

Stronger, for Your Digital Experience





THEME



Stronger, for Your Digital Experience

The digital era has given rise to various innovations aimed at producing quality digital solutions, accompanied by best customer experience for customers. The increasing dependence of customers on digital services to support their activities has driven digital adoption across all customer segments to rise as well. As a result of this phenomenon, customers are increasingly abandoning the legacy business, which has traditionally been the main focus for telecommunication operators. Telecommunication operators who still depend on the legacy business are becoming increasingly irrelevant to the activities and businesses of their customers.

We realize that the only way to stay strong and still relevant to customers is by delivering quality digital solutions and best customer experience. We are certain that only with strong digital capabilities we can become good partners for our customers in supporting their activities and business operations.

To do so, during 2018 we demonstrated our commitment by consistently improving our digital capabilities in terms of services, infrastructure as well as customer experience. We continued to strengthen and develop digital services that deliver increased convenience, and also assisted customers with digitizing their business processes in order to increase the quality and competitiveness of their businesses. This was shown by the significant growth of our digital business, which has successfully compensated the decline of legacy business. We also strengthened our digital backbone network infrastructure, our fiber optic-based access and high speed cellular, and improved our IT capabilities and capacity from front-end to back-end as well as developing various platforms and applications as enablers. In addition, we have developed digital touch points and leveraged big data analytics and customer insights to ensure that customers are able to enjoy a digital experience.

We believe that our actions and achievements throughout 2018, have strengthened our capabilities as a digital telecommunication operator. We dedicate all of this to our customers by delivering high quality services with best customer experience.

DISCLAIMER

While preparing this Report, Telkom selected and presented material information and data for the investors, the government and other stakeholders. The materials that are used to prepare this Report are derived from reliable documents and sources. Other than historical information and data, this Report also contains Telkom's forward-looking statement such as targets, expectations, estimations, prospects and projections of Telkom's operating performance and business condition in the future. Even after careful consideration and a reasonable presentation of the facts in this report, Telkom realizes that there are risks and uncertainties which may be affected by many factors among other things the economic, social, and political situation in. Therefore, in order to implement good corporate governance, Telkom cannot guarantee that all forward-looking statements made in this Report are entirely correct and accurate and can be fully achieved.

This report is available to download at www.telkom.co.id. Furthermore, Telkom invites all readers to submit questions and suggestions regarding to this Report to: <http://www.telkom.co.id>



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TDX
FEEL THE FUTURE



As a way to contribute to the nation, Telkom has introduced Telkom Digital eXperience (TDX), an interactive medium for the application of future digital technology.

KALEIDOSCOPE 2018



→ January - Inauguration of the **Telkom Integrated Operation Center (TIOC)**, which is an integrated control center for network and service management for customers which operates on a 24/7 basis.



→ February - Telkom in collaboration with Telstra Corporation Ltd (Telstra) formed the **Global Delivery Center (GDC)** in Indonesia to realize a commitment to improve global exposure to Indonesian ICT talents.



→ April - Telkomsel has successfully **registered Prepaid SIM Cards** with a success rate of over 80% by the end of the registration period. This opens opportunities for Telkomsel to improve its service quality to be more in line with customer needs.



→ April - Telin as a Telkom's subsidiary re-held the **Bali Annual Telkom International Conference ("BATIC") 2018** with the theme of Unlocking Opportunities in the Borderless Digital World. BATIC 2018 was an event for sharing innovations, obtaining business opportunities, and collaboration by presenting delegations from various global telecommunications communities.



→ April - Telin Hong Kong inaugurated the **neuCentriX Data Center** which is equipped with world-class facilities and is seamlessly connected to global infrastructure in order to support customers' needs for safety and high-quality data center services.



→ June - IndiHome as the **Licensed IPTV Broadcasters of the 2018 FIFA World Cup** held an event *Nonton Sama-sama* (Nosa) which was held in several Telecommunications Regional Offices (Witel) throughout Indonesia. This event was intended for anyone who wanted to watch World Cup matches.



→ August - **The launch of the Merah Putih Satellite** at Cape Canaveral, Florida played an important role in delivering service connectivity in areas that cannot be reached by fiber optic networks or other infrastructures, especially in the foremost, outermost, and lagging regions.



→ August - With the spirit of 'Win Today, Nation Advance', Telkomsel successfully presented a trial of 5G revolutionary technology at the **Telkomsel 5G Experience Center** in the 2018 Asian Games event.



→ August - Telkom was successful as the **Official Prestige Telco Partner Asian Games 2018** in Jakarta-Palembang through the provision of high-quality Information and Communication Technology (ICT) infrastructure.



ANNUAL MEETINGS
2018 | Indonesia
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP



August - Telkom successfully became a trusted partner by providing high-quality Information and Communication Technology (ICT) services at the **IMF-WB Group 2018** in Bali.



August - Telkom and Pertamina signed a Cooperation Agreement to work together to build a digital system for Public Fuel Filling Stations (SPBU). **SPBU Digitizing** is a step to increase transparency and accuracy of supply data and fuel consumption.



September - In order to commemorate **Hari Pelanggan Nasional (HPN)**, Consumer Director Siti Choiriana visits directly to the customer's home.



September - Telkom has **recovered the telecommunications network** quickly in a number of disaster locations such as Lombok, Palu and Banten.



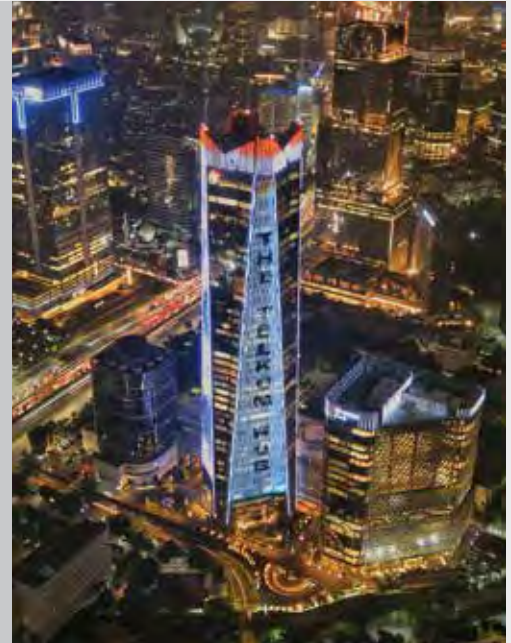
October - Telkom also supported the smoothness of the application of technology and information services at the **Asian Para Games 2018** event 6-13 October 2018.



October - Telkom held the **E-sports Millennials Games Day 2018** Competition. This event is aimed at developing digital gaming innovation in order to encourage the development of the gaming industry in Indonesia.



→ November - **The Telkom Hub Inauguration** was done by the President of Indonesia Joko Widodo. The Telkom Hub is a TelkomGroup office area and a center of excellence and a source of inspiration in order to build Digital Indonesia.



→ November - Inauguration of **taxation data integration** on a host to host basis was completed between the Tax Directorate General of the Ministry of Finance and Telkom.



→ December - **Indonesia Global Gateway (IGG) Operation**, which connects international gateways to the west through SEA-ME-WE 5 and east through SEA-US, was an important milestone for Telkom towards becoming a Global Digital Hub.



→ December - Achieving more than **5 Million IndiHome Customers** by the end of 2018 was a manifestation of Indonesian society's trust in IndiHome which is now serving as the Company's new growth engine.



→ December - Telkomsel was getting stronger as the cellular market leader with **189,081 BTS** at the end 2018, 73% of which are 3G and 4G BTS covering 90% of the population.

PROFILE OF TELKOM AND ITS SUBSIDIARIES

PROFILE OF TELKOM



the world in your hand



Company's Name

PT Telkom Indonesia (Persero) Tbk

Commercial Name

Telkom

Business Fields, Type of Products and Services

Organizing telecommunication and information networks and services, as well as the optimization of the usage of the resources owned by the Company.

Corporate Status

Public Company, State-Owned Enterprise

Ownership

52.09% The Government of the Republic of Indonesia

47.91% Public

Legality

NPWP 01.000.013.1-093.000

TDP 101116407740

SIUP 0029/IUP-UB/X/2017/DPMPSTP

Date of Establishment

November 19, 1991



Address and Contact of Corporate Office

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Social Media

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Instagram : [telkomindonesia](https://www.instagram.com/telkomindonesia)

Twitter : [@telkomindonesia](https://twitter.com/telkomindonesia)



Legal Basis of Establishment

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



Stock Listing

The Company was listed at the Indonesia Stock Exchange (IDX) and New York Stock Exchange (NYSE) on November 14, 1995

Stock Symbol

Indonesia Stock Exchange: TLKM
New York Stock Exchange: TLK

Stock Type

Series A Dwiwarna shares and series B shares

Authorized Capital

1 series A Dwiwarna share
399,999,999,999 series B shares

Issued and Fully Paid Capital

1 series A Dwiwarna share
99,062,216,599 series B shares

Rating

International : Baa1 (stable) from Moody's
BBB (stable) from Fitch
Domestic : AAA from Pefindo



Telkom is the largest telecommunications company in Indonesia with:

- | | | | |
|------------|--|--------------|---|
| 7 | Regional Telkom Offices | 761 | Mobile GraPARI units |
| 61 | Telecommunications areas | 1,142 | Mobile IndiHome units |
| 422 | Plasa Telkom Outlets | 11 | Direct subsidiaries, actively operate |
| 11 | Global offices in overseas (Singapore, Hong Kong, Timor Leste, Australia, Malaysia, Macau, Taiwan, USA, Myanmar, Saudi Arabia and New Zealand) | 1 | Direct subsidiary, not actively operate |
| 11 | GraPARI International in Saudi Arabia, Singapore, Hong Kong, Macau, Taiwan and Malaysia | 21 | Indirect subsidiaries |
| 429 | GraPARI in Indonesia, including 7 GraPARI TelkomGroup in Bandung, Surabaya, Tangerang, Medan and those which are managed by third parties | | |

PROFILE OF SUBSIDIARIES



www.telkomsel.com

PT Telekomunikasi Seluler (Telkomsel) is a cellular operator with the widest network that can reach around 99% of Indonesia's population, with the core business of cellular telecommunications services and the operation of cellular telecommunications networks.

Telkom metra

www.metra.co.id

PT Multimedia Nusantara (Telkom Metra) is an investment company and sub-holding and has expanded to various basic digital services and ICT industries through acquisition, partnership and building a strong business ecosystem.



www.telkomsat.co.id

PT Telkom Satelit Indonesia (Telkomsat) is a company engaged in the satellite telecommunications network infrastructure which has a core business of providing satellite network services for data and the internet.

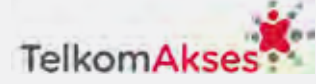


www.pins.co.id

PT PINS Indonesia (PINS) is involved in the business of integrating devices, networks, systems, processes and the Internet of Things (IoT). Its core business is providing various technological, information and communication equipment and IoT facilities.



PT Jalin Pembayaran Nusantara (Jalin) is a company which provides switching and system management for ATM, EDC and Electronic Money services for National Payment Gateways.



www.telkomakses.co.id

PT Telkom Akses (Telkom Akses) is engaged in the deployment and management of fixed-broadband access network infrastructure services, with the core business of fixed broadband access network deployment construction services, managed service & operation maintenance, and fixed broadband access networks.



www.telin.co.id

PT Telekomunikasi Indonesia International (Telin) is a global telecommunications operator that provides telecommunication & IT service solutions overseas. Currently, Telin has 7 subsidiaries which are all overseas.



www.mitratel.co.id

PT Dayamitra Telekomunikasi (Mitratel) is an infrastructure provider for telecommunication towers (tower provider) and its core business includes tower construction and tower management services (collocation & resellers).



www.telkominfra.co.id

PT Infrastruktur Telekomunikasi Indonesia (Telkom Infra) is a company that provides management services in telecommunication and infrastructure solutions both for the domestic and international market. The core business of Telkom Infra is telecommunication infrastructure services and submarine cable management.



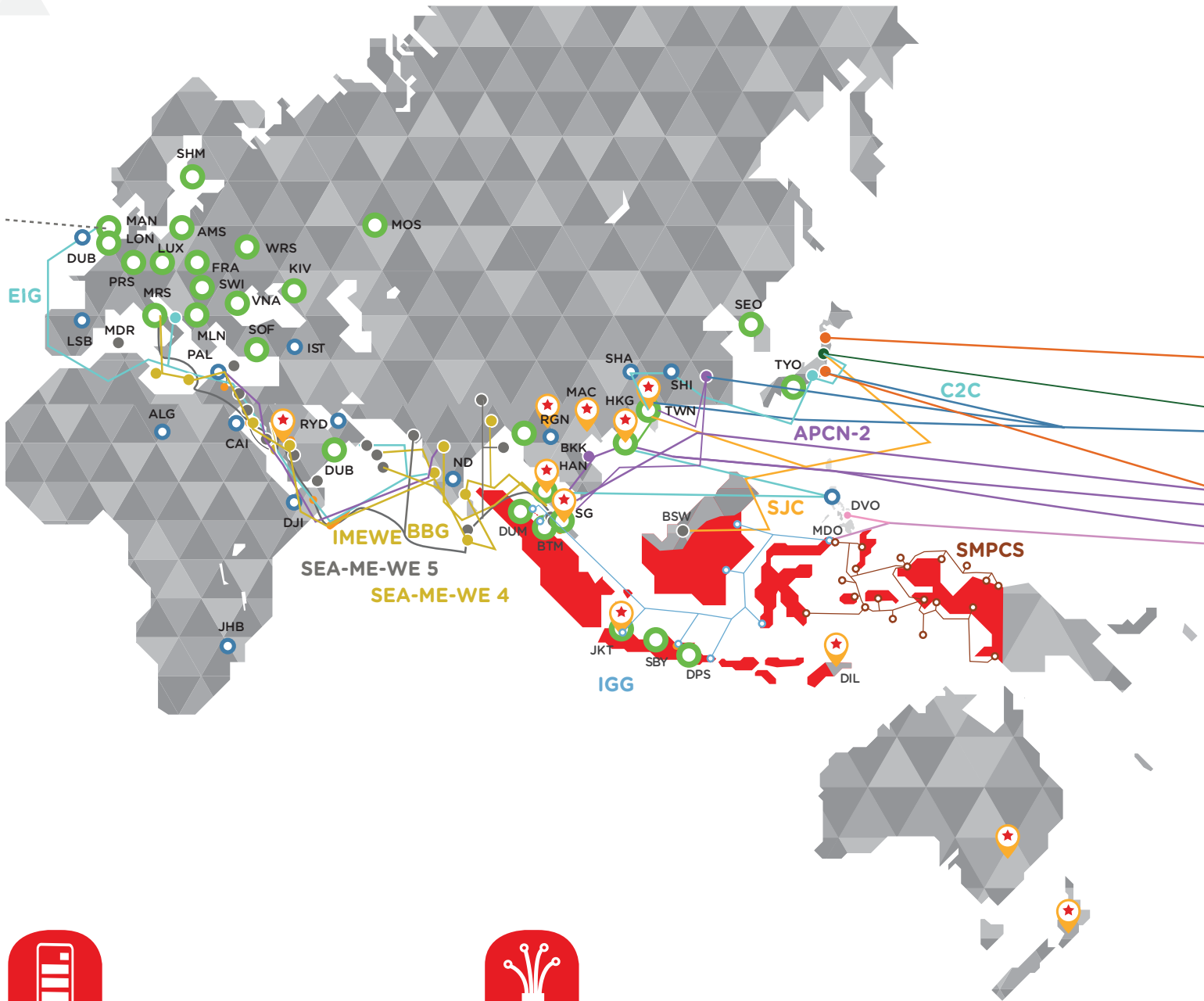
www.metranet.co.id

PT Metranet (Metranet) is an integrated media and digital content provider whose core business is online media, digital content and digital billing.



