of 2016 4. Report on the Limited Agenda	v	v	v	v	-	v	v	v	v
6	February 9, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of January and MtD of February 2016 2. Report: CFU/FU-based Report AR-AP of Telkom Group 3. Report on the Limited Agenda	v	-	-	v	-	v	v	v	v
7	February 16, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of February 2016 2. Report: Management Report of January 2016 3. Report on the Limited Agenda	v	v	v	v	-	v	v	v	v

No	Date	Agenda	Board of Directors who were present									
			IU	DR	MA	HMZ	ASA	HRH	HB	HS		
8	February 23, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of February 2016 2. Report: Management Report of January 2016 3. Report on the Limited Agenda	-	v	v	v	-	-	-	v	v	
9	March 1, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of February 2016 2. Update: E-Payment Business 3. Report on the Limited Agenda	v	v	v	v	-	-	v	v	v	
10	March 8, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of February and MtD of March 2016 2. Report: Comprehensive Program CSR of Telkom Group 3. Report on the Limited Agenda	v	v	v	v	-	v	v	v	v	
11	March 15, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of March 2016 2. Report on the Limited Agenda	v	v	v	v	-	v	v	v	v	
12	March 22, 2016	1. Laporan Performansi Operasional & Revenue MtD Maret 2016 2. Laporan Agenda Terbatas	v	v	v	v	-	v	v	v	v	
13	March 29, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of March 2016 2. Report on the Limited Agenda	v	v	-	v	-	v	v	v	v	
14	April 5, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of March 2016 2. Update: Partnership for the development of FTTH/Indihome 3. Report: The Concept of Submarine Cable Management of Telkom 4. Update on the Preparation of RAPIM of Telkom Group I of 2016 5. Report on the Limited Agenda	v	v	v	v	-	v	v	v	v	
15	April 12, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of April 2016 2. Report on the Limited Agenda	v	-	v	v	-	v	v	v	-	
16	April 19, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of April 2016 2. Report on the Limited Agenda	v	v	v	v	-	v	v	v	v	
17	May 3, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of April 2016 2. Report on the Limited Agenda	v	v	v	v	v	v	v	v	-	
18	May 10, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of April & MtD of May 2016 2. Update: Status of the rescue of Filling T3S and the Readiness of Orbit Slot of T2 3. Report on the Limited Agenda	v	v	-	v	v	v	v	-	-	
19	May 17, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of May 2016 2. Update: Progress of the Preparation of RAFI 2016 3. Report on the Limited Agenda	v	v	-	v	v	-	-	v	-	
20	May 24, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of May 2016 2. Report on the Limited Agenda	v	v	v	-	v	v	v	v	-	
21	May 31, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of May 2016 2. Report on the Operation of FU HCM and Site Plan of Telkom Corporate University 3. Report on the Limited Agenda	v	v	v	v	v	v	v	v	-	
22	June 7, 2016	1. Kick off Siaga RAFI Task Force Telkom Group 2016 2. Kick off CFU/FU Transformation socialization Team 3. Update BUMN Hadir untuk Negeri	v	v	v	v	v	v	v	v	-	

No	Date	Agenda	Board of Directors who were present									
			IU	DR	MA	HMZ	ASA	HRH	HB	HS		
23	June 14, 2016	1. Update BUMN Hadir untuk Negeri Preparation 2. Report on the simulation of the Security of Revenue from Indihome & Interconnection 3. Report on the Implementation Progress of the Second Platform and Open STB 4. Report on the Limited Agenda	v	v	-	v	v	v	v	v	v	-
24	June 21, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of June 2016 2. Update on the Roadmap of Digital Service of Telkom Group 3. Report on the Implementation Progress of the Second Platform and Open STB 4. Report on the Limited Agenda	v	v	v	v	v	v	v	v	v	-
25	June 28, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of June 2016 2. Report of FU HCM & ISC organization Update 3. Update on the Theme and Scenario of Rapim TG II 2016 4. Report on the Limited Agenda	v	v	v	v	v	v	v	v	v	-
26	July 19, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of June (Highlight) & MtD of July 2016 2. Report FU HCM 3. Report on the Limited Agenda	v	v	v	v	v	v	v	v	v	-
27	August 9, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of July & MtD of August 2016 2. Update on the Progress of Satellite 3. Update on the Organization of ISC 4. Update on the Positioning Subsidiary Treatment 5. Report on the Limited Agenda	v	v	v	v	v	v	v	v	v	-
28	August 16, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of August 2016 2. Update Indonesia independence day commemoration	v	-	v	v	v	v	v	v	v	-
29	August 23, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of August 2016 2. Report on the Limited Agenda	v	v	v	v	v	v	v	v	v	-
30	August 30, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of August 2016 2. Report on the Limited Agenda	v	v	v	v	-	-	v	v	v	-
31	September 6, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of August 2016 2. Report on the Limited Agenda	v	v	v	v	v	v	v	v	v	-
32	September 13, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of September 2016 2. Report of FU HCM 3. Report on the Limited Agenda	v	v	v	-	v	v	v	v	v	-
33	September 20, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of September 2016 2. Report on the Limited Agenda	v	v	v	-	v	-	v	v	v	-
34	September 23, 2016	1. Talent Management 2. Talent Remuneration 3. Key strategic position 4. Job family 5. Ingenium Scoring 6. Pro Hire BP	v	v	v	-	v	v	v	v	v	-
35	September 30, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of September 2016 2. Report on the Limited Agenda	v	v	-	-	v	v	v	v	v	-
36	October 4, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of September 2016 2. Report on the Limited Agenda	v	v	v	-	v	v	v	v	v	-

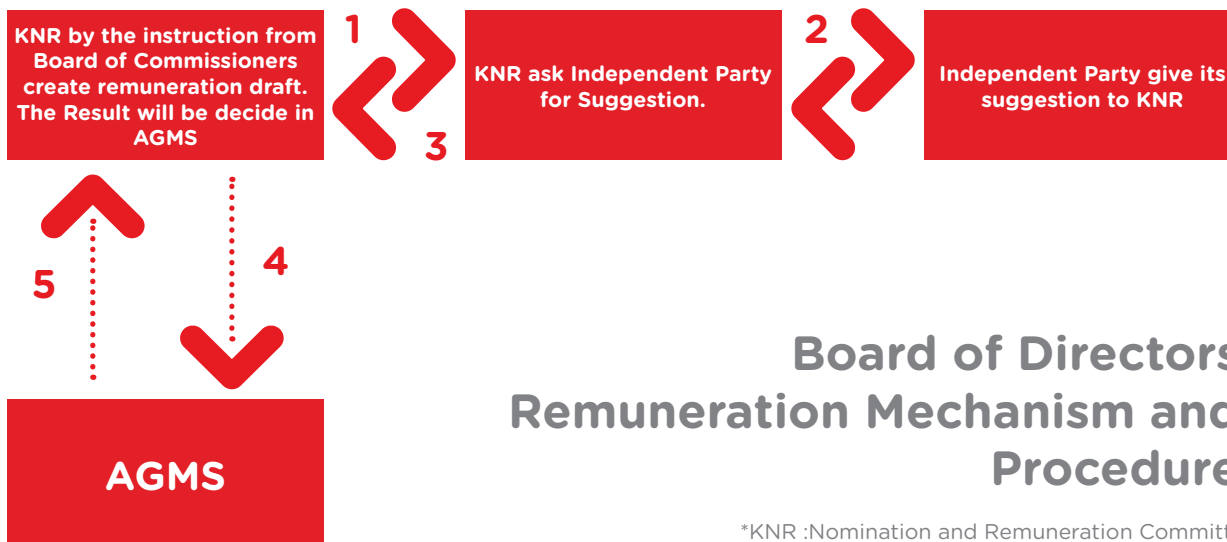
No	Date	Agenda	Board of Directors who were present								
			IU	DR	MA	HMZ	ASA	HRH	HB	HS	
37	October 11, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of September & MtD of October 2016 2. Update on the Theme and Scenario of Rapim TG III 2016 3. Report on the Limited Agenda	v	v	-	-	v	v	v	v	-
38	October 21, 2016	Company's Performance in September 2016 and proposal of RKAP 2017	v	v	v	-	v	v	v	v	-
39	October 24, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of October 2016 2. Update on the Lesson Learnt from Kalibata: People-Process-Tools Perspective 3. Report on the Limited Agenda	v	v	v	-	v	-	v	v	-
40	November 1, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of October 2016 2. Report on the Limited Agenda	v	v	v	-	v	v	v	v	-
41	November 8, 2016	1. Report on the Performance of the Operations and Revenue for the YtD of October and MtD of November 2016 2. Report on the Limited Agenda	v	v	v	-	-	-	v	v	-
42	November 16, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of November 2016 2. Report on the Limited Agenda	v	v	v	-	v	v	v	v	-
43	November 24, 2016	1. Kick Off the Satgas of Telkom Group: Siaga NaRu (Christmas and New Year) 2017 2. Report on the Performance of the Operations and Revenue for the MtD of November 2016 3. Update KPKU Assessment Preparation 4. Report on the Limited Agenda	v	v	v	-	v	v	-	v	-
44	November 29, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of November 2016 2. Update KPKU Assessment Preparation 3. Report on the Limited Agenda	v	v	v	-	v	v	v	v	-
45	December 6, 2016	Report on the Performance of the Operations and Revenue for the MtD of November 2016	v	v	v	-	v	v	v	v	-
46	December 13, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of December 2016 2. Lesson Learn preventive fault handling on Treg IV report 3. Report FU HCM 4. Update Kesiapan Kerja 2017 Ceremony 5. Report on the Limited Agenda	v	v	v	-	v	v	v	v	-
47	December 20, 2016	1. Report on the Performance of the Operations and Revenue for the MtD of December 2016 2. Update KPKU Assessment Preparation 3. Update Kesiapan Kerja 2017 Ceremony 4. Report on the Limited Agenda	v	v	v	-	v	v	v	v	-
48	December 27, 2016	Report on the Performance of the Operations and Revenue for the MtD of December 2016	-	-	v	-	v	v	v	-	-
Total Attendances			45	43	41	30	29	38	45	44	14
Total Meetings			48	48	48	31	32	48	48	48	16
Attendance Level of the Board of Commissioners (%)			93	89	85	96	90	79	93	91	87

Remarks: AJS (Alex J Sinaga), IU (Indra Utoyo), DR (Dian Rachmawan), MA (Muhammad Awaluddin), HMZ (Harry M Zen), ASA (Abdus Somad Arief), HRH (Herdy Rosadi Harman), HB (Honesti Basyir), HS (Hari Sunaryadi).

Note: HS was terminated pursuant to GMS resolution dated 22 April 2016
HMZ was appointed since the GMS resolution dated 22 April 2016
MA resigned since 13 September 2016

DIRECTORS REMUNERATION POLICY

Procedure for Determining the Remuneration



The procedure for determining the remuneration of members of the board of directors of Telkom are as follows:

1. The Board of Commissioners requests the NRC to draft a remuneration proposal for the Directors.
2. The Nomination and Remuneration Committee requests an independent party to draw up a framework on the remuneration of the Directors.
3. The Nomination and Remuneration Committee proposes the remuneration to the Board of Commissioners.
4. The Board of Commissioner proposes remuneration for the Directors the AGM.
5. The AGM delegates authority and power to the Board of Commissioners with the prior approval of Series A Shareholders to determine the remuneration for the Board of Commissioner and the Directors.

Basis for the Determination and Structure of Remuneration

The structure of the remuneration of the Directors is governed by the provisions of the Regulation of the State Minister for State Owned Enterprises No.Per-04/MBU/2014 on Guidelines for the Determination of Income for Directors, Board of Commissioner and Board of Trustees of SOEs. Based on the said regulation, the income component for members of the Directors consists of:

1. Salaries;
2. Allowances;
3. Facilities;
4. Bonus/Incentive.

The determination of fixed income in the form of salaries, allowance and facilities given by considering the condition of the Company. In the other hand bonus/incentive is an annual benefits based on the Company's performance and determined by the General Meeting of Shareholder.

Amount of Remuneration for the Members of the Board of Directors

In 2016, total remuneration paid to all the Company's Board of Directors amounted to Rp121.8 billion. Taxes on the remuneration paid by the Company amounted to Rp7.6 billion. Recapitulation of the remuneration of the Telkom's Board of Commissioners in 2016 is reflected in the following table.

Table on the Recapitulation of Remuneration for Telkom's Board of Directors

Board of Directors	Nilai (Rp juta)				
	Salary	Bonuses	THR	Other Allowances	Total
Alex J. Sinaga	2.304	13.952	176	300	16.732
Harry M. Zen *)	1.482	-	158	215	1.855
Indra Utoyo	2.074	12.557	158	300	15.089
Dian Rachmawan	2.074	12.557	158	300	15.089
Abdus Somad Arief	2.074	12.557	158	300	15.089
Herdy Rosadi Harman	2.074	12.557	158	300	15.089
Honesti Basyir	2.074	12.557	158	300	15.089
Heri Sunaryadi**)	691	12.557	-	100	13.348
Muhammad Awaluddin ***)	1.555	12.557	158	225	14.496

Remark: Based on Minister of SOE Regulation No.04/2014, the allowance to be given in cash is residential allowance in the amount of Rp25 million a month

*) Start from April 22, 2016

***) Until April 22, 2016

***) Until September 2016



CORPORATE SECRETARY

The Corporate Secretary is an organ of the company which has significant role in facilitating the company's internal communication, make a connection between the company and its shareholders, the Financial Services Authority, and other stakeholders as well as ensuring the Company's compliance with the applicable rules and regulations in the field of capital market.

Telkom has appointed a Vice President ("VP") of Investor Relations who also perform tasks and duties of a Corporate Secretary in accordance with the Financial Services Regulation No.35/POJK.04/2014 regarding Corporate Secretary of the Issuer Companies or Public Companies. Investor Relations is responsible for preparing the provision of information between the Company and its Shareholders in accordance with the prescribed code of conducts, and maintaining the systematic feedback mechanism to the management in order to be able to respond to the dynamics of the shareholders and the capital markets with efficient, effective, and continuously.

Corporate Secretary Functions

According to Telkom's Guidelines on GCG, the functions of the Corporate Secretary are:

1. To Prepare and communicate information accurate, complete, and timely regarding the performance and prospect of the company to stakeholders.
2. To synergize with related units, including the subsidiaries, for dissemination of information (socialization), implementation, monitoring and reviewing of GCG, and its implementation.
3. To assist the Board of Directors in various activities, information, and documentation, among others:
 - a. Preparing the Register Book of Shareholders;
 - b. Attending the Board of Directors' meetings and preparing its minutes of meetings; and
 - c. Preparing and organizing GMS.
4. To publish the Company's information in tactical, strategic and timely manner.

Tasks and Duties of Corporate Secretary

1. Preparing and organizing GMS, including the material, particularly the Annual Report.
2. Attending the Board of Directors' meetings and joint meetings between the Board of Directors and the Board of Directors.
3. Managing and maintaining documents related to the Company's activities, including the GMS's documents, the Board of Directors' minutes of meetings, the minutes of joint meetings between the Board of Directors and the Board of Commissioners, and other important documents of the Company.
4. Determining criteria regarding types and contents of information that can be presented to the stakeholders, including information that can be published as public documents.



Profile of Corporate Secretary

Andi Setiawan

Born : June 6, 1978

Age : 38

Nationality and Domicile

Indonesian, domiciled in Indonesia.

Position and Appointment Basis

Corporate Secretary of the Company based on the Directors Decision Letter

Term of Office

March 4, 2015 - present

Education

He holds a Bachelor's degree on Financial Management (S-1) from University of Indonesia.

Career History

1. PT Pemeringkat Efek Indonesia as a Corporate Rating Analyst (2004).
2. PT Bakrieland Development Tbk as a Manager of Corporate Secretary (2007).
3. PT Summarecon Agung Tbk as a Manager of Investor Relations (2010).
4. GM of Investor Relations at PT Telekomunikasi Selular on January 2014.

Training and Education of Corporate Secretary

In order to improve the competence of our Corporate Secretary/Investor Relations, along 2016 the Company has held various trainings designated to the Investor Relations unit as follows:

Training Program	Date	Organizer	Location
Global Mind Leaders Program: The Biology of Corporate Survival	May 18, 2016	Intellectual Business Community	Jakarta
Certified Investor Relation	May 23-26, 2016	Indonesia Investor Relations Institute	Jakarta
Finance 101 for IR and Corporate Communication	June 4, 2016	National Investor Relations Institute	San Diego
Key to Successful Investor Presentation	June 4, 2016	National Investor Relations Institute	San Diego
2016 NIRI Annual Conference	June 5-8, 2016	National Investor Relations Institute	San Diego
9th Annual Depository Receipts Issuers' Conference Asia Pasific	June 16-19, 2016	BNY Mellon	Jepang
Managing the High Intensity Workplace	August 10, 2016	Intellectual Business Community	Jakarta
Global Mind Leaders Program: Branding in Social Media Age	September 7, 2016	Intellectual Business Community	Jakarta
Capital Market Workshop	September 7-8, 2016	Granada Law Firm	Jakarta
Building an Insight Engine	October 12, 2016	Intellectual Business Community	Jakarta
A Big Leap to Efficiency in Financial Consolidation, Regulatory Reporting & Forecasting Processes	October 27, 2016	Associaton of Indonesian Listed Companies (Asosiasi Emiten Indonesia)	Jakarta

Task Implementation of Corporate Secretary

Throughout the 2016 financial year, the Corporate Secretary has performed its tasks in accordance with the tasks and duties of Corporate Secretary as described under the applicable laws and regulations. The activities performed relating to the Corporate Secretary/Investor Relations task implementation are:

Date	Name of Activities	Organize by	Remarks
January 7-8, 2016	ASEAN Conference 2016	Credit Suisse	Singapore
January 28-29, 2016	Mandiri Investment Forum 2016	Mandiri Sekuritas	Jakarta
April 25-26, 2016	Non Deal Roadshow	Morgan Stanley	Singapore
May 11, 2016	Indonesia Investor Conference 2016	Citigroup Securitates Indonesia	Jakarta
May 16-17, 2016	BNP Paribas 7th Asia Pasific TMT Conference	BNP Paribas	Hong Kong
May 23-24, 2016	7th Annual dbAccess Asia Conference	Deutsche Bank	Singapore
May 26-27, 2016	Non Deal Roadshow	Nomura	Tokyo
July 14-15, 2016	Non Deal Roadshow	Macquire Securities Group	Sydney
August 4, 2016	Investor Day 2016	Bursa Efek Indonesia (IDX)	Jakarta
August 11-12, 2016	10th Annual Indonesia Conference 2016 (Site Tour)	CIMB	Bali
August 15-16, 2016	2016 Indonesia Conference	Credit Suisse	Singapore
August 31 - September 2 2016	Non Deal Roadshow	Deutsche Bank	United Kingdom
September 6-9, 2016	Non Deal Roadshow	Credit Suisse	Swiss, Paris, Amsterdam
September 15, 2016	Indonesia Focus Day	Morgan Stanley	Jakarta
September 22-23, 2016	23rd CLSA Investor Forum	CLSA	Hong Kong
2 November 2016	9th dbAccess Indonesia Conference 2016	Deutsche Bank	Jakarta
November 7-11, 2016	Non Deal Roadshow	BNY Mellon	New York, Boston, Chicago, San Fransisco
November 10-11, 2016	The 11th Annual Daiwa Investment Conference Hong Kong (DIC HK)	Daiwa Capital Market	Hong Kong
November 16, 2016	Non Deal Roadshow	Bahana Securities	Jakarta
November 28-29, 2016	Non Deal Roadshow	Macquire Securities Group	Singapore
November 30 - December 1, 2016	Nomura Investment Forum 2016	Nomura	Tokyo



INTERNAL AUDIT UNIT

Internal Audit (“IA”) is an organ of the company which function is to provide an independent views (catalyst) on the condition of internal control, risk management, and corporate governance process implemented by Telkom and its business units in performing their business activities.

Vision and Mission of Internal Audit Unit

Internal Audit Unit has vision and mission which organized in a systematic and measured manner, and also in line with the applicable standards, ranging from preparation, implementation to monitoring of the follow-up results. The vision and mission of Internal Audit Unit are as follows:

Vision

As a “Smart Partner” for the Management, Business Unit/Work Unit and subsidiaries in order to achieve the Company’s objectives as well as a driving force for the whole range of the Company and its subsidiaries,

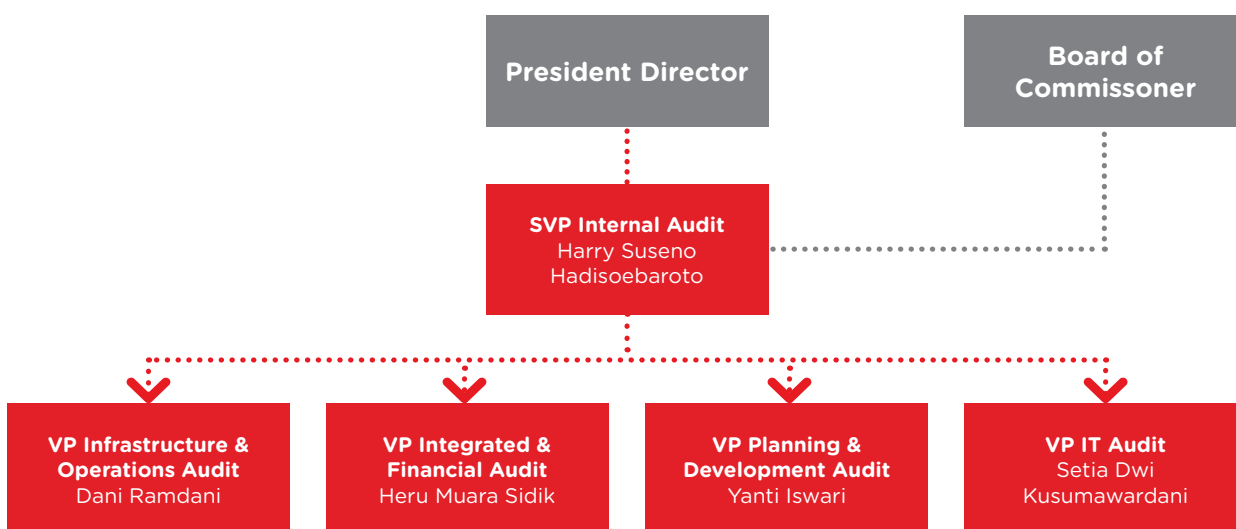
so as to create a culture of discipline in implementing all provisions of the applicable legislations/policies/regulations/procedures/business process.

Mission

1. Provide services and internal audit consulting in a professional, objective and independent manner for the Management, Business Units/Work Units, and subsidiaries.
2. Provide assurance on the feasibility of financial reports.
3. Actively monitor the implementation of internal control, provide support in improving the implementation of GCG, and evaluate the implementation of risk management.

Structure and Position of the Internal Audit Unit

As set forth in the applicable capital market regulations, IA is a unit that is independent of other work units and is directly responsible to the President Director. Below, is a chart of the organizational structure of Telkom’s IA.



Duties and Responsibilities of Internal Audit

Based on Internal Audit Charter, duties and responsibilities of the Internal Audit are:

1. Composing Annual Internal Audit plan;
2. To execute the Annual Internal Audit Plan that has been consulted by the Audit Committee or has been reviewed by Audit Committee;
3. To examine and evaluate the adequacy of internal control and risk management system based on the Company’s Policy;
4. To examine and assess the efficiency and effectivity in the field of finance, accounting, operational, human capital, marketing, IT, and other activity;
5. To review and/or audit the Company’s financial statement periodically;
6. To inspect the compliance to the related regulation ;
7. To identify the alternative improvement and efficiency and to increase efficiency and effectivity of the utility of sources and fund;

8. To create audit report and to deliver that report to the President Director and the Board of Commissioner c.q. Head of Audit Committee;
9. To monitor, analyze and report the implementation of the improvement that has been recommended. Give objective improvement recommendation and information about the activity that has been inspected to all management level of the Company and the affiliation of the Company;
11. Providing consultation needed by the Company's management and its affiliation company which the coverage of the assignment has been agreed before.
12. Do the activity from number 2 until 10 to the Company's affiliation upon request by the President Director of the Company (management instruction);
13. Collaborating with the Audit Committee, including monitoring the follow up of the recommendation by the result of the inspection that have a significant impact and deliver the report to the Audit Committee;
14. Composing the evaluation methodology and program to increase the quality of internal audit activity cooperating/coordinating with Audit Committee;
15. To review and/or depth inspection of the audit committee request in order to follow up whistleblower and or allegations of fraud (fraud) on the Company or its affiliated company, and deliver the results of the investigation to the Director and the Audit Committee;
16. Do the preliminary inspection with a particular purposes.

Internal Audit Unit Composition

Telkom's Internal Audit is chaired by a Senior Vice President of Internal Audit ("SVP of Internal Audit"), who is appointed and dismissed by the President Director with the approval of the Board of Commissioners. As of the end of 2016, the SVP of Internal Audit is assisted by 63 members.

Profile of SVP of Internal Audit

Harry Suseno Hadisoebroto

Born : Bandung, June 24, 1966

Age : 50

Nationality and Domicile

Indonesian, domiciled in Indonesia.

Position and Appointment Basis

Senior Vice President of Internal Audit based on the Board of Directors Resolution No. 1905/PS720/HCC-10/2015 dated June 9, 2015 which effectively prevail from July 1, 2015.

Term of Office

July 1, 2015 - present

Education

1. Graduate Study: Civil Engineering (Ir.), 1990, Bandung Institute of Technology, Indonesia
2. Postgraduate Study: Engineering - Project Management (MSc.), 1999, University of Manchester, Institute of Science and Technology, Manchester, United Kingdom

Career History

1. SVP Internal Audit, Telkomsel (Mei 1, 2014 - Juni 30, 2015)
2. VP Infrastructure & Supply Management Audit, Telkom (April 1, 2011 - April 30, 2014)
3. AVP Infrastructure Audit, Telkom (Januari 1, 2010 - Maret 31, 2011)
4. Deputy General Manager Kandatel Malang, Telkom (November 1, 2007 - Desember 31, 2009)

Qualification and Professional Certification of Internal Audit

In order to improve the competence and education of the internal auditors, the Company is continuously strive to engage them on professional certification programs in the area of Internal Audit, both local and international. dimiliki oleh anggota Internal Audit.

Type of Certification	Jumlah
Qualified Internal Auditor (QIA)	5
Certified Fraud Examiner (CFE)	1
Certified Information System Audit (CISA)	2
Certified Management Accountant (CMA)	2
Certified Behavior Consultant (CBC)	1
ISO 27001:2013	3
BCMS (ISO 22301)	1
ITSMS (ISO 20000-1)	2
QMS (ISO 9000)	1
Certified Accountant (CA)	3



Internal Audit Charter

Telkom's Internal Audit Unit is equipped with an Internal Audit Charter as a company's formal document, comprising of description of vision, mission, structure, status, duties and responsibilities of IA, including requirements for IA's personnel as an auditor. The drafting of Internal Audit Charter guided by the international standards for IA profession practices, issued by the Institute of Internal Auditor ("IIA"), and has been approved by the President Director as well as the Audit Committee based on the Board of Directors' Resolution No.Tel.09/PW000/UTA/COP-C000000/2015 regarding Internal Audit Charter.

Training and Education of Internal Audit

During 2016, the Company has involved its auditors in various trainings. The list of trainings which attended by the Internal Audit in 2016 are as follows:

Programs	Number of Participants	Number of Days
Certification Training	12	48
Operational Training	30	43
Competency Enhancement Training	73	183

Task Implementation of Internal Audit Unit

In accordance with the Annual Internal Audit Work Plan, in 2016, IA Unit has implemented 63 consultations and audit objects.

Activity	TW-I	TW-II	TW-III	TW-IV	Tahun 2016
Audit	6	8	9	8	31
Consulting	5	3	2	4	14
Evaluating	1	2	1	2	6
Review	2	4	3	3	12
Total IA	14	17	15	17	63

As per December 31, 2016, the Internal Audit has completed 21 Audit/consultations and delivered 269 recommendations, with the details as follows:

Activity	Total Recommendations	Follow-up Status	
		Closed	Open
Audit	210	123	87
Consulting	59	52	7
Total IA	269	175	94

INTERNAL CONTROL SYSTEM

Review of the Effectiveness of the Internal Control System

The management of the Company is responsible for implementing internal control over financial reporting sufficiently. Internal control over financial reporting is a process designed by, or under the supervision of the President Director and the Finance Director, and conducted by the Board of Directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the Financial Accounting Standards issued by the Indonesian Institute of Accountants.

With the existing limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, independent audits are conducted regularly to ensure that financial reporting can provide reasonable information. In addition, projections of any evaluation of the effectiveness in the future have a risk that control may not suffice due to changes in conditions, or because the level of compliance with the policies or procedures may deteriorate.

The management has assessed the effectiveness of internal control over the Company's financial reporting on December 31, 2016. In conducting the assessment, the management used the criteria established by the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on the assessment, the management has concluded that as of December 31, 2016, the internal control over financial reporting was effective.

The effectiveness of internal control over financial reporting on December 31, 2016, has been audited by KAP Purwantono, Sungkoro & Surja, an independent registered public accounting firm, as stated in their report included in the Consolidated Financial Statements. In 2016, there were also no significant changes in internal control over the company's financial reporting throughout the fiscal year just ended that would affect or reasonably likely to materially affect the internal control over the company's financial reporting.

Telkom and its Subsidiary are committed to continuously improving the internal control process and internal control over financial reporting as well as monitoring of the financial reporting control and its procedures to ensure compliance with the requirements of the Sarbanes-Oxley Act and the relevant rules set out by COSO.

	Objective	Executor	Supervisor & Participant	2016 Evaluation Results
Financial and Operational Control	<ol style="list-style-type: none"> To ensure that the information required to be disclosed in the report has been recorded, processed, summarized and reported within the specified period in accordance with the specified terms and form and in accordance with the terms applicable to the Company. To ensure that the decision making is timely in accordance with the required disclosure 		<ol style="list-style-type: none"> The Company's President Director or, equivalent to Chief Executive Officer ("CEO") and Finance Director, equivalent to Chief Financial Officer ("CFO") 	As of December 31, 2016, control and procedures for disclosure were effective
Compliance with Other Laws and Regulations	To ensure that the Company's policies, decisions and all business activities are in accordance with the prevailing laws and regulations, whether internal or external, such as legal advisory, legal opinions, legal reviews, and litigations.	Legal & Compliance Unit under the Corporate Secretary Department		

RISK MANAGEMENT SYSTEM

Telkom implements the risk management to protect its assets and business activities as well as to create value for its stakeholders. The risk management also constitutes a form of compliance towards the prevailing regulations. The role and function of risk management are very important in supporting the telecommunication business that has a wide scope of business area, requires a big investment, has a high competition level, rapid development of technology, regulated business as well as change in the ways of communication.

General Illustration Regarding the Risk Management System of the Issuer

The implementation of risk management system in Telkom shall be based on the Regulation of Minister of SOE No.1 Of 2011 which obliges SOE to implement risk management. Further, the implementation of risk management also constitutes the obligation of Telkom as a company listed in the New York Stock Exchange (NYSE) to fulfill the Sarbanes-Oxley Act, especially article 302 and 404.

The implementation of risk management of Telkom in 2006 was begun with the formation of Risk Management & Legal Compliance (RMLC) Unit under the coordination of Executive Vice President (EVP). Further, in 2007 the Directorate of Compliance & Risk Management (CRM) was formed under the control of Director of CRM. With an improving level of awareness on risk management and the existence of bigger business challenge, in 2013 the function of the Directorate of CRM was changed into the Directorate of Wholesale & International, meanwhile, to implement the management of Governance, Risk & Compliance the Department of Compliance, Risk Management & General Affair ("CRMGA") was formed under the supervision of Head of CRMGA. In line with the business dynamic and organization that is keep growing, in 2016 the function of Risk Management was conducted by Sub-Directorate of Risk & Process Management which constitutes a part of the Directorate of Finance. The journey in managing Telkom's Risk Management from 2006 to 2016 has led the company to the level whereby the risk has been considered in the decision making of strategy, operation, compliance supervision or in the internal control over financial reporting (ICOFRR).



Below is the diagram showing the development of risk management function in Telkom



Diagram of the Development of Risk Management Function in Telkom of 2006-2016

In 2016, Telkom kept trying to improve the implementation of risk management by emphasizing the Revenue Assurance & Fraud Management System. Further, in the next year of 2017, Telkom will strengthen the Enterprise Risk Profile Group & Advisory through BCM, Revenue Assurance & Fraud, Insurance Management and ERM of Telkom Group.

Risk Management Policies of Telkom refers to the Regulation of Board of Directors No.PD.614.00/r.00/HK.200/COP-D0030000/2015 dated September 30, 2015 regarding Telkom Enterprise Risk Management and Regulation of Finance Director No.PR.614.01/r.00/HK200/COP-D0030000/2016 regarding the implementing guideline for Telkom Enterprise Risk Management.

The objectives of the implementation of risk managements are to:

1. Ensure that all risks that may disturb the action to achieve company's objectives can be anticipated in advance and responded properly as well as to get new opportunities that support the action to achieve Company's objective.
2. Prepare the Framework Standard to implement the Company's Risk Management so that the risk management can be more coordinated and integrated.

The main framework of Telkom's Risk Management shall refer to the framework from COSO (COSO ERM Framework), which shall cover three main components namely:

1. The implementation of company's risk management must be able to support the company's objective from the aspects of strategic, operational, reporting and compliance.

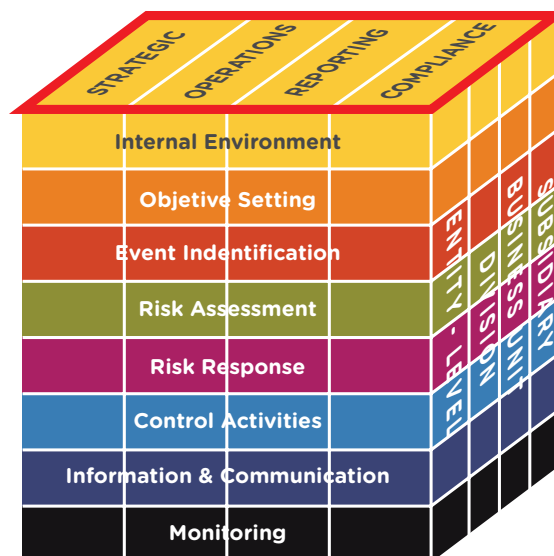


Diagram COSO ERM Framework

Strategic Aspect:

The management and implementation of risk management shall be made in order to give added values through the process of company's planning such as on the preparation of Company's Long Term Plan (Corporate Strategic Scenario), Annual Budgeting (RKAP) or the process of strategic decision making.

Operational Aspect:

The implementation of risk management to protect company's asset are conducted through among others:

1. Physical security management for infrastructure security
2. IT Security Management System which shall cover confidentiality, integrity and availability
3. Management of Occupational Health and Safety (OHS) System
4. The Development of Business Continuity Management, Disaster Recovery Plan and Crisis Management Team
5. The Management of Revenue Assurance and Anti Fraud Program

Compliance Aspect :

Risk management shall be made in order to give added values through:

- compliance management upon the External or Internal Regulation
- compliance management upon the provisions of SOX through the design and implementation of adequate internal control

Reporting Aspect :

The risk management shall be made in order to give added value through the stipulation of the disclosure controlling process of financial reporting through the Disclosure Control Procedure ("DCP").

2. Company's risk management shall be implemented in all organization levels within the company which shall cover the Enterprise level, Division, Business Unit and Subsidiary. In line with such matter, good governance of Telkom's risk management shall be adjusted with the structure and hierarchy of organization policies namely:

Board of Directors	To determine the policies in relation to the risk management and to ensure that company's risk management has been implemented in all company's management processes effectively.
Risk Committee	To determine certain policies, review and recommendation upon the company's risk and to give the feedback or guideline to the responsible person of company's risk.
Company's Risk Management Unit	To coordinate the implementation of company's risk management policies.
Internal Audit Unit	To give an independent opinion to the Board of Directors, Risk Committee, and Company's Risk Management unit.
Unit Manager	To implement and supervise all company's risk management processes in the unit that he/she manages.
All Employees	To conduct company's risk management policies based on their role and position effectively and efficiently.
Subsidiary	To implement the risk management in the subsidiary in the framework of implementation pursuant to the risk management framework of Telkom.

3. The implementation of company's risk management shall consist of 8 components of process namely:
- a. Internal development.
 - b. Objective setting.
 - c. Event identification.
 - d. Risk assessment.
 - e. Risk response.
 - f. Control activities.
 - g. Information and communication.
 - h. Monitoring.

To be able to conduct 8 components of process in the framework of COSO well, Telkom develops and maintain company's risk management through the structural and operational aspects.

- | | |
|--|--|
| <p>a) Structural aspect; to develop the supportive internal environment, namely:</p> <ul style="list-style-type: none"> • To build the commitment and Tone at the Top. • To put the foundation of risk management in framework of GCG. • To form a Risk Management Organization Unit. • The development of Policy, Guideline for Risk Acceptance Criteria (RAC), Guideline for Risk Assessment (Risk & Control Self Assessment/RCSA) and Good Governance. • The development of competence in the field of risk management. • The provision of adequate tools and system. | <p>b) Operational Aspect; to focus on:</p> <ul style="list-style-type: none"> • The implementation of risk assessment in the level of corporate, business unit and subsidiary as well as the preparation of adequate mitigation plan. • The development of risk assessment methodology for specific function that combines the implementation of COSO ERM Framework with standard reference or other guideline. • The maintenance aspect that is focused on the process of information, communication, review and continuous improvement. |
|--|--|

In the implementation of risk management system, Telkom also pays attention and combines the said COSO framework with other relevant reference and guideline among others:

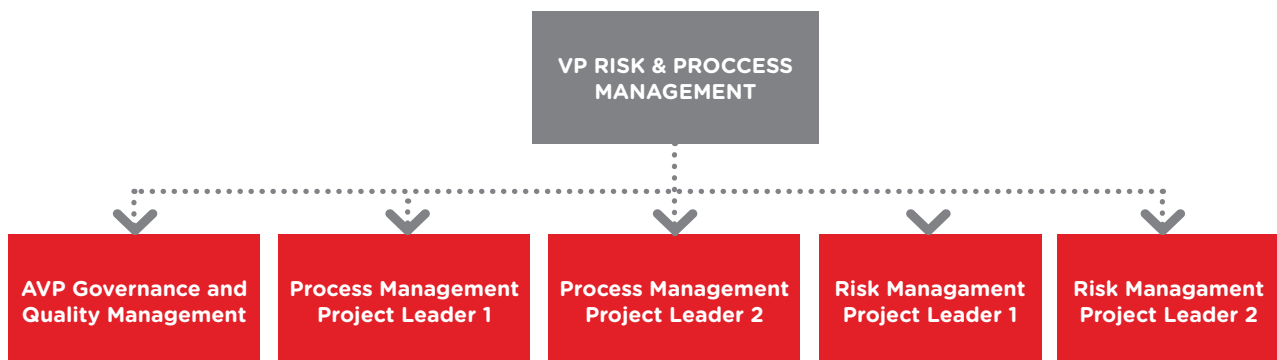
1	ISO 31000	Enterprise Risk Management as the implementation comparison and complementary
2	ISO 27001	Information Security Management System (ISMS) as a reference in the development of risk management to ensure Information Security in terms of Confidentiality, Integrity and Availability.
3	ISO 22301	Business Continuity Management System (BCMS) as a reference in the effort to ensure business continuity
4	ISO 20000	Information Technology Service Management (ITSM) as a reference to ensure IT ser-vice
5	ISO 18001	Occupational Health and Safety Assessment System (OHSAS) as a reference to support the implementation of SMK3 based on Government Regulation No.50 of 2012 regarding the implementation of SMK3

Organization of Risk Management in the Corporate Level

Telkom implements risk management system in all organization levels, namely:

1. Corporate Level.
2. Business Unit in the Company's Office.
3. Business Unit (Division/Center).
4. Subsidiary.

In reference to the Regulation of Board of Directors and the Regulation of the Director of Hu-man Capital Management in 2016, Telkom's risk management function is implemented by Sub-Directorate of Risk & Process Management in the Directorate of Finance under the following structure:



Types of Risk and Management Method

Risk management system helps Telkom to identify significant risks for the business sustainabil-ity. Telkom has identified the risks in Indonesia specifically, namely the risk of social and poli-tic, macro economy, disaster and other risks. Further for the business risks, Telkom has identi-fied the risk of operational, finance, law and compliance, regulation, inherent risk to the fixed and mobile telecommunication business. In addition to such risks, Telkom also conducts the quantitative and qualitative disclosure upon the market risk.

Type of Risk	Risk that is faced	The Impact to Telkom	Mitigation/Risk Management
a. Risks Related to Indonesia			
Politic and Social	The disruption of politic stability and social instability to specific issues	Have negative impact to the business, operation, financial condition, business proceeds and prospect as well as market price for securities	<ol style="list-style-type: none"> 1. Monitoring of the influence of social political instability to the disruption of operational/service 2. The maintenance of awareness through the improvement of safety & Security functions
Macro Economy	<p>The change of global, regional, or Indonesian economic activities</p> <p>The fluctuation of Rupiah Exchange rate</p> <p>The increase of loan interest rate</p> <p>The decrease of government or company's credit rating</p>	<ol style="list-style-type: none"> 1. Have the impact on the business, financial condition, business proceeds or business prospect. 2. Have a material adverse effect to the business, financial condition, business proceeds or business prospect 	<ol style="list-style-type: none"> 1. Monitoring of the influence of macro economy to the change to increase the expense through Cost Leadership program. 2. To look for the opportunity to increase the spending of APBN pursuant to the government focus (Maritime, Tourism, Energy, Transportation, etc)
Risk of Disaster	Flood, thunder, storm, earthquake, tsunami, volcano eruption, epidemic, fire, drought, power shut down and other event beyond our control	Disrupting its business operations and give negative impact to the financial performance and profit, business prospect as well as market price of securities	<ol style="list-style-type: none"> 1. Transfer of risk by using the insurance of assets to anticipate the natural disaster and fire. 2. Coordination with ASKALSI (Indonesian Sea Cable Association) to secure SKKL. 3. Preventive & Corrective Action by preparing the Disaster Recovery Plan and Crisis Management Team.
Other Risks	<p>Indonesian corporate information disclosure standard is significantly different than what is implemented in other countries including the United States of America</p> <p>The difference in the regulation of dividend determination</p> <p>The issue on the legal certainty in Indonesia and United States of America including the implementation of law</p> <p>The possibility on the difference in the interest of controlling shareholders with the interest from other shareholders</p>	Disrupting its business operation and giving the negative impact to the financial performance and profit, business prospect as well as market price of securities	The use of a competent legal consultant that has experience with the issues on corporate law in other countries particularly the United States of America



Type of Risk	Risk that is faced	The Impact to Telkom	Mitigation/Risk Management
B. Business Related Risks			
Operational Risk	The failure in the sustainability of network operation, main system, gateway on our network or other operator's network	Has the negative impact to the business, financial condition, proceeds from the operation and business prospect	<ol style="list-style-type: none"> 1. Implementation of BCM, BCP, and DRP 2. Certification of Integrated Management System (IMS) for infrastructure management
	Threat of physical and cyber security, such as theft, destruction, or other action	Has the negative impact to the business, financial condition, proceeds from the operation materially	<ol style="list-style-type: none"> 1. The upgrade of Preventive Action in the form of Vulnerability Assessment and Penetration Test periodically 2. Monitor and Identification all of types of attack in the real time as well as to choose and conduct a necessary action immediately 3. Preparing the recommendation to handle Cyber Attack based on the historical incident analysis 4. Intensive coordination with relevant parties to handle the Cyber Attack
	Risk in relation to internet service	May face a lawsuit and damage the reputation	To be more prudent in the preparation of contract with content provider partner
	Leak of revenue due to the internal capability weakness or external factor	Has a negative impact to our business proceeds	<ol style="list-style-type: none"> 1. Acceleration of leak detection time and revenue indicated as an external fraud in real time 2. Monitoring the critical point of the leak of revenue especially on the rejected billing call
	New technology	Has an impact on the competitive power	<ol style="list-style-type: none"> 1. The preparation of Technology Roadmap by taking into account future technologies and the possible implementation of competitor's technologies 2. Acceleration of IDN (Indonesia Digital Network) program to support future services
Financial Risk	The limit of operation period, damage or ruin, delay or failure to launch, or the revocation of Satellite license	Can create loss to financial condition, proceeds from operation and capability to give services	<ol style="list-style-type: none"> 1. The planning to change the Satellite of which operation period will be immediately expired 2. The insurance of Satellite operation during the active period 3. Insurance for Manufacturing and Launching of new Satellite. 4. Developing the understanding with Regulator in relation to the Satellite operation by Telkom
	Interest Rate Risk	Has an adverse effect to the business, financial condition and proceeds from the operation	Interest rate swap contract from the float interest rate to become the fix interest rate upon certain loan term
	Foreign exchange rate risk	Has negative impact on the financial condition or proceeds from the operation	Placement of time deposit and hedging to cover the fluctuation risk of foreign exchange
Legal and Compliance Risk	The limit to fund capital expenditure	Has a material adverse effect to the business, financial condition, operational performance and business prospect	Maintaining and improving the Company's performance to obtain the trust from National or Global fund institution/source
	Penalty/fine by KPPU in relation to the price fixing and the occurrence of class action	reducing our revenue and has negative impact to the business, reputation and profit	Strengthening Legal Review towards corporate action plan or certain contract

Type of Risk	Risk that is faced	The Impact to Telkom	Mitigation/Risk Management
Regulation Risk	The change of Indonesian or International Regulation	Has the impact to the business, financial condition, operational performance and business prospect	<ol style="list-style-type: none"> 1. Analysis on the impact of the regulation plan towards the industry in general and Telkom in particular. 2. Giving inputs so that the regulation that will be stipulated will give positive impact to the company and industry.
Risk in relation to Fix and Mobile Telecommunication Business	Losing the cable phone customers and revenue from the service of cable phone voice call	Has a material adverse effect on the proceeds from operation, financial condition and our business prospect	<ol style="list-style-type: none"> 1. Improving QoS - Quality of Service for cable phone customers. 2. Giving Value Added Service
	The competition on the internet service (fixed Broadband)	Has a negative impact on the business, financial condition operational performance and business prospect	<ol style="list-style-type: none"> 1. Strengthening the perception and quality of IndiHome as New Digital Life Style 2. Acceleration on the launching of the infrastructure for fixed broadband service
	The competition on mobile service	has a negative impact on the business, financial condition operational performance and business prospect	<ol style="list-style-type: none"> 1. Acceleration of the launch of the infrastructure for 4G service 2. Improving QoS - Quality of Service

Review on the Effectiveness of Risk management system

During 2016 Telkom's risk management system has been implemented effectively in support-ing every policy and business process of Telkom and its subsidiaries. The assessment on the effectiveness of Risk management implementation was conducted through the evaluation process, namely:

1. One-on-one Evaluation/discussion with business unit as necessary.
2. Workshop for the sharing in the implementation and development of ERM with the sub-sidiaries as necessary.
3. Audit Program on Risk Management Implementation as necessary.
4. Evaluation with the Committee for Risk, Compliance and Revenue Assurance in BoD level as necessary.
5. Evaluation with Planning and Risk Monitoring Evaluation Committee (KEMPR) as neces-sary.

The effectiveness of Telkom's risk management system is integrated with the use of support-ing infrastructure by using a risk management information application (tools)/ system, among others:

1. Generic Tools Enterprise Risk Management Online (ERM Online) which is used by all units for the management of Risk Assessment
2. Specific Tools for the purpose of certain risk management such as:
 - The application of Fraud Management System (FRAMES) which is used as an early detection system for the possibility of Customer Fraud
 - The application of i-Library managed by the Division of Network of Broadband and to be used for the management of documentation system of

Integrated Management System

- The application of SMK 3 Online managed by Security & Safety Unit for Health and Safety documentation management
- The application of Security & Safety managed by Security & Safety Unit for the moni-toring of Physical Security management
- The application of Telkomcare for the coordination with Crisis Management Team

To maintain the quality of risk management, Telkom has also implemented the risk manage-ment competence development through trainings. Moreover, Telkom has also conducted so-cializations as well as workshop in relation to the risk management in the office of the division and subsidiaries so that every person in Telkom is able to understand risks with the same point of view.

Table of Training of Telkom's Risk Management in 2016

No.	Type of Training	Time
1	Risk based Audit	January 2016
2	Risk Assessment ICOFR	August 2016
3	Internal Auditor BCMS	October 2016
4	ISMS & Internal Auditor ISMS	November 2016
5	Transaction and Accounting for Hedging	November 2016

During 2016 Telkom received the visits or was asked by external parties to conduct sharing ses-sions for the implementation of Risk Management, Internal Control, Process Management, Good Corporate Governance and Insurance Management among others from:



- PUSDIK of the Ministry of Finance : March 31, 2016
- Directorate of Risk Management for State Finance The Ministry of Finance : April 4, 2016
- Pelindo II Medan : May 13, 2016
- Internal Auditor of the Ministry of Finance : May 25 – 27, 2016
- Ministry of KOMINFO : November 3, 2016

Email : whistleblower@telkom.co.id or:
ka301@telkom.co.id

Fax : +62-021 5271800

Website : www.telkom.co.id

Surat Audit Committee
PT Telkom Indonesia (Persero) Tbk
Graha merah Putih Lt. 5
Jl. Jend. Gatot Subroto Kav 52,
Jakarta
12710

In 2016, Telkom received awards or certifications for its implementation of Telkom's risk management system from external parties namely:

External Institution	Type of Award
PT. SGS Indonesia	Integrated Management System for the Infrastructure Management which covers : <ul style="list-style-type: none"> • The Certificate of ISO 9001:2008 - Quality Management System • The Certificate of ISO 27001:2013 - Information Security Management System • The Certificate of ISO 22301:2012 - Business Continuity Management System • The Certificate of ISO 20000:2011 - IT Service Management System

WHISTLEBLOWING SYSTEM

Whistleblowing System (WBS) constitutes the system that collect complaints regarding any violation in the Company. Since 2006, Telkom has implemented a whistleblower program which was designed to receive, review, and follow up the complaints from the employees of Telkom Group and from the third party by keep maintaining the reporter's confidentiality. The implementation of the whistleblower program managed by the Audit Committee was stipulated under the Decision of the Board of Commissioner and ratified with the Decision of the Board of Directors.

Mechanism for the Violation Report

Employees of Telkom Group or any third party may submit any complaint regarding any issues on accounting and auditing, breach of regulation, allegation on the fraud and/or allegation of corruption, and the breach of code of ethics directly to the President Commissioner or to the Chairman of Audit Committee through email, fax or letter to the following address:

The Complaint must fulfil the following requirements:

1. It is submitted through the website, email, fax or letter.
2. It gives the information regarding the issue on internal control, accounting, auditing, breach of regulation, allegation on the fraud and/or allegation of corruption, and the breach of code of ethics.
3. The information that is reported must be supported with sufficient evidence and those are reliable to be used as the initial data to conduct further investigation.

Protection to the Reporter

Through the Decision of the Board of Commissioner No.08/KEP/DK/2016 dated June 8, 2016 regarding the Procedure for the Handling of Complaint (Whistleblower) PT Telkom Indonesia, Tbk and the consolidated Subsidiaries which was then ratified with the Regulation of the Board of Directors No.PD.618.00/r.00/HK200/COP-C0000000/2016 dated December 21, 2016, Telkom warrants and ensures the protection of reporter's confidentiality, both the employee or any third party who submit the complaint or report on the allegation of violation. Telkom always prioritizes the confidentiality and presumption of innocent and the principles of Telkom's Whistleblower in following up any complaint or report as submitted in accordance with the procedure of handling Telkom's Whistleblower.

The Complaint Handling

The complaint handling to fulfil the Regulation of OJK No.IX.1.5 and Sarbanes-Oxley Act 2002 Section 301 regarding Public Company Audit Committee must be placed in order to improve Good Corporate Governance (GCG). Therefore, complaint requirements are necessary in order to keep that the reporter conveys the complaint in a full responsibility and not to conduct a defamation that may destroy the good reputation of a person.

The Audit Committee will follow up the complaint from the third party or the employees of Telkom Group in relation to:

1. Accounting and Auditing

The issues on the accounting and internal control upon the financial reporting which has the possibility to cause the material misrepresentation in the financial report as well as the issues on the audit especially the implementation of accounting standard including those related to the independence of Public Accountant Office.

2. Violation of Regulation

Violations against the capital market regulation and laws and regulations in relation to the operation of the Company as well as the violation against company's internal regulation which has the possibility to cause any loss.

3. Fraud and/or the allegation of corruption

Fraud and/or the allegation of corruption which is

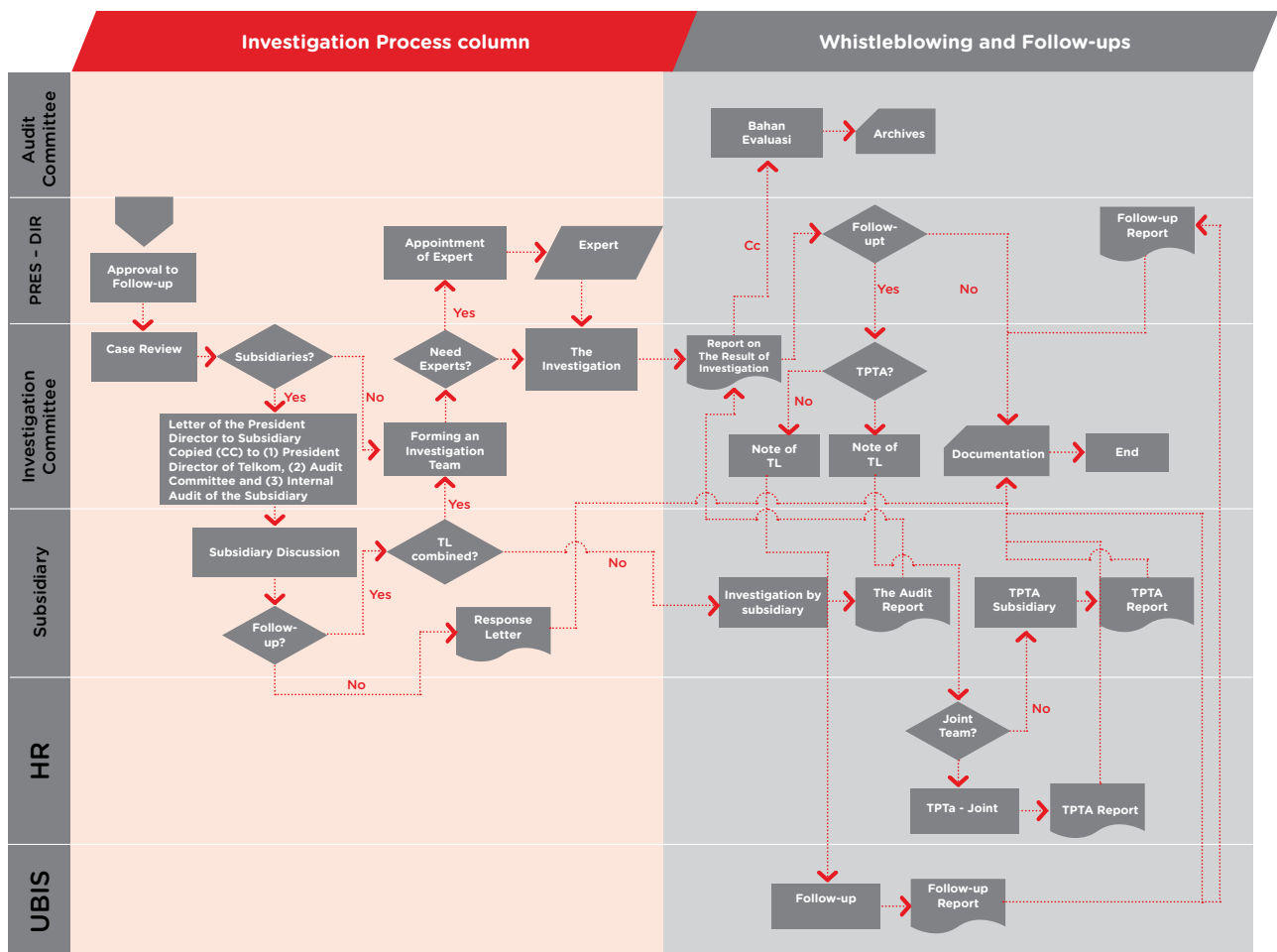
conducted by the official and/or the employee of the company.

4. Code of Ethics

The behavior of Management and employees of the company that is disgraceful with the potential of causing damages on Telkom's reputation or causing losses to the company. The behavior of management and employee that is disgraceful are among others dishonesty, conflict of interest with Telkom, or providing any misleading information to public.

Telkom has also developed a work mechanism between Audit Committee and Internal Audit including the protocol with Telkomsel to follow up the complaints that are being received. In addition to it, the whistleblower program has also been socialized and understood by the employees.

The Complaint Handling Mechanism of Telkom and Subsidiaries



The Party that Manages the Complaint

Whistleblower Protection Officer (“WPO”) constitutes the member of Audit Committee that is assigned to handle the complaint by:

1. Receiving the complaint.
2. Administering the complaint.
3. Conducting the initial verification whether the complaint is in line with the criteria.
4. Monitoring the follow up of the complaint.

The Audit Committee through the meeting shall determine:

- a. To give approvals to follow up of complaints received.
- b. To give approvals on whether a complaint is to be followed up by an internal or external party.
- c. To give an assessment on whether the follow up of a complaint is already sufficient or not.

The Internal Auditor has the role in:

1. Conducting the initial assessment on the complaint received by the Audit Committee.
2. Preparing initial assessment reports and submitting the reports to the President Director to be copied to the Audit Committee.

The Investigation Committee has its role in:

1. Conducting further investigation upon the complaint that has been initially assessed by the Internal Auditor.
2. Preparing reports on the result of further investigation and submitting the reports to the President Director to be copied to the Audit Committee.

The Result of Complaint Handling

In 2016, there are 40 incoming complaints in the whistleblower application but after those were reviewed by the Audit Committee there was only 1 (one) complaint that fell in the category of whistleblower, The balance did not fall in the category of whistleblower (complaint on the service/product).

Description	Total	Remarks
Total Complaint	40	Received complaints
Fulfil the requirements	1	Complaint that is proper to be followed up

SIGNIFICANT LEGAL DISPUTES

During 2016, there were 69 legal disputes encountered by Telkom which consist of 9 Criminal Litigation and 60 Private lawsuit.. In addition, there was also 1 (one) significant dispute encountered by Telkom’s Subsidiaries. Until the end of 2016 there is no legal issue faced by Board of Commissioners and Board of Directors.

Table of Recapitulation of 2014-2016 Lawsuits against Telkom

Telkom’s Legal Issues						
Status	2014		2015		2016	
	Criminal	Civil	Criminal	Civil	Criminal	Civil
In process	-	2	2	6	9	36
Final and binding (inkracht)	1	-	1	4	-	24
Sub Total	1	2	3	10	9	60
Total		3		13		69

For Telkom's information disclosure purposes, the following is detail information relating to significant lawsuits encountered by the Company in 2016.

Table of 2016 Lawsuit against Telkom

Object of Dispute	Type of Court	Status of Dispute	Financial Implications
Telkom became a defendant in Supreme Court about legal dispute regarding supposition violation on Article 5, Law No. 5 Year 1998 about Monopoly and Prohibition of Unfair Business Competition which has been submitted by the KPPU.	Supreme Court	The Supreme Court has been decided on February 26, 2016 which basically they grant the application from the KPPU and punish Telkom to pay fine in the amount of Rp18 billion. That particular decision received by Telkom on December 14, 2016 and Telkom has been paid that fine on January 5, 2017	18
Subsidiaries			
Telkomsel along with other Operators were under investigation by KPPU relating to the allegation of SMS cartel practices committed by the Operators. KPPU has issued a Decision, punishing Telkomsel to pay a fine in the amount of 25 billion Rupiahs. Based on the official announcement of Supreme Court, the case has been decided that the KPPU Decision still prevail and the district court decision that negate the KPPU's Decision is canceled	Commission for the Supervision of Business Competition (KPPU)	The Supreme Court already made a decision about this case	25

INFORMATIONS REGARDING ADMINISTRATIVE SANCTIONS

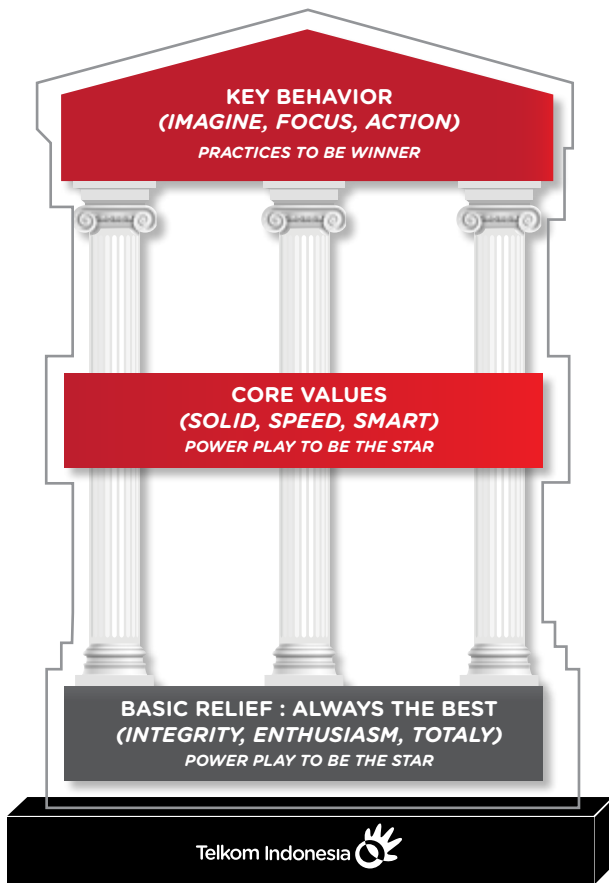
In 2016 Financial Year, there is no Administrative Sanctions by the Capital Market Authority and other Authority sentenced to The Company, Board of Directors of The Company and Board of Commissioners of The Company. Therefore there is no information about Administrative Sanctions in this sections.

CORPORATE CULTURE

“The Telkom Way” has become Telkom’s corporate culture or corporate values since 10 June 2013 as stipulated by the Board of Directors under Decree of the Board of Directors of Limited Liability Company (Persero) PT Telekomunikasi Indonesia Tbk, No.PD.201.00/r.00/HK250/COP-B0020000/2013 on Leadership Architecture and Corporate Culture. Furthermore, guidelines for the implementation of the Corporate Culture within the Telkom Group environment are set out in Regulation of the Director of Human Capital & General Affairs of Telkom No.PR.201.01/r.00/HK250/COP-B0400000/2013 on the Corporate Culture of Telkom Group.

The stipulation of the corporate culture above refers to the concept of the management of Telkom Group, which is based on the 8S elements, namely Spirituality, Style, Shared Values, Strategy, Staff, Skill, System, and Structure. The Corporate Culture is formulated in detail as follows:

THE TELKOM WAY



IFA

Imagine

- Planning Victory
- Set The Target
- Risk Anticipation

Focus

- Focus
- Set Quick win
- Source Optimization

Action

- Real Action
- Evaluation
- Continous improvement



Solid

- Sinergy
- Common Vision
- Trust

Speed

- Iniciative
- Fast Service
- Decision Speed

Smart

- Target Understanding
- Set The Priority
- Integrity

ALWAYS THE BEST

Integrity

- Integrity
- Positive Behaviour
- Honesty

Enthusiasm

- Enthusiasm
- Sincerity
- Will To be The Best

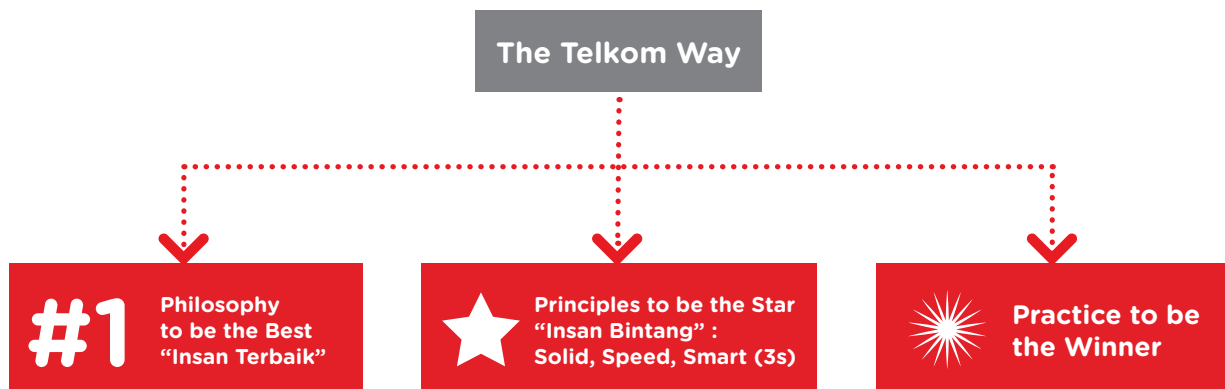
Totaly

- Totality
- Self Improvement
- Commitment to Work

- Philosophy to be the Best: Always The Best

Always the Best is a basic belief to always give the best in every job. Always the Best has the essence of “Ihsan” which in this sense is translated into “the best”. Any individual of the Telkom Group who has the spirit of Ihsan will always give better work results than expected, that the attitude of ihsan will therefore automatically be guided by a sincere heart when any activity undertaken is a form of worship to the God Almighty.

- Philosophy to be the Best: Integrity, Enthusiasm, Totality
Always the Best urges every individual of the Telkom Group to have integrity, enthusiasm, and totality.
- Principles to be the Star: Solid, Speed, Smart
Principles to be the Star of The Telkom Way means 3S which stands for Solid, Speed, Smart which also becomes the core values or great spirit.
 - Solid - All individuals of the Telkom Group must provide the best (Always The Best) and increase solidarity among all individuals of the Telkom Group as one Great Team.
 - Speed - All individuals of the Telkom Group must work quickly at every opportunity to win the competition because the fast ones will beat the slow ones.
- Smart - All individuals of the Telkom Group are required to work smartly, that is to understand the goals to be achieved, to determine priorities and to always look for new better ways to achieve the goals.
- Practices to be the Winner : Imagine - Focus - Action
Practices to be the Winner of The Telkom Way means IFA which stands for Imagine, Focus, Action which is also the Key Behaviors.