PT Graha Sarana Duta (Telkom Property) is a property service company that focuses on leverage Telkom's idle assets. Its core business is property management, property development, property lease and property facilities.





id-Con
Indonesia
Digital Convergence

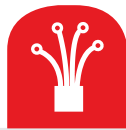
Data Center

22 data centers which consist:

- 5 data centers (overseas)
- 14 data centers neuCentriX (domestic)
- 3 data centers tier 3 and 4 (domestic)

Digital Platform

Big Data & Analytics, API Factory & Internet of Things



id-Ring
Indonesia Digital Ring

Fiber Optic Backbone Network

161,652 km including:

- 96,952 km of Domestic fiber optic
- 64,700 km of International fiber optic

Point of Presence (PoP)

- 46 PoP in domestic network
- 72 PoP in International network

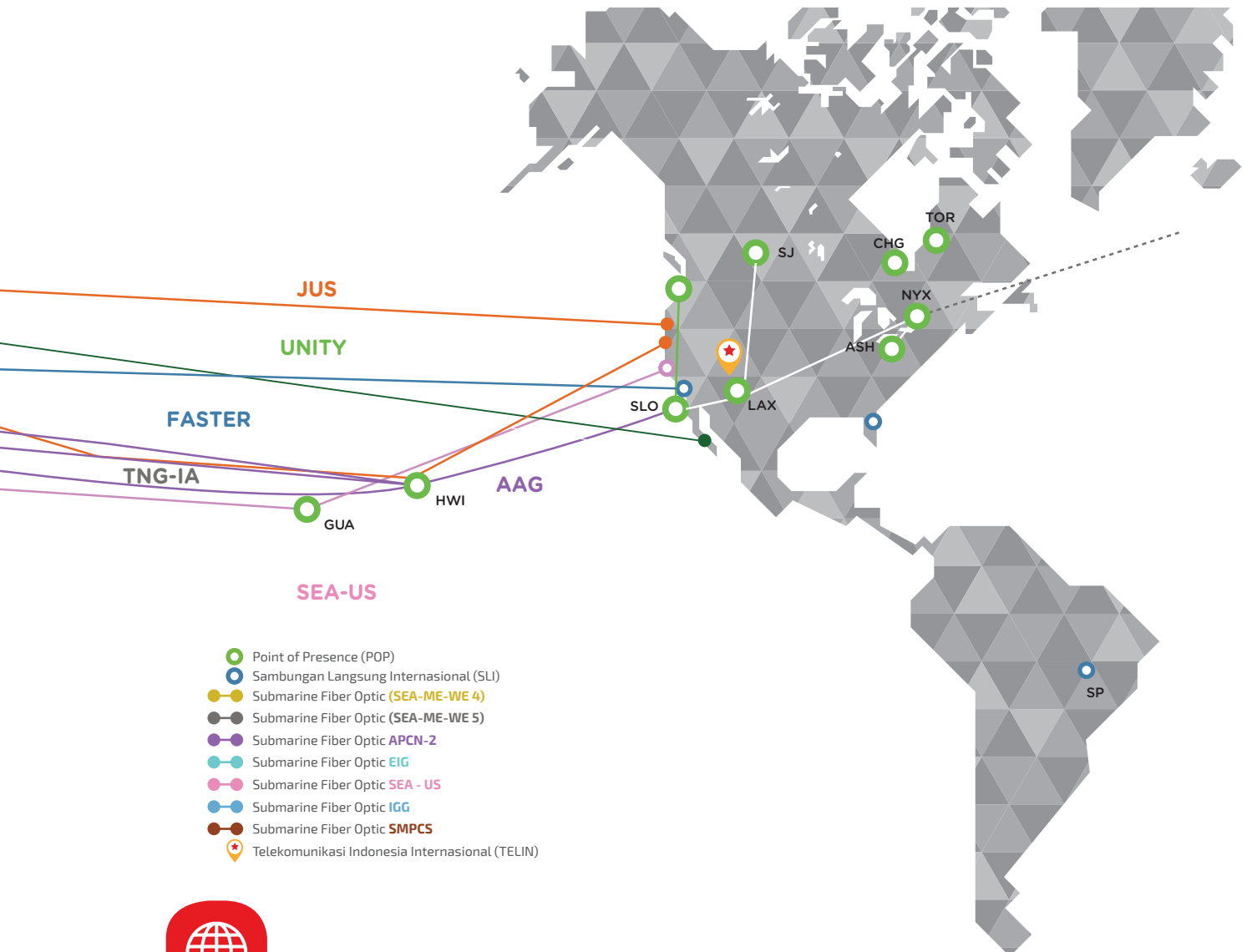
Satellite

3 satellites with total capacity 133 TPE which consist of:

- Merah Putih Satellite (60 TPE)
- Telkom 3S (49 TPE)
- Telkom-2 (24 TPE)

INFRASTRUCTURE

The mission of the Telkom network infrastructure and development program is to develop and maintain an agile and resilient network and IT infrastructure to support the innovation of its digital services.

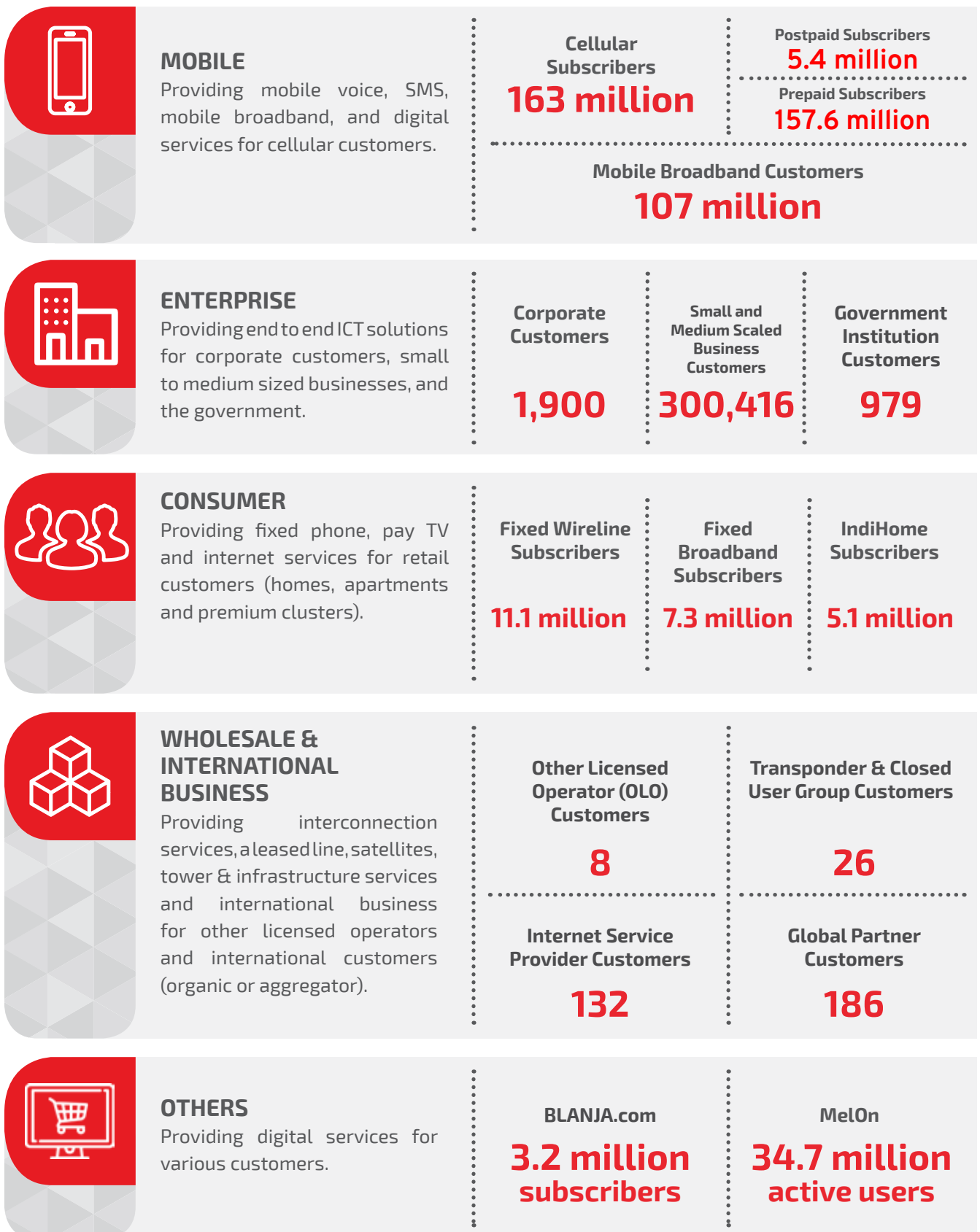


id-Access
Indonesia Digital Access

Mobile Network	Fiber Optic Access Network	Wi-Fi
189,081 BTS: • 50,310 BTS 2G • 82,118 BTS 3G • 56,653 BTS 4G 30,485 towers: • 18,000 Telkomsel towers • 12,485 Mitratel towers	• 268 Telkom Cloud • 30 million Homes Passed • 9.1 million Optical Port	382,361 Access Points: • 136,110 Managed Access Point • 246,251 Homespot

PRODUCTS AND CUSTOMERS

Telkom has four main operating segments that are aligned with its parenting strategy and financial reports which are based on dividing customers into segments.



Note:
The data presented on this page is data up to December 31, 2018.

FINANCIAL DATA OVERVIEW

Consolidated Statements of Comprehensive Income (in billions of Rupiah except for net income per share and per ADS which are represented in Rupiah)	Years ended on December 31,				
	2018	2017	2016	2015	2014
Total revenues	130,784	128,256	116,333	102,470	89,696
Total expenses	93,691	85,362	77,888	71,552	61,564
EBITDA	59,181	64,609	59,498	51,415	45,673
Operating profit	38,845	43,933	39,195	32,418	29,206
Profit for the year	26,979	32,701	29,172	23,317	21,274
Profit for the year attributable to:					
Owners of the parent company	18,032	22,145	19,352	15,489	14,471
Non-controlling interest	8,947	10,556	9,820	7,828	6,803
Total comprehensive profit for the year	31,921	30,369	27,073	23,948	22,041
Total comprehensive profit for the year attributable to:					
Owners of the parent company	22,844	19,952	17,331	16,130	15,296
Non-controlling interest	9,077	10,417	9,742	7,818	6,745
Net income per share	182.03	223.55	196.19	157.77	148.13
Net income per ADS (1 ADS : 100 common stock)	18,203	22,355	19,619	15,777	14,813

Consolidated Statement of Financial Position (in billions of Rupiah)	Years ended on December 31,				
	2018	2017	2016	2015	2014
Assets	206,196	198,484	179,611	166,173	141,822
Liabilities	88,893	86,354	74,067	72,745	55,830
Equity attributable to owner of the parent company	98,910	92,713	84,384	75,136	67,721
Net working capital (current asset - current liabilities)	(2,993)	2,185	7,939	12,499	1,976
Investment in associate entities	2,472	2,148	1,847	1,807	1,767

Capital Expenditure (in billions of Rupiah)	Years ended on December 31,				
	2018	2017	2016	2015	2014
Telkom	13,186	11,572	10,309	9,641	8,099
Telkomsel	13,885	15,080	12,564	11,321	13,002
Others Subsidiaries	6,549	6,504	6,326	5,439	3,560
Total	33,620	33,156	29,199	26,401	24,661

Consolidated Financial and Operation Ratios	Years ended on December 31,				
	2018	2017	2016	2015	2014
Return on Assets (ROA) (%) ⁽¹⁾	13.1	16.5	16.2	14.0	15.0
Return on Equity (ROE) (%) ⁽²⁾	23.0	29.2	27.6	25.0	24.7
Operating Profit Margin (%) ⁽³⁾	29.7	34.3	33.7	31.6	32.6
Current Ratio (%) ⁽⁴⁾	93.5	104.8	120.0	135.3	106.1
Total Liabilities to Equity (%) ⁽⁵⁾	75.8	77.0	70.2	77.9	64.9
Total Liabilities to Total Assets (%) ⁽⁶⁾	43.1	43.5	41.2	43.8	39.4
Debt to Equity Ratio(x) ⁽⁷⁾	0.38	0.32	0.30	0.37	0.27
Debt to EBITDA Ratio(x) ⁽⁸⁾	0.74	0.55	0.53	0.67	0.51
EBITDA to Interest Expense (x) ⁽⁹⁾	16.9	23.3	21.2	20.7	25.2

Remarks:

- (1) ROA is calculated as profit for the year divided by total assets at year end December 31.
- (2) ROE is calculated as profit for the year divided by total equity 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 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 debt (included finance lease) divided by total equity.
- (8) Debt to EBITDA ratio is calculated as debt (included finance lease) divided by EBITDA.
- (9) EBITDA to interest ratio is calculated as EBITDA divided by cost of fund.

STOCK INFORMATION

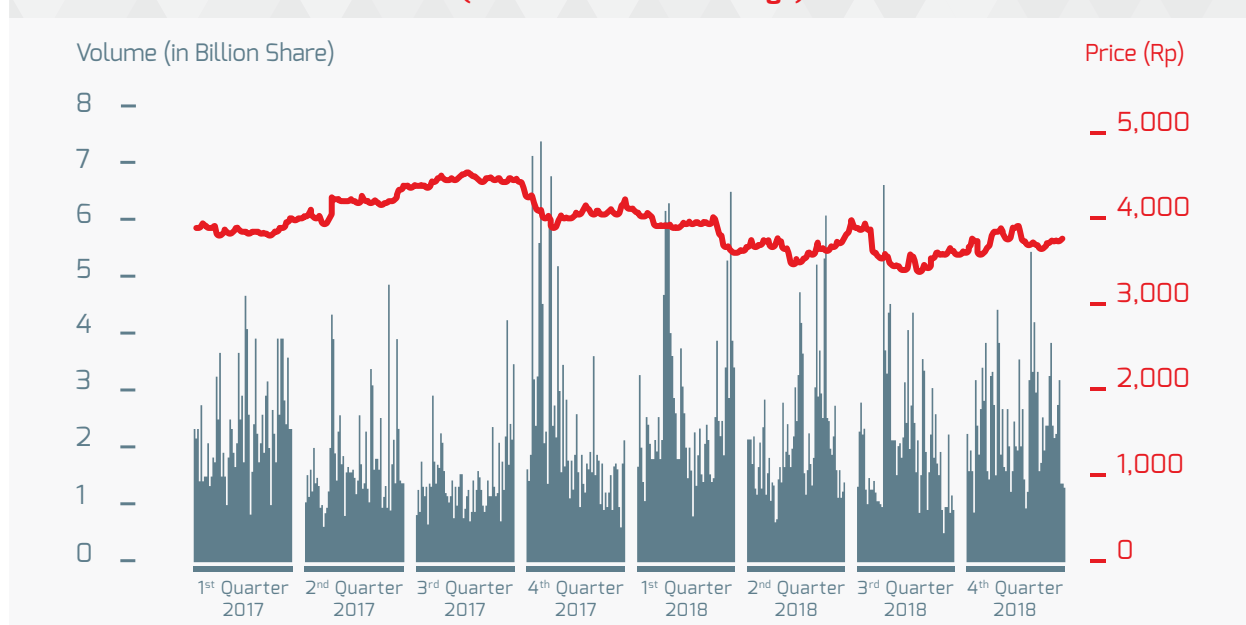
TELKOM'S STOCK INFORMATION AT THE IDX

The following is the report of the highest, lowest and closing share prices, trading volumes, number of shares outstanding and market capitalization of the stock which were recorded at the Indonesia Stock Exchange (IDX) for the periods indicated:

Calendar Year	Price Per Share			Volume (shares)	Outstanding Shares Excluding Treasury Stock	Market Capitalization (Rp billion)
	Highest	Lowest	Closing			
	(in rupiah)					
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
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
2017	4,840	3,780	4,440	21,225,443,500	99,062,216,600	447,552
First quarter	4,190	3,780	4,130	4,560,626,200	99,062,216,600	416,304
Second quarter	4,670	4,010	4,520	4,954,694,500	99,062,216,600	455,616
Third quarter	4,840	4,500	4,680	4,320,051,800	99,062,216,600	471,744
Fourth quarter	4,710	3,910	4,440	7,390,071,000	99,062,216,600	447,552
2018	4,460	3,250	3,750	24,436,003,500	99,062,216,600	371,483
First quarter	4,460	3,520	3,600	6,414,771,900	99,062,216,600	362,880
Second quarter	3,890	3,250	3,750	6,052,816,300	99,062,216,600	378,000
Third quarter	4,110	3,250	3,640	6,605,907,500	99,062,216,600	360,586
Fourth quarter	4,110	3,460	3,750	5,362,507,800	99,062,216,600	371,483
September	3,670	3,250	3,640	1,766,607,400	99,062,216,600	360,586
October	3,910	3,460	3,850	1,995,151,900	99,062,216,600	381,390
November	4,110	3,680	3,680	1,810,267,200	99,062,216,600	364,549
December	3,840	3,610	3,750	1,557,088,700	99,062,216,600	371,483

Telkom's stock price on the last trading day which was December 28, 2018 for the IDX closed at Rp3,750. At that price, Telkom's market capitalization reached IDR371.5 trillion or 5.3% of the total capitalization of the Indonesia Stock Exchange (IDX).

TELKOM'S STOCK INFORMATION AT THE IDX (Indonesia Stock Exchange)



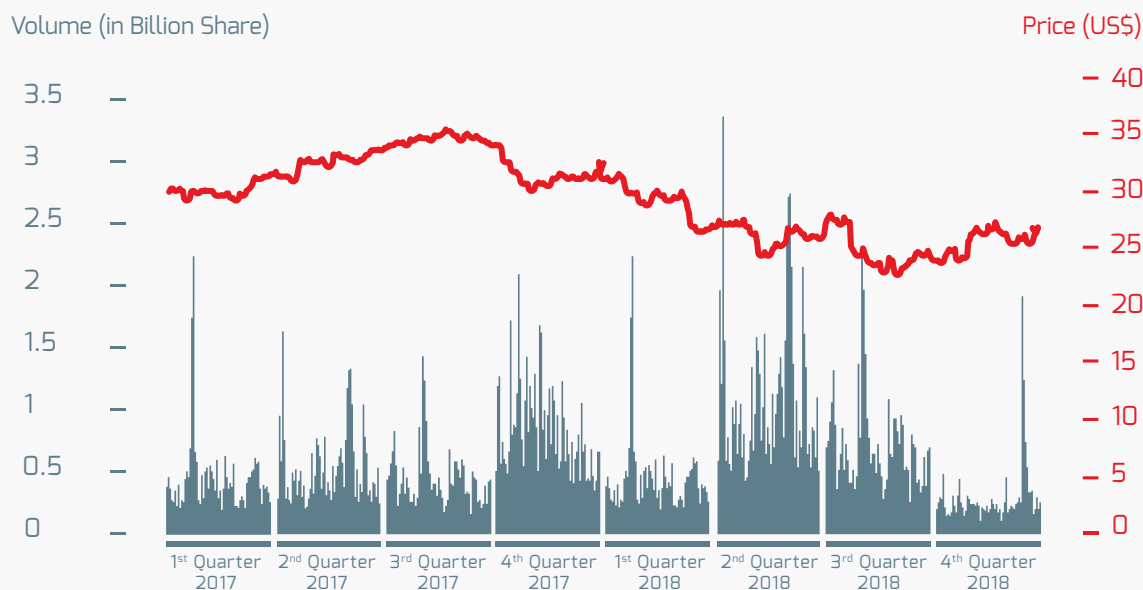
TELKOM'S AMERICAN DEPOSITORY SHARES (ADS) INFORMATION AT THE NYSE

On the last trading day of the NYSE for 2018, which was December 31, the closing for 1 Telkom ADS was US\$26.21. The following is the report on the highest, lowest, closing and trading volume of Telkom's ADS which were listed on the New York Stock Exchange (NYSE) for the period stated:

Calendar Year	Price Per ADS			Volume (ADS)
	Highest	Lowest	Closing	
	(in US\$)			
2014	24.38	16.95	22.62	104,501,896
2015	23.54	17.05	22.20	87,438,232
2016	34.65	21.22	29.16	110,532,172
2017	36.19	28.10	32.22	76,122,383
First quarter	31.34	28.10	31.17	23,813,869
Second quarter	34.45	30.26	33.67	16,694,062
Third quarter	36.19	33.50	34.30	14,436,754
Fourth quarter	34.55	29.15	32.22	21,177,698
2018	32.51	21.75	26.21	98,313,215
First quarter	32.51	25.96	26.42	23,643,043
Second quarter	28.31	23.66	26.01	33,909,842
Third quarter	28.41	21.75	24.48	22,674,248
Fourth quarter	27.70	23.11	26.21	18,086,082
September	24.65	21.75	24.48	5,432,992
October	25.71	23.11	25.20	5,616,490
November	27.70	25.43	25.90	4,416,682
December	27.11	24.74	26.21	8,052,910

Effective October 26, 2016, Telkom changed the Depositary Receipt (DR) from 1 Depositary Shares (DS) representing 200 shares to 1 DS represents 100 shares. The presentation on the table above has accommodated the ratio change.

TELKOM'S STOCK INFORMATION AT THE NYSE (New York Stock Exchange)



CORPORATE ACTION INFORMATION REGARDING STOCKS

Based on the resolution of the AGMS dated April 27, 2018, Telkom's shareholders approved the transfer of the treasury shares totaling 1,737,779,800 shares at a cost of Rp2,541 billion which was provided by reducing the issued and fully paid capital from 100,799,966,400 shares to 99,062,216,600 shares.



→ Annual General Meeting of Shareholders, April 27, 2018



→ Telkom 2018 Public Expose

BONDS, SUKUK OR CONVERTIBLE BONDS AND MEDIUM TERM NOTES (MTN) INFORMATION

Bond	Outstanding (Rp million)	Date of Issue	Maturity Date	Term (Year)	Interest Rate per Annum (%)	Underwriter	Trustee	Rating (Pefindo)
Telkom Bond II 2010 serie B	1,995,000	June 25, 2010	July 6, 2020	10	10.20	PT Bahana Sekuritas; PT Danareksa Sekuritas; PT Mandiri Sekuritas	PT Bank Tabungan Negara (Persero) Tbk	idAAA
Telkom Shelf Registered Bond I 2015 serie 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 Tbk	PT Bank Permata Tbk	idAAA
Telkom Shelf Registered Bond I 2015 serie B	2,100,000	June 23, 2015	June 23, 2025	10	10.25			
Telkom Shelf Registered Bond I 2015 serie C	1,200,000	June 23, 2015	June 23, 2030	15	10.60			
Telkom Shelf Registered Bond I 2015 serie D	1,500,000	June 23, 2015	June 23, 2045	30	11.00			

Medium Term Notes	Currency Principal (Rp million)	Issuance Date	Maturity Date	Term (Year)	Interest Rate per Annum (%) / Annual Return Payment (Rp million)	Arranger	Monitoring Agent	Rating (Pefindo)
MTN I Telkom Year 2018 seri A	262,000	September 4, 2018	September 14, 2019	1	7.25%	PT Bahana Sekuritas, PT BNI Sekuritas, PT CGS-CIMB Sekuritas Indonesia, PT Danareksa Sekuritas and PT Mandiri Sekuritas	PT Bank Tabungan Negara (Persero) Tbk	idAAA
MTN I Telkom Year 2018 Series B	200,000	September 4, 2018	September 4, 2020	2	8.00%			
MTN I Telkom Year 2018 Series C	296,000	September 4, 2018	September 4, 2021	3	8.35%			
MTN Syariah Ijarah I Telkom Year 2018 Series A	264,000	September 4, 2018	September 14, 2019	1	Rp19,000	PT Bahana Sekuritas, PT BNI Sekuritas, PT CGS-CIMB Sekuritas Indonesia, PT Danareksa Sekuritas and PT Mandiri Sekuritas	PT Bank Tabungan Negara (Persero) Tbk	idAAA Sy
MTN Syariah Ijarah I Telkom Year 2018 Series B	296,000	September 4, 2018	September 4, 2020	2	Rp24,000			
MTN Syariah Ijarah I Telkom Year 2018 Series C	182,000	September 4, 2018	September 4, 2021	3	Rp15,000			

02

REPORT OF THE BOARD OF COMMISSIONERS AND DIRECTORS

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Merah Putih Satellite Launching
Photo: courtesy by Space-X

REPORT OF THE BOARD OF COMMISSIONERS



Hendri Sapparini | President Commissioner

“Overall, we assess that throughout 2018, the Board of Directors carried out its duties, functions and roles well in the midst of a challenging industry situation, especially with regard to cellular.”

GENERAL OVERVIEW OF THE MACROECONOMY AND INDUSTRY

Amidst the many challenges of the global economy stemming from the trade war between the United States and China as well as the economic slowdown of several regions, the Indonesian economy was still able record fairly good growth of 5.17%, better than 5.07% in the previous year. The government also managed to keep inflation under control at 3.13%, which relatively maintaining consumer purchasing power. This relatively good economic growth rate was driven by strong household, corporate and government spending, which was catalyzed among others by massive infrastructure development in various fields. The right balance of fiscal and monetary policies, as well as various economic stimulus packages over the past few years, also supported the achievement of decent economic growth.

The telecommunications industry in Indonesia, in particular cellular, also faced heavy pressure from the continuous decline in the legacy business, namely voice and SMS services, which is happening all over the world as smartphone adoption continues to change people’s communication patterns. In addition, the Government also enacted a prepaid SIM card registration program from October 2017 to April 2018 which had a short term impact on the increasingly fierce industrial competition, though in the long term it will deliver large benefits, not only for operators and the cellular industry, but also for the country and society as a whole.

SUPERVISION AND ASSESSMENT OF THE PERFORMANCE OF THE BOARD OF DIRECTORS DURING 2018

The Board of Commissioners supervised the performance of the Board of Directors, to ensure that the steps and strategies taken were aligned with the vision, mission, strategic objectives and pre-determined work programs.

Overall, we assess that throughout 2018, the Board of Directors carried out its duties, functions and roles well, in the midst of a challenging industry situation, especially with regard to cellular. The Board of Directors demonstrated good ability and capability in establishing and executing strategies with regard to both operational and financial aspects, setting priorities and adjusting strategies in accordance with the characteristics of the highly dynamic telecommunications industry.

The success of the operational aspect was demonstrated by the excellent results achieved by the prepaid SIM card registration program that our subsidiary company, Telkomsel, carried out. The number of IndiHome fixed broadband subscribers increased by 72.2% to 5.1 million by the end of 2018. In addition, the infrastructure network within the Company’s framework was continuously improved to provide the best digital experience for customers. During 2018, more than 28,000 new 4G LTE BTS were built, the Indonesia Global Gateway (IGG) submarine cable system was completed, and the Merah Putih Satellite was launched. These achievements were critical in maintaining the momentum of new growth sources that have great future potential.

With regards to the financial aspect, the Board of Directors successfully encouraged our subsidiaries, Telkomsel, to execute their strategies well, and so revenue from Telkomsel decreased by only 4.3%, better than the 7.4% decline experienced by the industry as reflected in the revenue of the 3 main cellular operators in Indonesia. On the other hand, the Board of Directors was able to maintain excellent growth performance in the fixed line business, thus ensuring that the Company’s consolidated revenue continued to record positive growth amounting to 2%. Although EBITDA and Net Profit, which amounted to Rp59.2 trillion and Rp18.0 trillion respectively, decreased compared to last year’s achievement, the Company performed better than other telecommunications operators. This demonstrates that the Board of Directors was able to change its strategy and take the necessary initiatives in response to unfavorable situations.

Apart from these operational and financial achievements, the Board of Commissioners assesses that the Board of Directors has systematically carried out various initiatives in order to improve the Company's digital capabilities, towards achieve the Company's strategic objective to become a digital telco company. These initiatives include strengthening the fiber optic network infrastructure with regard to both backbone and access, strengthening the organization which was transformed based on customer segments into Customer Facing Units (CFU) so as to be more agile and responsive in serving customers, as well as fostering a culture of innovation and conducting inorganic activities to further strengthen the Company's digital capabilities.

The Board of Commissioners appreciates the strong performance of the Board of Directors throughout 2018. We continuously support efforts to support Telkom's continued growth in the midst of challenging conditions towards becoming more resilient and providing the best experience for customers.

In 2018, the Board of Commissioners established several new policies to strengthen its oversight role in order to ensure that the Company is able to continue expanding, but in a prudent manner based on the principle of prudence to protect and safeguard the interests of Shareholders.

OPINION ON BUSINESS PROSPECTS

In general, the Board of Commissioners is of the view that the Company still has good business prospects, with many opportunities that will enable the Company to continue to grow in the future. Equipped with the largest fiber optic infrastructure network and a variety of supporting facilities, the Company is in a leading position to provide the data connectivity services and content that have become an essential need in society, for which demand continues to increase. In addition, we are also strongly positioned to service the trend of business processes digitalization among both large and small enterprises as they strive to increase efficiency or grow their businesses.

In the Mobile segment, digital business services, including digital service & solutions, will be the main drivers of growth in line with expanding smartphone usage. In addition, we hope that the cellular industry will fare better in 2019, with the successful prepaid SIM card registration program encouraging healthier competition.

In the Consumer segment, IndiHome is expected to be the main driver of growth as demand for high-quality fixed broadband services is still very high and growth opportunities are still wide open, given the relatively low penetration of fixed broadband services in Indonesia at around 12%.

In the Enterprise segment, there is a rising trend among corporations, government institutions, and Small and Medium Business (SMB) of adopting integrated ICT solution services in order to increase efficiency, which will provide opportunities for the Company to keep growing this segment.

Meanwhile in the Wholesale & International Business segment, the Company's success in completing the Indonesia Global Gateway (IGG) marine cable strategic project that connects the SEA-ME-WE5 submarine cable with the SEA-US submarine cable system, as well as the successful launch of the Merah Putih satellite, will create larger business opportunities for the Company.

Besides organic growth, the Board of Commissioners also supported the Board of Directors in actively exploring inorganic initiatives that can deliver added value and create synergies for the Company.

ASSESSMENT OF THE PERFORMANCE OF COMMITTEES UNDER THE BOARD OF COMMISSIONERS

In carrying out its supervisory function, the Board of Commissioners is assisted by 3 (three) committees, namely the Audit Committee, Nomination and Remuneration Committee (KNR) and the Planning and Risk Evaluation and Monitoring Committee (KEMPR). Throughout 2018, the Board of Commissioners assessed that these three Committees had worked well in providing recommendations to the Board of Commissioners, so that the oversight mechanisms for the Board of Directors could run well.

During 2018, the Nomination and Remuneration Committee (KNR) held 44 meetings and produced various important recommendations regarding changes and remuneration of the Telkom Board of Directors. Meanwhile, the Audit Committee (KA) conducted 26 meetings in 2018, with its main activities consisting among others of supervising Integrated Audits for the 2018 fiscal year, as well as the plans and implementation

of the Internal Audit Unit work programs. The Audit Committee also monitored the audit process of the Partnership and Community Development Program (PKBL) carried out by the Community Development Center (CDC) unit for the 2018 fiscal year. In addition, the Audit Committee carried out its responsibilities to review complaints received through the Whistleblowing System (WBS).

The Planning and Risk Evaluation and Monitoring Committee (KEMPR) held 10 committee meetings, 15 technical meetings to evaluate the Company's 2018-2022 Long Term Plan (RJPP) and compile the 2019-2023 RJPP as well as evaluate any actions of the Board of Directors that require approval from the Board of Commissioners. In addition, the KEMPR assisted the Board of Commissioners in reviewing the Board of Directors' strategic plans throughout 2018. KEMPR also monitored the Company's Work Plan and Budget (RAKP) and capital expenditure in 2018 and prepared the RAKP for 2019. In terms of risk management, KEMPR has supervised Telkom's risk management activities including the aspects of risk mitigation, risk control effectiveness, and risk management monitoring.

We encourage all members of the Committees to continuously improve their abilities and broaden their horizons in the telecommunications industry and finance, so that they can better assist the Board of Commissioners in carrying out its supervisory function of the Board of Directors.

APPLICATION OF SUPERIOR CORPORATE GOVERNANCE IN TELKOM

We uphold the values of good corporate governance (GCG), and view the application of best practices as critical to supporting the achievement of long-term, sustainable performance for the Company. Therefore, this aspect is one of the areas that the Board of Commissioners focuses on supervising.

Best practices in risk management are greatly needed in order to be able to identify potential risks that may arise. The Board of Commissioners always plays an active role in monitoring and giving suggestions on the risks faced by the Company. The Board of Commissioners judges that throughout 2018 the Board of Directors has implemented GCG practices effectively and consistently with high standards, by upholding the values of transparency, accountability, responsibility, independence and fairness.

It is also our assessment that the implementation and management of Whistleblowing Systems (WBS) in Telkom are running well. The WBS plays a role in helping us supervise potential fraud and policy irregularities as well as violations of internal regulations, including in subsidiaries. The Board of Commissioners actively monitors and makes policy decisions in the cases reported through the WBS.

During 2018, we received 24 complaints of which 5 complaints were assessed as being worthy of further investigation.

CHANGES IN THE COMPOSITION OF THE BOARD OF COMMISSIONERS

In 2018, there was a change in the composition of the Company's Board of Commissioners. The 2017 Annual GMS resolved to honourably discharge Mr. Hadiyanto, and confirmed the dismissal of Mrs. Devi W Suradji who, since December 22, 2017, is no longer serving as a Commissioner of the Company after being appointed to the PT Angkasa Pura 1 Board of Directors. Besides that, Mr. Dolfie Othniel Fredric Palit is no longer serving as a Commissioner after being appointed as a permanent legislative candidate on September 20, 2018.

The following is the composition of the Company's Board of Commissioners as of December 31, 2018:

Hendri Saparini	: President Commissioner
Rinaldi Firmansyah	: Commissioner
Edwin Hidayat Abdullah	: Commissioner
Isa Rachmatarwata	: Commissioner
Margiyono Darsasumarja	: Independent Commissioner
Pamijati Pamela Johanna Waluyo	: Independent Commissioner
Cahyana Ahmadjayadi	: Independent Commissioner



From Left to Right

Isa Rachmatarwata (Commissioner), Edwin Hidayat Abdullah (Commissioner), Hendri Saparini (President Commissioner), Cahyana Ahmadjayadi (Independent Commissioner), Pamijati Pamela Johanna Waluyo (Independent Commissioner), Margiyono Darsasumarja (Independent Commissioner), Rinaldi Firmansyah (Commissioner).

APPRECIATION TO STAKEHOLDERS AND CLOSING

In closing, the Board of Commissioners conveys its highest gratitude and appreciation to the Board of Directors, management and all employees for their support and cooperation during 2018. Hopefully the cooperation and synergy that has been established can be continuously improved so as to achieve better performance in future.

We also express the same gratitude and appreciation to all shareholders, customers, business partners, and other stakeholders for the support given to Telkom throughout 2018.

We hope that the collaboration and synergy with all stakeholders can be sustained in the future, so that Telkom can continuously improve its performance in the future.

Jakarta, April 30, 2019



Hendri Saparini
President Commissioner

REPORT OF THE BOARD OF DIRECTORS



Alex Janangkih Sinaga | President Director

“Stronger, for Your Digital Experience”

The increasingly concrete influence of the digital era has been marked by the emergence of many innovations that are aimed at producing a variety of quality digital solutions for society, accompanied by best customer experience for users. These conditions have driven rising digital adoption across all customer segments when carrying out their activities, resulting in the irrelevance and abandonment of the legacy services that are the main source of income for telecommunication operators. This is a serious threat but at the same time, also poses an opportunity for telecommunication operators to accelerate their transformation into becoming Digital Telecommunication Companies by focusing on providing high-speed connectivity and digital services.