The 2016 Cultural Activation Program

Process of Culture Audit & Alignment

Warrant Telkom Group

Role Modeling

- Set Senior Leader in TELKOM Group as a Role Model with sustain commitment (Annual Program Setting)
- Provide Improvement and series of Role Model Coaching Session to Culture Agent
- Culture Agent Recruitment
- Promote "Leaders Talk Values Program"

Compelling Story

- Cerpen KIPAS BUDAYA TTW Activity : Promote Disruptive Culture Project than specific logic "Go digital", "Go to Customer Experience", "Be move Learn"
- Develop Interctive website of TTW Insight for TELKOM Group
- Continuing Innovative culture inspiring legend
- Culture Award "Finding The Culture Heroes"
- Promote the digital work environment
- Strengthen TTW than National day event

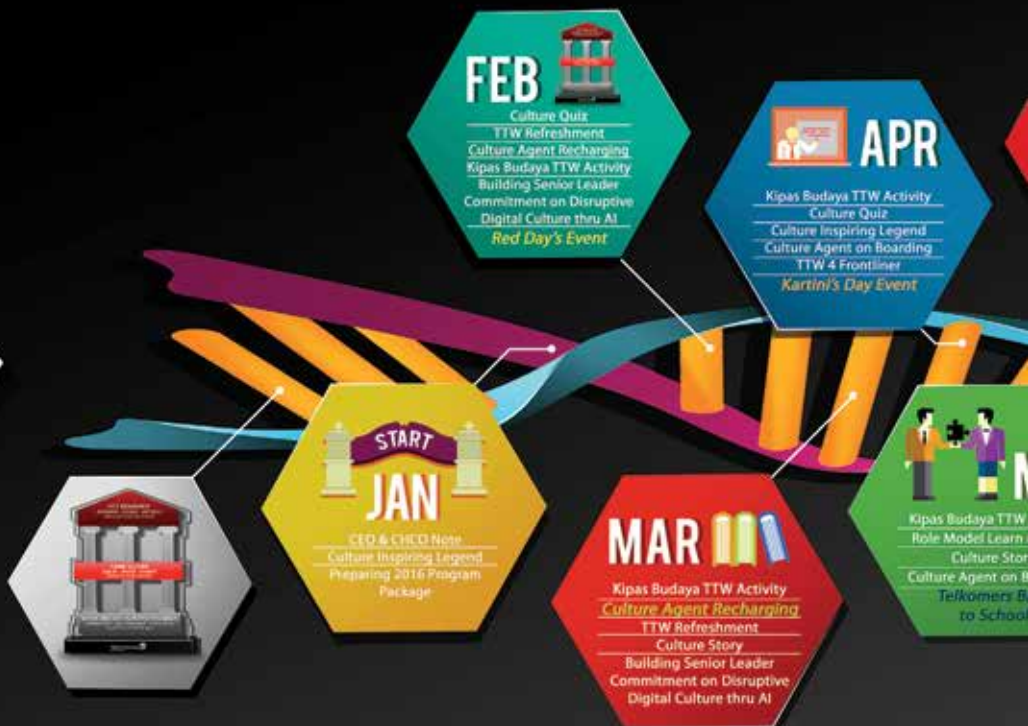
Formal System & Procedure

- Translate disruptive & digital culture into The Telkom Way behavior thru Digital Culture Appreciative Injury Session
- Design Culture Fit Test for New Hire
- Develop Performance Indicator and Evaluation for Role Model & Culture Agent
- Define Symbol and Artistic

Upgrade Skill To Change

- Culture Agent Recharging
- Culture Agent Onboarding
- Running TTW Refreshment (Digital Culture) for all employee (online/offline)
- Running TTW for Frontliner (From Culture to Customer Experience)
- Role Model Learn & Share
- Seminar Session 4 Leader : "Leader as a Coach"

CULTURE PROGRAM 2016
BE THE TELKOM WAY AS YOUR DNA
 Disruptive and Digital Culture
 and Align to System
 BY : HUMAN CAPITAL MANAGEMENT
"WE ARE THE BIG FAMILY"



The internalization of corporate culture was conducted using a top-down approach. The CEO of Telkom Group is a role model for Corporate Culture and assigns all Unit Head to be Role Models. Role Models also have to select and assign Culture Agents whose tasks are to arrange the initiation of cultural activation activities in the relevant units and to motivate all employees to participate in it so that the process of internalization of The Telkom Way goes well. To date, Telkom Group has 767 Culture Agents (440 CAs from Telkom & 327 CAs from the Subsidiary) who, before carrying out his duties as culture agents, are provided with the Culture Agent on Boarding program to provide skills and knowledge and common perception as Culture Agents.

In order to accelerate the implementation of corporate culture at the unit level, all of the Unit Heads were instructed to establish a Cultural Activation Provocation Community (Komunitas Provokasi Aktivasi Budaya/ KIPAS Budaya) in their respective units. As of December 2016, there were 132 groups of KIPAS Budaya. Each unit is granted the discretion to name its KIPAS Budaya in accordance with its respective goals and awesome. The theme of the activities of KIPAS Budaya is adjusted to the company's business strategy. In 2016 the theme was set nationally, namely, "Go Digital, Go to Customer Experience, and Be more lean". As a reference for the unit cultural activation events, a Calendar of Events of Culture Program was published on the basis of National Public Holidays approach.

Calendar of Event

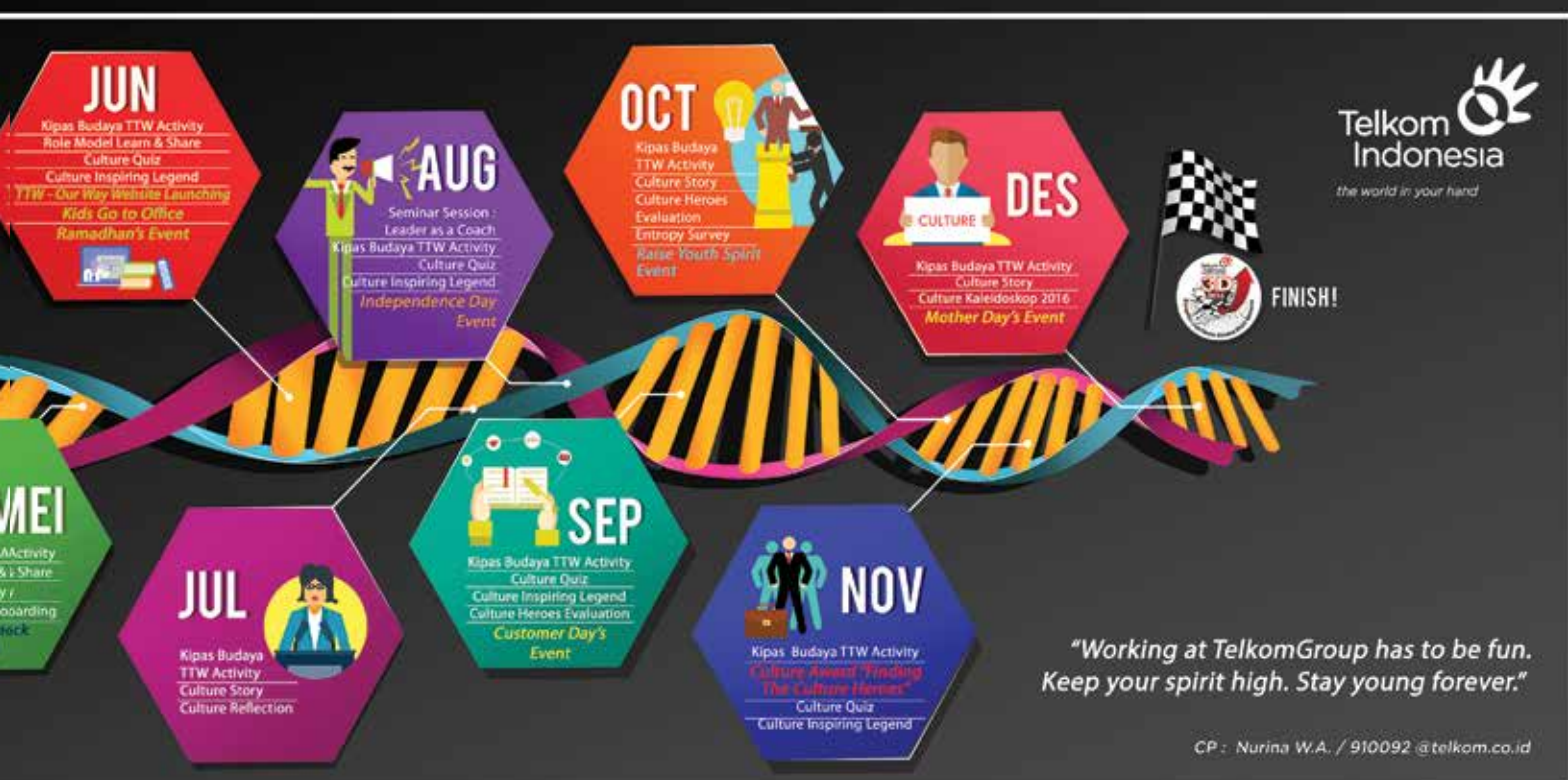
Calendar of Events (COE) is a medium to communicate the cultural activation program of each month as a reference or guide for the units of Telkom Group in planning and implementing the cultural activation programs in order to instill the corporate cultural values to the employees' daily work behaviors.

Calendar of Event Culture Activation Program 2016

Cultural activation was carried out with the aim to internalize the corporate cultural values in the behavior of all employees and express it in all of the Company's events and business activities.

In 2016, a Culture Program Calendar of Events was prepared on the basis of national public holidays approach as a means of strengthening the implementation of the values of The Telkom Way. The events include:

- **Kartini's Day Event**, held in April with the aim to give meanings and adopt the values of Kartini's struggle in promoting education for women.
- **Telkomer's Back to School**, held in May in commemoration of National Education Day. In this event, Telkomers carry out teaching and sharing activities in a number of schools or communities as to how to use the internet healthily, use gadgets wisely and about the professions of the Telkomers which are expected to inspire Indonesian students to advance the country.



- **Kids Go to Office**, held in June in early holidays between academic years of the children. In the event which carries the theme “My Parents My Inspiration (Ayah-Ibukku Inspirasiku)”, the employees are allowed to invite their children to be involved directly by playing the roles of their parents at work. This event aims to provide experience and inspiration of the professions of Telkomers at work and to introduce the existing work culture at the same time.
- **Customer’s Day Event** held in September which carries the theme “We Care U More”, the implementation of which refers to the theme of National Customer Day “Authentic Services and Experience (Pelayanan dan Pengalaman yang Otentik)”. To provide services and experience for customers by prioritizing corporate character and culture as well as the Company’s vision.
- **Raise Youth Spirit Event**, held in October in commemoration of the Youth Pledge Day (Hari Sumpah Pemuda) by filling it with activities.
- **Mother Day’s Event**, held in December with a number of activities such as Parenting Seminars and visits to Nursing Homes organized by women.

The internalization and strengthening of Corporate Culture were also carried out in a number of innovative ways, including through:

- **Culture Quiz**, which aims to measure the understanding and awareness of Telkomers Group on the corporate culture. The quiz is held periodically and online.
- **Culture Story**, is a digital media (e-magz) containing a collection of articles on current topics related to The Telkom Way corporate culture.
- **Corporate Culture e-Learning**, which aims to improve the employees’ understanding on The Telkom Way, and can be accessed through Telkom’s portal. In 2016, the topic of the e-Learning was “Diarium-New Digital Paradigm For Strengthening The Telkom Way” and was a mandatory e-Learning for all employees.
- **Role Model Learn & Share**, is a benchmarking activity of the Role Models in the corporate cultural activation of the Telkom Way in their respective units.



From Culture to Customer’s Experience

As an effort to implement corporate culture that can be experienced directly by the customers of Telkom Group, the first step was the implementation of the Culture to Customer Experience training for frontline supervisors joined by 100 frontline supervisors of PT Telkom Akses.

Finding The Telkom Group Culture Heroes

In recognition of the units and employees that have actively activated The Telkom Way corporate culture, in 2016 the “Finding the Telkom Group Culture Heroes” event was held. This event awarded The Most Admired Culture Activation Unit, The Most Inspiring Role Models and The Most Inspiring Culture Agent. The Awards were handed out directly by the CEO of Telkom Group at the 2016 Telkom Award night.

Telkom Smart Office

To support the creation of a digital work environment, the Company has developed a digital lifestyle based work station (Telkom Smart Office Project) and designed the existing rooms carrying the theme “Working at Telkom Group has to be fun”.

Evaluation on the effectiveness of the implementation of corporate culture

The effectiveness of corporate culture is evaluated by measuring the Cultural Health Index using a Corporate Cultural Entropy Survey. To date, Telkom Group has managed to maintain the Corporate Cultural Health Index at the level of PRIME or HEALTHY.

Telkom Becomes a Corporate Culture Benchmark

Telkom’s efforts in activating The Telkom Way corporate culture attract other companies to conduct benchmarking visits, including from: BPKP, the Ministry of Public Housing, PERTAMINA, PERURI, the Ministry of Energy and Mineral Resources, the Center for Planning and Development of the HR of the Ministry of Environment and Forestry (Pusrenbang SDM KLHK), and PT Terminal Teluk Lamong.



CODE OF CONDUCT

Implementation of Code of Conduct for Directors, Board of Commissioners, and Employees

Pursuant to the Sarbanes Oxley-Act ("SOA") 2002 section 406, Telkom owns and runs the code of conduct which applies to all levels of the organization. Telkom Code of Conduct is established by the Decree of Directors No.KD.201.01/2014 on Business Ethics in Telkom Group Environment. Telkom Code of Conduct is applicable to members of the Board of Directors, members of the Board of Commissioners and employees of Telkom family in dealing with customers, suppliers, contractors, fellow employees and other parties who have a relationship with the company.

Principles of the Code of Conduct

Principles of Telkom's Code of Conduct regulates the following:

1. Employee Ethics; which is the system of values or norms that are used by all employees and leaders in the daily work with the following scope;
 - a. Main Behavior of Employees:
 - i. Capacity and Capability of Employees
 - ii. Duties and Prohibitions
 - iii. Confidentiality of Information
 - iv. Infrastructure
 - v. Work environment
 - b. Main Behavior of Leaders:
 - i. Behavior of Leaders
 - ii. Behavior of Directors
 - iii. Behavior of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)
2. Business Ethics, which is the system of values or norms that is upheld by the Company as guidelines for the Company, Management, and its Employees to interact with its environment with the following scope:
 - a. Relationship with Regulator
 - b. Relationship with Stakeholder
 - c. Additional Terms

Until the end of 2016, there are no code of conduct violations by Board of Commissioner, Board of Directors, and Telkom employee.

Socialization of Code of Conduct and Efforts to Enforce Them

Every year, Telkom posts socialization materials to employees about understanding corporate governance, business ethics, integrity pact, fraud, risk management, internal control ("SOA"), whistleblowing, banning gratification, IT governance, ensuring information security and other integrated matters related to corporate governance practices.

Telkom also organizes business ethics program online survey program to all employees through the media portal/intranet, which ended with the willingness of employees to run the business ethics. Understanding and application of business ethics and the results of the survey is annually audited internally and externally through the SOA 404 audit process. The audit is executed in order to implement appropriate environment control according to the work schemes on COSO internal control on the entity level internal control audit.

EMPLOYEE STOCK OWNERSHIP PROGRAM

The employee and/or management stock ownership program, or Employee Stock Ownership Program ("ESOP"), is a form of employee participation to also gain ownership of Telkom. During the Initial Public Offering (IPO) of 14 November 1995, as many as 116,666,475 shares are owned by 43,218 employees.

Further, on 14 June 2013, Telkom has transferred a part of its buy back shares in the form of employee-owned stock as part of the annual work incentive for the 2012 financial year. As many as 59,811,400 recovered shares (equivalent to 299,057,000 shares after stock split) were transferred to 24,993 employees with a total fair value of Rp 661 billion.

Telkom did not hold the ESOP program in 2016, thus, no information is available on the number of shares and/or options, implementation period, requirements for eligible employees/management, and the implementation price shown in this Report.

As of 21 March 2016, as many as 14,373 employees and retirees are listed as Telkom shareholders with a total of 110,256,210 shares.





TELKOM'S SOCIAL RESPONSIBILITIES

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- 247 Social Responsibilities To The Environment

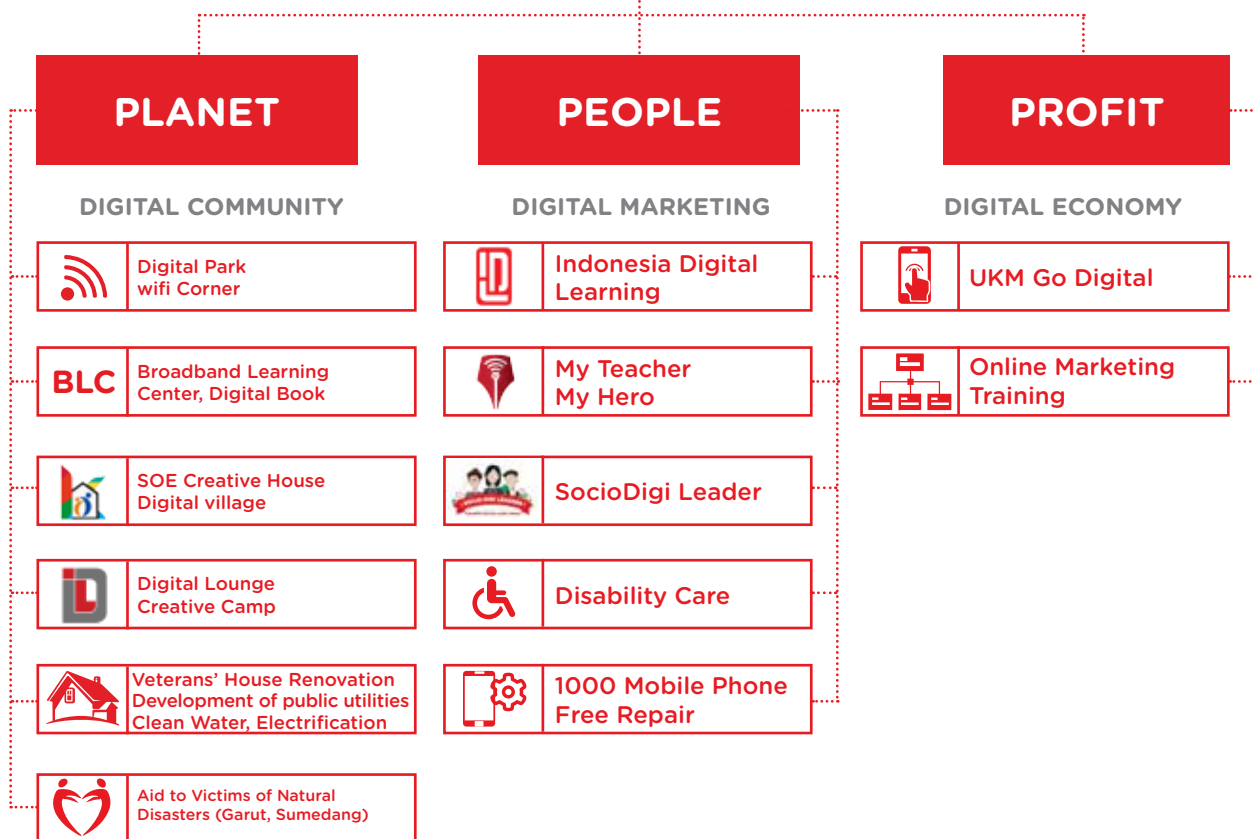


modegi

BUMN

Hadir untuk negeri

Theme: Telkom Indonesia for Indonesia



THE STRATEGY FOR TELKOM'S SOCIAL RESPONSIBILITIES

The strategy for Telkom Group's social responsibilities refers to the concept of 3P profit-people-planet and the paradigm of "Telkom exists for Indonesia, grows and develops together with Indonesians". In relation to the said matters, Telkom Group implements the social responsibilities within 2 categories of program, namely Social Responsibilities Program (Program Tanggung Jawab Sosial Telkom - Telkom TJSL) implemented by Telkom Group and Partnership and Environment Development Program (Program Kemitraan dan Bina Lingkungan - PKBL) mandated to Telkom as an SOE.

The elaboration regarding PKBL will be presented separately in other part of this Report. Telkom TJSL will be elaborated in this Report based on the need of the annual reporting. A more comprehensive information regarding Telkom TJSL will be presented in the Sustainability Report (Laporan Keberlanjutan) that may be downloaded from the company website at www.telkom.co.id.

Strategy and Scope of activities

The implementation of Telkom TJSL has the theme of "Telkom Indonesia For Indonesia" which covers the issues of Telkom's social responsibilities that are deemed relevant and significant, by emphasizing the three principles of Telkom TJSL, which are:

1. Digital environment, which is the development, provision and management of telecommunication infrastructure and various facilities of information and communication technology (ICT) to support and connect all activities of the society, including the environment conservation activities.
2. Digital Community, which is the support for community empowerment through education on optimization of the ICT utilization to assist the activities of people's daily lives.
3. Digital Economy, which is the development of ICT in various public services used by the society, as well as the support on micro and medium enterprises, especially in the creative industry sector, in relation to the optimization of ICT utilization.

These Telkom TJSL principles shall be implemented in various programs which include social responsibilities to the customers, employees and environment as well as the society's social and economy development.

Budget And Realization

Budget of Telkom TJSL comes from the operational expense which is recorded as the budget of TJSL pursuant to the Regulation of Board of Directors No.PD.701.00/2014 dated 14 October 2014.

Total funds that have been allocated for the year of 2016 was in the amount of Rp24.13 billion and it has been realized up to the amount of Rp19.26 billion. Such amount of budget is increased compared to the year of 2015 which was Rp18.25 billion.

SOCIAL RESPONSIBILITIES TO THE CUSTOMERS: TO PRIORITIZE THE CUSTOMERS

Telkom Group produces telecommunication, information and digital products and services; therefore, the information regarding consumers health and safety are not as relevant and significant and also not available to be presented in the Report.

Moreover, Telkom Group provides information of goods and/or services to the customers through the labeling or goods and/or services such as fact sheet, catalogue, manual, and other forms. The provision of information of goods and/or services is required to make it easy for customers to use and maintain the quality of goods and/or services that have been purchased.

Enhancing Customer Satisfaction

As part of our commitment to conduct efforts to meet customer expectations, we have realized various programs aimed at increasing customer satisfaction, which are the following:

- **Telkom Integrated Quality Assurance (TIQA) Program**
Enhancing employees' orientation to be more concerned about the customers' satisfaction to the service, which is done through the implementation of the Telkom Integrated Quality Assurance (TIQA) program using the ROSE (Raise on Service Excellence) framework.
- **Warranty After Sales**
The application of fair compensation through the implementation of post-sale warranty (service level guarantee/SLG) in order to ensure post-sale service compliance are implemented.
- **Customer service**
The implementation of service policies, as Telkom's commitment to provide the best service to customers, include:
 - o Service Delivery
Determination of the management of Service Level Agreement (SLA) provision for the control of service delivery, especially in relation to network infrastructure.
 - o Service Assurance
Determination of product standards and a basic solution using service level guarantee (SLG) by involving Engineers on Site (EoS) to assist the problem handling activities located at the customer's location or at the Telkom's office with both shared and dedicated EoS.
 - o Measurement of Quality of Service
We measured the quality of service at various stages in accordance to the service processes. In the process of interaction with distribution channels, we conducted mystery shopping and mystery calling to ensure that quality service standards are applied consistently. An indicator of the measurement results is the Service Quality Index that is monitored and evaluated every month.

Customer Complant Handling

We provide a wide range of facilities and infrastructure that enables customers to submit their complaints on the quality of products and services that do not conform to the qualifications that have been previously offered. The general policy is that a complaint regarding the compatibility between product brochures with actual products is resolved in less than 24 hours. However, the settlement of customer complaints associated with administrative issues and disputes regarding fees require a longer time, due to the stages of verification.

We categorize the handling of customer complaints into two groups.

1. Personal Customer Segment
 - a. Telkom provides a customer service center that can be directly visited in every regional office and branch office, known as Plasa Telkom.
 - b. Telkom also provides an online complaint center in the Company's website (www.telkom.co.id) and the "147" call center.

For cellular customers, Telkomsel has a call center with the "Caroline" trade mark, which is an abbreviation of Customer Care Online. Caroline can be contacted through the following numbers:

- "133" by Halo customers;
- "188" (24 hours, fees apply) by *simPATI* and Kartu As customers;
- "0807-181181" (local landline tariff) for the national level.

2. The Segment of Corporate Customers

Telkom has an account management team in managing the relationship with corporate customers which is supported with Engineer on Site (EoS) for priority customers, Corporate Customer Access Network (CCAN) Team for service delivery and Corporate Customer Care Center (C4) to handle the customers complaint which is contactable through the number "500250" and email: tele-am@telkom.co.id for business customers and free special service for enterprise customers through the number "08001Telkom" (08001835566) and email: c4@telkom.co.id.

SOCIAL RESPONSIBILITIES TO THE EMPLOYEES: HUMAN CAPITAL WITH DIGITAL KNOWLEDGE

Telkom Group ensures gender equality and work opportunity equality to employees who are competent and have the expertise as well as the plan for career development. In the implementation of election of members of Board of Directors and Board of Commissioners, Telkom Group does not consider gender as a specific issue. This is reflected as two Board of Commissioners members are women, namely Hendri Saparini and Pamiyati Pamela Johanna Waluyo.

Gender Equality

Gender quality it also represent in our recruitment process for new employees, competency development, managerial position and remuneration.

a. Gender Equality in Recruitment

The following table presents the data of total employees recruitment of Telkom Group based on gender.

Classification	2016			2015		
	Men	Women	Total	Men	Women	Total
New employees:						
New employees per age group						
18-25-year-old	200	202	402	170	200	370
26-30-year-old	20	24	44	66	30	85
Total	220	226	446	226	230	455

b. Gender Equality in Competency Development

The following table presents the data of competency development of Telkom Group based on gender.

Type of Training	2016				2015			
	Participation		Total	Hour Training	Participant		Total	Hour Training
	Men	Women			Men	Women		
Certification Training	308	118	426	14,168	471	168	639	21,712
SUSPIM Training	446	62	508	38,880	243	28	271	21,680
Regular Training	19,849	5,598	25,447	498,885	13,335	3,179	16,514	379,389
Technical Operational	12,385	3,493	15,878	177,191	3,883	488	4,371	111,913
Management	7,464	2,105	9,569	321,694	9,452	2,691	12,143	267,476
Total	20,603	5,778	26,381	551,933	14,049	3,375	17,424	422,781

c. Gender Equality in Managerial Position

The following table presents the data of managerial positions of Telkom Group based on gender.

Managerial Position	2016			2015		
	Men	Women	Total	Men	Women	Total
Band Position I	110	8	118	92	6	98
Band Position II	420	40	460	402	28	430
Band Position III	1,661	212	1,873	1,686	205	1,891
Total	2,191	260	2,451	2,180	239	2,419

d. Gender Equality in Remuneration

In the aspect of remuneration, Telkom Group complies with the Government Regulation regarding the standard of regional minimum wage (*Upah Minimum Regional - UMR*). During 2016, there was no employee of Telkom group who received remunerations below UMR.

The following table presents the data of remuneration of Telkom Group based on gender.

Position	Men (Index)	Women (Index)
Senior Management	1,00	1,00
Mid Management	1,00	1,00
Supervisor	1,00	1,00
Others	1,00	1,00

Employee Turn Over

We always endeavor to create and maintain comfortable working environment, work life balance, good employee management policy and appealing remuneration package so that Telkom's employee turnover rate is relatively low.

The following is a table of comparison of Telkom employee turn over rate, not including subsidiary entities, in the last two years.

	2016	2015	2014	2013	2012
Total number of Telkom Employees	15,018	16,097	17,279	17,881	19,185
Employee turnover rate	11	8	20	14	22
• By own request/voluntary	11	8	17	14	10
• Becoming a political party official	0	-	-	-	-
• Becoming an SOE director/ government official	0	1	-	-	12
• Disciplinary misconduct	0	2	1	-	-
• Marry another Telkom employee	0	-	2	-	-
Turn Over percentage (%)	0,01	0,07	0,12	0,08	0,11

Occupational safety and Health (OSH)

For Telkom, a good performance of OSH, which is embodied with the achievement of zero accident and low levels of absent, will increase employees productivity and ultimately support the improvement of operational performance as well as financial performance of the Company, which also means meeting the expectations of employees as one of the stakeholders in a strategic position. The implementation of OSH aspects itself is included in point 3 of the global sustainable development goals (SDGs): "Good Health and Well-Being", and therefore, Telkom has interest in recording the best performance of OSH aspects.

We organized Zero Accident Program based on labor legislations and OSH regulation from the local Office of Manpower. This program is evaluated and redeveloped every year. The following table represent the data of safe work hours Telkom for period 2014-2016.

Location	Safe Work Hours		
	2016	2015	2014
Telkom Witel Jabar Barat Utara (Bekasi)	1,110,416	3,591,120	3,148,888
Telkom Witel Jabar Barat (Bogor)	1,988,131	8,666,697	2,181,146
TelkomWitel Jakarta Barat	3,764,728	4,265,880	2,458,200
Telkom Witel Jakarta Selatan	2,786,477	1,114,848	1,704,260
Telkom Witel Jakarta Timur	2,296,028	2,048,184	1,738,720
Telkom Area Jakarta Utara	3,009,952	2,483,192	2,207,095
Telkom Area Tangerang	3,631,392	3,204,192	2,683,906
Telkom Regional Sumatera	18,012,836	13,848,352	8,884,232
Telkom Regional Jawa Barat	5,658,458	5,171,923	5,160,189
Telkom Regional Jawa Tengah	5,658,458	7,017,171	1,589,177
Telkom Regional Jawa Timur	12,314,243	10,828,032	9,152,000
Telkom Regional Kalimantan	5,107,194	4,471,856	4,471,856
Kawasan Timur Indonesia	5,592,672	5,412,640	8,186,134
Telkom GMP Bandung (Japati)	3,241,802	3,600,280	3,740,736
Telkom GMP Jakarta	3,642,121	13,749,318	3,679,508
Telkom Area Jakarta Pusat	4,516,536	3,809,288	3,809,288
Witel Riau Kepulauan (RIKEP) Batam	1,670,056	1,373,696	-
Witel Riau Daratan (RIDAR)	817,656	889,904	-
DIY	729,414	6,971,000	-
Maluku Timur		3,204,992	-

Employee Complaint Handling

We provide employee corner applications to help employees find and study the human resources policy services and to act as a means for employees to give inputs to the management, which consists of:

1. Employee helpdesk - employee feedback management program, ranging from providing feedbacks, responding to feedbacks, up to documenting and conducting a review as a feedback to the management. The service provided is web-in service, email-in service through HR_helpdesk@telkom.co.id or phone-in service at number 1500305.
2. Employee wiki - search engine services to search for answers, definition as well as procedures of human capital management is now quick and easy to use. By entering keywords that you would like to know about, Employee Wiki can give you the answer.
3. Employee aspiration - an adaptation of the Employee Suggestion System (ESS), which is the mechanism used by the Company to collect employees' creative ideas, which are suggestions from employees that are collected, classified and sent to an expert or committee to be evaluated. After that, the advice can be adopted by the Company, and in this case, the company can also provide rewards.
4. Employee reference - a catalog for valid human capital policies that provides a brief explanation of each required policy as well as its regulatory documents.

SOCIAL RESPONSIBILITIES TO THE SOCIETY'S SOCIAL AND ECONOMY: TO SYNERGIZE AND TO BE DEVOTED

Initiative for Telkom's social responsibilities to the aspect of the society's social and economy shall be directed to develop the system of digital economy. This constitutes an important matter because it supports the development of digital economy in Indonesia. In conducting such effort, Telkom Group synergizes both internally and externally with many parties, be it the Ministry, SMEs as the partners to be developed, or other SOEs.

SOE Creative House

SOE Creative House constitutes the synergy program among SOEs in improving the quality of SMEs in Indonesia. The main goal of Telkom's involvement is to assist SMEs in improving the quality of production, marketing and sales of goods as well as logistic aspect. This program has been determined as the knot for three development areas, which are:

- Center for competence; to assist in improving the competence in relation to the development of products, management and other technical operations.
- Center for commerce; to assist the marketing and sales, especially to support SMEs in utilizing the digital advertising, digital payment, e-commerce and blanja.com as the marketing and sales facility.
- Center for capital; to assist SMEs in the funding.

Currently, there are 25 SOEs involved in SOE Creative House and it is planned to be established in 514 regencies. Telkom itself, by the end of 2016, has been present in 15 cities. In 2017, Telkom is expected to have implemented this program in all 467 targeted cities.

One of Telkom's activities in supporting SOE Creative House is to organize O2O sales channel. Telkom provides the digital application and digital kiosk which become the outlet for people with low literacy. Digital kiosk will be stationed in the post office so that people may shop through the digital application and directly order the desired goods.



SOE For the Nation - SOE Creative House

In the program of SOE Creative House, Telkom Group gave the support in the form of the training of business to be digitalized into the e-commerce platform, www.blanja.com. With this SOE Creative House, Telkom hopes that the actors of SME would be able to utilize the same platform to sell products of both partnered SME and the SOE.



The Development of Digital Startup


Telkom Group has the entrepreneur development program which has its basis on the ecosystem of digital startup. This program has some activities, which are the process of incubation, acceleration and funding through the capital venture. Bandung Techno Park, Bandung Digital Valley and Jogja Digital Valley has become the backbones of the incubation in three cities. The participants that pass the selection of incubation then will join the acceleration program in Jakarta Digital Valley. Digital Startup that has the potential will be assisted with funding by Telkom through its subsidiary, MDI.



Kampung Digital (Digital Village)

Digital Village constitutes a program of Telkom TJSI to stimulate the development of digital economy in the real sector. The pilot project of Digital Village has been conducted in three sub-district located in the area of Sleman Regency. This program supports the farmer to utilize the digital technology to improve the quality of farming activities.

Indonesia Digital Learning (IDL) & My Teacher My Hero



INDONESIA DIGITAL LEARNING 2016

Indonesia Digital Learning (IDL) 2016 is a continuation program from IDL 2014-2015 which reflects Telkom Indonesia's commitment in the field of education through teachers training in the digital field in order to realize the digital-based learning in schools to establish a DIGITAL SOCIETY among the teachers.

MY TEACHER MY HERO

My Teacher My Hero is an appreciation program from Telkom Indonesia Indonesian teachers that implement digital-based learning. These teachers were given a digital debriefing in Indonesia Digital Learning Seminar.

300 teachers for every region

Assessing 2400 teachers into 17 teachers conducted by the **INDONESIA MENGAJAR** team

FINAL ruling conducted by several jury members, namely:

- Prof Eko Indrajit
- NetTV: Adityo M
- Indonesia Mengajar: Hikmat Hardono
- Telkom University
- Prof. DR. Munir

2400 **TEACHERS** ACROSS INDONESIA


45 teachers will be chosen to join My Teacher My Hero Booth Camp

17 teachers will then be chosen using the **UNESCO Evaluation Standard**

At the FINAL stage, 8 teachers will be selected as My Teacher My Hero


Indonesian Winners in Digital Learning will perform in favorite program at Net. TV

Sarah Sechan




Ini Talkshow

Indonesia Morning Show



Indonesia Morning Show

Activation Socmed



IDL training program

- IDL training program
- Easy Step Intel Teach Program

IDL training campaign

- Establishing Teachers Community
- 7 outermost, outpost and remote TOT points
- Pelatihan TOT / titik terluar, tersepa, terpencil
- Awarding : My Teacher My Hero
- Essential Course Intel Tech Program

Year 2014


- IDL Platform Campaign
- TOT Digital Learning Training in 8 Cities
- Training Camp MTMH 100 Digital Squad
- Awarding My Teacher My Hero
- 960 Digital Squad Certification
- IDL Modul Program

Year 2015

- IDL Platform Campaign
- TOT Digital Learning Training in 8 Cities
- Training Camp MTMH 100 Digital Squad
- Awarding My Teacher My Hero
- 960 Digital Squad Certification
- IDL Modul Program

Year 2016

- IDL Platform Campaign
- TOT Digital Learning Training in 8 Cities
- Training Camp MTMH 100 Digital Squad
- Awarding My Teacher My Hero
- 960 Digital Squad Certification
- IDL Modul Program



Medan 25-26 April

Balikpapan 25-26 April

Jayapura 27-28 April

Jakarta 2-3 Mei

Bandung 20-21 April

Kick Off Yogyakarta

Surabaya 21-22 April

Makassar 27-28 April

Telkom Group Gives Back in 2016 (Telkom Group Berbagi 2016)

TELKOM BERBAGI



In the holy month of Ramadhan and in order to celebrate Eid Mubarak 1437H, Telkom Group organized the Program of Telkom Group Gives Back in 2016, consisting of:

- o Telkom Group Ramadhan Safari of 2016, with the donation activities to 3,000 orphans.
- o Cheap Market, which was conducted within the SOE Ramadhan Safari, to provide and sell 29,000 packages of staple food with a cheap price at 29 regencies/cities in Indonesia, as well as breaking the fast with 3,000 orphans.

SOE For the Nation - 71st anniversary of RI

	SOE To Teach Directors of SOEs perform as teachers to inspire and motivate students through a variety of stories about their industries		Low-Priced Market Distribution of aid to the less fortunate and the disabled in the form of food packages		Development of Remote, Border and Conflict-Prone Villages Village gate establishment, community development and communication infrastructure development
	Renovation of Houses Program Tribute to the citizens who joined the armed units officially recognized by the government and actively participated in battles defending the Unitary State of the Republic of Indonesia		Archipelago Awareness for Students The instillation of a sense of pride as citizen shaving a richness diversity of the Archipelago		Consultation for Ex-Convicts Business motivation and mental counseling to encourage ex-convicts
	Establishment of Daycare Center Construction of facilities for a daycare center, equipped with various facilities such as a playground, children's library, learning facilities and nursing area		Provision of Clean Water Facilities and Public Toilets (Mandi Cuci Kakus) Construction of Clean Water Facilities and Public Toilets (Mandi Cuci Kakus/MCK) in several places to improve public health through the provision of more hygienic sanitation facilities		Consultation for Ex-Athletes Consultation for Ex-Athletes in the form of mentoring and monitoring for a period of 6 months and providing assistance of a total of 100 million Rupiah
	Household Electrification Electrical installation in 14 houses and provision of assistance of electricity token for 1 year		Natural Disaster Assistance Aids for flash floods in some areas of Garut and Sumedang Regency, West Java		Aid for Prayers Facilities Distribution of aids in various forms of repair and construction of prayers facilities across the working areas of Telkom Indonesia
	Free repairs for 1000 mobile phones In support of the SOE for the Nation (BUMN Hadir untuk Negeri) and the 2016 Christmas and New Year Securities (Siaga Natal dan Tahun Baru 2016) programs, Telkom held an event of Free Repair Services for 1000 Mobile Phones (Service 1000 Handphone Gratis) as part of its CSR program for the general public. The event sets a new record at the Indonesian Museum of Records.				

This Program constitutes the synergy of Telkom Group with other SOE as the form of dedication and presentation of SOE to Indonesia in the celebration of the 71st anniversary of RI. This Program was prepared by the Ministry of SOE and Telkom has the mandate to manage such program in the region of West Java.

Disability Care



Disability Care is the program that constitutes the continuation of MoU between the Ministry of Manpower and Ministry of SOE. Through this program, Telkom Group has employed employees with special needs (disabled) since 2014 and it has planned to recruit more employees with special needs, including to develop the application of i-CHAT to help deaf people in the communication. The given assistance covers the aids for disability and Training and Certification (including I-CHAT), Awards for the disabled who inspire and contribute to the environment and community.

Employee Volunteer Program

Telkom Group has an Employee Volunteer Program (“EVP”) as the place for community social activities that are initiated by people of Telkom Group (“Telkomers”) either individually or through the community in the environment of Telkom Group.



There are two groups of EVP participants, namely:

1. EVP Role Model, means social activities of Telkom’s employees conducted by senior leaders as the role model in Telkom Group.
2. EVP of Employees Community, means social activities conducted by the employees within the employees’ communities.

EVP activities are divided into four categories, namely:

- **Service for Education**

Service for Education conducted during 2016 is the teaching activity in formal or non-formal education institutions.

- **Service for Cultural Conservation**

Social Activities in the sector of traditional culture are conducted through the teaching activities or active participation in the cultural developments for the young generation.

- **Service for Environment**

Service for Environment (saveplanet) includes a direct involvement in the social activities for the improvement of environment, such as activities to clean the environment conducted by Bicycles and Motorcycles Community as well as the activities to plant trees conducted by the Labor Union of Telkom.

- **Service for Social Community**

Service for Social Community includes the Telkomers's social activities that become the initiator of social actions, such as through the provision of clean water to the village community that suffers from drought also conducting the bike to work campaign in Bandung City.

Telkom facilitates the communication and information facilities of EVP activities through the website (<http://www.evp.telkom.co.id>). In 2016, Telkom recorded 5,352 Telkomers have been registered in EVP program.

SOCIAL RESPONSIBILITIES TO THE ENVIRONMENT: TO SUPPORT THE ENVIRONMENT CONSERVATION

We participate in the environment conservation program called Telkom Go Green Action. This Program is coordinated by Telkom Property and covers all operational aspects of Telkom including the aspect of office building management.

We have conducted various operational initiatives as the realization of participation in the environment conservation. Such initiatives are as follows:

1. Energy saving and mitigation of carbon dioxide emission.

Since 2009 we have implemented the program which was designated to reduce the use of electric energy in the operational activities. Therefore, we also contributed to the mitigation of carbon dioxide emission which is also produced by the power plant that are using fossil fuel.

Such program not only reduced the emission of CO₂, but also gave the effect on the reduction of fee incurred by the company as shown in the following table:

Data on the Saving for Electric Consumption from the Initiative to Use LED Lamps.

No	Year	Total Locations	Total Installations	Saving of Kwh	Saving of Rp	Reduction of (Kg CO ₂)
1	2014	84	48,118	8,920,043	8,147,754,217	7,947,757.92
2	2015	191	34,783	12,733,125	13,048,932,710	11,345,214.59
3	2016*	0	0	7,873,951	8,259,202,854	7,015,690.35

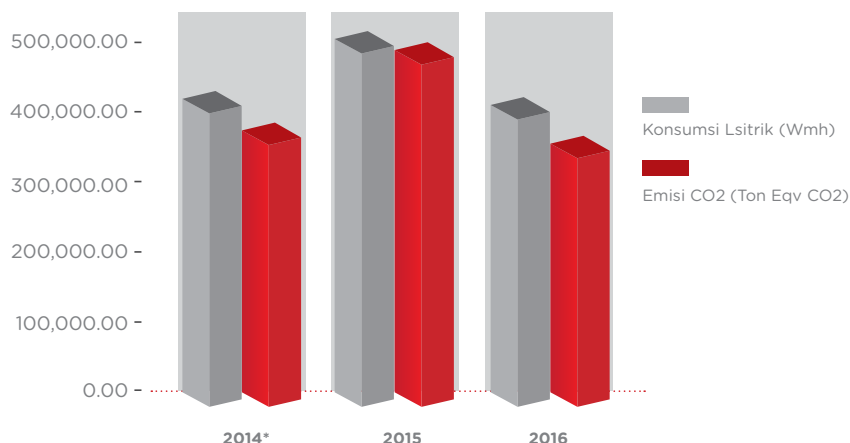
* In 2016 no additional of LED lamp.

Data on the Saving for Electric Consumption from the Initiative to Use the Environmentally Friendly AC.

No	Year	Total Locations	Total Installations	Saving of Kwh	Saving of Rp	Reduction of (Kg CO ₂)
1	2014	15	202	28,690	37,297,260	25,562.97
2	2015	460	6,642	2,222,807	2,889,649,620	1,980,521.39
3	2016	0	0	1,246,703	1,620,713,952	1,110,812.41

2. Energy Efficiency in Office Buildings

We restructured the system of energy supply in the office buildings that we manage to improve the efficiency in the use of power energy. Energy efficiency of such office buildings reduced the total of power utilization from 478,923.86 Mwh in 2015 to become 415,428.32 Mwh in 2016. In addition, such energy efficiency also reduced the emission of CO2 from 426,714 Ton CO2 Eq, to become 370,147 Ton CO2 Eq. As shown in the following graphic:



3. The Use of Renewable Energy

We have also conducted the change of our energy consumption from the non-renewable energy to the renewable energy, such as the use of wind and solar energy as the mitigation efforts to carbon dioxide emission. Thousands of environmentally friendly BTS has been operated by using renewable energy namely solar cell and micro hydro power. Carbon dioxide that has been reduced has reached 961.39 Ton CO2 Eq per year.

In addition, we utilized the power plant that combines the use of generator, solar cell and wind power for the installation of BTS in certain areas having sufficient wind and solar energy potential. The use of such renewable energy was saving fuel up to 98% meanwhile 2% of fuel is still needed to maintain the generator set.

4. The Concept of Paperless Office

We have implemented a concept that uses an application for online official note and it has been implemented nationwide. During 2016, official note letter made through the application of online official note has reached 281,236 (2015:294,563) pieces. With the assumption that the average official note consists of 2 sheets of paper and addressed to 3 recipients and further each forwards it to 3 persons, then by using the application of online official note we have saved the papers in the amount of 10,124 (2015:10,604) ream of papers.

5. The Management of Garbage and Waste of Hazardous and Toxic Materials (Bahan Berbahaya dan Beraacun - B3)

We implement the policy of waste selection into 3 major groups namely organic waste, non-organic waste, and B-3 waste.

The management of organic and non-organic were conducted through the cooperation with local Cleaning Office. Meanwhile for the waste under the group of B-3 waste, the management is conducted by the third party having the authority to manage such wastes. However, in regard to waste produced from mercury lamps which is considered B-3, we assign its management to the producers of Philips and Osram light since both companies have the facilities to manage mercury waste.

6. The Management and The Use of Recycled Water

We commit to manage water and conduct the efficiency in using water. We implement the policy through the save the water campaign and by installing automatic faucets. We only use the water to support building operation and to fulfill the need to drink for employees which is mainly supplied by regional enterprise for drinking water (Perusahaan Daerah Air Minum - PDAM).

We also conduct the installation of biopori and water reservoir around the office to reserve the rain water as well as conducting water recycle in a simple way by using charcoal-based filter. The recycled water will then be used to wash the operational vehicles and to water the trees in the office park.





SmartBisnis

PARTNERSHIP & COMMUNITY DEVELOPMENT PROGRAM(PCDP)

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253 PCDP Report



PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAM (PCDP) SUMMARY



COMMUNITY DEVELOPMENT PROGRAM

Rp81.97 billion

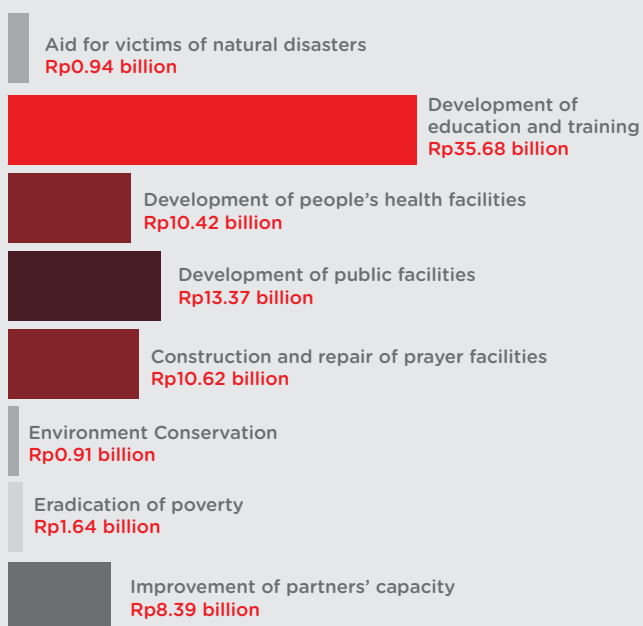
PARTNERSHIP PROGRAM

Rp360.92 billion

2016 Partnership Program Realization



2016 Community Development Program Realization



REPORT ON THE PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAM (PCDP)

For Telkom, Partnership and Community Development Program (PCDP) is not only fulfilling an obligation of an SOE, but also the effort to manage the consequences of the policies and operational activities to the community and the natural environment in a transparent and ethical manner. The implementation of Telkom PCDP is also in line with the concept of 3P (profit, people, planet) which has the synergy with Telkom's Corporate Social Responsibility Program (Telkom TJSL). In addition to it, Telkom PCDP also supports the activities to achieve Telkom's objective to develop digital economy in Indonesia.

LEGAL BASIS AND GOOD GOVERNANCE OF PCDP

Telkom's commitment in implementing PCDP is in line with and refers to ministerial regulation number PER-09/MBU/07/2015 regarding Partnership and Community Development Program.

LEGAL BASIS FOR THE MANAGEMENT OF PCDP

- Article 88 & Article 90 of the Indonesian Law No.19 of 2003 regarding BUMN
- Ministerial Regulation Number PER-09/MBU/07/2015 regarding the Partnership Program and Community Development Program of SOE
- Company Regulation Number PD.702.00/r.00/PR000/CDC-A1040000/2015 dated December 10, 2015 regarding the Management of PCDP.
- Regulation of the Company (Persero) PT Telekomunikasi Indonesia Tbk. Number: PR.702.01/r.00/PR000/CDC-A1040000/2016 dated June 2, 2016 regarding the Guideline for the Implementation of PCDP Operation.

Partnership Program

1. Digitalization of Partnership Programs
2. Enhancement of Partners' Capacity

Community Development Program

1. Aid for Natural Disasters
2. Aid for Education
3. Aid for People's Health
4. Aid for Public Facilities
5. Aid for Prayer Facilities
6. Aid for Nature Conservation
7. Poverty Alleviation

The implementation of Telkom PCDP is under the controlled by Community Development Centre (CDC) Unit, while the other programs of TJSL Telkom namely Telkom CSR PR is controlled by Corporate Communication sub-department. In conducting PCDP activities, CDC may coordinate with the relevant working units or subsidiaries.

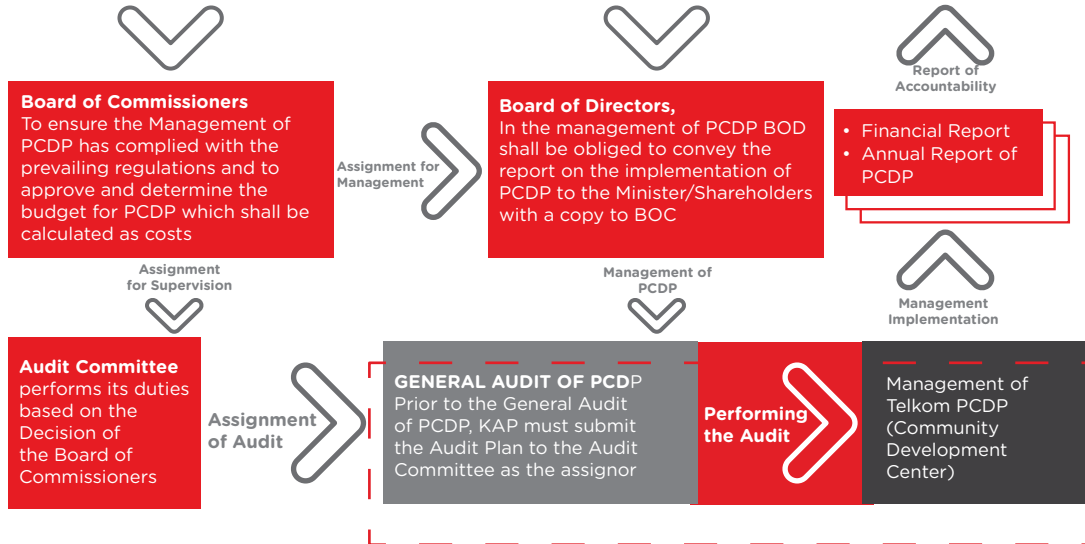
The implementation of Good Corporate Governance (GCG) in the management of funds and various PCDP activities constitute the important step from Telkom that must be complied with, as a State-Owned Enterprise (SOE) as well as a public company, which has listed its shares in the New York Stock Exchange and Indonesia Stock Exchange.

Below is the diagram illustrating Telkom's good governance in implementing the Partnership and Community Development Program (PCDP)

BASIS FOR THE GOOD CORPORATE GOVERNANCE OF TELKOM PCDP

GMS:

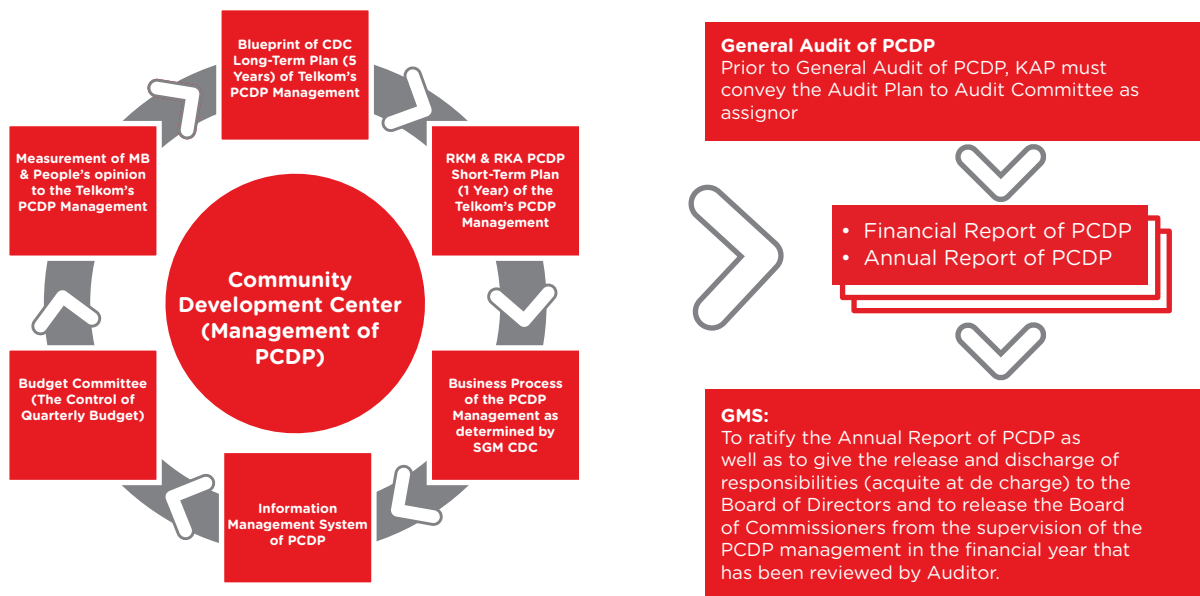
- To ratify the Annual Report of PCDP as well as to give the release and discharge of responsibilities (acquite at de charge) to the Board of Directors and to release the Board of Commissioners from the supervision of the PCDP management in the financial year that has been reviewed by Auditor.



In implementing PCDP, CDC shall refer to the Blueprint of PCDP which shall be valid for five years. The blueprint shall become the basis for the annual plan of PCDP and also the reference in measuring the satisfaction of beneficiary and partners. To maintain the accountability of PCDP implementation, each year Telkom conducts a general audit towards the Annual Report and Financial Report of PCDP.

Below diagram explains the corporate governance of PCDP in managerial and operational level in the implementation of PCDP by CDC.

CORPORATE GOVERNANCE OF CDC (THE MANAGEMENT OF PCDP)



THE OBJECTIVE OF PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAM

Telkom PCDP has a general objective which is to support the economy growth and improve people's welfare, as indicated by the parameter of national economy growth, the percentage of contribution from economy sector and the improvement of Gini Index which show the index of welfare gap between society groups. In particular, Telkom PCDP is shown through the people empowerment in the economy sector and social sector which are related to Telkom's main business directly or indirectly.

Telkom see that PCDP has been implemented in line with the objective of global development under the concept of SDGs (Sustainable Development Goals), which covers:

- Objective 1 - "Without Poverty - To end the poverty in any form across the globe."
- Objective 3 - "Good Health and Welfare - To ensure a healthy living and to promote the welfare for all people of any age"
- Objective 8 - "Economy Growth and Proper Employment - To support the sustainable and inclusive economy growth, to provide job opportunities as wide as possible, as well as to create proper employments for all".
- Objective 11 - "Sustainable City and Community - To develop the inclusive, safe, high quality, resilient and sustainable cities and communities"

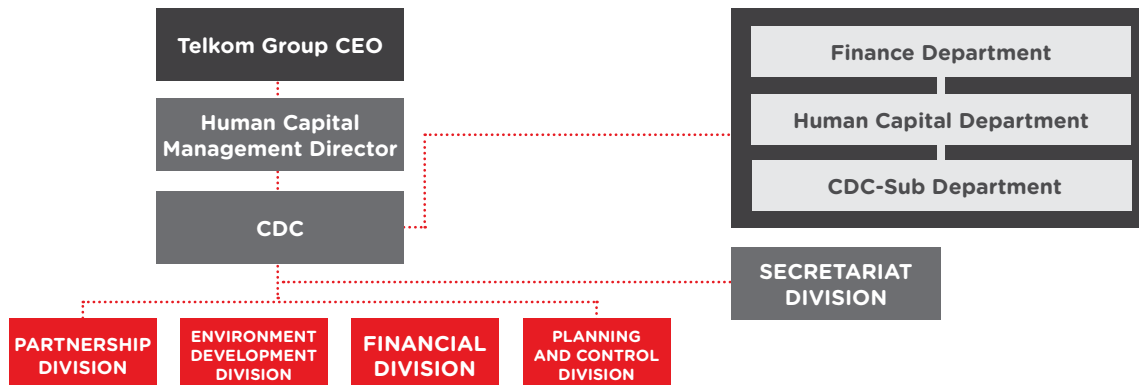
STRATEGY FOR THE REALIZATION OF TELKOM PCDP

Telkom as the Digital Telco Company is actively involved in the community development to accelerate the realization of digital society, such as through Partnership and Community Development Program (PCDP). This Program constitutes the implementation of three pillars of Social and Environment Responsibility program (TJSL/CSR) of Telkom, namely People, Planet & Profit (3P).

3 PILLAR CSR	PROGRAM		REALISASI
PEOPLE	<ol style="list-style-type: none"> 1. Education & Training 2. Public Health 3. Place of worship 	Training & Education	<ol style="list-style-type: none"> 1. 1.092 Digital Library in di 639 Cities 2. My Teacher My Hero (IDL) * 3. Digital Training for 2.400 Teachers 3. Broadband Learning Center (BLC) & Digital Lounge
PLANET	<ol style="list-style-type: none"> 1. Victims of natural disasters 2. Public Facilities 3. Nature conservation 	Facility	<ol style="list-style-type: none"> 1. "BUMN Hadir untuk Negeri" (SOE for the Nation) Program
PROFIT	<ol style="list-style-type: none"> 1. Distribution of Partnership Fund 2. Poverty Alleviation 3. Small and Medium Enterprises Capacity Building 	Capacity Building SME	<ol style="list-style-type: none"> 1. Digitization of the Partnership Program Management 2. Digital Training 1.871 participants 3. National & International Partner Exhibition

EXECUTIVE ORGANIZATIONAL STRUCTURE

The Executive Organizational Structure of Telkom PCDP is as follows.



PARAMETER OF SUCCESS

Further, Telkom has set some parameters as the basis to examine the success of Telkom PCDP implementation of, which are:

1. CSR-Indeks.

To measure the impact of CSR activities on customer loyalty and company reputation. In 2016, the CSR-Index shows the value of 70.18, which illustrates that the CSR activities that we have done had 70% effect on customer loyalty and the company reputation.

2. Net Promotor Score - NPS

To measure how often people recommend of Telkom products as the impact of CSR activities. NPS measurement results in 2016:

NPS Partnership Programe



NPS = Promoters - Detractors

NPS Community Development Programe



NPS = Promoters - Detractors

3. The effectiveness of funds distribution for the Partnership Program.

This parameter compares the total funds for the Partnership Program that have been distributed to the partners of Telkom with the total available funds in the ongoing year.

In 2016, the achievement of effectiveness level for the distribution of funds for the Partnership Program was 98.64% with the score of 3 from the total available funds in the amount of Rp365,91 billion. This achievement is far better compared to the level of effectiveness of the distribution in the year 2015, in the amount of 90,28% with the score of 3.

Table of The effectiveness of funds distribution for the Partnership Program 2014-2016

	Source of Funds (billion Rp)		
	2016	2015	2014
Distributed amount	360.92	348.97	411.72
Available amount	365.91	384.34	498.92
Effectiveness level of the funds distribution	98.64%	90.28%	82.52%
Score for the effectiveness level of the funds distribution	3	3	1

4. Payment Collectability for the Partnership Program.

This parameter is measured by comparing the average balance of payment collectability to the total amount of loan that have been distributed (loan balance).

The level of payment collectability for Partnership Program in 2016 has reached 88.54% with the score of 3. This achievement is far better compared to the level of payment collectability in 2015, in the amount of 71,73% with the score of 3.

Table of Payment Collectability for the Partnership Program 2014-2016

	Year		
	2014	2015	2016
Collectability Level	82.02%	71.37%	88.54%
The Score for Collectability Level	3	3	3

BUDGET AND REALIZATION

The Budget for Telkom PCDP is coming from the reserve of company's profit based on the direction from the Ministry of SOE. In 2016, Telkom distributed the PCDP funds in the amount of Rp442,89 billion. The distribution of funds for Partnership Programs and Community Development Programs are in the amount of Rp360,92 billion and Rp81,97 billion respectively or 81% and 19% from the total funds of PCDP.

The realization of distribution of PCDP funds for the financial year 2016 is presented in the following table.

Table of the Distribution of Funds for the Partnership and Community Development Program for 2014-2016

No	Type of Program	2016	2015	% of Change
		Rp billion	Rp billion	
1	Partnership Program	360.92	340.96	5.9
2	Community Development *)	81.97	72.41	13
	Total	442.89	413.37	7.1

Since 2001 to 2016, Telkom PCDP has distributed the funds in the amount of Rp3,71 trillion, with the allocation for the Partnership Program in the amount of Rp3,10 trillion and for Community Development Program in the amount of Rp0,61 trillion distributed to 34 Provinces in Indonesia.

PARTNERSHIP PROGRAM

The Partnership Program constitutes the empowerment of people's welfare which was conducted through:

- a) The grant of soft loan;
- b) The training of entrepreneurship; and
- c) The development of creativity to UMKMs that constitute as partners.

To improve the quality of management for the Partnership Program, in 2016 Telkom PCDP focused on the implementation of 2 main activities that support the development of digital economy, which are:

1. Digitalization of the Partnership Program Management

Telkom uses the digital technology in the data management of partners in the Partnership Program since 2007. Telkom implemented the service for loan application in the Partnership Program through smartbisnis website and the installment payment through virtual account to ensure the transparency and accountability of fund management.

a. SmartBisnis

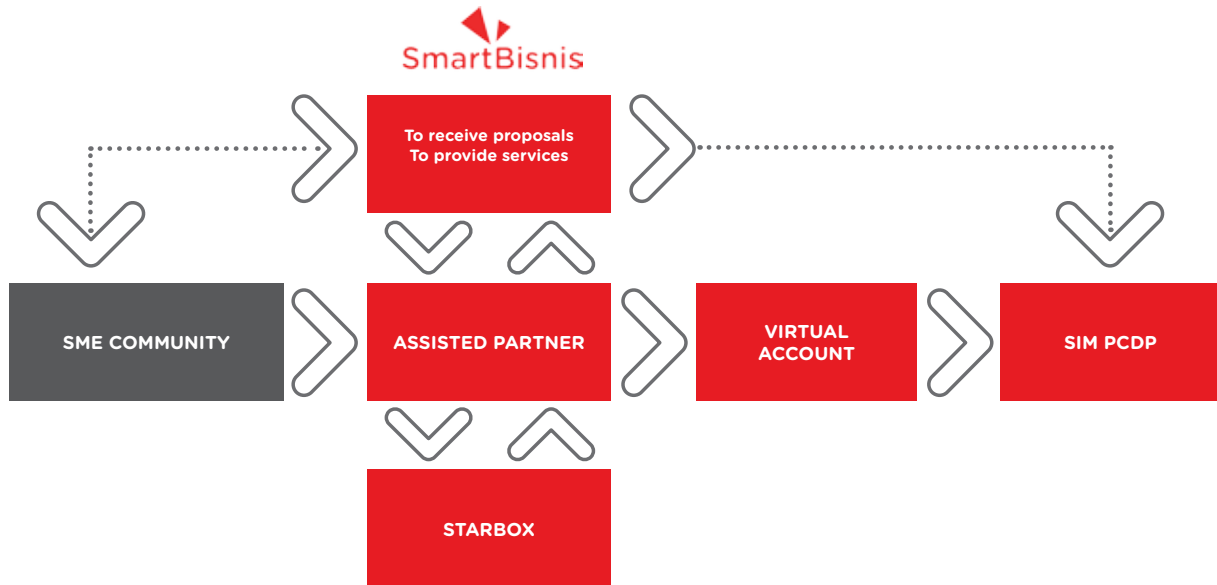
SmartBisnis constitutes a service application for the proposal for funding in the digital-based Partnership Program that is accessible by the public through the website of smartbisnis. Through this application, the proposal for funding in the Partnership Program may be conducted at any time without any necessity to visit Telkom's office.

b. Virtual Account

To improve the service for the transaction of loan repayment in the Partnership Program, Telkom has also implemented the digital-based installment payment through the virtual account. Each partner which loan proposal has been approved will be granted with unique numbers which have its function as the account for the payment of installment. From 46,246 partners, active partners are 33,983 partners or 73%.



Digital Telkom for Community



Information System Configuration for Partnership Program Management

2. Enhancement of Partner Capacity

Enhancement of Partner Capacity in 2016 conducted through digital trainings, national and international exhibitions, and export training.

a. Training for Digital UKM The Road to Global Market

This training was organized by Telkom since 2015 and continued in 2016 to assist the partners in promoting and marketing their products to the global market by using the facilities of blanja.com. In 2016, Telkom has also organized the training with the total participants of 1, 871 UKMs, 92 of them are Telkom's Partners.

b. Training for Export

Telkom also held a training for export so that the partners may know the procedures and requirements for cross borders trading.

c. National and International Exhibition

In 2016, Telkom facilitated its partners to participate in exhibitions, namely Inacraft 2016, Safex exhibition in Algeria, and Sail to Karimata with an international scale organized by the Department of Maritime and Ocean.

In 2016, the Partnership Program funds were disbursed in the amount of Rp 360.92 billion to 10,956 Assisted Partners from various sectors including: industry, trading, farming, livestock, plantation, fishery, services and others. Set out below are the realization data of numbers of Assisted Partners and Partnership Program Fund Disbursements per Sector and per province.

Table of Total Partners and Distribution of Funds in the Partnership Program per Business Sector of 2014-2016

No.	Business Sector	Total Partners			Total Distribution (Rp billion)		
		2016	2015	2014	2016	2015	2014
1	Industry	1,784	1,895	2,183	60.92	56.37	70.50
2	Trading	6,371	6,972	6,675	203.48	193.97	206.22
3	Farming	200	229	222	7.18	6.77	6.72
4	Livestock	351	429	428	13.29	12.81	14.83
5	Plantation	201	207	203	5.40	5.56	6.36
6	Fishery	276	333	296	7.97	9.21	9.75
7	Service	1,751	1,896	2,116	61.52	55.32	70.27
8	Others	22	20	40	1.16	0.95	11.77
Jumlah		10,956	11,981	12,163	360.92	340.96	396.42
CAGR (%)		-8.56%	-1.50%		5.85%	-13.93%	

Table of Total Partners and Distribution of Funds in the Partnership Program per Province 2016

No	Province	Total Partner	Total Distribution (Rp billion)
1	Aceh	223	5.75
2	North Sumatera	478	12.85
3	West Sumatera	249	6.80
4	Riau Mainland	250	6.90
5	Riau Island	171	5.68
6	South Sumatera	274	7.76
7	Jambi	112	5.80
8	Bengkulu	136	5.42
9	Lampung	186	5.34
10	Bangka Belitung	146	6.25
11	DKI Jakarta	594	24.20
12	Banten	265	9.99
13	West Java	2,053	67.20
14	Central Java	1,328	44.91
15	D.I Yogyakarta	161	6.40
16	East Java/Madura	1,430	46.83
17	East Kalimantan	455	12.86
18	West Kalimantan	321	10.81
19	Central Kalimantan	237	7.43
20	South Kalimantan	236	6.43
21	North Kalimantan	79	3.26
22	Bali	121	6.87
23	NTB	84	3.67
24	NTT	73	3.19
25	South Sulawesi	367	7.73
26	Central Sulawesi	169	4.82
27	South-east Sulawesi	81	2.87
28	North Sulawesi	133	5.71
29	West Sulawesi	24	0.76
30	Gorontalo	148	5.92
31	Maluku	79	1.55
32	North Maluku	121	4.47
33	West Papua	40	0.80
34	East Papua	132	3.68
Total		10,956	360.92

The number of recipients of the Partnership Program funds was decreased by 8.56% in 2016 compared to 2015, while the amount of funds being disbursed in 2016 was increased by 5.85%, thus the average amount of loans in 2016 was higher than the previous year.