In response, Telkom has continued to strengthen its digital capabilities with regard to its services, infrastructure and digital customer experience. In terms of services, Telkom is strengthening and developing digital services in accordance with customer demand, while also increasing business competitiveness. Telkom fully understands that customers, especially in the Mobile and Consumer segments, need a variety of quality digital services so that they can carry out various activities easily, comfortably and pleasantly. As for the Enterprise segment, Telkom provides various services to digitize their business processes so that they can be more efficient, more competitive and create high value. To support these services, Telkom continues to strengthen its digital infrastructure which includes broadband backbone networks, fiberoptic-based access networks, launching the Merah Putih satellite, expanding 4G LTE cellular networks in urban and rural areas, increasing IT capability and capacity from front-end to back-end, and developing various platforms and applications as enablers of digital solutions and services. As for customers' digital experience, Telkom continues to develop digital touch points, personalize services through the utilization of customer insights and analytical data, and simplify processes to provide the best digital experience for all customers.

We believe that our actions and achievements throughout 2018, which we will describe in further detail, have strengthened Telkom's capability as a Digital Telecommunication Company to meet customer demand and provide the best digital experience.

COMPANY PERFORMANCE IN 2018

In 2018, the Company recorded consolidated revenue for 2018 amounting to Rp130.8 trillion with positive growth of 2.0%, lower than revenue growth in 2017. This was mainly due to a 21.1% decline in the legacy business. However, the Company's digital business revenues, which include broadband connectivity and digital services, grew significantly by 23.1%. With these results, the contribution of digital business in 2018 increased to 63.0% from 52.1% in 2017. This encouraging digital business revenue growth enabled the Company to compensate on a consolidated basis for the decline in legacy business revenue during 2018. These achievements also show that the Company is on the right track to become a Digital Telecommunication Company, one that is strongly committed to continuously strengthening its digital business capabilities to serve customers' various digital service needs.

In 2018, the Company's Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) decreased by 8.4% to Rp59.2 trillion, which was due among others to a 12.5% increase in operating expenses to Rp71.6 trillion, in line with investment in both mobile and fixed line broadband infrastructure development. Infrastructure development, especially broadband infrastructure, is very important in order for the Company to effectively anticipate the decline of the legacy business while accelerating higher contribution from the digital business and ensuring best digital customer experience.

In line with the decline in EBITDA, the Company's Net Profit for 2018 fell by 18.6% to Rp. 18.0 trillion, or by 13.7% if excluding the positive impact of asset revaluation on Net Profit in 2017.

In the Mobile segment, the 3 (three) main operators experienced an increasingly drastic decline in the legacy business of around 21%. On the other hand, mobile data services saw fierce competition which was triggered by intense price wars during the prepaid SIM card registration period. Both these factors caused the total revenue of the 3 (three) major operators to decrease by 7.4%. Telkomsel has taken the initiative to prevent industrial conditions from becoming increasingly unhealthy by encouraging reasonable and affordable pricing of mobile broadband data packages, in order to provide optimal value for both operators and customers. In addition, Telkomsel also made efforts to push back against the decline of the legacy business caused by OTT services, including by offering voice packages and SMS package programs. As a result of these efforts, Telkomsel managed to hold its revenue decline to only 4.3%, better than the 7.4% decline in the total income of the 3 (three) main operators.

The prepaid SIM card registration program limits the number of prepaid SIM cards for each customer and so that by the end of 2018, the number of Telkomsel customers had decreased by 17% to 163.0 million customers. In the short term this prepaid SIM card registration program has had a negative impact on the cellular industry, but we believe that in the long term this program will greatly benefit the country, the telecommunications industry and customers. This program will assist the government in supporting national security by providing more complete and better validated citizen identity data. As for the telecommunications industry, in particular cellular, it is hoped that this will encourage healthier and more efficient competition as it focuses on sales of refill packages rather than the sale of starter cards. In addition, by knowing its customer profiles more accurately, operators can more creatively offer the right service packages in accordance with customer profiles and needs.

To improve its digital capabilities, besides developing digital services such as music, games, video and financial technology, Telkomsel also continued to strengthen its broadband infrastructure by building 28,376 new BTS all of which were based on 4G LTE technology, so that by the end of 2018 4G LTE coverage reached more than 90% of the population. As a result, data traffic grew sharply by 101.7% to 4.3PetaBytes and Average Revenue Per User (ARPU) for mobile data services increased by 15.9%.

The Enterprise segment which includes large corporate customers, Small and Medium Businesses (SMBs) and government institutions, provides end-to-end ICT solutions that include connectivity, IT services, data centers & cloud, business process outsourcing, digital solutions and other support services. In 2018, the Enterprise segment recorded revenue growth of 10.1% to Rp21.1 trillion. The main driver of revenue growth was IT Services, which grew by 48.2%, in line with growing customer demand in the Enterprise segment to digitize their business processes so that corporate customers become more competitive and SMBs can develop further, while government institutions at both central and regional can improve their public services.

In the Consumer segment, IndiHome, which is an integrated fiber-optic network service package that includes home telephone services, high-speed internet, and interactive television services with IPTV technology, recorded excellent performance. The number of IndiHome customers grew by 72.2% to 5.1 million customers at the end of 2018 from 2.96 million customers at the end of 2017. This achievement further strengthened IndiHome as the market leader in fixed broadband business in Indonesia, with a market share of around 80%. As a result, IndiHome recorded revenue growth of 66.9% and contributed 82.9% to the Consumer segment, up from 62.2% in the previous year, which in turn drove Consumer segment revenue to increase by 25.1% to Rp13.9 trillion.

The Wholesale and International Business segment, which includes telecommunications operators, internet service providers and both domestic and global digital players, provides a variety of services consisting of carrier services, telecommunications tower services and managed telecommunications services. This segment recorded revenues of Rp10.1 trillion with a growth of 35.6%, up from Rp7.4 trillion in 2017. The contribution of the digital business to this segment increased to 57% in 2018 from 53% in 2017.

Total capital expenditure in 2018 amounted to Rp 33.6 trillion or 25.7% of revenue. Capital expenditure is mainly used to expand digital capabilities by continuing to build broadband infrastructure including 4G LTE BTS, fiber optic access networks to homes, submarine and terrestrial fiber optic backbone networks, the Merah Putih Satellite and Data Center & Cloud. At the end of 2018, Telkom had a total of 189,081 BTS units including 138,771 3G and 4G units, and a 161,652 km-long fiber optic backbone network.

In 2018, we built fiber optic backbone networks to connect 13 district capitals and capital cities, so that as of the end of 2018, Telkom had successfully connected a total of 458 district capitals with the fiber optic backbone network, which is expected to increase broadband access and stimulate ICT services in all areas of Indonesia. Meanwhile, with the launch of the Merah Putih Satellite in August 2018, Telkom operates 3 satellites with a total capacity of 133 transponder equivalent (TPE) to meet demand for transmission from various customers in the banking, media electronics, transportation and mining sectors, especially in areas with no fiber optic coverage. We have carried out this continuous investment in order to strengthen the Company's capability in accelerating the growth of the digital business and providing the best digital experience for customers.

STRATEGIC WORK PROGRAM

In 2018 the Company established 3 (three) strategic programs, namely: first, Delivering Best Customer Experience; second, Expanding Digital Business; and third, Intensifying Smart Inorganic Initiatives.

Delivering Best Customer Experience

In the midst of the intense competition in the telecommunications industry, delivering best customer experience is a non-negotiable requirement. The ability to deliver best customer experience, such as understanding customer needs early on and providing services that exceed customer expectations, will enhance customer engagement and open up new business opportunities. To that end, the Company continuously strives to deliver incredible digital experience in every customer journey. The Company provides digital touch points that facilitate interaction, buy products and services, and support various other facilities from submitting complaints and service upgrades to make payments. For each customer journey, the Company measures the customer experience using the Net Promoter Score (NPS) as a global standard. The NPS information is then used to improve customer experience when using services and improve the quality of products and services.

Simultaneously, the Company also intensively applies analytical data to develop unique products and services that are aligned with customer needs, and strengthen business processes towards demand fulfillment and resolving customer complaints. We have also developed a new Customer Relationship Management (CRM) application, which we call New Customer Experience (NCX), which enables Telkom to obtain and integrate information such as historical data and customer preferences to deliver best customer experience.

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- 3 About Telkom
- 4 Analysis and Discussion
- 5 Corporate Governance
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- 7 Partnership and Community Development Program
- 8 Appendices
- 9 Consolidated Financial Statements

On the internal side, Telkom continues to strengthen customer segment based organizations or Customer Facing Units (CFU) as its go-to-market strategy to ensure engagement with customers. Agile organization and work patterns continue to be developed in order to increase work efficiency and effectiveness and accommodate the spirit of innovation and collaboration as part of the digital culture to ensure best digital customer experience as an important focus of the Company.

Expanding Digital Business

In the midst of the continuously declining legacy business, the Company's strategy is to strengthen and enhance its digital business, including the digital connectivity and services that are increasingly needed by customers. Therefore, the Company continues to expand and accelerate its digital business by strengthening its digital capabilities. Various initiatives have been carried out to accelerate the growth of digital business, in line with the expansion of backbone network infrastructure and broadband network access throughout Indonesia.

In the Mobile segment, Telkom has developed digital advertising, mobile banking, internet of things (IoT) and mobile financial services, in addition to digital lifestyle services that focus on providing cellular technology-based entertainment experiences such as music, video streaming, games, and other value added services (VAS) mobile service platforms. In the Enterprise segment, we provide end to end digital solutions for corporate customers, Small and Medium Business (SMB) and government institutions including connectivity, IT Service, data center & cloud, business process outsourcing, digital solutions and other support services. In the Consumer segment, IndiHome has been further enriched through more high-speed package choices, more of TV / Video channels, games, a variety of attractive minipack choices, and the monetization of digital inventory for digital advertising. Subsequently in the Wholesale and International Business segment, we provide digital connectivity including data centers for service providers and digital players, both domestically and globally. In addition, we have also developed a variety of other digital services such as e-commerce and digital lifestyle that can be used by all other customer segments.

Intensifying Smart Inorganic Initiatives

Inorganic activities are an important part of strengthening the Company's digital capabilities. Inorganic strategies are carried out both through acquisitions and through collaborations or partnership with other parties who have superior digital capabilities. Inorganic initiatives aim to create added value by enhancing digital capabilities, strengthening the digital service ecosystem and other businesses that can deliver value synergies in the group.

In January 2018, through its subsidiary PT Metranet, the Company acquired 30.4% of Cellum Global Zrt's shares, in order to improve digital capabilities, especially in the digital payment field. The presence of Cellum Global Zrt is expected to strengthen the back-end of the Company's digital payment platform.

In April 2018, through its subsidiary PT Multimedia Nusantara, the Company acquired a 51% stake in PT Swadharma Sarana Informatika, which engages in the business of managed service for ATMs. Subsequently in December 2018, through its subsidiary PT Sigma Cipta Caraka, the Company acquired 70% of the shares of PT Collega Inti Pratama which provides ICT solutions for banks and financial institutions. These two acquisitions are expected to strengthen the Company's digital payment businesses ecosystem and improve its ICT competencies in the banking and insurance financial sector.

In September 2018, the Company through its subsidiary PT Metranet collaborated with Oona, a digital company based in Hong Kong, to launch a advertising-based mobile video streaming service which is expected to strengthen the Company's video service capabilities.

BUILDING A DIGITAL CULTURE

As part of the company's transformation, the Company has developed its human resources with a digital culture that refers to The Telkom Way as belief system which contains the Philosophy to Be the Best, Principles To Be the Star and Practices To Be The Winner.



Sit

Alex Janangkih Sinaga (President Director)

From Left to Right

Zulhelfi Abidin (Director of Network & IT Solution), David Bangun (Director of Digital & Strategic Portfolio), Harry Mozarta Zen (Director of Finance), Abdus Somad Arief (Director of Wholesale & International Service), Dian Rachmawan (Director of Enterprise & Business Service), Siti Choiriana (Director of Consumer Service), Herdy Rosadi Harman (Director of Human Capital Management)

In order to build a digital culture, Telkom has made fundamental changes regarding its organization and work culture. The functional, hierarchical organization was transformed to become flat and flexible. In this organization, new working models and methods have been implemented that differ from the previous work methods, which resembled a supply chain and was therefore less responsive to rapid change. The new work model and method has been implemented in the form of "tribe" and "squad" organizations, which are cross-functional and cross-expertise teams that work together using agile methods to develop products by involving users in every product development decision. With this new model and way of working, every innovation and change needed to meet users' needs can be quickly carried out. This startup model and work method is relevant to building digital products, which are highly uncertain. However, this change also requires the Company to provide digital talents with superb abilities in developing digital product innovations.

The Company provides the Digital Amoeba Program and the Indigo Program to accommodate digital product innovation activities as well as talent development. Digital Amoeba is an employee innovation program, while the Indigo Program is an innovation development program that involves innovators from outside the company and also comprises Telkom's contribution to developing Indonesian digital startups and talents. In the Digital Amoeba Program, every employee is encouraged to contribute his or her best ideas for digitalization and digital product development. Every employee whose idea is chosen is given the opportunity to realize it using the best innovation methods, namely design sprint, lean and agile methodology and growth hack capability to accelerate the innovation process. Equipped as such, employees are selected to work collaboratively in squads and tribes. To support the development of digital talent or digital startup outside the Company, Telkom holds Indigo Programs twice a year in order to give opportunities for talent to convey their best digital ideas. The Company provides opportunities to selected talents and startups, and supports them in realizing their ideas. The startups will also be directed to collaborate with the related Digital Amoeba tribes to accelerating innovation.

Telkom has implemented a digital culture through the Digital Workstyle and Open Space concepts. Digital Workstyle refers to new working methods that are paperless, wireless, seamless and riskless while Open Spaces stand are associated with unassigned desks, collaborative spaces and warm ambience so as to increase work effectiveness and efficiency while maintaining worklife integration. The digital work environment is also equipped with tools to support more agile work methods, among them Diarium which is a human capital administrative process platform, Esperantum as a work collaboration platform, and Cognitium which supports the employee competency development.

ASSET LEVERAGE PROGRAM

Telkom's digital transformation, among others through the modernization of production device technology, has reduced the need for space, and therefore Telkom has implemented the Asset Leverage Program to optimize the unused space. The Asset Leverage program focuses on increasing cost efficiency and increasing additional contributions to the Company's revenue. These assets were utilized among others for "Carrier-Neutral Data Center", as office space for subsidiaries that were renting from third parties, and commercial collaborations, whether with subsidiaries or other entities. The increase in efficiency is evident in the utilization from 2016 until the end of 2018 of 113,885m² in property assets by various Telkom Group entities which had previously leased from third parties. In 2018, Company succeeded in recording revenues of Rp324 billion from commercial utilization of these assets with other parties.

IMPLEMENTATION OF IFRS 9 AND IFRS 15

Telkom, as the only company in Indonesia listed on the New York Stock Exchange, has fully applied International Financial Reporting Standards (IFRS) accounting standards since 2011. In line with developments in accounting standards, the Company has fully implemented IFRS 9 and IFRS 15 IFRS to its financial statements for the 2018 Fiscal Year by developing and strengthening its IT Systems and improving its business processes in accordance with the Sarbane Oxley Act. At present the Company is also preparing for the application of IFRS 16 which goes into effect starting in the 2019 Fiscal Year.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES AS WELL AS PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAMS

As an entity that is inseparable from society, we always strive to realize social responsibility towards society and the environment. "Telkom Indonesia for Indonesia" as the theme of implementing social responsibility. The Company has 3 (three) pillars covering the Digital Environment, namely the provision of digital facilities to support and connect various community activities, Digital Society to empower communities through education on using digital services to facilitate everyday activities, and the Digital Economy, which offers support for micro, small and medium enterprises, especially in the creative industry, in the form of training to "go digital", "go online", "go global" and organize exhibitions of SME products.

As a State-Owned Enterprise (BUMN), the Company also conducts the Partnership and Community Development Program (PKBL) in the form of programs to improve the welfare and social life of the community and is guided by the Regulation of the Minister of SOEs of the Republic of Indonesia. Since 2018, the Partnership Program has channeled funds amounting to Rp279.98 billion to 7,498 Development Partners in the industrial, trade, agriculture, livestock, plantation, fisheries and services sectors as well as other sector. Meanwhile, the Community Development Program realized IDR 105.88 billion covering 7 fields, namely natural disaster assistance to victims, educational assistance, health improvement assistance, infrastructure development facilities, assistance for religious facilities, assistance for nature conservation, and community social assistance to eradicate poverty.

DEVELOPMENT OF CORPORATE GOVERNANCE IMPLEMENTATION

The implementation of good corporate governance (GCG) is the foundation for Telkom's efforts to maintain stakeholder trust and develop its business. Telkom has therefore implemented sustainable risk management by carrying out the five main principles of governance and the eight principles of corporate management in accordance with Publicly Listed Companies Governance Implementation Guidance from the Financial Service Authority (FSA).

In 2018, the Indonesian Institute for Corporate Directorship (IICD) assessed 200 issuers with the largest market capitalization on the Indonesia Stock Exchange, using the Corporate Governance Scorecard from the Organization for Economic Co-operation and Development Principle. In this assessment, Telkom successfully won "The Best State Owned Enterprise" in the Big Capitalization category. This shows that Telkom has carried out good corporate governance transparently, with adequate accountability.