COMMUNITY DEVELOPMENT PROGRAM

The Environment Development Program is a program of empowerment of the social conditions of the communities in the business areas of the Company. The focuses of assistance provided by Telkom during 2016 included the followings:

1. Aid for victims of natural disasters
Throughout 2016 there were several natural disasters. Three events that received much attention because of the impacts of the disasters were a flash flood in Garut, West Java, a flood in Southern Bandung and an earthquake in Pidie Jaya Regency, Aceh.

2. Aid for Education and Training
Aid for education and training from Telkom, which is referred to as Indonesia Digital Learning, has the highest portion in PBL with the purpose improving people's capability to the use of digital technology and to develop digital economy. Through this aid program, Telkom provides the facility of Digital Libraries (PADI) and implements the My Teacher My Hero Program as well as develops the Facilities of Broadband Learning Center (BLC) and Creative Camp.



3. Aid for People's Health

Aid for people's health was given by Telkom in the form of Disability Care Program in collaboration with Kick Andy Foundation, the prevention of rabies disease in Ambon, the distribution of basic food in Ramadan in 29 Cities / Regencies across Indonesia totaling 29,000 packages, donations to 3,000 orphans and sacrificing of 497 animals.



4. Aid for the Development of Infrastructure and Public Facilities

The development of infrastructure and public facilities was implemented in the sector of facilities and infrastructure of telecommunication, by taking into account the direct or indirect impact to the local economic activities. Such assistance include in the form of procurement of Garden Alley in Makassar.

5. Aid for Prayer Facilities

The aid was distributed in various forms of repair or construction of prayer facilities in all working areas of the Company. The aid was distributed in the form of donation for the construction of mosques, construction of churches and construction of hindu temples. In 2016, Telkom distributed the aid for prayers facilities in the form of renovation of The Mosque of Al Ikhlas Waisai in Raja Ampat and the Church of GKPS Sipingan Panei Tonga Pematang Siantar.

6. Aid for Environment Conservation

As an effort to create an environmentally friendly areas, we also conducted greening activities such as the reforestation of a mangrove forest by planting mangrove seeds at the North Beach of Java in particular Mangunharjo Beach, Tugu District, Semarang City and also the reforestation of

the areas surrounding Toba Lake. The location for the Toba Lake reforestation is at Sibatu Ni Loteng, Girsang Sipangan Bolong district, Simalungun Regency. 50 thousand trees were planted within 10 Ha of land. .



7. Aid for the Eradication of Poverty

Through the aid for the eradication of poverty, Telkom expects to be able to improve the standard of living of poor people either in the city or village areas. The aid given was in the form of renovation 10 retirement homes and the donation for the orphanages.



In 2016, the distribution of the Environment Development Program funds gave priority to providing assistance in improving the quality of Indonesian society in anticipation of the era of digitalization through Education and Training Development which spent Rp. 35.68 billion or 43.53% of the total disbursements of the Environment Development Program. The Public Utility assistance spent Rp. 13.37 billion or 16.31%. However, the Company did not rule out the Environment Development Program in other fields, with the total actual disbursements of the Environment Development Program amounting to Rp.81.96 billion or 99.95% of the disbursement commitment of Rp. 82 billion. The following data presents the realization of total beneficiaries and the distribution of funds for Telkom's Community Development Program based on the program categories and province.

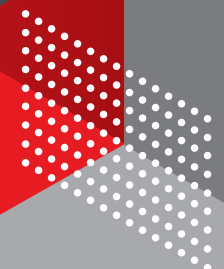
Table of Total Beneficiaries and the Distribution of Funds for Community Development Program in 2014-2016

No.	Business Sector	Total Aid Objects			Total Distribution (Rp billion)		
		2016	2015	2014	2016	2015	2014
1	Aid for victims of natural disasters	20	17	69	0.94	1.30	4.37
2	Development of education and training	492	336	683	35.68	41.15	40.83
3	Development of people's health facilities	154	62	220	10.42	1.47	8.49
4	Development of public facilities	221	170	262	13.37	15.74	9.48
5	Construction and the repair of prayer facilities	382	219	515	10.62	8.47	16.23
6	Environment Conservation	30	27	39	0.91	0.75	0.80
7	Eradication of poverty	22	2	8	1.64	0.01	1.04
8	Improvement of partners' capacity	115	42	0	8.39	3.52	0
Total		1,436	875	1,796	81.97	72.41	81.18

Table of Total Beneficiaries and the Distribution of Funds for Community Development Program by Province in 2016

No	Province	Total Aid Objects	Total Distribution (Rp billion)
1	Aceh	15	0.85
2	Sumatera Utara	107	3.19
3	Sumatera Barat	13	0.67
4	Riau Daratan	12	0.28
5	Riau Kepulauan	4	0.07
6	Sumatera selatan	12	0.53
7	Jambi	3	0.08
8	Bengkulu	1	0.01
9	Lampung	14	0.49
10	Bangka Belitung	4	0.05
11	DKI Jakarta	117	34.33
12	Banten	12	0.25
13	Jawa Barat	346	17.41
14	Jawa Tengah	196	4.63
15	D.I Yogyakarta	24	0.77
16	Jawa Timur/Madura	228	9.18
17	Kalimantan Timur	91	0.93
18	Kalimantan Barat	40	1.22
19	Kalimantan Tengah	10	0.12
20	Kalimantan Selatan	28	0.37
21	Kalimantan Utara	5	0.05
22	Bali	5	0.11
23	NTB	4	0.10
24	NTT	15	1.18
25	Sulawesi Selatan	86	1.42
26	Sulawesi Tengah	2	0.18
27	Sulawesi Tenggara	5	0.07
28	Sulawesi Utara	9	0.17
29	Sulawesi Barat	1	0.02
30	Gorontalo	7	0.05
31	Maluku	8	0.96
32	Maluku Utara	1	0.02
33	Papua Barat	2	1.25
34	Papua Timur	9	0.96
Total		1,436	81.97

The actual disbursements of the Environment Development Program in 2016 amounted to Rp.81.97 billion, an increase of 13.20% from Rp.72.41 billion in 2015. The number of Aid Objects also increased by 64.11% from 875 aid objects in 2015 to 1,436 aid objects in 2016.



APPENDICES

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GLOSSARY

3G

The generic term for third generation mobile telecommunications technology. 3G offers high speed connections to cellular phones and other mobile devices, enabling video conference and other applications requiring broadband connectivity to the internet.

3.5G

A grouping of disparate mobile telephony and data technologies designed to provide better performance than 3G systems, as an interim step towards deployment of full 4G capability.

4G/LTE

A fourth generation super fast internet network technology based on Internet Protocol (IP) that makes the process of data transfer much faster and stable.

Adjusted EBITDA

Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortization. Adjusted EBITDA and other related ratios in this Annual Report serve as additional indicators on our performance and liquidity, which is a non-GAAP financial measure.

ADS

American Depositary Share (also known as an American Depositary Receipt, or an "ADR"), a certificate traded on a U.S. securities market (such as New York Stock Exchange) representing a number of foreign shares. Each of our ADS represents 200 of our Series B shares having a par value of Rp50 per share ("common stock").

ARPU

Average Revenue per User, a measure used primarily by telecommunications and networking companies which states how much money we make from the average user. It is defined as the total revenue from specified services divided by the number of consumers for those services.

Bandwidth

The capacity of a communication link.

Bapepam-LK

Badan Pengawas Pasar Modal dan Lembaga Keuangan, or the Indonesian Capital Market and Financial Institution Supervisory Agency, the predecessor to the OJK.

Broadband

A signaling method that includes or handles a relatively wide range (or band) of frequencies.

BSS

Base Station Subsystem, the section of a cellular telephone network responsible for handling traffic and signaling between a mobile phone and the network switching subsystem. A BSS is composed of two parts: the BTS and the BSC.

BTS

Base Transceiver Station, equipment that transmits and receives radio telephony signals to and from other telecommunication systems.

CDMA

Code Division Multiple Access, a transmission technology where each transmission is sent over multiple frequencies and a unique code is assigned to each data or voice transmission, allowing multiple users to share the same frequency spectrum.

CPE

Customer Premises Equipment, any handset, receiver, set-top box or other equipment used by the consumer of wireless, fixed line or broadband services, which is the property of the network operator and located on the customer premises.

DLD

Domestic Long Distance, a long distance call service designed for customers who live in different areas but still within one country. These areas normally have different area codes.

e-Commerce

Electronic Commerce, the buying and selling of products or services over electronic systems such as the internet and other computer networks

EDGE

Enhanced Data rates for GSM Evolution, a digital mobile phone technology that allows improved data transmission rates as a backward-compatible extension of GSM.

Edutainment

Education and Entertainment.

Fiber Optic

Cables using optical fiber and laser technology through which modulating light beams representing data are transmitted through thin filaments of glass.

Fixed Line

Fixed wireline and fixed wireless.

Fixed Wireline

A fixed wire or cable path linking a subscriber at a fixed location to a local exchange, usually with an individual phone number

FTTH

Fiber To The Home are the implementation of fiber optic network that reaches up to customer point or known as customer premise.

Gateway

A peripheral that bridges a packet based network (IP) and a circuit based network (PSTN).

Gbps

Gigabyte per second, the average number of bits, characters, or blocks per unit time passing between equipment in a data transmission system. This is typically measured in multiples of the unit bit per second or byte per second

GPRS

General Packet Radio Service, a data packet switching technology that allows information to be sent and received across a mobile network and only utilizes the network when there is data to be sent.

GMS

General Meeting of Shareholders, which may be an Annual General Meeting of Shareholders ("AGMS") or an Extraordinary General Meeting of Shareholders ("EGMS").

GSM

Global System for Mobile Telecommunication, a European standard for digital cellular telephone.

Homepass

A connection with access to fixed line voice, IPTV and broadband services.

Interconnection

The physical linking of a carrier's network with equipment or facilities not belonging to that network.

IP

Internet Protocol, the method or protocol by which data is sent from one computer to another on the internet.

IPO

Initial Public Offering, the first sale of stock by a company to the public.

IPTV

Internet Protocol Television, a system through which television services are delivered using the Internet Protocol suite over a packet-switched network such as the internet, instead of being delivered through tradition

ISP

Internet Services Provider, an organization that provides access to the internet.

Mbps

Megabyte per second, a measure of speed for digital signal transmission expressed in millions of bits per second.

Metro Ethernet

Bridge or relationship between locations that are apart geographically, this network connects LAN customers at several different locations.

MHz

Megahertz, a unit of measure of frequency equal to one million cycles per second.

Mobile Broadband

The marketing term for wireless internet access through a portable modem, mobile phone, USB Wireless Modem or other mobile devices

MSAN

Multi Service Access Node, represent the third generation of optical access network technology and are single platforms capable of supporting traditional, widely deployed, access technologies and services as well as emerging ones, while simultaneously providing a gateway to a NGN core. MSAN will enable us to provide Triple Play services that distribute high speed internet access, voice packet services and IPTV services simultaneously through the same infrastructure.

Network Access Point

A public network exchange facility where ISPs connected with one another in peering arrangements.

OJK

Otoritas Jasa Keuangan, or the Indonesian Financial Services Authority, the successor of Bapepam-LK, is an independent institution with authority to regulate and supervise financial services activities in the banking sector, capital market sector as well as non-bank financial industry sector.

PSTN

Public Switched Telephone Network, a telephone network operated and maintained by us and the KSO Units for us and on our behalf.

Pulse

The unit in the calculation of telephone charge.

Radio Frequency Spectrum

The part of the electromagnetic spectrum corresponding to radio frequencies, i.e. frequencies lower than around 300 GHz (or, equivalently, wavelengths longer than about 1 mm).

Reverse Stock

The compression of shares to become smaller amount of shares using higher value per share.

RMJ

Regional Metro Junction, an inter-city cable network installation service in one regional (region/province).

Roaming

A general term referring to the extension of connectivity service in a location that is different from the home location where the service was registered.

Satellite Transponder

Radio relay equipment embedded in a satellite that receives signals from earth and amplifies and transmits the signal back to the earth.

SCCS

Submarine Communications Cable System, a cable laid on the sea bed between land-based stations to carry telecommunication signals across stretches of ocean.

SME

Small and Medium Enterprise.

SMS

Short Messaging Service, a technology allowing the exchange of text messages between mobile phones and between fixed wireless phones.

Stock Split

Splitting the number of shares becoming more shares using lower value per share.

SOA

Sarbanes-Oxley Act, effective from July 30, 2002, also known as Public Company Accounting Reform and Investor Protection Act and Corporate and Auditing Accountability and Responsibility Act.

Switch

A mechanical, electrical or electronic device that opens or closes circuits, completes or breaks an electrical path, or selects paths or circuits, used to route traffic in a telecommunications network.

TIMES

Telecommunication, Information, Media, Edutainment and Service.

TPE

a normalized way to refer to transponder bandwidth it simple means how many transponders would be used if the same total bandwidths used only 36 Mt transponder (1 TPE = 36 MHz).

Treasury Stock

Company's share that has been buy back from the outstanding share temporarily.

UMTS

Universal Mobile Telephone System, one of the 3G mobile systems being developed within the ITU's IMT-2000 framework.

USO

Universal Service Obligation, the service obligation imposed by the Government on all telecommunications services providers for the purpose of providing public services in Indonesia.

VSAT

Very Small Aperture Terminal, a relatively small antenna, typically 1.5 to 3.0 meters in diameter, placed in the user's premises and used for two-way communications by satellite.



LIST OF ABBREVIATION

Keyword	Description
AAG	Asia America Gateway
ARPU	Average Revenue per User
B2S	Built to Suit
BEI	Bursa Efek Indonesia
BSCS	Batam Singapore Cable System
BTS	Base Transceiver Station
BUMN	Badan Usaha Milik Negara
CAPEX	Capital Expenditure
CDN	Content Delivery Network
CFU	Customer Facing Unit
CGPI	Corporate Governance Perception Index
CORE	Center of Reformation
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSR	Corporate Social Responsibility
CSS	Corporate Strategic Scenario
DMCS	Dumai Malacca Cable System
DR	Depository Receipt
DS	Depository Shares
EBITDA	Earning Before Interest Tax Depreciation and Amortization
Edutainment	Education and Entertainment
EDC	Electronic Data Capture
ERM	Enterprise Risk Management
ESOP	Employee Stock Ownership Program
FTTH	Fiber To The Home
Gbps	Gigabyte per second
GCG	Good Corporate Governance
GHz	Gigahertz
GPRS	General Packet Radio Service
GSM	Global System for Mobile Telecommunication
HCM	Human Capital Management
ICT	Information and Communication Technology
ICOFR	Internal Control Over Financial Reporting
IDL	Indonesia Digital Learning
IDN	International Domain Name
IGG	Indonesia Global Gateway
IICG	The Indonesian Institute for Corporate Governance
IP	Internet Protocol
IPO	Initial Public Offering
IPTV	Internet Protocol Television
ISP	Internet Services Provider

Keyword	Description
KAP	Kantor Akuntan Publik
KEMPR	Komite Evaluasi Monitoring dan Perencanaan Penanggulangan Risiko
KNR	Komite Nominasi dan Remunerasi
KPPU	<i>Komisi Pengawasan Persaingan Usaha</i> , or Commission for the Supervision of Business Competition
LSE	London Stock Exchange
MAKE	Most Admired Knowledge Enterprise
Mbps	Megabyte per second
MDI	Metra Digital Investama
MHz	Megahertz
MSS	Mobile Satellite Service
MVNO	Mobile Virtual Network Operator
NYSE	New York Stock Exchange
OLO	Other License Operator
OTT	Over The Top
PaDi	Pustaka Digital
PKBL	Program Kemitraan Bina Lingkungan
PSTN	Public Switched Telephone Network
Perumtel	Perusahaan Umum Telekomunikasi
PN	Perusahaan Negara
PoP	Point of Presence
REKODE	Riset Kebijakan dan Otonomi Daerah
RKAP	Rencana Kerja dan Anggaran Perusahaan
RMJ	Regional Metro Junction
RUPS	Rapat Umum Pemegang Saham
RUPST	Rapat Umum Pemegang Saham Tahunan
RUPSLB	Rapat Umum Pemegang Saham Luar Biasa
SEA-ME-WE-5	South East Asia - Middle East - Western Europe 5
SEA-US	South East Asia-United States
SEC	Securities and Exchange Commission
SJC	South East Asia Japan
SME	Small and Medium Enterprise
SMK3	Sistem Manajemen Keselamatan dan Kesehatan Kerja
SMS	Short Messaging Service
SOE	State-Owned Enterprise
SOX	Sarbanes Oxley Act
STB	Set Top Box
TIMES	<i>Telekomunikasi, informasi, media, edutainment, dan services</i>
UMTS	Universal Mobile Telephone System
USO	Universal Service Obligation
VoIP	Voice over Internet Protocol
VSAT	Very Small Aperture Terminal
Witel	Wilayah Telekomunikasi



CROSS REFERENCE TO FSA CIRCULATION LETTER NO.30/SEOJK.04/2016

CRITERIA	EXPLANATION	PAGES
I FORM OF ANNUAL REPORT		
1	Annual Report should be able to be reproduced in printed document copy and electronic document copy.	✓
2	Annual Report presented as printed document should be printed on light-colored, good quality, A4-sized paper, bound and possible to be reproduced in good quality.	✓
3	Annual Report presented as electronic document copy is the Annual Report converted to pdf format.	✓
II CONTENT OF ANNUAL REPORT		
1 General Requirements		
a.	Annual Report should at least contain information about: 1) key financial data highlight; 2) share information (if any); 3) directors' report; 4) board of commissioners' report; 5) issuer or public company's profile; 6) management discussion and analysis; 7) issuer or public company's governance; 8) issuer or public company social and environmental responsibility; 9) audited annual financial report; and 10) statement of directors and board of commissioners on the responsibility for the annual report.	✓
b.	Annual Report may present information in the form of images, graphs, tables, and/or diagrams by including clear title and/or description to be easily read and understood.	✓
2 Description of the Contents of Annual Report		
a.	Key Financial Data Highlight Highlights of Key Financial Data presents information in comparative form over a period of 3 (three) financial years or since the commencement of business if the Issuer or Public Company has been running for less than 3 (three) years, and should at least contain: 1) revenue; 2) gross profit; 3) profit (loss); 4) profit (loss) attributable to parent and non-controlling interests; 5) comprehensive profit (loss); 6) comprehensive profit (loss) attributable to parent and non-controlling; 7) net profit (loss) per share; 8) total assets; 9) total liabilities; 10) total equity; 11) profit (loss) to total asset ratio; 12) profit (loss) to equity ratio; 13) profit (loss) to revenue ratio; 14) current ratio; 15) liabilities to equity ratio; 16) liabilities to total asset ratio; and 17) other financial information and ratios relevant to issuer or public company and their industry type.	20

CRITERIA	EXPLANATION	PAGES	
b	Share Information	Information of share (if any) at least contains: 1) Shares issued for three months period (if any) presented in comparative form in the last 2 (two) financial years at least contain: a) outstanding shares; b) market capitalization by the price in the stock exchange where the share is listed; c) highest, lowest, and closing share price by the price in the stock exchange where the share is listed d) traded volume in the stock exchange where the share is listed. 2) In the event of corporate actions such as stock split, reverse stock, stock dividend, bonus share, and par value decrease, share price information referred to in point 1) should then include explanation concerning at least: a) date of corporate actions; b) ratio of stock split, reverse stock, stock dividend, bonus share, and par value decrease; c) amount of outstanding shares before and after corporate actions; and d) share price before and after corporate actions. 3) In the event that the company's share trade is suspended and/or delisted during the year reported, Issuer or Public Company should explain the reason for such suspension and/or delisting; and 4) In the event that such suspension and/or delisting referred to in point 3) still goes on until the final period of Annual Report, the Issuer or Public Company should explain the action carried out by the company in solving the matter..	23-25
c	Director's Report	Report from the Directors at least contains: 1) brief description about the performance of issuer or public company, that at least: a) strategies and strategic policies of issuer or public company; b) comparison between achievement of results and targets; and c) constraints experienced by issuer or public company; 2) description of business prospects; 3) implementation of issuer or public company's governance; and 4) changes in the composition of the board of directors and reasons for such changes (if any).	34-40
d	Board of Commissioners' Report	Report from Board of Commissioners' at least contains: 1) assessment on the performance of the directors in managing the issuer or public; 2) supervision of implementation of issuer or public company's strategies; 3) views on the business prospects of issuer or public company established by the.; 4) views on the implementation of issuer or public company's governance; 5) changes in the composition of board of commissioners and reasons for such changes; and 6) frequency and method of advising the member of directors.	28-32
e	Profile of Issuer or Public Company	The Issuer or Public Copmany's Profile at least contains: 1) name of issuer or public company, including, if any, changes in names, reasons for such changes, and the effective date of name; 2) access to issuer or public company, including branch or representative offices that enables people to obtain information: a) address; b) telephone number; c) facsimile number; d) e-mail address; and e) web site address. 3) brief history of the issuer or public company; 4) vission dan mission of issuer or public company; 5) business activities under the latest articles of association, business activities conducted during the financial year, and type of goods and/ or services offered;	6-9 7 50-51 48-49 52-53

CRITERIA	EXPLANATION	PAGES
	6) organizational structure of issuer or public company in a form of chart, of at least to 1 (one) structural level under the directors, with name and position included;	62-63
	7) profile of the directors, consisting of at least: a) name and position that corresponds to the duties and responsibilities; b) latest photograph; c) age; d) nationality; e) educational background.; f) employment record, consisting of (1) legal basis of being appointed as member of directors for the first time at the related issuer or public company; (2) double position, either as member of directors, commissioners, and/or committee as well as other positions (if any); and (3) work experience and the time period both inside and outside the issuer or public company; g) education and/or trainings participated by member of directors in enhancing the competencies within a financial year (if any); and h) affiliation with other member of directors, commissioners, and major shareholders (if any), consisting of the names of affiliated parties;	74-83
	8) Profile of Board of Commissioners, consisting of: a) Name; b) Latest photograph; c) Age; d) Nationality; e) Educational background; f) Employment record, consisting of: (1) Legal basis of being appointed as member of Board of Commissioners that is not of Independent Commissioners at the related Issuer or Public Company; (2) Legal basis of being appointed as member of Board of Commissioners that is of Independent Commissioners at the related Issuer or Public Company; (3) Double position, either as member of Board of Commissioners, Directors, and/or Committee, as well as other positions (if any); and (4) Work experience and the time period both inside and outside the Issuer or Public Company; g) Education and/or trainings participated by member of Board of Commissioners in enhancing the competencies within a financial year (if any); h) Affiliation with other member of Board of Commissioners and Major Shareholders (if any), consisting of the names of affiliated parties; and i) Independence Commissioners' disclosure of independency in terms of the board has served more than 2 period (if any).	64-73
	9) In the event of a change in the composition of the Board of Commissioners and/or Directors taking place after the fiscal year until the deadline of Annual Report submission, management composition stated in the Annual Report is then the composition of the Board of Commissioners and/or Directors both the latest and the previous one;	7, 81-82
	10) Number of employees and description of the range of educational background and ages in a financial year;	86-89
	11) Name of Shareholders and ownership percentage at the end of financial year. Information includes among others: a) Shareholders having 5% (five percent) or more shares of Issuer or Public Company; b) Member of Directors and Board of Commissioners owning shares of Issuer or Public Company; and c) Group of public shareholders each having less than 5% (five percent) share ownership of Issuer or Public Company;	89-91
	12) Number of shareholders and ownership percentage per financial year end presented in the following classifications a) Local institution ownership; b) Foreign institution ownership; c) Local individual ownership ; and d) Foreign individual ownership;	89-91
	13) Information concerning major and controlling shareholder of Issuer or Public Company, both direct and indirect, until the individual owner, presented in the form of scheme or diagram;	92-93

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	14) Names of subsidiaries, associated companies, joint ventures in which Issuer or Public Company owns control with the entities, along with the percentage of share ownership, line of business, total asset, and operating status of such companies (if any); For subsidiaries, information on company address should be added;	94-98
	15) Chronology of shares listing, number of shares, share value, and offering price from the beginning of listing up to the end of the financial year and name of Stock Exchange where Issuer or Public Company's shares are listed (if any);	98-99
	16) Chronology of other securities listing other than the securities referred to in point 15) that contains the least securities' name, year of issuance, maturity date, offering value, and rating (if any);	100-101
	17) Names and addresses of institutions and/or capital market supporting professionals;	102-103
	18) In the event that capital market supporting professionals provide services periodically to the Issuer or Public Company, there should be information on services provided, fees and period of assignment; and	102-103
	19) Award and certification received by the Issuer or Public Company, both national and international scale during the fiscal year (if any), that includes: a) Name of Award and/or certification; b) Rewarding body or institution; and c) Validity period of the award and/or certification (if any).	54-60
f. Management Discussion and Analysis	Annual Report must contain discussion and analysis of Financial Report and other significant information by emphasizing material changes taking place during the year under review. It should at least contain: 1) Operational review by business segment in accordance with the industry of Issuer or Public Company, consisting of at least: a) Production, which includes process, capacity and its development; b) Revenue and c) Profitability.	107-120
	2) Comprehensive financial performance including a comparison between the financial performance of the last two financial years, explanation on the causes of such changes and their impact, which among others includes: a) Current assets, non-current assets, and total assets; b) Short-term liabilities, long-term liabilities, and total liabilities; c) Equity; d) Revenue, expenses and profit (loss), other comprehensive revenue and comprehensive income (loss); and e) Cash flow;	122-139
	3) Capability to pay debts by presenting relevant ratio;	140
	4) Collectable accounts of Issuer or Public Company receivable by presenting relevant ratio;	140
	5) Capital structure and Management's policies on the capital structure, as well as basis of the policy making;	141
	6) Discussion on material commitment for the investment of capital goods with explanation concerning: a) Purpose of such commitment; b) Sources of funds expected to fulfill the said commitment; c) Currency of denomination; d) Steps taken by the Issuer or Public Company to protect the position of related foreign currency against risks;	144
	7) Discussion on capital goods investments realized within the last financial year, that at least contains: a) Type of capital goods investments; b) Purpose of capital goods investments; c) Value of capital goods investments issued.	142
	8) Material information and facts occurring after the date of accountant's report (if any);	146

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	9) Business prospects of Issuer or Public Company in relation to the industry, economy in general, and international market, and accompanied with the supporting quantitative data from reliable data resource;	151-152
	10) Comparison between target/projection at the beginning of financial year and the realization, that includes:: a) Revenue; b) Profit (loss); c) Capital structure; or d) Other information deemed necessary by the Issuer or Public Company.	153
	11) Target/projection of the Issuer or Public Company within 1 (one) year, that includes: a) Revenue; b) Profit (loss); c) Capital structure; d) Dividend policy; or e) Other information deemed necessary by the Issuer or Public Company.	154
	12) Marketing aspects of the goods and/or services of Issuer or Public Company, including among others marketing strategies and market share;	156-157
	13) Description of dividend during the past 2 (two) financial years (if any), includes at least: a) Dividend policy; b) Date of cash dividend payment and/or date of non-cash dividend distribution; c) Amount of dividend per share (cash and/or non-cash); and d) Amount of dividend paid per year.	154
	14) Realization of the use of proceeds from Public Offering is under the following conditions: a) In the event that during the financial year reported, the Issuer is obliged to submit Report on Realization of Use of Proceeds, then Annual Report should disclose accumulated realization of use of proceeds until the end of the financial year; and b) In the event that there is a change in the use of proceeds as stipulated in Financial Services Authority Regulation on Report on Realization of Use of Proceeds, the Issuer should then explain such change;	155
	15) Material information (if any) concerning, among others investment, expansion, divestment, merge, acquisition, debt/capital restructuring, affiliated transaction, and transaction with conflict of interests, taking place during the financial year (if any). Information includes: a) Date, value and object of transaction; b) Name of transacting parties; c) Nature of affiliated relation (if any); d) Explanation of fairness of transaction; and e) Compliance with related rules and regulations.	155
	16) Description of changes in regulation which have a significant effect on the Issuer or Public Company and its impacts on the financial report (if any); and	158-160
	17) Changes in the accounting policy, rationale and impacts on the financial statement (if any);	161

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g	Governance of Issuer or Public Company	201-211 174-181
	<p>Governance of Issuer or Public Company at least contains brief description of:</p> <p>1) Directors, consisting of among others:</p> <p>a) Scope of work and responsibility of each member of the Directors;</p> <p>b) Disclosure that the Directors have charter of Directors;</p> <p>c) Disclosure of procedures, basis of decision, and amount of remuneration for members of Directors, along with the relation between remuneration and the performance of Issuer or Public Company;</p> <p>d) Disclosure of company policies and the implementation on frequency of Directors meetings, including joint meetings with the Board of Commissioners and attendance of members of Directors in such meetings;</p> <p>e) Disclosure of resolutions of GMS of 1 (one) previous year and the realization during the fiscal year, along with reasons in the event that there is a resolution not yet realized:</p> <p>(1) Resolutions of GMS realized in one financial year; and</p> <p>(2) Reasons in the event that there is a resolution not yet realized.</p> <p>f) Disclosure of resolutions of GMS during financial year, that includes:</p> <p>(1) Resolutions of GMS realized in one financial year; and</p> <p>(2) Reasons in the event that there is a resolution not yet realized; and</p> <p>g) Disclosure of company policies on performance assessment of members of Directors;</p>	182-190
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	<p>3) Sharia Supervisory Board, for Issuer or Public Company running business under the principles of sharia as expressed in the Articles of Association, contains at least:</p> <p>a) Name;</p> <p>b) Tasks and responsibilities of Sharia Supervisory Board; and</p> <p>c) Frequency and method of advising and supervisory on the compliance of Sharia Principles in Capital Market toward the Issuer or Public Company;</p>	-

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	<p>4) Audit Committee, consisting of among others:</p> <p>a) Name and position in the committee;</p> <p>b) Age;</p> <p>c) Nationality;</p> <p>d) Educational background;</p> <p>e) Employment record, consisting of:</p> <p>(1) Legal basis of appointment as member of committee;</p> <p>(2) Double position, either as member of Board of Commissioners, Directors, and/or committee and other positions (if any); and</p> <p>(3) Work experience and the time period, both inside and outside the Issuer or Public Company;</p> <p>f) Period of service of Audit Committee members;</p> <p>g) Disclosure of independence of Audit Committee;</p> <p>h) Disclosure of company policies and the implementation on frequency of Audit Committee meetings and the attendance of Audit Committee members in such meetings;</p> <p>i) Education and/or trainings participated within a financial year (if any); and</p> <p>j) Brief description activities carried out by Audit Committee during the financial year based on what is stated in Audit Committee Charter;</p>	190-194
	<p>5) Other committees the Issuer or Public Company has in order to support the function and tasks of Directors and/or Board of Commissioners, such as Nomination and Remuneration Committee, consisting of among others:</p> <p>a) Name and position in the committee.;</p> <p>b) Age;</p> <p>c) Nationality;</p> <p>d) Educational background;</p> <p>e) Employment record, consisting of:</p> <p>(1) Legas basis of appointment as committee member;</p> <p>(2) Double position, either as member of Board of Commissioners, Directors and/or committee and the other positions (if any); and</p> <p>(3) Work experience and the time period both inside and outside the Issuer or Public Company;</p> <p>f) Period of service of committee members;</p> <p>g) Description of the tasks and responsibilities;</p> <p>h) Disclosure that the committee has charter of committee;</p> <p>i) Disclosure of independence of committee members;</p> <p>j) Disclosure of company policies and the implementation on frequency of committee meetings and the attendance of committee members in such meetings;</p> <p>k) Education and/or trainings participated within a financial year (if any); and</p> <p>l) Brief description activities carried out by committee during the financial year;</p>	194-201
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CRITERIA	EXPLANATION	PAGES
	8) Description of internal control system implemented by Issuer or Public Company, consisting of at least: a) Operational and financial control, along with compliance with other prevailing rules and regulations; and b) Review on effectiveness of internal control system;	216-217
	9) Risk management system implemented by Issuer or Public Company, consisting of at least: a) General description of risk management system of Issuer or Public Company; b) Types of risks and efforts to manage such risks; and c) Review on effectiveness of the risk management system of Issuer or Public Company;	217-224
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	14) Explanation on employees and/or Management share ownership program carried out by Issuer or Public Company, including among others amount, period of time, requirements for eligible employees and/or Management, and exercise price (if any): a) Amount of share and/or options; b) Time period of exercise; c) Requirements for eligible employees and/or Management; and d) Exercise price;	234
	15) Explanation on Whistleblowing System at the Issuer or Public Company to report misconducts causing potential loss to the company or the stakeholders (if any), consisting of among others: a) Means of submitting the report on misconducts; b) Protection for whistleblower; c) Handling of whistleblowing; d) Party managing whistleblowing; and e) Results of whistleblowing handling, consisting of at least: (1) Number of whistleblowing registered and processed in financial year; and (2) Follow up of whistleblowing;	224-226
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CRITERIA	EXPLANATION	PAGES
h	Social and Environmental Responsibility of Issuer or Public Company	238-249 and SR
	<p>1) Information on Issuer or Public Company's social and environmental responsibility consisting of policies, types of programs, and cost, in relation of the aspects of among others::</p> <p>a) Environment, among others:</p> <p>(1) Use of environmentally friendly and recyclable material and energy;</p> <p>(2) Issuer or Public Company's waste management system;</p> <p>(3) Mechanisms of complaints on environmental concern;</p> <p>(4) Certification in the field of environment;</p> <p>b) Labor practices, occupational health and safety, among others:</p> <p>(1) Equality in gender and work opportunity;</p> <p>(2) Work facility and safety;</p> <p>(3) Employees turnover;</p> <p>(4) Level of work accident;</p> <p>(5) Eduation and/or training.</p> <p>(6) Remuneration; and</p> <p>(7) Mechanisms of complaints on Employment concern;</p> <p>c) Social and community development, among others:</p> <p>(1) Use of local work force;</p> <p>(2) Empowerment of the Issuer or Public Company's surrounding community, among others by the use of raw materials produced by the community or provision of education to the community;</p> <p>(3) Improvement of social facilities and infrastructure;</p> <p>(4) Other forms of donations; and</p> <p>(5) Communication on anti currption policy and procedure in the Issue or Public Company, as well as training on anti corruption (if any).</p> <p>d) Product and/or services responsibility, among others:</p> <p>(1) Consumers' health and safety;</p> <p>(2) Product and/or services information; and</p> <p>(3) Facilities for customers' complaints, number of complaints and complaints handling.</p>	
	2) Issuer or Public Company may disclose information referred to in point 1) as part of the Annual Report or in a separate report, such as submitted at the same time as Sustainability Report or Corporate Social Responsibility Report, and therefore the Issuer or Public Company is excluded to disclose information on social and environmental responsibility in the Anuual Report; and	✓
	3) The report reffered to in point 2) is submitted to Financial Services Authority at the same time as the Annual Report submission.	✓
i	Audited Financial Report	✓
	The Financial Report contained in the Annual Report should be presented in accordance with Financial Accounting Standard in Indonesia and has been audited by Accountant. The said Financial Report should contain statement regarding responsibility on the Financial Report in compliance with Regulations in Capital Market sector on the Directors' responsibility to the Financial Report or Regulations in Capital Market sector on periodical report of Securities Companies in the event that the Issuer is a Securities Company; dan	
j	Statement of members of Directors and Board of Commissioners on the Responsibility for the Annual Report	42
	Statement of members of Directors and Board of Commissioners on the Responsibility for the Annual Report is composed in accordance to the format of Statement of members of Directors and Board of Commissioners on the Responsibility for the Annual Report as attached in the Appendix as an inseparable part of the FSA Circulation Letter..	

FEEDBACK FORM OF PT TELKOM INDONESIA (PERSERO) TBK 2016 ANNUAL REPORT

Thank you for reading our 2016 Annual Report. To improve the quality of future Annual Report, we would like to ask you to provide us with feedback by completing the following form:

Questions.

1. In your opinion , this Annual Report provides information on various activities implemented by PT Telkom Indonesia (Persero) Tbk.

SA A M D SD

2. In your opinion , the material in this Annual Report includes data and information are easily understood.

SA A M D SD

3. In your opinion , the material in this Annual Report includes data and information are sufficiently complete

SA A M D SD

4. In your opinion, the material in this Annual Report includes data and information are accountable and can be validated for decision making process

SA A M D SD

Notes:

SA: Strongly Agree A: Agree M: Moderate D: Disagree SD: Strongly Disagree

5. In your opinion, what information do you feel was useful in this Annual Report??

- a.
b.
c.

6. In your opinion, what information do you feel was not useful in this Annual Report?

- a.
b.
c.

7. In your opinion, the information in this Annual Report is well presented, well designed and laid out with suitable photographs?

- a.
b.
c.

8. In your opinion, what information was missing or incomplete and should be included in future Annual Report?

- a.
b.
c.

Your Profile

Full Name :
Age and Gender : Yrs M / F
Institution/Company :
Type of Institution/Company : Government Industry Media
 NGO Public Other

Please send back this form to :

PT Telekomunikasi Indonesia, Tbk.

Investor Relations
Grha Merah Putih 5th Floor
Jl. Jend. Gatot Subroto Kav. 52
Jakarta 12710, Indonesia
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CONSOLIDATED FINANCIAL STATEMENT

2016 Audited Consolidated Financial Statement
2016 Audited PKBL Financial Statement



Perusahaan Perseroan (Persero)
PT Telekomunikasi Indonesia Tbk and its subsidiaries

Consolidated financial statements as of December 31, 2016 and for the
year then ended with independent auditor's report



**Statement of the Board of Directors
regarding the Board of Director's Responsibility for**

**Consolidated Financial Statements
as of December 31, 2016 and for the year ended
Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk and its Subsidiaries**

On behalf of the Board of Directors, we undersigned:

1. Name : Alex J. Sinaga
Business address : Jl. Japati No.1 Bandung 40133
Address : Jl. Anggrek Nelimurni B-70 No. 38 Kelurahan Kemanggisan
Kecamatan Palmerah, Jakarta Barat
Phone : (022) 452 7101
Position : President Director
2. Name : Harry M. Zen
Business address : Jl. Japati No.1 Bandung 40133
Address : Jl. Zeni AD VI No. 4 Kelurahan Rawajati
Kecamatan Pancoran, Jakarta Selatan
Phone : (022) 452 7201/ 021 520 9824
Position : Director of Finance

We hereby state as follows:

1. We are responsible for the preparation and presentation of the consolidated financial statement of PT Telekomunikasi Indonesia Tbk (the "Company") and its subsidiaries;
2. The Company and its subsidiaries' consolidated financial statement have been prepared and presented in accordance with Indonesian financial accounting standards;
3. All information has been fully and correctly disclosed in the Company and its subsidiaries' consolidated financial statement;
4. The Company and its subsidiaries' consolidated financial statement do not contain false material information or facts, nor do they omit any material information or facts;
5. We are responsible for the Company and its subsidiaries' internal control system.

This statement is considered to be true and correct.

Jakarta, March 2, 2017



Alex J. Sinaga
President Director

Harry M. Zen
Director of Finance



**PERUSAHAAN PESEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016 AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITOR'S REPORT**

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Purwanto, Sungkoro & Surja

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Tower 2, 7th Floor
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Jakarta 12190, Indonesia

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ey.com/id

This report is originally issued in Indonesian language

Independent Auditor's Report

Report No. RPC-3069/PSS/2017

The Shareholders, the Boards of Commissioners and Directors of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk

We have audited the accompanying consolidated financial statements of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditors' Report (continued)

Report No. RPC-3069/PSS/2017 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk and its subsidiaries as of December 31, 2016, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Purwantono, Sungkoro & Surja

Feniwati Chendana, CPA
Public Accountant Registration No. AP.0694

March 2, 2017

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

	Notes	2016	2015
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,2e,2u,3,31,37	29,767	28,117
Other current financial assets	2c,2e,2u,4,31,37	1,471	2,818
Trade receivables - net of provision for impairment of receivables	2g,2u,2ab,5,37		
Related parties	2c,31	894	1,104
Third parties		6,469	6,413
Other receivables - net of provision for impairment of receivables	2g,2u,37	537	355
Inventories - net of provision for obsolescence	2h,6	584	528
Advances and prepaid expenses	2c,2i,2m,7,31	5,246	5,839
Claim for tax refund	2t,26	592	66
Prepaid taxes	2t,26	2,138	2,672
Assets held for sale	2j,9	3	-
Total Current Assets		47,701	47,912
NON-CURRENT ASSETS			
Long-term investments	2f,8	1,847	1,807
Property and equipment - net of accumulated depreciation	2l,2m,2aa,9,34	114,498	103,700
Prepaid pension benefit cost	2s,29	199	1,331
Advances and other non-current assets	2c,2g,2i,2n,2u,10,31,37	11,508	8,166
Intangible assets - net of accumulated amortization	2d,2k,2n,2aa,11	3,089	3,056
Deferred tax assets - net	2t,26	769	201
Total Non-current Assets		131,910	118,261
TOTAL ASSETS		179,611	166,173
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables	2o,2u,12,37		
Related parties	2c,31	1,547	2,075
Third parties		11,971	11,919
Other payables	2u,37	172	290
Taxes payable	2t,26	2,954	3,273
Accrued expenses	2c,2u,13,31,37	11,283	8,247
Unearned income	2r,14	5,563	4,360
Advances from customers and suppliers	2c,31	840	805
Short-term bank loans	2c,2m,2p,2u,15a,31,37	911	602
Current maturities of long-term borrowings	2c,2m,2p,2u,15b,31,37	4,521	3,842
Total Current Liabilities		39,762	35,413
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	2t,26	745	2,110
Unearned income	2r,14	425	371
Other liabilities		29	11
Long service award provisions	2s,30	613	501
Pension benefits and other post-employment benefits obligations	2s,29	6,126	4,171
Long-term borrowings - net of current maturities	2c,2m,2p,2u,16,31,37	26,367	30,168
Total Non-current Liabilities		34,305	37,332
TOTAL LIABILITIES		74,067	72,745
EQUITY			
Capital stock	1c,18	5,040	5,040
Additional paid-in capital	2v,19	4,931	2,935
Treasury stock	2v,20	(2,541)	(3,804)
Other equity	2f,2u,21	339	508
Retained earnings			
Appropriated	28	15,337	15,337
Unappropriated		61,278	55,120
Net equity attributable to:			
Owners of the Parent Company		84,384	75,136
Non-controlling interests	2b,17	21,160	18,292
TOTAL EQUITY		105,544	93,428
TOTAL LIABILITIES AND EQUITY		179,611	166,173

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2016
(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

	Notes	2016	2015
REVENUES	2c,2r,22,31	116,333	102,470
Operation, maintenance and telecommunication service expenses	2c,2r,24,31	(31,263)	(28,116)
Depreciation and amortization expenses	2k,2l,2m,9,11	(18,532)	(18,534)
Personnel expenses	2c,2r,2s,23,31	(13,612)	(11,874)
Interconnection expenses	2c,2r,31	(3,218)	(3,586)
General and administrative expenses	2c,2r,25,31	(4,610)	(4,204)
Marketing expenses	2r	(4,132)	(3,275)
Loss on foreign exchange - net	2q	(52)	(46)
Other income	2l,2r,9c	750	1,500
Other expenses	2r,9c	(2,469)	(1,917)
OPERATING PROFIT		39,195	32,418
Finance income	2c,31	1,716	1,407
Finance costs	2c,2p,2r,31	(2,810)	(2,481)
Share of profit (loss) of associated companies	2f,8	88	(2)
PROFIT BEFORE INCOME TAX		38,189	31,342
INCOME TAX (EXPENSE) BENEFIT	2t,26		
Current		(10,738)	(8,365)
Deferred		1,721	340
		(9,017)	(8,025)
PROFIT FOR THE YEAR		29,172	23,317
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation	2f,2q,21	(40)	128
Change in fair value of available-for-sale financial assets	2u,21	0	(1)
Share of other comprehensive income of associated companies	2f,8	(1)	(2)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit plan actuarial (loss) gain – net of tax	2s,29	(2,058)	506
Other comprehensive income - net		(2,099)	631
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,073	23,948
Profit for the year attributable to:			
Owners of the parent company		19,352	15,489
Non-controlling interests	2b,17	9,820	7,828
		29,172	23,317
Total comprehensive income for the year attributable to:			
Owners of the parent company		17,331	16,130
Non-controlling interests	2b,17	9,742	7,818
		27,073	23,948
BASIC AND DILUTED EARNINGS PER SHARE			
(in full amount)	2x,27		
Net income per share		196.19	157.77
Net income per ADS (100 Series B shares per ADS)		19,619.11	15,777.00

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2016
(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

Descriptions	Notes	Attributable to owners of the parent company							Non-controlling interests	Total equity
		Capital stock	Additional paid-in capital	Treasury stock	Other equity	Retained earnings		Net		
						Appropriated	Unappropriated			
Balance, January 1, 2016		5,040	2,935	(3,804)	508	15,337	55,120	75,136	18,292	93,428
Capital contribution		-	-	-	-	-	-	-	183	183
Acquisition of a business		-	-	-	-	-	-	-	10	10
Acquisition of non-controlling interest	1d	-	-	-	(129)	-	-	(129)	(9)	(138)
Cash dividends	2w,28	-	-	-	-	-	(11,213)	(11,213)	(7,058)	(18,271)
Sale of treasury stock	20	-	1,996	1,263	-	-	-	3,259	-	3,259
Profit for the year	2b,17	-	-	-	-	-	19,352	19,352	9,820	29,172
Other comprehensive income	2f,2q,2s,2u,17	-	-	-	(40)	-	(1,981)	(2,021)	(78)	(2,099)
Balance, December 31, 2016		5,040	4,931	(2,541)	339	15,337	61,278	84,384	21,160	105,544

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the Year Ended December 31, 2015
(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

Descriptions	Notes	Attributable to owners of the parent company							Non-controlling interests	Total equity
		Capital stock	Additional paid-in capital	Treasury stock	Other equity	Retained earnings		Net		
						Appropriated	Unappropriated			
Balance, January 1, 2015		5,040	2,899	(3,836)	381	15,337	47,900	67,721	18,271	85,992
Capital contribution		-	-	-	-	-	-	-	34	34
Cash dividends	2w, 28	-	-	-	-	-	(8,783)	(8,783)	(7,831)	(16,614)
Sale of treasury stock	20	-	36	32	-	-	-	68	-	68
Profit for the year	2b,17	-	-	-	-	-	15,489	15,489	7,828	23,317
Other comprehensive income	2f,2q,2s,2u,17	-	-	-	127	-	514	641	(10)	631
Balance, December 31, 2015		5,040	2,935	(3,804)	508	15,337	55,120	75,136	18,292	93,428

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

These consolidated financial statements are originally issued in Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
For the Year Ended December 31, 2016
(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from:			
Customers		113,288	98,002
Other operators		2,828	2,700
Total cash receipts from customers and other operators		116,116	100,702
Interest income received		1,736	1,386
Cash payments for expenses		(42,433)	(35,922)
Payments for corporate and final income taxes		(11,304)	(9,299)
Cash payments to employees		(11,207)	(10,940)
Payments for interest costs		(3,455)	(2,623)
Payments for value added taxes - net		(2,696)	(210)
Other cash receipts - net		474	575
Net cash provided by operating activities		47,231	43,669
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of time deposits and available-for-sale financial assets		2,159	-
Proceeds from sale of property and equipment	9	765	733
Proceeds from insurance claims	9	60	119
Dividends received from associated company	8	23	18
Purchase of property and equipment	9,39	(26,787)	(26,499)
(Increase) decrease in advances for purchases of property and equipment		(1,338)	(67)
Purchase of intangible assets	11,39	(1,098)	(1,439)
Placement in time deposits and available-for-sale financial assets		(983)	(146)
Acquisition of non-controlling interests in subsidiaries	1d	(138)	-
Business acquisition - net of acquired cash	1d	(137)	(114)
Additional contribution on long-term investments	8	(43)	(62)
(Increase) decrease in other assets		(40)	36
Net cash used in investing activities		(27,557)	(27,421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans and other borrowings	15,16	7,479	20,561
Proceeds from sale of treasury stock	20	3,259	68
Capital contribution of non-controlling interests in subsidiaries		183	5
Cash dividends paid to the Company's stockholders	28	(11,213)	(8,783)
Repayments of bank loans and other borrowings	15,16	(10,555)	(10,427)
Cash dividends paid to non-controlling interests of subsidiaries		(7,058)	(7,831)
Net cash used in financing activities		(17,905)	(6,407)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,769	9,841
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(119)	604
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	28,117	17,672
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	29,767	28,117

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2016 and for the Year Then Ended
(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL

a. Establishment and general information

Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk (the "Company") was originally part of "Post en Telegraafdienst", which was established and operated commercially in 1884 under the framework of Decree No. 7 dated March 27, 1884 of the Governor General of the Dutch Indies. Decree No. 7 was published in State Gazette No. 52 dated April 3, 1884.

In 1991, the status of the Company was changed into a state-owned limited liability corporation ("Persero") based on Government Regulation No. 25/1991. The ultimate parent of the Company is the Government of the Republic of Indonesia (the "Government") (Notes 1c and 18).

The Company was established based on notarial deed No. 128 dated September 24, 1991 of Imas Fatimah, S.H. Its deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-6870.HT.01.01.Th.1991 dated November 19, 1991 and was published in State Gazette No. 5 dated January 17, 1992, Supplement No. 210. The Articles of Association has been amended several times, the latest amendment of which was about, among others, in compliance with the Financial Services Authority Regulations and the Ministry of State-Owned Enterprises Regulations and Circular Letters, addition of main and supporting business activities of the Company, addition of special right of Series A Dwiwarna stockholders, revision regarding the change in authority limitation of the Board of Directors which requires approval from the Board of Commissioners in performing such managing activities of the Company as well as improvement in the editorial and systematic of Articles of Association related to the addition of Articles of Association substance based on notarial deed No. 20 dated May 12, 2015 of Ashoya Ratam, S.H., MKn. The latest amendment was accepted and approved by the Ministry of Law and Human Rights of the Republic of Indonesia ("MoLHR") in its Letter No. AHU-AH.01.03-0938775 dated June 9, 2015 and MoLHR decision's No. AHU-0936901.AH.01.02.Th.2015 dated June 9, 2015.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities is to provide telecommunication network and telecommunication and information services, and to optimize the Company's resources in accordance with prevailing regulations. In regard to achieve objective, the Company is involved in the following activities:

a. Main business:

- i. Planning, building, providing, developing, operating, marketing or selling or leasing, and maintaining telecommunications and information networks in a broad sense in accordance with prevailing regulations.
- ii. Planning, developing, providing, marketing/selling, and improving telecommunications and information services in a broad sense in accordance with prevailing regulations.
- iii. Investing including equity capital in other companies in line with achieving the purposes and objectives of the Company.

b. Supporting business:

- i. Providing payment transactions and money transferring services through telecommunications and information networks.
- ii. Performing activities and other undertakings in connection with the optimization of the Company's resources, which among others, include the utilization of the Company's property and equipment and moving assets, information systems, education and training, repairs and maintenance facilities.
- iii. Collaborating with other parties in order to optimize the information, communication or technology resources owned by other parties as service provider in information, communication and technology industry as to achieve the purposes and objectives of the Company.

The Company's head office is located at Jalan Japati No. 1, Bandung, West Java.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2016 and for the Year Then Ended
(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

a. Establishment and general information (continued)

The Company was granted several networks and/or services licenses by the Government which are valid for an unlimited period of time as long as the Company complies with prevailing laws and fulfills the obligation stated in those licenses. For every license issued by the Ministry of Communication and Information (“MoCI”), an evaluation is performed annually and an overall evaluation is performed every 5 (five) years. The Company is obliged to submit reports of networks and/or services annually to the Indonesian Directorate General of Post and Informatics (“DGPI”), which replaced the previous Indonesian Directorate General of Post and Telecommunications (“DGPT”).

The reports comprise information such as network development progress, service quality standard achievement, numbers of customers, license payment and universal service contribution, while for internet telephone services for public purpose, Internet Interconnection Service, and Internet Access Service, there are additional informations required such as operational performance, customer segmentation, traffic, and gross revenue.

Details of these licenses are as follows:

License	License No.	Type of services	Grant date/latest renewal date
License of electronic money issuer	Bank Indonesia License No. 11/432/DASP	Electronic money	July 3, 2009
License of money remittance	Bank Indonesia License No. 11/23/bd/8	Money remittance service	August 5, 2009
License to operate internet service provider	302/KEP/DJPPI/KOMINFO/8/2013	Internet service provider	August 2, 2013
License to operate network access point	331/KEP/DJPPI/KOMINFO/09/2013	Network Access Point	September 24, 2013
License to operate internet telephone services for public purpose	127/KEP/DJPPI/KOMINFO/3/2016	Internet telephone services for public purpose	March 30, 2016
License to operate fixed domestic long distance network	839/KEP/M.KOMINFO/05/2016	Fixed domestic long distance and basic telephone services network	May 16, 2016
License to operate fixed international network	846/KEP/M.KOMINFO/05/2016	Fixed international and basic telephone services network	May 16, 2016
License to operate fixed closed network	844/KEP/M.KOMINFO/05/2016	Fixed closed network	May 16, 2016
License to operate circuit switched based local fixed line network	948/KEP/M.KOMINFO/05/2016	Circuit Switched based local fixed line network	May 31, 2016
License to operate data communication system services	191/KEP/DJPPI/KOMINFO/10/2016	Data communication system services	October 31, 2016

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1. GENERAL (continued)

b. Company's Board of Commissioners, Directors, Audit Committee, Corporate Secretary and Employees

1. Board of Commissioners and Directors

Based on resolutions made at Annual General Meeting ("AGM") of Stockholders of the Company as covered by notarial deed No. 50 of Ashoya Ratam, S.H., MKn., dated April 22, 2016, and AGM of Stockholders of the Company as covered by notarial deed No. 26 of Ashoya Ratam, S.H., MKn., dated April 17, 2015, the composition of the Company's Boards of Commissioners and Directors as of December 31, 2016 and 2015, respectively, was as follows:

	2016	2015
President Commissioner	Hendri Saparini	Hendri Saparini
Commissioner	Dolfie Othniel Fredric Palit	Dolfie Othniel Fredric Palit
Commissioner	Hadiyanto	Hadiyanto
Commissioner	Pontas Tambunan	Margiyono Darsasumarja
Independent Commissioner	Rinaldi Firmansyah	Rinaldi Firmansyah
Independent Commissioner	Margiyono Darsasumarja	Parikesit Suprpto
Independent Commissioner	Pamiyati Pamela Johanna	Pamiyati Pamela Johanna
President Director	Alex Janangkih Sinaga	Alex Janangkih Sinaga
Director of Finance	Harry Mozarta Zen	Heri Sunaryadi
Director of Digital and Strategic Portfolio	Indra Utoyo	Indra Utoyo
Director of Enterprise and Business Service*	-	Muhammad Awaluddin
Director of Wholesale and International Services	Honesti Basyir	Honesti Basyir
Director of Human Capital Management	Herdy Rosadi Harman	Herdy Rosadi Harman
Director of Network, Information Technology and Solution	Abdus Somad Arief	Abdus Somad Arief
Director of Consumer Service	Dian Rachmawan	Dian Rachmawan

*On September 9, 2016, Muhammad Awaluddin was appointed as Director of PT Angkasa Pura II. Based on Board of Directors' decision No. 33/REG/IX/2016 dated September 13, 2016, Honesti Basyir as Director of Wholesale and International Service was appointed to act as Director of Enterprise and Business Service.

2. Audit Committee and Corporate Secretary

The composition of the Company's Audit Committee and the Corporate Secretary as of December 31, 2016 and 2015, were as follows:

	2016*	2015
Chairman	Rinaldi Firmansyah	Rinaldi Firmansyah
Secretary	Tjatur Purwadi	Tjatur Purwadi
Member	Margiyono Darsasumarja	Parikesit Suprpto
Member	Dolfie Othniel Fredric Palit	Dolfie Othniel Fredric Palit
Member	Sarimin Mietra Sardi	-
Member	Pontas Tambunan	-
Corporate Secretary	Andi Setiawan	Andi Setiawan

*The changes of Audit Committee are based on Board of Commissioners' decision No. 09/KEP/DK/2016 dated July 27, 2016.

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1. GENERAL (continued)

b. Company's Board of Commissioners, Directors, Audit Committee, Corporate Secretary and Employees (continued)

3. Employees

As of December 31, 2016 and 2015, the Company and subsidiaries ("Group") had 23,876 employees and 24,785 employees (unaudited), respectively.

c. Public offering of securities of the Company

The Company's shares prior to its Initial Public Offering ("IPO") totalled 8,400,000,000, consisting of 8,399,999,999 Series B shares and 1 Series A Dwiwarna share, and were wholly-owned by the Government. On November 14, 1995, 933,333,000 new Series B shares and 233,334,000 Series B shares owned by the Government were offered to the public through an IPO and listed on the Indonesia Stock Exchange ("IDX") and 700,000,000 Series B shares owned by the Government were offered to the public and listed on the New York Stock Exchange ("NYSE") and the London Stock Exchange ("LSE"), in the form of American Depositary Shares ("ADS"). There were 35,000,000 ADS and each ADS represented 20 Series B shares at that time.

In December 1996, the Government had a block sale of its 388,000,000 Series B shares, and in 1997, distributed 2,670,300 Series B shares as incentive to the Company's stockholders who did not sell their shares within one year from the date of the IPO. In May 1999, the Government further sold 898,000,000 Series B shares.

To comply with Law No. 1/1995 on Limited Liability Companies, at the AGM of Stockholders of the Company on April 16, 1999, the Company's stockholders resolved to increase the Company's issued share capital by the distribution of 746,666,640 bonus shares through the capitalization of certain additional paid-in capital, which were made to the Company's stockholders in August 1999. On August 16, 2007, Law No. 1/1995 on Limited Liability Companies was amended by the issuance of Law No. 40/2007 on Limited Liability Companies which became effective on the same date. Law No. 40/2007 has no effect on the public offering of shares of the Company. The Company has complied with Law No. 40/2007.

In December 2001, the Government had another block sale of 1,200,000,000 shares or 11.9% of the total outstanding Series B shares. In July 2002, the Government further sold a block of 312,000,000 shares or 3.1% of the total outstanding Series B shares.

At the AGM of Stockholders of the Company held on July 30, 2004, the minutes of which are covered by notarial deed No. 26 of A. Partomuan Pohan, S.H., LL.M., the Company's stockholders approved the Company's 2-for-1 stock split for Series A Dwiwarna and Series B share. The Series A Dwiwarna share with par value of Rp500 per share was split into 1 Series A Dwiwarna share with par value of Rp250 per share and 1 Series B share with par value of Rp250 per share. The stock split resulted in an increase of the Company's authorized capital stock from 1 Series A Dwiwarna share and 39,999,999,999 Series B shares to 1 Series A Dwiwarna share and 79,999,999,999 Series B shares, and the issued capital stock from 1 Series A Dwiwarna share and 10,079,999,639 Series B shares to 1 Series A Dwiwarna share and 20,159,999,279 Series B shares. After the stock split, each ADS represented 40 Series B shares.

During the EGM held on December 21, 2005 and the AGMs held on June 29, 2007, June 20, 2008 and May 19, 2011, the Company's stockholders approved phase I, II, III and IV plan, respectively, of the Company's program to repurchase its issued Series B shares (Note 20).

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1. GENERAL (continued)

c. Public offering of securities of the Company (continued)

During the period December 21, 2005 to June 20, 2007, the Company had bought back 211,290,500 shares from the public (stock repurchase program phase I). On July 30, 2013, the Company has sold all such shares (Note 20).

At the AGM held on April 19, 2013 as covered by notarial deed No. 38 dated April 19, 2013 of Ashoya Ratam, S.H., MKn., the stockholders approved the changes to the Company's plan on the treasury stock acquired under phase III (Note 20).

At the AGM held on April 19, 2013, the minutes of which were covered by notarial deed No. 38 of Ashoya Ratam, S.H., MKn., the stockholders approved the Company's 5-for-1 stock split for Series A Dwiwarna and Series B shares. Series A Dwiwarna share with par value of Rp250 per share was split into 1 Series A Dwiwarna share with par value of Rp50 per share and 4 Series B shares with par value Rp50 per share. The stock split resulted in an increase of the Company's authorized capital stock from 1 Series A Dwiwarna and 79,999,999,999 Series B shares to 1 Series A Dwiwarna and 399,999,999,999 Series B shares. The issued capital stock increase from 1 Series A Dwiwarna and 20,159,999,279 Series B shares to 1 Series A Dwiwarna and 100,799,996,399 Series B shares. After the stock split, each ADS represented 200 Series B shares. Effective from October 26, 2016, the Company conducted a ratio change of Depository Receipt from 1 ADS represents 200 series B shares become 1 ADS represents 100 series B shares (Note 18).

On May 16 and June 5, 2014, the Company deregistered from Tokyo Stock Exchange ("TSE") and delisted from the LSE, respectively.

As of December 31, 2016, all of the Company's Series B shares are listed on the IDX and 70,005,900 ADS shares are listed on the NYSE (Note 18).

On June 25, 2010 the Company issued the second rupiah bonds with a nominal amount of Rp1,005 billion for Series A, a five-year period and Rp1,995 billion for Series B, a ten-year period, respectively, are listed on the IDX (Note 16b.i).

On June 16, 2015, the Company issued Continuous Bonds I Telkom Phase I 2015, with a nominal amount Rp2,200 billion for Series A, a seven-year period, Rp2,100 billion for Series B, a ten-year period, Rp1,200 billion for Series C, a fifteen-year period and Rp1,500 billion for Series D, a thirty-year period, respectively which are listed on the IDX (Note 16b.i).

On December 21, 2015, the Company has sold the remaining shares of treasury stock phase III (Note 20).

On June 29, 2016, the Company has sold the shares of treasury stock phase IV (Note 20).

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1. GENERAL (continued)

d. Subsidiaries

As of December 31, 2016 and 2015, the Company has consolidated the following directly or indirectly owned subsidiaries (Notes 2b and 2d):

(i) Direct subsidiaries:

Subsidiary/place of incorporation	Nature of business/date of incorporation or acquisition by the Company	Year of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			2016	2015	2016	2015
PT Telekomunikasi Selular ("Telkomsel"), Jakarta, Indonesia	Telecommunication - provides telecommunication facilities and mobile cellular services using Global Systems for Mobile Communication ("GSM") technology / May 26, 1995	1995	65	65	89,781	84,086
PT Dayamitra Telekomunikasi ("Dayamitra"), Jakarta, Indonesia	Telecommunication/ May 17, 2001	1995	100	100	10,689	9,341
PT Multimedia Nusantara ("Metra"), Jakarta, Indonesia	Network telecommunication services and multimedia/ May 9, 2003	1998	100	100	10,020	8,563
PT Telekomunikasi Indonesia International ("TIIP"), Jakarta, Indonesia	Telecommunication/ July 31, 2003	1995	100	100	7,147	5,604
PT Telkom Akses ("Telkom Akses"), Jakarta, Indonesia	Construction, service and trade in the field of telecommunication/ November 26, 2012	2013	100	100	5,098	3,696
PT Graha Sarana Duta ("GSD"), Jakarta, Indonesia	Leasing of offices and providing building management and maintenance services, civil consultant and developer/ April 25, 2001	1982	99,99	99,99	4,333	3,581
PT PINS Indonesia ("PINS") Jakarta, Indonesia	Telecommunication construction and services/ August 15, 2002	1995	100	100	3,146	2,960
PT Infrastruktur Telekomunikasi Indonesia ("Telkom Infratel"), Jakarta, Indonesia	Construction, service and trade in the field of telecommunication/ January 16, 2014	2014	100	100	1,015	647
PT Patra Telekomunikasi Indonesia ("Patrakom"), Jakarta, Indonesia	Telecommunication - provides satellite communication system, services and facilities/ September 28, 1995	1996	100	100	472	472
PT Metranet ("Metranet"), Jakarta, Indonesia	Multimedia portal service/ April 17, 2009	2009	100	99,99	370	66
PT Jalin Pembayaran Nusantara ("Jalin"), Jakarta, Indonesia	Payment services – principal, switching, clearing and settlement activities/ November 3, 2016	2016	100	-	15	-
PT Napsindo Primatel Internasional ("Napsindo"), Jakarta, Indonesia	Telecommunication - provides Network Access Point (NAP), Voice Over Data (VOD) and other related services/ December 29, 1998	1999; ceased operations on January 13, 2006	60	60	5	5

These consolidated financial statements are originally issued in Indonesian language.

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1. GENERAL (continued)

d. Subsidiaries (continued)

(i) Indirect subsidiaries:

Subsidiary/place of incorporation	Nature of business/date of incorporation or acquisition by the Company	Year of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			2016	2015	2016	2015
PT Sigma Cipta Caraka ("Sigma"), Tangerang, Indonesia	Information technology service - system implementation and integration service, outsourcing and software license maintenance/ May 1, 1987	1988	100	100	4,289	3,587
Telekomunikasi Indonesia International Pte. Ltd., Singapore	Telecommunication/ December 6, 2007	2008	100	100	2,566	1,618
PT Infomedia Nusantara ("Infomedia"), Jakarta, Indonesia	Data and information service - provides telecommunication information services and other information services in the form of print and electronic media and call center services/ September 22, 1999	1984	100	100	1,860	1,622
PT Telkom Landmark Tower ("TLT"), Jakarta, Indonesia	Service for property development and management/ February 1, 2012	2012	55	55	1,683	1,245
Telekomunikasi Indonesia International ("TL") S.A., Timor Leste	Telecommunication/ September 11, 2012	2012	100	100	755	854
PT Metra Digital Media ("MD Media"), Jakarta, Indonesia	Directory information services/ January 22, 2013	2013	99,99	99,99	684	618
PT Finnet Indonesia ("Finnet"), Jakarta, Indonesia	Information technology services/ October 31, 2005	2006	60	60	629	513
Telekomunikasi Indonesia International Ltd., Hong Kong	Telecommunication/ December 8, 2010	2010	100	100	441	326
PT Metra Digital Investama ("MDI"), Jakarta, Indonesia	Trading and/or providing service related to information and technology multimedia, entertainment and investment/ January 8, 2013	2013	99,99	99,99	331	4
PT Metra Plasa ("Metra Plasa"), Jakarta, Indonesia	Network & e-commerce services/ April 9, 2012	2012	60	60	325	85
PT Nusantara Sukses Investasi ("NSI"), Jakarta, Indonesia	Service and trading/ September 1, 2014	2014	99,99	99,99	227	165
PT Administrasi Medika ("Ad Medika"), Jakarta, Indonesia	Health insurance administration services/ February 25, 2010	2002	100	75	204	160
PT Melon ("Melon"), Jakarta, Indonesia	Content provider/ November 14, 2016	2010	100	51	178	-
PT Graha Yasa Selaras ("GYS"), Jakarta, Indonesia	Tourism service/ April 27, 2012	2012	51	51	174	160
Telekomunikasi Indonesia Internasional Pty Ltd. ("Telkom Australia"), Australia	Telecommunication/ January 9, 2013	2013	100	100	161	171

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1. GENERAL (continued)

d. Subsidiaries (continued)

(ii) Indirect subsidiaries: (continued)

Subsidiary/place of incorporation	Nature of business/date of incorporation or acquisition by the Company	Year of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			2016	2015	2016	2015
PT Sarana Usaha Sejahtera <i>Insanpalapa</i> ("TelkoMedika"), Jakarta, Indonesia	Health services, medicine services including pharmacies, laboratories and other health care support/ November 30, 2015	2008	75	75	72	49
PT Satelit Multimedia Indonesia ("SMI"), Jakarta, Indonesia	Satellite services/ March 25, 2013	2013	99.99	99.99	18	13
Telekomunikasi Indonesia International ("Telkom USA"), Inc., USA	Telecommunication/ December 11, 2013	2014	100	100	9	52
PT Nusantara Sukses Sarana ("NSS"), Jakarta, Indonesia	Building and hotel management service and other services/ September 1, 2014	-	99.99	99.99	-	-
PT Nusantara Sukses Realti ("NSR"), Jakarta, Indonesia	Service and trading/ September 1, 2014	-	99.99	99.99	-	-
PT Metra TV ("Metra TV"), Jakarta, Indonesia	Subscription-broadcasting services/ January 8, 2013	2013	99.83	99.83	-	-

a) Metra

On November 30, 2015 Metra acquired 13,850 shares of TelkoMedika (equivalent to 75% ownership) with acquisition cost amounting to Rp69.5 billion. TelkoMedika engaged in health procurement and medicinal services including the establishment of pharmacies, hospital, clinic, or other healthcare support.