DESCRIPTION OF BUSINESS PROSPECTS

The Company believes that there are still highly promising opportunities for growth in the future. Connectivity and digital services have now become basic needs, both in small towns and rural areas. Whereas for businesses and government institutions, digital services have become an important requirement in maintaining and developing their businesses, as well as improving service to the public. With all its infrastructure and facilities, the Company is in a leading position to realize these opportunities towards ensuring sustainable growth in the future.

In the Mobile segment, there are 3 (three) focused areas on business opportunities, they are increasing the growth potential of High Value Customers, mobile solution services for enterprise, and developing various digital services such as mobile financial services, games and videos. At present, High Value Customers contribute significantly to Telkom's revenues. To provide the best experience towards maintaining loyalty and simultaneously increase the number of High Value Customers, we use big data analytics to conduct profiling in order to provide a variety of quality services in line with High Value Customer needs. We also continued to develop services-as-a-solution for the Enterprise segment including Mobile Security, NB-IoT and other digital cellular solutions that utilize the Telkom's myBusiness product portfolio. Meanwhile in terms of digital lifestyle services, we are focused on providing lifestyle experiences such as digital music, video, and games. In May 2018, we launched the MAXstream platform and became a one-stop video portal by combining OTT Video apps, linear channels and VOD content. We also offer a complete digital game ecosystem and released our first game, "Shellfire", in October 2018 under the *Dunia Games* brand.

The rising use of smartphones, which at the end of 2018 has reached 66% of Telkomsel customers, will drive data consumption for digital services and solutions. The average data consumption of Telkomsel's customer is around 4 Gigabytes per month, still lower than the data consumption of various operators in other countries such as Malaysia, Thailand and India where data consumption has reached more than 10 Gigabytes per month.

In the Enterprise segment, opportunities to increase business growth are still wide open. We believe that the trend of business process digitization will continue to strengthen in the corporate segment, as well for government institutions at both central and regional level. In addition, the penetration of ICT services in Small and Medium Businesses (SMBs) is still relatively low. We believe that as a provider of ICT services, our presence can support business development in the SME segment and simultaneously create market opportunities for us to grow together. We are also actively exploring opportunities to enhance our digital capabilities through inorganic activities so as to strengthen our integrated digital services.

In the Consumer segment, the opportunity to continue to grow is still wide open. At the end of 2018, the penetration of fixed broadband services in Indonesia is still relatively low at around 12%, whereas the number of middle class households is still growing. In addition, the level of competition is also relatively low because fixed broadband service providers require relatively high capital expenditure.

In the Wholesale & International Business segment, the Company has successfully completed the construction of the Indonesia Global Gateway (IGG) submarine cable project which stretches for approximately 5,400 km, connecting the South

East Asia – United States (SEA-US) submarine cable system and the South East Asia – Middle East – Western Europe5 (SEA-ME-WE5) submarine cable system, and simultaneously integrating SEA-US and SEA-ME-WE5 with a fiber optic domestic backbone that covers almost all of the district capitals in Indonesia, thus positioning Telkom as a Global Digital Hub offering alternate direct broadband connectivity between Europe, Asia and the Americas quickly and efficiently. As a Global Digital Hub, the Company will also develop data centers, cloud, content and platforms that target the Carrier, Internet Service Provider, Digital Players and Enterprise segments in both the domestic and international markets.

PERFORMANCE TARGETS IN 2019

In 2019, the Company is committed to continue striving to achieve healthy growth and good profitability. Therefore, the Company has formulated 3 main programs in 2019, namely:

1. First, *Embracing Best in Class Digital Customer Experience*, which is transforming best customer experience by optimizing business processes through strengthening the systems, process and people.
2. Second, *Intensifying Digital Business*, namely expanding broadband connectivity and encouraging digital services and solutions to maintain market dominance, and
3. Third, *Driving Smart Initiatives on Cost Effectiveness*, which is to optimize costs by emphasizing organizations, systems and business processes that are more streamlined and draw on the capabilities of the group to improve profitability.

With good execution of these programs, we believe that in 2019 the Company will be able to grow above the industry average.

CHANGES IN THE BOARD OF DIRECTORS DURING 2018

In 2018, the composition of the Board of Directors and Board of Commissioners changed. On April 20, 2018 Mr. Mas'ud Khamid, Director of Consumer Service, was appointed as Director at Pertamina. At the Annual General Meeting of Shareholders (AGMS) for 2017 Financial Year dated April 27, 2018, Ms. Siti Choiriana was appointed as Director of Consumer Service replacing Mr. Mas'ud Khamid.

With the abovementioned changes, the composition of the Board of Directors of the Company as of December 31, 2018 is therefore as follows:

Alex Janangkih Sinaga	: President Director
Harry Mozarta Zen	: Director of Finance
David Bangun	: Director of Digital and Strategic Portfolio
Dian Rachmawan	: Director of Enterprise and Business Service
Abdus Somad Arief	: Director of Wholesale and International Service
Herdy Rosadi Harman	: Director of Human Capital Management
Zulhelfi Abidin	: Director of Network and IT Solution
Siti Choiriana	: Director of Consumer Service

We express our deepest gratitude and highest appreciation to the members of the Board of Directors who have ended their term of service in the Company for all their contributions. May they be able to carry out their best mandates in their new positions. At this opportunity, on behalf of the Board of Directors, we also express our highest gratitude and appreciation to shareholders, the Board of Commissioners, loyal customers, business partners and other stakeholders, for the support provided to the Company throughout 2018.

We also express our highest appreciation to the management and all employees for their dedication and hard work in these challenging times. Going forward, we invite all management and employees to work harder and smarter to achieve better performance in the future.

Our Company performance and achievements throughout 2018 are comprehensively conveyed in this Annual Report book including the Consolidated Financial Statements and the Financial Statements for the Partnership Program and Community Development Management Center for 2018 Fiscal Year which have been audited by the Public Accounting Firm Purwantono, Sungkoro & Surja (member firm of Ernst & Young Global Limited) with an unqualified opinion for the Consolidated Financial Statements in all material respects.

Jakarta, April 30, 2019



Alex Janangkih Sinaga
President Director

STATEMENT OF THE MEMBER OF BOARD OF COMMISSIONERS REGARDING WITH RESPONSIBILITY FOR PT TELKOM INDONESIA (PERSERO) TBK 2018 ANNUAL REPORT

We the undersigned hereby declare that all the information in the PT Telkom Indonesia (Persero) Tbk 2018 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, April 30, 2019

Board of Commissioners



Hendri Saparini
President Commissioner



Edwin Hidayat Abdullah
Commissioner



Rinaldi Firmansyah
Commissioner



Isa Rachmatarwata
Commissioner



Margiyono Darsasumarja
Independent Commissioner



Pamijati Pamela Johanna Waluyo
Independent Commissioner



Cahyana Ahmadjayadi
Independent Commissioner



Hadiyanto
Commissioner
(served until April 27, 2018)



Dolfie Othniel Fredric Palit
Independent Commissioner
(served until September 20, 2018)

STATEMENT OF THE MEMBER OF BOARD OF DIRECTORS REGARDING WITH RESPONSIBILITY FOR PT TELKOM INDONESIA (PERSERO) TBK 2018 ANNUAL REPORT

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Jakarta, April 30, 2019

Board of Directors



Alex Janangkih Sinaga
President Director



Harry Mozarta Zen
Director of Finance



David Bangun
Director of Digital & Strategic Portfolio



Dian Rachmawan
Director of Enterprise
and Business Service



Abdus Somad Arief
Director of Wholesale &
International Service



Herdy Rosadi Harman
Director of Human Capital
Management



Zulhelfi Abidin
Director of Network & IT
Solution



Mas'ud Khamid
Director of Consumer Service
(served until April 20, 2018)



Siti Choiriana
Director of Consumer
Service

03

ABOUT TELKOM

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The Telkom **Hub**, is a TelkomGroup office area as a Center of Excellence and Source of Inspiration to Build Digital Indonesia.

VISION, MISSION, AND STRATEGY

Transform and Digitize



VISION

“Be the King of Digital in the Region”

“Be the King of Digital in the Region” is Telkom’s vision with the aim of becoming one of the 10 (ten) Asia Pacific companies with the largest market capitalization in the telecommunications industry in 2020. To realize this vision, there are 3 main programs implemented during 2018, namely Delivering Best Customer Experience, Expanding Digital Business and Intensifying Smart Inorganic. Telkom transformed towards a digital telecommunication company with a paradigm of increasing customer experience, strengthening broadband and digital businesses and implementing lean operations. Increased customer experience is done by formulating experience in each customer journey to understand customer needs earlier and deliver services beyond their expectations. The increase in broadband and digital business is done by presenting reliable and high-quality broadband services, supported by innovative digital services in accordance with lifestyle developments and customer expectations. While lean operations are implemented to streamline digital processes supported by organizations and leadership that have an effective, agile and collaborative digital culture.



MISSION

“Lead Indonesian Digital Innovation and Globalization”

Telkom’s mission is “Lead Indonesian Digital Innovation and Globalization”, where Telkom is a pioneer of innovation in Indonesia to become a leading global player. Telkom was active in developing digital ecosystems that encourage various innovations and enhance the competitiveness of the digital industry in Indonesia.



STRATEGIC OBJECTIVE

Top 10 Market Capitalization Telco in Asia Pacific by 2020 and maintain its stronghold position

In realizing this vision and mission, Telkom carries out a competitive growth strategy through innovation in business models, value chains and digital technology. Telkom is engaged in a TIMES portfolio focusing on the customer value of all customer segments. To realize this strategy, 10 strategic initiatives have been formulated with the acronym "Digital Now".

**Defend
legacy and
lay digital
foundation**

1

D

Defend and sustain the leading mobile position

2

I

Ignite Indonesia into a broadband nation

**Grow adjacent
digital
portfolio**

3

G

Grow Enterprise business through digital ecosystem

4

I

Invest in smart platform & intensify digital services expansion

5

T

Transform into a global 'hub' for world wide digital ecosystem

**Expand
Internationally**

6

A

Acquire capabilities and maximize value through digital and telecom A&A

7

L

Localize technology businesses through innovation and investment

**Transform
operating model
and realize
synergies**

8

N

Navigate major operating and organizational model transformation

9

O

Optimize synergies across the TelkomGroup and SOE

10

W

World-class people and culture

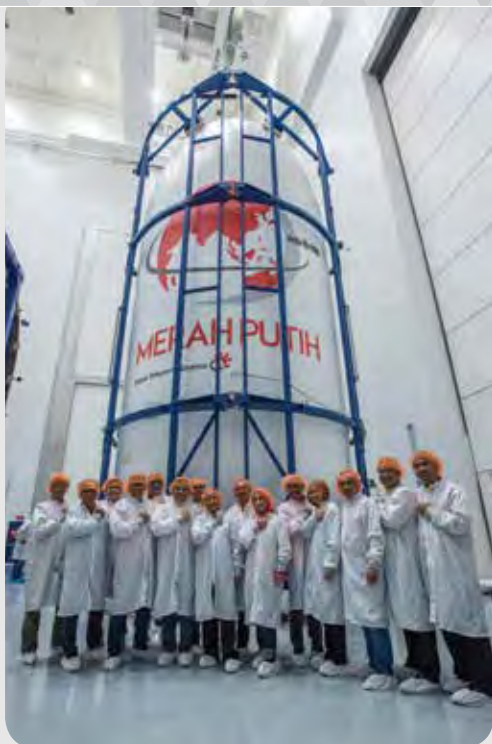
TELKOM MILESTONE

Telkom was established in 1965 when the Government separated postal and telecommunications services by dividing the Postel PN into the State Pos Giro Company (PN Pos & Giro) and the State Telecommunications Company (PN Telekomunikasi). In its journey, the company underwent several changes until in 1995, Telkom became a public company listed on Indonesia Stock Exchange (IDX) and New York Stock Exchange (NYSE).

Throughout the 2000s, along with the development of Over the Top Application (OTT) or internet-based digital applications, Telkom started its transformation journey to face digital disruption through various approaches, including changing product portfolios to build customer centric organizations and developing infrastructure networks that support digital businesses.

Furthermore, Telkom expanded its business to find new sources of growth. The current transformation and expansion shows Telkom's commitment in facing disruptive competitive growth and becoming one of the largest digital telecommunication companies in the Asia Pacific.

2018



On August 7, 2018, Merah Putih Satellite was launched from Cape Canaveral Air Force Station, Orlando, Florida, United States. The Merah Putih Satellite carries 60 transponders that reach Southeast Asia and South Asia.

Inauguration of The Telkom Hub in November 2018, as the Center of Excellent and Source of Inspiration to Build Digital Indonesia.

In December 2018, Telkom completed the construction of the Indonesia Global Gateway (IGG) submarine cable, which connects two major submarine cable systems, namely South East Asia-Middle East-Western Europe 5 (SEA-ME-WE 5) and Southeast Asia-United States (SEA-US) Submarine Cable Systems. IGG is also planned to connect 12 major cities in Indonesia among others between Batam, Jakarta, Surabaya and Manado.

The number of IndiHome customers has reached 5.1 million subscribers as of December 31, 2018.



2017

- The Telkom 3S satellite was launched.
- Completed the submarine fiber optic cable of Southeast Asia-United States (SEA-US).
- Telkomsel obtained additional 30 MHz spectrum at 2.3 GHz frequency.

2016

Completed the construction of the submarine cable systems Southeast Asia-Middle East-Western Europe 5 (SEA-ME-WE-5).

2015

Telkom launched IndiHome packages consisting of broadband internet, fixed wireline phone and interactive TV services.



2014

Telkom became the first operator in Indonesia to commercially launch 4G/LTE services.

2011

The reformation of our telecommunications infrastructure through the completion of the Telkom Nusantara Super Highway project, as well as the True Broadband Access project to provide internet access with a capacity of 20 Mbps to 100 Mbps to customers throughout Indonesia.

2010

Telkom completed the JaKaLaDeMa submarine fiber optic cable project.



1991-1995

Government Regulation No. 25 of 1991 stipulates that as a state-owned enterprise (SOE) became Persero.

1999

Telkom launched the Telkom-1 satellite.

2005

Telkom launched the Telkom-2 satellite.

On May 26, 2018, Telkom build subsidiaries, Telkomsel, as a cellular operator.

Telkom made its initial public offering on November 14, 1995, on the Jakarta Stock Exchange and the Surabaya Stock Exchange (which has since become an Indonesia Stock Exchange). Telkom also registered shares on the NYSE and LSE, and openly offered shares without listing on the Tokyo Stock Exchange.



1974

PN Telekomunikasi was turned into Perusahaan Umum Telekomunikasi Indonesia (Perumtel), which provided domestic and international telecommunications services, and subsequently spun-off PT Industri Telekomunikasi Indonesia, which manufactured telecommunications equipment, into an independent company.



1965

The Government separated postal and telecommunications services by dividing PN Postel into Perusahaan Negara Pos dan Giro and Perusahaan Negara Telekomunikasi (PN Telekomunikasi).

BUSINESS ACTIVITIES



BUSINESS ACTIVITIES BASED ON TELKOM'S ARTICLES OF ASSOCIATION

The last version of the Articles of Association of PT Telkom Indonesia (Persero) Tbk No.35 dated May 15, 2018, stipulates the purpose and objective of Telkom, which is to conduct business in the telecommunication network and service, informatics and optimization the utilization of Company's resources to produce high quality goods and/or services with strong competitiveness to gain/pursue profits to increase value. The Company applies the principle of Limited Company. In correlation with the purpose and objective, Telkom's business activities include:

Main Businesses







1. Planning, building, providing, developing, operating, marketing/ selling/leasing and maintaining telecommunication and informatics networks to the widest extent in accordance with prevailing laws and regulations.
2. Planning, developing, providing, marketing/selling and improving telecommunication and informatics services to the widest extent in accordance with prevailing laws and regulations.
3. Investing, including equity capital, in other companies whose businesses align with, and in order to achieve, our purposes and objectives.

Supporting Businesses

1. Providing payment transaction and money transferring services through telecommunication and informatics networks.
2. Performing and other activities and undertaking in connection with the optimization of resources owned which, among other things, the utilization of properties and equipments and moveable assets, information system facilities, education and training facilities, maintenance and repair facilities.
3. Collaborating with other parties to optimize the information, communication or technology resources owned by other parties as a service provider in the information, communication and technology industry, in order to realize purposes and objectives.

PORTFOLIO, PRODUCT AND/OR SERVICE

In general, Telkom's business activities are in line with the articles of association, that is the provision of telecommunications, informatics and network services. Telkom has divided these activities into various business segments in accordance with the strategy of digital transformation and the development of the telecommunications industry. Currently, Telkom has portfolio products as follows:

Portfolio	Products and Services
 Fixed	<ul style="list-style-type: none"> • Fixed Voice • Fixed Broadband
 Mobile	<ul style="list-style-type: none"> • Mobile Legacy (voice & SMS) • Mobile Broadband • Digital Service
 Network Infrastructure	<ul style="list-style-type: none"> • Satellite • Tower • Infrastructure and Network Management
 Wholesale and International	<ul style="list-style-type: none"> • Wholesale Telecommunications Services • International Services
 Enterprise Digital	<ul style="list-style-type: none"> • Enterprise Connectivity • Device and Hardware • Data Center and Cloud • IT Service • Business Process Outsourcing (BPO) Service • Professional and Advanced Service
 Digital Life and Smart Platform	<ul style="list-style-type: none"> • Digital Advertising • Financial Services • Video/TV • E-Commerce • Digital Life & Life Content • Big Data & Smart Platform

Technological developments have caused Telkom's production equipment to no longer require large space. The smaller space of these devices results in idle assets and space that can be utilized to provide maximum benefits for the TelkomGroup. In 2018 Telkom focused and intensively initiated the leverage asset program. Telkom divides leverage asset into two categories based on cooperation partners, namely Synergy Group (Internal group customer) where this utilization is to produce cost efficiency and the Strategic & Retail Partnership (external group customer) aims to obtain revenue from idle assets, Telkom offers services such as property development, property rental, property facilities, and property management managed by a subsidiary, PT Graha Sarana Duta (Telkom Property).