Based on notarial deed of Utiék Rochmuljati Abdurachman, S.H., M.LI, M.Kn., No. 10, 11, 12, 13, 14 dated May 25, 2016, Metra purchased 2,000 shares of Ad Medika from the non-controlling interest equivalent to 25% ownership amounting to Rp138 billion.

b) Sigma

Based on notarial deed of Utiék Rochmuljati Abdurachman, S.H., M.LI, M.Kn., No. 09 dated December 18, 2015, which was approved by MoLHR through its decision letter No. AHU-AH.01.03-09904427 dated December 22, 2015, Sigma purchased 55% ownership in PT Media Nusantara Global Data ("MNDG") which is engaged in data center services. The acquisition cost amounted to Rp45 billion and the fair value of identifiable net assets amounted to Rp30 billion resulting in a goodwill of Rp15 billion (Note 11).

Based on notarial deed of Utiék Rochmuljati Abdurachman, S.H., M.LI, M.Kn., No. 15 dated June 29, 2016, Sigma purchased 13,770 shares of PT Pojok Celebes Mandiri ("PCM") (equivalent to 51% ownership) from Metra amounting to Rp7.8 billion.

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1. GENERAL (continued)

d. Subsidiaries (continued)

c) TII

On May 19, 2015, Pachub Acquisition Co. was incorporated, with Telekomunikasi Indonesia International (USA) obtaining 100% direct ownership.

On May 29, 2015, Telkom USA and Pachub Acquisition Co entered into an agreement and plan of merger with AP Teleguam Holdings, Inc. On May 30, 2016, the agreement related to the merger was terminated.

d) Jalin

On November 3, 2016, the Company established a wholly-owned subsidiary under the name PT Jalin Pembayaran Nusantara ("Jalin") which was approved by the MoLHR through its Decision Letter No. AHU-0050800.AH.01.01 dated November 15, 2016. Jalin is engaged in organizing ICT (Information, Communication & Telecommunication) business focuses on non cash payment to support national payment gateway.

e) Metranet

On November 10, 2016, Metranet increased its share capital from Rp244 billion to Rp325 billion by issuing 18,800,000 new shares which were wholly-owned by the Company.

Based on notarial deed of Utiek Rochmuljati Abdurachman, S.H., M.LI, M.Kn., No. 08 and 09 dated November 14, 2016, Metranet purchased 4,900,000 shares of Melon (equivalent to 49% ownership) from SK Planet Co. and 300,000 shares of Melon (equivalent to 3% ownership) from Metra amounting to US\$13,000,000 or Rp170.4 billion and Rp13.2 billion, respectively. As a result of this transaction, Metranet acquired 52% ownership in Melon and the remaining shares are held by Metra.

e. Authorization for the issuance of the consolidated financial statements

The consolidated financial statements were prepared and approved for issuance by the Board of Directors on March 2, 2017.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and subsidiaries (collectively referred to as “the Group”) have been prepared in accordance with Financial Accounting Standards (“Standar Akuntansi Keuangan” or “SAK”) including Indonesian Statement of Financial Accounting Standards (“Pernyataan Standar Akuntansi Keuangan” or “PSAK”) and interpretation of Financial Accounting Standards (“Interpretasi Standar Akuntansi Keuangan” or “ISAK”) in Indonesia published by the Financial Accounting Standards Board of Indonesian Institute of Accountant and Regulation No. VIII.G.7 of the Capital Market and Financial Institution Supervisory Agency (“Bapepam-LK”) regarding the Presentation and Disclosure of Financial Statements of Issuers or Public Companies, enclosed in the decision letter KEP-347/BL/2012.

a. Basis of preparation of financial statements

The consolidated financial statements, except for the consolidated statements of cash flows, are prepared on the accrual basis. The measurement basis used is historical cost, except for certain accounts which are measured using the basis mentioned in the relevant notes herein.

The consolidated statements of cash flows are prepared using the direct method and present the changes in cash and cash equivalents from operating, investing and financing activities.

Figures in the consolidated financial statements are presented and rounded to billions of Indonesian rupiah (“Rp”), unless otherwise stated.

Accounting Standards Issued but not yet Effective

Effective January 1, 2017:

- Amendments to PSAK 1: Presentation of Financial Statements on Disclosure Initiative.
The amendments provide clarification on the application of the requirements of materiality, the flexibility of systematic order of the notes to the financial statements and the identification of significant accounting policies.
- PSAK 3 (Adjustment 2016): Interim Financial Reporting.
The PSAK provides clarification that the interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time. If the users of the interim financial statements can not access information in cross-reference with the requirement and the same time, the interim financial statements are considered incomplete.
- PSAK 24 (Adjustment 2016): Employee Benefits.
The PSAK provides clarification that high-quality corporate bonds should be assessed at the currency level and not at the country level.
- PSAK 58 (Adjustment 2016): Non-current Assets Held for Sale and Discontinued Operations.
The PSAK provides clarification that changes in the method of disposal of an asset or disposal group are considered a continuation of the original plan of disposal. It also clarify that the changes in the method of disposal does not change the date of classification as asset or disposal group.
- PSAK 60 (Adjustment 2016): Financial Instruments: Disclosures.
The PSAK provides clarification that the entity must assess the nature of servicing arrangements as provided in paragraph PP30 and paragraphs 42C to determine whether the entity has a continuing involvement in financial assets and whether the disclosure requirements related to continuing involvement are met.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of financial statements (continued)

- ISAK 31: Interpretation on the Scope of PSAK 13: Investment Property.
The ISAK provides an interpretation of the characteristics of the building used as part of the definition of investment property in PSAK 13: Investment Property. The building as investment property refer to structures that have physical characteristics generally associated as a building with the walls, floors, and roofs are attached to the assets.

Effective January 1, 2018:

- Amendments to PSAK 2: Statement of Cash Flows on Disclosure Initiative.
These amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- Amendments to PSAK 46: Income Taxes on Recognition of Deferred Tax Assets for Unrealised Losses.
These amendments:
 - Add illustrative examples to clarify that the deductible temporary differences arise when the carrying amount of debt instruments measured at fair value and the fair value is less than the taxable base, regardless of whether the entity expects to recover the carrying amount of a debt instrument by sale or by use, for example by holding it and collecting contractual cash flows, or a combination of both.
 - Clarify that in order to assess whether taxable profits will be available against which it can utilise a deductible temporary difference, the assessment of that deductible temporary difference carried out in accordance with tax law.
 - Clarify that tax reduction from the reversal of deferred tax assets is excluded from the estimation of future taxable profit. The entity compares the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences to assess whether the entity has sufficient future taxable profit.
 - The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The following new or amended standards, that will be effective on January 1, 2018, are considered to be not applicable to the Group's consolidated financial statements:

- PSAK 69: Agriculture.
- Amendments to PSAK 16: Agriculture: Bearer Plants.

b. Principles of consolidation

The consolidated financial statements consist of the financial statements of the Company and the subsidiaries over which it has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has the power over the investee, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses, of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gain control until the date the Group ceases to control the subsidiary.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation (continued)

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intercompany balances and transactions have been eliminated in the consolidated financial statements.

In case of loss of control over a subsidiary, the Group:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary at the carrying amounts on the date when it loses control;
- derecognizes the carrying amounts of any non-controlling interests of its former subsidiary on the date when it loses control;
- recognizes the fair value of the consideration received (if any) from the transaction, events, or condition that caused the loss of control;
- recognizes the fair value of any investment retained in the subsidiary at fair value on the date of loss of control;
- recognizes any surplus or deficit in profit or loss that is attributable to the Group.

c. Transactions with related parties

The Group has transactions with related parties. The definition of related parties used is in accordance with the Bapepam-LK’s Regulation No. VIII.G.7 regarding the Presentations and Disclosures of Financial Statements of Issuers or Public Companies, enclosed in the decision letter No. KEP-347/BL/2012. The party which is considered as a related party is a person or entity that is related to the entity that is preparing its financial statements.

Under the Regulation of Bapepam-LK No.VIII.G.7, a government-related entity is an entity that is controlled, jointly controlled or significantly influenced by the government. Government in this context is the Minister of Finance or the Local Government, as the shareholder of the entity. Formerly, the Group in its disclosure applied the definition of related party used based on PSAK 7 “Related Party”.

Key management personnel are identified as the persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group. The related party status extends to the key management of the subsidiaries to the extent they direct the operations of subsidiaries with minimal involvement from the Company’s management.

d. Business combinations

Business combination is accounted for using the acquisition method. The consideration transferred is measured at fair value, which is the aggregate of the fair value of the assets transferred, liabilities incurred or assumed and the equity instruments issued in exchange for control of the acquiree. For each business combination, non-controlling interest is measured at fair value or at the proportionate share of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Acquisition-related costs are expensed as incurred. The acquiree’s identifiable assets and liabilities are recognized at their fair values at the acquisition date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business combinations (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of net assets acquired is in excess of the aggregate consideration transferred, the Group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit and loss.

When the determination of consideration from a business combination includes contingent consideration, it is measured at its fair value on acquisition date. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss when adjustments are recorded outside the measurement period. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments made against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the measurement period, which cannot exceed one year from the acquisition date, about facts and circumstances that existed at the acquisition date.

In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

Based on PSAK 38 (Revised 2012), "Common Control Business Combination", the transfer of assets, liabilities, shares or other ownership instruments among the companies under common control would not result in a gain or loss for the Company or individual entity in the same group. Since the restructuring transaction between entities under common control does not result in a change of the economic substance of the ownership of assets, liabilities, shares or other instruments of ownership, which are exchanged, assets or liabilities transferred are recorded at book value using the pooling-of-interests method. In applying the pooling-of-interests method, the components of the financial statements for the period during which the restructuring occurred must be presented in such a manner as if the restructuring has occurred since the beginning of the earliest period presented. The excess of consideration paid or received over the carrying value of interest acquired, net of income tax, is directly recognized to equity and presented as "Additional Paid-in Capital" under the equity section of the consolidated statement of financial position.

At the initial application of PSAK 38 (Revised 2012), all balances of the Difference In Value of restructuring Transactions of Entities under Common Control was reclassified to "Additional Paid-in Capital" in the consolidated statement of financial position.

e. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and in banks and all unrestricted time deposits with original maturities of three months or less at the time of placement.

Time deposits with maturities of more than three months but not more than one year are presented as part of "Other Current Financial Assets" in the consolidated statement of financial position.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Investments in associated companies

An associate is an entity over which the Group (as investor) has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not include control or joint control over those operating policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the investor's share of the net assets of the associate since the acquisition date. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- a. Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.
- b. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

The consolidated statements of profit or loss and other comprehensive income reflect the Group's share of the results of operations of the associate. Any change in the other comprehensive income of the associate is presented as part of other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the change in the consolidated statements of changes in equity. Unrealized gain and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in associated companies are impaired. If there is, the Group calculates and recognizes the amount of impairment as the difference between the recoverable amount of the investments in the associated companies and their carrying value.

These assets are included in "Long-term Investments" in the consolidated statements of financial position.

The functional currency of PT Citra Sari Makmur ("CSM") is the United States dollar ("U.S. dollars"), and Telin Malaysia is the Malaysian ringgit ("MYR"). For the purpose of reporting these investments using the equity method, the assets and liabilities of these companies as of the statement of financial position date are translated into Indonesian rupiah using the rate of exchange prevailing at that date, while revenues and expenses are translated into Indonesian rupiah at the average rates of exchange for the year. The resulting translation adjustments are reported as part of "translation adjustment" in the equity section of the consolidated statements of financial position.

g. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. This provision for impairment is made based on management's evaluation of the collectibility of the outstanding amounts. Receivables are written off in the year they are determined to be uncollectible.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Inventories

Inventories consist of components, which are subsequently expensed upon use. Components represent telephone terminals, cables, and other spare parts. Inventories also include Subscriber Identification Module ("SIM") cards, handsets, set top boxes, wireless broadband modems and blank prepaid vouchers, which are expensed upon sale.

The costs of inventories consist of the purchase price, import duties, other taxes, transport, handling, and other costs directly attributable to their acquisition. Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimate of selling price less the costs to sell.

Cost is determined using the weighted average method.

The amounts of any write-down of inventories below cost to net realizable value and all losses of inventories are recognized as expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of general and administrative expenses in the year in which the reversal occurs.

Provision for obsolescence is primarily based on the estimated forecast of future usage of these inventory items.

i. Prepaid expenses

Prepaid expenses are amortized over their future beneficial periods using the straight-line method.

j. Assets held for sale

Assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Assets that meet the criteria to be classified as held for sale are reclassified from property and equipment and depreciation on such assets is ceased.

k. Intangible assets

Intangible assets mainly consist of software. Intangible assets are recognized if it is highly probable that the expected future economic benefits that are attributable to each asset will flow to the Group, and the cost of the asset can be reliably measured.

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are amortized over their estimated useful lives. The Group estimates the recoverable value of its intangible assets. When the carrying amount of an intangible asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Intangible assets (continued)

Intangible assets are amortized using the straight-line method, based on the estimated useful lives of the intangible assets as follows:

	<u>Years</u>
Software	3-6
License	3-20
Other intangible assets	1-30

Intangible assets are derecognized on disposal, or when no further economic benefits are expected, either from further use or from disposal. The difference between the carrying amount and the net proceeds received from disposal is recognized in the consolidated statements of profit or loss and other comprehensive income.

l. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment includes: (a) purchase price, (b) any costs directly attributable to bringing the asset to its location and condition, and (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Property and equipment, except land rights, are depreciated using the straight-line method based on the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	15-40
Leasehold improvements	2-15
Switching equipment	3-15
Telegraph, telex and data communication equipment	5-15
Transmission installation and equipment	3-25
Satellite, earth station and equipment	3-20
Cable network	5-25
Power supply	3-20
Data processing equipment	3-20
Other telecommunication peripherals	5
Office equipment	2-5
Vehicles	4-8
Customer Premises Equipment ("CPE") asset	4-5
Other equipment	2-5

Significant expenditures related to leasehold improvements are capitalized and depreciated over the lease term.

The depreciation method, useful life and residual value of an asset are reviewed at least at each financial year-end and adjusted, if appropriate. The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life.

Property and equipment acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets are measured at fair value unless, (i) the exchange transaction lacks commercial substance; or (ii) the fair value of neither the asset received nor the asset given up is reliably measurable.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Property and equipment (continued)

Major spare parts and standby equipment that are expected to be used for more than 12 months are recorded as part of property and equipment.

When assets are retired or otherwise disposed of, their cost and the related accumulated depreciation are derecognized from the consolidated statement of financial position and the resulting gains or losses on the disposal or sale of the property and equipment are recognized in the consolidated statements of profit or loss and other comprehensive income.

Certain computer hardware can not be used without the availability of certain computer software. In such circumstance, the computer software is recorded as part of the computer hardware. If the computer software is independent from its computer hardware, it is recorded as part of intangible assets.

The cost of maintenance and repairs is charged to the consolidated statements of profit or loss and other comprehensive income as incurred. Significant renewals and betterments are capitalized.

Property under construction is stated at cost until the construction is completed, at which time it is reclassified to the property and equipment account to which it relates. During the construction period until the property is ready for its intended use or sale, borrowing costs, which include interest expense and foreign currency exchange differences incurred on loans obtained to finance the construction of the asset, as long as it meets the definition of a qualifying asset are, capitalized in proportion to the average amount of accumulated expenditures during the period. Capitalization of borrowing cost ceases when the construction is completed and the asset is ready for its intended use.

m. Leases

In determining whether an arrangement is, or contains a lease, the Group performs an evaluation over the substance of the arrangement. A lease is classified as a finance lease or operating lease based on the substance, not the form of the contract. Finance lease is recognized if the lease transfers substantially all the risks and rewards incidental to the ownership of the leased asset.

Assets and liabilities under a finance lease are recognized in the consolidated statements of financial position at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Any initial direct costs of the Group are added to the amount recognized as assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the year in which they are incurred.

Leased assets are depreciated using the same method and based on the useful lives as estimated for directly acquired property and equipment. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease terms, the leased assets are fully depreciated over the shorter of the lease terms and their economic useful lives.

Lease arrangements that do not meet the above criteria are accounted for as operating leases for which payments are charged as an expense on the straight-line basis over the lease period.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Deferred charges - land rights

Costs incurred to process the initial legal land rights are recognized as part of the property and equipment and are not amortized. Costs incurred to process the extension or renewal of legal land rights are deferred and amortized using the straight-line method over the shorter of the legal term of the land rights or the economic life of the land.

o. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if the payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

p. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on obtaining loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facilities to which it relates.

q. Foreign currency translations

The functional currency and the recording currency of the Group are both the Indonesian rupiah, except for the functional currency of Telekomunikasi Indonesia International Pte. Ltd., Hong Kong, Telekomunikasi Indonesia International Pte. Ltd., Singapore, Telekomunikasi Indonesia International Inc., USA and Telekomunikasi Indonesia International S.A., Timor Leste whose accounting records are maintained in U.S. dollars and Telekomunikasi Indonesia International, Pty. Ltd., Australia whose accounting records are maintained in Australian dollars. Transactions in foreign currencies are translated into Indonesian rupiah at the rates of exchange prevailing at transaction date. At the consolidated statements of financial position dates, monetary assets and liabilities denominated in foreign currencies are translated into Indonesian rupiah based on the buy and sell rates quoted by Reuters prevailing at the consolidated statements of financial position dates, as follows (in full amount):

	2016		2015	
	Buy	Sell	Buy	Sell
U.S. dollar ("US\$") 1	13,470	13,475	13,780	13,790
Australian dollar ("AU\$") 1	9,721	9,726	10,076	10,092
Euro 1	14,170	14,181	15,049	15,064
Yen 1	115.01	115.10	114.47	114.56

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Foreign currency translations (continued)

The resulting foreign exchange gains or losses, realized and unrealized, are credited or charged to the consolidated statements of profit or loss and other comprehensive income of the current year, except for foreign exchange differences incurred on borrowings during the construction of qualifying assets which are capitalized to the extent that the borrowings can be attributed to the construction of those qualifying assets (Note 2l).

r. Revenue and expense recognition

i. Cellular and fixed wireless telephone revenues

Revenues from postpaid service, which consist of usage and monthly charges, are recognized as follows:

- Airtime and charges for value added services are recognized based on usage by subscribers.
- Monthly subscription charges are recognized as revenues when incurred by subscribers.

Revenues from prepaid service, which consist of the sale of starter packs (also known as SIM cards and start-up load vouchers) and pulse reload vouchers, are recognized initially as unearned income and recognized as revenue based on total of successful calls made and the value added services used by the subscribers or the expiration of the unused stored value of the voucher.

ii. Fixed line telephone revenues

Revenues from usage charges are recognized as customers incur the charges. Monthly subscription charges are recognized as revenues when incurred by subscribers.

Revenues from fixed line installations are deferred and recognized as revenue on the straight-line basis over the expected term of the customer relationships. Based on reviews of historical information and customer trends, the Company determined the term of the customer relationships is 18 years.

iii. Interconnection revenues

Revenues from network interconnection with other domestic and international telecommunications carriers are recognized monthly on the basis of the actual recorded traffic for the month. Interconnection revenues consist of revenues derived from other operators' subscriber calls to the Group's subscribers (incoming) and calls between subscribers of other operators through the Group's network (transit).

iv. Data, internet, and information technology service revenues

Revenues from data communication and internet are recognized based on service activity and performance which are measured by the duration of internet usage or based on the fixed amount of charges depending on the arrangements with customers.

Revenues from sales, installation and implementation of computer software and hardware, computer data network installation service and installation are recognized when the goods are delivered to customers or the installation takes place.

Revenue from computer software development service is recognized using the percentage-of-completion method.

v. Network revenues

Revenues from network consist of revenues from leased lines and satellite transponder leases which are recognized over the period in which the services are rendered.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

vi. Other revenues

Revenues from sales of handsets or other telecommunications equipments are recognized when delivered to customers.

Revenues from telecommunication tower leases are recognized on straight-line basis over the lease period in accordance with the agreement with the customers.

Revenues from other services are recognized when services are rendered to customers.

vii. Multiple-element arrangements

Where two or more revenue-generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of accounting is accounted for separately. The total revenue is allocated to each separately identifiable component based on the relative fair value of each component and the appropriate revenue recognition criteria are applied to each component as described above.

viii. Agency relationship

Revenues from an agency relationship are recorded based on the gross amount billed to the customers when the Group acts as principal in the sale of goods and services. Revenues are recorded based on the net amount retained (the amount paid by the customer less amount paid to the suppliers) when, in substance, the Group has acted as agent and earned commission from the suppliers of the goods and services sold.

ix. Customer loyalty programme

The Group operates a loyalty programme, which allows customers to accumulate points for every certain multiple of the telecommunication services usage. The points can be redeemed in the future for free or discounted products or services, provided other qualifying conditions are achieved.

Consideration received is allocated between the telecommunication services and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined based on historical information about redemption rate of award points. Fair value of the points issued is deferred and recognized as revenue when the points are redeemed or expired.

x. Expenses

Expenses are recognized as they are incurred.

s. Employee benefits

i. Short-term employee benefits

All short-term employee benefits which consist of salaries and related benefits, vacation pay, incentives and other short-term benefits are recognized as expense on undiscounted basis when employees have rendered service to the Group.

ii. Post-employment benefit plans and other long-term employee benefits

Post-employment benefit plans consist of funded and unfunded defined benefit pension plans, defined contribution pension plan, other post-employment benefits, post-employment health care benefit plan, defined contribution health care benefit plan and obligations under the Labor Law.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Employee benefits (continued)

ii. Post-employment benefit plans and other long-term employee benefits (continued)

Other long-term employee benefits consist of Long Service Awards (“LSA”), Long Service Leave (“LSL”), and pre-retirement benefits.

The cost of providing benefits under post-employment benefit plans and other long-term employee benefits calculation is performed by an independent actuary using the projected unit credit method.

The net obligations in respect of the defined pension benefit plans and post-retirement health care benefit plans are calculated at the present value of estimated future benefits that the employees have earned in return for their service in the current and prior periods less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Government bonds that are denominated in the currencies in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation. Government bonds are used as there are no deep markets for high quality corporate bonds.

Plan assets are assets owned by defined benefit pension and post-retirement health care benefits as well as qualifying insurance policy. The assets are measured at their fair value as of reporting dates. The fair value of qualifying insurance policy is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full).

Remeasurement, comprising of actuarial gain and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized immediately in profit or loss on the earlier of:

- The date of plan amendment or curtailment; and
- The date that the Group recognized restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or assets.

Gain or losses on curtailment are recognized when there is a commitment to make a material reduction in the number of employees covered by a plan or when there is an amendment of defined benefit plan terms such as that a material element of future services to be provided by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

Gain or losses on settlement are recognized when there is a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan (other than the payment of benefit in accordance with the program and included in the actuarial assumptions).

For defined contribution plans, the regular contributions constitute net periodic costs for the period in which they are due and, as such are included in personnel expenses as they become payable.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Employee benefits (continued)

iii. Share-based payments

The Company operates an equity-settled, share-based compensation plan. The fair value of the employees' services rendered which are compensated with the Company's shares is recognized as an expense in the consolidated statements of profit or loss and other comprehensive income and credited to additional paid-in capital at the grant date.

iv. Early retirement benefits

Early retirement benefits are accrued at the time the Company and subsidiaries makes a commitment to provide early retirement benefits as a result of an offer made in order to encourage voluntary redundancy. A commitment to a termination arises when, and only when a detailed formal plan for the early retirement cannot be withdrawn.

t. Income tax

Current and deferred income taxes are recognized as income or an expense and included in the consolidated statements of profit or loss and other comprehensive income, except to the extent that the tax arises from a transaction or event which is recognized directly in equity, in which case, the tax is recognized directly in equity.

Current tax assets and liabilities are measured at the amounts expected to be recovered or paid using the tax rates and tax laws that have been enacted at each reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, management establishes provisions based on the amounts expected to be paid to the tax authorities.

The Group recognizes deferred tax assets and liabilities for temporary differences between the financial and tax bases of assets and liabilities at each reporting date. The Group also recognizes deferred tax assets resulting from the recognition of future tax benefits, such as the benefit of tax losses carried forward to the extent their future realization is probable. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates and tax laws at each reporting date which are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are offset in the consolidated statements of financial position, except if these are for different legal entities, in the same manner the current tax assets and liabilities are presented.

Amendment to taxation obligation is recorded when an assessment letter ("Surat Ketetapan Pajak" or "SKP") is received or, if appealed against, when the results of the appeal are determined. The additional taxes and penalty imposed through an SKP are recognized in the current year profit or loss, unless objection/appeal is taken. The additional taxes and penalty imposed through the SKP are deferred as long as they meet the asset recognition criteria.

Indonesian tax regulation set up several type that subject to final tax. Final tax which charged to gross value of transaction remains subject to the transaction even though the subject are losses. Refer to PSAK No. 46 revised, final tax is not required in scope of PSAK No. 46.

Final income tax on construction services and lease is presented as part of "Other Expenses".

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments

The Group classifies financial instruments into financial assets and financial liabilities. Financial assets and liabilities are recognized initially at fair value including transaction costs. These are subsequently measured either at fair value or amortized cost using the effective interest rate method in accordance with their classification.

i. Financial assets

The Group classifies its financial assets as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity investment or (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of financial assets at initial recognition.

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

The Group's financial assets include cash and cash equivalents, other current financial assets, trade receivables and other receivables and other non-current financial assets.

a. 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. Gains or losses arising from changes in fair value of the trading securities are presented as other (expenses)/income in consolidated statements of profit or loss and other comprehensive income in the period in which they arise. Financial asset measured at fair value through profit loss consists of derivative asset-put option which is recognized as part of "Other Current Financial Assets" in the consolidated statements of financial position.

b. 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 consist of, among other assets, cash and cash equivalents, other current financial assets, trade and other receivables, and other non-current assets (long-term trade receivables and restricted cash).

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

c. Held-to-maturity financial assets

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

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

No financial assets were classified as held-to-maturity investments as of December 31, 2016 and 2015.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

i. Financial assets (continued)

d. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for indefinite periods 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 primarily consist of mutual funds, and corporate and government bonds, which are recorded as part of "Other Current Financial Assets" in the consolidated statements of financial position.

Available-for-sale securities are stated at fair value. Unrealized holding gain or losses on available-for-sale securities are excluded from income of the current period and are reported as a separate component in the equity section of the consolidated statement of financial position until realized. Realized gain or losses from the sale of available-for-sale securities are recognized in the consolidated statements of profit or loss and other comprehensive income, and are determined on the specific identification basis.

ii. Financial liabilities

The Group classifies its financial liabilities as (i) financial liabilities at fair value through profit or loss or (ii) financial liabilities measured at amortized cost.

The Group's financial liabilities include trade and other payables, accrued expenses and interest-bearing loans and other borrowings, and other liabilities. Interest-bearing loans and other borrowings consist of short-term bank loans, two-step loans, bonds and notes, long-term bank loans and obligations under finance leases.

a. 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 incurred 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.

No financial liabilities were categorized as held for trading as of December 31, 2016 and 2015.

b. Financial liabilities measured at amortized cost

Financial liabilities that are not classified as liabilities at fair value through profit or loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost are trade and other payables, accrued expenses, and interest-bearing loans and other borrowings, and other liabilities. Interest-bearing loans and other borrowings consist of short-term bank loans, two-step loans, bonds and notes, long-term bank loans and obligations under finance leases.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

iii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis, or realize the assets and settle the liabilities simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- a. the normal course of business;
- b. the event of default; and
- c. the event of insolvency or bankruptcy of the Group and all of the counterparties.

iv. Fair value of financial instruments

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

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 37.

v. Impairment of financial assets

The Group assesses the impairment of financial assets if there is objective evidence that a loss event has a negative impact on the estimated future cash flows of the financial assets. Impairment is recognized when the loss event can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized.

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

v. Impairment of financial assets (continued)

For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is recognized in profit or loss as an impairment loss. The amount of the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized.

vi. Derecognition of financial instrument

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial asset.

The Group derecognizes a financial liability when the obligation specified in the contract is discharged or cancelled or has expired.

v. Treasury stock

Reacquired Company shares of stock are accounted for at their reacquisition cost and classified as "Treasury Stock" and presented as a deduction to equity. The cost of treasury stock sold/transferred is accounted for using the weighted average method. The portion of treasury stock transferred for employees ownership program is accounted for at its fair value at grant date. The difference between the cost and the proceeds from the sale/transfer value of treasury stock is credited to "Additional Paid-in Capital".

w. Dividends

Dividend for distribution to the stockholders is recognized as a liability in the consolidated financial statements in the year in which the dividend is approved by the stockholders. The interim dividend as a liability based on the Board of Directors' decision supported by the approval from the Board of Commissioners.

x. Basic and diluted earnings per share and earnings per ADS

Basic earnings per share is computed by dividing profit for the year attributable to owners of the parent company by the weighted average number of shares outstanding during the year. Income per ADS is computed by multiplying the basic earnings per share by 100, the number of shares represented by each ADS.

The Company does not have potentially dilutive financial investments.

y. Segment information

The Group's segment information is presented based upon identified operating segments. An operating segment is a component of an entity: a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); b) whose operating results are regularly reviewed by the Group's chief operating decision maker i.e., the Directors, to make decisions about resources to be allocated to the segment and assess its performance, and c) for which discrete financial information is available.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z. Provision

Provisions are recognized when the Group has present obligations (legal or constructive) arising from past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and the amount can be measured reliably.

Provisions for onerous contracts are recognized when the contract becomes onerous for the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfill the contract.

aa. Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the Cash-Generating Unit ("CGU") to which the asset belongs ("the asset's CGU").

The recoverable amount of an asset (either individual asset or CGU) is the higher of the asset's fair value less costs to sell and its value in use. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, the Group uses an appropriate valuation model to determine the fair value of the asset. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss as part of "Depreciation and Amortization" in the consolidated statements of profit or loss and other comprehensive income.

At the end of each reporting period, the Group assesses whether there is any indication that previously recognized impairment losses for an asset, other than goodwill, may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset, other than goodwill, is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment been recognized for the asset in prior periods. Reversal of an impairment loss is recognized in profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

ab. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. Critical Accounting Estimates and Judgements (continued)

i. Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

The Group determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligations.

If there is an improvement in the ratings of such Government bonds or a decrease in interest rates as a result of improving economic conditions, there could be a material impact on the discount rate used in determining the post-employment benefits obligations.

Other key assumptions for retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in Notes 29 and 30.

ii. Useful lives of property and equipment

The Group estimates the useful lives of its property and equipment based on expected asset utilization, considering strategic business plans, expected future technological developments and market behavior. The estimates of useful lives of property and equipment are based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The Group reviews its estimates of useful lives at least each financial year-end and such estimates are updated if expectations differ from previous estimates due to changes in expectation of physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the assets. The amounts of recorded expenses for any year will be affected by changes in these factors and circumstances. A change in the estimated useful lives of the property and equipment is a change in accounting estimates and is applied prospectively in profit or loss in the period of the change and future periods.

Details of the nature and carrying amounts of property and equipment are disclosed in Note 9.

iii. Provision for impairment of receivables

The Group assesses whether there is objective evidence that trade and other receivables have been impaired at the end of each reporting period. Provision for impairment of receivables is calculated based on a review of the current status of existing receivables and historical collection experience. Such provisions are adjusted periodically to reflect the actual and anticipated experience. Details of the nature and carrying amounts of provision for impairment of receivables are disclosed in Note 5.

iv. Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made. Details of the nature and carrying amount of income tax are disclosed in Note 26.

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3. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	Currency	2016		2015	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Cash on hand	Rp	-	10	-	10
Cash in banks					
Related parties					
PT Bank Mandiri (Persero) Tbk ("Bank Mandiri")	Rp	-	1,897	-	672
	US\$	41	548	51	707
	JPY	6	1	11	1
	EUR	1	11	1	8
	HKD	1	1	1	1
	AUD	0	0	0	0
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	Rp	-	581	-	508
	US\$	6	84	22	299
	EUR	5	68	5	72
	SGD	0	0	0	0
PT Bank Rakyat Indonesia (Persero) Tbk ("BRI")	Rp	-	95	-	140
	US\$	8	107	11	155
Others	Rp	-	22	-	14
	US\$	0	0	0	0
Sub-total			<u>3,415</u>		<u>2,577</u>
Third parties					
The Hongkong and Shanghai Banking Corporation Ltd. ("HSBC")	US\$	13	176	8	110
	HKD	2	4	10	18
	SGD	-	-	1	6
Standard Chartered Bank ("SCB")	Rp	-	0	-	0
	US\$	6	74	31	430
	SGD	5	43	1	13
PT Bank Permata Tbk ("Bank Permata")	Rp	-	14	-	12
	US\$	7	96	0	0
Development Bank of Singapore ("DBS")	Rp	-	101	-	0
	US\$	0	0	-	-
PT Bank Muamalat Indonesia Tbk ("Bank Muamalat")	Rp	-	6	-	61
	US\$	2	24	27	373
Citibank, N.A. ("Citibank")	Rp	-	5	-	103
	US\$	1	12	2	26
	EUR	0	1	0	4
Others (each below Rp75 billion)	Rp	-	146	-	86
	US\$	2	33	1	15
	SGD	0	0	-	-
	EUR	0	0	0	0
	AUD	1	12	1	13
	TWD	3	1	19	8
	MYR	0	0	0	0
	HKD	0	0	0	0
	MOP	0	1	0	0
Sub-total			<u>749</u>		<u>1,278</u>
Total cash in banks			<u>4,164</u>		<u>3,855</u>
Time deposits					
Related parties					
BRI	Rp	-	4,076	-	2,831
	US\$	47	632	201	2,763
BNI	Rp	-	4,043	-	3,031
	US\$	25	336	1	9
PT Bank Tabungan Negara (Persero) Tbk ("Bank BTN")	Rp	-	3,356	-	885
Bank Mandiri	Rp	-	1,552	-	2,863
	US\$	5	67	5	69
Sub-total			<u>14,062</u>		<u>12,451</u>

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3. CASH AND CASH EQUIVALENTS (continued)

	Currency	2016		2015	
		Balance		Balance	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Time deposits (continued)					
Third parties					
PT Bank CIMB Niaga Tbk ("Bank CIMB Niaga")	Rp	-	2,025	-	1,605
PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk ("BJB")	Rp	-	2,020	-	1,884
PT Bank OCBC NISP Tbk ("OCBC NISP")	US\$	-	-	10	138
	Rp	-	1,550	-	950
	US\$	10	134	-	-
Bank Permata	Rp	-	1,492	-	1,692
PT Bank Mega Tbk ("Bank Mega")	Rp	-	1,226	-	1,265
PT Bank UOB Indonesia ("UOB")	US\$	14	185	70	960
PT Bank Tabungan Pensiunan Nasional Tbk ("BTPN")	Rp	-	1,345	-	300
SCB	Rp	-	461	-	146
	Rp	-	-	-	550
	US\$	18	242	-	-
	SGD	15	139	-	-
Bank Muamalat	Rp	-	305	-	142
Bank ANZ ("Bank ANZ")	Rp	-	200	-	-
PT Bank Bukopin Tbk ("Bank Bukopin")	Rp	-	148	-	1,173
	US\$	-	-	55	759
PT Bank Pan Indonesia Tbk ("Bank Panin")	Rp	-	-	-	91
Others (each below Rp75 billion)	Rp	-	59	-	146
Sub-total			11,531		11,801
Total time deposits			25,593		24,252
Grand Total			29,767		28,117

Interest rates per annum on time deposits are as follows:

	2016	2015
Rupiah	3.20%-10.00%	3.75%-10.50%
Foreign currencies	0.10%-2.00%	0.10%-3.00%

The related parties in which the Group places its funds are state-owned banks. The Group placed the majority of its cash and cash equivalents in these banks because they have the most extensive branch networks in Indonesia and are considered to be financially sound banks, as they are owned by the State.

Refer to Note 31 for details of related party transactions.

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4. OTHER CURRENT FINANCIAL ASSETS

The breakdown of other current financial assets is as follows:

	Currency	2016		2015	
		Balance		Balance	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Time deposits					
Related parties					
BNI	Rp	-	63	-	-
Bank Mandiri	US\$	-	-	20	278
Third parties					
UOB	US\$	1	13	-	-
SCB	US\$	-	-	1	11
Total time deposits			<u>76</u>		<u>289</u>
Available-for-sale financial assets					
Related parties					
PT Bahana TCW Investment Mangement ("Bahana TCW")	Rp	-	559	-	55
PT Mandiri Manajemen Investasi	Rp	-	500	-	-
State-owned enterprises	US\$	4	55	4	59
Government	US\$	2	27	2	29
Sub-total			<u>1,141</u>		<u>143</u>
Third parties	Rp	-	17	-	17
Total available-for-sale financial assets			<u>1,158</u>		<u>160</u>
Escrow accounts	Rp	-	112	-	2,121
	US\$	2	22	3	41
Others	Rp	-	98	-	192
	US\$	-	-	0	1
	AUD	0	5	1	14
Total			<u>1,471</u>		<u>2,818</u>

The time deposits have maturities of more than three months but not more than one year, with interest rates as follows:

	2016	2015
Rupiah	5.75%-6.00%	-
Foreign currencies	0.58%-1.64%	0.85%-0.88%

Refer to Note 31 for details of related party transactions.

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5. TRADE RECEIVABLES

Trade receivables arise from services provided to both retail and non-retail customers, with details as follows:

a. By debtor

(i) Related parties

	<u>2016</u>	<u>2015</u>
Indonusa	431	342
PT Indosat Tbk ("Indosat")	370	361
State-owned enterprises	151	270
Others	348	378
Total	1,300	1,351
Provision for impairment of receivables	(406)	(247)
Net	<u>894</u>	<u>1,104</u>

(ii) Third parties

	<u>2016</u>	<u>2015</u>
Individual and business subscribers	7,801	8,020
Overseas international carriers	1,252	1,194
Total	9,053	9,214
Provision for impairment of receivables	(2,584)	(2,801)
Net	<u>6,469</u>	<u>6,413</u>

b. By age

(i) Related parties

	<u>2016</u>	<u>2015</u>
Up to 3 months	690	772
3 to 6 months	39	61
More than 6 months	571	518
Total	1,300	1,351
Provision for impairment of receivables	(406)	(247)
Net	<u>894</u>	<u>1,104</u>

(ii) Third parties

	<u>2016</u>	<u>2015</u>
Up to 3 months	5,566	5,816
3 to 6 months	658	522
More than 6 months	2,829	2,876
Total	9,053	9,214
Provision for impairment of receivables	(2,584)	(2,801)
Net	<u>6,469</u>	<u>6,413</u>

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5. TRADE RECEIVABLES (continued)

b. By age (continued)

(iii) Aging of total trade receivables

	2016		2015	
	Gross	Provision for impairment of receivables	Gross	Provision for impairment of receivables
Not past due	4,535	177	4,353	266
Past due up to 3 months	1,721	401	2,235	202
Past due more than 3 to 6 months	697	495	583	216
Past due more than 6 months	3,400	1,917	3,394	2,364
Total	10,353	2,990	10,565	3,048

The Group has made provision for impairment of trade receivables based on the collective assessment of historical impairment rates and individual assessment of its customers' credit history. The Group does not apply a distinction between related party and third party receivables in assessing amounts past due. As of December 31, 2016 and 2015, the carrying amounts of trade receivables of the Group considered past due but not impaired amounted to Rp3,005 billion and Rp3,430 billion, respectively. Management believes that receivables past due but not impaired, along with trade receivables that are neither past due nor impaired, are due from customers with good credit history and are expected to be recoverable.

c. By currency

(i) Related parties

	2016	2015
Rupiah	1,300	1,328
U.S. dollar	0	23
Others	0	0
Total	1,300	1,351
Provision for impairment of receivables	(406)	(247)
Net	894	1,104

(ii) Third parties

	2016	2015
Rupiah	7,565	7,761
U.S. dollar	1,437	1,436
Australian dollar	40	14
Others	11	3
Total	9,053	9,214
Provision for impairment of receivables	(2,584)	(2,801)
Net	6,469	6,413

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5. TRADE RECEIVABLES (continued)

d. Movements in the provision for impairment of receivables

	2016	2015
Beginning balance	3,048	3,096
Provision recognized during the year (Note 25)	743	1,010
Receivables written off	(801)	(1,058)
Ending balance	2,990	3,048

The receivables written off relate to both related party and third party trade receivables.

Management believes that the provision for impairment of trade receivables is adequate to cover losses on uncollectible trade receivables.

As of December 31, 2016, certain trade receivables of the subsidiaries amounting to Rp4,550 billion have been pledged as collateral under lending agreements (Notes 15, 16b and 16c).

Refer to Note 31 for details of related party transactions.

6. INVENTORIES

	2016	2015
Components	299	342
SIM cards, set top boxes, and blank prepaid vouchers	168	131
Others	164	96
Total	631	569
Provision for obsolescence		
Components	(18)	(14)
SIM cards, set top boxes and blank prepaid vouchers	(29)	(27)
Others	0	0
Total	(47)	(41)
Net	584	528

Movements in the provision for obsolescence are as follows:

	2016	2015
Beginning balance	41	43
Provision recognized during the year	11	2
Inventory written off	(5)	(4)
Ending balance	47	41

The inventories recognized as expense and included in operations, maintenance, and telecommunication service expenses as of December 31, 2016 and 2015 amounted to Rp2,105 billion and Rp1,937 billion, respectively (Note 24).

Management believes that the provision is adequate to cover losses from declines in inventory value due to obsolescence.

Certain inventories of the subsidiaries amounting to Rp256 billion have been pledged as collateral under lending agreements (Notes 15, 16b and 16c).

As of December 31, 2016 and 2015, modules and components held by the Group with book value amounting to Rp199 billion and Rp219 billion, respectively, have been insured against fire, theft, and other specific risks. Modules are recorded as part of property and equipment. Total sum insured as of December 31, 2016 and 2015 amounted to Rp220 billion and Rp291 billion, respectively.

Management believes that the insurance coverage is adequate to cover potential losses of inventories arising from the insured risks.

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7. ADVANCES AND PREPAID EXPENSES

	2016	2015
Frequency license (Notes 34c.i and 34c.ii)	3,056	2,935
Prepaid rental	1,234	1,055
Advances	394	729
Salaries	229	347
Advance to employee	32	28
Others	301	745
Total	5,246	5,839

Refer to Note 31 for details of related party transactions.

8. LONG-TERM INVESTMENTS

	2016						Ending balance
	Percentage of ownership	Beginning balance	Additions (Deductions)	Share of net profit (loss) of associated company	Dividend	Share of other comprehensive income of associated company	
Long-term investments in associated companies:							
Tiphone ^a	24.43	1,404	-	108	(23)	(1)	1,488
Indonusa ^b	20.00	221	-	-	-	-	221
Teltranet ^c	51.00	71	-	(33)	-	-	38
PT Melon Indonesia ("Melon") ^d	51.00	50	(67)	17	-	-	-
PT Integrasi Logistik Cipta Solusi ("ILCS") ^e	49.00	40	-	2	-	-	42
Telin Malaysia ^f	49.00	6	-	(6)	-	-	0
CSM ^g	25.00	-	-	-	-	-	-
Sub-total		1,792	(67)	88	(23)	(1)	1,789
Other long-term investments		15	43	-	-	-	58
Total Long-term investments		1,807	(24)	88	(23)	(1)	1,847

Summarized financial information of the Group's investments accounted under the equity method for 2016:

	Tiphone	Indonusa	Teltranet	ILCS	Telin Malaysia	CSM
<i>Statements of financial position</i>						
Current assets	7,709	170	66	131	9	161
Non-current assets	743	444	88	29	10	761
Current liabilities	(1,248)	(532)	(78)	(73)	(35)	(594)
Non-current liabilities	(3,762)	(405)	(2)	(1)	(6)	(1,206)
Equity (deficit)	3,442	(323)	74	86	(22)	(878)
<i>Statements of profit or loss and other comprehensive income</i>						
Revenues	27,310	605	66	116	8	131
Operating expenses	(26,445)	(583)	(149)	(112)	(43)	(221)
Other income (expenses) including finance costs - net	(231)	(17)	(3)	0	-	(88)
Profit (loss) before tax	634	5	(86)	4	(35)	(178)
Income tax expense	(166)	(33)	21	0	-	-
Profit (loss) for the year	468	(28)	(65)	4	(35)	(178)
Other comprehensive income (loss)	(5)	7	(0)	(0)	-	-
Total comprehensive income for the year	463	(21)	(65)	4	(35)	(178)

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8. LONG-TERM INVESTMENTS (continued)

	2015						
	Percentage of ownership	Beginning balance	Additions (Deductions)	Share of net (loss) profit of associated company	Dividend	Share of other comprehensive income of associated company	Ending balance
Long-term investments in associated companies:							
Tiphone ^a	24.65	1,392	-	32	(18)	(2)	1,404
Indonusa ^b	20.00	221	-	-	-	-	221
Teltranet ^c	51.00	52	43	(24)	-	-	71
Melon ^d	51.00	43	-	7	-	-	50
ILCS ^e	49.00	38	-	2	-	-	40
Telin Malaysia ^f	49.00	6	19	(19)	-	(0)	6
CSM ^g	25.00	-	-	-	-	-	-
Sub-total		1,752	62	(2)	(18)	(2)	1,792
Other long-term investments		15	-	-	-	-	15
Total long-term investments		1,767	62	(2)	(18)	(2)	1,807

Summarized financial information of the Group's investments accounted under the equity method for 2015:

	Tiphone	Indonusa	Teltranet	Melon	ILCS	Telin Malaysia	CSM
<i>Statements of financial position</i>							
Current assets	6,539	501	117	131	105	18	185
Non-current assets	1,261	333	58	27	32	10	1,221
Current liabilities	(1,657)	(535)	(35)	(57)	(54)	(17)	(731)
Non-current liabilities	(3,073)	(568)	(1)	(2)	(1)	-	(1,535)
Equity (deficit)	3,070	(269)	139	99	82	11	(860)
<i>Statements of profit or loss and other comprehensive income</i>							
Revenues	22,060	599	0	201	111	6	164
Operating expenses	(21,295)	(559)	(72)	(184)	(108)	(40)	(364)
Other income (expenses) including finance costs - net	(265)	(82)	9	2	(0)	(3)	(74)
Profit (loss) before tax	500	(42)	(63)	19	3	(37)	(274)
Income tax expense	(130)	-	16	(5)	(0)	-	-
Profit (loss) for the year	370	(42)	(47)	14	3	(37)	(274)
Other comprehensive income (loss)	(7)	-	-	0	0	-	-
Total comprehensive income for the year	363	(42)	(47)	14	3	(37)	(274)

^a Tiphone was established on June 25, 2008 as PT Tiphone Mobile Indonesia Tbk. Tiphone is engaged in the telecommunication equipment business, such as for cellular phone including spare parts, accessories, pulse reload vouchers, repair service and content provider through its subsidiaries. On September 18, 2014, the Company through PINS acquired 25% ownership in Tiphone for Rp1,395 billion.

As of December 31, 2016 and 2015, the fair value of investment amounting to Rp1,500 billion and Rp1,351 billion, respectively. The fair value was calculated by multiplying number of shares by the published price quotation as of December 31, 2016 and 2015 amounting to Rp855 and Rp770 per share, respectively.

Reconciliation of financial information to the carrying amount of long-term investment in Tiphone as of December 31, 2016 and 2015 is as follows:

	2016	2015
Assets	8,452	7,800
Liabilities	(5,010)	(4,730)
Net assets	3,442	3,070
Group's proportionate share of net assets (24.43% in 2016 and 24.65% in 2015)	841	757
Goodwill	647	647
Carrying amount of long-term investment	1,488	1,404

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8. LONG-TERM INVESTMENTS (continued)

- ^b Indonusa had been a subsidiary of the Company until 2013 when the Company disposed 80% of its interest in Indonusa. On May 14, 2014, based on the Circular Resolution of the Stockholders of Indonusa as covered by notarial deed No. 57 dated April 23, 2014 of FX Budi Santoso Isbandi, S.H., which was approved by the MoLHR in its Letter No. AHU-02078.40.20.2014 dated April 29, 2014, Indonusa's stockholders approved an increase in its issued and fully paid capital by Rp80 billion. The Company has waived its right to own the new shares issued and transferred it to Metra and, as a result, Metra's ownership in Indonusa increased to 4.33%.
- ^c Investment in Teltranet is accounted for under the equity method, which covered by an agreement between Metra and Telstra Holding Singapore Pte. Ltd. dated August 29, 2014. Teltranet is engaged in communication system services. Metra does not have control as it does not determine the financial and operating policies of Teltranet.
- ^d Melon previously was an associate. In 2016, the Company purchased Melon 52% stake through Metranet, thus becoming a consolidated subsidiary (Note 1d).
- ^e ILCS is engaged in providing E-trade logistic services and other related services.
- ^f Telin Malaysia is engaged in telecommunication services in Malaysia.
- ^g CSM is engaged in providing Very Small Aperture Terminal ("VSAT"), network application services and consulting services on telecommunications technology and related facilities. The unrecognized share of losses of CSM for the year ended December 31, 2016 dan 2015 amounting to Rp219 billion and Rp215 billion, respectively.

9. PROPERTY AND EQUIPMENT

	January 1, 2016	Acquisition	Additions	Deductions	Reclassifications/ Translations	December 31, 2016
At cost:						
Directly acquired assets						
Land rights	1,270	89	59	(1)	-	1,417
Buildings	6,033	10	311	(3)	1,486	7,837
Leasehold improvements	1,036	-	13	(37)	104	1,116
Switching equipment	19,823	-	218	(160)	609	20,490
Telegraph, telex and data communication equipment	876	-	751	(41)	-	1,586
Transmission installation and equipment	119,047	-	2,603	(11,319)	11,221	121,552
Satellite, earth station and equipment	8,146	-	80	-	219	8,445
Cable network	37,887	-	6,746	(302)	460	44,791
Power supply	13,822	-	161	(77)	1,116	15,022
Data processing equipment	11,351	12	318	(82)	916	12,515
Other telecommunications peripherals	632	-	73	-	(5)	700
Office equipment	1,062	5	139	(12)	259	1,453
Vehicles	475	-	60	(147)	(1)	387
Other equipment	99	-	1	-	-	100
Property under construction	4,580	-	17,169	-	(17,199)	4,550
Assets under finance lease						
Transmission installation and equipment	5,940	-	229	(815)	-	5,354
Data processing equipment	63	-	77	(56)	-	84
Vehicles	94	-	63	(22)	-	135
Office equipment	73	-	3	-	-	76
CPE assets	22	-	-	-	-	22
Power supply	90	-	125	-	-	215
RSA assets	252	-	-	-	-	252
Total	232,673	116	29,199	(13,074)	(815)	248,099
Accumulated depreciation and impairment losses:						
Directly acquired assets						
Buildings	2,141	-	290	(2)	6	2,435
Leasehold improvements	623	-	106	(37)	-	692
Switching equipment	15,223	-	1,588	(160)	(1)	16,650
Telegraph, telex and data communication equipment	4	-	329	-	-	333
Transmission installation and equipment	63,063	-	9,957	(10,686)	(32)	62,302
Satellite, earth station and equipment	6,706	-	415	-	(23)	7,098
Cable network	19,524	-	1,534	(302)	(455)	20,301
Power supply	9,114	-	1,145	(70)	(25)	10,164
Data processing equipment	8,503	-	1,067	(62)	(40)	9,468
Other telecommunications peripherals	385	-	77	-	(1)	461
Office equipment	713	-	141	(11)	3	846
Vehicles	166	-	69	(66)	(1)	168
Other equipment	99	-	-	-	-	99
Assets under finance lease						
Transmission installation and equipment	2,327	-	542	(815)	-	2,054
Data processing equipment	53	-	47	(56)	-	44
Vehicles	13	-	19	-	-	32
Office equipment	51	-	43	-	-	94
CPE assets	17	-	2	-	-	19
Power supply	18	-	80	-	-	98
RSA assets	230	-	13	-	-	243
Total	128,973	-	17,464	(12,267)	(569)	133,601
Net Book Value	103,700	-	11,735	(1,812)	(1,384)	114,498

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9. PROPERTY AND EQUIPMENT (continued)

	January 1, 2015	Additions	Deductions	Reclassifications/ Translations	December 31, 2015
At cost:					
Directly acquired assets					
Land rights	1,184	86	-	-	1,270
Buildings	4,571	263	-	1,199	6,033
Leasehold improvements	943	41	(151)	203	1,036
Switching equipment	19,208	126	(66)	555	19,823
Telegraph, telex and data communication equipment	6	870	-	-	876
Transmission installation and equipment	107,573	4,278	(2,318)	9,514	119,047
Satellite, earth station and equipment	7,927	93	(1)	127	8,146
Cable network	33,114	4,458	(227)	542	37,887
Power supply	12,776	381	(92)	757	13,822
Data processing equipment	10,242	408	(58)	759	11,351
Other telecommunications peripherals	602	37	-	(7)	632
Office equipment	951	150	(46)	7	1,062
Vehicles	346	135	(2)	(4)	475
Other equipment	99	-	-	-	99
Property under construction	3,853	14,623	-	(13,896)	4,580
Assets under finance lease					
Transmission installation and equipment	5,882	260	(202)	-	5,940
Data processing equipment	102	-	(39)	-	63
Vehicles	44	50	-	-	94
Office equipment	21	52	-	-	73
CPE assets	22	-	-	-	22
Power supply	-	90	-	-	90
RSA assets	252	-	-	-	252
Total	209,718	26,401	(3,202)	(244)	232,673

	January 1, 2015	Additions	Deductions	Reclassifications/ Translations	December 31, 2015
Accumulated depreciation and impairment losses:					
Directly acquired assets					
Buildings	1,954	183	-	4	2,141
Leasehold improvements	669	105	(151)	-	623
Switching equipment	13,861	1,441	(62)	(17)	15,223
Telegraph, telex and data communication equipment	4	-	-	-	4
Transmission installation and equipment	54,764	10,575	(2,290)	14	63,063
Satellite, earth station and equipment	6,099	607	(1)	1	6,706
Cable network	18,762	1,327	(225)	(340)	19,524
Power supply	7,978	1,250	(85)	(29)	9,114
Data processing equipment	7,624	940	(58)	(3)	8,503
Other telecommunications peripherals	322	70	-	(7)	385
Office equipment	659	107	(45)	(8)	713
Vehicles	113	57	(1)	(3)	166
Other equipment	97	2	-	-	99
Assets under finance lease					
Transmission installation and equipment	1,681	848	(202)	-	2,327
Data processing equipment	79	13	(39)	-	53
Vehicles	5	8	-	-	13
Office equipment	6	45	-	-	51
CPE assets	15	2	-	-	17
Power supply	-	18	-	-	18
RSA assets	217	13	-	-	230
Total	114,909	17,611	(3,159)	(388)	128,973
Net Book Value	94,809				103,700

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9. PROPERTY AND EQUIPMENT (continued)

a. Gain on disposal or sale of property and equipment

	2016	2015
Proceeds from sale of property and equipment	765	733
Net book value	(152)	(8)
Gain on disposal or sale of property and equipment	613	725

b. Asset impairment

In 2014, the Group decided to cease its fixed wireless business no later than December 14, 2015. The Company assessed the recoverable amount to be Rp549 billion and determined that the assets for fixed wireless CGU were further impaired by Rp805 billion. The recoverable amount has been determined based on value in use calculation using the most recent cash flows projection approved by management. The cash flows projection included cash inflows from the continuing use of the assets during the remaining service period and projected net cash flows to be received for the disposal of the assets for fixed wireless CGU at the end of service period. Projected net cash flows to be received for the disposal of the assets were determined based on cost approach, adjusted for physical, technological and economic obsolescence. Management applied a pre-tax discount rate of 13.5% derived from the Company's post-tax weighted average cost of capital and benchmarked to externally available data. In addition, management also applied technological and economic obsolescence rate of 30% based on the Company's internal data, due to the lack of comparable market data because of the nature of the assets. The determination of value in use calculation is most sensitive to the technological and economic obsolescence rate assumption. An increase in technological and economic obsolescence rate to 40% would result in a further impairment of Rp70 billion.

Loss on impairment of assets is recognized as part of "Depreciation and Amortization" in the consolidated statement of profit or loss and other comprehensive income.

In connection with the restructuring of fixed wireless business (Note 34c.ii), the Company accelerated its depreciation of fixed wireless assets. As of December 31, 2015, all of the Company's fixed wireless assets have been fully depreciated.

In 2016, the Company derecognized its fixed wireless assets with cost and accumulated depreciation amounting to Rp5,203 billion, respectively.

Management believes that there is no indication of impairment in the assets of other CGUs as of December 31, 2016.

c. Others

(i) Interest capitalized to property under construction amounted to Rp444 billion and Rp328 billion for the years ended December 31, 2016 and 2015, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization ranged from 10.20% to 11.00% and 6.84% to 11.00% for the years ended December 31, 2016 and 2015, respectively.

(ii) No foreign exchange loss was capitalized as part of property under construction for the years ended December 31, 2016 and 2015.

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9. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

- (iii) In 2016 and 2015, the Group received proceeds from the insurance claim on lost and broken property and equipment, with a total value of Rp77 billion and Rp119 billion, respectively, and were recorded as part of "Other Income" in the consolidated statements of profit or loss and other comprehensive income. In 2016 dan 2015, the net carrying values of those assets of Rp19 billion and Rp35 billion, respectively, were charged to the consolidated statements of profit or loss and other comprehensive income.
- (iv) In 2016, Telkomsel decided to replace certain equipment units with net carrying amount of Rp528 billion, as part of its modernization program. Accordingly, Telkomsel accelerated the depreciation of such equipment units. The impact of the change was an increase in the depreciation expense for the year ended December 31, 2016 amounting to Rp489 billion.

In 2015, Telkomsel decided to replace certain equipment units with a net carrying amount of Rp1,967 billion, as part of its modernization program. Accordingly, Telkomsel accelerated the depreciation of such equipment units. The impact of the change was an increase in the depreciation expense for the year ended December 31, 2016 amounting to Rp274 billion. This modernization program will decrease profit before income tax in 2017 amounting to Rp30 billion.

In 2014, the useful lives of Telkomsel's buildings and transmissions were changed from 20 years to 40 years, and from 10 years to 15 and 20 years, respectively, to reflect the current economic lives of the buildings and the transmissions. The impact of reduction in depreciation expense for the year ended December 31, 2016 amounting to Rp244 billion. The impact of the changes in the estimated useful lives of the buildings and transmissions in future periods is an increase in the profit before income tax as follows:

<u>Years</u>	<u>Amount</u>
2017	198
2018	135

- (v) Exchange of property and equipment

In 2012 and 2011, the Company entered into a Procurement and Installation Agreement for the Modernization of the Copper Cable Network through Optimization of Asset Copper Cable Network through Trade In/Trade Off method with PT Len Industri ("LEN") and PT Industri Telekomunikasi Indonesia ("INTI"), respectively.

In 2016 and 2015, the Company derecognized the copper cable network asset with net carrying value of Rp3 billion and Rp2 billion, respectively, and recorded the fiber optic network asset from the exchange transaction of Rp801 billion and Rp683 billion, respectively.

In 2016 and 2015, Telkomsel's certain equipment units with net carrying amount of Rp636 billion and Rp5 billion, respectively, were exchanged with equipment from Ericsson AB and PT Huawei Tech Investment ("Huawei"). As of December 31, 2016, Telkomsel's equipment units with net carrying amount of Rp3 billion are going to be exchanged with equipment from Ericsson AB and Huawei and, therefore, these equipment units were reclassified as assets held for sale in the consolidated statements of financial position.

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9. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

- (vi) The Group owns several pieces of land located throughout Indonesia with Building Use Rights (“Hak Guna Bangunan” or “HGB”) for a period of 10-45 years which will expire between 2017 and 2053. Management believes that there will be no issue in obtaining the extension of the land rights when they expire.
- (vii) As of December 31, 2016, the Group’s property and equipment excluding land rights, with net carrying amount of Rp105,144 billion were insured against fire, theft, earthquake and other specified risks, including business interruption, under blanket policies totalling Rp11,861 billion, US\$1,236 million, HKD3 million and SGD40 million. Management believes that the insurance coverage is adequate to cover potential losses from the insured risks.
- (viii) As of December 31, 2016, the percentage of completion of property under construction was around 58.15% of the total contract value, with estimated dates of completion between January 2017 and December 2018. The balance of property under construction mainly consists of buildings, transmission installation and equipment, cable network and power supply. Management believes that there is no impediment to the completion of the construction in progress.
- (ix) All assets owned by the Company have been pledged as collateral for bonds (Notes 16b.i and 16b.ii). Certain property and equipment of the Company’s subsidiaries with gross carrying value amounting to Rp11,385 billion have been pledged as collateral under lending agreements (Notes 15 and 16).
- (x) As of December 31, 2016, the cost of fully depreciated property and equipment of the Group that are still used in operations amounted to Rp54,993 billion. The Group is currently performing modernization of network assets to replace the fully depreciated property and equipment.
- (xi) In 2016, the total fair values of land rights and buildings of the Group, which are determined based on the sale value of the tax object (“Nilai Jual Objek Pajak” or “NJOP”) of the related land rights and buildings, amounted to Rp28,521 billion.
- (xii) The Company and Telkomsel entered into several agreements with tower providers to lease spaces in telecommunication towers (slot) and sites of the towers for a period of 10 years. The Company and Telkomsel may extend the lease period based on mutual agreement with the relevant parties. In addition, the Group also has lease commitments for transmission installation and equipment, data processing equipment, office equipment, vehicles and CPE assets with the option to purchase certain leased assets at the end of the finance lease terms.

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9. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

Future minimum lease payments required for assets under finance lease are as follows:

<u>Years</u>	<u>2016</u>	<u>2015</u>
2016	-	1,027
2017	987	991
2018	892	888
2019	816	800
2020	771	766
2021	740	724
Thereafter	954	873
Total minimum lease payments	5,160	6,069
Interest	(1,150)	(1,489)
Net present value of minimum lease payments	4,010	4,580
Current maturities (Note 15b)	(658)	(641)
Long-term portion (Note 16)	3,352	3,939

The details of obligations under finance leases as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
PT Tower Bersama Infrastructure Tbk	1,465	1,589
PT Profesional Telekomunikasi Indonesia	1,295	1,460
PT Solusi Tunas Pratama	241	340
PT Putra Arga Binangun	217	227
PT Bali Towerindo Sentra	112	132
PT Naragita Dinamika Komunika	5	84
Others (each below Rp75 billion)	675	748
Total	4,010	4,580

10. ADVANCES AND OTHER NON-CURRENT ASSETS

The breakdown of advances and other non-current assets as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Advances for purchases of property and equipment	5,432	3,653
Prepaid rental - net of current portion (Note 7)	2,471	2,190
Claim for tax refund - net of current portion (Note 26)	1,428	1,013
Prepaid taxes (Note 26)	1,228	60
Deferred charges	387	444
Frequency license - net of current portion (Note 7)	320	404
Security deposit	144	96
Long-term trade receivables - net of current portion	35	172
Restricted cash	31	111
Others	32	23
Total	11,508	8,166

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10. ADVANCES AND OTHER NON-CURRENT ASSETS (continued)

Prepaid rental covers rent of leased line and telecommunication equipment and land and building under lease agreements of the Group with remaining rental periods ranging from 1 to 40 years.

As of December 31, 2016 and 2015, deferred charges represent deferred Indefeasible Right of Use (“IRU”) Agreement charges. Total amortization of deferred charges for the years ended December 31, 2016 and 2015 amounted to Rp40 billion and Rp46 billion, respectively.

Refer to Note 31 for details of related party transactions.

11. INTANGIBLE ASSETS

The details of intangible assets are as follows:

	Goodwill	Software	License	Other intangible assets	Total
Gross carrying amount:					
Balance, January 1, 2016	336	6,267	68	580	7,251
Additions	-	925	9	27	961
Deductions	-	-	(2)	-	(2)
Reclassifications/translations	(4)	20	-	-	16
Acquisition	117	10	-	-	127
Balance, December 31, 2016	<u>449</u>	<u>7,222</u>	<u>75</u>	<u>607</u>	<u>8,353</u>
Accumulated amortization and impairment losses:					
Balance, January 1, 2016	(29)	(3,748)	(49)	(369)	(4,195)
Amortization	-	(1,027)	(7)	(34)	(1,068)
Deductions	-	-	-	-	-
Reclassifications/translations	-	(1)	-	-	(1)
Balance, December 31, 2016	<u>(29)</u>	<u>(4,776)</u>	<u>(56)</u>	<u>(403)</u>	<u>(5,264)</u>
Net Book Value	<u>420</u>	<u>2,446</u>	<u>19</u>	<u>204</u>	<u>3,089</u>

	Goodwill	Software	License	Other intangible assets	Total
Gross carrying amount:					
Balance, January 1, 2015	322	4,771	67	572	5,732
Additions	15	1,489	1	9	1,514
Deductions	-	(1)	-	-	(1)
Reclassifications/translations	(1)	8	-	(1)	6
Balance, December 31, 2015	<u>336</u>	<u>6,267</u>	<u>68</u>	<u>580</u>	<u>7,251</u>
Accumulated amortization and impairment losses:					
Balance, January 1, 2015	(29)	(2,862)	(43)	(335)	(3,269)
Amortization	-	(883)	(6)	(34)	(923)
Deductions	-	1	-	-	1
Reclassifications/translations	-	(4)	-	-	(4)
Balance, December 31, 2015	<u>(29)</u>	<u>(3,748)</u>	<u>(49)</u>	<u>(369)</u>	<u>(4,195)</u>
Net Book Value	<u>307</u>	<u>2,519</u>	<u>19</u>	<u>211</u>	<u>3,056</u>

- (i) Goodwill resulted from the acquisition of Sigma (2008), AdMedika (2010), data center BDM (2012), Contact Centres Australia Pty. Ltd. (2014), MNDG (2015), and Melon (2016) (Note 1d). In addition, there was an acquisition of 80% ownership of PT Griya Silkindo Drajatmoerni (“GSDm”) by NSI.
- (ii) The remaining amortization periods of software range from 1-5 years.
- (iii) As of December 31, 2016, the cost of fully amortized intangible assets that are still used in operations amounted to Rp3,096 billion.

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12. TRADE PAYABLES

	2016	2015
Related parties		
Purchases of equipment, materials and services	1,223	1,891
Payables to other telecommunication providers	324	184
Sub-total	<u>1,547</u>	<u>2,075</u>
Third parties		
Purchases of equipment, materials and services	9,434	9,593
Radio frequency usage charges, concession fees and Universal Service Obligation ("USO") charges	1,256	1,328
Payables to other telecommunication providers	1,281	998
Sub-total	<u>11,971</u>	<u>11,919</u>
Total	<u>13,518</u>	<u>13,994</u>

Trade payables by currency are as follows:

	2016	2015
Rupiah	11,270	11,169
U.S. dollar	2,196	2,791
Others	52	34
Total	<u>13,518</u>	<u>13,994</u>

Refer to Note 31 for details of related party transactions.

13. ACCRUED EXPENSES

	2016	2015
Operation, maintenance and telecommunication services	6,165	4,459
Salaries and benefits	2,993	1,689
General, administrative and marketing expenses	1,914	1,859
Interest and bank charges	211	240
Total	<u>11,283</u>	<u>8,247</u>

Refer to Note 31 for details of related party transactions.

14. UNEARNED INCOME

a. Current portion of unearned income

	2016	2015
Prepaid pulse reload vouchers	4,959	3,630
Telecommunication tower leases	199	165
Other telecommunications services	189	96
Others	216	469
Total	<u>5,563</u>	<u>4,360</u>

b. Non-current portion of unearned income

	2016	2015
Other telecommunications services	256	289
Indefeasible Right of Use	169	82
Total	<u>425</u>	<u>371</u>

These consolidated financial statements are originally issued in Indonesian language.

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15. SHORT-TERM BANK LOANS AND CURRENT MATURITIES OF LONG-TERM BORROWINGS

a. Short-term bank loans

Lenders	Currency	2016		2015	
		Outstanding		Outstanding	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Related parties					
BNI	Rp	-	143	-	25
Sub-total			143		25
Third parties					
UOB	Rp	-	269	-	200
Bank CIMB Niaga	Rp	-	143	-	152
PT Bank DBS Indonesia	Rp	-	95	-	-
SCB	Rp	-	90	-	39
PT Bank Danamon Indonesia, Tbk ("Danamon")	Rp	-	60	-	80
Others	Rp	-	111	-	106
Sub-total			768		577
Total			911		602

Other significant information relating to short-term bank loans as of December 31, 2016 is as follows:

	Borrower	Currency	Total facility (in billions)	Maturity date	Interest payment period	Interest rate per annum	Security	
UOB								
	November 22, 2013	Infomedia	Rp	200	November 22, 2017	Monthly	11.5%-12%	Trade receivables (Note 5)
	December 20, 2016	Finnet	Rp	300	December 21, 2018	Monthly	1 month JIBOR+ 2.25%	None
Bank CIMB Niaga								
	April 28, 2013 ^a	GSD	Rp	85	January 1, 2017 ^f	Monthly	10.9%- 11.5%	Trade receivables (Note 5) and property and equipment (Note 9)
	October 29, 2014	Infomedia Solusi Humanika ^d	Rp	50	January 18, 2017	Monthly	10.00%	Trade receivables (Note 5)
	December 14, 2015 ^b	Balebat ^c	Rp	17	July 30, 2017	Monthly	13.00%	Trade receivables (Note 5), inventories (Note 6) and property and equipment (Note 9)
BNI								
	October 31, 2016	Telkom Infra	Rp	44	October 31, 2017	Monthly	1 month JIBOR+ 3.35%	Trade receivables (Note 5)
	December 31, 2016	Telkom Infra	Rp	101	November 30, 2017	Monthly	1 month JIBOR+ 3.35%	Trade receivables (Note 5)
PT. Bank DBS Indonesia								
	April 12, 2016	Sigma ^e	USD	0.02	July 31, 2017	Semi-annually	3.25% (USD) / 10.75% (IDR)	Trade receivables (Note 5)
SCB								
	June 26, 2015	GSD	Rp	91	December 30, 2016 ^f	Monthly	10.50%	None
Danamon								
	December 15, 2016	Infomedia	Rp	60	December 15, 2017	Monthly	8.75%	Trade receivables (Note 5)

The credit facilities were obtained by the Company's subsidiaries for working capital purposes.

^a Based on the latest amendment dated November 11, 2014.

^b Based on the latest amendment dated December 14, 2015.

^c MD Media's subsidiary.

^d Infomedia's subsidiary.

^e Facility in USD. Withdrawal can be executed in USD and IDR.

^f Unsettled loan will be automatically extended.

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15. SHORT-TERM BANK LOANS AND CURRENT MATURITIES OF LONG-TERM BORROWINGS (continued)

b. Current maturities of long-term borrowings

	Notes	2016	2015
Two-step loans	16a	225	224
Bonds and notes	16b	1	49
Bank loans	16c	3,637	2,928
Obligations under finance leases	9c.xii	658	641
Total		4,521	3,842

16. LONG-TERM LOANS AND OTHER BORROWINGS

	Notes	2016	2015
Two-step loans	16a	1,067	1,296
Bonds and notes	16b	9,322	9,499
Bank loans	16c	11,929	15,434
Other borrowings	16d	697	-
Obligations under finance leases	9c.xii	3,352	3,939
Total		26,367	30,168

Scheduled principal payments as of December 31, 2016 are as follows:

	Notes	Total	Year				
			2018	2019	2020	2021	Thereafter
Two-step loans	16a	1,067	201	182	183	166	335
Bonds and notes	16b	9,322	0	220	2,115	0	6,987
Bank loans	16c	11,929	4,675	2,313	2,219	1,110	1,612
Other borrowings	16d	697	53	107	107	107	323
Obligations under finance leases	9c.xii	3,352	626	605	613	634	874
Total		26,367	5,555	3,427	5,237	2,017	10,131

a. Two-step loans

Two-step loans are unsecured loans obtained by the Government from overseas banks which are then re-loaned to the Company. Loans obtained up to July 1994 are payable in rupiah based on the exchange rate at the date of drawdown. Loans obtained after July 1994 are payable in their original currencies and any resulting foreign exchange gain or loss is borne by the Company.

Lenders	Currency	2016		2015	
		Outstanding		Outstanding	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Overseas banks	Yen	6,143	707	6,911	792
	US\$	22	295	26	363
	Rp	-	290	-	365
Total			1,292		1,520
Current maturities (Note 15b)			(225)		(224)
Long-term portion			1,067		1,296

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

a. Two-step loans (continued)

<u>Lenders</u>	<u>Currency</u>	<u>Principal payment schedule</u>	<u>Interest payment period</u>	<u>Interest rate per annum</u>
Overseas banks	Yen	Semi-annually	Semi-annually	2.95%
	US\$	Semi-annually	Semi-annually	3.85%
	Rp	Semi-annually	Semi-annually	8.25%

The loans were intended for the development of telecommunications infrastructure and supporting telecommunications equipment. The loans will be settled semi-annually and due on various dates through 2024.

The Company had used all facilities under the two-step loans program since 2008.

Under the loan covenants, the Company is required to maintain financial ratios as follows:

- a. Projected net revenue to projected debt service ratio should exceed 1.2:1 for the two-step loans originating from Asian Development Bank (“ADB”).
- b. Internal financing (earnings before depreciation and finance costs) should exceed 20% compared to annual average capital expenditures for loans originating from the ADB.

As of December 31, 2016, the Company has complied with the above-mentioned ratios.

b. Bonds and notes

<u>Bonds and notes</u>	<u>Currency</u>	<u>2016</u>		<u>2015</u>	
		<u>Outstanding</u>		<u>Outstanding</u>	
		<u>Original currency (in millions)</u>	<u>Rupiah equivalent</u>	<u>Original currency (in millions)</u>	<u>Rupiah equivalent</u>
Bonds					
2010					
Series B	Rp	-	1,995	-	1,995
2015					
Series A	Rp	-	2,200	-	2,200
Series B	Rp	-	2,100	-	2,100
Series C	Rp	-	1,200	-	1,200
Series D	Rp	-	1,500	-	1,500
Medium Term Notes (“MTN”)					
GSD					
Series A	Rp	-	220	-	220
Series B	Rp	-	120	-	120
Finnet					
MTN I	Rp	-	-	-	200
Promissory notes					
PT Huawei	US\$	-	-	1	14
PT ZTE Indonesia (“ZTE”)	US\$	0	1	1	14
Total			9,336		9,563
Unamortized debt issuance cost			(13)		(15)
Total			9,323		9,548
Current maturities (Note 15b)			(1)		(49)
Long-term portion			9,322		9,499

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

b. Bonds and notes (continued)

i. Bonds

2010

<u>Bonds</u>	<u>Principal</u>	<u>Issuer</u>	<u>Listed on</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Interest payment period</u>	<u>Interest rate per annum</u>
Series B	1,995	The Company	IDX	June 25, 2010	July 6, 2020	Quarterly	10.20%

The bonds are secured by all of the Company's assets, movable or non-movable, either existing or in the future (Note 9c.ix). The underwriters of the bonds are PT Bahana Securities ("Bahana"), PT Danareksa Sekuritas, and PT Mandiri Sekuritas and the trustee is Bank CIMB Niaga.

The Company received the proceeds from the issuance of bonds on July 6, 2010.

The funds received from the public offering of bonds net of issuance costs, were used to finance capital expenditures which consisted of wave broadband (bandwidth, softswitching, datacom, information technology and others) and infrastructure (backbone, metro network, regional metro junction, internet protocol, and satellite system) and to optimize legacy and supporting facilities (fixed wireline and wireless).

As of December 31, 2016, the rating of the bonds issued by PT Pemeringkat Efek Indonesia (Pefindo) is idAAA (stable outlook).

Based on the indenture trusts agreement, the Company is required to comply with all covenants or restrictions, including maintaining financial ratios as follows:

1. Debt to equity ratio should not exceed 2:1
2. EBITDA to finance costs ratio should not be less than 5:1
3. Debt service coverage is at least 125%

As of December 31, 2016, the Company has complied with the above-mentioned ratios.

2015

<u>Bonds</u>	<u>Principal</u>	<u>Issuer</u>	<u>Listed on</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Interest payment period</u>	<u>Interest rate per annum</u>
Series A	2,200	The Company	IDX	June 23, 2015	June 23, 2022	Quarterly	9.93%
Series B	2,100	The Company	IDX	June 23, 2015	June 23, 2025	Quarterly	10.25%
Series C	1,200	The Company	IDX	June 23, 2015	June 23, 2030	Quarterly	10.60%
Series D	1,500	The Company	IDX	June 23, 2015	June 23, 2045	Quarterly	11.00%
Total	7,000						

The bonds are secured by all of the Company's assets, movable or non-movable, either existing or in the future (Note 9c.ix). The underwriters of the bonds are Bahana, PT Danareksa Sekuritas, PT Mandiri Sekuritas, and PT Trimegah Sekuritas and the trustee is Bank Permata.

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

b. Bonds and notes (continued)

i. Bonds (continued)

The Company received the proceeds from the issuance of bonds on June 23, 2015.

The funds received from the public offering of bonds net of issuance costs, were used to finance capital expenditures which consisted of wave broadband, backbone, metro network, regional metro junction, information technology application and support, and merger and acquisition of some domestic and international entities.

As of December 31, 2016, Corporate bond ratings provided by (Pefindo) is idAAA (stable outlook).

Based on the indenture trusts agreement, the Company is required to comply with all covenants or restrictions, including maintaining financial ratios as follows:

1. Debt to equity ratio should not exceed 2:1
2. EBITDA to finance costs ratio should not be less than 4:1
3. Debt service coverage is at least 125%

As of December 31, 2016, the Company has complied with the above-mentioned ratios.

ii. MTN

GSD

Notes	Currency	Principal	Issuance date	Maturity date	Interest payment period	Interest rate per annum
Series A	Rp	220	November 14, 2014	November 14, 2019	Semi-annually	11%
Series B	Rp	120	March 6, 2015	March 6, 2020	Semi-annually	11%
Total		340				

Based on Agreement of Issuance and Appointment of Monitoring and Insurance Agents of Medium Term Notes (MTN) PT Graha Sarana Duta Year 2014 dated November 13, 2014 as covered by notarial deed No. 30 of Arry Supratno, S.H., GSD will issue MTN with the principle amount up to Rp500 billion in series.

PT Mandiri Sekuritas act as the Arranger, Bank Mandiri as the Monitoring and Insurance Agent, and PT Kustodian Sentral Efek Indonesia ("KSEI") as the payment agent and custodian. The funds obtained from MTN are used for investment projects.

Trade receivables, inventories, land and building related with investment development funded by MTN that are owned or will be owned by GSD, have been pledged as collateral for MTN (Notes 5, 6, and 9c.ix)

Under to the agreement, GSD is required to comply with all covenants or restriction including maintaining financial ratios as follows :

1. Debt to equity ratio should not exceed 6.5:1
2. EBITDA to interest ratio should not be less than 1.2:1
3. Minimum current ratio is 120%
4. Maximum leverage ratio is 450%

As of December 31, 2016, GSD has complied with the above-mentioned ratios.

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b. Bonds and notes (continued)

ii. MTN (continued)

Finnet

<u>Notes</u>	<u>Currency</u>	<u>Principal</u>	<u>Issuance date</u>	<u>Maturity date</u>	<u>Interest payment period</u>	<u>Interest rate per annum</u>
MTN I Finnet year 2015	Rp	200	July 1, 2015	July 1, 2022	Quarterly	11%

Based on Agreement of Debt Acknowledgement of Medium Term Notes (MTN) I Finnet Year 2015 as covered by notarial deed No. 47 dated June 30, 2015 of Utiek R. Abdurachman, S.H., MLI., MKn., Finnet will issue MTN through private placement with the principal amounting to Rp200 billion.

PT BNI Asset Management acts as the arranger, Bank Mega as the trustee and KSEI as the payment agent and custodian.

The funds obtained from MTN are used for Finnet's working capital related to Retail National Channel Bank project as Telkomsel's billing payment aggregator.

The rating of the MTN issued by PT Fitch Rating Indonesia is A (ind). The MTN is not secured by any specific collateral. The MTN are secured by all of Finnet's assets, movable or non-movable either existing or in the future.

Under the agreement, Finnet is required to comply with all covenants or restrictions, including maintaining financial ratios as follows :

1. Debt to equity ratio should not exceed 3.5:1
2. EBITDA to interest ratio should not be less than 2.5:1

In 2016, Finnet has made early payments on MTN amounting to Rp200 billion through refinancing of UOB with the term of the agreement for 2 year.

iii. Promissory Notes

<u>Supplier</u>	<u>Currency</u>	<u>Principal*</u>	<u>Issuance date</u>	<u>Principal payment schedule</u>	<u>Interest payment period</u>	<u>Interest rate per annum</u>
PT Huawei ^a	US\$	0.2	April 30, 2013	-	Semi-annually	6 months LIBOR+1.5%
ZTE	US\$	0.1	August 20, 2009 ^b	February 4, 2017	Semi-annually	6 months LIBOR+1.5%

*In original currency

^aHas been fully paid on July 30, 2016

^bBased on the latest amendment on August 15, 2011

Based on Agreement of Frame Supply and Deferred Payment Arrangement between the Company, ZTE and PT Huawei, the promissory notes issued by the Company to ZTE and PT Huawei are vendor financing facilities with no collateral covering 85% of Hand-over Report (*Berita Acara Serah Terima*) projects with ZTE and PT Huawei.

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c. Bank loans

Lenders	Currency	2016		2015	
		Outstanding		Outstanding	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Related parties					
BNI	Rp	-	3,222	-	3,430
BRI	Rp	-	1,871	-	1,806
Bank Mandiri	Rp	-	1,232	-	2,191
Sub-total			<u>6,325</u>		<u>7,427</u>
Third parties					
Syndication of banks	Rp	-	3,650	-	4,900
The Bank of Tokyo-Mitsubishi-UFJ, Ltd.	Rp	-	2,361	-	2,370
	US\$	-	-	75	1,035
Bank CIMB Niaga	Rp	-	1,162	-	770
PT Bank Sumitomo Mitsui Indonesia	Rp	-	647	-	370
UOB	Rp	-	500	-	-
United Overseas Bank Limited ("UOB Singapore")	US\$	36	484	-	-
PT Bank ANZ Indonesia	Rp	-	240	-	90
	US\$	-	-	75	1,035
Japan Bank for International Cooperation ("JBIC")	US\$	16	211	22	303
PT Bank Central Asia Tbk ("BCA")	Rp	-	-	-	111
ABN Amro Bank N.V., Hong Kong ("AAB Hong Kong")	US\$	-	-	0	0
Others	Rp	-	37	-	19
Sub-total			<u>9,292</u>		<u>11,003</u>
Total			<u>15,617</u>		<u>18,430</u>
Unamortized debt issuance cost			<u>(51)</u>		<u>(68)</u>
			<u>15,566</u>		<u>18,362</u>
Current maturities (Note 15b)			<u>(3,637)</u>		<u>(2,928)</u>
Long-term portion			<u>11,929</u>		<u>15,434</u>

Other significant information relating to bank loans as of December 31, 2016 is as follows:

	Borrower	Currency	Total facility*	Current period payment	Principal payment schedule	Interest payment period	Interest rate per annum	Security
Syndication of banks								
December 19, 2012 (BNI, BRI and Bank Mandiri) ^a	Dayamitra	Rp	2,500	1,000	Semi-annually (2014-2020)	Quarterly	3 months JIBOR+3.00%	Trade receivables (Note 5) and property and equipment (Note 9)
March 13, 2015 (BNI and BCA) ^{a&h}	The Company	Rp	2,900	242	Semi-annually (2016-2022)	Quarterly	3 months JIBOR+2.5%	All assets
March 13, 2015 (BNI and BCA) ^{a&h}	GSD	Rp	100	8	Semi-annually (2016-2022)	Quarterly	3 months JIBOR+2.5%	All assets
BNI								
March 13, 2013 ^{a&c}	Sigma	Rp	1,400	91	Monthly (2016-2020)	Monthly	1 months JIBOR+3.35%	Trade receivables (Note 5) and property and equipment (Note 9)

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c. Bank loans (continued)

	Borrower	Currency	Total facility*	Current period payment	Principal payment schedule	Interest payment period	Interest rate per annum	Security
BNI (continued)								
November 20, 2013	The Company	Rp	1,500	375	Semi-annually (2015-2018)	Quarterly	3 months JIBOR+2.65%	None
January 10, 2014 ^{a&c}	Sigma	Rp	247	38	Monthly (2016-2022)	Monthly	1 month JIBOR+3.35%	Trade receivables (Note 5) and property and equipment (Note 9)
July 21, 2014 ^a	Metra	Rp	40	13	Semi-annually (2015-2017)	Monthly	10.00%	Trade receivables (Note 5) and property and equipment (Note 9)
November 3, 2014 ^{a&g}	Telkom Infratel	Rp	450	131	Quarterly (2015-2018)	Monthly	1 month JIBOR+3.35%	Trade receivables (Note 5)
April 8, 2015 ^a	Telkomsel	Rp	1,000	667	April 14, 2018	Quarterly	3 months JIBOR+1.95%	None
June 10, 2015 ^a	Metra	Rp	44	15	Semi-annually (2015-2017)	Monthly	10.00%	Trade receivables (Note 5) and property and equipment (Note 9)
October 12, 2015 ^a	Telkom Akses	Rp	1,400	151	Semi-annually (2016-2019)	Quarterly	3 months JIBOR+2.9%	Trade receivables (Note 5), inventories (Note 6), and property and equipment (Note 9)
October 31, 2016	Telkom Infra	Rp	59	-	Quarterly (2017-2019)	Monthly	1 month JIBOR+3.35%	Trade receivables (Note 5)
June 27, 2013	NSI	Rp	4	0	Monthly (2014-2023)	Monthly	11%	Property and equipment (Note 9)
March 17, 2014	NSI	Rp	0.7	0	Monthly (2014-2023)	Monthly	12.25%	Property and equipment (Note 9)
June 27, 2014	NSI	Rp	2.5	0	Monthly (2014-2023)	Monthly	13.5%	Property and equipment (Note 9)
The Bank of Tokyo – Mitsubishi UFJ, Ltd.								
October 9, 2014	Dayamitra	Rp	600	120	Quarterly (2016-2019)	Quarterly	3 months JIBOR+2.4%	Trade receivables (Note 5) and property and equipment (Note 9)
March 13, 2015 ^{a&h}	Metra	Rp	400	12	Quarterly (2016-2020)	Quarterly	3 months JIBOR+2.15%	None
March 13, 2015 ^{a&h}	Infomedia	Rp	250	5	Quarterly (2016-2020)	Quarterly	3 months JIBOR+2.15%	None
April 8, 2015 ^a	Telkomsel	Rp	1,000	667	April 14, 2018	Quarterly	3 months JIBOR+1.95%	None
April 8, 2015 ^a	Telkomsel	US\$	0.075	0.075	April 14, 2018	Quarterly	3 months LIBOR+1.2%	None

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

c. Bank loans (continued)

	Borrower	Currency	Total facility*	Current period payment	Principal payment schedule	Interest payment period	Interest rate per annum	Security
The Bank of Tokyo – Mitsubishi UFJ, Ltd. (continued)								
November 2, 2015	Dayamitra	Rp	400	-	Quarterly (2017-2020)	Quarterly	3 month JIBOR+2.6%	Trade receivables (Note 5) and property and equipment (Note 9)
March 13, 2015 ^{a&h}	Dayamitra	Rp	100	3	Quarterly (2016-2020)	Quarterly	3 month JIBOR+2.15%	None
October 3, 2016	Dayamitra	Rp	500	-	Semi-annually (2019-2024)	Quarterly	3 month JIBOR+2.25%	Property and equipment (Note 9)
BRI								
July 20, 2011 ^a	Dayamitra	Rp	1,000	220	Semi-annually (2013-2017)	Quarterly	3 months JIBOR+1.40% and 3 months JIBOR+3.50%	Property and equipment (Note 9)
October 30, 2013	GSD	Rp	70	8	Monthly (2014-2021)	Monthly	10.00%	Trade receivables (Note 5), property and equipment (Note 9) and lease agreement
October 30, 2013	GSD	Rp	34	45	Monthly (2014-2021)	Monthly	10.00%	Trade receivables (Note 5), property and equipment (Note 9) and lease agreement
November 20, 2013	The Company	Rp	1,500	375	Semi-annually (2015-2018)	Quarterly	3 months JIBOR+2.65%	None
December 18, 2015	Dayamitra	Rp	800	-	Semi-annually (2017-2020)	Quarterly	3 months JIBOR+2.70%	Property and equipment (Note 9)
Bank Mandiri								
November 20, 2013	The Company	Rp	1,500	375	Semi-annually (2015-2018)	Quarterly	3 months JIBOR+2.65%	None
August 11, 2014	Graha Yasa Selaras	Rp	71	4	Monthly (2016-2021)	Monthly	3 months JIBOR+3.25%	Property and equipment (Note 9)
August 11, 2014	Graha Yasa Selaras	Rp	71	2	Monthly (2016-2021)	Monthly	3 months JIBOR+3.25%	Property and equipment (Note 9)
April 8, 2015 ^a	Telkomsel	Rp	1,000	667	April 14, 2018	Quarterly	3 months JIBOR+1.95%	None
September 27, 2016	Patrakom	Rp	70	-	Quarterly (2017-2019)	Monthly	9.5%	Trade receivables (Note 5) and property and equipment (Note 9)
Bank CIMB Niaga								
March 31, 2011	GSD	Rp	24	3	Monthly (2011-2020)	Monthly	9.75%	Property and equipment (Note 9) and lease agreement
March 31, 2011	GSD	Rp	13	2	Monthly (2011-2019)	Monthly	9.75%	Property and equipment (Note 9) and lease agreement
September 9, 2011	GSD	Rp	41	4	Monthly (2011-2021)	Monthly	9.75%	Property and equipment (Note 9) and lease agreement

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c. Bank loans (continued)

	Borrower	Currency	Total facility*	Current period payment	Principal payment schedule	Interest payment period	Interest rate per annum	Security
Bank CIMB Niaga (continued)								
	September 20, 2012 ^a	TLT	Rp	1,150	-	Monthly (2015-2030)	Quarterly 3 Months JIBOR +3.45%	Property and equipment (Note 9)
	September 20, 2012 ^a	TLT	Rp	118	-	Monthly (2015-2030)	Monthly 9.00%	Property and equipment (Note 9)
	August 26, 2013 ^d	Balebat ^f	Rp	3.5	1	Monthly (2013-2018)	Monthly 13%	Trade receivables (Note 5), inventories (Note 6) and property and equipment (Note 9)
PT Bank Sumitomo Mitsui Indonesia								
	March 13, 2015 ^{a&h}	Metra	Rp	400	12	Quarterly (2016-2020)	Quarterly 3 months JIBOR+2.15%	None
	March 13, 2015 ^{a&h}	Infomedia	Rp	250	5	Quarterly (2016-2020)	Quarterly 3 months JIBOR+2.15%	None
	March 13, 2015 ^{a&h}	Dayamitra	Rp	100	3	Quarterly (2016-2020)	Quarterly 3 months JIBOR+2.15%	None
UOB								
	September 22, 2016	Dayamitra	Rp	500	-	Semi-annually (2018-2024)	Quarterly 3 months JIBOR+2.2%	Property and equipment (Note 9)
UOB Singapore								
	September 9, 2016	TII	USD	0.06	-	Semi-annually (2019-2022)	Quarterly 3 months LIBOR+1.5%	None
Bank ANZ Indonesia								
	March 13, 2015 ^{a&h}	GSD	Rp	249.5	-	June 13, 2020	Quarterly 3 months JIBOR+2.00%	None
	April 8, 2015 ^a	Telkomsel	US\$	0.075	0.075	April 14, 2018	Quarterly 3 months LIBOR+1.20%	None
JBIC								
	March 28, 2013 ^{a&e}	The Company	US\$	0.03	0.006	Semi-annually (2014-2019)	Semi-annually 2.18% and 6 months LIBOR+1.20%	None
BCA								
	July 9, 2009 ^b and July 5, 2010 ^b	Telkomsel	Rp	4,000	111	Semi-annually (2009-2016)	Quarterly 3 months JIBOR+1.00%	None

The credit facilities were obtained by the Group for working capital purposes.

* In original currency

^a As stated in the agreements, the Group is required to comply with all covenants or restrictions such as dividend distribution, obtaining new loans, and maintaining financial ratios. As of December 31, 2016, the Group has complied with all covenants or restrictions, except for certain loans. As of December 31, 2016, the Group has been granted waivers from creditors where payment is no longer required as a consequence of breaching the agreements.

^b Telkomsel has no collateral for its bank loans, or other credit facilities. The terms of the various agreements with Telkomsel's lenders and financiers require compliance with a number of covenants and negative covenants as well as financial and other covenants, which include, among other things, certain restrictions on the amount of dividends and other profit distributions which could adversely affect Telkomsel's capacity to comply with its obligation under the facility. The terms of the relevant agreements also contain default and cross default clauses. As of December 31, 2016 Telkomsel has complied with the above covenants.

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c. Bank loans (continued)

- ^c Based on the latest amendment on January 12, 2015.
^d Based on the latest amendment on September 22, 2014.
^e In connection with the agreement with NEC Corporation Consortium and TE SubCom, the Company entered into a loan agreement with JBIC, for the procurement of goods and services from NEC Corporation Consortium and TE SubCom for the Southeast Asia Japan Cable System project. The facilities consist of facilities A and B amounting to US\$18.8 million and US\$12.5 million, respectively.
^f MD Media's subsidiary.
^g Based on the latest amendment on July 13, 2015.
^h On March 13, 2015, the Company, GSD, Metra and Infomedia entered into several credit facilities agreements with PT Bank Sumitomo Mitsui Indonesia, The Bank of Tokyo - Mitsubishi UFJ, Ltd., PT Bank ANZ Indonesia and syndication of banks (BCA and BNI) amounting to Rp750 billion, Rp750 billion, Rp500 billion, and Rp3,000 billion, respectively. As of December 31, 2016 the unused facilities for PT Bank Sumitomo Mitsui Indonesia, The Bank of Tokyo – Mitsubishi UFJ, Ltd., PT Bank ANZ Indonesia amounted to Rp82.5 billion, Rp82.5 billion and Rp250.5 billion, respectively.
ⁱ Based on the latest amendment on November 14, 2016.

d. Other borrowing

	Borrower	Currency	Total facility (in billions)	Current period payment (in billions)	Principal payment schedule	Interest payment period	Interest rate per annum	Security
PT Sarana Mukti Infrastruktur October 12, 2016	DMT	Rp	700	-	Semi- annually (2017-2025)	Quarterly	3 months JIBOR+2.20%	Property and equipment (Note 9)

Under the agreement, DMT is required to comply with all covenants or restrictions, including maintaining financial ratios as follows :

1. Debt to equity ratio should not exceed 5:1
2. Net debt to EBITDA ratio should not exceed 4:1
3. Minimal Debt service coverage is 100%

As of December 31, 2016, DMT has complied with the above-mentioned ratios.

17. NON-CONTROLLING INTERESTS

The details of non-controlling interests are as follows:

	2016	2015
Non-controlling interests in net assets of subsidiaries:		
Telkomsel	20,778	18,024
GSD	141	137
Metra	208	95
TII	33	36
Total	21,160	18,292
	2016	2015
Non-controlling interests in net comprehensive income (loss) of subsidiaries:		
Telkomsel	9,790	7,818
Metra	(40)	(5)
TII	(3)	(2)
GSD	(5)	7
Total	9,742	7,818

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17. NON-CONTROLLING INTERESTS (continued)

Material partly-owned subsidiary

As of December 31, 2016 and 2015, the non-controlling interest holds 35% ownership interest in Telkomsel (Note 1d) which is considered material to the company (Note 1d).

The summarized financial information of Telkomsel below is provided based on amounts before elimination of inter-company balances and transactions.

Summarized statements of financial position

	2016	2015
Current assets	28,818	25,660
Non-current assets	60,963	58,426
Current liabilities	(21,891)	(20,020)
Non-current liabilities	(8,520)	(12,565)
Total equity	59,370	51,501
Attributable to:		
Equity holders of parent company	38,592	33,477
Non-controlling interest	20,778	18,024

Summarized statements of profit or loss and other comprehensive income

	2016	2015
Revenues	86,725	76,055
Operating expenses	(49,751)	(46,429)
Other income	483	105
Profit before income tax	37,457	29,731
Income tax expense - net	(9,263)	(7,363)
Profit for the year from continuing operations	28,194	22,368
Other comprehensive income (expenses) - net	(222)	(29)
Net comprehensive income for the year	27,972	22,339
Attributable to non-controlling interest	9,790	7,818
Dividend paid to non-controlling interest	7,036	7,810

Summarized statements of cash flows

	2016	2015
Operating activities	42,827	36,130
Investing activities	(12,794)	(12,951)
Financing activities	(24,132)	(19,456)
Net increase in cash and cash equivalents	5,901	3,723

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18. CAPITAL STOCK

Description	2016		
	Number of shares	Percentage of ownership	Total paid-up capital
Series A Dwiwarna share			
Government	1	0	0
Series B shares			
Government	51,602,353,559	52.09	2,580
The Bank of New York Mellon Corporation*	7,000,589,980	7.07	350
Commissioners (Note 1b):			
Hendri Saparini	414,157	0	0
Dolfie Othniel Fredric Palit	372,741	0	0
Hadiyanto	875,297	0	0
Directors (Note 1b):			
Alex Janangkih Sinaga	920,349	0	0
Indra Utoyo	1,972,644	0	0
Honesti Basyir	1,945,644	0	0
Herdy Rosadi Harman	828,012	0	0
Abdus Somad Arief	828,314	0	0
Dian Rachmawan	888,854	0	0
Public (individually less than 5%)	40,450,227,048	40.84	2,023
Total	99,062,216,600	100.00	4,953
Treasury stock (Note 20)	1,737,779,800	0	87
Total	100,799,996,400	100.00	5,040

Description	2015		
	Number of shares	Percentage of ownership	Total paid-up capital
Series A Dwiwarna share			
Government	1	0	0
Series B shares			
Government	51,602,353,559	52.55	2,580
The Bank of New York Mellon Corporation*	8,161,361,980	8.31	408
Commissioners (Note 1b):			
Hendri Saparini	18,982	0	0
Dolfie Othniel Fredric Palit	17,084	0	0
Hadiyanto	519,640	0	0
Parikesit Suprpto	502,555	0	0
Directors (Note 1b):			
Alex Janangkih Sinaga	42,723	0	0
Heri Sunaryadi	37,965	0	0
Indra Utoyo	1,182,295	0	0
Muhammad Awaluddin	1,154,755	0	0
Honesti Basyir	1,155,295	0	0
Herdy Rosadi Harman	37,663	0	0
Abdus Somad Arief	37,965	0	0
Dian Rachmawan	98,505	0	0
Public (individually less than 5%)	38,429,695,633	39.14	1,922
Total	98,198,216,600	100.00	4,910
Treasury stock (Note 20)	2,601,779,800	-	130
Total	100,799,996,400	100.00	5,040

* The Bank of New York Mellon Corporation serves as the Depositary of the registered ADS holders for the Company's ADSs.

The Company issued only 1 Series A Dwiwarna share which is held by the Government and can not be transferred to any party, and has a veto in the General Meeting of Stockholders of the Company with respect to election and removal from the Boards of Commissioners and Directors, issuance of new shares, and amendments of the Company's Articles of Association.

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19. ADDITIONAL PAID-IN CAPITAL

	2016	2015
Proceeds from sale of 933,333,000 shares in excess of par value through IPO in 1995	1,446	1,446
Excess of value over cost of selling 215,000,000 shares under the treasury stock plan phase II (Note 20)	576	576
Excess of value over cost of selling 211,290,500 shares under the treasury stock plan phase I (Note 20)	544	544
Difference in value arising from restructuring transactions between entities under common control	478	478
Excess of value over cost of treasury stock transferred to employee stock ownership program (Note 20)	228	228
Excess of value over cost of selling 22,363,000 shares under the treasury stock plan phase III (Note 20)	36	36
Excess of value over cost of selling 864,000,000 shares under the treasury stock plan phase IV (Note 20)	1,996	-
Capitalization into 746,666,640 Series B shares in 1999	(373)	(373)
Net	4,931	2,935

Difference in value arising from restructuring and other transactions of entities under common control amounting Rp478 billion arose from the early termination of the Company's exclusive rights to provide local and inter-local fixed line telecommunication services, for which the Company is required by the Government to use the funds received from this compensation for the development of telecommunication infrastructure. As of December 31, 2016 and 2015, the accumulated development of the related infrastructure amounting to Rp537 billion, respectively.

20. TREASURY STOCK

Phase	Basis	Period	Maximum Purchase	
			Number of Shares	Amount
I	EGM	December 21, 2005 - June 20, 2007	1,007,999,964	Rp5,250
II	AGM	June 29, 2007 - December 28, 2008	215,000,000	Rp2,000
III	AGM	June 20, 2008 - December 20, 2009	339,443,313	Rp3,000
-	BAPEPAM - LK	October 13, 2008 - January 12, 2009	4,031,999,856	Rp3,000
IV	AGM	May 19, 2011 - November 20, 2012	645,161,290	Rp5,000

Movements in treasury stock as a result of the repurchase of shares are as follows:

	2016			2015		
	Number of shares	%	Rp	Number of shares	%	Rp
Beginning balance	2,601,779,800	2.58	3,804	2,624,142,800	2.60	3,836
Sale of treasury stock	(864,000,000)	(0.86)	(1,263)	(22,363,000)	(0.02)	(32)
Ending balance	1,737,779,800	1.72	2,541	2,601,779,800	2.58	3,804

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20. TREASURY STOCK (continued)

Pursuant to the AGM of Stockholders of the Company held on June 11, 2010, the stockholders approved the change in the Company's plan for treasury stock phases I, II, and III to become: (i) for reissuance inside or outside stock exchange, (ii) for retirement of the stock by deducting from equity, (iii) for equity stock conversion and (iv) for funding purposes.

Pursuant to the AGM of Stockholders of the Company held on May 19, 2011, the stockholders approved to execute the repurchase plan for treasury stock phase IV.

In 2012, the Company bought back 237,270,500 shares (equivalent to 1,186,352,500 shares after stock split) from the public (part of stock repurchase program phase IV) for Rp1,744 billion.

In the AGM on April 19, 2013, the Company's stockholders approved the change to the plan for the treasury stock phase III, which was decided to be used for the implementation of the Employee Stock Ownership Program ("ESOP") for the year 2013.

On July 30, 2013, the Company resold 211,290,500 shares (equivalent to 1,056,452,500 shares after stock split) of treasury stock phase I with fair value amounting to Rp2,368 billion (net of related costs to sell the shares). The excess amounting to Rp544 billion in value of the treasury shares sold over their acquisition cost was recorded as additional paid-in capital (Note 19).

On June 13, 2014, the Company resold 215,000,000 shares (equivalent to 1,075,000,000 shares after stock split) of treasury stock phase II with fair value amounting to Rp2,541 billion (net of related costs to sell the shares). The excess amounting to Rp576 billion in value of the treasury stock sold over their acquisition cost was recorded as additional paid-in capital (Note 19).

On December 21, 2015, the Company resold 4,472,600 shares (equivalent to 22,363,000 shares after stock split) of treasury stock phase III with fair value amounting to Rp68 billion (net of related costs to sell the shares). The excess amounting to Rp36 billion in value of the treasury stock sold over their acquisition cost was recorded as additional paid-in capital (Note 19).

On June 29, 2016, the Company resold 172,800,000 shares (equivalent to 864,000,000 shares after stock split) of treasury stock phase IV with fair value of Rp3,259 billion (net of related costs to sell the shares). The excess amounting to Rp1,996 billion in value of the treasury stock sold over their acquisition cost was recorded as additional paid-in capital (Note 19).

21. OTHER EQUITY

	<u>2016</u>	<u>2015</u>
Effect of change in equity of associated companies	386	386
Unrealized holding gain on available-for-sale securities	38	38
Translation adjustment	503	543
Difference due to acquisition of non controlling interests in subsidiaries	(637)	(508)
Other equity components	49	49
Total	<u>339</u>	<u>508</u>

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22. REVENUES

	2016	2015
Telephone revenues		
Cellular		
Usage charges	38,238	36,853
Monthly subscription charges	259	432
	<u>38,497</u>	<u>37,285</u>
Fixed lines		
Usage charges	3,847	4,635
Monthly subscription charges	3,311	2,821
Call center	290	275
Others	94	102
	<u>7,542</u>	<u>7,833</u>
Total telephone revenues	46,039	45,118
Interconnection revenues	4,151	4,290
Data, internet, and information technology service revenues		
Celullar internet and data	28,308	19,665
Short Messaging Services ("SMS")	15,980	15,132
Internet, data communication and information technology services	13,073	12,307
Pay TV	1,546	581
Others	64	135
	<u>58,971</u>	<u>47,820</u>
Total data, internet, and information technology service revenues	58,971	47,820
Network revenues	1,444	1,231
Other revenues		
Sales of handset	1,490	1,516
Telecommunication tower leases	733	721
Call center service	678	668
E-payment	424	126
E-health	415	192
CPE and terminal	192	221
Others	1,796	567
	<u>5,728</u>	<u>4,011</u>
Total other revenues	5,728	4,011
Total revenues	116,333	102,470

The detail of net revenues received by the Group from agency relationships for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Gross revenues	29,319	20,414
Compensation to value added service providers	(1,011)	(749)
Net revenues	28,308	19,665

Refer to Note 31 for details of related party transactions.

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23. PERSONNEL EXPENSES

The breakdown of personnel expenses is as follows:

	2016	2015
Salaries and related benefits	7,122	5,684
Vacation pay, incentives and other benefits	4,219	4,575
Pension benefit cost (Note 29)	1,068	432
Early retirement program	628	683
Long Service Awards ("LSA") expense (Note 30)	237	152
Net periodic post-employment health care benefit cost (Note 29)	163	216
Other employee benefit cost (Note 29)	82	53
Other post-employment benefit cost (Note 29)	48	47
Others	45	32
Total	13,612	11,874

Refer to Note 31 for details of related party transactions.

24. OPERATION, MAINTENANCE AND TELECOMMUNICATION SERVICE EXPENSES

The breakdown of operation, maintenance and telecommunication service expenses is as follows:

	2016	2015
Operation and maintenance	17,047	15,129
Radio frequency usage charges (Notes 34c.i and 34c.ii)	3,687	3,626
Concession fees and USO charges	2,217	2,230
Leased lines and CPE	2,578	1,913
Cost of IT services	1,563	882
Cost of handset sold (Note 6)	1,481	1,493
Electricity, gas and water	960	1,014
Cost of SIM cards and vouchers (Note 6)	624	444
Vehicles rental and supporting facilities	367	296
Tower leases	322	646
Insurance	256	312
Others	161	131
Total	31,263	28,116

Refer to Note 31 for details of related party transactions.

25. GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of general and administrative expenses is as follows:

	2016	2015
General expenses	1,626	1,032
Provision for impairment of receivables (Note 5d)	743	1,010
Professional fees	594	424
Travelling	436	347
Training, education and recruitment	399	393
Meeting	207	163
Collection expenses	152	368
Social contribution	134	116
Others	319	351
Total	4,610	4,204

Refer to Note 31 for details of related party transactions.

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26. TAXATION

a. Claims for tax refund

	2016	2015
The Company		
Value Added Tax ("VAT") (Note 26e.i)	335	298
Corporate income tax	473	479
Subsidiaries		
Corporate income tax	66	290
VAT	1,146	12
Income tax		
Article 23 - Withholding tax on services	-	0
Total claims for tax refund	2,020	1,079
Current portion	(592)	(66)
Non-current portion	1,428	1,013

b. Prepaid taxes

	2016	2015
The Company		
Income tax		
Article 19 - Revaluation of fixed assets (Note 26f)	538	750
VAT	1,075	350
Subsidiaries		
Corporate income tax	62	16
VAT	1,639	1,596
Income tax		
Article 23 - Withholding tax on services	52	20
Total prepaid taxes	3,366	2,732
Current portion	(2,138)	(2,672)
Non-current portion	1,228	60

c. Taxes payable

	2016	2015
The Company		
Income taxes		
Article 4 (2) - Final tax	29	37
Article 21 - Individual income tax	141	51
Article 22 - Withholding tax on goods delivery and imports	2	2
Article 23 - Withholding tax on services	42	23
Article 25 - Installment of corporate income tax	-	17
Article 26 - Withholding tax on non-resident income	136	2
VAT		
VAT - Tax collector	297	396
	647	528

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26. TAXATION (continued)

c. Taxes payable (continued)

Subsidiaries

Income taxes

Article 4 (2) - Final tax	63	54
Article 21 - Individual income tax	121	113
Article 22 - Withholding tax on goods delivery and imports	2	1
Article 23 - Withholding tax on services	93	102
Article 25 - Installment of corporate income tax	136	237
Article 26 - Withholding tax on non-resident income	16	9
Article 29 - Corporate income tax	1,100	1,548

VAT	776	681
	<u>2,307</u>	<u>2,745</u>
Total Taxes Payable	<u>2,954</u>	<u>3,273</u>

d. The components of income tax expense (benefit) are as follows:

	<u>2016</u>	<u>2015</u>
Current		
The Company	671	201
Subsidiaries	<u>10,067</u>	<u>8,164</u>
	<u>10,738</u>	<u>8,365</u>
Deferred		
The Company	(844)	(38)
Subsidiaries	<u>(877)</u>	<u>(302)</u>
	<u>(1,721)</u>	<u>(340)</u>
Net income tax expense	<u>9,017</u>	<u>8,025</u>

The reconciliation between the income tax expense calculated by applying the applicable tax rate of 20% to the profit before income tax less income subject to final tax, and the net income tax expense as shown in the consolidated statements of profit or loss and other comprehensive income is as follows:

	<u>2016</u>	<u>2015</u>
Profit before income tax	38,189	31,342
Less: income subject to final tax - net	<u>(1,684)</u>	<u>(1,531)</u>
	<u>36,505</u>	<u>29,811</u>
Income tax expense calculated at the Company's applicable statutory tax rate of 20%	7,301	5,962
Difference in applicable statutory tax rate for subsidiaries	1,904	1,511
Non-deductible expenses	491	322
Final income tax expense	345	111
Deferred tax assets that cannot be utilized - net	56	-
Deferred tax assets on fixed asset revaluation for tax purpose	(1,415)	-
Others	<u>335</u>	<u>119</u>
Net income tax expense - net	<u>9,017</u>	<u>8,025</u>

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26. TAXATION (continued)

d. The components of income tax expense (benefit) are as follows (continued):

The reconciliation between the profit before income tax and the estimated taxable income of the Company for the year ended December 31, 2016 and 2015 is as follows:

	2016	2015
Profit before income tax	38,189	31,342
Add back consolidation eliminations	24,613	15,553
Consolidated profit before income tax and eliminations	62,802	46,895
Less: profit before income tax of the subsidiaries	(40,166)	(31,007)
Profit before income tax attributable to the Company	22,636	15,888
Less: income subject to final tax	(670)	(591)
	21,966	15,297
Temporary differences:		
Provision for personnel expenses	560	127
Net periodic pension and other post-retirement benefits costs	513	12
Valuation of fair value of put option and long-term investment	172	117
Deferred installation fee	50	(33)
Provision for incentive to subscribers' migration	-	(209)
Depreciation and gain on sale of property and equipment	(1,880)	(948)
Provision for impairment of assets	(1,186)	-
Provision for onerous contracts	(547)	547
Finance leases	(337)	231
Provision for impairment and trade receivables written-off	(43)	(206)
Other provisions	(106)	296
Net temporary differences	(2,804)	(66)
Permanent differences:		
Tax penalties	640	29
Trade receivables written-off	590	-
Employee benefits	302	232
Net periodic post-retirement health care benefit costs	163	216
Donations	162	175
Equity in net income of associates and subsidiaries	(19,445)	(15,590)
Others	129	258
Net permanent differences	(17,459)	(14,680)
Taxable income of the Company	1,703	551
Current corporate income tax expense	340	110
Final income tax expense	331	91
Total current income tax expense of the Company	671	201
Current income tax expense of the subsidiaries	10,067	8,164
Total current income tax expense	10,738	8,365

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26. TAXATION (continued)

- d. The components of income tax expense (benefit) are as follows (continued):

Tax Law No. 36/2008 which is further regulated in Government Regulation No. 81/2007 as amended by Government Regulation No. 77/2013 and lastly by Government Regulation No. 56/2015 stipulates a reduction of 5% from the top rate applicable to qualifying listed companies, for those whose stocks are traded in the IDX which meet the prescribed criteria that the public owns 40% or more of the total fully paid and traded shares, and such shares are owned by at least 300 parties, with each party owning less than 5% of the total paid-up shares. These requirements must be met by a company for a period of 183 days in one tax year. The Company has met all of the required criteria; therefore, for the purpose of calculating income tax expense and liabilities for the financial reporting the year ended December 31, 2016 and 2015, the Company has reduced the applicable tax rate by 5%.

The Company applied the tax rate of 20% for the year ended December 31, 2016 and 2015. The subsidiaries applied a tax rate of 25% for the year ended December 31, 2016 and 2015.

The company will submit the above corporate income tax computation in its income tax return ("Surat Pemberitahuan Tahunan" or Annual Tax Return) for fiscal year 2016 that will be reported to the tax office based on prevailing regulations. The amount of corporate income tax for the year ended December 31, 2015 agreed with what was reported in the annual tax return.

- e. Tax assessment

- (i) The Company

In November 2013, the Company received tax underpayment assessment letters ("SKPKBs") No. 00056/207/07/093/13 to No. 00065/207/07/093/13 dated November 15, 2013, for the underpayment of VAT for the period January to September and November 2007 amounting to Rp142 billion. On January 20, 2014, the Company filed its objection to the Tax Authorities. The Company has received the rejection of its objection through The Directorate General of Taxation ("DGT") decision letters No. 2498 to 2504 and 2541 to 2543/WPJ.19/2014 dated December 16 and 18, 2014, respectively. The Company accepted the assessment on the underpayment of VAT amounting to Rp22 billion (including penalty of Rp10 billion). The accepted portion was charged to the 2014 consolidated statements of profit or loss and other comprehensive income and the portion of VAT Interconnection amounting to Rp120 billion (including penalty Rp39 billion) is recognized as claim for tax refund. The Company has filed an appeal to the rejection of the objection on underpayment of VAT Interconnection No. Tel. 59/KU000/COP-10000000/2015 to No. Tel. 68/KU000/COP-10000000/2015 dated March 12, 2015. As of the date of approval and authorization for the issuance of these consolidated financial statements, the appeal is still in process.

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26. TAXATION (continued)

e. Tax assessment (continued)

(i) The Company (continued)

In November 2014, the Company received SKPKBs as the result of the tax audit for fiscal year 2011 from the Tax Authorities. Based on the letters, the Company received VAT underpayment assessment for the tax period January to December 2011 amounting to Rp182.5 billion (including penalty of Rp60 billion) and corporate income tax underpayment assessment amounting to Rp2.8 billion (including penalty of Rp929 million). The Company has paid the underpayment. The accepted portion on the underpayment VAT, amounting to Rp4.7 billion (including penalty of Rp2 billion) was charged to the 2014 consolidated statements of profit or loss and other comprehensive income and the portion of VAT Interconnection amounting to Rp178 billion (including penalty of Rp58 billion) is recognized as claim for tax refund. The Company filed an objection on VAT Interconnection assessment in 2011 on January 7, 2015 to the Tax Authorities. Regarding the case, The Tax Authorities rejected the Company's objection through its decrees No. 1907 to 1914 dated October 20, 2015 for the tax period January to August 2011, No. 2026 to 2028 dated November 2, 2015 for the tax period October to December 2011 and No. 2642/WPJ.19/2015 dated December 29, 2015 for the tax period September 2011. The Company has filed an appeal to the rejection of the objection on January 20, 2016. As of the date of approval and authorization for the issuance of these consolidated financial statements, the appeal is still in process.

The Company received a letter from the Tax Authorities No. Pemb-00427/WPJ.19/KP.0405/RIK.SIS/2015 dated June 29, 2015 regarding the Notice of Field Examination for The Tax period January to December 2014. On April 20, 2016 the Company received assessment letter for overpayment of Income Tax No. 00022/406/14/093/16 that determined the amount of income tax overpayment for fiscal year 2014 amounting to Rp 51.5 billion.

On May 3, 2016 the Tax Authorities issued Field Tax Audit Notification Letter for tax period January to December 2012. The Company has received SKPKBs as the result of the tax audit. Based on the letters, the Company received corporate income tax underpayment assessment amounting to Rp991.6 billion (including penalty of Rp321.6 billion), VAT underpayment assessment amounting to Rp467 billion (including penalty of 153.5 billion), VAT underpayment assessment on taxable services from outside customs territory amounting to Rp1.2 billion (including penalty of Rp392 billion), VAT underpayment assessment on tax collected amounting to Rp57 billion (including penalty of Rp18.5 billion). Tax Collection Letter ("STP") for VAT amounting to Rp37.5 billion, withholding tax article 21 underpayment assessment amounting to Rp16.2 billion (including penalty of Rp5.3 billion), final withholding tax article 21 underpayment assessment amounting Rp1.2 billion (including penalty of Rp407 million), withholding tax article 23 underpayment assessment amounting to Rp63.5 billion (including penalty of Rp20.6 billion), withholding tax article 4 (2) underpayment assessment amounting to Rp25 billion (including penalty of Rp8.1 billion) and withholding tax article 26 underpayment assessment amounting to Rp197.6 billion (including penalty of Rp64 billion).

The Company has agreed regarding recalculation of input tax credit on incoming interconnection services amounting to Rp35 billion, withholding tax amounting to Rp613 million and withholding tax article 26 amounting to Rp311.5 million that have been recorded in consolidated statements of profit or loss and other comprehensive income. The company filed an objection against the remaining unapproved parts on November 16, 2016. As of the date of approval and authorization for the issuance of these consolidated financial statements, the objection is still in process.

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26. TAXATION (continued)

e. Tax assessment (continued)

(i) The Company (continued)

The Company received a letter from the Tax Authorities dated August 23, 2016 regarding Field Tax Audit Notification for tax period January to December 2015. As of the date of approval and authorization for the issuance of these consolidated financial statements, the audit process is still ongoing.

(ii) Telkomsel

In December 2013, the Tax Court accepted Telkomsel's appeal on the 2006 VAT and withholding taxes totaling Rp116 billion. In February 2014, Telkomsel received the refund. On July 3, 2015, in response to Telkomsel's letter claiming for interest income related to favorable 2006 VAT and withholding tax verdicts, the Tax Authorities informed Telkomsel that the claim cannot be granted since the Tax Authorities filed a request for judicial review to the Supreme Court ("SC"). On August 19, 2016, Telkomsel received a notification from Tax Court that the Tax Authorities filed a request for judicial review to SC for the VAT case amounting to Rp108 billion. The contra memorandum for judicial review was sent on September 14, 2016.

On April 21, 2010, the Tax Authorities filed a judicial review request to the Indonesian SC for the Tax Court's acceptance of Telkomsel's request to cancel the Tax Collection Letter ("STP") for the underpayment of December 2008 income tax article 25 amounting to Rp429 billion (including a penalty of Rp8.4 billion). In May 2010, Telkomsel filed a contra-appeal to the SC.

In July 2016, the case has been announced on SC Website in favor of the Tax Authorities. Although Telkomsel has not received the official verdict from the Court, conservatively the tax penalty of Rp8.4 billion has been recognized. The tax base of Rp421 billion shall not become an additional tax expense as the nature of corporate income tax amount is creditable for Telkomsel.

In May and June 2012, Telkomsel received the refund of penalty on 2010 income tax article 25 underpayment amounting to Rp15.7 billion based on the Tax Court's verdict. On July 17, 2012, the Tax Authorities filed a judicial review request to the SC on the Tax Court's Verdict. On September 14, 2012, Telkomsel filed a contra-appeal to the SC.

In July 2016, conservatively, Telkomsel recognized the tax penalty of Rp15.7 billion as it has similar legal substance with 2008 penalty of income tax case.

On May 24, 2012, Telkomsel filed an objection to the Tax Authorities for the 2010 underpayment of value added tax of Rp290.6 billion (including penalty of Rp67 billion) and recorded it as a claim for tax refund. On May 1, 2013, the Tax Authorities rejected Telkomsel's objection. Subsequently, on July 29, 2013, Telkomsel filed an appeal to the Tax Court. On March 16, 2015, the Tax Court accepted Telkomsel's appeal and May 13, 2015, Telkomsel received a refund for value added tax and amounting to Rp290.6 billion. On June 24, 2015, The Tax Authorities filed a judicial review to the SC and on May 2, 2016, Telkomsel received a notification from Tax Court regarding the judicial review. Subsequently, on May 27, 2016 Telkomsel filed a contra-appeal to the SC. As of the date of approval and authorization for issuance of these financial statements, the judicial review is still in process.

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26. TAXATION (continued)

e. Tax assessment (continued)

(ii) Telkomsel (continued)

On November 7, 2014, as a result of a tax audit by the Tax Authorities, Telkomsel received assessment letters for underpayment of corporate income tax, VAT and withholding tax amounting to Rp257.8 billion, Rp2.9 billion and Rp2.2 billion (including penalty of Rp85.3 billion), respectively. In December 2014, Telkomsel accepted the assessment of Rp7.8 billion for the underpayment of corporate income tax, Rp1 billion for the underpayment of VAT and Rp2.2 billion for the underpayment of the withholding tax (including penalty of Rp3.5 billion). The accepted portion was charged to the 2014 statement of profit or loss and other comprehensive income. In December 2014, Telkomsel paid the assessments and filed objection letters to the Tax Authorities for the underpayment of corporate income tax of Rp250 billion (including penalty of Rp81.1 billion) and VAT of Rp1.9 billion (including penalty of Rp670 million). In November and December 2015, Telkomsel received the rejection letters from the Tax Authorities for corporate income tax of Rp250 billion and VAT of Rp 1.4 billion. The remaining amount of Rp250 million was charged to the 2015 statement of profit or loss and other comprehensive income.

In August 2015, Telkomsel received a letter from the Tax Authorities requesting Telkomsel to change the fiscal useful life of asset tower. Claim for tax refund of 2011 Corporate Income Tax related to tower depreciation of Rp125.5 billion was reclassified to deferred tax liabilities, Rp60 billion penalty was charged to the 2015 profit or loss.

On February 15, 2016, Telkomsel filed an appeal to the Tax Authorities for the 2011 underpayment of corporate income tax of Rp250 billion (including penalty of Rp81.1 billion). Subsequently, on March 17, 2016, the Company also filed an appeal to the Tax Court for the underpayment of VAT amounting Rp1.2 billion (including penalty of Rp392 million).

In December 2016, after the court hearing sessions ended, Telkomsel reviewed the corporate income tax developments and resulted in adjustment of Rp18 billion. Therefore, the amount of claim for tax refund reduce from Rp66 billion to Rp48 billion. As of the date of approval and authorization for issuance of these financial statements, Telkomsel has not received the Tax Court's verdict.

On July 28, 2016, Telkomsel received the tax audit instruction letter for compliance of fiscal year 2014. As of the date of approval and authorization for issuance of these financial statements, the tax audit still in process.

f. Tax incentives

In December 2015, the Company took advantage of the Economic Policy Package V in the form of tax incentives for fixed assets revaluation as stipulated in the Ministry of Finance Regulation ("PMK") No. 191/PMK.010/2015 juncto PMK No. 233/PMK.03/2015 juncto PMK No. 29/PMK.03/2016. In accordance with the PMK, the Company is allowed to revalue its fixed assets for tax purposes and will obtain lower income tax when the application of the revaluation is submitted to DGT during the period between the effective date of PMK and December 31, 2016. The final income tax is determined at a rate ranging from 3%-6% on the excess of the revalued amount of fixed assets over its original net book value depending on the timing of submission of application to the DGT.

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26. TAXATION (continued)

f. Tax incentives (continued)

On December 29, 2015, the Company filed an application for fixed assets revaluation using self-assessed revaluation amount and has paid the related final income tax amounting to Rp750 billion. Based on the PMK, the self-assessed revaluation amount should be evaluated by a Public Independent Appraiser (“KJPP”) or valuation specialist, which is registered with the Government before December 31, 2016. Upon verification of the completeness and accuracy of the application, the DGT may issue approval letter within 30 days after the receipt of complete application. The Company has appointed KJPP to assess the fixed assets revaluation of the Company. The Company submitted the completeness of fixed assets revaluation documents phase 1 to DGT on September 29, 2016. On November 10, 2016, DGT issued approval regarding fixed assets revaluation amounting to Rp7,078 billion with related final income tax amounting to Rp212 billion.

On December 15, 2016, the Company resubmitted the request regarding fixed assets revaluation for tax purpose for the request proposed in 2016 that covered outdoor production equipments with estimated increase of assets value amounting to Rp8,960 billion with related final income tax amounting to Rp538 billion. As of the date of approval and authorization for issuance of these financial statements, the Company is still waiting for the fixed assets revaluation report from KJPP.

The fixed assets revaluation for tax purpose resulting a deductible temporary difference that originated from higher tax base of fixed assets compared to the assets' accounting book value. The temporary difference creates deferred tax assets because there will be future economic benefits that flow to the Company when the carrying amount of assets has been recovered.

In 2016, the Company recorded deferred tax assets amounting to Rp1,415 billion from the excess of the revalued amount of fixed assets which has been approved by DGT over the previous tax base net book value.

g. Deferred tax assets and liabilities

The details of the Group's deferred tax assets and liabilities are as follows:

	December 31, 2015	(Charged) credited to the consolidated statements of profit or loss	(Charged) credited to the consolidated statements of other comprehensive income	(Charged) credited to the equity	December 31, 2016
The Company					
Deferred tax assets:					
Net periodic pension and other post-employment benefits costs	335	102	126	-	563
Provision for impairment of receivable	429	(41)	-	-	388
Provisions for employee benefit	97	112	-	-	209
Deferred installation fee	65	10	-	-	75
Accrued expenses and provision for inventory obsolescence	211	(142)	-	-	69
Finance leases	69	(68)	-	-	1
Total deferred tax assets	<u>1,206</u>	<u>(27)</u>	<u>126</u>	<u>-</u>	<u>1,305</u>
Deferred tax liabilities:					
Difference between accounting and tax bases of property and equipment	(1,597)	825	-	-	(772)
Valuation of long-term investment	(45)	34	-	-	(11)
Land rights, intangible assets and others	(23)	12	-	-	(11)
Total deferred tax liabilities	<u>(1,665)</u>	<u>871</u>	<u>-</u>	<u>-</u>	<u>(794)</u>
Deferred tax liabilities of the Company - net	<u>(459)</u>	<u>844</u>	<u>126</u>	<u>-</u>	<u>511</u>

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26. TAXATION (continued)

g. Deferred tax assets and liabilities (continued)

The details of the Group's deferred tax assets and liabilities are as follows (continued):

	December 31, 2015	(Charged) credited to the consolidated statements of profit or loss	(Charged) credited to the consolidated statements of other comprehensive income	(Charged) credited to the equity	December 31, 2016
Telkomsel					
Deferred tax assets:					
Provisions for employee benefits	349	55	74	-	478
Provision for impairment of receivables	138	5	-	-	143
Total deferred tax assets	<u>487</u>	<u>60</u>	<u>74</u>	-	<u>621</u>
Deferred tax liabilities:					
Finance leases	(385)	(164)	-	-	(549)
Difference between accounting and tax bases of and equipment property	(1,395)	913	-	-	(482)
Intangible assets	(52)	4	-	-	(48)
Total deferred tax liabilities	<u>(1,832)</u>	<u>753</u>	<u>-</u>	<u>-</u>	<u>(1,079)</u>
Deferred tax liabilities of Telkomsel - net	<u>(1,345)</u>	<u>813</u>	<u>74</u>	<u>-</u>	<u>(458)</u>
Deferred tax liabilities of other subsidiaries - net	(306)	14	5	-	(287)
Deferred tax liabilities - net	<u>(2,110)</u>	<u>1,286</u>	<u>79</u>	<u>-</u>	<u>(745)</u>
Deferred tax assets of other subsidiaries - net	<u>201</u>	<u>50</u>	<u>3</u>	<u>4</u>	<u>258</u>
Deferred tax assets - net	<u>201</u>	<u>435</u>	<u>129</u>	<u>4</u>	<u>769</u>

	December 31, 2014	(Charged) credited to the consolidated statements of profit or loss	(Charged) credited to the consolidated statements of other comprehensive income	Reclassification	December 31, 2015
The Company					
Deferred tax assets:					
Provision for impairment of receivable	470	(41)	-	-	429
Net periodic pension and other post-employment benefits costs	330	3	2	-	335
Accrued expenses and provision for inventory obsolescence	76	135	-	-	211
Provisions for employee benefit	72	25	-	-	97
Deferred installation fee	72	(7)	-	-	65
Finance leases	22	47	-	-	69
Total deferred tax assets	<u>1,042</u>	<u>162</u>	<u>2</u>	<u>-</u>	<u>1,206</u>
Deferred tax liabilities:					
Difference between accounting and tax bases of property and equipment	(1,458)	(139)	-	-	(1,597)
Valuation of long-term investment	(69)	24	-	-	(45)
Land rights, intangible assets and others	(14)	(9)	-	-	(23)
Total deferred tax liabilities	<u>(1,541)</u>	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>(1,665)</u>
Deferred tax liabilities of the Company - net	<u>(499)</u>	<u>38</u>	<u>2</u>	<u>-</u>	<u>(459)</u>
Telkomsel					
Deferred tax assets:					
Provisions for employee benefits	323	16	10	-	349
Provision for impairment of receivables	129	9	-	-	138
Recognition of interest under USO arrangements	0	0	-	-	0
Total deferred tax assets	<u>452</u>	<u>25</u>	<u>10</u>	<u>-</u>	<u>487</u>
Deferred tax liabilities:					
Difference between accounting and tax bases of property and equipment	(2,044)	350	-	299	(1,395)
Finance leases	(254)	(131)	-	-	(385)
Intangible assets	(61)	9	-	-	(52)
Total deferred tax liabilities	<u>(2,359)</u>	<u>228</u>	<u>-</u>	<u>299</u>	<u>(1,832)</u>
Deferred tax liabilities of Telkomsel - net	<u>(1,907)</u>	<u>253</u>	<u>10</u>	<u>299</u>	<u>(1,345)</u>
Deferred tax liabilities of other subsidiaries - net	(248)	(59)	1	-	(306)
Deferred tax liabilities - net	<u>(2,654)</u>	<u>233</u>	<u>13</u>	<u>299</u>	<u>(2,110)</u>
Deferred tax assets - net	<u>95</u>	<u>107</u>	<u>(1)</u>	<u>-</u>	<u>201</u>

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26. TAXATION (continued)

g. Deferred tax assets and liabilities (continued)

As of December 31, 2016 and 2015, the aggregate amounts of temporary differences associated with investments in subsidiaries and associated companies, for which deferred tax liabilities have not been recognized were Rp34,568 billion and Rp28,295 billion, respectively.

Realization of the deferred tax assets is dependent upon the Group's capability in generating future profitable operations. Although realization is not assured, the Group believes that it is probable that these deferred tax assets will be realized through reduction of future taxable income when temporary differences reverse. The amount of deferred tax assets is considered realizable; however, it can be reduce if actual future taxable income is lower than estimates.

h. Administration

From 2008 to 2016, the Company has been consecutively entitled to income tax rate reduction of 5% for meeting the requirements in accordance with the Government Regulation No. 81/2007 as amended by Governemnt Regulation No. 77/2013 and lastly by Government Regulation No. 56/2015 in conjunction with the Ministry of Finance Regulation No. 238/PMK.03/2008. On the basis of historical data, for the year ended December 31, 2016, the Company calculates the deferred tax using the tax rate of 20%.

The taxation laws of Indonesia require that the Company and its local subsidiaries to submit individual tax returns on the basis of self-assessment. Under prevailing regulations, the DGT may assess or amend taxes within a certain period. For fiscal years 2007 and earlier, the period is within ten years of the time the tax became due, but not later than 2013, while for fiscal years 2008 and onwards, the period is within five years of the time the tax became due.

The Ministry of Finance of the Republic of Indonesia has issued Regulation No. 85/PMK.03/2012 dated June 6, 2012 as amended by PMK No. 136-PMK.03/2012 dated August 16, 2012 concerning the appointment of State-Owned Enterprises ("SOEs") to withhold, deposit and report VAT and Sales Tax on Luxury Goods ("PPnBM") according to the procedures outlined in the Regulation which is effective from July 1, 2012. The Ministry of Finance of the Republic Indonesia also has issued Regulation No. 224/PMK.011/2012 dated December 26, 2012 concerning the appointment of SOEs to withhold income tax article 22 as amended by PMK No. 16/PMK.010/2016 dated February 3, 2016. The Company has withheld, deposited, and reported VAT, PPnBM and also income tax article 22 in accordance with the Regulation.

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing profit for the year attributable to owners of the parent company amounting to Rp19,352 billion and Rp15,489 billion by the weighted average number of shares outstanding during the period totaling 98,638,501,532 shares and 98,176,527,553 shares after stock split for the year ended December 31, 2016 and 2015, respectively. The weighted average number of shares takes into account the weighted average effect of changes in treasury stock transaction during the year.

Basic earnings per share amounting to Rp196.19 and Rp157.77 (in full amount) for the year ended December 31, 2016 and 2015, respectively.

The Company does not have potentially dilutive financial investments as of December 31, 2016 and 2015.

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28. CASH DIVIDENDS AND GENERAL RESERVE

Pursuant to the AGM of Stockholders of the Company as stated in notarial deed No. 26 dated April 17, 2015 of Ashoya Ratam, S.H., MKn., the Company's stockholders approved the distribution of cash dividend and special cash dividend for 2014 amounting to Rp7,319 billion (Rp74.55 per share) and Rp1,464 billion (Rp14.91 per share), respectively. On May 21, 2015, the Company paid the cash dividend and special cash dividend totalling Rp8,783 billion.