AWARDS AND/OR CERTIFICATIONS

AWARDS



FEBRUARY

20



February 20 Top Brand Award

IndiHome received Top Brand in category of Internet Service Provider Fixed in the Top Brand Award
By: Frontier & "Marketing" Magazine

February 23

Indonesia CSR Award II

Telkom received award in Platinum category with a score of 99.25 as a Public Company Implementing the Principles of CSR

By: Economic Review, Indonesia Asia Institute

February 24

The 13th SRA 2017

Telkom won 1st place in the Infrastructure category

By: NCSR+ SWA



MARCH

02



March 02

Indonesia Corporate Secretary & Corcomm Award 2018

With a score of 95.00, Telkom won 1st place in category of Public Listed Company and received a Platinum Award

By: Economic Review

22



March 22

Best CEO Obsession Award

Alex Janangkih Sinaga as a President Director of Telkom received award as Best Achiever in CEO SOE dan Telkom as Best Achiever

By: Obsession Media Group

23



March 23

Most Innovative Business Award

Telkom received award as the best company for Product Innovation and Marketing in the Telecommunications Sector

By: "Warta Ekonomi" Magazine

March 29

PR Indonesia Award

Telkom received award in category of most popular in Media, Corporate and Marketing PR

By: PR Indonesia Magazine



APRIL



12

April 12

Asia's Best Companies 2018 - Indonesia

Telkom received award in 6 categories that is Best Managed Companies (2nd place), Best CEO (2nd place), Best CFO (2nd place), Best Investor Relation (2nd place), Best Corporate Social Responsibility (2nd place) and Best Commitment to Corporate Governance (3rd place)

By: Finance Asia

April 25

Revolusi Mental BUMN Track Award

Telkom received several awards including Best of the Best SOE, receive Gold in category "Indonesia Melayani Terbaik" and received Silver in category "Indonesia Bersih Terbaik"

By: BUMN Track Magazine

April 25

Info Bank 7th Digital Brand Awards

Telkom received 3rd place in SOE Category

By: Info Bank Magazine



MAY



04

May 04

HR Asia

Telkom received the predicate of Best Company to Work for in Asia 2018 in Business Media Internasional

By: HR Asia Magazine

May 31

Indonesia Top 100 Most Valuable Award

Telkom received the 1st place on the Most Valuable Indonesian Brands 2018 with US\$5,168 Million Brand Value & AAA Brand Rating

By: Brand Finance & SWA Magazine

May 03

Selular Award 2018

Telkom received award as the Best Social Contribution Program and Best Home Internet

By: selular.id



JUNE



01

June 01

Asia Pacific Stevie Award 2018

Telkom was crowned as the Organization of the Year by winning 56 Awards including 14 Gold, 30 Silver and 12 Bronze

By: Stevie International

June 08

Asia Excellence Award

Telkom received award as Asia's Best CEO, Asia's Best CFO and Best Investor Relation Company (Indonesia)

By: Corporate Governance Asia



JULY

11



July 11

Sri Kehati Appreciation 2018

Telkom received appreciation as #20 Kehati Appreciation
By: SWA & Kehati

July 11

The Special Achievement in GIS (SAG) Award Ceremony

Telkom received award as Special Achievement in GIS
By: ESRI User Conference



AUGUST

06



August 06

Tempo Country Contributor Award

Telkom is ranked in the Top 3 in the Infrastructure, Utility and Transportation Sector
By: "Tempo" Magazine

August 15

Asia Pacific ICT Award

Telkom crowned as Telecom Service Provider of the Year and Telecom CEO of the Year
By: Frost and Sullivan

August 15

Indonesia Original Brand Award 2018

Telkom received award as 007 Product Category SLI
IndiHome received award in category of Product Fixed Broadband
By: Bussiness Digest and SWA



SEPTEMBER

04



September 04

Asia Pacific HRM Congress Awards 2018

Abdus Somad Arief as a Director of Wholesale and International Service received award as Exemplary Leader
By: TIMES Ascent

September 25

Social Media Award

Telkom received award in category of Internet Service Provider Fixed
By: Marketing Magz + Media Wave

September 26

9th BUMN Awards

Telkom received a Special Award as the Largest Tax Payer and a very good predicate SOE for five consecutive years
By: Info Bank Magazine



OCTOBER

24



October 19

IPRA Golden World Awards for Excellence 2018

Music Campaign for Indonesia received the IPRA Golden World Award in category of Inhouse Social Media
By: International Public Relations Association

October 24

Indonesia Best Brand Award

Telkom received award as Indonesia Best Brand
By: CMO Asia



NOVEMBER

14



November 14

ASEAN Engineering Award

1. Director of Digital and Strategic Portfolio received award "Honorary Member" from the ASEAN Federation of Engineering Organisations 2018
2. Director of Wholesale and International Service received award "Honorary Fellow" from the ASEAN Federation of Engineering Organisations 2018
3. Telkom received award as ASEAN Outstanding Engineering Achievement Award 2018 for its success in completing the Merah Putih satellite project to provide high-speed Broadband and Links in reaching out of internet users in regions especially East Indonesia
4. Telkom received award as ASEAN Outstanding Engineering Achievement Award 2018 in providing high-speed Broadband and Links using the Under Water FO Cable System along the island of Sulawesi, Maluku, to Papua

By: Persatuan Insinyur Indonesia (PII)

23



November 13

Economic Challenges Award 2018

Telkom won Infrastructure category
By: Metro TV

November 23

Apresiasi Indonesia Untuk BUMN

Telkom won 4 awards including Palu and Donggala Savivors: Quick Emergency Response in Telecommunication Infrastructure Recovery, SOE Disaster Rescue, Popular SOE in the Information and Telecommunications Sector and Top 5 SOE in Innovation

By: Warta Ekonomi



DECEMBER

06



December 06

Top IT & Telco Award

IndiHome received Top Fixed Internet Provider 2018

By: "itWorks" Magazine

December 10

The 10th IICD Award 2018

Telkom received the Best SOE and Top 50 Big Capitalization Public Listed Company

By: IICD and Kontan

December 13

Digital Inclusion Award 2018

Telkom received award in category of Established Company

By: Mastel

December 19

Investor Award (*Tokoh Finansial Indonesia*)

Telkom received appreciation as the best SOE 2018 in the Non-Financial of Telecommunications & Broadcasting Sector

By: "Investor" Magazine

19



December 03

IDX Appreciation 2018

Telkom as a Public Company listed the Best Shares in the category of Market Capitalization Above Rp10 Billion

By: IDX, KPEI, KSEI

December 06

Mobile DNA Awards 2018

IndiHome won the Gold Winner in category of Provider Internet Broadband.

By: Markplus INC

CERTIFICATIONS

Telkom has various certifications as a form of commitment to provide the best services for customers and implement international standards. Following is the list of Telkom's certifications and ISO:

No	Recipient	Year	Certificate	Institution	Validity Period
1.	Telkom	2018	SNI ISO/IEC 27001:2013	TUV Rheinland	2021
		2018	ISO 9001:2015 QMS	TUV Rheinland	2021
		2018	ISO 27001:2013 ISMS	TUV Rheinland	2021
		2018	ISO 22301:2012 BCMS	TUV Rheinland	2021
		2018	ISO 20000-1:2011 ITSMS	TUV Rheinland	2021
2.	Laboratorium Pengujian (Digital Service Division)	2016	ISO 17025:2008	Komite Akreditasi Nasional	2019
3.	Laboratorium Kalibrasi (Digital Service Division)	2016	ISO 17025:2008	Komite Akreditasi Nasional	2019
4.	Telkomsel	2013	ISO/IEC 27001:2013	Bureau Veritas Certification	2019
		2014	ISO 9001:2008	TUV-NORD	*)
5.	Telkom Infra	2015	ISO 9001:2008	URS International	2018
6.	TelkomMetra	2015	ISO 9001:2008	TUV Rheinland	2018
7.	Metrasat	2015	ISO 9001:2008	TUV Rheinland	2018
8.	AdMedika	2015	ISO 9001:2008	Guardian Independent Certification (GIC)	2018
		2016	ISO/IEC 27001:2013	British Standards Institution (BSI)	2019
9.	MD Media	2018	IT IL Foundation Certificate in IT Service Management	IT IL Foundation	NA
10.	Infomedia	2016	ISO 27001:2013	TUV NORD Indonesia	2019
11.	Finnet	2017	ISO/IEC 27001:2005	TUV Rheinland	2020
12.	Telkomsigma	2014	EMS ISO 14001	British Standard Institution (BSI)	2019
		2014	Oracle Platinum Partner	Oracle	2019
		2016	Health & Safety Certification	British Standards Institution (BSI)	2019
		2016	Integrated Management System Certification PAS 99:2012	British Standards Institution (BSI)	2019
		2016	ISO 27001	British Standards Institution (BSI)	2019
		2017	Payment Card Industry Data Security	TUV Rheinland	2019
		2018	ISO 27001:2013	Bureau Veritas Indonesia	2021
13.	Telin	2016	ISO 20000-1:2011	PT SGS	2019
		2018	ISO 27000-1:2013	Intertek	2019
		2018	ISO 20000-1:2011	Intertek	2021
14.	Telin Singapore	2016	Tier III Data Center Certification	Uptime Institute	2018
		2016	Tier IV Data Center Certification	Uptime Institute	2019
15.	Graha Sarana Duta	2016	ISO 9001:2015	LLOYD Register	2019
16.	Telkomsat	2016	ISO 9001:2008	TUV Rheinland Cert GmbH Am Grauen Stein – 51105 Koln	2018
		2017	OHSAS 18001:2007	TUV Rheinland Cert GmbH Am Grauen Stein – 51105 Koln	2020
17.	Telkom Akses	2017	ISO9001:2015	British Standards Institution (BSI)	2019
		2017	OHSAS 18001:2007	British Standards Institution (BSI)	2019
		2016	CIQS 2000:2009	TPCC	2019
18.	PINS	2018	ISO 9001:2015	URS Services Indonesia	2019
		2018	Renewal Gold Certified Partner	CISCO	*)
19.	SSI	2017	ISO 9001 : 2015	Lloyd's Register LRQA	2020

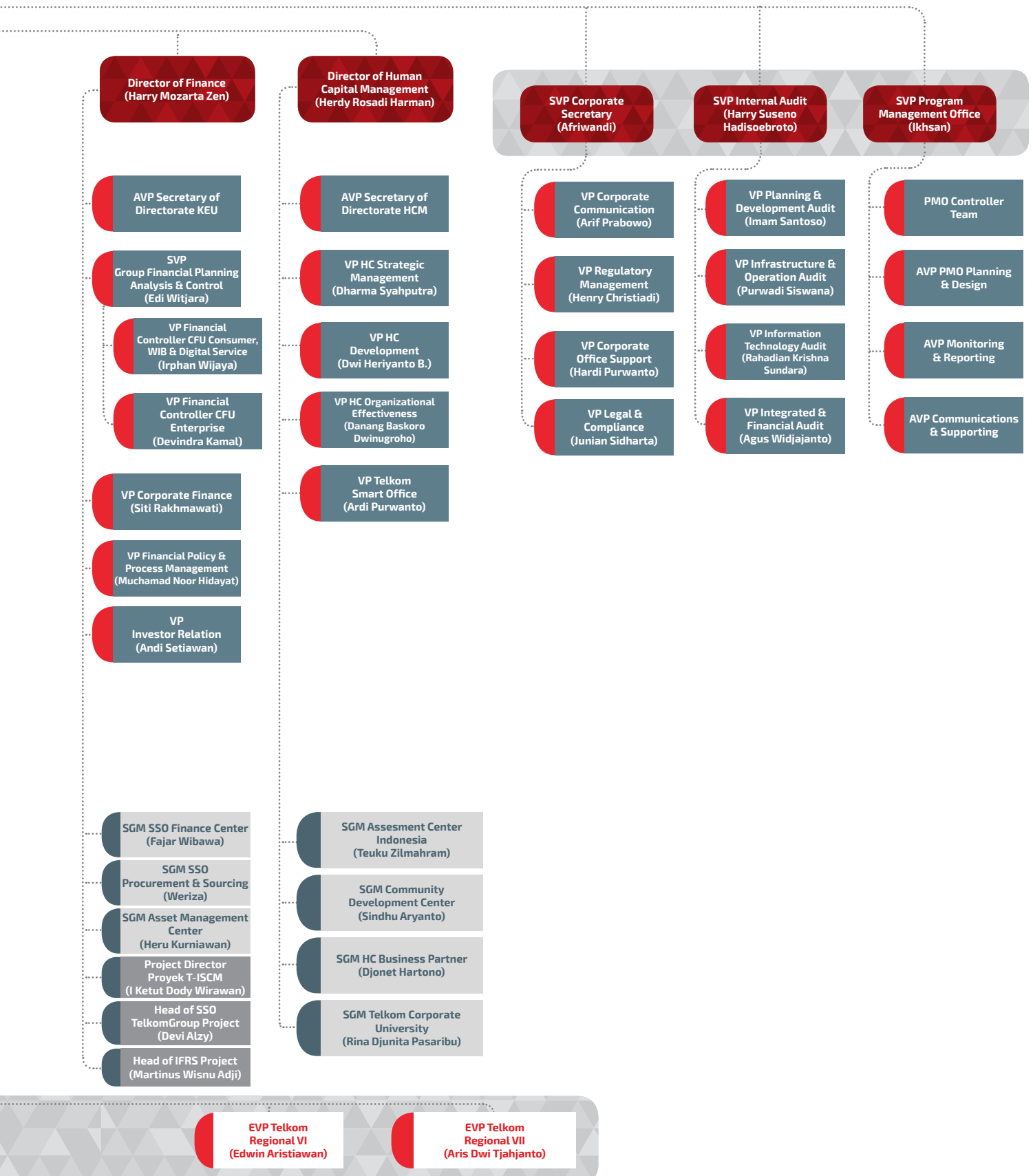
Note:

*) Update process every year.

TELKOM ORGANIZATIONAL STRUCTURE

Telkom's organizational structure as of December 31, 2018.





PROFILE OF THE BOARD OF COMMISSIONERS

MEMBER OF THE BOARD OF COMMISSIONERS AS OF DECEMBER 31, 2018

Hendri Saparini
President Commissioner



Born : Kebumen, June 16, 1964
Age : 54 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1988 Bachelor degree in Economics from Gadjah Mada University.
1997 Master in International Development Policy from University of Tsukuba, Japan.
1999 Doctoral degree in International Political Economy from University of Tsukuba, Japan.

Basis of Appointment

Extraordinary General Meeting of Shareholder (EGMS) of Telkom on December 19, 2014.

Career Experiences

2016 – now Member of National Economic and Industry Committee (KEIN).
2015 – now Chair of the SOE policy committee.
2014 – now Member of the OJK sharia financial services development committee.
2009 – now Guest Lecturer at LAN, Lemhanas and various Government Institutions.
2013 – 2016 Founder and Executive Director, CORE Indonesia.

Rinaldi Firmansyah
Commissioner



Born : Tanjung Pinang, June 10, 1960
Age : 58 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1985 Bachelor degree in engineering from Bandung Institute of Technology.
1988 Master of Business Administration from Indonesian Institute of Management Development (IPMI) Jakarta.
2014 Doctoral degree in Management from Padjadjaran University, Bandung.

Basis of Appointment

Annual General Meeting of Shareholder (AGMS) of Telkom on April 17, 2015.

Career Experiences

2016 – now Advisory Board Member, Daestrum Capital.
2014 – now Commissioner, PT Elnusa Tbk.
2015 Commissioner, PT Indosat Tbk.
2013 – 2016 Commissioner, PT Bluebird Tbk.
2013 – 2016 President Commissioner, PT PLN Batam.
2007 – 2012 CEO, Telkom.
2004 – 2007 CFO, Telkom.

Edwin Hidayat Abdullah
Commissioner



Born : Jakarta, April 28, 1971
Age : 47 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1995 Bachelor degree in Economic from Gadjah Mada University, Yogyakarta.
2005 Master of Public Management from Lee Kuan Yew School of Public Policy, NUS (in Cooperation with Kennedy School of Government), Harvard University in Singapore and United States.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 27, 2018.

Career Experiences

2018 – now President Commissioner, PT Icon+.
2016 – now Deputy for Energy, Logistics, Regions and Tourism Business.
2016 – 2018 Commissioner, PT Pertamina.
2015 – 2016 Commissioner, PT Telkomsel.
2004 – 2015 Independent Commissioner, PT Bumi Serpong Damai Tbk.

Isa Rachmatarwata
Commissioner



Born : Jombang, December 30, 1966
Age : 52 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1990 Bachelor degree in Mathematics and Natural Sciences from Bandung Institute of Technology.
1994 Master of Mathematic Actuarial Science, University of Waterloo, Canada.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 27, 2018.

Career Experiences

2017 – now Director General of State Assets Management, Ministry of Finance.
2013 – 2017 Assistant of Minister for Financial Services and Capital Market Policy and Regulation.
2013 High Official at the Fiscal Policy Agency, Ministry of Finance.
2006 – 2012 Head of Insurance Bureau, Indonesian Capital Market and Financial Institution Supervisory Agency (BPPMLK), Ministry of Finance.

Margiyono Darsasumarja
Independent Commissioner



Born : Klaten, September 14, 1976
Age : 42 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

2008 Bachelor degree in Law from University of Indonesia.
2012 Master degree in Cyber Law from the School of Law University of Leeds.

Basis of Appointment

Annual General Meeting of Shareholder (AGMS) of Telkom on April 17, 2015.

Career Experiences

2012 – 2015 Coordinator of Advocacy and Partnership for Government Reform of the Bureaucracy reform Project.
2012 – 2014 Lecturer in Law and Media Ethics, Bakrie University.
2001 – 2011 Media Development Manager at Voice of Human Rights (VHR) Media.

Cahyana Ahmadjayadi
Independent Commissioner



Born : Garut, July 12, 1955
Age : 63 years old
Citizenship : Indonesian
Domicile : Bandung

Educations

1980 Bachelor degree in industrial engineering from Bandung Institute of Technology.
2004 Master degree in Law of Technology/Business from University of Padjajaran, Bandung.
2010 Doctoral degree in Cyber Law from University of Padjajaran, Bandung.

Basis of Appointment

Annual General Meeting of Shareholder (AGMS) of Telkom on April 21, 2017.

Career Experiences

2010 – 2013 Commissioner, PT Bank Mandiri (Persero) Tbk.
2011 Expert staff, Ministry of Communication and Informatics.
2006 Founder *Pengelola Nama Domain Internet Indonesia* (PANDI).
2005 Director General of Telematics Application, Ministry of Communication and Informatics.
2002 Deputy for Communication & Information Network, Ministry of Communication and Informatics.
1993 Head of Telkom Regional V Division, West Java.

Pamijati Pamela Johanna Waluyo
Independent Commissioner



Born : Jakarta, June 20, 1958
Age : 60 years old
Citizenship : Indonesian
Domicile : Tangerang

Educations
1983 Master degree from the University of Tech. Delft, Netherlands.

Basis of Appointment
Annual General Meeting of Shareholder (AGMS) of Telkom on April 17, 2015.

Career Experiences
2014 – 2015 Director of Corporate Marketing, Obsession Media Group.
2006 – 2014 Assistant Director of Sales and Marketing, Metro TV.
2000 – 2006 Corporate Public Relations, Metro TV & Media Group.

MEMBER OF THE BOARD OF COMMISSIONERS ENDED IN 2018

Hadiyanto
Commissioner



Born : Ciamis, October 10, 1962
Age : 56 years old
Citizenship : Indonesian
Domicile : Bogor

Educations

1986 Bachelor degree in Law from Padjadjaran University, Bandung.
1993 Master of Law (LLM) from Harvard University Law School, USA.
2012 Doctoral degree in Law from Padjadjaran University, Bandung.

Basis of Appointment

Annual General Meeting of Shareholder (AGMS) of Telkom on May 11, 2012.

Career Experiences

2006 – 2016 Director General of State Asset of the Ministry of Finance.
2007 – 2012 President Commissioner, PT Garuda Indonesia Tbk.
2007 – 2009 President Commissioner, PT Bank Export Indonesia.
2005 – 2006 Head of the Legal of Secretariat General of the Ministry of Finance.
2003 – 2005 Alternative Executive Director, World Bank.

Dolfie Othniel F. Palit
Independent Commissioner



Born : Kijang, Kepulauan Riau, October 27, 1968
Age : 50 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1995 Bachelor degree from Bandung Institute of Technology.

Basis of Appointment

Extraordinary General Meeting of Shareholder (EGMS) of Telkom on December 19, 2014.

Career Experiences

2012 – 2014 Member of Budget Committee, Indonesian House of Representative.
2009 – 2014 Member, Indonesian House of Representative.
2011 Special Committee of the Law, the Healthcare and Social Security Agency (BPJS).
2010 Member, Special Committee for the Prevention and Combating Money Laundering.
2004 – 2009 Executive Director, Strategic Consultancy Institute for Research on Policy and Regional Autonomy (REKODE).
2001 – 2003 Executive Director, Bumi Indonesia Hijau Foundation.

EDUCATION, TRAINING, SEMINAR, AND 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 attend education and training throughout 2018.

Commissioner Name	Education/Training/Seminar/Congress	Time	Place
Hendri Saparini	Mobile World Congress 2018	February 26 – March 2, 2018	Barcelona, Spain
	Strategic Discussion on Global Telco Industry	July 4, 2018	Jakarta, Indonesia
	Meeting with Softbank and NEC	July 17-21, 2018	Japan
	Socialization of Integrated Talent Management System (Ministry of SOE)	August 1, 2018	Jakarta, Indonesia
	EduTech Asia 2018	October 8-10, 2018	Singapore
Rinaldi Firmansyah	Mobile World Congress 2018	February 26 – March 2, 2018	Barcelona, Spain
	Asia Pacific Risk Symposium	June 6, 2018	Singapore
	Strategic Discussion on Global Telco Industry	July 4, 2018	Jakarta, Indonesia
	Meeting with Softbank and NEC	July 17-21, 2018	Japan
	ICT, Consumer's Integration and Industry 4.0	September 14, 2018	Singapore
	Association for Financial Professional	November 4-7, 2018	Chicago, USA
Edwin Hidayat Abdullah	Strategic Discussion on Global Telco Industry	July 4, 2018	Jakarta, Indonesia
Isa Rachmatarwata	Strategic Discussion on Global Telco Industry	July 4, 2018	Jakarta, Indonesia
	Factory and Research Visit	September 9-11, 2018	Shenzhen, China
Margiyono Darsasumarja	Bali Annual Telkom Conference (BATIC) 2018	April 3-6, 2018	Bali, Indonesia
	Asia Pacific Risk Symposium	June 6, 2018	Singapore
	Strategic Discussion on Global Telco Industry	July 4, 2018	Jakarta, Indonesia
	Factory and Research Visit	September 9-11, 2018	Shenzhen, China
	RIMS Cyber Risk Annual Conference	September 22-25, 2018	San Diego, USA
Cahyana Ahmadjayadi	Mobile World Congress 2018	February 26 – March 2, 2018	Barcelona, Spain
	Strategic Discussion on Global Telco Industry	July 4, 2018	Jakarta, Indonesia
	Meeting with Softbank and NEC	July 17-21, 2018	Japan
	The IRES - 506 th International Conference on E-Education, E-Business, E-Management and E-Learning	December 9-10, 2018	Kyoto, Japan
Pamijati Pamela Johanna Waluyo	The discussion of knowledge update on the development of fixed broadband service in Europe	February 21-24, 2018	Athena, Greece
	Strategic Discussion on Global Telco Industry	July 4, 2018	Jakarta, Indonesia
	EduTech Asia 2018	October 8-10, 2018	Singapore

COMMISSIONER AFFILIATION RELATIONSHIPS

In accordance with the principle of transparency in the implementation of good corporate governance or GCG, Telkom discloses the affiliation of members of the Board of Commissioners with fellow Commissioners, Directors and major and controlling shareholders, including the names of affiliated parties.

Board of Commissioners (BOC)	Financial Relationship with						Family Relationship with					
	BOC		BOD		Controlling Shareholder ⁽¹⁾		BOC		BOD		Controlling Shareholder ⁽¹⁾	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Hendri Saparini		√		√		√		√		√		√
Rinaldi Firmansyah		√		√		√		√		√		√
Edwin Hidayat Abdullah		√		√		√		√		√		√
Isa Rachmatarwata		√		√		√		√		√		√
Margiyono Darsasumarja		√		√		√		√		√		√
Cahyana Ahmadjayadi		√		√		√		√		√		√
Pamijati Pamela Johanna Waluyo		√		√		√		√		√		√
Hadiyanto*		√		√		√		√		√		√
Dolfie Othniel Fredric Palit**		√		√		√		√		√		√

Remarks:

(1) The controlling shareholder in this matter is the Government of Indonesia represented by the Minister of SOE as a primary shareholder.

* No longer in position since April 27, 2018.

** No longer in position since September 20, 2018.

STATEMENT OF INDEPENDENCE

Telkom requires Independent Commissioners to sign a Statement of Independence for Independent Commissioner when Independent Commissioner has served for more than 2 (two) periods. Until now, the drafting of this report, Telkom's Independent Commissioners have served since 2015 and 2016 so as not to serve more than 2 (two) periods.



The coherency of IndiHome technicians is part of the broadband connections distribution in Indonesia.

PROFILE OF THE BOARD OF DIRECTORS

THE DIRECTORS AS OF DECEMBER 31, 2018

Alex Janangkih Sinaga
President Director



Born : Pematang Siantar, September 27, 1961
 Age : 57 years old
 Citizenship : Indonesian
 Domicile : Jakarta

Educations

1986 Bachelor degree in Electrical Engineering from Bandung Institute of Technology.
 1994 Master degree in Telematics from the University of Surrey, Guildford-England.

Basis of Appointment

Extraordinary General Meeting of Shareholders (EGMS) of Telkom on December 19, 2014.

Career Experiences

2012 – 2014 President Director, Telkomsel.
 2007 – 2012 President Director, Multimedia Nusantara.
 2005 – 2007 Executive General Manager, Enterprise Service Division.
 2002 – 2005 Executive General Manager, Fixed Wireless Network Division.
 2002 Senior Manager Business Performance Telkom's Regional Division II Jakarta.
 2000 – 2002 General Manager Telkom West Jakarta.
 1998 – 1999 General Manager Telkom West Surabaya.
 1997 – 1998 General Manager Telkom Malang.

Harry Mozarta Zen
Director of Finance



Born : Tanjung Pinang, January 9, 1969
 Age : 49 years old
 Citizenship : Indonesian
 Domicile : Jakarta

Educations

1993 Bachelor degree in Metallurgy of Faculty of Engineering, University of Indonesia.
 1996 MBA in Corporate Finance and Financial Institutions & Market from the State University of New York, Buffalo.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 22, 2016.

Career Experiences

2008 – 2015 President Director, PT Credit Suisse Securities Indonesia.
 2007 – 2008 Director, Barclays Capital.
 2001 – 2007 Co-Head Investment Banking, PT Bahana Sekuritas.
 1996 – 2001 Assistant Vice President Global Corporate Banking, Citibank.
 1993 – 1994 Official Assistant Global Consumer Banking, Citibank.

David Bangun
Director of Digital & Strategic Portfolio



Born : Bandung, September 5, 1965
Age : 53 years old
Citizenship : Indonesian
Domicile : Bandung

Educations

1989 Bachelor degree in Engineering from the Bandung Institute of Technology.
1999 Master of Engineering in Electrical Engineering from Cornell University New York, USA

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 21, 2017.

Career Experiences

2014 – 2017 President Director, PT Dayamitra Telekomunikasi (Mitratel).
2013 – 2014 Executive General Manager Network of Broadband.
2011 – 2014 Commissioner, PT Telekomunikasi Indonesia International (Telin).
2011 – 2013 Executive General Manager, Infratel.
2009 – 2011 Vice President Infrastructure & Service Planning.
2007 – 2009 Assistant Vice President Investment Analysis.

Dian Rachmawan
Director of Enterprise & Business Service



Born : Surabaya, May 14, 1964
Age : 54 years old
Citizenship : Indonesian
Domicile : Bogor

Educations

1987 Bachelor degree in Electro and Telecommunication Engineering from Surabaya Institute of Technology.
1994 Master degree in Communication and Real Time System, Telecommunication Engineering from University of Bradford, England.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 21, 2017.

Career Experiences

2014 – 2017 Director of Consumer Service, Telkom.
2011 – 2014 CEO, PT Telekomunikasi Indonesia International (Hong Kong) Limited.
2007 – 2011 Director of Network Operation & Engineering Business & Partnership Development, Telin.
2005 – 2007 Executive General Manager Division of Fixed Wireless Network, Telkom.
2004 – 2005 General Manager, Telkom South Jakarta.
2001 – 2004 General Manager for Interconnection & Partnership, Telkom's Regional Division II Jakarta.
2000 – 2001 AVP Interconnection Planning, Head Quarter of Telkom

Abdus Somad Arief

Director of Wholesale & International Service



Born : Sidoarjo, September 25, 1963
Age : 55 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1988 Bachelor degree in Electrical Engineering from Bandung Institute of Technology.
2000 Master degree in Information and Technology Systems from Bandung Institute of Technology.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 21, 2017.

Career Experiences

2018 – now President Commissioner, PT Telkom Satelit Indonesia (Telkomsat).
2017 – now President Commissioner, PT Telkom Indonesia International (Telin).
2015 – 2017 President Commissioner, PT Infrastruktur Telekomunikasi Indonesia (Telkom Infratel).
2015 – 2017 President Commissioner, PT Teltranet Aplikasi Solusi (Telkom Telstra).
2014 – 2017 Director of Network & IT Solution, Telkom.
2015 Commissioner, PT Sigma Cipta Caraka (Telkom Sigma).
2015 Commissioner, PT Telekomunikasi Selular (Telkomsel).
2012 – 2014 Director of Network, Telkomsel.
2012 – 2014 Commissioner, PT Daya Mitra Telekomunikasi (Mitratel).
2011 – 2012 President Commissioner, PT Pramindo Ikat Nusantara.
2009 – 2012 Executive General Manager of Enterprise Service Division, Telkom.
2010 – 2011 Commissioner, PT Infomedia Nusantara.
2008 – 2009 Vice President of Business Development, Telkom.
2007 – 2008 Deputy Executive General Manager Enterprise Service Division, Telkom.

Herdy Rosadi Harman

Director of Human Capital Management



Born : Bandung, June 28, 1963
Age : 55 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1986 Bachelor degree in Law from Padjajaran University, Bandung.
1993 MBA degree from the Asian Institute Management Philippines - Institute Management Telkom University.
1998 Master of Law (LLM) from American University, Washington DC, United States.

Basis of Appointment

Extraordinary General Meeting of Shareholders (EGMS) of Telkom on December 19, 2014.

Career Experiences

2012 – 2014 Director of Human Capital Management, Telkomsel.
2007 – 2012 VP Regulatory Management, Telkom.
2006 – 2007 VP Legal & Compliance, Telkom.
2004 – 2006 General Manager Management Support, Telkom.

Zulhelfi Abidin
Director of Network & IT Solution



Born : Bukittinggi, January 1, 1962
Age : 56 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1987 Bachelor degree in Informatics Engineering from Bandung Institute of Technology.
1996 Master degree in Computer Science from University of Wollongong, Australia.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 21, 2017.

Career Experiences

2017 – 2018 President Commissioner, PT Infrastruktur Telekomunikasi Indonesia.
2015 – 2017 Director, BRI.
2014 – 2015 Senior Executive Vice President, BRI.
2012 – 2015 Commissioner, Bank BRI Syariah.
2007 – 2014 Head of Information Systems Technology Division, BRI.

Siti Choiriana
Director of Consumer Service



Born : Magetan, May 28, 1970
Age : 48 years old
Citizenship : Indonesian
Domicile : Jakarta

Educations

1993 Bachelor degree in Electrical Engineering from Surabaya Institute of Technology.
2005 Master degree in Management from Surabaya Institute of Technology.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 27, 2018.

Career Experiences

2017 – 2018 Commissioner, Telkom Sigma.
2013 – 2018 Executive Vice President of Enterprise Service Division, Telkom.
2016 – 2017 Chief of Commissioner, Patrakom.
2016 – 2016 Commissioner, AdMedika.
2013 – 2015 Commissioner, Finnet.
2012 – 2013 Deputy Executive Vice President of Enterprise Service Division, Telkom.
2009 – 2012 General Manager Enterprise Finance & Banking of Enterprise Service Division, Telkom.
2007 – 2009 General Manager Enterprise, Telkom's Regional Division V Surabaya.

MEMBER OF THE BOARD OF DIRECTOR ENDED IN 2018

Mas'ud Khamid
Director of Consumer Service



Born : Gresik, December 12, 1964
Age : 54 years old
Citizenship : Indonesian
Domicile : Surabaya

Educations

1989 Bachelor degree in Physics Engineering from Sepuluh November Institute of Technology.

Basis of Appointment

Annual General Meeting of Shareholders (AGMS) of Telkom on April 21, 2017.

Career Experiences

2015 – 2017 Chief of Commissioner, Telkom Sigma.
2012 – 2017 Director of Sales, Telkomsel.
2012 – 2014 Commissioner, PT PINS Indonesia.
2011 – 2012 Executive General Manager, Telkom Flexi.
2011 – 2012 Commissioner, PT Metra Digital Media.
2010 – 2011 Executive General Manager Telkom West Area, Telkom.
2008 – 2010 Executive General Manager Telkom's Regional Division II Jakarta.
2007 – 2008 Executive General Manager Telkom's Regional Division V East Java.

EDUCATION, TRAINING, SEMINAR, AND CONGRESS

To improve the competence of the Board of Directors, Telkom provides an opportunity for each member of the Board of Directors to attend education and training throughout the 2018 financial year.