Pursuant to the AGM of Stockholders of the Company as stated in notarial deed No. 50 dated April 22, 2016 of Ashoya Ratam, S.H., MKn., the Company's stockholders approved the distribution of cash dividend and special cash dividend for 2015 amounting to Rp7,744 billion (Rp78.86 per share) and Rp1,549 billion (Rp15.77 per share), respectively. On May 26, 2016, the Company paid the cash dividend and special cash dividend totalling Rp9,293 billion.

On December 27, 2016, the Company had paid an interim dividend amounting to Rp1,920 billion or totalling Rp19.38 per share.

Appropriation of Retained Earnings

Under the Limited Liability Company Law, the Company is required to establish a statutory reserve amounting to at least 20% of its issued and paid-up capital.

The balance of the appropriated retained earnings of the Company as of December 31, 2016 and 2015 amounting to Rp15,337 billion, respectively.

29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The details of pension and other post-employment benefit liabilities are as follows:

	Notes	2016	2015
Prepaid pension benefit cost			
The Company - funded	29a.i.a	197	1,329
MDM		1	2
Infomedia		1	0
Total prepaid pension benefit cost		199	1,331
Pension benefit and other post-employment benefit obligations			
Pension benefit			
The Company - unfunded	29a.i.b	2,507	2,500
Telkomsel	29a.ii	1,193	803
Patrakom		0	-
Sub-total pension benefit		3,700	3,303
Net periodic post-employment health care benefit	29b	1,592	118
Other post-employment benefit	29c	502	497
Obligation under the Labor Law	29d	332	253
Pension benefit and other post-employment benefit obligations		6,126	4,171

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

The breakdown of the net benefit expense recognized in the consolidated statements of profit or loss and other comprehensive income is as follows:

	Notes	2016	2015
Pension benefit cost			
The Company - funded	29a.i.a	608	12
The Company - unfunded	29a.i.b	279	251
Telkomsel	29a.ii	181	168
MDM		0	1
Infomedia		0	0
Patrakom		0	-
Total pension benefit cost	23	<u>1,068</u>	<u>432</u>
Net periodic post-employment health care benefit cost	23,29b	163	216
Other post-employment benefit cost	23,29c	48	47
Obligation under the Labor Law	23,29d	82	53
Total		<u>1,361</u>	<u>748</u>
	Notes	2016	2015
Defined benefit plan actuarial gain (losses)			
The Company - funded	29a.i.a	(492)	186
The Company - unfunded	29a.i.b	(119)	(187)
Telkomsel	29a.ii	(292)	(15)
Infomedia		0	1
Patrakom		0	0
MDM		(1)	0
Post-employment health care benefit	29b	(1,309)	540
Other post-employment benefit	29c	(20)	(11)
Obligation under the Labor Law	29d	(33)	(20)
Sub-total		<u>(2,266)</u>	<u>494</u>
Deferred tax effect at the applicable tax rates		208	12
Defined benefit plan actuarial gain (losses) - net		<u>(2,058)</u>	<u>506</u>

a. Pension benefit costs

i. The Company

a. Funded pension plan

The Company sponsors a defined benefit pension plan for employees with permanent status prior to July 1, 2002. The pension benefits are paid based on the participating employees' latest basic salary at retirement and the number of years of their service. The plan is governed by the pension laws in Indonesia and managed by Telkom Pension Fund (*Dana Pensiun Telkom* or "Dapen"). The participating employees contribute 18% (before March 2003: 8.4%) of their basic salaries to the pension fund. The Company's contributions to the pension fund for the years ended December 31, 2016 and 2015 amounted to Rpnil, respectively.

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

i. The Company (continued)

a. Funded pension plan (continued)

The following table presents the changes in projected pension benefit obligations, changes in pension benefit plan assets, funded status of the pension plan and net amount recognized in the consolidated statements of financial position as of December 31, 2016 and 2015, and for the years ended December 31, 2016 and 2015, on the defined benefit pension plan:

	<u>2016</u>	<u>2015</u>
Changes in projected pension benefit obligations		
Projected pension benefit obligations at beginning of year	16,505	17,402
Charged to profit or loss:		
Service costs	363	218
Past service cost - plan amendments	245	(55)
Interest costs	1,444	1,445
Pension plan participants' contributions	44	45
Actuarial (gain) losses	1,680	(1,666)
Pension benefits paid	(1,432)	(808)
Settlement	-	(76)
Projected pension benefit obligations at end of year	<u>18,849</u>	<u>16,505</u>
	<u>2016</u>	<u>2015</u>
Changes in pension benefit plan assets		
Fair value of pension plan assets at beginning of year	17,834	18,929
Interest income	1,458	1,576
Return on plan assets (excluding amount included in net interest expense)	1,188	(1,837)
Pension plan participants' contributions	44	45
Pension benefits paid	(1,432)	(808)
Plan administration cost	(46)	(71)
Fair value of pension plan assets at end of period	<u>19,046</u>	<u>17,834</u>
Funded status	197	1,329
Effect of asset ceiling	-	-
Prepaid pension benefit cost	<u>197</u>	<u>1,329</u>

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

i. The Company (continued)

a. Funded pension plan (continued)

As of December 31, 2016 and 2015, plan assets consists of:

	2016		2015	
	Quoted in active market	Unquoted	Quoted in active market	Unquoted
Cash and cash equivalents	1,064	-	1,335	-
Equity instruments				
Finance	1,039	-	1,153	-
Consumer goods	1,206	-	953	-
Infrastructure, utilities and transportation	536	-	637	-
Construction, property and real estate	577	-	573	-
Basic industry and chemical	130	-	163	-
Trading, service and investment	216	-	183	-
Mining	62	-	45	-
Agriculture	71	-	29	-
Miscellaneous industries	361	-	240	-
Equity-based mutual fund	1,296	-	1,120	-
Fixed income instruments				
Corporate bonds	-	3,817	-	3,587
Government bonds	7,978	-	7,257	-
Mutual funds	30	-	-	-
Non-public equity:				
Direct placement	-	174	-	163
Property	-	188	-	156
Others	-	301	-	240
Total	14,566	4,480	13,688	4,146

Pension plan assets also include Series B shares issued by the Company with fair values totalling Rp395 billion and Rp445 billion, representing 2.07% and 2.49% of total plan assets as of December 31, 2016 and 2015, respectively, and bonds issued by the Company with fair value totalling Rp311 billion and Rp464 billion representing 1.63% and 2.60% of total assets as of December 31, 2016 and 2015, respectively.

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

i. The Company (continued)

a. Funded pension plan (continued)

The expected return is determined based on market expectation for returns over the entire life of the obligation by considering the portfolio mix of the plan assets. The actual return on plan assets was Rp2,600 billion and (Rp332 billion) for the years ended December 31, 2016 and 2015, respectively. Based on the Company's policy issued on January 14, 2014 regarding Dapen's Funding Policy, the Company will not contribute to Dapen when Dapen's Funding Sufficiency Ratio (FSR) is above 105%. Based on Dapen's financial statement as of December 31, 2016, Dapen's FSR is above 105%. Therefore, the Company does not expect to contribute to the defined benefit pension plan in 2016.

Based on the Company's policy issued on July 1, 2014 regarding Pension Regulation by *Dana Pensiun Telkom*, there is an increase in monthly benefits given to the pensioners, widow/widower or the children of participants who stopped working before the end of June, 2002.

During 2015, the Company made settlements to pensioners, widow/widower or the children of participant who has monthly pension benefits under Rp1,500,000 and choose to withdraw their pension benefits in lump sum.

Based on the Company's policy issued on June 24, 2016 regarding Pension Regulation by *Dana Pensiun Telkom*, widow/widower or the children of participants who enrolled before April 20, 1992, will receive increase in monthly pension benefits from 60% to 75% of pension benefits received by the pensioners which effective starting from January 1, 2016. In addition, the Company provide other benefits to increase the pensioner's welfare which only provided in 2016. The Company provide other benefit of Rp6 million to monthly pension beneficiaries who retired before end of June 2002 and other benefit of Rp3 million to monthly pension beneficiaries who retired starting from the end of June 2002 until the end of May 2016.

The movements of the prepaid pension benefit cost during the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Prepaid pension benefit cost at beginning of year	1,329	1,170
Net periodic pension benefit cost	(640)	(27)
Actuarial gain (losses) recognized in OCI	(1,680)	1,666
Asset ceiling recognized in OCI	-	357
Return on plan assets (excluding amount included in net interest expense)	1,188	(1,837)
Prepaid pension benefit cost at end of year	<u>197</u>	<u>1,329</u>

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

i. The Company (continued)

a. Funded pension plan (continued)

The components of net periodic cost for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Service costs	363	218
Past service cost - plan amendments	245	(55)
Plan administration cost	46	71
Net interest cost	(14)	(131)
Settlement	-	(76)
Net periodic pension benefit cost	640	27
Amount charged to subsidiaries under contractual agreements	(32)	(15)
Net periodic pension benefit cost	608	12

Amounts recognized in OCI are as follows:

	<u>2016</u>	<u>2015</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	70	(991)
Changes in demographic assumptions	140	137
Changes in financial assumptions	1,470	(812)
Effect of asset ceiling	-	(357)
Return on plan assets (excluding amount included in net interest expense)	(1,188)	1,837
Net	492	(186)

The actuarial valuation for the defined benefit pension plan was performed, based on the measurement date as of December 31, 2016 and 2015, with reports dated February 22, 2017 and February 25, 2016, respectively, by PT Towers Watson Purbajaga ("TWP"), an independent actuary in association with Willis Towers Watson ("WTW") (formerly Towers Watson). The principal actuarial assumptions used by the independent actuary as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	8.00%	9.00%
Rate of compensation increases	8.00%	8.00%
Indonesian mortality table	2011	2011

b. Unfunded pension plan

The Company sponsors unfunded defined benefit pension plans and a defined contribution pension plan for its employees.

The defined contribution pension plan is provided to employees hired with permanent status on or after July 1, 2002. The plan is managed by Financial Institutions Pension Fund (*Dana Pensiun Lembaga Keuangan* or "DPLK"). The Company's contribution to DPLK is determined based on a certain percentage of the participants' salaries and amounted to Rp9 billion and Rp7 billion for the years ended December 31, 2016 and 2015, respectively.

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

i. The Company (continued)

b. Unfunded pension plan (continued)

Since 2007, the Company has provided pension benefit based on uniformulation for both participants prior to and from April 20, 1992 effective for employees retiring beginning February 1, 2009. In 2010, the Company replaced the uniformulation with *Manfaat Pensiun Sekaligus* ("MPS"). MPS is given to those employees reaching retirement age, upon death or upon becoming disabled starting from February 1, 2009.

The Company also provides benefits to employees during a pre-retirement period in which they are inactive for 6 months prior to their normal retirement age of 56 years, known as pre-retirement benefits (*Masa Persiapan Pensiun* or "MPP"). During the pre-retirement period, the employees still receive benefits provided to active employees, which include, but are not limited to, regular salary, health care, annual leave, bonus and other benefits. Since 2012, the Company has issued a new requirement for MPP effective for employees retiring since April 1, 2012, whereby the employee is required to file a request for MPP and if the employee does not file the request, such employee is required to work until the retirement date.

The following table presents the changes of the unfunded projected pension benefit obligations of MPS and MPP for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unfunded projected pension benefit obligations at beginning of year	2,500	2,326
Service costs	64	60
Interest costs	215	191
Actuarial losses recognized in OCI	119	187
Benefits paid by employer	(391)	(264)
Unfunded projected pension benefit obligations at end of period	<u>2,507</u>	<u>2,500</u>

The components of total periodic pension benefit cost for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Service costs	64	60
Net interest cost	215	191
Total	<u>279</u>	<u>251</u>

Amounts recognized in OCI are as follows:

	<u>2016</u>	<u>2015</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	(9)	(30)
Changes in demographic assumptions	30	50
Changes in financial assumptions	98	167
Net	<u>119</u>	<u>187</u>

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

i. The Company (continued)

b. Unfunded pension plan (continued)

The actuarial valuation for the defined benefit pension plan was performed, based on the measurement date as of December 31, 2016 and 2015, with reports dated February 22, 2017 and February 25, 2016, respectively, by TWP independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	7.75% - 8.00%	9.00%
Rate of compensation increases	6.10% - 8.00%	varies
Indonesian mortality table	2011	2011

ii. Telkomsel

Telkomsel provides a defined benefit pension plan to its employees. Under this plan, employees are entitled to pension benefits based on their latest basic salary or take-home pay and the number of years of their service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plan under an annuity insurance contract. Until 2004, the employees contributed 5% of their monthly salaries to the plan and Telkomsel contributed any remaining amount required to fund the plan. Starting 2005, the entire contributions have been fully made by Telkomsel.

Telkomsel's contributions to Jiwasraya amounted to Rp83 billion and Rp192 billion for the years ended December 31, 2016 and 2015, respectively.

The following table presents the changes in projected pension benefit obligation, changes in pension benefit plan assets, funded status of the pension plan and net amount recognized in the consolidated statement of financial position for the years ended December 31, 2016 and 2015, on Telkomsel's defined benefit pension plan:

	<u>2016</u>	<u>2015</u>
Changes in projected pension benefit obligation		
Projected pension benefit obligation at beginning of year	1,415	1,281
Charged to profit or loss:		
Service costs	107	101
Net interest cost	130	106
Actuarial (gain) losses recognized in OCI	392	(64)
Benefits paid	(10)	(9)
Projected pension benefit obligation at end of year	<u>2,034</u>	<u>1,415</u>
Changes in pension benefit plan assets		
Fair value of plan assets at beginning of year	612	469
Interest income in profit or loss	56	39
Return on plan assets (excluding amount included in net interest expense)	100	(79)
Employer's contributions	83	192
Benefits paid	(10)	(9)
Fair value of plan assets at end of year	<u>841</u>	<u>612</u>
Funded status	<u>(1,193)</u>	<u>(803)</u>
Provision for pension benefit cost	<u>(1,193)</u>	<u>(803)</u>

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

(ii) Telkomsel (continued)

The movements of the provision for pension benefit cost for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Provision for pension benefit cost at beginning of year	803	812
Periodic pension benefit cost	181	168
Actuarial (gain) losses recognized in OCI	392	(64)
Return on plan assets (excluding amount included in net interest expense)	(100)	79
Employer contributions	(83)	(192)
Provision for pension benefit cost at end of year	<u>1,193</u>	<u>803</u>

The components of the periodic pension benefit cost for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Service costs	107	101
Net interest cost	74	67
Total periodic pension benefit cost	<u>181</u>	<u>168</u>

Amounts recognized in OCI are as follows:

	<u>2016</u>	<u>2015</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	32	(20)
Changes in financial assumptions	360	(44)
Return on plan assets (excluding amount included in net interest expense)	(100)	79
Net	<u>292</u>	<u>15</u>

The actuarial valuation for the defined benefit pension plan was performed, based on the measurement date as of December 31, 2016 and 2015, with reports dated February 7, 2017 and February 12, 2016, respectively, by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	8.25%	9.25%
Rate of compensation increases	8.00%	8.00%
Indonesian mortality table	2011	2011

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Post-employment health care benefits provisions

The Company provides post-employment health care benefits to all of its employees hired before November 1, 1995 who have worked for the Company for 20 years or more when they retire, and to their eligible dependents. The requirement to work for 20 years does not apply to employees who retired prior to June 3, 1995. The employees hired by the Company starting from November 1, 1995 are no longer entitled to this plan. The plan is managed by Yakes.

The defined contribution post-employment health care benefit plan is provided to employees hired with permanent status on or after November 1, 1995 or employees with terms of service less than 20 years at the time of retirement. The Company's contribution to the plan amounted to Rpnil for the years ended December 31, 2016 and 2015, respectively.

The following table presents the changes in projected post-employment health care benefit provision, change in post-employment health care benefit plan assets, funded status of the post-employment health care benefit plan, and net amount recognized in the Company's consolidated statement of financial position as of December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015:

	2016	2015
Changes in projected post-employment health care benefit provision		
Projected post-employment health care benefit obligation at beginning of year	10,942	11,505
Charged to profit or loss:		
Service costs	9	49
Net interest cost	994	961
Actuarial (gain) losses	1,828	(1,187)
Post-employment health care benefits paid	(416)	(386)
Projected post-employment health care benefit provision at end of year	13,357	10,942
Changes in post-employment health care benefit plan assets		
Fair value of plan assets at beginning of year	10,824	11,064
Interest income	982	924
Return on plan assets (excluding amount included in net interest expense)	519	(647)
Post-employment health care benefits paid	(416)	(386)
Administrative expense paid	(144)	(131)
Fair value of plan assets at end of year	11,765	10,824
Funded status	(1,592)	(118)
Provision for post-employment health care benefit	(1,592)	(118)

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Post-employment health care benefits provisions (continued)

As of December 31, 2016 and 2015, plan assets consists of:

	2016		2015	
	Quoted in active market	Unquoted	Quoted in active market	Unquoted
Cash and cash equivalents	894	-	811	-
Equity instruments:				
Manufacturing & consumer	754	-	571	-
Finance industries	540	-	566	-
Construction	351	-	301	-
Infrastructure and telecommunication	245	-	211	-
Wholesale	101	-	70	-
Mining	27	-	12	-
Other Industries:				
Services	17	-	33	-
Agriculture	44	-	23	-
Biotechnology and Pharma Industry	6	-	6	-
Others	2	-	3	-
Equity-based mutual funds	1,311	-	1,129	-
Fixed income instruments:				
Fixed income mutual funds	7,241	-	6,837	-
Unlisted shares:				
Private placement	-	232	-	213
Others	-	-	-	38
Total	11,533	232	10,573	251

Yakes plan assets also include Series B shares issued by the Company with fair value totalling Rp217 billion and Rp174 billion, representing 1.84% and 1.61% of total assets as of December 31, 2016 and 2015, respectively.

The expected return is determined based on market expectation for the returns over the entire life of the obligation by considering the portfolio mix of the plan assets. The actual return on plan assets was Rp1,357 billion and Rp147 billion for the years ended December 31, 2016 and 2015, respectively.

The movements of the provision for projected post-employment health care benefit obligations for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Projected post-employment health care benefit obligations at beginning of year	118	441
Net periodic post-employment health care benefit	165	217
Actuarial losses (gain) recognized in OCI	1,828	(1,187)
Return on plan assets (after deducting the value which is included in net interest expense)	(519)	647
Projected post-employment health care benefit obligations at end of year	1,592	118

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Post-employment health care benefits provisions (continued)

The components of net periodic post-employment health care benefit cost for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Service costs	9	49
Plan administration cost	144	131
Net interest cost	12	37
Periodic post-employment health care benefit cost	165	217
Amount charged to subsidiaries under contractual agreement	(2)	(1)
Net periodic post-employment health care benefit cost less cost charged to subsidiaries	163	216

Amounts recognized in OCI are as follows:

	<u>2016</u>	<u>2015</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	26	(53)
Changes in demographic assumptions	66	92
Changes in financial assumptions	1,736	(1,226)
Return on plan assets (excluding amount included in net interest expense)	(519)	647
Net	1,309	(540)

The actuarial valuation for the post-employment health care benefits was performed based on measurement date as of December 31, 2016 and 2015 with reports dated February 22, 2017 and February 25, 2016, respectively, was performed by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	8,50%	9.25%
Health care costs trend rate assumed for the next year	7,00%	7.00%
Ultimate health care costs trend rate	7,00%	7.00%
Year that the rate reaches the ultimate trend rate	2017	2016
Indonesian mortality table	2011	2011

c. Other post-employment benefits provisions

The Company provides other post-employment benefits in the form of cash paid to employees on their retirement or termination. These benefits consist of final housing allowance (*Biaya Fasilitas Perumahan Terakhir* or "BFPT") and home passage leave (*Biaya Perjalanan Pensiun dan Purnabhakti* or "BPP").

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

c. Other post-employment benefits provisions (continued)

The movements in the projected other post-employment benefit obligations for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Unfunded projected benefit obligations at beginning of year	497	488
Charged to profit or loss:		
Service costs	7	8
Net interest cost	41	39
Actuarial losses recognized in OCI	20	11
Benefits paid by employer	<u>(63)</u>	<u>(49)</u>
Provision for other post-employment benefits	<u>502</u>	<u>497</u>

The components of the projected other post-employment benefit cost for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Service costs	7	8
Net interest cost	41	39
Total	<u>48</u>	<u>47</u>

	<u>2016</u>	<u>2015</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	2	20
Changes in demographic assumptions	0	(0)
Changes in financial assumptions	<u>18</u>	<u>(9)</u>
Net	<u>20</u>	<u>11</u>

The actuarial valuation for the other post-employment benefits was performed based on the measurement date as of December 31, 2016 and 2015, with reports dated February 22, 2017 and February 25, 2016, respectively by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate	7,75%	9.00%
Indonesian mortality table	2011	2011

d. Obligation under the Labor Law

Under Law No. 13 Year 2003, the Group is required to provide minimum pension benefits, if not covered yet by the sponsored pension plans, to its employees upon retirement age. The total related obligation recognized as of December 31, 2016 and 2015 amounted to Rp332 billion and Rp253 billion, respectively. The related employee benefits cost charged to expense amounted to Rp82 billion and Rp53 billion for the years ended December 31, 2016 and 2015, respectively (Note 23). The actuarial losses recognized in OCI amounted to Rp33 billion and Rp20 billion for the years ended December 31, 2016 and 2015, respectively.

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

e. Maturity Profile of Defined Benefit Obligation (“DBO”)

The timing of benefits payments and weighted average duration of DBO for 2016 are as follows (in billions of Rupiah):

Time Period	Expected Benefits Payment				
	The Company		Telkomsel	Post-employment health care benefits	Other post-employment benefits
	Funded	Unfunded			
Within next 10 years	16,888	2,914	1,653	6,273	578
Within 10-20 years	20,052	263	6,257	8,401	139
Within 20-30 years	17,289	29	5,758	8,648	47
Within 30-40 years	11,827	5	936	6,711	3
Within 40-50 years	2,872	-	-	2,986	-
Within 50-60 years	238	-	-	245	-
Within 60-70 years	9	-	-	1	-
Within 70-80 years	0	-	-	0	-
Weighted average duration of DBO	9.15 years	4.33 years	11.33 years	13.81 years	3.62 years

f. Sensitivity Analysis

1% change in discount rate and rate of salary would have effect on DBO, as follows:

Sensitivity	Discount Rate		Rate of Compensation	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	Increase (decrease) in amounts		Increase (decrease) in amounts	
Funded	(1,579)	1,860	384	(397)
Unfunded	(68)	73	70	(70)
Telkomsel	(108)	116	115	(108)
Post-employment health care benefits	(1,544)	1,882	2,034	(1,687)
Other post-employment benefits	(16)	18	-	-

The sensitivity analysis have been determined based on a method that extrapolates the impact on DBO as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The sensitivity results above determine the individual impact on the Plan’s end of the year DBO. In reality, the Plan is subject to multiple external experience items which may move the DBO in similar or opposite directions, and the Plan’s sensitivity to such changes can vary over time.

There are no changes in the methods and assumptions used in calculating the sensitivity analysis from the previous period.

30. LSA PROVISIONS

Telkomsel and Patrakom provide certain cash awards or certain number of days leave benefits to its employees based on the employees’ length of service requirements, including LSA and Long Service Leave (“LSL”). LSA are either paid at the time the employees reach certain years during employment, or at the time of termination. LSL are either certain number of days leave benefit or cash, subject to approval by management, provided to employees who meet the requisite number of years of service and with a certain minimum age.

The obligation with respect to these awards which was determined based on an actuarial valuation using the Projected Unit Credit method, amounted to Rp613 billion and Rp501 billion as of December 31, 2016 and 2015, respectively. The related benefit costs charged to expense amounted to Rp237 billion and Rp152 billion for the years ended December 31, 2016 and 2015, respectively (Note 23).

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31. RELATED PARTY TRANSACTIONS

a. Nature of relationships and accounts/transactions with related parties

Details of the nature of relationships and accounts/transactions with significant related parties are as follows:

<u>Related parties</u>	<u>Nature of relationships parties</u>	<u>Nature of accounts/transactions</u>
The Government Ministry of Finance	Majority stockholder	Internet and data service revenues, other telecommunication service revenues, finance income, finance costs, and investment in financial instruments
State-owned enterprises	Entity under common control	Internet and data service revenues, other telecommunication services revenues, operating expenses and purchase of property and equipment
Indosat	Entity under common control	Interconnection revenues, leased lines revenues, satellite transponder usage revenues, interconnection expenses, telecommunication facilities usage expenses, operating and maintenance expenses, usage of data communication network system expenses
PT Aplikanusa Lintasarta ("Lintasarta")	Entity under common control	Interconnection revenues, network service revenues, leased lines expenses, and usage of communication network system expenses
Indosat Mega Media	Entity under common control	Network service revenues
PT Perusahaan Listrik Negara ("PLN")	Entity under common control	Electricity expenses, finance income, finance costs, investment in financial instrument
PT Pertamina (Persero) ("Pertamina")	Entity under common control	Internet and data service revenues, other telecommunication service revenues
PT Kereta Api Indonesia ("KAI")	Entity under common control	Internet and data service revenues, other telecommunication service revenues
PT Pegadaian	Entity under common control	Internet and data service revenues, other telecommunication service revenues
PT Garuda Indonesia Tbk	Entity under common control	Internet and data service revenues, other telecommunication service revenues
PT Indonesia Comnet Plus ("ICON Plus")	Entity under common control	Internet and data service revenues, other telecommunication service revenues, interconnection revenues, network revenues and interconnection expenses
PT Asuransi Jasa Indonesia ("Jasindo")	Entity under common control	Satellite insurance expenses and vehicle insurance expenses
PT Adhi Karya Tbk ("Adhi Karya")	Entity under common control	Purchase of materials and construction services
PT Waskita Karya Tbk ("Waskita")	Entity under common control	Purchase of materials and construction services
INTI	Entity under common control	Purchase of property and equipment and construction services
LEN	Entity under common control	Purchase of property and equipment and construction services
State-owned banks BNI	Entity under common control Entity under common control	Finance income and finance costs Internet and data service revenues, other telecommunication service revenues, finance income and finance costs
Bank Mandiri	Entity under common control	Internet and data service revenues, other telecommunication service revenues, finance income and finance costs
BRI	Entity under common control	Internet and data service revenues, other telecommunication service revenues, finance income and finance costs
BTN	Entity under common control	Internet and data service revenues, other telecommunication service revenues, finance income and finance costs

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31. RELATED PARTY TRANSACTIONS (continued)

a. Nature of relationships and accounts/transactions with related parties (continued)

Details of the nature of relationships and accounts/transactions with significant related parties are as follows (continued):

<u>Related parties</u>	<u>Nature of relationships parties</u>	<u>Nature of accounts/transactions</u>
PT Bank Syariah Mandiri ("BSM")	Entity under common control	Internet and data service revenues, other telecommunication service revenues, and finance costs
PT Bank BRI Syariah ("BRI Syariah")	Entity under common control	Internet and data service revenues, other telecommunication service revenues, and finance costs
Bahana	Entity under common control	Available-for-sale financial assets, bonds and notes
Sarana Multi Infrastruktur CSM	Entity under common control Associated company	Finance costs Satellite transponder usage revenues, network service revenues and transmission lease expenses
Indonusa	Associated company	Network service revenues and data communication expenses
PT Poin Multi Media Nusantara ("POIN")	Associated company	Purchase of handset
Yakes	Other related entities	Medical expenses
Koperasi Pegawai Telkom ("Kopegtel")	Other related entities	Purchase of property and equipment construction and installation services, leases of buildings expenses, lease of vehicles expenses, purchases of vehicles, and purchases of materials and construction service, maintenance and cleaning service expenses, and RSA revenues
PT Sandhy Putra Makmur ("SPM")	Other related entities	Leases of buildings expenses, leases of vehicles expenses, purchase of materials and construction services, utilities of maintenance and cleaning services
Koperasi Pegawai Telkomsel ("Kisel")	Other related entities	Internet and data service revenues, other telecommunication service revenues, leases of vehicles expenses, printing and distribution of customer bills expenses, collection fee, other services fee, distribution of SIM cards and pulse reload voucher and purchase of property and equipment
PT Graha Informatika Nusantara ("Gratika")	Other related entities	Interconnection revenues, network service revenues, installation expenses, maintenance expenses, and purchase of property and equipment
PT Pembangunan Telekomunikasi Indonesia ("Bangtelindo")	Other related entities	Purchase of property and equipment
Directors and commissioners	Key management personnel	Honorarium and facilities

The outstanding balances of trade receivables and payables at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. In 2016, the Group recorded impairment of receivables from related parties of Rp181 billion. This assessment is undertaken each financial year through examining the current status of existing receivables and historical collection experience.

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31. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties

The following are significant transactions with related parties:

	2016		2015	
	Amount	% of total revenues	Amount	% of total revenues
REVENUES				
Majority Stockholder				
Government	207	0.18	206	0.20
Entities under common control				
Indosat	2,167	1.86	1,020	1.00
BRI	181	0.16	188	0.18
Bank Mandiri	161	0.14	151	0.15
BNI	136	0.12	126	0.12
BTN	107	0.09	41	0.04
Lintasarta	99	0.09	82	0.08
Pegadaian	93	0.08	89	0.09
Garuda	75	0.06	77	0.08
Pertamina	64	0.06	99	0.10
KAI	68	0.06	90	0.09
ICON Plus	56	0.05	63	0.06
Others	451	0.38	251	0.25
Sub-total	<u>3,658</u>	<u>3.15</u>	<u>2,277</u>	<u>2.24</u>
Other related entities				
Yakes	153	0.13	18	0.02
Gratika	42	0.04	32	0.03
Others	58	0.05	8	0.01
Sub-total	<u>253</u>	<u>0.22</u>	<u>58</u>	<u>0.06</u>
Associated companies				
Indonusa	105	0.09	60	0.06
Telin Malaysia	35	0.03	-	-
CSM	32	0.03	34	0.03
Others	26	0.02	9	0.01
Sub-total	<u>198</u>	<u>0.17</u>	<u>103</u>	<u>0.10</u>
Total	<u>4,316</u>	<u>3.72</u>	<u>2,644</u>	<u>2.60</u>
	2016		2015	
	Amount	% of total expenses	Amount	% of total expenses
EXPENSES				
Entities under common control				
PLN	1,037	1.38	738	1.05
Indosat	939	1.25	977	1.39
Jasindo	267	0.35	256	0.37
Pos Indonesia	49	0.06	-	-
Others	51	0.07	32	0.05
Sub-total	<u>2,343</u>	<u>3.11</u>	<u>2,003</u>	<u>2.86</u>
Associated companies				
POIN	1,459	1.94	1,485	2.13
Indonusa	145	0.19	-	-
Others	-	-	9	0.01
Sub-total	<u>1,604</u>	<u>2.13</u>	<u>1,494</u>	<u>2.14</u>

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31. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

The following are significant transactions with related parties (continued):

	2016		2015	
	Amount	% of total expenses	Amount	% of total expenses
EXPENSES (continued)				
Other related entities				
Kisel	771	1.02	748	1.07
Kopegtel	533	0.71	460	0.66
Yakes	-	-	174	0.25
Others	140	0.18	31	0.04
Sub-total	1,444	1.91	1,413	2.02
Others	160	0.21	-	-
Total	5,551	7.36	4,910	7.02

	2016		2015	
	Amount	% of total finance income	Amount	% of total finance income
FINANCE INCOME				
Majority stockholder				
Government	2	0.12	9	0.64
Entity under common control				
State-owned banks	895	52.16	830	58.99
Others	5	0.29	6	0.43
Total	902	52.57	845	60.06

	2016		2015	
	Amount	% of total finance costs	Amount	% of total finance costs
FINANCE COSTS				
Majority stockholder				
Government	64	2.28	76	3.06
Entity under common control				
State-owned banks	1,228	43.72	1,061	42.77
Total	1,292	46.00	1,137	45.83

	2016		2015	
	Amount	% of total purchases	Amount	% of total purchases
PURCHASES OF PROPERTY AND EQUIPMENTS (Note 9)				
Entity under common control				
INTI	374	1.29	394	1.49
LEN	114	0.39	72	0.27
Adhi Karya	39	0.13	-	-
Sub-total	527	1.81	466	1.76
Other related entities				
Kopegtel	198	0.68	131	0.50
Bangtelindo	84	0.29	86	0.33
SPM	73	0.25	62	0.23
Kisel	66	0.23	73	0.28
Gratika	25	0.09	45	0.17
Sub-total	446	1.54	397	1.51
Others	20	0.07	12	0.05
Total	993	3.42	875	3.32

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31. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

Presented below are balances of accounts with related parties (continued):

	2016		2015	
	Amount	% of total revenues	Amount	% of total revenues
DISTRIBUTION OF SIM CARD AND VOUCHER				
Other related entities				
Kisel	4,600	3.95	3,866	3.77
Gratika	408	0.35	384	0.37
Tiphone	3,441	2.96	-	-
Total	8,449	7.26	4,250	4.14

	2016		2015	
	Amount	% of total assets	Amount	% of total assets
a. Cash and cash equivalents (Note 3)	17,477	9.73	15,028	9.04
b. Other current financial assets (Note 4)	1,204	0.67	2,555	1.54
c. Trade receivables - net (Note 5)	894	0.50	1,104	0.66
d. Advances and prepaid expenses (Note 7)	93	0.05	15	0.01
e. Advances and other non-current assets (Note 10)	310	0.17	6	0.00

	2016		2015	
	Amount	% of total liabilities	Amount	% of total liabilities
f. Trade payables (Note 12)				
Entities under common control				
INTI	625	0.84	443	0.61
Indosat	275	0.37	160	0.22
LEN	137	0.18	9	0.01
Adhi Karya	81	0.11	-	-
State-owned enterprises	60	0.08	89	0.12
Sub-total	1,178	1.58	701	0.96
Other related entities	369	0.50	1,374	1.89
Total	1,547	2.08	2,075	2.85

g. Accrued expenses (Note 13)				
Majority stockholder				
Government	12	0.02	16	0.02
Entities under common control				
State-owned enterprises	127	0.17	114	0.16
State-owned banks	52	0.07	68	0.09
Subtotal	179	0.24	182	0.25
Other related entities				
Kisel	118	0.16	188	0.26
Others	5	0.01	-	-
Total	314	0.43	386	0.53

h. Advances from customers and suppliers				
Majority stockholder				
Government	19	0.03	19	0.03
Entities under common control				
PLN	12	0.02	-	-
Total	31	0.05	19	0.03

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31. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

Presented below are balances of accounts with related parties (continued):

	2016		2015	
	Amount	% of total liabilities	Amount	% of total liabilities
i. Short-term bank loans (Note 15)	143	0.19	25	0.03
j. Two-step loans (Note 16a)	1,292	1.74	1,520	2.09
k. Long-term bank loans - net (Note 16c)	6,325	8.54	7,427	10.21
l. Other borrowing (Note 16d)	697	0.94	-	-

c. Significant agreements with related parties

i. The Government

The Company obtained two-step loans from the Government (Note 16a).

ii. Indosat

The Company has an agreement with Indosat to provide international telecommunications services to the public.

The Company has also entered into an interconnection agreement between the Company's fixed line network (Public Switched Telephone Network or "PSTN") and Indosat's GSM mobile cellular telecommunications network in connection with the implementation of Indosat Multimedia Mobile services and the settlement of related interconnection rights and obligations.

The Company also has an agreement with Indosat for the interconnection of Indosat's GSM mobile cellular telecommunications network with the Company's PSTN, which enable each party's customers to make domestic calls between Indosat's GSM mobile network and the Company's fixed line network, as well as allowing Indosat's mobile customers to access the Company's IDD service by dialing "007".

The Company has been handling customer billings and collections for Indosat. Indosat is gradually taking over the activities and performing its own direct billing and collection. The Company has received compensation from Indosat computed at 1% of the collections made by the Company starting from January 1, 1995, as well as the billing process expenses which are fixed at a certain amount per record. On December 11, 2008, the Company and Indosat agreed to implement IDD service charge tariff which already took into account the compensation for billing and collection. The agreement is valid and effective starting from January to December 2012, and can be applied until a new agreement becomes available.

On December 28, 2006, the Company and Indosat signed amendments on the interconnection agreements for the fixed line networks (local, SLJJ and international) and mobile network for the implementation of the cost-based tariff obligations under the MoCI Regulations No. 8/Year 2006. These amendments took effect starting on January 1, 2007.

Telkomsel also entered into an agreement with Indosat for the provision of international telecommunications services to its GSM mobile cellular customers.

The Company provides leased lines to Indosat and subsidiaries, namely PT Indosat Mega Media and Lintasarta. The leased lines can be used by these companies for telephone, telegraph, data, telex, facsimile or other telecommunication services.

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31. RELATED PARTY TRANSACTIONS (continued)

c. Significant agreements with related parties (continued)

iii. Others

The Company has entered into agreements with CSM and Gratika for the utilization of the Company's satellite transponders or frequency channels of communication satellite and leased lines.

Kisel is a co-operative that was established by Telkomsel's employees to engage in car rental services, printing and distribution of customer bills, collection and other services principally for the benefit of Telkomsel. Telkomsel also has dealership agreements with Kisel for distribution of SIM cards and pulse reload vouchers.

d. Key management personnel remuneration

Key management personnels consist of the Boards of Commissioners and Directors of the Company.

The Company provides remuneration in the form of honorarium and facilities to support the operational duties of the Board of Commissioners and short-term employment benefits in the form of salaries and facilities to support the operational duties of the Board of Directors. The total of such benefits is as follows:

	2016		2015	
	Amount	% of total expenses	Amount	% of total expenses
Board of Directors	427	0.57	168	0.24
Board of Commissioners	121	0.16	64	0.09

32. OPERATING SEGMENT

The Group has four main operating segments, namely corporate, home, personal and others. The corporate segment provides telecommunications services, including interconnection, leased lines, satellite, VSAT, contact center, broadband access, information technology services, data and internet services to companies and institutions. The home segment provides fixed wireline telecommunications services, pay TV, data and internet services to home customers. The personal segment provides mobile cellular and fixed wireless telecommunications services to individual customers. Operating segments that are not monitored separately by the Chief Operation Decision Maker are presented as "Others", which provides building management services.

No operating segments have been aggregated to form the operating segments of personal, home and others, while corporate operating segment is aggregated from business, enterprise, wholesale and international operating segments since they have the similar economic characteristics and similar in other qualitative criteria such as providing similar network services and serving corporate customers.

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

However, the financing activities and income taxes are not separately evaluated and allocated to operating segment.

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33. TELECOMMUNICATIONS SERVICE TARIFFS

Under Law No. 36 Year 1999 and Government Regulation No. 52 Year 2000, tariffs for operating telecommunications network and/or services are determined by providers based on the tariff type, structure and with respect to the price cap formula set by the Government.

a. Fixed line telephone tariffs

The Government has issued a new adjustment tariff formula which is stipulated in the Decree No. 15/PER/M.KOMINFO/4/2008 dated April 30, 2008 of the MoCI concerning "Mechanism to Determine Tariff of Basic Telephony Services Connected through Fixed Line Network". This Decree replaced the previous Decree No. 09/PER/M.KOMINFO/02/2006.

Under the Decree, tariff structure for basic telephony services connected through fixed line network consists of the following:

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

b. Mobile cellular telephone tariffs

On April 7, 2008, the MoCI issued Decree No. 09/PER/M.KOMINFO/04/2008 regarding "Mechanism to Determine Tariff of Telecommunication Services 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. This Decree replaced the previous Decree No. 12/PER/M.KOMINFO/02/2006.

Under MoCI Decree No. 09/PER/M.KOMINFO/04/2008 dated April 7, 2008, the cellular tariffs of operating telecommunication services connected through mobile cellular network consist of the following:

- Basic telephony services tariff
 - Roaming tariff, and/or
 - Multimedia services tariff
- with the following traffic structure:
- Activation fee
 - Monthly subscription charges
 - Usage charges
 - Additional facilities fee.

c. Interconnection tariffs

The Indonesian Telecommunication Regulatory Body ("ITRB"), in its letter No. 262/BRTI/XII/2011 dated December 12, 2011, decided to change the basis for SMS interconnection tariff to cost basis with a maximum tariff of Rp23 per SMS effective from June 1, 2012, for all telecommunication provider operators.

Based on letter No.118/KOMINFO/DJPPI/PI.02.04/01/2014 dated January 30, 2014 of the Director General of Post and Informatics, the Director General of Post and Informatics decided to implement new interconnection tariff effective from February 1, 2014 until December 31, 2016, subject to evaluation on an annual basis. Pursuant to the Director General of Post and Informatics letter, the Company and Telkomsel are required to submit the Reference Interconnection Offer ("RIO") proposal to ITRB to be evaluated.

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33. TELECOMMUNICATIONS SERVICE TARIFFS (continued)

c. Interconnection tariffs (continued)

Subsequently, ITRB in its letters No. 60/BRTI/III/2014 dated March 10, 2014 and No. 125/BRTI/IV/2014 dated April 24, 2014 approved Telkomsel and the Company's revision of RIO regarding the interconnection tariff. Based on the letter, ITRB also approved the changes to the SMS interconnection tariff to Rp24 per SMS.

c. Network lease tariffs

Through MoCI Decree No. 03/PER/M.KOMINFO/1/2007 dated January 26, 2007 concerning "Network Lease", the Government regulated the form, type, tariff structure, and tariff formula for services of network lease. Pursuant to the MoCI Decree, the Director General of Post and Telecommunication issued its Letter No. 115 Year 2008 dated March 24, 2008 which stated "The Agreement on Network Lease Service Type Document, Network Lease Service Tariff, Available Capacity of Network Lease Service, Quality of Network Lease Service, and Provision Procedure of Network Lease Service in 2008 Owned by Dominant Network Lease Service Provider", in conformity with the Company's proposal.

e. Tariff for other services

The tariffs for satellite lease, telephony services, and other multimedia 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. There is no stipulation for the tariff of other services.

34. SIGNIFICANT COMMITMENTS AND AGREEMENTS

a. Capital expenditures

As of December 31, 2016, capital expenditures committed under the contractual arrangements, principally relating to procurement and installation of data, internet and information technology, cellular, transmission equipment and cable network are as follows:

Currencies	Amounts in foreign currencies (in millions)	Equivalent in Rupiah
Rupiah		7,210
U.S. dollar	341	4,600
Euro	0.16	2
Total		11,812

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

a. Capital expenditures (continued)

The above balance includes the following significant agreements:

(i) The Company

Contracting parties	Initial date of agreement	Significant provisions of the agreement
The Company and PT Cisco Technologies Indonesia	November 14, 2013	Procurement and installation agreement of WIFI CISCO
The Company and Thales Alenia Space France	July 14, 2014	Procurement of Telkom-3 Substitution (T3S) Satellite System
The Company and PT Huawei Tech Investment	October 23, 2014	Procurement and installation of Access Point Indonesia WIFI Platform Huawei
The Company, Telkom Malaysia Berhad, TII, Alcatel-Lucent Submarine Networks and NEC Corporation	January 30, 2015	Procurement and installation of Southeast Asia - Middle East - Western Europe 5 Cable System (SEA - ME - WE 5)
The Company and PT ZTE Indonesia	August 28, 2015	Procurement and installation agreement of MSAN modernization for acceleration of the disposal of copper wire - Platform ZTE
The Company and PT Datacomm Diangraha	November 20, 2015	Procurement and installation agreement for Metro Ethernet Platform ALU
The Company and PT Sarana Global Indonesia	December 31, 2015	Procurement and installation agreement of Sistem Komunikasi Kabel Laut ("SKKL") Sibolga-Nias, Batam-Tanjung Balai Karimun, Lantuka-Kabalahi-Atambua
The Company and PT Industri Telekomunikasi Indonesia	December 29, 2015	Renewal agreement of procurement and installation agreement for the modernization of copper cable network through optimization of asset copper cable network through Trade In/Trade Off method
The Company and PT Len Industri (Persero)	December 29, 2015	Renewal agreement of procurement and installation agreement for the modernization of copper cable network through optimization of asset copper cable network through Trade In/Trade Off method
The Company and Space System/Loral, LLC	February 29, 2016	Procurement of Telkom 4 Satellite System
The Company and NEC Corporation	May 12, 2016	Procurement and installation agreement of Sistem Komunikasi Kabel Laut ("SKKL") Indonesia Global Gateway
The Company and PT Mastersystem Infotama	October 24, 2016	Procurement Agreement of Ekspand IP Backbone 2016
The Company and Space Exploration Technologies Corp	November 3, 2016	Launch services agreement of Telkom 4 Satellite System
The Company and PT Huawei Tech Investment	November 25, 2016	Procurement and installation agreement for DWDM Platform Huawei
The Company and PT ZTE Indonesia	December 15, 2016	Procurement agreement for STB Platform ZTE
The Company and PT ZTE Indonesia	December 15, 2016	Procurement agreement for ONT Retail Platform ZTE
The Company, PT Sigma Cipta Caraka, PT Graha Sarana Duta and PT Huawei Tech Investment	December 29, 2016	Agreement establishing IOC-N
The Company and PT Lancs Arche Consumma	December 30, 2016	Procurement and installation agreement for reengineering and expansion network DWDM capacity Platform Coriant

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

a. Capital expenditures (continued)

The above balance includes the following significant agreements:

(ii) Telkomsel

Contracting parties	Initial date of agreement	Significant provisions of the agreement
Telkomsel, PT Ericsson Indonesia, Ericsson AB, PT Nokia Siemens Networks, NSN Oy and Nokia Siemens Network GmbH & Co. KG	April 17, 2008	The combined 2G and 3G CS Core Network Rollout Agreements
Telkomsel, PT Ericsson Indonesia and PT Nokia Siemens Networks	April 17, 2008	Technical Service Agreement (TSA) for combined 2G and 3G CS Core Network
Telkomsel, PT Ericsson Indonesia, Ericsson AB, PT Nokia Siemens Networks, NSN Oy, Huawei International Pte. Ltd., PT Huawei and PT ZTE Indonesia	March and June 2009	2G BSS and 3G UTRAN Rollout agreement for the provision of 2G GSM BSS and 3G UMTS Radio Access Network
Telkomsel, PT Dimension Data Indonesia and PT Huawei	February 3, 2010	Maintenance and Procurement of Equipment and Related Service Agreement for Next Generation Convergence Core Transport Rollout and Technical Support
Telkomsel, Amdocs Software Solutions Limited Liability Company and PT Application Solutions	February 8, 2010	Online Charging System ("OCS") and Service Control Points ("SCP") System Solution Development agreement
Telkomsel and PT Application Solutions	February 8, 2010	Technical Support Agreement to provide technical support services for the OCS and SCP
Telkomsel, Amdocs Software Solutions Limited Liability Company and PT Application Solutions	July 5, 2011	Development and Rollout agreement for Customer Relationship Management and Contact Center Solutions
Telkomsel and PT Huawei	March 25, 2013	Technical Support Agreement for the procurement of Gateway GPRS Support Node ("GGSN") Service Complex
Telkomsel and Wipro Limited, Wipro Singapore Pte. Ltd. and PT WT Indonesia	April 23, 2013	Development and procurement of OSDSS Solution agreement
Telkomsel and PT Ericsson Indonesia	October 22, 2013	Procurement of GGSN Service Complex Rollout agreement
Telkomsel and PT Dimension Data Indonesia	May 25, 2016	Maintenance and Procurement of Equipment and Related Service Agreement for Next Generation Convergence RAN Transport Rollout

(iii) GSD

Contracting parties	Initial date of agreement	Significant provisions of the agreement
TLT and PT Adhi Karya	November 6, 2012	Structure and main contractor architecture services agreement for construction of Telkom Landmark Tower building

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

b. Borrowings and other credit facilities

- (i) As of December 31, 2016, the Company has bank guarantee facilities for tender bond, performance bond, maintenance bond, deposit guarantee and advance payment bond for various projects of the Company, as follows:

Lenders	Total facility	Maturity	Currency	Facility utilized	
				Original currency (in millions)	Rupiah equivalent
BRI	350	March 14, 2018	Rp	-	31
			US\$	0	1
BNI	250	March 31, 2017	Rp	-	137
			US\$	0	1
Bank Mandiri	300	December 23, 2017	Rp	-	76
			US\$	0	1
Total	900				247

- (ii) Telkomsel has US\$3 million bond and bank guarantee and standby letter of credit facilities with SCB, Jakarta. The facilities expire on July 31, 2017. Under these facilities, as of December 31, 2016, Telkomsel has issued a bank guarantee of Rp20 billion (equivalent to US\$1.5 million) for a 3G performance bond (Note 34c.i). The bank guarantee is valid until March 24, 2016. As of the date of approval and authorization for the issuance of the consolidated financial statements, the bank guarantee is not extended.

Telkomsel has a Rp500 billion bank guarantee facility with BRI. The facility will expire on September 25, 2017. Under this facility, as of December 31, 2016, Telkomsel has issued a bank guarantee of Rp443 billion (equivalent to US\$33 million) as payment commitment guarantee for annual right of usage fee valid until March 31, 2017 and Rp20 billion (equivalent to US\$1.5 million) for a 3G performance guarantee that valid until May 31, 2017. As of the date of approval and authorization for the extension of the facility is still in process.

Telkomsel has a Rp150 billion bank guarantee facility with BCA. The facility will expire on April 15, 2017.

Telkomsel has also a Rp100 billion bank guarantee facility with BNI. The facility will expire on December 11, 2017. Telkomsel uses this facility to replace the time deposit required as guaranty for the USO program amounting to Rp52 billion (Note 34c.iv).

- (iii) TII has a US\$15 million bank guarantee from Bank Mandiri. The facility will expire on December 18, 2017. The outstanding bank guarantee facility as of December 31, 2016 amounting to US\$10 million.

c. Others

- (i) 3G license

With reference to the Decision Letters No. 07/PER/M.KOMINFO/2/2006, No. 268/KEP/M.KOMINFO/9/2009 and No. 191 year 2013 of the MoCI (Note 2i), Telkomsel is required, among other things, to:

1. Pay an annual BHP fee which is calculated based on a certain formula over the license term (10 years) as set forth in the Decision Letters. The BHP is payable upon receipt of the notification letter ("Surat Pemberitahuan Pembayaran") from the DGPI. The BHP fee is payable annually up to the expiry date of the license.
2. Provide roaming access for the existing other 3G operators.
3. Contribute to USO development.

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(i) 3G license (continued)

With reference to the Decision Letters No. 07/PER/M.KOMINFO/2/2006, No. 268/KEP/M.KOMINFO/9/2009 and No. 191 year 2013 of the MoCI (Note 2i), Telkomsel is required, among other things, to (continued):

4. Construct a 3G network which covers at least 14 provinces by the sixth year of holding the 3G license.
5. Issue a performance bond each year amounting to Rp20 billion or 5% of the annual fee to be paid for the subsequent year, whichever is higher.

(ii) Radio Frequency Usage

Based on the Decree No. 76 dated December 15, 2010 of the Government of the Republic of Indonesia, which amended Decree No. 7 dated January 16, 2009, the annual frequency usage fees for bandwidths of 800 Megahertz ("MHz"), 900 MHz and 1800 MHz are determined using a formula set forth in the Decree. The Decree is applicable for 5 years unless further amended.

As an implementation of the above Decree, the Company and Telkomsel paid the first to fifth year annual frequency usage fees in 2010 to 2014.

Based on Decision letter No. 983 issued in 2015, the MoCI determined that the sixth year (Y6), 2015 annual frequency usage fee of Telkomsel was Rp 2,398 billion. The fee was paid in December 2015.

On July 6, 2015, Telkomsel received Decision Letter No. 644 Year 2015 dated June 30, 2015, of the MoCI, which replaced Decision Letter No.42 Year 2014 dated January 29, 2014, whereby the MoCI granted Telkomsel the rights to provide:

- (i) Mobile telecommunication services with radio frequency bandwidth in the 800 MHz, 900 MHz and 1800 MHz bands;
- (ii) Mobile telecommunication services IMT-2000 with radio frequency bandwidth in the 2.1 GHz bands (3G); and
- (iii) Basic telecommunication services.

Conditional Business Transfer Agreement ("CBTA")

In order to maximize business opportunities within the group synergy, the Company restructured its fixed wireless business unit by transferring its fixed wireless business and subscribers to Telkomsel. On June 27, 2014, the Company signed a CBTA with Telkomsel to transfer such business and subscribers to Telkomsel (Notes 4, 9b, 31).

Based on Decision Letter No. 934 dated September 26, 2014, the MoCI approved the transfer of the Company's frequency usage license on radio frequency spectrum of 800 MHz, specifically on spectrum of 880-887.5 MHz paired with 925-932.5 MHz, to Telkomsel. Telkomsel can use the radio frequency spectrum since the Decision Letter was issued.

During the transition period, the Company is still able to use the radio frequency spectrum of 880 - 887.5 MHz paired with 925 - 932.5 MHz at the latest until December 14, 2014.

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(ii) Radio Frequency Usage (continued)

Conditional Business Transfer Agreement (“CBTA”) (continued)

Based on MoCI Decision letter No. 807/KOMINFO/OJ-SOPI.4/SP.03.03/10/2016 dated October 13, 2016 stated that frequency migration process of frequency spectrum of 800 MHz has finished and Telkomsel has been able to use frequencies (880 - 887.5) MHz paired with (925 - 932.5) MHz nationwide.

Regarding the case, the Company and Telkomsel agreed that all conditions as mentioned in CBTA have been met on September 30, 2016 and on October 21, 2016, the CBTA in 2016 has been completed.

(iii) Future minimum lease payments under operating lease

The Group entered into non-cancelable lease agreements with both third and related parties. The lease agreements cover leased lines, telecommunication equipment and land and building with terms ranging from 1 to 10 years and with expiry dates between 2017 and 2026. Periods may be extended based on the agreement by both parties.

Future minimum lease payments and receivables under the operating lease agreements as of December 31, 2016 are as follows:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
As lessee	29,617	3,814	14,479	11,324
As lessor	2,443	774	1,400	269

In connection with the restructuring of its fixed wireless business (Note 34c.ii), the Company is undertaking a negotiation to early terminate its operating lease agreements, and has recorded provisions for early termination amounting to Rp202 billion and Rp666 billion which are presented as “Other Expense” in 2015 and 2016, respectively. As of December 31, 2016, outstanding payable balance of operating lease agreements due to early termination amounting to Rp300 billion.

The future minimum lease payments above include those related to lease agreements with telecommunication tower providers which were used for the fixed wireless business unit.

(iv) USO

The MoCI issued Regulation No. 15/PER/M.KOMINFO/9/2005 dated September 30, 2005, which sets forth the basic policies underlying the USO program and requires telecommunications operators in Indonesia to contribute 0.75% of their gross revenues (with due consideration for bad debts and interconnection charges) for USO development. Based on the Government’s Decree No. 7 year 2009 dated January 16, 2009 and Decree No. 05/PER/M.KOMINFO/2/2007 dated February 28, 2007, the contribution was changed to 1.25% of gross revenues (with due consideration for bad debts and/or interconnection charges and/or connection charges). Subsequently, in December 2012, Decree No. 05/PER/M.KOMINFO/2/2007 was replaced by Decree No. 45 year 2012 of the MoCi which was effective from January 22, 2013. The latest Decree stipulates, among other things, the exclusion of certain revenues that are not considered as part of gross revenues as a basis to calculate the USO charged, and changed the payment period which was previously on a quarterly basis to become quarterly or semi-annually.

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(iv) USO (continued)

Based on MoCI Decree No. 32/PER/M.KOMINFO/10/2008 dated October 10, 2008 (as amended by Decree No. 03/PER/M.KOMINFO/2/2010 dated February 1, 2010) which replaced MoCI Decree No. 11/PER/M.KOMINFO/04/2007 dated April 13, 2007 and MoCI Decree No. 38/PER/M.KOMINFO/9/2007 dated September 20, 2007, it is stipulated that, among others, in providing telecommunication access and services in rural areas (USO Program), the provider is determined through a selection process by *Balai Telekomunikasi dan Informatika Pedesaan* ("BTIP") which was established based on MoCI Decree No. 35/PER/M.KOMINFO/11/2006 dated November 30, 2006. Subsequently, based on Decree No. 18/PER/M.KOMINFO/11/2010 dated November 19, 2010 of MoCI, BTIP was changed to *Balai Penyedia dan Pengelola Pembiayaan Telekomunikasi dan Informatika* ("BPPPTI").

a. The Company

On March 12, 2010, the Company was selected in a tender by the Government through BTIP to provide internet access service centers for USO sub-districts for a total amount of Rp322 billion, covering Nanggroe Aceh Darussalam, North Sumatera, North Sulawesi, Gorontalo, Central Sulawesi, West Sulawesi, South Sulawesi and South East Sulawesi.

On December 23, 2010, the Company was selected in a tender by the Government through BTIP to provide mobile internet access service centers for USO sub-districts for a total amount of Rp528 billion, covering Jambi, Riau, Kepulauan Riau, North Sulawesi, Central Sulawesi, Gorontalo, West Sulawesi, South East Sulawesi, Central Kalimantan, South Sulawesi, Papua and West Irian Jaya.

In 2015, the program was ceased. On September 8, 2015, the Company filed an arbitration claim to the Indonesia National Board of Arbitration ("BANI") for the settlement of the outstanding receivables of USO-PLIK and USO-MPLIK. On 22 September 2016, BANI decided that BPPPTI should pay the underpayment to the Company for USO-PLIK and USO-MPLIK project amounting to Rp127 billion and Rp342 billion, respectively.

As of the date of the issuance of these consolidated financial statements, the Company has received payment from BPPPTI amounting to Rp278 billion.

b. Telkomsel

On January 16 and 23, 2009, Telkomsel was selected in a tender by the Government through BTIP to provide and operate telecommunication access and services in rural areas (USO Program) for a total amount of Rp1.66 trillion, covering all Indonesian territories except Sulawesi, Maluku and Papua. Accordingly, Telkomsel obtained local fixed-line licenses and the right to use radio frequency in the 2,390 MHz - 2,400 MHz bandwidth.

Subsequently, in 2010 and 2011, the agreements with BTIP were amended, which amendments cover, among other things, changing the price to Rp1.76 trillion and changing the term of payment from quarterly to monthly or quarterly.

In January 2010, the MoCI granted Telkomsel operating licenses to provide local fixed-line services under the USO program.

On December 27, 2011, Telkomsel (on behalf of Konsorsium Telkomsel, a consortium which was established with Dayamitra on December 9, 2011) was selected by BPPPTI as a provider of the USO Program in the border areas for all packages (package 1 - 13) with a total price of Rp830 billion. On such date, Telkomsel was also selected by BPPPTI as a provider of the USO Program (Upgrading) of "Desa Pinter" or "Desa Punya Internet" for 1, 2 and 3 packages with a total price of Rp261 billion.

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c. Others (continued)

(iv) USO (continued)

b. Telkomsel (continued)

On March 31, 2014, the USO program for packages 1, 2, 3, 6 and 7 were ceased. As of September 18, 2014, Telkomsel filed an arbitration claim to BANI for the settlement of the outstanding receivable from BPPPTI. On October 23, 2015, BANI decided that Telkomsel should pay the overpayment by BPPPTI for the USO program amounting to Rp94.2 billion. Telkomsel accepted the decision and paid the overpayment in December 2015. On October 29, 2015, BPPPTI informed that operational license for USO program of “Desa Pinter” could not be issued. On January 2016, Telkomsel filed an arbitration claim to BANI for terminating the USO program.

As of December 31, 2016 and 2015, the Company’s and Telkomsel’s net carrying amount of trade receivables for the USO programs which are measured at amortized cost using the effective interest method amounted to Rp178 billion and Rp179 billion, respectively (Note 5).

35. CONTINGENCIES

In the ordinary course of business, the Group has been named as defendants in various legal actions in relation with land disputes, monopolistic practice and unfair business competition and SMS cartel practices. Based on management's estimate of the probable outcomes of these matters, the Group has recognized provision for losses amounting to Rp43 billion as of December 31, 2016.

- a. The Company, Telkomsel and seven other local operators are being investigated by The Commission for the Supervision of Business Competition (*Komisi Pengawasan Persaingan Usaha* or “KPPU”) for allegations of SMS cartel practices. On June 17, 2008, in case No. 26/KPPU-L/2007, the Company, Telkomsel and seven other local operators was investigated. As a result of the investigations, KPPU stated that the Company, Telkomsel and five other local operators had violated Law No. 5 year 1999 article 5 and charged the Company and Telkomsel in the amounts of Rp18 billion and Rp25 billion, respectively.

Management believes that there are no such cartel practices that led to a breach of prevailing regulations. Accordingly, the Company and Telkomsel filed an appeal with the Bandung District Court and South Jakarta District Court on July 14, 2008 and July 11, 2008, respectively.

Seven other local operators also filed an appeal in various court. Regarding the case, the KPPU requested the Supreme Court (SC) to consolidate the cases into the Central Jakarta District Court. Based on the SC’s decision letter dated April 12, 2011, the SC appointed the Central Jakarta District Court to investigate and resolve the case. On May 27, 2015, Central Jakarta District Court in case No. 03/KPPU/208/PN.JKT.PST decided that the Company, Telkomsel and seven other local operators upon the case.

On July 23, 2015, KPPU filed an appeal to the SC regarding the case of SMS cartel practices. On February 29, 2016, the SC in case No. 9 K/Pdt.Sus-KPPU/2016 decided on the case in favor of KPPU, therefore that the Company and Telkomsel have to pay penalty charged by KPPU amounting to Rp18 billion and Rp25 billion. As of the date of approval and authorization for the issuance of the consolidated financial statements, the Company and Telkomsel have paid the penalty to the treasury fund.

- b. The Company is a defendant in a case filed in Makassar District Court by Andi Jindar Pakki and his affiliates over a land property at Jl. A.P. Pettarani. On May 8, 2013, the court pronounced its verdict that the Company to pay fair compensation or to vacate and surrender the disputed land to the plaintiffs.

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35. CONTINGENCIES (continued)

- b. On May 20, 2013, the Company filed an appeal to the Makassar High Court, objecting to the District Court's ruling. In December 2013, the Makassar High Court pronounced its verdict that was favorable to the plaintiffs and the Company filed an appeal to the SC.

On January 9, 2015, the Company received the SC Notice No. 226/Pdt.G/2012/PN.Mks, regarding the case which rejected the Company's appeal. On February 5, 2015, the Company requested for a judicial review of the case by the SC.

On December 16, 2015, through its letter No. 336 PK/Pdt/2015, the SC decided on the case in favor of the Company.

36. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are as follows:

	2016			
	U.S. dollar (in millions)	Japanese yen (in millions)	Others* (in millions)	Rupiah equivalent (in billions)
Assets				
Cash and cash equivalents	204.34	5.99	20.94	3,032
Other current financial assets	8.81	-	0.35	122
Trade receivables				
Related parties	0	-	0	0
Third parties	106.70	-	3.88	1,488
Other receivables	0.44	-	0.10	7
Advances and other non-current assets	4.09	-	-	56
Total assets	324.38	5.99	25.27	4,705
Liabilities				
Trade payables				
Related parties	(0.18)	-	(0.01)	(2)
Third parties	(163.09)	(4.83)	(6.21)	(2,246)
Other payables	(5.40)	-	(1.18)	(88)
Accrued expenses	(27.99)	(20.96)	(0.18)	(381)
Advances from customers and suppliers	(0.48)	-	-	(7)
Current maturities of long-term liabilities	(10.88)	(767.90)	-	(235)
Promissory notes	(0.10)	-	-	(1)
Long-term liabilities - net of current maturities	(64.14)	(5,375.28)	-	(1,482)
Total liabilities	(272.26)	(6,168.97)	(7.58)	(4,442)
Assets (liabilities) - net	52.12	(6,162.98)	17.69	263

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	2015			
	U.S. dollar (in millions)	Japanese yen (in millions)	Others* (in millions)	Rupiah equivalent (in billions)
Assets				
Cash and cash equivalents	494.19	11.37	10.34	6,957
Other current financial assets	30.37	-	1.02	433
Trade receivables				
Related parties	1.69	-	-	23
Third parties	104.19	-	1.18	1,453
Other receivables	0.40	-	0.10	7
Advances and other non-current assets	3.88	-	-	54
Total assets	634.72	11.37	12.64	8,927
Liabilities				
Trade payables				
Related parties	(0.42)	-	-	(6)
Third parties	(202.04)	(10.73)	(2.39)	(2,819)
Other payables	(22.26)	-	(1.65)	(330)
Accrued expenses	(34.45)	(25.45)	(0.18)	(481)
Advances from customers and suppliers	(0.48)	-	-	(7)
Current maturities of long-term liabilities	(12.04)	(767.90)	-	(254)
Promissory notes	(1.99)	-	-	(28)
Long-term liabilities - net of current maturities	(187.48)	(6,143.18)	-	(3,290)
Total liabilities	(461.16)	(6,947.26)	(4.22)	(7,215)
Assets (liabilities) - net	173.56	(6,935.89)	8.42	1,712

* Assets and liabilities denominated in other foreign currencies are presented as U.S. dollar equivalents using the buy and sell rates quoted by Reuters prevailing at the end of the reporting period.

The Group's activities expose them to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates, and interest rates.

If the Group reports monetary assets and liabilities in foreign currencies as of December 31, 2016 using the exchange rates on March 2, 2017, the unrealized foreign exchange loss amounted to Rp22 billion.

37. FINANCIAL RISK MANAGEMENT

1. Fair value of financial assets and financial liabilities

a. Classification

i. Financial asset

	2016	2015
Fair value of financial asset through profit or loss		
Derivative asset – put option	-	172
Loans and receivables		
Cash and cash equivalents	29,767	28,117
Trade receivables and other receivables, net	7,900	7,872
Other current financial assets	313	2,486
Other non-current assets	210	379
Available-for-sale financial assets		
Available-for-sale investment	1,158	160
Total financial asset	39,348	39,186

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37. FINANCIAL RISK MANAGEMENT (continued)

1. Fair value of financial assets and financial liabilities (continued)

a. Classification (continued)

ii. Financial liabilities

	<u>2016</u>	<u>2015</u>
Financial liabilities measured at amortized cost		
Trade payables and other payables	13,690	14,284
Accrued expenses	11,283	8,247
Loans and other borrowings		
Short-term bank loans	911	602
Two-step loans	1,292	1,520
Bonds and notes	9,323	9,548
Long-term bank loans	15,566	18,362
Obligation under finance lease	4,010	4,580
Other borrowings	697	-
Total financial liabilities	<u>56,772</u>	<u>57,143</u>

b. Fair Value

2016	Carrying value	Fair Value	Fair value measurement at reporting date using		
			Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial assets measured at fair value					
Available-for-sale investment	1,158	1,158	1,058	100	-
Total	<u>1,158</u>	<u>1,158</u>	<u>1,058</u>	<u>100</u>	<u>-</u>
Financial liabilities for which fair value are disclosed					
Interest-bearing loans and other borrowings					
Two-step loans	1,292	1,312	-	-	1,312
Bonds and notes	9,323	9,684	9,342	-	342
Long-term bank loans	15,566	15,404	-	-	15,404
Obligation under finance lease	4,010	4,010	-	-	4,010
Other borrowings	697	689	-	-	689
Total	<u>30,888</u>	<u>31,099</u>	<u>9,342</u>	<u>-</u>	<u>21,757</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

1. Fair value of financial assets and financial liabilities (continued)

b. Fair Value (continued)

2015	Carrying value	Fair Value	Fair value measurement at reporting date using		
			Quoted prices in active markets for identical assets or liabilities (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial assets measured at fair value					
Available-for-sale investment	160	160	55	105	-
Fair value through profit or loss	172	172	-	-	172
Total	332	332	55	105	172
Financial liabilities for which fair value are disclosed					
Interest-bearing loans and other borrowings					
Two-step loans	1,520	1,538	-	-	1,538
Bonds and notes	9,548	9,541	8,972	-	569
Long-term bank loans	18,362	18,314	-	-	18,314
Obligation under finance lease	4,580	4,580	-	-	4,580
Total	34,010	33,973	8,972	-	25,001

Available-for-sale financial assets primarily consist of mutual funds, and Corporate and Government bonds. Mutual funds actively traded in an established market are stated at Fair Value using quoted market price and classified within level 1. Corporate and Government bonds are stated at fair value by reference to prices of similar securities at the reporting date. Valuation of put option needs significant judgement from management because there is no market price quotation and lack of comparable instruments available in the market. As they are not actively traded in an established market, these securities are classified as level 2.

Financial asset at fair value through profit or loss represents the Put Option on the 20% remaining ownership in Indonusa which was received as part of the divestment considerations. The valuation of put option requires significant management judgement due to the absence of quoted market prices and the lack of comparable instruments in the market. As the put option is subject to restrictions on redemption (such as transfer restrictions and initial lock-up periods) and observable activity for the investment is limited, this investment is therefore classified within level 3 of the fair value hierarchy.

Reconciliations of the beginning and ending balances for items measured at fair value using significant unobservable inputs (level 3) as of December 31, 2016 and 2015 are as follows:

	2016	2015
Beginning balance	172	290
Unrealized loss - recognized in the consolidated statements of profit or loss and other comprehensive income	(172)	(118)
Ending balance	-	172

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37. FINANCIAL RISK MANAGEMENT (continued)

1. Fair value of financial assets and financial liabilities (continued)

c. Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled between parties in an arm's length transaction.

The Group determined the fair value measurement for disclosure purposes of each class of financial assets and financial liabilities based on the following methods and assumptions:

- (i) The fair values of short-term financial assets and financial liabilities with maturities of one year or less (cash and cash equivalents, trade and other receivables, other current financial assets, trade and other payables, accrued expenses, and short-term bank loans) and other non-current assets are considered to approximate their carrying amounts as the impact of discounting is not significant.
- (ii) The fair values of long-term financial assets and financial liabilities (other non-current assets (long-term receivables and restricted cash) and liabilities) approximate their carrying amounts as they were measured based on the discounted future contractual cash flows.
- (iii) Available-for-sale financial assets primarily consist of mutual funds, Corporate and Government bonds. Mutual funds actively traded in an established market are stated at fair value using quoted market price or, if unquoted, determined using a valuation technique. Corporate and Government bonds are stated at fair value by reference to prices of similar securities at the reporting date.
- (iv) The fair values of long-term financial liabilities are estimated by discounting the future contractual cash flows of each liability at rates offered to the Group for similar liabilities of comparable maturities by the bankers of the Group, except for bonds which are based on market prices.

The fair value estimates are inherently judgmental and involve various limitations, including:

- a. Fair values presented do not take into consideration the effect of future currency fluctuations.
- b. Estimated fair values are not necessarily indicative of the amounts that the Group would record upon disposal/termination of the financial assets and liabilities.

2. Financial risk management

The Group's activities expose it to a variety of financial risks such as market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Overall, the Group's financial risk management program is intended to minimize losses on the financial assets and financial liabilities arising from fluctuation of foreign currency exchange rates and the fluctuation of interest rates. Management has a written policy for foreign currency risk management mainly on time deposit placements and hedging to cover foreign currency risk exposures for periods ranging from 3 up to 12 months.

Financial risk management is carried out by the Corporate Finance unit under policies approved by the Board of Directors. The Corporate Finance unit identifies, evaluates and hedges financial risks.

a. Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, purchases and borrowings that are denominated in foreign currencies. The foreign currency denominated transactions are primarily in U.S. dollars and Japanese yen. The Group's exposures to other foreign exchange rates are not material.

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37. FINANCIAL RISK MANAGEMENT (continued)

2. Financial risk management (continued)

a. Foreign exchange risk (continued)

Increasing risks of foreign currency exchange rates on the obligations of the Group are expected to be offset by the effects of the exchange rates on time deposits and receivables in foreign currencies that are equal to at least 25% of the outstanding current foreign currency liabilities.

The following table presents the Group's financial assets and financial liabilities exposure to foreign currency risk:

	<u>2016</u>		<u>2015</u>	
	<u>U.S. dollar (in billions)</u>	<u>Japanese yen (in billions)</u>	<u>U.S. dollar (in billions)</u>	<u>Japanese yen (in billions)</u>
Financial assets	0.32	0.01	0.63	0.01
Financial liabilities	(0.27)	(6.17)	(0.46)	(6.95)
Net exposure	0.05	(6.16)	0.17	(6.94)

Sensitivity analysis

A strengthening of the U.S. dollar and Japanese yen, as indicated below, against the Rupiah at December 31, 2016 would have decreased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables in particular interest rates, remain constant.

December 31, 2016

	<u>Equity/profit (loss)</u>
U.S. dollar (1% strengthening)	7
Japanese yen (5% strengthening)	(35)

A weakening of the U.S.dollar and Japanese yen against the rupiah at December 31, 2016 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

b. Market price risk

The Group is exposed to changes in debt and equity market prices related to available-for-sale investments carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are recognized in equity.

The performance of the Group's available-for-sale investments is monitored periodically, together with a regular assessment of their relevance to the Group's long-term strategic plans.

As of December 31, 2016, management considered the price risk for the Group's available-for-sale investments to be immaterial in terms of the possible impact on profit or loss and total equity from a reasonably possible change in fair value.

c. Interest rate risk

Interest rate fluctuation is monitored to minimize any negative impact to financial performance. Borrowings at variable interest rates expose the Group to interest rate risk (Notes 15 and 16). To measure market risk pertaining to fluctuations in interest rates, the Group primarily uses interest margin and maturity profile of the financial assets and liabilities based on changing schedule of the interest rate.

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37. FINANCIAL RISK MANAGEMENT (continued)

2. Financial risk management (continued)

c. Interest rate risk (continued)

At reporting date, the interest rate profile of the Group's interest-bearing borrowings was as follows:

	<u>2016</u>	<u>2015</u>
Fixed rate borrowings	(16,383)	(16,687)
Variable rate borrowings	(15,416)	(17,925)

Sensitivity analysis for variable rate borrowings

As of December 31, 2016, a decrease (increase) by 25 basis points in interest rates of variable rate borrowings would have increased (decreased) equity and profit or loss by Rp38.5 billion, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

d. Credit risk

The following table presents the maximum exposure to credit risk of the Group's financial assets:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	29,767	28,117
Other current financial assets	1,471	2,818
Trade and other receivables, net	7,900	7,872
Other non-current assets	210	379
Total	<u>39,348</u>	<u>39,186</u>

The Group is exposed to credit risk primarily from trade and other receivables. The credit risk is managed by continuous monitoring of outstanding balances and collection.

Credit risk from balances with banks and financial institutions is managed by the Group's Corporate Finance department in accordance with the Group's written policy. The Group placed the majority of its cash and cash equivalents in state-owned banks because they have the most extensive branch networks in Indonesia and are considered to be financially sound banks, as they are owned by the State. Therefore, it is intended to minimize financial loss through banks and financial institutions' potential failure to make payments.

Trade and other receivables do not have any major concentration of risk whereas no customer receivable balances exceed 6% of trade receivables as of December 31, 2016.

Management is confident in its ability to continue to control and sustain minimal exposure to credit risk given that the Group has recognized sufficient provision for impairment of receivables to cover incurred loss arising from uncollectible receivables based on existing historical data on credit losses.

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37. FINANCIAL RISK MANAGEMENT (continued)

2. Financial risk management (continued)

e. Liquidity risk

Liquidity risk arises in situations where the Group has difficulties in fulfilling financial liabilities when they become due.

Prudent liquidity risk management implies maintaining sufficient cash in order to meet the Group's financial obligations. The Group continuously performs an analysis to monitor financial position ratios, such as liquidity ratios and debt-to-equity ratios, against debt covenant requirements.

The following is the maturity profile of the Group's financial liabilities:

	Carrying amount	Contractual cash flows	2017	2018	2019	2020	2021 and thereafter
December 31, 2016							
Trade and other payables	13,690	(13,690)	(13,690)	-	-	-	-
Accrued expenses	11,283	(11,283)	(11,283)	-	-	-	-
Interest bearing loans and other borrowings							
Bank loans	16,477	(20,421)	(5,875)	(5,635)	(2,883)	(2,565)	(3,463)
Bonds and notes	9,323	(19,670)	(969)	(967)	(1,187)	(3,000)	(13,547)
Obligations under finance leases	4,010	(5,160)	(987)	(892)	(816)	(771)	(1,694)
Two-step loans	1,292	(1,487)	(279)	(244)	(216)	(209)	(539)
Other borrowings	697	(1,007)	(60)	(118)	(164)	(153)	(512)
Total	56,772	(72,218)	(33,143)	(7,856)	(5,266)	(6,698)	(19,755)
December 31, 2015							
Trade and other payables	14,284	(14,284)	(14,284)	-	-	-	-
Accrued expenses	8,247	(8,247)	(8,247)	-	-	-	-
Interest bearing loans and other borrowings							
Bank loans	18,964	(23,760)	(5,182)	(4,339)	(8,780)	(2,037)	(3,422)
Bonds and notes	9,548	(20,919)	(1,032)	(1,012)	(1,008)	(1,226)	(16,641)
Obligations under finance leases	4,580	(6,069)	(1,027)	(991)	(888)	(800)	(2,363)
Two-step loans	1,520	(1,791)	(293)	(282)	(247)	(219)	(750)
Total	57,143	(75,070)	(30,065)	(6,624)	(10,923)	(4,282)	(23,176)

The difference between the carrying amount and the contractual cash flows is interest value.

The interest value of variable-rate borrowings are determined based on the interest rates effective as of reporting date.

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38. CAPITAL MANAGEMENT

The capital structure of the Group is as follows:

	2016		2015	
	Amount	Portion	Amount	Portion
Short-term debts	911	0.78%	602	0.55%
Long-term debts	30,888	26.59%	34,010	30.99%
Total debts	31,799	27.37%	34,612	31.54%
Equity attributable to owners of the parent company	84,384	72.63%	75,136	68.46%
Total	116,183	100%	109,748	100.00%

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits to other stakeholders and to maintain an optimum capital structure to minimize the cost of capital.

Periodically, the Group conducts debt valuation to assess possibilities of refinancing existing debts with new ones, which have more efficient cost that will lead to more optimized cost-of-debt. In case of idle cash with limited investment opportunities, the Group will consider buying back its shares of stock or paying dividend to its stockholders.

In addition to complying with loan covenants, the Group also maintains its capital structure at the level it believes will not risk its credit rating and which is comparable with its competitors.

Debt-to-equity ratio (comparing net interest-bearing debt to total equity) is a ratio, which is monitored by management to evaluate the Group's capital structure and review the effectiveness of the Group's debts. The Group monitors its debt levels to ensure the debt-to-equity ratio complies with or is below the ratio set out in its contractual borrowings arrangements and that such ratio is comparable or better than that of regional area entities in the telecommunications industry.

The Group's debt-to-equity ratio as of December 31, 2016 and 2015 is as follows:

	2016	2015
Total interest-bearing debts	31,799	34,612
Less: cash and cash equivalents	(29,767)	(28,117)
Net debts	2,032	6,495
Total equity attributable to owners of the parent company	84,384	75,136
Net debt-to-equity ratio	2.41%	8.64%

As stated in Notes 16, the Group is required to maintain a certain debt-to-equity ratio and debt service coverage ratio by the lenders. For the year ended December 31, 2016 and 2015, the Group has complied with the externally imposed capital requirements.

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39. SUPPLEMENTAL CASH FLOWS INFORMATION

The non-cash investing activities for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Acquisition of property and equipment credited to:		
Trade payables	6,199	4,979
Non-monetary exchange	636	-
Obligations under finance leases	368	452
Interest capitalization	188	-
Acquisition of intangible assets credited to:		
Trade payables	41	179

40. SUBSEQUENT EVENTS

- a. On January 23, 2017, Telkom Akses received VAT restitution related to the overpayment assessment letter for period May - December 2014 amounting to Rp169.4 billion.
- b. On February 15, 2017, the Company successfully launched its ninth satellite, Telkom 3S, in Kourou, French Guiana with an investment of US\$215 million or equivalent to Rp2,896 billion, that includes the cost of manufacturing satellite, launching services and insurance.

41. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PSAK AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The following tables set forth a reconciliation of the consolidated statement of financial position as of December 31, 2016 and consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2016, in each case between PSAK and IFRS.

	<u>PSAK</u>	<u>RECONCILIATION</u>	<u>IFRS</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	29,767	-	29,767
Other current financial assets	1,471	-	1,471
Trade receivables - net of provision for impairment of receivables			
Related parties	894	594	1,488
Third parties	6,469	(594)	5,875
Other receivables - net of provision for impairment of receivables	537	-	537
Inventories - net of provision for obsolescence	584	-	584
Advances and prepaid expenses	5,246	-	5,246
Claim for tax refund	592	-	592
Prepaid taxes	2,138	-	2,138
Assets held for sale	3	-	3
Total Current Assets	<u>47,701</u>	<u>-</u>	<u>47,701</u>
NON-CURRENT ASSETS			
Long-term investments	1,847	-	1,847
Property and equipment - net of accumulated depreciation	114,498	(268)	114,230
Prepaid pension benefit cost	199	-	199
Advances and other non-current assets	11,508	-	11,508
Intangible assets - net of accumulated amortization	3,089	-	3,089
Deferred tax assets - net	769	-	769
Total Non-current Assets	<u>131,910</u>	<u>(268)</u>	<u>131,642</u>
TOTAL ASSETS	<u>179,611</u>	<u>(268)</u>	<u>179,343</u>

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41. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PSAK AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

	<u>PSAK</u>	<u>RECONCILIATION</u>	<u>IFRS</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables			
Related parties	1,547	1,295	2,842
Third parties	11,971	(1,295)	10,676
Other payables	172	-	172
Taxes payable	2,954	-	2,954
Accrued expenses	11,283	-	11,283
Unearned income	5,563	-	5,563
Advances from customers and suppliers	840	-	840
Short-term bank loans	911	-	911
Current maturities of long-term borrowings	4,521	-	4,521
Total Current Liabilities	<u>39,762</u>	<u>-</u>	<u>39,762</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	745	-	745
Unearned income	425	-	425
Other liabilities	29	-	29
Long service award provisions	613	-	613
Pension benefits and other post-employment benefits	6,126	-	6,126
Long-term borrowings - net of current maturities	26,367	-	26,367
Total Non-current Liabilities	<u>34,305</u>	<u>-</u>	<u>34,305</u>
TOTAL LIABILITIES	<u>74,067</u>	<u>-</u>	<u>74,067</u>
EQUITY			
Capital stock	5,040	-	5,040
Additional paid-in capital	4,931	(478)	4,453
Treasury stock	(2,541)	-	(2,541)
Other equity	339	(161)	178
Retained earnings	76,615	418	77,033
Net equity attributable to owners of the Parent Company	84,384	(221)	84,163
Non-controlling Interests	21,160	(47)	21,113
TOTAL EQUITY	<u>105,544</u>	<u>(268)</u>	<u>105,276</u>
TOTAL LIABILITIES AND EQUITY	<u>179,611</u>	<u>(268)</u>	<u>179,343</u>

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41. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PSAK AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

	<u>PSAK</u>	<u>RECONCILIATION</u>	<u>IFRS</u>
REVENUES	116,333	-	116,333
Operation, maintenance and telecommunication service expenses	(31,263)	-	(31,263)
Depreciation and amortization expenses	(18,532)	(24)	(18,556)
Personnel expenses	(13,612)	-	(13,612)
Interconnection expenses	(3,218)	-	(3,218)
General and administrative expenses	(4,610)	-	(4,610)
Marketing expenses	(4,132)	-	(4,132)
Loss on foreign exchange - net	(52)	-	(52)
Other income	750	1	751
Other expenses	(2,469)	-	(2,469)
OPERATING PROFIT	39,195	(23)	39,172
Finance income	1,716	-	1,716
Finance costs	(2,809)	-	(2,809)
Share of profit of associated companies	87	-	87
PROFIT BEFORE INCOME TAX	38,189	(23)	38,166
INCOME TAX EXPENSE	(9,017)	-	(9,017)
PROFIT FOR THE YEAR	29,172	(23)	29,149
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation	(40)	-	(40)
Change in fair value of available-for-sale financial assets	0	-	0
Share of loss of associated companies	(1)	-	(1)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit plan actuarial (loss) gain - net of tax	(2,058)	-	(2,058)
Other comprehensive income - net	(2,099)	-	(2,099)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	27,073	(23)	27,050
Profit for the year attributable to:			
Owners of the parent company	19,352	(19)	19,333
Non-controlling interests	9,820	(4)	9,816
	29,172	(23)	29,149
Total comprehensive income for the year attributable to:			
Owners of the parent company	17,331	(19)	17,312
Non-controlling interests	9,742	(4)	9,738
	27,073	(23)	27,050
BASIC AND DILUTED EARNINGS PER SHARE			
(in full amount)			
Net income per share	196.19	(0.20)	195.99
Net income per ADS (100 Series B shares per ADS)	19,619.11	(19.26)	19,599.85

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41. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PSAK AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

a. Land rights

Under PSAK, land rights are recorded as part of property and equipment and are not amortized, unless there is indication that the extension or renewal of land rights is not expected to be or will not be received. Costs incurred to process the extension or renewal of land legal rights are recognized as intangible assets and amortized over the shorter of the term of the land rights or the economic life of the land.

Under IFRS, land rights are accounted for as finance lease and presented as part of property and equipment. Land rights are amortized over the lease term.

b. Related party transactions

Under Bapepam-LK Regulation No. VIII.G.7 regarding the Presentation and Disclosures of Financial Statements of Issuers or Public Companies, a government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. Government in this context is the Ministry of Finance or the Local Government, as the shareholder of the entity.

Under IFRS, a government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. Government in this context refers to the Government of Indonesia, Government agencies and similar bodies whether local, national or international.

Perusahaan Perseroan (Persero)
PT Telekomunikasi Indonesia Tbk
Pusat Pengelolaan Program Kemitraan dan
Program Bina Lingkungan
(Community Development Center)

Laporan keuangan tanggal 31 Desember 2016
dan untuk tahun yang berakhir pada tanggal tersebut
beserta laporan auditor independen/
*Financial statements as of December 31, 2016
for the year then ended
with independent auditors' report*

The original financial statements included herein are in Indonesian language.

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
LAPORAN KEUANGAN
TANGGAL 31 DESEMBER 2016
DAN UNTUK TAHUN YANG BERAKHIR
PADA TANGGAL TERSEBUT
BESERTA LAPORAN AUDITOR INDEPENDEN**

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT**

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SURAT PERNYATAAN SENIOR GENERAL MANAGER
TENTANG TANGGUNG JAWAB ATAS LAPORAN
KEUANGAN 31 DESEMBER 2016 DAN UNTUK TAHUN
YANG BERAKHIR PADA TANGGAL TERSEBUT -
PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN DAN BINA
LINGKUNGAN (COMMUNITY DEVELOPMENT CENTER)

STATEMENTS OF SENIOR GENERAL MANAGER
REGARDING THE RESPONSIBILITY FOR
THE FINANCIAL STATEMENTS AS OF
AND FOR YEAR THEN ENDED -
PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN DAN BINA
LINGKUNGAN (COMMUNITY DEVELOPMENT CENTER)

No:Tel.33/KU750/CDC-A1010000/2017

No:Tel. 33/KU750/CDC-A1010000/2017

Kami yang bertandatangan dibawah ini:

Nama : Mochammad Sulthonul Arifin :
Alamat Kantor : Jl Japati No 1 Bandung :
Telepon : 022-4526116 :
Jabatan : Senior General Manager :
Community Development Center

We, the undersigned:

Name
Office Address
Telephone
Position

Menyatakan bahwa:

State that:

1. Kami bertanggung jawab atas penyusunan dan penyajian laporan keuangan Pusat Pengelolaan Program Kemitraan dan Bina Lingkungan (Community Development Center) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("CDC");
 2. Laporan keuangan CDC tanggal 31 Desember 2016 dan untuk tahun yang berakhir pada tanggal tersebut telah disusun dan disajikan berdasarkan Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik;
 3. a. Semua informasi dalam laporan keuangan CDC telah dimuat secara lengkap dan benar;
b. Laporan keuangan CDC tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material;
 4. Kami bertanggung jawab atas sistem pengendalian intern dalam CDC.
1. We are responsible for the preparation and presentation of Financial Statements of the Pusat Pengelolaan Program Kemitraan dan Bina Lingkungan (Community Development Center) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("CDC");
 2. Financial statements CDC as of December 31, 2016 and for the year then ended have been prepared and presented in accordance with Non-publicly-Accountable Financial Accounting Standards;
 3. a. All information in the CDC's Financial Statements has been fully and correctly disclosed;
b. The CDC's Financial Statements do not contain misleading material information or fact. And do not omit material information and fact;
 4. We are responsible for the CDC's internal Control

Demikian pernyataan ini dibuat dengan sebenarnya.

The Statement letter is made truthfully.

Bandung, 25 Januari 2017/Bandung, January 25, 2017
Senior General Manager CDC



Mochammad Sulthonul Arifin
NIK.660240



The original report included herein is in Indonesian language.

Laporan Auditor Independen

Laporan No. RPC-2925/PSS/2017

Pemegang Saham, Dewan Komisaris dan Direksi Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk
Pengelola Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (*Community Development Center*) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk

Kami telah mengaudit laporan keuangan Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (*Community Development Center*) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("CDC") terlampir, yang terdiri dari laporan posisi keuangan tanggal 31 Desember 2016, serta laporan aktivitas dan laporan arus kas untuk tahun yang berakhir pada tanggal tersebut, dan suatu ikhtisar kebijakan akuntansi signifikan dan informasi penjelasan lainnya.

Tanggung jawab manajemen atas laporan keuangan

Pengelola CDC bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan ini sesuai dengan Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik, dan atas pengendalian internal yang dianggap perlu oleh manajemen untuk memungkinkan penyusunan laporan keuangan yang bebas dari kesalahan penyajian material, baik yang disebabkan oleh kecurangan maupun kesalahan.

Tanggung jawab auditor

Tanggung jawab kami adalah untuk menyatakan suatu opini atas laporan keuangan ini berdasarkan audit kami. Kami melaksanakan audit kami berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia. Standar tersebut mengharuskan kami untuk mematuhi ketentuan etika serta merencanakan dan melaksanakan audit untuk memperoleh keyakinan memadai tentang apakah laporan keuangan bebas dari kesalahan penyajian material.

Independent Auditors' Report

Report No. RPC-2925/PSS/2017

The Shareholders, Board of Commissioners and Directors Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk Management of Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk

We have audited the accompanying financial statements of Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("CDC"), which comprise of financial position as of December 31, 2016, and the statement of activities and statement of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

CDC's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Non-Publicly Accountable Entities Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Laporan Auditor Independen (lanjutan)

Independent Auditors' Report (continued)

Laporan RPC-2925/PSS/2017 (lanjutan)

Report RPC-2925/PSS/2017 (continued)

Suatu audit melibatkan pelaksanaan prosedur untuk memperoleh bukti audit tentang angka-angka dan pengungkapan dalam laporan keuangan. Prosedur yang dipilih bergantung pada pertimbangan auditor, termasuk penilaian atas risiko kesalahan penyajian material dalam laporan keuangan, baik yang disebabkan oleh kecurangan maupun kesalahan. Dalam melakukan penilaian risiko tersebut, auditor mempertimbangkan pengendalian internal yang relevan dengan penyusunan dan penyajian wajar laporan keuangan entitas untuk merancang prosedur audit yang tepat sesuai dengan kondisinya, tetapi bukan untuk tujuan menyatakan opini atas keefektifitasan pengendalian internal entitas. Suatu audit juga mencakup pengevaluasian atas ketepatan kebijakan akuntansi yang digunakan dan kewajaran estimasi akuntansi yang dibuat oleh manajemen, serta pengevaluasian atas penyajian laporan keuangan secara keseluruhan.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opini

Opinion

Menurut opini kami, laporan keuangan terlampir menyajikan secara wajar, dalam semua hal yang material, posisi keuangan Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk tanggal 31 Desember 2016, serta kinerja keuangan dan arus kas untuk tahun yang berakhir pada tanggal tersebut, sesuai dengan Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center) Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk as of December 31, 2016, and the results of its financial performance and cash flows for the year then ended in conformity with the Non-Publicly Accountable Entities Financial Accounting Standards.

Purwantono, Sungkoro & Surja



Deden Riyadi

Registrasi Akuntan Publik No. AP.0692/Public Accountant Registration No. AP.0692

25 Januari 2017/ January 25, 2017

The original financial statements included herein are in Indonesian language.

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
LAPORAN POSISI KEUANGAN
31 Desember 2016
(Disajikan dalam Rupiah)**

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(Expressed in Rupiah)**

	31 Desember 2016/ December 31, 2016	Catatan/ Notes	31 Desember 2015/ December 31, 2015	
ASET				ASSETS
Kas dan Setara Kas	114.297.927.433	2b,4	119.512.444.975	<i>Cash and Cash Equivalents</i>
Pinjaman kepada BUMN Pembina lain/ Lembaga Penyalur setelah dikurangi penyisihan penurunan nilai sebesar Rpnil (2015: Rp11.444.509.078)	-	2c,2d,5	4.999.999.996	<i>Loan to other Foster SOE or Distributing Partners net of allowance for impairment losses of Rpnil (2015: Rp11,444,509,078)</i>
Pinjaman kepada Mitra Binaan setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp89.312.658.468 (2015: Rp109.770.010.235)	518.310.497.236	2c,2d,6a,6b	458.634.533.531	<i>Loan to Foster Partners net of allowance for impairment losses of Rp89,312,658,468 (2015 : Rp109,770,010,235)</i>
Aset Tetap Tidak Berfungsi	-	7	-	<i>Fixed Asset Not in Use</i>
Pinjaman Bermasalah setelah dikurangi penyisihan penurunan nilai sebesar Rp107.263.845.163 (2015: Rp82.673.017.234)	-	2f,8	-	<i>Troubled Loan net of allowance for impairment losses of Rp107,263,845,163 (2015: Rp82,673,017,234)</i>
JUMLAH ASET	632.608.424.669		583.146.978.502	TOTAL ASSETS
LIABILITAS DAN ASET NETO				LIABILITIES AND NET ASSETS
LIABILITAS				LIABILITIES
Liabilitas Lancar Lainnya	-	2j,9	10.972.947.055	<i>Other Current Liabilities</i>
Angsuran Belum Teridentifikasi	549.272.950	2h,10	467.059.449	<i>Unidentified Installments</i>
Kelebihan Pembayaran Angsuran	160.352.992	2i,11	158.652.706	<i>Overpayment of Installments</i>
Utang Lain-lain	25.000.000	2j,12	119.546.500	<i>Other Payables</i>
JUMLAH LIABILITAS	734.625.942		11.718.205.710	TOTAL LIABILITIES
ASET NETO				NET ASSETS
Aset Neto Tidak Terikat	631.873.798.727	2k,13	571.428.772.792	<i>Unrestricted Net Assets</i>
JUMLAH ASET NETO	631.873.798.727		571.428.772.792	TOTAL NET ASSETS
JUMLAH LIABILITAS DAN ASET NETO	632.608.424.669		583.146.978.502	TOTAL LIABILITIES AND NET ASSETS

Catatan atas laporan keuangan terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan secara keseluruhan.

The accompanying notes form an integral part of these financial statements taken as a whole.

The original financial statements included herein are in Indonesian language.

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
LAPORAN AKTIVITAS
Tahun yang Berakhir pada Tanggal
31 Desember 2016
(Disajikan dalam Rupiah)**

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
(Expressed in Rupiah)**

Tahun yang Berakhir pada
tanggal 31 Desember/
Year Ended December 31,

	2016	Catatan/ Notes	2015	
PERUBAHAN ASET NETO TIDAK TERIKAT				CHANGES IN UNRESTRICTED NET ASSETS
PENDAPATAN				REVENUE
Penerimaan dari BUMN Pembina	82.000.000.000	14	-	Revenue from Foster SOE
Pendapatan Jasa Administrasi Pinjaman	32.269.932.808	15	17.874.573.518	Loan Administration Service Income
Pendapatan Bunga: Program Kemitraan	895.534.687	16a	1.566.703.122	Interest Income on: Partnership Program Community Development Program
Program Bina Lingkungan	1.719.253.436	16b	3.048.273.583	Other Income
Pendapatan Lain - lain	20.044.076.628	17	31.206.191	
JUMLAH PENDAPATAN	136.928.797.559		22.520.756.414	TOTAL REVENUE
BEBAN				EXPENSES
Dana Pembinaan Kemitraan (Pemulihan)/Kerugian Penyisihan Penurunan Nilai Pinjaman, neto	(5.485.680.021)	18 6d	6.014.476.847 20.641.603.199	Fostering Partnership Funds (Recovery)/Allowance for Impairment of Loan, net Community Development Funds Distribution
Penyaluran Dana Bina Lingkungan	81.969.451.645	19	-	Empowerment Expenses
Beban Pembinaan	-	20	2.289.880.645	General and Administration Expenses
Beban Administrasi dan Umum	-	21	5.584.101.195	Rent Expenses
Beban Sewa	-	22	1.436.320.910	
JUMLAH BEBAN	76.483.771.624		35.966.382.796	TOTAL EXPENSES
KENAIKAN (PENURUNAN) ASET NETO TIDAK TERIKAT TAHUN BERJALAN	60.445.025.935		(13.445.626.382)	INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FOR THE YEAR
ASET NETO TERIKAT TAHUN BERJALAN	-		-	RESTRICTED NET ASSETS FOR THE YEAR
KENAIKAN (PENURUNAN) ASET NETO TAHUN BERJALAN	60.445.025.935		(13.445.626.382)	INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR
ASET NETO AWAL TAHUN	571.428.772.792		584.874.399.174	NET ASSETS AT BEGINNING OF YEAR
ASET NETO AKHIR TAHUN	631.873.798.727		571.428.772.792	NET ASSETS AT END OF YEAR

Catatan atas laporan keuangan terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan secara keseluruhan.

The accompanying notes form an integral part of these financial statements taken as a whole.

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
LAPORAN ARUS KAS
Tahun yang Berakhir pada Tanggal
31 Desember 2016
(Disajikan dalam Rupiah)**

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(Expressed in Rupiah)**

	Tahun yang Berakhir pada tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
AKTIVITAS OPERASI			OPERATING ACTIVITIES
Kenaikan (penurunan) Aset Neto tahun berjalan	60.445.025.935	(13.445.626.382)	Increase (decrease) in Net Assets for the year
Penyesuaian			Adjustments
(Pemulihan) kerugian penyisihan penurunan nilai pinjaman, neto	(5.485.680.021)	20.641.603.199	(Recovery) allowance for impairment of loan, net
Perubahan aset dan liabilitas			Change in asset and liability
Pinjaman kepada BUMN Pembina lain/ Lembaga Penyalur	4.999.999.996	5.650.000.004	Loan to other Foster SOE or Distributing Partners
Pinjaman kepada Mitra Binaan	(54.190.283.684)	(66.741.740.864)	Loan to Fosters Partners
Liabilitas Lancar Lainnya	(10.972.947.055)	10.972.947.055	Other Current Liabilities
Beban Akrua	-	(879.175.000)	Accrued Expense
Angsuran Belum Teridentifikasi	82.213.501	346.012.126	Unidentified Installment
Kelebihan Pembayaran Angsuran	1.700.286	(1.154.632.743)	Overpayment of Installment
Utang Lain - lain	(94.546.500)	(348.173.500)	Other Payables
KAS NETO DIGUNAKAN UNTUK AKTIVITAS OPERASI	(5.214.517.542)	(44.958.786.105)	NET CASH FLOWS USED TO OPERATING ACTIVITIES
PENURUNAN KAS DAN SETARA KAS	(5.214.517.542)	(44.958.786.105)	DECREASE IN CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS PADA AWAL TAHUN	119.512.444.975	164.471.231.080	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR
KAS DAN SETARA KAS PADA AKHIR TAHUN	114.297.927.433	119.512.444.975	CASH AND CASH EQUIVALENTS AT END OF YEAR

Catatan atas laporan keuangan terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan secara keseluruhan.

The accompanying notes form an integral part of these financial statements taken as a whole.

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
CATATAN ATAS LAPORAN KEUANGAN
31 Desember 2016 dan Tahun yang
Berakhir pada Tanggal tersebut
(Disajikan dalam Rupiah)**

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and
Year then Ended
(Expressed in Rupiah)**

1. INFORMASI MENGENAI UNIT COMMUNITY DEVELOPMENT CENTER

a. Pendirian dan Informasi Umum

Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center) ("CDC") didirikan oleh Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk (BUMN Pembina) melalui Keputusan Direksi No. 61/ PS150/ CTG-10/ 2003 tentang Pembentukan Organisasi Pusat Pengelola Program Kemitraan dan Program Bina Lingkungan (Community Development Center). Keputusan Direksi ini telah berubah beberapa kali. Keputusan Direksi ini terakhir kali diubah melalui Keputusan Direksi No. KD. 12/ PS150/ COP-B0030000/2008 tanggal 5 Februari 2008 tentang Organisasi Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center).

CDC didirikan sebagai implementasi dari Keputusan Menteri Badan Usaha Milik Negara ("BUMN") No. KEP-236/ MBU/ 2003 tanggal 17 Juni 2003 tentang Program Kemitraan BUMN dan Usaha Kecil dan Program Bina Lingkungan. Keputusan Menteri BUMN tersebut didasarkan pada Undang-Undang Republik Indonesia No. 19 Tahun 2003 tentang penyisihan laba untuk pembinaan usaha kecil koperasi serta pembinaan masyarakat.

Pada tanggal 27 April 2007, Kementerian BUMN memberlakukan PER-05/MBU/2007 menggantikan Keputusan Menteri BUMN No. KEP-236/MBU/2003. Sebagai bentuk implementasi dari PER-05/MBU/2007, Direksi Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk mengeluarkan Keputusan Direksi No. KD. 30/ PR000/ COP - B0030000/ 2007 tanggal 6 Juni 2007 tentang Pengelolaan Program Kemitraan dan Program Bina Lingkungan yang kemudian diubah dengan Keputusan Direksi No. KD.21/ PR000/ COP-B0030000/2010 tanggal 19 April 2010 tentang Pengelolaan Program Kemitraan dan Program Bina Lingkungan.

1. INFORMATION OF COMMUNITY DEVELOPMENT CENTER UNIT

a. Establishment and General Information

Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center) ("CDC") was established by Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("Foster SOE") based on Decree of the Directors No. 61/PS150/CTG-10/2003 regarding Establishment of Organization of Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center). This Decree of the Directors has been amended several times. The latest amendment was under Decree of the Directors No. KD. 12/PS150/COPB0030000/ 2008 dated February 5, 2008 regarding Organization of Pusat Pengelolaan Program Kemitraan dan Program Bina Lingkungan (Community Development Center).

CDC was established as an implementation from the Decree of Minister of State-Owned Enterprises ("SOE") No. KEP-236/MBU/2003 dated June 17, 2003 regarding SOE's Partnership Program and Small Enterprises and Community Development Program. The Decree of Minister SOE was based on The Law of Republic of Indonesia No. 19 Tahun 2003 regarding allowance from profit to develop small cooperative business and community development.

On April 27, 2007, Ministry of SOE issued PER-05/MBU/2007 replacing the Decree of Minister of SOE No. KEP-236/MBU/2003. As an implementation of PER-05/MBU/2007, the Directors of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk issued Decree of the Directors No. KD. 30/PR000/COP-B0030000/2007 dated June 6, 2007 regarding Management of Partnership Program and Community Development Program which then is amended by Decree of the Directors No. KD.21/PR000/COP-B0030000/2010 dated April 19, 2010 regarding Management of Partnership Program and Community Development Program.

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
CATATAN ATAS LAPORAN KEUANGAN
31 Desember 2016 dan Tahun yang
Berakhir pada Tanggal tersebut
(Disajikan dalam Rupiah)**

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA TBK
PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016 and
Year then Ended
(Expressed in Rupiah)**

1. INFORMASI MENGENAI UNIT COMMUNITY DEVELOPMENT CENTER (lanjutan)

a. Pendirian dan Informasi Umum (lanjutan)

PER-05/MBU/2007 telah diubah beberapa kali dan termasuk perubahan pada tanggal 10 September 2013, Kementerian BUMN mengeluarkan PER-08/MBU/2013 tentang perubahan keempat atas Peraturan Menteri BUMN No. PER-05/MBU/2007 tentang Program Kemitraan BUMN dengan Usaha Kecil dan Program Bina Lingkungan. Pada tanggal 22 Mei 2015, Kementerian BUMN telah menerbitkan Peraturan Menteri BUMN Nomor PER-07/MBU/05/2015 tentang Program Kemitraan Badan Usaha Milik Negara dengan Usaha Kecil dan Program Bina Lingkungan sebagai pengganti PER-08/MBU/2013.

Pada tanggal 3 Juli 2015, Kementerian BUMN memberlakukan PER-09/MBU/07/2015 menggantikan Keputusan Menteri BUMN PER-07/MBU/05/2015. Sebagai implementasi dari PER-09/MBU/07/2015, Direksi Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk mengeluarkan Peraturan Direksi No. PD.702.00/r.00/PR000/CDC- A1040000/2015 tanggal 10 Desember 2015 tentang Pengelolaan Program Kemitraan dan Program Bina Lingkungan.

Pada tanggal 19 Desember 2016, Kementerian BUMN memberlakukan PER-03/MBU/12/2016 tentang Perubahan atas Peraturan Menteri BUMN Nomor PER-09/MBU/07/2015.

CDC Pusat berdomisili di Kantor Pusat Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("Telkom"), Jl Japati No. 1 Bandung. Community Development ("CD") Regional dan CD Witel berdomisili di Kantor Divisi Regional ("Divre") dan Kantor Wilayah ("Witel") Telkom yang tersebar di seluruh Indonesia.

b. Kegiatan Utama

Kegiatan utama yang dilakukan CDC dalam program kemitraan dan program bina lingkungan ("PKBL") meliputi kegiatan sebagai berikut:

- 1) Penyaluran dana pinjaman untuk membiayai modal kerja dan atau pembelian aktiva tetap dalam rangka meningkatkan produksi dan penjualan.

1. INFORMATION OF COMMUNITY DEVELOPMENT CENTER UNIT (continued)

a. Establishment and General Information (continued)

PER-05/MBU/2007 has been amended for several times including the amendment on September 10, 2013, Minister of SOE issued PER-08/MBU/2013 regarding the fourth amendment of regulation of Ministry of SOE No. PER-05/MBU/2007 regarding SOE Partnership Program with Small Business and Community Development Program. On May 22, 2015, Minister of SOE issued PER-07/MBU/2015 regarding SOE Partnership Program with Small Business and Community Development Program replacing PER-08/MBU/2013.

On July 3, 2015, Ministry of SOE issued PER-09/MBU/07/2015 replacing the Decree of Minister of SOE No. PER-07/MBU/2015. As an implementation of PER-09/MBU/07/2015, the Directors of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk issued Decree of the Directors No. PD.702.00/r.00/PR000/CDC- A1040000/2015 dated 10 Desember 2015 regarding Management of Partnership Program and Community Development Program.

On December 19, 2016 Ministry of SOE issued PER-03/MBU/12/2016 regarding the Amendments to Regulation of Ministry of SOE Number PER-09/MBU/07/2015.

Head office of CDC is domiciled in Head office of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("Telkom"), Jl Japati No. 1 Bandung. Community Development ("CD") Region and CD Witel is domiciled in Regional Division Office ("Divre") and Witel Office ("Witel") Telkom which spread all over Indonesia.

b. Primary Activities

The primary activities of CDC in Partnership Program and Community Development Program ("PKBL") include the following activities:

- 1) Distribution of funds to finance working capital loans and or purchase of fixed assets to increase production and sales.

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1. INFORMASI MENGENAI UNIT COMMUNITY DEVELOPMENT CENTER (lanjutan)

b. Kegiatan Utama (lanjutan)

- 2) Penyaluran dana pinjaman tambahan untuk membiayai kebutuhan dana dalam pelaksanaan kegiatan usaha Mitra Binaan yang bersifat jangka pendek dalam rangka memenuhi pesanan dari rekanan usaha Mitra Binaan.
- 3) Pemberian bantuan dana bina lingkungan yang digunakan untuk tujuan yang memberikan manfaat kepada masyarakat di wilayah usaha dalam bentuk bantuan untuk:
 - a. Korban bencana alam
 - b. Pendidikan dan/atau pelatihan
 - c. Peningkatan kesehatan
 - d. Pengembangan prasarana dan/atau sarana umum
 - e. Sarana ibadah
 - f. Pelestarian alam
 - g. Sosial kemasyarakatan dalam rangka pengentasan kemiskinan
 - h. Pendidikan, pelatihan, pemagangan, pemasaran, promosi, dan bentuk bantuan lain yang terkait dengan upaya peningkatan kapasitas mitra binaan program kemitraan.
- 4) Pengawasan kegiatan usaha Mitra Binaan.
- 5) Pelaporan kegiatan PKBL.

c. Sumber Dana

Sumber dana CDC adalah berasal dari anggaran yang diperhitungkan sebagai biaya Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk sebagai BUMN Pembina dan hasil pengembangan dana program.

1. INFORMATION OF COMMUNITY DEVELOPMENT CENTER UNIT (continued)

b. Primary Activities (continued)

- 2) *Additional loan distribution to finance the short-term funding requirements for the operations of the Foster Partners to fulfill orders from the business partner of the Foster Partners.*
- 3) *Community development donation funds is used for purposes that benefit the community in the areas of business in the form of assistance for:*
 - a. *Natural disaster victims*
 - b. *Education and/or training*
 - c. *Health improvement*
 - d. *Developments of infrastructure and/or public facilities*
 - e. *Places of worship*
 - f. *Nature conservation*
 - g. *Civil society in order for poverty alleviation*
 - h. *Education, trainings, internships, promotions and other activities related to the improvement of productivity of foster partner from partnership program.*
- 4) *Monitoring of the operations of Foster Partners.*
- 5) *Reporting of PKBL activities.*

c. Funding Resources

Source of CDC's funding is derived from budget which has been decided as part of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk expenses as Fosters SOE and fund development program.

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1. INFORMASI MENGENAI UNIT COMMUNITY DEVELOPMENT CENTER (lanjutan)

1. INFORMATION OF COMMUNITY DEVELOPMENT CENTER UNIT (continued)

d. Susunan Pengelola

d. Management Structure

Susunan Pengelola CDC pada tanggal 31 Desember 2016 dan 2015 adalah sebagai berikut:

Management Structure of CDC as of December 31, 2016 and 2015 is as follows:

	31 Desember/December 31,	
	2016	2015
Senior General Manager	M.Sulthonul Arifin	Nur Hassim Rusdi
Pengelola Fungsi Dukungan:		
Senior Manager Perencanaan dan Pengendalian	Haris Widjanarko	Haris Widjanarko
Senior Manager Keuangan	Susilo Budi Utomo	Susilo Budi Utomo
Senior Manager Program Kemitraan	Muhammad Wahyudi	Muhammad Wahyudi
Senior Manager Program Bina Lingkungan	Hery Susanto	Hery Susanto

Senior General Manager
Supporting Management:
Senior Manager of Planning and Controlling
Senior Manager of Finance

Senior Manager of Partnership Program
Senior Manager of Community Development Program

Berdasarkan KD.21/PR000/COP-B0030000/2010 tentang Pengelolaan Program Kemitraan dan Program Bina Lingkungan yang kemudian diubah dengan PD.702.00/r.00/PR000/ CDC- A1040000/2015 tanggal 10 Desember 2015 tentang Pengelolaan Program Kemitraan dan Program Bina Lingkungan, CDC disupervisi oleh Direktur Human Capital Management. Pada tanggal 31 Desember 2016 and 2015, Direktur HCM adalah Herdy Rosadi Harman.

Based on KD.21/PR000/COP-B0030000/2010 regarding Management of Partnership Program and Community Development Program which was amended by PD.702.00/r.00/PR000/ CDC- A1040000/2015 tanggal 10 Desember 2015 regarding Management of Partnership Program and Community Development Program, CDC is supervised by the Director of Human Capital Management. As of December 31, 2016 and 2015, The Director of HCM is Herdy Rosadi Harman.

Jumlah pengelola untuk tahun yang berakhir pada tanggal 31 Desember 2016 dan 2015 adalah sebagai berikut:

Number of employees as of December 31, 2016 and 2015 is as follows:

	31 Desember/December 31,	
	2016	2015
CDC Pusat	28	32

CDC Corporate

Seluruh pegawai adalah pegawai yang memperoleh gaji dan manfaat lainnya dari BUMN Pembina sehingga masalah penerapan Imbalan Kerja (PSAK No. 24) dilaksanakan dan menjadi beban Telkom.

All employees are employees who earn salaries and other benefits from Foster SOE so that the implementation of Employee Benefits (PSAK No. 24) is implemented by and charged to Telkom.

Pemotongan dan penyetoran atas pajak penghasilan pasal 21 atas pegawai BUMN Pembina yang ditempatkan di CDC dilakukan oleh BUMN Pembina.

Withholding and payment for income tax Article 21 of Foster SOE employee who is assigned at CDC are performed by Foster SOE.

e. Otorisasi Penerbitan Laporan Keuangan

e. Authorization of the Issuance of Financial Statement

Laporan keuangan telah diselesaikan dan disahkan untuk diterbitkan oleh Pengelola CDC pada tanggal 25 Januari 2017.

The financial statements were completed and authorized for issuance by CDC Management on January 25, 2017.

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2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN

Kebijakan akuntansi signifikan dan diterapkan dalam menyusun laporan keuangan untuk tahun yang berakhir pada tanggal 31 Desember 2016 dan 2015 adalah sebagai berikut:

a. Dasar Penyusunan Laporan Keuangan

Laporan keuangan disusun berdasarkan Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik (SAK ETAP) yang diterbitkan oleh Dewan Standar Akuntansi Keuangan - Ikatan Akuntan Indonesia.

Penerapan SAK ETAP atas penyusunan laporan keuangan didasarkan pada Surat Edaran Menteri Negara BUMN Nomor: SE-02/MBU/Wk/2012 tanggal 23 Februari 2012 tentang Penetapan Pedoman Akuntansi Program Kemitraan dan Bina Lingkungan yang berlaku mulai tahun 2012.

Laporan keuangan disusun dengan dasar akrual, kecuali untuk beberapa akun tertentu yang disusun berdasarkan pengukuran lain sebagaimana diuraikan dalam kebijakan akuntansi terkait.

Laporan arus kas yang disajikan dengan menggunakan metode tidak langsung, menyajikan penerimaan dan pengeluaran kas dan setara kas yang diklasifikasikan ke dalam aktivitas operasi, investasi dan pendanaan.

Tahun buku CDC adalah 1 Januari - 31 Desember.

Mata uang yang digunakan pada laporan keuangan adalah Rupiah yang juga merupakan mata uang fungsionalnya.

b. Kas dan Setara Kas

Kas dan setara kas terdiri atas kas dan bank, dan semua deposito berjangka yang tidak dibatasi penggunaannya, yang jatuh tempo dalam tiga bulan atau kurang sejak tanggal penempatan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles which are applied consistently in the preparation of the financial statements for the years ended December 31, 2016 and 2015 are follows:

a. Basis of Preparation of Financial Statements

The financial statement is prepared based on Non - Publicly Accountable Entities Financial Accounting Standards (SAK ETAP) that was issued by The Financial Accounting Standard Board - Indonesian Institute of accountants.

The implementation of SAK ETAP in the preparation of the financial statement is based on Minister of SOE Circular Letter No. SE-02/MBU/Wk/2012 dated February 23, 2012 regarding Determination Guidance of Accounting Standard for Partnership Program and Community Development that starting from 2012.

The financial statements are prepared on the accrual basis, except for certain accounts that are prepared based on other measurement as explained in related accounting policy.

The statements of cash flows are presented using the indirect method, presenting cash receipt and payment and cash equivalents that are classified into operating, investing and financing activities.

The financial reporting period of CDC is January 1 - December 31.

Amounts in the financial statements are presented in Rupiah which also represents its functional currency.

b. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, and unrestricted time deposits with maturities of three months or less since placement date.

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2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

c. Pinjaman

Pinjaman pada awalnya diakui sebesar nilai wajar dan selanjutnya diukur pada biaya perolehan diamortisasi, setelah dikurangi penyisihan penurunan nilai. Penyisihan penurunan nilai dibentuk berdasarkan evaluasi Pengurus terhadap tingkat ketertagihan saldo pinjaman.

Pinjaman kepada BUMN Pembina Lain atau Lembaga Penyalur merupakan pinjaman yang diberikan kepada unit PKBL atau Lembaga Penyalur sebagai bentuk sinergi antar unit PKBL.

Pinjaman kepada mitra binaan dicatat sebagai pinjaman sebesar pokok pinjaman yang diberikan dan jasa administrasi pinjaman yang telah jatuh tempo sesuai dengan kontrak. Pendapatan jasa administrasi pinjaman dicatat sebagai pinjaman kepada mitra binaan dan pendapatan secara akrual untuk pinjaman yang berkualitas lancar dan kurang lancar.

Pinjaman kepada mitra binaan dan BUMN Pembina Lain atau Lembaga Penyalur disajikan dalam laporan posisi keuangan pada kelompok aset lancar sebesar jumlah yang diharapkan dapat ditagih dari mitra binaan walaupun pengembalian pinjaman yang disepakati akan diterima melebihi satu tahun setelah akhir periode pelaporan.

Penggolongan kualitas pinjaman ditetapkan sebagai berikut:

- i. Lancar adalah pembayaran angsuran pokok dan jasa administrasi pinjaman dilakukan tepat waktu atau terjadi keterlambatan pembayaran angsuran pokok dan/atau jasa administrasi yaitu selambat-lambatnya 30 (tiga puluh) hari dari tanggal jatuh tempo pembayaran angsuran, sesuai dengan perjanjian yang telah disepakati.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Loan

Loan are initially measured based on fair values and subsequently measured at amortized cost, after deducted by allowance for impairment losses. The allowance for impairment are based on Management's evaluation on the collectibility of these loan.

Loan to other Foster SOE or Distribution Partners represents loans given to PKBL unit or Distributing Partners as synergy form among PKBL units.

Loan to foster partners are recognized in the amount of principal and administration service income earned as agreed in the contract. Administration service income are recorded as loan to foster partners and as revenues on accrual basis for loans classified as current and substandard loan.

Loan to foster partners and other foster SOE or distributing partners are presented in statement of financial position as a current asset at its realizable value although the agreed repayment of loan may be more than 1 year after reporting period.

The classification of loan based on its collectibility are as follows:

- i. Current represents principal installment and administration service income payment are paid on time or those late payments of maximum 30 (thirty) days from the payment due date as agreed with the agreement.*

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2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Pinjaman (lanjutan)

c. Loan (continued)

- ii. Kurang Lancar apabila terjadi keterlambatan pembayaran angsuran pokok dan/atau jasa administrasi pinjaman yang telah melampaui 30 (tiga puluh) hari dan belum melampaui 180 (seratus delapan puluh) hari dari tanggal jatuh tempo pembayaran angsuran sesuai dengan perjanjian yang telah disepakati.
- iii. Diragukan apabila terjadi keterlambatan pembayaran angsuran pokok dan/atau jasa administrasi pinjaman yang telah melampaui 180 (seratus delapan puluh) hari dan belum melampaui 270 (dua ratus tujuh puluh) hari dari tanggal jatuh tempo pembayaran angsuran sesuai dengan perjanjian yang telah disepakati.
- iv. Macet apabila terjadi keterlambatan pembayaran angsuran pokok dan/atau jasa administrasi pinjaman yang telah melampaui 270 (dua ratus tujuh puluh) hari dari tanggal jatuh tempo pembayaran angsuran sesuai dengan perjanjian yang telah disepakati.

- ii. *Substandard when late payment of principal and/or administration service income payment are between 30 (thirty) days and 180 (one hundred and eighty) days from the payment due date of installment as agreed in the agreement.*
- iii. *Doubtful when late payment of principal and/or administration service income payment are between 180 (one hundred and eighty) days and 270 (two hundred and seventy) days from the payment due date of installment as agreed in the agreement.*
- iv. *Loss when late payment of principal and/or administration service income payment over 270 (two hundred and seventy) days from the payment due date of installment as agreed in the agreement.*

d. Penyisihan Penurunan Nilai Pinjaman

d. Allowance for Impairment of Loan

Penyisihan pinjaman merupakan penyisihan atas pinjaman yang mungkin tidak tertagih. Penyisihan penurunan nilai pinjaman dibentuk berdasarkan taksiran Pengelola terhadap tingkat ketertagihan saldo pinjaman.

Allowance for impairment of loan represents allowance for doubtful loan. This allowance is calculated based on the Management's estimation of their collectibility.

CDC pertama kali menentukan apakah terdapat bukti objektif mengenai penurunan nilai secara individual atas pinjaman yang signifikan secara individual atau secara kolektif untuk penerimaan yang jumlahnya tidak signifikan secara individual. Jika CDC menentukan tidak terdapat bukti objektif mengenai penurunan nilai atas aset keuangan yang dinilai secara individual, terlepas aset keuangan tersebut signifikan atau tidak, maka CDC memasukkan piutang tersebut ke dalam kelompok pinjaman yang memiliki karakteristik risiko kredit yang sejenis dan menilai penurunan nilai kelompok tersebut secara kolektif.

CDC firstly determines whether there is objective evidence that there are impairment, individually for significant loan or collectively for loan which are insignificant. If CDC decides that there is no objective evidence of individual impairment, regardless those loan are significant or insignificant, CDC classifies these loan as having similar credit risk characteristics and determining the impairment collectively.

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2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

d. Penyisihan Penurunan Nilai Pinjaman (lanjutan)

Penyisihan pinjaman dihitung berdasarkan estimasi kerugian yang tidak dapat ditagih yaitu secara kolektif berdasarkan prosentase tertentu tingkat ketertagihan (*collection*) data historis yang ada (minimal 2 tahun). Pinjaman yang penurunan nilainya dinilai secara individual dan untuk itu kerugian penurunan nilai diakui, tidak termasuk dalam penilaian penurunan nilai secara kolektif.

e. Aset Tetap Tidak Berfungsi

Aset tetap diakui berdasarkan harga perolehan dikurangi akumulasi penyusutan dan rugi penurunan nilai. Aset tetap disusutkan dengan menggunakan metode garis lurus berdasarkan estimasi masa manfaat aset tetap dengan tarif penyusutan sebagai berikut:

Jenis Aset	Tarif Penyusutan/ Depreciation Rate	Masa Manfaat/ Useful Life	Asset type
Komputer	50%	2	Computer
Inventaris kantor	50%	2	Office equipment

Aset tetap yang sudah tidak dapat digunakan atau dioperasikan karena rusak atau sebab lain diklasifikasikan sebagai aset tetap tidak berfungsi.

Seluruh aset tetap dalam kondisi tidak dapat digunakan. Dengan demikian, aset tetap tersebut diklasifikasikan ke dalam aset tetap tidak berfungsi (Catatan 7).

Pada tanggal 31 Desember 2016 dan 2015, nilai buku bersih aset tetap adalah nihil.

f. Pinjaman Bermasalah

Pinjaman bermasalah merupakan pinjaman macet yang telah diupayakan pemulihannya dengan penjadwalan kembali (*rescheduling*) dan peninjauan kembali persyaratan (*reconditioning*), namun tidak terpulihkan. Pinjaman bermasalah disajikan sebesar nilai pokok pinjaman dengan besarnya alokasi penyisihan sebesar 100% dari saldo pinjaman bermasalah.

Tata cara penghapusbukuan pinjaman bermasalah mengacu kepada Peraturan Menteri.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Allowance for Impairment of Loan (continued)

Allowance for impairment of loan is calculated based on estimated uncollectible loss, which collectively based on specific percentage of available historical collectibility rate (2 years of historical data at minimum). Loan which are impaired individually and of that losses are recognised, are not included in the collective impairment evaluation.

e. Fixed Asset Not in Use

Fixed asset is recognized at their historical costs less accumulated depreciation and loss from impairment. Fixed asset is depreciated using straight-line method based on the estimated useful life and depreciation rate as follow:

Fixed assets that can not be used or operated due to damaged or other reasons are classified as fixed assets not in use.

All fixed assets are not in use. Therefore, such fixed assets classified as fixed assets not in use (Note 7).

As of December 31, 2016 and 2015, net book value of fixed asset is zero.

f. Troubled Loan

Troubled loan represent loss loan which has been attempted to be recovered by rescheduling and reconditioning but cannot be recovered. Troubled loan will be represented at loan principal value with 100% of troubled loan balance.

The procedures to write-off these troubled loan adhere to Regulation of Ministry.

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2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

g. Beban Akrua

Beban akrual adalah beban yang masih harus dibayar CDC yang timbul karena diterimanya jasa/ prestasi yang merupakan beban tahun berjalan tetapi belum dibayar sampai dengan akhir periode akuntansi.

h. Angsuran Belum Teridentifikasi

Angsuran belum teridentifikasi adalah penerimaan angsuran yang belum dapat diidentifikasi nama mitra binaannya sampai dengan akhir periode pelaporan. Angsuran yang belum dapat diidentifikasi diakui dan disajikan sebagai liabilitas pada saat angsuran tersebut diterima.

i. Kelebihan Pembayaran Angsuran

Kelebihan pembayaran angsuran adalah penerimaan angsuran yang melebihi saldo pinjaman kepada mitra binaan. Kelebihan pembayaran angsuran diakui dan disajikan sebagai liabilitas pada saat setoran diterima.

Kelebihan pembayaran angsuran setiap Mitra Binaan sampai dengan nilai Rp100.000 diakui sebagai Pendapatan Lain-lain Program Kemitraan, sesuai dengan Peraturan Direktur Human Capital Management Nomor: PR.702.01/r.00/PR000/CDC-A1040000/2016 tanggal 2 Juni 2016 tentang Pedoman Pelaksanaan Operasional Program Kemitraan dan Program Bina Lingkungan. Peraturan ini menggantikan KD.21/PR.000/COP-B0030000/2010.

j. Liabilitas Lancar Lainnya dan Utang Lain-lain

Liabilitas lancar lainnya dan utang lain-lain diakui pada saat terjadinya transaksi atau saat perjanjian kontrak. Utang lain-lain dan liabilitas lancar lainnya dicatat sebesar nilai transaksi atau perjanjian kontrak.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Accrued Expenses

Accrued expenses are expenses that have to be paid by CDC which occur due to service received in the current period but no payment has been made until end of accounting period.

h. Unidentified Installments

Unidentified installments are installments received in which the Foster Partners is unidentifiable until end of reporting period. Unidentified installment is recognized and presented as liability when the installment is received.

i. Overpayment of Installments

Overpayment of installments represents repayment from foster partners which exceeds its loan balance. This overpayment is recognized and presented as liability when the installment is received.

Overpayment of installment from each Foster Partners to maximum amount of Rp100,000 is recognizes as Partnership Program Other Income, based on Decree of the Human Capital Management Director Number: PR.702.01/r.00/PR000/CDC-A1040000/2016 dated on June 2, 2016 regarding Operational Guidelines of Partnership Program and Community Development Program. This decree replaced KD.21/PR.000/COP-B0030000/2010.

j. Other Current Liabilities and Other Payables

Other current liabilities and other payables are recognized when transactions occur or when contract are completed. Other payables and other current liability is recognized based on transaction amount or contracts.

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2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN (lanjutan)

k. Aset Neto

Aset neto diklasifikasikan menjadi aset bersih terikat dan aset bersih tidak terikat. Aset bersih terikat adalah aset yang penggunaannya dibatasi untuk program tertentu yang tidak dapat digunakan untuk kegiatan lainnya. Aset bersih tidak terikat adalah aset yang penggunaannya tidak dibatasi untuk tujuan tertentu.

l. Pendapatan dan Beban

Pendapatan

Pendapatan diakui dalam laporan aktivitas berdasarkan basis akrual.

Pendapatan Jasa Administrasi Pinjaman

Pendapatan jasa administrasi pinjaman diukur dan dicatat sebesar nilai yang telah jatuh tempo sesuai dengan kontrak untuk pinjaman dengan status lancar dan kurang lancar.

Pendapatan bunga

Pendapatan bunga diakui secara akrual. Pendapatan bunga diukur dan dicatat sebesar nilai yang telah ditentukan.

Beban

Beban diakui pada saat terjadinya.

Dana pembinaan kemitraan diakui saat pembayaran dana tersebut.

m. Perpajakan

Pajak yang muncul dari seluruh transaksi yang terjadi di CDC menjadi beban CDC dan dilaporkan atas nama BUMN Pembina.

3. PENGGUNAAN PERTIMBANGAN, ESTIMASI DAN ASUMSI

a. Pertimbangan

Dalam proses penerapan kebijakan akuntansi PKBL, Pengelola telah membuat pertimbangan-pertimbangan berikut ini, yang terpisah dari estimasi dan asumsi, yang memiliki pengaruh signifikan terhadap jumlah yang dicatat dalam laporan keuangan:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Net Assets

Net assets are classified into restricted net assets and unrestricted net assets. Restricted net assets represent assets that can only be utilized limited to specific program purpose. Unrestricted net assets represent assets that can be utilized without being limited for specific purposes.

l. Revenue and Expense

Revenue

Revenue is recognized in the statement of activities based on accrual basis.

Loan Administration Service Income

Administration service income is measured and recognized as incurred as stated in the contract for current and substandard loan.

Interest income

Interest income is recognized based on accrual basis. Interest income is measured and recorded based on stipulated amount determined.

Expense

Expense is recognised as incurred.

Fostering partnership funds are recognized when the funds are distributed.

m. Taxation

Tax transactions in relation to CDC are charged to CDC and reported by Foster SOE.

3. ACCOUNTING JUDGEMENTS, ESTIMATION, AND ASSUMPTION

a. Judgements

In the implementation process of PKBL accounting policies, Management has prepared these judgements, separated from estimation and assumption, which have the significant impact to the amounts recognized in the financial statements:

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**3. PENGGUNAAN PERTIMBANGAN, ESTIMASI
DAN ASUMSI (lanjutan)**

a. Pertimbangan (lanjutan)

Implementasi PER-09/MBU/07/2015

Sehubungan dengan penerapan PER-08/MBU/2013 yang telah diungkapkan dalam Catatan 1a, sejak 1 Januari 2013 sampai dengan 31 Desember 2015, CDC tidak mencatat alokasi laba dari BUMN pembina untuk program PKBL dan beban penyaluran bina lingkungan serta beban operasional yang terkait dengan penyaluran dana bina lingkungan tersebut dalam Laporan Aktivitas (Catatan 19).

Sehubungan dengan penerapan PER-09/MBU/07/2015 yang telah diungkapkan dalam Catatan 1a. Sejak 1 Januari 2016, CDC kembali mencatat alokasi laba dari BUMN Pembina untuk program PKBL dan penyaluran dana bina lingkungan tersebut dalam Laporan Aktivitas.

PER-09/MBU/07/2015 juga mensyaratkan beban pembinaan, beban administrasi dan umum dan beban sewa menjadi beban Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk selaku BUMN Pembina. Dengan demikian, beban-beban tersebut tidak dicatat oleh CDC dalam Laporan Aktivitas sejak tanggal 3 Juli 2015.

Beban pembinaan, beban administrasi dan umum dan beban sewa dari tanggal 1 Januari 2015 sampai dengan 2 Juli 2015 dicatat dalam Laporan Aktivitas sesuai dengan PER-08/MBU/2013 dan PER-07/MBU/05/2015.

**3. ACCOUNTING JUDGEMENTS, ESTIMATION,
AND ASSUMPTION (continued)**

a. Judgements (continued)

The implementation of PER-09/MBU/07/2015

In relation to the implementation of PER-08/MBU/2013 as disclosed in Note 1a, effective January 1, 2013 until December 31, 2015, CDC did not recognize income allocation from the Foster SOE and expenses related to the distribution of community development fund and related operational expenses in the Statements of Activities (Note 19).

In relation to the implementation of PER-09/MBU/07/2015 as disclosed in Note 1a. Started from January 1, 2016, CDC recognized income allocation from the Foster SOE and the distribution of community development fund in the Statements of Activities.

PER-09/MBU/07/2015 required the empowerment expenses, general and administration expenses and rent expenses to be recognized by Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk as Foster SOE. Therefore, such expenses were not recorded by CDC in the Statement of Activity from July 3, 2015.

Empowerment expenses, general and administration expenses and rent expenses from January 1, 2015 until July 2, 2015 were recorded on statement of activities based on PER-08/MBU/2013 and PER-07/MBU/05/2015.

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**3. PENGGUNAAN PERTIMBANGAN, ESTIMASI
DAN ASUMSI (lanjutan)**

a. Pertimbangan (lanjutan)

Penentuan mata uang fungsional

Mata uang fungsional CDC adalah mata uang dari lingkungan ekonomi primer di mana CDC beroperasi. Mata uang tersebut adalah mata uang yang mempengaruhi pendapatan dan beban dari jasa yang diberikan. CDC menentukan bahwa mata uang fungsionalnya adalah Rupiah.

Penyisihan penurunan nilai pinjaman

Apabila terdapat bukti objektif bahwa rugi penurunan nilai telah terjadi atas pinjaman, CDC mengestimasi penyisihan kerugian penurunan nilai pinjaman yang secara khusus diidentifikasi terdapat kemungkinan tidak tertagih. Tingkat penyisihan ditelaah oleh Pengelola berdasarkan faktor-faktor yang mempengaruhi tingkat tertagihnya pinjaman tersebut.

CDC menggunakan pertimbangan berdasarkan fakta dan situasi yang tersedia, termasuk tetapi tidak terbatas pada, jangka waktu hubungan CDC dengan mitra binaan dan status kredit pelanggan berdasarkan kualitas pinjaman (Catatan 5, 6 dan 8).

b. Estimasi dan Asumsi

Penyisihan penurunan nilai pinjaman

CDC menggunakan pertimbangan berdasarkan fakta-fakta terbaik yang tersedia untuk mengakui penyisihan secara individu atas mitra binaan dan lembaga penyalur terhadap jumlah yang jatuh tempo untuk menurunkan pinjaman individu jumlah yang diharapkan dapat ditagih. Pencadangan secara individu ini ditelaah jika terdapat informasi tambahan yang diterima yang mempengaruhi jumlah yang diestimasi.

CDC juga menaksir penyisihan penurunan nilai secara kolektif terhadap risiko kredit debitur mereka, yang dikelompokkan berdasarkan karakteristik kredit yang sama, yang meskipun tidak diidentifikasi secara spesifik memerlukan cadangan tertentu, memiliki risiko yang lebih besar tidak tertagih dibandingkan dengan pinjaman yang diberikan kepada debitur.

**3. ACCOUNTING JUDGEMENTS, ESTIMATION,
AND ASSUMPTION (continued)**

a. Judgements (continued)

The determination of functional currency

CDC's functional currency is currencies from premier economic environment where CDC operates. The related currency is currency that gives influence to revenues and expenses from services given. CDC determines that their functional currency is Rupiah.

Allowance for impairment of loan

If there is objective evidence that losses because of impairment has incurred on loan, CDC estimates an allowance for impairment loss of those loan specifically identified as uncollectible. The allowance examined by Management based several factors influencing of loan collectibility.

CDC uses judgements based on available facts and situations, including but not limited to, CDC's period of relationship with foster partners and foster partner's credit status based on collectibility of loans (Notes 5, 6 and 8).

b. Estimations and Assumptions

Allowance for impairment of loan

CDC uses judgement based on best facts available to recognize individual allowance for foster partners and distributing partners to adjust the individual loan to its realizable amount. This individual allowance will be assessed if there is additional information received which affect the estimated amount.

CDC also assesses the allowance for impairment loss collectively, grouped by the same credit risks, regardless requires individually identified of allowance, have a higher risk of uncollectibility compared to loan given to other debtors. Allowance for impairment of loan is measured based on the evaluation of current value and historical rate of loan collectibility.

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3. PENGGUNAAN PERTIMBANGAN, ESTIMASI DAN ASUMSI (lanjutan)

b. Estimasi dan Asumsi

Penyisihan penurunan nilai pinjaman dihitung berdasarkan kajian nilai terkini dan historis tingkat ketertagihan dari pinjaman. Penyisihan pinjaman dihitung berdasarkan estimasi kerugian yang tidak dapat ditagih yaitu secara kolektif berdasarkan prosentase tertentu tingkat ketertagihan (*collection*) data historis yang ada (minimal 2 tahun). Penyisihan ini disesuaikan secara berkala untuk mencerminkan hasil aktual dan estimasi (Catatan 5, 6 dan 8).

4. KAS DAN SETARA KAS

	31 Desember/December 31,	
	2016	2015
Program Kemitraan		
Kas di Bank:		
PT Bank Mandiri (Persero) Tbk	4.749.061.270	7.002.145.427
PT Bank Negara Indonesia (Persero) Tbk	1.346.644.253	5.252.077.147
Jumlah Kas dan Setara Kas Program Kemitraan	6.095.705.523	12.254.222.574
Program Bina Lingkungan		
Kas di Bank:		
PT Bank Mandiri (Persero) Tbk	108.199.543.458	107.257.334.628
PT Bank Negara Indonesia (Persero) Tbk	2.678.452	887.773
Jumlah Kas dan Setara Kas Bina Lingkungan	108.202.221.910	107.258.222.401
Jumlah Kas dan Setara Kas	114.297.927.433	119.512.444.975

3. ACCOUNTING JUDGEMENTS, ESTIMATION, AND ASSUMPTION (continued)

b. Estimations and Assumptions

Allowance for impairment of loan is recognised based on the the estimation of uncollectible amount, which is done collectively based on a specific percentage of the two-year-minimum historical rate of loan collectibility. This allowance is adjusted periodically to reflect actual result and estimation (Notes 5, 6 and 8).

4. CASH AND CASH EQUIVALENT

Partnership Program
Cash in Bank:
PT Bank Mandiri (Persero) Tbk
PT Bank Negara Indonesia (Persero) Tbk
Total Cash and Cash Equivalent Partnership Program
Community Development Program
Cash in Bank:
PT Bank Mandiri (Persero) Tbk
PT Bank Negara Indonesia (Persero) Tbk
Total Cash and Cash Equivalent of Community Development
Total Cash and Cash Equivalent

5. PINJAMAN KEPADA BUMN PEMBINA LAIN/LEMBAGA PENYALUR

	31 Desember/December 31,	
	2016	2015
PT Sang Hyang Seri (Persero)	-	9.637.740.363
Bank UMKM Jatim	-	4.999.999.996
Baitul Maal wat Tamwil Hidayah	-	1.806.768.715
	-	16.444.509.074
Penyisihan penurunan nilai pinjaman	-	(11.444.509.078)
Penilaian individual	-	(11.444.509.078)
Jumlah	-	4.999.999.996

5. LOAN TO OTHER FOSTER SOE/ DISTRIBUTING PARTNERS

PT Sang Hyang Seri (Persero)
Bank UMKM Jatim
Baitul Maal wat Tamwil Hidayah
Allowance for impairment of loan Individual assessment
Total

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**5. PINJAMAN KEPADA BUMN PEMBINA
LAIN/LEMBAGA PENYALUR (lanjutan)**

**5. LOAN TO OTHER FOSTER SOE/ DISTRIBUTING
PARTNERS (continued)**

PT Sang Hyang Seri (Persero)

PT Sang Hyang Seri (Persero)

Mutasi penyisihan penurunan nilai pinjaman adalah sebagai berikut:

Movement the allowance for impairment of loan are as follows:

	31 Desember/December 31,		
	2016	2015	
Saldo awal	11.444.509.078	11.607.929.078	Beginning balance
Penambahan - Neto	-	-	Additions - Net
Penyesuaian	(2.092.352.895)	(163.420.000)	Adjustment
Reklasifikasi sebagai pinjaman bermasalah	(9.352.156.183)	-	Reclassification to Troubled Loan
	-	11.444.509.078	

Manajemen berpendapat bahwa saldo penyisihan penurunan nilai pinjaman cukup untuk menutup kerugian atas tidak tertagihnya pinjaman.

Management believes that, the balance of allowance for impairment of loan is adequate to cover losses from uncollectible loan.

Pada tanggal 27 Maret 2012, CDC menandatangani perjanjian nomor 332/HK840/CDC-A1050000/2012 dengan PT Sang Hyang Seri (Persero) ("SHS") untuk penyaluran dana Program Kemitraan kepada para petani, yang disalurkan melalui SHS. Dalam perjanjian, SHS bertindak sebagai avalist (penjamin). Perjanjian berlaku selama 36 bulan, mulai tahun 2012 sampai dengan tahun 2015, dengan nilai plafon penyaluran pinjaman sebesar Rp17.000.000.000 yang telah disalurkan seluruhnya pada tahun 2012.

On March 27, 2012, CDC signed a contract number 332/HK840/CDC-A1050000/2012 with PT Sang Hyang Seri (Persero) ("SHS") for the distribution of Partnership Program funds to farmers which will be distributed by SHS. In agreement, SHS acts as an avalist (guarantor). This contract is valid for 36 months, starting in 2012 to 2015, with funds distribution limit amounted Rp17,000,000,000 which have been fully disbursed in 2012.

Pada tanggal 1 Desember 2014, CDC dan SHS sepakat untuk mengadakan perubahan terhadap perjanjian tersebut. Pokok perubahan yang dilakukan adalah:

On December 1, 2014, CDC and SHS agreed to amend the contract. The amendmend points are:

- Tidak ada pengenaan denda atas keterlambatan pembayaran setelah tanggal 1 November 2013. Denda yang diakui hingga tanggal 31 Oktober 2013 adalah sebesar Rp1.825.325.895.
- Masa berlaku pinjaman menjadi 36 bulan hingga bulan Oktober 2017.

- Elimination of penalty arise from payment delay after November 1, 2013. Penalty charged which has been recognized until October 31, 2013 is amounting Rp1,825,325,895.
- Term of agreement is extended to be 36 months until October 2017.

Pada tanggal 26 Februari 2016, SGM CDC menerbitkan nota dinas penetapan pinjaman SHS sebagai pinjaman bermasalah. Setelah penetapan tersebut, denda keterlambatan pembayaran sebesar Rp1.825.325.895 dibatalkan dan sisa saldo pinjaman SHS sebesar Rp7.732.387.468 direklasifikasi menjadi pinjaman bermasalah.

On February 26, 2016, SGM CDC issued Official Note that SHS's loan receivable was categorized as troubled loan. After the decision, penalty charged for late payment of Rp Rp1,825,325,895 was reversed and remaining SHS's loan receivable of Rp7,732,387,468 was classified as troubled loan.

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**5. PINJAMAN KEPADA BUMN PEMBINA
LAIN/LEMBAGA PENYALUR (lanjutan)**

Bank UMKM Jatim

Pada tanggal 14 November 2014, CDC menandatangani perjanjian No. Tel.529/ HK810/ CDC - A1010000/ 2014 dengan PT Bank BPR Jatim Bank UMKM Jawa Timur ("Bank UMKM Jatim") dan PT Finnet Indonesia untuk penyaluran dana Program Kemitraan yang akan disalurkan melalui Bank UMKM Jatim. PT Finnet Indonesia menyediakan akun virtual yang digunakan sebagai media pembayaran bagi mitra binaan. Perjanjian berlaku selama 2 tahun, mulai dari November 2014 dan berakhir pada November 2016. Nilai pinjaman sejumlah Rp10.000.000.000 dan telah disalurkan seluruhnya oleh CDC kepada Bank UMKM Jatim pada bulan Desember 2014. Pada tanggal 23 Desember 2016, pinjaman ke Bank UMKM Jatim telah dilunasi.

Baitul Maal Wat Tamwil Hidayah (BMT Hidayah)

Pada tanggal 27 September 2011, CDC menandatangani perjanjian nomor K.Tel.821/ HK810/CDC-A1050000/2011 dengan Baitul Maal Wat Tamwil Hidayah (BMT Hidayah) untuk penyaluran dana program kemitraan kepada komunitas konveksi batik dan pengrajin lidi, yang disalurkan melalui BMT Hidayah. Perjanjian berlaku selama 2 tahun, mulai tahun 2011 sampai dengan tahun 2013, dengan nilai plafon penyaluran pinjaman sebesar Rp2.200.000.000. Dalam perjanjian, BMT Hidayah yang bertindak sebagai *avalist* (penjamin) bersedia menjamin pengembalian pinjaman dengan *coverage ratio* minimal 50% dari nilai plafon penyaluran pinjaman atau sebesar Rp1.100.000.000. Sehubungan dengan hal tersebut, dalam surat pernyataan pengikatan penjaminan tanggal 6 Oktober 2011, BMT Hidayah menjaminkan sebidang tanah atas nama Drs Muhammad Hery Ngatiri, S.Ag sebagai Ketua BMT Hidayah yang berlokasi di Kelurahan Sangkrah, Kecamatan Pasar Kliwon Kota Surakarta seluas 91 M².

Pada tanggal 26 Februari 2016, SGM CDC menerbitkan nota dinas penetapan pinjaman SHS sebagai pinjaman bermasalah. Setelah penetapan tersebut, saldo pinjaman per 31 Desember 2016 adalah Rp1.619.768.715 yang telah jatuh tempo pada November 2013 direklasifikasi menjadi pinjaman bermasalah.

**5. LOAN TO OTHER FOSTER SOE/ DISTRIBUTING
PARTNERS (continued)**

Bank UMKM Jatim

On November 14, 2014, CDC entered into an agreement No. Tel.529/ HK810/ CDC - A1010000/ 2014 with PT Bank BPR Jatim Bank UMKM Jawa Timur (Bank UMKM Jatim) and PT Finnet Indonesia for the distribution of Partnership Program funds, which all will be distributed by PT Bank UMKM Jatim. PT Finnet Indonesia provides the virtual accounts for media of payment for each foster partner. This contract is valid for 2 years, starting from November 2014 until November 2016. The loan of Rp10,000,000,000 has been fully distributed by CDC to Bank UMKM Jatim on December 2014. On December 23, 2016, loan to Bank UMKM Jatim has been fully settled.

Baitul Maal Wat Tamwil Hidayah (BMT Hidayah)

On September 27, 2011, CDC signed a contract No. K.Tel.821/CDC-A1050000/2011 with Baitul Maal Wat Tamwil Hidayah (BMT Hidayah) for the distribution of Partnership Program funds for batik garment communities and broom stick craftsmen. These fund were distributed through BMT Hidayah. The contract was valid for 2 years, from 2011 to 2013, with a maximum amount to be distributed of Rp2,200,000,000. It was agreed that, BMT Hidayah, who acts as a guarantor, guarantees the repayment of, at a minimum, 50% from the maximum amount to be distributed, or Rp1,100,000,000. In the collateral letter dated October 6, 2011, BMT Hidayah pledged a parcel of land owned by Drs Muhammad Hery Ngatiri, S.Ag (the Chairman of BMT Hidayah in Kelurahan Sangkrah, Kecamatan Pasar Kliwon, Surakarta) with an area of 91 sqm.

On February 26, 2016, SGM CDC issued Official Note that SHS's loan receivable was categorized as troubled loan. After the decision, the balance of this loan as at December 31, 2016 is Rp1,619,768,715 which was due to be paid on November 2013 was reclassified to troubled loan.

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6. PINJAMAN KEPADA MITRA BINAAN

**a. Pinjaman Kepada Mitra Binaan Menurut
Community Development (CD) Area**

	31 Desember/December 31,	
	2016	2015
Pinjaman kepada Mitra Binaan		
CD Area I Sumatera	123.718.052.152	113.328.491.852
CD Area II DKI Jakarta & Banten	85.663.884.410	80.916.609.472
CD Area III Jabar	95.838.619.083	86.948.859.417
CD Area IV Jateng & DIY	69.178.953.031	63.700.890.582
CD Area V Jatim & Madura	110.618.047.384	111.741.448.694
CD Area VI Kalimantan	64.173.013.797	63.823.658.079
CD Area VII Kawasan Timur Indonesia	58.432.585.847	47.944.585.670
Jumlah	607.623.155.704	568.404.543.766
Penyisihan Penurunan Nilai Pinjaman	(89.312.658.468)	(109.770.010.235)
Jumlah Pinjaman kepada Mitra Binaan - Neto	518.310.497.236	458.634.533.531

**b. Pinjaman kepada Mitra Binaan Menurut
Sektor**

	31 Desember/December 31,	
	2016	2015
Perdagangan	331.429.806.153	304.331.486.357
Industri	103.933.742.196	99.370.872.724
Jasa	103.202.709.589	98.645.546.666
Peternakan	24.901.514.431	23.910.726.099
Perikanan	17.965.942.827	17.828.682.810
Pertanian	12.374.333.707	11.237.819.444
Perkebunan	10.825.446.501	9.962.750.485
Lainnya	2.989.660.300	3.116.659.181
Jumlah	607.623.155.704	568.404.543.766
Penyisihan Penurunan Nilai Pinjaman	(89.312.658.468)	(109.770.010.235)
Jumlah Pinjaman kepada Mitra Binaan - Neto	518.310.497.236	458.634.533.531

Manajemen berpendapat bahwa saldo penyisihan penurunan nilai pinjaman cukup untuk menutup kerugian atas tidak tertagihnya pinjaman.

Termasuk didalam saldo pinjaman kepada Mitra binaan adalah saldo pinjaman tambahan. Pinjaman tambahan disalurkan untuk membiayai kebutuhan dana pelaksanaan kegiatan usaha mitra binaan yang bersifat jangka pendek.

6. LOAN TO FOSTER PARTNERS

**a. Loan to Foster Partners Classified by
Community Development (CD) Area**

	31 Desember/December 31,	
	2016	2015
Pinjaman kepada Mitra Binaan		
CD Area I Sumatera	123.718.052.152	113.328.491.852
CD Area II DKI Jakarta & Banten	85.663.884.410	80.916.609.472
CD Area III Jabar	95.838.619.083	86.948.859.417
CD Area IV Jateng & DIY	69.178.953.031	63.700.890.582
CD Area V Jatim & Madura	110.618.047.384	111.741.448.694
CD Area VI Kalimantan	64.173.013.797	63.823.658.079
CD Area VII Kawasan Timur Indonesia	58.432.585.847	47.944.585.670
Jumlah	607.623.155.704	568.404.543.766
Penyisihan Penurunan Nilai Pinjaman	(89.312.658.468)	(109.770.010.235)
Jumlah Pinjaman kepada Mitra Binaan - Neto	518.310.497.236	458.634.533.531

**b. Loan to Foster Partners Classified by
Sector**

	31 Desember/December 31,	
	2016	2015
Perdagangan	331.429.806.153	304.331.486.357
Industri	103.933.742.196	99.370.872.724
Jasa	103.202.709.589	98.645.546.666
Peternakan	24.901.514.431	23.910.726.099
Perikanan	17.965.942.827	17.828.682.810
Pertanian	12.374.333.707	11.237.819.444
Perkebunan	10.825.446.501	9.962.750.485
Lainnya	2.989.660.300	3.116.659.181
Jumlah	607.623.155.704	568.404.543.766
Penyisihan Penurunan Nilai Pinjaman	(89.312.658.468)	(109.770.010.235)
Jumlah Pinjaman kepada Mitra Binaan - Neto	518.310.497.236	458.634.533.531

Management believes that the balance of allowance for impairment of loan is adequate to cover losses from the uncollectible loan.

Included in loan receivable to foster partner is balance of additional loan receivable. Additional loan is distributed to finance the short-term funding requirements for the business operations.

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6. PINJAMAN KEPADA MITRA BINAAN (lanjutan)

b. Pinjaman kepada Mitra Binaan Menurut Sektor (lanjutan)

Pada tanggal 31 Desember 2016, saldo pinjaman tambahan merupakan saldo pinjaman kepada 2 MB sebesar Rp72.260.000. Rincian pinjaman tambahan sebagai berikut:

Wilayah/ Region	Sektor/ Sector	Jenis Usaha/ Business Type	Kualitas Pinjaman/ Loan Quality	Nilai Pinjaman + Jasa/ Loan balance + Interest
Witel Jakarta Selatan/ South Jakarta region	Industri/ Industry	Produksi Batik dan Handycraft/ Batik Production and Handycraft	Kurang Lancar/ Substandard	61.125.000
Witel Banten Timur (Tangerang)/ / East Banten region (Tangerang)	Industri/ Industry	Konveksi Baju Anak-Anak/ Children clothes	Kurang Lancar/ Substandard	11.135.000
			Jumlah/ Total	72.260.000

c. Pendapatan Jasa Administrasi Pinjaman

Besarnya prosentase pendapatan jasa administrasi pinjaman program kemitraan terhitung sejak tahun buku 2008 berdasarkan pada ketentuan pasal 12 ayat (2) Peraturan Menteri BUMN Nomor: PER-05/MBU/2007 tanggal 17 April 2007 sebesar 6% per tahun dari pokok pinjaman.

Berdasarkan PER-09/MBU/07/2015 yang efektif tanggal 3 Juli 2015, besarnya jasa administrasi pinjaman adalah sebesar 6% per tahun dari saldo pinjaman awal tahun.

d. Penyisihan Pinjaman Kepada Mitra Binaan

Mutasi penyisihan penurunan nilai pinjaman adalah sebagai berikut:

	31 Desember/December 31,	
	2016	2015
Saldo awal	109.770.010.235	93.864.820.863
(Pembalikan) Penambahan - Neto	(20.301.340.092)	20.805.023.199
Reklasifikasi sebagai bermasalah	(156.011.675)	(4.899.833.827)
	89.312.658.468	109.770.010.235

6. LOAN TO FOSTER PARTNERS (continued)

b. Loan to Foster Partners Classified by Sector (continued)

As of December 31, 2016, additional loan balance represents loan provided to foster partner amount of Rp72,260,000. The detail of additional loan balance is as follows.

c. Loan Administration Service Income

Since 2008, the percentage of administration service income of loan for partnership program was based on the Decree on article 12 (2) of The Regulation of SOE Ministries No: PER-05/MBU/2007 dated April 17, 2007, which is 6% per annum from the principal of the loan.

Based on PER-09/MBU/07/2015 dated July 3, 2015, administration service income is 6% per annum from the opening balance of the loan.

d. Allowance for Impairment of Loan to Foster Partners

Movement of allowance for impairment of loan is as follow:

Beginning balance
(Reversal) Additional - Net
Reclassification as troubled loan

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6. PINJAMAN KEPADA MITRA BINAAN (lanjutan)

d. Penyisihan Pinjaman Kepada Mitra Binaan (lanjutan)

6. LOAN TO FOSTER PARTNERS (continued)

d. Allowance for Impairment of Loan to Foster Partners (continued)

31 Desember 2016/December 31, 2016

Kualitas Pinjaman	Umur Pinjaman (dari jatuh tempo/ Loan Aging (from maturity date)	Saldo Pinjaman/ Loan Balance	% Penyisihan/ Allowance %	Akumulasi Penyisihan 2016/ Accumulated Allowance 2016	Beban/ (Pemulihan) Penyisihan 2016 Expense/ (Recovery) Allowance 2016	Loan Quality
Mitra Binaan						<i>Foster Partners</i>
<u>Dinilai secara kolektif</u>						<u>Collective assessment</u>
Lancar	< 30 hari/ < 30 days	444.563.003.572	1,09%	4.857.792.205	1.233.376.594	Current
Kurang lancar	> 30 hari ≤ 180 hari > 30 days ≤ 180 days	66.758.642.055	10,34%	6.900.348.611	3.649.657.866	Substandard
Diragukan	> 180 hari ≤ 270 hari > 180 days ≤ 270 days	23.050.768.636	18,67%	4.303.776.211	990.831.970	Doubtful
Macet	> 270 hari/ > 270 days	73.250.741.441	100,00%	73.250.741.441	(26.331.218.197)	Loss
Sub Jumlah		607.623.155.704		89.312.658.468	(20.457.351.767)	Sub total
Bermasalah Mitra Binaan BUMN Pembina lain/ Lembaga Penyatur		97.911.688.980	100,00%	97.911.688.980	15.238.671.746	Troubled Foster Partner Other Foster SOE/ Distributing Partners
		9.352.156.183	100,00%	9.352.156.183	(267.000.000)	
Sub Jumlah		107.263.845.163		107.263.845.163	14.971.671.746	Sub total
Jumlah		714.887.000.867		196.576.503.631	(5.485.680.021)	Total

31 Desember 2015/December 31, 2015

Kualitas Pinjaman	Umur Pinjaman (dari jatuh tempo/ Loan Aging (from maturity date)	Saldo Pinjaman/ Loan Balance	% Penyisihan/ Allowance %	Akumulasi Penyisihan 2015/ Accumulated Allowance 2015	Beban/ (Pemulihan) Penyisihan 2015 Expense/ (Recovery) Allowance 2015	Loan Quality
BUMN Pembina lain/Lembaga Penyatur						<i>Other Foster SOE/ Distributing Partners</i>
<u>Dinilai secara individual</u>						<u>Individual assessment</u>
Macet	> 270 hari/ > 270 days	11.444.509.078	100%	11.444.509.078	(50.000.000)	Loss
Lancar	< 30 hari/ < 30 days	4.999.999.996	0,00%	-	(113.420.000)	Current
Sub Jumlah		16.444.509.074		11.444.509.078	(163.420.000)	Sub total
Mitra Binaan						<i>Foster Partners</i>
<u>Dinilai secara kolektif</u>						<u>Collective assessment</u>
Lancar	< 30 hari/ < 30 days	416.369.708.952	0,87%	3.624.415.611	(574.797.294)	Current
Kurang lancar	> 30 hari ≤ 180 hari/ > 30 days ≤ 180 days	34.226.922.072	9,50%	3.250.690.745	1.981.050.405	Substandard
Diragukan	> 180 hari ≤ 270 hari/ > 180 days ≤ 270 days	18.242.353.104	18,16%	3.312.944.241	2.275.955.549	Doubtful
Macet	> 270 hari/ > 270 days	99.581.959.638	100,00%	99.581.959.638	12.222.980.712	Loss
Sub Jumlah		568.420.943.766		109.770.010.235	15.905.189.372	Sub total
Bermasalah		82.673.017.234	100%	82.673.017.234	4.899.833.827	Troubled
Jumlah		667.538.470.074		203.887.536.547	20.641.603.199	Total

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7. ASET TETAP TIDAK BERFUNGSI

7. FIXED ASSET NOT IN USE

Mutasi Tahun 2016

	Saldo Awal 1 Jan 2016/ <i>Beginning Balance Jan 1, 2016</i>	Penambahan/ <i>Addition</i>	Pengurangan/ <i>Disposal</i>	Saldo Akhir 31 Des 2016/ <i>Ending Balance Dec 31, 2016</i>
Harga Perolehan				
Komputer	29.862.600	-	-	29.862.600
Inventaris Kantor	54.054.050	-	-	54.054.050
Jumlah Harga Perolehan	83.916.650	-	-	83.916.650
Akumulasi Penyusutan				
Komputer	(29.862.600)	-	-	(29.862.600)
Inventaris Kantor	(54.054.050)	-	-	(54.054.050)
Jumlah Akumulasi Penyusutan	(83.916.650)	-	-	(83.916.650)
Nilai Buku	-	-	-	-

Movement 2016

Acquisition Cost
Computer
Office Equipment
Total Acquisition Cost
Accumulated Depreciation
Computer
Office Equipment
Total Accumulated Depreciation
Book Value

Mutasi Tahun 2015

	Saldo Awal 1 Jan 2015/ <i>Beginning Balance Jan 1, 2015</i>	Penambahan/ <i>Addition</i>	Pengurangan/ <i>Disposal</i>	Saldo Akhir 31 Des 2015/ <i>Ending Balance Dec 31, 2015</i>
Harga Perolehan				
Komputer	29.862.600	-	-	29.862.600
Inventaris Kantor	54.054.050	-	-	54.054.050
Jumlah Harga Perolehan	83.916.650	-	-	83.916.650
Akumulasi Penyusutan				
Komputer	(29.862.600)	-	-	(29.862.600)
Inventaris Kantor	(54.054.050)	-	-	(54.054.050)
Jumlah Akumulasi Penyusutan	(83.916.650)	-	-	(83.916.650)
Nilai Buku	-	-	-	-

Movement 2015

Acquisition Cost
Computer
Office Equipment
Total Acquisition Cost
Accumulated Depreciation
Computer
Office Equipment
Total Accumulated Depreciation
Book Value

Terkait dengan aset tetap tidak berfungsi yang nilai bukunya telah nihil tersebut di atas, SGM CDC telah mengirim Surat kepada Kementerian BUMN dengan Nomor: Tel.243/ KU710/ CDC - A1000000/ 2012 tanggal 19 November 2012, perihal Permohonan Ijin Penghapusan Aset Tetap Unit PKBL Telkom tersebut. Namun demikian sampai dengan tanggal penyelesaian laporan keuangan belum diperoleh izin penghapusan tersebut.

In relation to fixed assets not in use with nil book value, SGM CDC has submitted a Letter No: Tel. 243/KU710/CDC-A1000000/2012 dated November 19, 2012 to the Ministry of SOE requesting for Approval to write-off PKBL Telkom Unit's fixed asset. However, until the completion date of the financial statement, this approval has not been received.

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8. PINJAMAN BERMASALAH

**a. Pinjaman Kepada Mitra Binaan Menurut
Community Development (CD) Area**

Pinjaman mitra binaan bermasalah pada tanggal 31 Desember 2016 dan 2015 berdasarkan CD Regional adalah sebagai berikut:

	31 Desember/December 31,	
	2016	2015
CD Area I Sumatera	22.906.428.079	22.045.423.531
CD Area II DKI Jakarta & Banten	11.483.391.100	8.507.721.907
CD Area III Jabar	9.595.728.427	9.667.473.840
CD Area IV Jateng & DIY	11.628.270.532	7.608.245.571
CD Area V Jatim & Madura	12.195.319.767	9.446.672.858
CD Area VI Kalimantan	11.722.785.212	8.939.010.806
CD Area VII Kawasan Timur Indonesia	18.379.765.863	16.458.468.721
	97.911.688.980	82.673.017.234
CD Corporate	9.352.156.183	-
Jumlah	107.263.845.163	82.673.017.234
Penyisihan Pinjaman Bermasalah	(107.263.845.163)	(82.673.017.234)
Jumlah Pinjaman Bermasalah - Neto	-	-

Terkait dengan pinjaman mitra binaan bermasalah tersebut, CDC telah beberapa kali mengusulkan kepada Kementerian Badan Usaha Milik Negara untuk dihapusbukukan. Terakhir melalui surat SGM CDC Nomor Tel.181/KU000/CDC-A1000000/2016 tanggal 28 Desember 2016 diusulkan untuk dihapusbukukan sebesar Rp106.408.887.863 yang merupakan pinjaman bermasalah periode 1 Januari 2001 sampai dengan 20 Desember 2016.

Sampai dengan tanggal penyelesaian laporan keuangan persetujuan untuk penghapusbukuan pinjaman bermasalah belum diperoleh dari Kementerian BUMN.

b. Pinjaman Bermasalah Diterima Kembali

	31 Desember/December 31,	
	2016	2015
Saldo awal	82.673.017.234	77.773.183.407
Penambahan	26.933.698.669	5.637.473.724
Saldo akhir	109.606.715.903	83.410.657.131
Jumlah pinjaman bermasalah	(107.263.845.163)	(82.673.017.234)
Pinjaman bermasalah Diterima kembali	2.342.870.740	737.639.897

8. TROUBLED LOAN

**a. Loan to Foster Partners Classified by
Community Development (CD) Area**

Troubled loan from foster partners as at December 31, 2016 and 2015 by CD Regional is as follow:

	2016	2015
CD Area I Sumatera	22.906.428.079	22.045.423.531
CD Area II DKI Jakarta & Banten	11.483.391.100	8.507.721.907
CD Area III Jabar	9.595.728.427	9.667.473.840
CD Area IV Jateng & DIY	11.628.270.532	7.608.245.571
CD Area V Jatim & Madura	12.195.319.767	9.446.672.858
CD Area VI Kalimantan	11.722.785.212	8.939.010.806
CD Area VII Kawasan Timur Indonesia	18.379.765.863	16.458.468.721
	97.911.688.980	82.673.017.234
CD Corporate	9.352.156.183	-
Jumlah	107.263.845.163	82.673.017.234
Penyisihan Pinjaman Bermasalah	(107.263.845.163)	(82.673.017.234)
Jumlah Pinjaman Bermasalah - Neto	-	-

In relation to such troubled loan from foster partners, CDC has proposed several times to Ministry of State-Owned Enterprise (SOE) to write-off the trouble loan. The latest, SGM CDC sent the Letter No: Tel.181/KU000/CDC-A1000000/2016 dated December 28, 2016 regarding the proposal to write off Rp106,408,887,863 which are troubled loans from January 1, 2001 until December 20, 2016.

Until the completion date of the financial statement, the approval for the proposal to write-off for the troubled loan has not been obtained from the Ministry of SOE.

b. Repayment of Troubled Loan

	31 Desember/December 31,		
	2016	2015	
Saldo awal	82.673.017.234	77.773.183.407	Beginning balance
Penambahan	26.933.698.669	5.637.473.724	Additions
Saldo akhir	109.606.715.903	83.410.657.131	Ending balance
Jumlah pinjaman bermasalah	(107.263.845.163)	(82.673.017.234)	Total troubled loan
Pinjaman bermasalah Diterima kembali	2.342.870.740	737.639.897	Repayment of Troubled Loan

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9. LIABILITAS LANCAR LAINNYA

9. OTHER CURRENT LIABILITIES

	31 Desember/December 31,		
	2016	2015	
PT Bank Rakyat Indonesia (Persero) Tbk	-	5.691.103.171	PT Bank Rakyat Indonesia (Persero) Tbk
PT Pos Indonesia (Persero) Tbk	-	3.371.533.422	PT Pos Indonesia (Persero) Tbk
Perusahaan Perseroan PT Telekomunikasi Indonesia Tbk	-	1.161.114.697	Perusahaan Perseroan PT Telekomunikasi Indonesia Tbk
PT Perkebunan Nusantara VIII	-	489.694.586	PT Perkebunan Nusantara VIII
PT Industri Nuklir Indonesia (Persero)	-	259.501.179	PT Industri Nuklir Indonesia (Persero)
Jumlah liabilitas lancar lainnya	-	10.972.947.055	Total other current liabilities

Pengembalian dana Program BUMN Peduli

Saldo liabilitas lancar dari PT Bank Rakyat Indonesia, PT Pos Indonesia dan PT Industri Nuklir Indonesia adalah pengembalian dana BUMN Peduli yang laporan pelaksanaannya masih dalam proses evaluasi oleh CDC yang sampai dengan tanggal 31 Desember 2015 masih dalam proses penyelesaian.

Pada tanggal 31 Desember 2016, saldo pengembalian dana program BUMN Peduli sebesar Rp9.811.832.358 telah dicatat sebagai pendapatan lain-lain.

Perusahaan Perseroan PT Telekomunikasi Indonesia Tbk

Berdasarkan Keputusan Komisaris PT Telekomunikasi Indonesia (Persero) Tbk No. 17/KEP/DK/2014/RHS tanggal 10 Desember 2014, besaran dana PKBL untuk tahun 2015 adalah sebagai berikut:

- Program kemitraan sebesar Rp 0;
- Program bina lingkungan sebesar Rp82.000.000.000.

Sehingga total alokasi bagian laba dari BUMN Pembina adalah sebesar Rp82.000.000.000. Dana alokasi tersebut direalisasi pada bulan Februari, Maret, Oktober dan Desember 2015.

Selama tahun 2015, realisasi penyaluran dana program bina lingkungan adalah sebesar Rp72.410.726.781 dan biaya operasional PKBL adalah sebesar Rp8.428.158.522. Sehingga sisa dana bina lingkungan yang belum digunakan sebesar Rp1.161.114.697 menjadi sumber dana program bina lingkungan tahun 2016 dan diakui sebagai pendapatan lainnya di Laporan Aktivitas.

Refunds of SOE Care Program

Other current liabilities from PT Bank Rakyat Indonesia, PT Pos Indonesia and PT Industri Nuklir Indonesia represent repayments of remaining funds from SOE Care Program in which the realization reports were evaluated by CDC and until December 31, 2015 were still in progress.

As of December 31, 2016, the balance of the refund of SOE Care Program is Rp9,811,832,358 has been recorded as other income.

Perusahaan Perseroan PT Telekomunikasi Indonesia Tbk

Based on Commissioners of PT Telekomunikasi Indonesia (Persero) Tbk Decree No. 17/KEP/DK/2014/RHS dated December 10, 2014, the amount of Partnership and Community Development Programs Funds for 2015 is as follow:

- Partnership program amounting Rp 0;
- Community development program amounting Rp82,000,000,000.

The total of fund allocation from the Foster SOE was Rp82,000,000,000. The allocated fund were realized on February, March, October and December 2015.

During 2015, realization for fund distribution for community development program amounted to Rp72,410,726,781 and operational expenses is Rp8,428,158,522. Therefore, the remaining funds is Rp1,161,114,697 become the source of funds for community development program in 2016 and recognizes as other income in the Statement of Activities.

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10. ANGSURAN BELUM TERIDENTIFIKASI

10. UNIDENTIFIED INSTALLMENTS

	31 Desember/December 31,		
	2016	2015	
Saldo Awal	467.059.449	121.047.323	<i>Beginning Balance</i>
Teridentifikasi selama tahun berjalan	(366.782.723)	(141.876.560)	<i>Identified during the year</i>
Angsuran tahun berjalan yang belum teridentifikasi	448.996.224	487.888.686	<i>Unidentified Installment during the year</i>
Saldo Akhir	549.272.950	467.059.449	<i>Ending Balance</i>

11. KELEBIHAN PEMBAYARAN ANGSURAN

11. OVERPAYMENT OF INSTALLMENTS

	31 Desember/December 31,		
	2016	2015	
Kelebihan Pembayaran Angsuran	160.352.992	158.652.706	<i>Overpayment of Installments</i>

12. UTANG LAIN - LAIN

12. OTHER PAYABLE

Rincian utang lain-lain pada tanggal 31 Desember 2016 dan 2015 adalah sebagai berikut:

Detail of other payable as of December 31, 2016 and 2015 are as follows:

	31 Desember/December 31,		
	2016	2015	
PT Finnet Indonesia	25.000.000	12.500.000	<i>PT Finnet Indonesia</i>
PT PINS Indonesia	-	107.046.500	<i>PT PINS Indonesia</i>
Saldo Akhir	25.000.000	119.546.500	<i>Ending Balance</i>

PT PINS Indonesia

Utang kepada PT PINS Indonesia, pihak berelasi, adalah atas transaksi pengadaan untuk penyaluran program bina lingkungan.

PT PINS Indonesia

Payable to PT PINS Indonesia, related party, represents procurement transactions for community development funds distribution.

PT Finnet Indonesia

PT Finnet Indonesia menyediakan akun virtual yang digunakan sebagai media pembayaran bagi mitra binaan dalam sinergi penyaluran CDC dengan Bank UMKM. Atas jasa ini, PT Finnet Indonesia memperoleh Rp12.500.000 per bulan sebagai biaya penagihan.

PT Finnet Indonesia

PT Finnet Indonesia provides services to provide virtual accounts which are used in the Company's agreement with Bank UMKM as tools of payment for Bank UMKM's foster partners to pay their monthly installment. PT Finnet receives Rp12,500,000 each month as collection fee.

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13. ASET NETO

	31 Desember/December 31,	
	2016	2015
Aset Neto Tidak Terikat	(631.873.798.727)	(571.428.772.792)
Aset Neto Terikat	-	-
Jumlah	(631.873.798.727)	(571.428.772.792)

Mutasi Aset Neto

	31 Desember/December 31,	
	2016	2015
Aset Neto Tidak Terikat		
Aset Neto Tidak Terikat - Awal Tahun	571.428.772.792	584.874.399.174
Penurunan Aset Neto Tidak Terikat	60.445.025.935	(13.445.626.382)
Aset Neto Tidak Terikat - Akhir Tahun	631.873.798.727	571.428.772.792

13. NET ASSETS

Unrestricted Net Assets
Restricted Net Assets

Total

Movement of Net Asset

Unrestricted Net Asset

Unrestricted Net Asset - Beginning of Year
Decrease in Unrestricted Net Asset profit

Unrestricted Net Asset - End of Year

14. PENERIMAAN DARI BUMN PEMBINA

Sesuai keputusan Rapat Umum Pemegang Saham Tahunan (RUPST) PT Telekomunikasi Indonesia (Persero) Tbk ("Perseroan") tanggal 22 April 2016, telah ditetapkan besaran dana Program Bina Lingkungan Telkom Group tahun buku 2016 sebesar Rp82.000.000.000 atau 0,53% dari laba bersih Perseroan tahun buku 2015 yang sumber dananya berasal dari beban Perseroan.

Berdasarkan Peraturan Direksi nomor PD.309.00/r.00/HK230/COP-I3000000/2015 tanggal 18 Desember 2015 tentang Rencana Kerja dan Anggaran, telah ditetapkan anggaran Bina Lingkungan adalah sebesar Rp82.000.000.000. Sumber dana berasal dari Telkom Rp41.000.000.000 dan dari Telkomsel Rp41.000.000.000. Dana dari Telkom dan Telkomsel telah diterima tunai masing-masing sebesar Rp41.000.000.000 dan Rp20.000.000.000. Sisa dana sebesar Rp21.000.000.000 berupa kegiatan yang telah dilaksanakan oleh Telkomsel yang dialihkan kepada CDC.

Efektif 1 Januari 2013, terkait dengan implementasi PER-08/MBU/2013, CDC tidak lagi mencatat alokasi dana BUMN Pembina sebagai pendapatan CDC. Setelah diterbitkannya PER-09/MBU/07/2015 yang mulai berlaku tanggal 3 Juli 2015, CDC masih mencatat alokasi dana BUMN Pembina selama periode transisi (hingga tanggal 31 Desember 2015).

Di tahun 2016, berdasarkan PER-09/MBU/07/2015, CDC mencatat alokasi dana dari BUMN Pembina sebagai pendapatan di Laporan Aktivitas.

14. REVENUE FROM FOSTER SOE

In accordance with the decision of Shareholders' Annual General Meeting (RUPST) PT Telekomunikasi Indonesia (Persero) Tbk (the "Company") on April 22, 2016, the amount of funds for Telkom Group Community Development Program 2016 was Rp82,000,000,000 or 0.53% of the net income for the financial year 2015 in which the funds are from the expense of the Company.

Based on the Directors Regulations PD.309.00/r.00/HK230/COP-I3000000/2015 dated December 18, 2015 regarding the Work Plan and Budget, budget of Community Development Program is Rp82,000,000,000. The source of funds are from Telkom for Rp41,000,000,000 and from Telkomsel for Rp41,000,000,000. Funds from Telkom and Telkomsel were received of Rp41,000,000,000 and Rp20,000,000,000, respectively. The remaining of Rp21,000,000,000 were Community development programs conducted by Telkomsel which were transferred to CDC.

Effective January 1, 2013, in relation to the implementation of PER-08/MBU/2013, CDC no longer recognizing allocated income from Foster SOE as revenue of CDC. After the issuance of PER-09/MBU/07/2015 which effectively applied from July 3, 2015, CDC still used the same policy during transitional period (until December 31, 2015).

In 2016, based on PER-09/MBU/07/2015, CDC recognized the fund allocation for the Foster SOE as revenue in the Statement of Activities.

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15. PENDAPATAN JASA ADMINISTRASI PINJAMAN

15. LOAN ADMINISTRATION SERVICE INCOME

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
CDC Pusat	257.557.486	150.000.000	Center of CDC
CD Area I Sumatera	4.376.192.376	3.691.762.709	CD Area I Sumatera
CD Area II DKI Jakarta & Banten	4.607.937.527	2.292.422.961	CD Area II DKI Jakarta & Banten
CD Area III Jabar	5.396.954.184	2.652.856.629	CD Area III Jabar
CD Area IV Jateng & DIY	4.151.961.960	2.028.006.708	CD Area IV Jateng & DIY
CD Area V Jatim & Madura	6.609.937.170	3.539.389.210	CD Area V Jatim & Madura
CD Area VI Kalimantan	4.114.213.402	2.217.056.647	CD Area VI Kalimantan
CD Area VII Kawasan Timur Indonesia	2.755.178.703	1.303.078.654	CD Area VII Kawasan Timur Indonesia
Jumlah	32.269.932.808	17.874.573.518	Total

16. PENDAPATAN BUNGA

16. INTEREST INCOME

a. Program Kemitraan

a. Partnership Program

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Jasa Giro	895.534.687	1.228.105.856	Current Account
Deposito	-	338.597.266	Deposits
Jumlah	895.534.687	1.566.703.122	Total

b. Bina Lingkungan

b. Community Development

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Jasa Giro	1.719.253.436	1.111.408.005	Current Account
Deposito	-	1.936.865.578	Deposits
Jumlah	1.719.253.436	3.048.273.583	Total

17. PENDAPATAN LAIN-LAIN

17. OTHER INCOME

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Pendapatan dari sisa dana Program BUMN Peduli	18.882.961.931	21.206.191	Income from remaining fund of SOE Care program
Lainnya	1.161.114.697	10.000.000	Others
Jumlah	20.044.076.628	31.206.191	

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18. DANA PEMBINAAN KEMITRAAN

18. FOSTERING PARTNERSHIP FUNDS

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Pameran/Promosi	-	3.061.151.199	<i>Exhibition/ Promotion</i>
Pelatihan	-	2.929.825.648	<i>Training</i>
Pengembangan	-	23.500.000	<i>Development</i>
Jumlah	-	6.014.476.847	Total

Efektif 3 Juli 2015 sampai dengan 31 Desember 2016, terkait dengan implementasi PER-09/MBU/07/2015, dana pembinaan program kemitraan menjadi beban BUMN Pembina (Catatan 3a dan 19) sehingga CDC hanya mencatat dana pembinaan program kemitraan untuk periode 1 Januari 2015 sampai dengan 2 Juli 2015. Selama 2016, beban-beban tersebut dicatat sebagai bantuan peningkatan kapasitas mitra binaan program kemitraan sebagai bagian dari penyaluran dana bina lingkungan (Catatan 19).

Effective July 3, 2015 until December 31, 2016, in relation to the implementation of PER-09/MBU/07/2015, fostering partnership expenses of CDC were recognized by Foster SOE (Note 3a and 19), therefore CDC only recorded fostering partnership expenses for period January 1, 2015 until July 2, 2015. During 2016, such expenses recorded as capacity improvement donation to foster partners as part of community development funds distribution (Note 19).

19. PENYALURAN DANA BINA LINGKUNGAN

19. COMMUNITY DEVELOPMENT FUNDS DISTRIBUTION

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Bantuan Bina Lingkungan			Community Development Donation
Bantuan Pendidikan dan/atau Pelatihan	35.682.026.990	-	<i>Education and/or Training Donation</i>
Bantuan Pengembangan Prasarana dan/ atau Sarana Umum	13.367.649.200	-	<i>Improvement for Facility and/or Public Facility Donation</i>
Bantuan Sarana Ibadah	10.615.321.340	-	<i>Religion Facility Donation</i>
Bantuan Peningkatan Kesehatan	10.414.976.500	-	<i>Healthcare Improvement Donation</i>
Bantuan Peningkatan Kapasitas Mitra Binaan Program Kemitraan	8.394.233.850	-	<i>Capacity Improvement Donation to Foster Partners</i>
Bantuan Pengentasan Kemiskinan	1.641.990.000	-	<i>Poverty Alleviation</i>
Bantuan Korban Bencana Alam	941.871.265	-	<i>Nature Disaster Victims Donation</i>
Bantuan Pelestarian Alam	911.382.500	-	<i>Natural Preservation Donation</i>
Jumlah Program Bantuan Bina Lingkungan	81.969.451.645	-	Total Community Development Program

Efektif 1 Januari 2013, terkait dengan implementasi PER-08/MBU/2013, CDC tidak lagi mencatat penyaluran dana bina lingkungan sebagai beban CDC (Catatan 3a). Implementasi ketentuan ini masih diterapkan oleh CDC hingga masa transisi pemberlakuan PER-09/MBU/07/2015 (hingga 31 Desember 2015).

Effective January 1, 2013, in relation to the implementation of PER-08/MBU/2013, CDC has no longer recognized community development funds distribution as expense of CDC (Note 3a). CDC still treated the same until the end of transitional period of PER-09/MBU/07/2015 (until December 31, 2015).

Di tahun 2016, CDC mencatat penyaluran dana bina lingkungan sebagai beban CDC (Catatan 3a).

In 2016, CDC recognized community development funds distribution as expense of CDC (Note 3a).

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**19. PENYALURAN DANA BINA LINGKUNGAN
(lanjutan)**

Selama tahun 2015, CDC atas nama dan untuk kepentingan Grup Telkom, telah melakukan penyaluran program bina lingkungan untuk berbagai kegiatan. Penyaluran bina lingkungan sebesar Rp72.410.726.781. Penyaluran bina lingkungan dan beban operasional yang tidak termasuk ke dalam laporan keuangan CDC adalah sebagai berikut:

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,	
	2016	2015
Bantuan Bina Lingkungan		
Bantuan Pendidikan dan/atau Pelatihan	-	41.150.756.851
Bantuan Pengembangan Prasarana dan/ atau Sarana Umum	-	15.734.881.300
Bantuan Sarana Ibadah	-	8.467.194.000
Bantuan Peningkatan Kapasitas Mitra Binaan Program Kemitraan	-	3.525.756.880
Bantuan Peningkatan Kesehatan	-	1.467.383.000
Bantuan Korban Bencana Alam	-	1.305.604.750
Bantuan Pelestarian Alam	-	750.150.000
Bantuan Pengentasan Kemiskinan	-	9.000.000
Jumlah Program Bantuan Bina Lingkungan	-	72.410.726.781
Beban Operasional Program Kemitraan	-	6.995.965.895
Program Bina Lingkungan	-	1.432.192.627
Jumlah	-	80.838.885.303

19. COMMUNITY DEVELOPMENT FUNDS DISTRIBUTION (continued)

During 2015, CDC on behalf of and for the benefit of Telkom Group has distributed community development programs funds. Community development distribution is Rp72,410,726,781. Community development distribution and its operational expense which are not included in CDC's financial statements as are follows:

Community Development Donation
Education and/or Training Donation
Improvement for Facility and/or Public Facility Donation
Religion Facility Donation
Capacity Improvement Donation to Foster Partners
Healthcare Improvement Donation
Nature Disaster Victims Donation
Natural Preservation Donation
Poverty Alleviation
Total Community Development Program
Operational Expense Partnership program
Community Development program
Total

20. BEBAN PEMBINAAN

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,	
	2015	2014
Beban Monitoring Mitra Binaan	-	939.110.018
Beban Penagihan Pinjaman	-	845.059.144
Beban Survei Calon Mitra Binaan	-	505.711.483
Jumlah	-	2.289.880.645

20. EMPOWERMENT EXPENSES

Foster Partners Monitoring Expenses
Loan Collection Expenses
Foster Partners Survey Expenses
Total

Efektif 3 Juli 2015, terkait dengan implementasi PER-09/MBU/07/2015, beban operasional program kemitraan menjadi beban BUMN Pembina (Catatan 3a dan 19) sehingga CDC hanya mencatat beban pembinaan program kemitraan untuk periode 1 Januari 2015 sampai 2 Juli 2015.

Effective July 3, 2015, in relation to the implementation of PER-09/MBU/07/2015, operational expenses of CDC will be recognized by Foster SOE (Note 3a and 19), therefore CDC only recorded empowerment expenses from January 1, 2015 until July 2, 2015.

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21. BEBAN ADMINISTRASI DAN UMUM

21. GENERAL AND ADMINISTRATION EXPENSES

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Program Kemitraan	-	5.584.101.195	Partnership Program

Efektif 3 Juli 2015, terkait dengan implementasi PER-09/MBU/07/2015, beban operasional program kemitraan menjadi beban BUMN Pembina (Catatan 3a dan 19). Sehingga, CDC hanya mencatat beban administrasi dan umum untuk periode 1 Januari 2015 sampai 2 Juli 2015.

Effective July 3, 2015, in relation to the implementation of PER-09/MBU/07/2015, operational expenses of Partnership Program will be recognized by Foster SOE (Note 3a and 19), therefore CDC only recorded general and administration expenses from January 1, 2015 until July 2, 2015.

22. BEBAN SEWA

22. RENT EXPENSES

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Program Kemitraan	-	1.436.320.910	Partnership Program

Efektif 3 Juli 2015, terkait dengan implementasi PER-09/MBU/07/2015, beban operasional PKBL menjadi beban BUMN Pembina (Catatan 3a dan 19) sehingga CDC hanya mencatat beban sewa untuk periode 1 Januari 2015 sampai 2 Juli 2015.

Effective July 3, 2015, in relation to the implementation of PER-09/MBU/07/2015, rent expenses of Partnership Program will be recognized by Foster SOE (Note 3a and 19), therefore CDC only recorded rent expenses from January 1, 2015 until July 2, 2015.

23. TRANSAKSI DAN SALDO DENGAN PIHAK BERELASI

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Hubungan dan sifat saldo akun/ transaksi dengan pihak - pihak berelasi adalah sebagai berikut:

The relationship and nature of account balances/ transactions with related parties were as follows:

Hubungan/ Relation	Pihak-pihak berelasi/ Related parties	Transaksi/ Transaction
BUMN Pembina/ Foster SOE	PT Telekomunikasi Indonesia (Persero) Tbk.	Pengalokasian pendapatan program bina lingkungan /Income allocation for community development program
Entitas sepengendali PT Telekomunikasi Indonesia Tbk / Under common control of PT Telekomunikasi Indonesia Tbk	PT Graha Sarana Duta	Penyedia jasa fitting out ruangan/ Room fitting out provider
Entitas sepengendali PT Telekomunikasi Indonesia Tbk/ Under common control of PT Telekomunikasi Indonesia Tbk	PT Infomedia Nusantara	Penyedia jasa survei opini dan CSR Index/ Opinion Survey and CSR Index service provider
Entitas sepengendali PT Telekomunikasi Indonesia Tbk/ Under common control of PT Telekomunikasi Indonesia Tbk	PT Pins Indonesia	Penyedia perangkat CPE (Customer Premises Equipment)/ CPE (Customer Premises Equipment) Provider

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**23. TRANSAKSI DAN SALDO DENGAN PIHAK
BERELASI (lanjutan)**

**23. TRANSACTIONS AND BALANCES WITH
RELATED PARTIES (continued)**

Hubungan/ Relation	Pihak-pihak berelasi/ Related parties	Transaksi/ Transaction
Entitas sepengendali PT Telekomunikasi Indonesia Tbk/ <i>Under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Metra Digital Media	Penyedia bantuan dana pelatihan <i>Internet/ Fund provider for Internet training program</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Bank Mandiri (Persero) Tbk	Penyedia dana untuk transaksi operasional/ <i>Funding company for operational transaction</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Bank Negara Indonesia (Persero) Tbk	Penyedia dana untuk transaksi operasional/ <i>Funding company for operational transaction</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Bank Rakyat Indonesia (Persero) Tbk	Penyedia dana untuk transaksi operasional/ <i>Funding company for operational transaction</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Sang Hyang Seri (Persero)	BUMN Penyalur lain/ <i>Other Foster SOE</i>
Perusahaan dibawah entitas PT Telekomunikasi Indonesia Tbk / <i>Entity under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Finnet Indonesia	Penyedia jasa <i>virtual account/ Provider of virtual accounts</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Perkebunan Nusantara VIII	Penerima Program BUMN Peduli/ <i>Recipient of SOE Care</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Pos Indonesia	Penerima Program BUMN Peduli/ <i>Recipient of SOE Care</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Industri Nuklir Indonesia (Persero) dahulu/formerly PT Batan Teknologi (Persero)	Penerima Program BUMN Peduli/ <i>Recipient of SOE Care</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	Perum Perumnas	Penerima Program BUMN Peduli/ <i>Recipient of SOE Care</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Perhutani	Penerima Program BUMN Peduli/ <i>Recipient of SOE Care</i>

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23. TRANSAKSI DAN SALDO DENGAN PIHAK BERELASI (lanjutan)

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Rincian akun dan transaksi signifikan dengan pihak - pihak berelasi adalah sebagai berikut:

The details of accounts and significant transactions with related parties are as follows:

		31 Desember/December 31,			
		2016	2015		
<u>Aset</u>				<u>Assets</u>	
Kas dan Setara Kas (Catatan 4)				Cash and Cash Equivalents (Note 4)	
Program Kemitraan				Partnership Program	
Kas di bank				Cash in banks	
PT Bank Mandiri (Persero) Tbk.	4.749.061.270	7.002.145.427		PT Bank Mandiri (Persero) Tbk.	
PT Bank Negara Indonesia (Persero) Tbk.	1.346.644.253	5.252.077.147		PT Bank Negara Indonesia (Persero) Tbk.	
	6.095.705.523	12.254.222.574			
Program Bina Lingkungan				Community Development Program	
Kas di bank				Cash in banks	
PT Bank Mandiri (Persero) Tbk.	108.199.543.458	107.257.334.628		PT Bank Mandiri (Persero) Tbk.	
PT Bank Negara Indonesia (Persero) Tbk.	2.678.452	887.773		PT Bank Negara Indonesia (Persero) Tbk.	
	108.202.221.910	107.258.222.401			
Jumlah kas dan setara kas pada pihak afiliasi	114.297.927.433	119.512.444.975		Total cash and cash equivalent in affiliated parties	
Pinjaman kepada BUMN Pembina Lain/ Lembaga Penyalur (Catatan 5)				Loan to Other Foster SOE or Distributing Partners (Note 5)	
PT Sang Hyang Seri (Persero)	-	9.637.740.363		PT Sang Hyang Seri (Persero)	
Jumlah pinjaman	-	9.637.740.363		Total loan	
Jumlah aset pada pihak afiliasi	114.297.927.433	129.150.185.338		Total assets in affiliated parties	
Jumlah aset	632.608.424.669	583.146.978.502		Total assets	
Sebagai prosentase terhadap jumlah aset	18,06%	22,14%		As percentage to total assets	
		31 Desember/December 31,			
		2016	2015		
<u>Liabilitas</u>				<u>Liabilities</u>	
Liabilitas lancar lainnya				Other current liabilities	
PT Bank Rakyat Indonesia (Persero) Tbk	-	5.691.103.171		PT Bank Rakyat Indonesia (Persero) Tbk	
PT Pos Indonesia (Persero) Tbk	-	3.371.533.422		PT Pos Indonesia (Persero) Tbk	
Perusahaan Perseroan PT Telekomunikasi Indonesia Tbk	-	1.161.114.697		Perusahaan Perseroan PT Telekomunikasi Indonesia Tbk	
PT Perkebunan Nusantara VIII	-	489.694.586		PT Perkebunan Nusantara VIII	
PT Industri Nuklir Indonesia (Persero)/dahulu PT Batan Teknologi	-	259.501.179		PT Industri Nuklir Indonesia (Persero) /formerly PT Batan Teknologi	
Jumlah liabilitas lancar lainnya	-	10.972.947.055		Total other current liabilities	

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**23. TRANSAKSI DAN SALDO DENGAN PIHAK
BERELASI (lanjutan)**

**23. TRANSACTIONS AND BALANCES WITH
RELATED PARTIES (continued)**

	31 Desember/December 31,		
	2016	2015	
Utang lain- lain (Catatan 12)			Other Payable (Note 12)
PT Finnet Indonesia	25.000.000	12.500.000	PT Finnet Indonesia
PT PINS Indonesia	-	107.046.500	PT PINS Indonesia
Jumlah utang lain-lain	25.000.000	119.546.500	Total other payable
Jumlah liabilitas pihak afiliasi	25.000.000	11.092.493.555	Total liabilities in affiliated parties
Jumlah liabilitas	734.625.942	11.718.205.710	Total liabilities
Sebagai prosentase terhadap jumlah liabilitas	3,40%	94,66%	As percentage to total liabilities

	31 Desember/December 31,		
	2016	2015	
Beban			Expenses
Program Kemitraan			Partnership Program
PT Infomedia Nusantara	-	3.845.488.368	PT Infomedia Nusantara
PT Finnet	-	150.000.000	PT Finnet
Jumlah	-	3.995.488.368	Total
Jumlah beban operasional pihak afiliasi	-	3.995.488.368	Total operational expense in affiliated parties
Jumlah beban	76.483.771.624	35.966.382.796	Total expense
Sebagai prosentase terhadap jumlah beban	0%	11,1%	As percentage to total expense

	31 Desember/December 31,		
	2016	2015	
Pendapatan			Revenue
Program Kemitraan			Partnership Program
Penerimaan dari BUMN Pembina	82.000.000.000	-	Revenue from Foster SOE
	82.000.000.000	-	
Pendapatan Bunga Deposito			Interest from Deposits
PT Bank Rakyat Indonesia (Persero) Tbk	-	284.400.006	PT Bank Rakyat Indonesia (Persero) Tbk
PT Bank Mandiri (Persero) Tbk	-	54.197.260	PT Bank Mandiri (Persero) Tbk
Jumlah pendapatan bunga deposito	-	338.597.266	Total Interest from Deposits
Pendapatan Jasa Giro			Interest from Current Account
PT Bank Mandiri (Persero) Tbk	741.719.836	1.072.334.546	PT Bank Mandiri (Persero) Tbk
PT Bank Negara Indonesia (Persero) Tbk	153.814.851	155.771.310	PT Bank Negara Indonesia (Persero) Tbk
Jumlah pendapatan jasa giro	895.534.687	1.228.105.856	Total interest from current account

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23. TRANSAKSI DAN SALDO DENGAN PIHAK BERELASI (lanjutan)

23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
Program Bina Lingkungan			Community Development Program
Pendapatan Bunga Deposito			Revenue from Deposits
PT Bank Negara Indonesia (Persero) Tbk	-	109.917.807	PT Bank Negara Indonesia (Persero) Tbk
PT Bank Mandiri (Persero) Tbk	-	21.304.109	PT Bank Mandiri (Persero) Tbk
Jumlah pendapatan bunga deposito	-	131.221.916	Total interest from deposits
Pendapatan Jasa Giro			Interest from Current Account
PT Bank Mandiri (Persero) Tbk	1.719.253.436	1.107.748.983	PT Bank Mandiri (Persero) Tbk
PT Bank Negara Indonesia (Persero) Tbk	-	3.659.022	PT Bank Negara Indonesia (Persero) Tbk
Jumlah pendapatan jasa giro	1.719.253.436	1.111.408.005	Total Interest from current account
Pendapatan Lain-lain	20.044.076.628	21.206.191	Other Income
Jumlah pendapatan dari pihak afiliasi	104.693.889.142	2.830.539.234	Total revenues from affiliated parties
Jumlah pendapatan	137.084.809.234	22.520.756.414	Total revenue
Sebagai prosentase terhadap jumlah pendapatan	76,31%	12,57%	As percentage to total revenue

24. PEMBATASAN PENGGUNAAN DANA

24. RESTRICTED FUND USAGE

Kep.100/MBU/2002

Kep.100/MBU/2002

Program Kemitraan

Partnership Program

a. Penilaian Efektivitas

a. Effectivity Performance

Penilaian kinerja program kemitraan dan bina lingkungan berdasarkan Keputusan Menteri BUMN No. Kep.100/MBU/2002 tanggal 4 Juni 2002 mencakup Program Kemitraan dengan Indikator Tingkat Efektivitas penyaluran dan Tingkat Kolektibilitas Pengembalian Pinjaman.

The performance evaluation of partnership and community development program is based on the Minister of SOE Decree No. Kep.100/MBU/2002 dated June 4, 2012 regarding The Effectiveness Indicator of Partnership Program Loan Distribution and the Collectibility of the Loan Repayments.

Tingkat efektivitas penyaluran dana dihitung dengan cara membagi jumlah dana yang disalurkan dengan jumlah dana yang tersedia. Jumlah dana yang disalurkan adalah seluruh dana yang disalurkan kepada usaha kecil dan koperasi dalam tahun yang bersangkutan yang terdiri dari pinjaman modal kerja. Sedangkan jumlah dana yang tersedia terdiri dari saldo awal periode ditambah dengan pengembalian pinjaman (pokok ditambah bunga) dan pendapatan bunga dari program kemitraan.

The effectiveness of loan distribution is calculated by dividing the amount of distributed funds by the amount of the utilizable funds. Amount of distributed funds represents all current year funds distribution to small enterprise businesses and cooperation. The funds are distributed as working capital loans. Utilizable funds is calculated by adding the beginning balance with loan repayments (principal and the interest repayments) and with interest income from partnership program.

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24. PEMBATASAN PENGGUNAAN DANA (lanjutan)

Kep.100/MBU/2002 (lanjutan)

Program Kemitraan (lanjutan)

Tabel skor tingkat penyerapan dana

Penyerapan %	>90	85 s.d 90	80 s.d 85	<80	% of absorbtion
Skor	3	2	1	0	Score

24. RESTRICTED FUND USAGE (continued)

Kep.100/MBU/2002 (continued)

Partnership Program (continued)

Score of funds absorbtion table

**Tahun yang
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Distribusi dana

Jumlah Dana yang Disalurkan (Catatan 24)	360.920.800.000
Dana Pembinaan Kemitraan (Catatan 18, 24)	-
	360.920.800.000

Fund Distribution
Amount of Distribution
(Note 24)
Fostering Partnership Funds
(Note 18, 24)

Saldo Awal Kas dan Setara Kas Program Kemitraan	22.049.736.381
Pengembalian Pinjaman Mitra Binaan (Catatan 24)	312.218.727.891
Pendapatan Jasa Administrasi Pinjaman (Catatan 15)	32.269.932.808
	366.538.397.080

*Beginning Balance for Cash and Cash Equivalent
of Partnership Program
Loan Repayments from Foster Partners
(Note 24)
Loan Administration Service Income
(Note 15)*

Tingkat efektivitas penyaluran (prosentase distribusi dana terhadap dana yang tersedia)	98,47%
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**Level of the effectiveness of the loan distribution
(percentage of fund distribution to
available fund)**

Skor tingkat efektivitas penyaluran pinjaman	3
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**Score of level of the effectiveness of the loan
distribution**

b. Tingkat kolektibilitas Penyaluran Pinjaman

Indikator lain dalam penilaian kinerja program kemitraan dan bina lingkungan yaitu tingkat kolektibilitas pengembalian pinjaman yang mana memberi indikasi kemungkinan tertagihnya suatu pinjaman. Tingkat kolektibilitas pengembalian pinjaman merupakan perbandingan antara rata-rata tertimbang kolektibilitas pinjaman terhadap jumlah pinjaman yang disalurkan (saldo pinjaman). Rata-rata tertimbang kolektibilitas pinjaman adalah perkalian antara bobot kolektibilitas dengan saldo pinjaman berdasarkan kualitas pinjaman (lancar: 100%, kurang lancar: 75%, diragukan: 25% dan macet: 0%).

b. Collectibility level of the Loan Distribution

Another performance indicator of partnership and community development program is the collectibility of repayments which indicates the probability of a loan to be fully paid. The collectibility level is calculated by comparing the weighted average collectibility funds with distributed funds. Weighted average funds is the result of multiplying the collectibility weightage with the balance of each quality of the loan (e.g: current: 100%, substandard: 75%, doubtful: 25% and troubled: 0%)

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24. PEMBATASAN PENGGUNAAN DANA (lanjutan)

Kep.100/MBU/2002 (lanjutan)

Skor tingkat kolektibilitas pengembalian pinjaman adalah sebagai berikut:

Tingkat Pengembalian (%)	>70	40 s.d 70	10 s.d 40	<10	% of Collectibility Level
Skor	3	2	1	0	Score

Rata - rata tertimbang kolektibilitas pinjaman per 31 Desember 2016 adalah sebagai berikut:

24. RESTRICTED FUND USAGE (continued)

Kep.100/MBU/2002 (continued)

Score of loan repayments collectibility level is as follows:

Weighted average amount of the collectibility of the loan as of December 31, 2016 is as follows:

Kualitas Pinjaman	Saldo pinjaman (Catatan 6e) (tidak diaudit/ Loan balance (Note 6e) (unaudited)	%	Jumlah rata-rata tertimbang/ Weighted Average Amount	Loan Quality
Lancar	2.942.482.190.207	100%	2.942.482.190.207	Current
Kurang Lancar	127.110.480.096	75%	95.332.860.072	Substandard
Diragukan	40.875.922.000	25%	10.218.980.500	Doubtful
Macet	332.148.894.359	0%	-	Troubled
Jumlah	3.442.617.486.662		3.048.034.030.779	Total
Tingkat kolektibilitas pengembalian pinjaman (prosentase jumlah rata-rata tertimbang kolektibilitas pinjaman terhadap saldo pinjaman yang disalurkan)		88,54%	Loan repayment collectibility level (percentage of weighted average loan collectibility to loan distribution)	
Nilai tingkat kolektibilitas pengembalian pinjaman		3	Score of repayments collectibility level	

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24. PEMBATASAN PENGGUNAAN DANA (lanjutan)

Laporan Arus Kas - Metode Langsung

24. RESTRICTED FUND USAGE (continued)

Statement of Cash Flows - Direct Method

	Tahun yang Berakhir pada tanggal 31 Desember/ Year Ended December 31,		
	2016	2015	
AKTIVITAS OPERASI			OPERATING ACTIVITIES
Penerimaan Dana BUMN Pembina	61.000.000.000	82.000.000.000	<i>Fund Received from Foster SOE</i>
Pengembalian Pinjaman Mitra Binaan	312.218.727.891	267.227.495.235	<i>Loan Repayments from Foster Partners</i>
Angsuran Belum Teridentifikasi	(366.782.723)	346.012.126	<i>Unidentified Installments</i>
Pembayaran Utang	-	(1.227.348.500)	<i>Payable Payment</i>
Pendapatan Jasa Administrasi Pinjaman	32.269.932.808	29.443.919.585	<i>Loan Administration Service Income</i>
Pendapatan Bunga	2.614.788.123	4.614.976.705	<i>Interest Income</i>
Penyaluran Pinjaman	(360.920.800.000)	(340.959.090.000)	<i>Loan Distribution</i>
Penyaluran Bina Lingkungan	(60.964.531.645)	(80.838.885.303)	<i>Community Development Fund Distribution</i>
Dana Pembinaan Kemitraan	-	(6.014.476.847)	<i>Fostering Partnership Funds</i>
Pendapatan Lain-lain	9.071.129.573	9.811.832.358	<i>Other Revenue</i>
Beban Pembinaan	-	(2.289.880.645)	<i>Empowerment Expenses</i>
Beban Administrasi dan Umum	-	(5.584.101.195)	<i>General and Administration Expenses</i>
Pembayaran Beban Sewa	-	(1.436.320.910)	<i>Payment of Rent Expenses</i>
Restitusi kepada Mitra Binaan	(136.981.569)	(52.918.714)	<i>Refund to Foster Partners</i>
KAS NETO DIGUNAKAN UNTUK AKTIVITAS OPERASI	(5.214.517.542)	(44.958.786.105)	NET CASH FLOWS USED TO OPERATING ACTIVITIES
PENURUNAN KAS DAN SETARA KAS	(5.214.517.542)	(44.958.786.105)	DECREASE IN CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS PADA AWAL TAHUN	119.512.444.975	164.471.231.080	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR
KAS DAN SETARA KAS PADA AKHIR TAHUN	114.297.927.433	119.512.444.975	CASH AND CASH EQUIVALENTS AT END OF YEAR