Director Name	Education/Training/Seminar/Congress	Time	Place
Alex Janangkih Sinaga	World Economic Forum 2018 and Indonesia Investment Day with Ministry of SOE	January 23-26, 2018	Davos, Switzerland
	Speaker at SOE Coordination Meeting with Ministry of SOE	March 12, 2018	Bogor
	Speaker at SOE Coordination Meeting with Ministry of SOE	April 25, 2018	Solo
	Keynote speech at Bandung ICT Expo 2018	September 27, 2018	Bandung
	Speaker at SOE Coordination Meeting with Ministry of SOE	October 28, 2018	Bontang
Harry Mozarta Zen	Speaker at 19 th Malaysia-Indonesia International Conference on Economics, Management and Accounting	October 17-18, 2018	Pontianak
	Speaker at panel discussion: Contemporary Issues of SAK Full IFRS at the XIII Congress of the Indonesian Accountants Association	December 11, 2018	Jakarta
David Bangun	Executive Training of Strategic Merger & Acquisition	June 10-15, 2018	Wharton University, USA
	Privat Discussion McKinsey "The Digital Archipelago: How Online Commerce is Driving Indonesia's Economic"	August 29, 2018	Jakarta
	Focus Group Discussion KADIN "Kebijakan Implementasi E-Logistik Menuju era 4.0"	October 17, 2018	Jakarta
	The Conference of Asean Federation of Engineering Organization (CAFEO)	November 14, 2018	Singapore
	Round Table Forum Kementerian Kominfo "Outlook Industri Telekomunikasi Indonesia 2019: Peluang dan Tantangan serta Kebijakan Regulasinya"	December 12, 2018	Jakarta
Dian Rachmawan	Panel Discussion HKI : "Digital Transformation To Support Indonesia's Fourth Industrial Revolution".	July 26, 2018	Legian – Bali
	Leadership Talk "Hidup di Era Digital Mulai 2020"	October 25, 2018	Auditorium Microsoft Indonesia, Indonesia Stock Exchange, Tower 2,18F
	Workshop "Inovasi & Transformasi Digital"	October 31, 2018	BPPT Building II 2 nd floor
	National Seminar HKI "Mengintegrasikan Pembangunan Infrastruktur dalam Konsep Pengembangan Kawasan Industri Modern"	November 1, 2018	Hall A, Conference Room 3 JIEXPO Kemayoran
	Applied Technology Innovation National Seminar of Balikpapan National Polytechnic "Peningkatan Inovasi Teknologi Terapan dengan Strategi Bisnis Menuju Kemandirian dan Daya Saing"	November 3, 2018	Swiss-Bel Balikpapan
	CX Summit 2018 : Delivering the WOW Customer Experience through Digital Transformation.	December 12, 2018	The Ritz Carlton Mega Kuningan Jakarta.
	Leadership Development Program Pejabat Pimpinan Tinggi Pratama, Ministry of Health.	December 13, 2019	The Park Lane Hotel, South Jakarta
	Congress of SOE IT Forum: "Tata Kelola TI dan Transformasi Digital dalam memperkuat Sinergi BUMN".	December 19, 2019	Raffles Hotel, Mega Kuningan, Jakarta

Director Name	Education/Training/Seminar/Congress	Time	Place	
Abdus Somad Arief	Pacific Telecommunication Council	January 2018	Hawaii	
	IT Infrastructure Summit 2018	March 2018	Jakarta	
	Bali Annual Telkom International Conference (BATIC) 2018	April 2018	Bali	
	Asia Pacific Satellite Conference (APSAT) 2018	July 2018	Jakarta	
Herdy Rosadi Harman	Keynote Speaker in Rakortas Directorate of HR and Law of PT Pegadaian, "Pengelolaan Human Capital pada era Transformasi".	February 7, 2018	Gresik	
	Keynote Speaker in the 14 th Plenary Meeting of AFEBI (<i>Asosiasi Fakultas Ekonomi dan Bisnis Indonesia</i>), "Mempersiapkan Fakultas Ekonomi dan Bisnis dalam menghadapi Tantangan Revolusi Industri 4.0".	April 18-20, 2018	Pekanbaru	
	Keynote Speaker in Technical Coordination Meeting of the BPK-RI HR Manager, "Tantangan Pengelola SDM di Era Digital"	May 2, 2018	Padang	
	Keynote Speaker in Ministry of Defense, "Sharing Pengelolaan SDM"	May 23, 2018	Jakarta	
	Keynote Speaker in KPK, "Sharing Pengelolaan SDM"	June 4, 2018	Jakarta	
	Keynote Speaker in Nasional Seminar of Faculty of Economy and Business, Trunojoyo Madura University, "Tantangan dan peluang Fakultas Ekonomi dan Bisnis menghadapi era Digital"	July 4, 2018	Bangkalan	
	Keynote Speaker in Ikatan Internal Auditor (IIA) Seminar, "Managing Risk in Talent Management"	August 29, 2018	Bali	
	Keynote Speaker in the Indonesia Competency National Congress, "Transformasi peran praktisi SDM dalam menghadapi Revolusi Industri 4.0"	November 21, 2018	Jakarta	
	Keynote Speaker in Ministry of Finance of RI's Culture Festival, "Transformation Story: Transformasi Mindset dan Produktivitas di Era Digital"	December 4, 2018	Jakarta	
	Zulhelfi Abidin	Bali Annual Telkom International Conference (BATIC) 2018	April 2018	Bali
		Workshop Leading 5G Innovations by ZTE	April 2, 2018	Four Season Hotel Jakarta
Workshop Security Awareness		April 19, 2018	The Westin Hotel Jakarta	
Strategic Discussion on Global Telco Industry Update		July 4, 2018	Telkom Landmark Tower, Jakarta	
Siti Choiriana	Sharing and Open Discussion in the Context of <i>Hari Kebangkitan Nasional</i> with theme "Pemberdayaan Anak Muda di BUMN Digital"	May 23, 2018	Jakarta	
	Inspiring Talk at MMT Graduation ITS with theme "How Millennials are Changing the Rule of Business"	August 24, 2018	Surabaya	
	Speaker at KOWANI (<i>Kongres Wanita Indonesia</i>) with theme "Transforming Society Through Women Empowerment"	September 13, 2018	Yogyakarta	
	Speaker at SOE Coordination Meeting with theme "SOE Digital Transformation"	October 28, 2018	Bontang	
	Speaker at ITS Business Management Seminar with theme "Big Data Analytics & Artificial Intelligent in Business"	November 3, 2018	Surabaya	

DIRECTORS AFFILIATIONS AND RELATIONSHIPS

In accordance with the principle of transparency in the implementation of good corporate governance or GCG, Telkom discloses the affiliation of members of the Board of Directors with fellow Directors, Commissioners and major and controlling shareholders, including the names of affiliated parties.

Directors (BOD)	Financial Relationship with						Family 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 Janangkih Sinaga		√		√		√		√		√		√
Harry Mozarta Zen		√		√		√		√		√		√
David Bangun		√		√		√		√		√		√
Dian Rachmawan		√		√		√		√		√		√
Abdus Somad Arief		√		√		√		√		√		√
Herdy Rosadi Harman		√		√		√		√		√		√
Zulhelfi Abidin		√		√		√		√		√		√
Siti Choiriana*		√		√		√		√		√		√
Mas'ud Khamid**		√		√		√		√		√		√

Remarks:

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

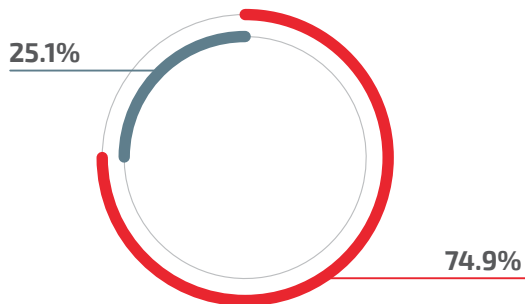
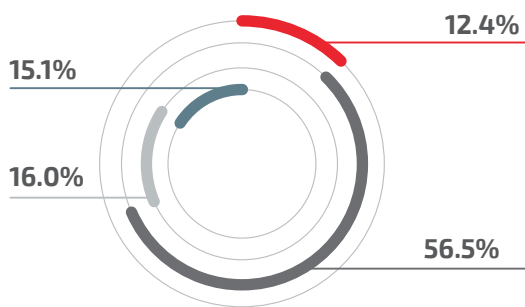
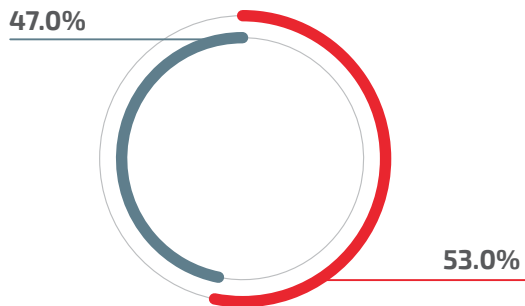
* In position since April 27, 2018.

** In position until April 20, 2018.

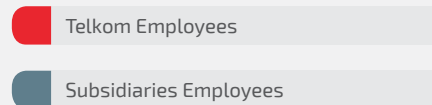
TELKOM EMPLOYEES

For Telkom, employees are the most important business partners. Currently, Telkom employees work professionally throughout 2018 achieving its target and vision to transform into Digital Telecommunication Company. Telkom continues to build employee digital competence and culture.

EMPLOYEE PROFILE



Total Employees



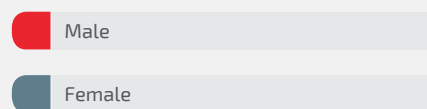
Education



Age



Gender



At the end of 2018, TelkomGroup has 24,071 employees consisting of 12,765 employees of the parent company and 11,306 employees of subsidiaries. Continuing efforts to revitalize and improve HR efficiency in previous years, total employees in parent company employees in 2018 was 8.5% lower than in 2017.

Total Employees in 2016-2018

	2018	2017	2016
Telkom Employees	12,765	13,956	14,933
Subsidiaries employees	11,306	10,109	8,943
Total	24,071	24,065	23,876

TOTAL EMPLOYEES BASED ON EDUCATION LEVEL AND AGE DISTRIBUTION

In 2018, Telkom has 8,027 employees or 62.9% with undergraduate and postgraduate background. Meanwhile most of subsidiaries have bachelor and postgraduate background with 8,563 employees or 75.7%.

In terms of age, most of TelkomGroup's employees are dominated by employees under the age of 45 which are equal to 58.4% or 14,062 employees. The composition shows that TelkomGroup has good age and education employee composition background and is sufficient for internal regeneration processes.

Total Employees Based on Education in 2016-2018

	2018				2017		2016	
	Telkom	Subsidiaries	Total	%	Total	%	Total	%
Preuniversity	2,484	1,146	3,630	15.1	4,077	16.9	4,523	18.9
Diploma	2,254	1,597	3,851	16.0	4,228	17.6	4,478	18.8
Undergraduate	5,943	7,666	13,609	56.5	13,017	54.1	12,324	51.6
Postgraduate (Master and Doctorate)	2,084	897	2,981	12.4	2,743	11.4	2,551	10.7
Total	12,765	11,306	24,071	100.0	24,065	100.0	23,876	100.0

Total Employees Based on Age in 2016-2018

	2018				2017		2016	
	Telkom	Subsidiaries	Total	%	Total	%	Total	%
Below 30	1,942	3,606	5,548	23.0	4,572	19.0	3,512	14.7
Between 30-45	2,261	6,253	8,514	35.4	8,490	35.3	8,514	35.7
Above 45	8,562	1,447	10,009	41.6	11,003	45.7	11,850	49.6
Total	12,765	11,306	24,071	100.0	24,065	100.0	23,876	100.0

TOTAL EMPLOYEES BASED ON POSITION, STATUS AND GENDER

TelkomGroup has several levels of position, they are senior management, middle management, supervisors, and other levels. In Telkom, the largest composition in 2018 is in the supervisor level with 55.3% or 7,063 employees. In subsidiaries, the largest composition is in other level, that is equal to 45.9% or 11,050 employees.

In terms of gender, total male employees are 18,021 employees higher than female employees of 6,050 employees. Telkom does not differentiate between male and female employees in terms of employment opportunities, but male interest is greater than women to work at Telkom, especially for types of field work.

Total Employees Based on Position in 2016-2018

	2018				2017		2016	
	Telkom	Subsidiaries	Total	%	Total	%	Total	%
Senior Management	211	192	403	1.7	655	2.7	620	2.6
Middle Management	4,092	2,001	6,093	25.3	5,585	23.2	5,290	22.2
Supervisor	7,060	3,990	11,050	45.9	11,547	48.0	12,044	50.4
Others	1,402	5,123	6,525	27.1	6,278	26.1	5,922	24.8
Total	12,765	11,306	24,071	100.0	24,065	100.0	23,876	100.0

Total Employees Based on Gender in 2016-2018

	2018				2017		2016	
	Telkom	Subsidiaries	Total	%	Total	%	Total	%
Male	9,786	8,235	18,021	74.9	18,231	75.8	18,311	76.7
Female	2,979	3,071	6,050	25.1	5,834	24.2	5,565	23.3
Total	12,765	11,306	24,071	100.0	24,065	100.0	23,876	100.0

EQUAL OPPORTUNITIES IN THE COMPETENCY DEVELOPMENT

TelkomGroup continuously develops employee competencies, especially the ability to innovate and to develop creativity in order maximize their contribution for Telkom's business. In general, Telkom is committed to providing equal opportunities for every employee to have a competency development program.

In 2018, Telkom has spent a total of Rp130.6 billion in competency development program, an increase of Rp109.6 billion or 19.2% compared to 2017. The amount does not include education scholarship funds.

Type of Competency Development Program	2018				2017		2016	
	Telkom	Subsidiaries	Total	%	Total	%	Total	%
Training	5,509	9,773	15,282	91.6	23,034	96.7	26,381	98.5
Certification	717	623	1,340	8.0	657	2.8	286	1.1
Educational Scholarship	72	-	72	0.4	133	0.5	118	0.4
Total	6,298	10,396	16,694	100.0	23,824	100.0	26,785	100.0



Great People Trainee Program

SHAREHOLDERS COMPOSITION

Telkom's share structure consists of 1 Series A Dwiwarna share, and 99,062,216,599 Series B shares (common stock) with total issued and fully paid-up capital of 99,062,216,600 shares. A share of Series A Dwiwarna shares belongs to the Government of the Republic of Indonesia.

Composition of Shareholders Telkom on December 31, 2018

	Series A Dwiwarna	Series B (Common Stock)	%
Indonesian Government	1	51,602,353,560	52.09
Public		47,459,863,039	47.91
Total	1	99,062,216,599	100.0

Telkom's shareholder composition as of December 31, 2018 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	51,602,353,560	52.09

2. Ownership of Shares by Directors and Commissioners

On December 31, 2018 there was no Commissioner or Director which has more than 1.0% of Telkom shares.

	BOD and BOC	Total Shares	Percentage Owned
Commissioners	Hendri Saparini	654,505	<0.01
	Rinaldi Firmansyah	454,113	<0.01
Directors	Alex Janangkih Sinaga	1,683,359	<0.01
	Harry Mozarta Zen	689,492	<0.01
	Dian Rachmawan	1,575,562	<0.01
	Abdus Somad Arief	1,515,022	<0.01
	Herdy Rosadi Harman	1,514,720	<0.01
	David Bangun	1,000	<0.01
	Siti Choiriana	540	<0.01
Total		8,088,313	<0.01

3. Shareholders with Less than 5% Ownership

Telkom Shareholders with Individual Ownership Less than 5%, on December 31, 2018.

	Group	Common Stocks Owned	Ownership Percentage of Outstanding Common Stock (%)
Foreign	Business/Institution	36,389,952,660	36.73
	Individual	21,534,800	0.02
Local	Business/Institution		
	Limited liability	2,795,328,652	2.82
	Mutual fund	2,542,271,749	2.56
	Insurance company	3,170,313,097	3.20
	Pension funds	1,564,740,600	1.58
	Others	109,623,249	0.11
	Individual	866,098,232	0.87
Total		47,459,863,039	47.91

4. Percentage of Shares Owned Domestic and Foreign

On December 31, 2018, a total of 70,803 shareholders, including the Government, registered as holders of common stock, including 36,411,487,460 common stock owned 2,157 foreign shareholders. Thus 36.76 % of Telkom's shares were owned by foreign shareholders and the rest was controlled by domestic shareholders. There were 83 ADS shareholders owning 68,824,067 ADS (1 ADS equivalent to 100 common stock).

5. List of 20 Largest Public Shareholders

Here is a list of the 20 largest public shareholders until December 31, 2018.

No	Institution	Percentage
1.	BPJS Ketenagakerjaan	3.03
2.	GIC	2.28
3.	Lazard Asset Mgt	2.10
4.	BlackRock Investment Mgt - Index	1.99
5.	Vanguard Group	1.69
6.	Vontobel Asset Mgt	1.38
7.	Employees Provident Fund Board	1.24
8.	Eastspring Investments	1.18
9.	Matthews International Capital Mgt	0.80
10.	Norges Bank Investment Mgt	0.78
11.	Taspen	0.75
12.	American Depositary Receipts	0.74
13.	AIA Indonesia	0.73
14.	Schroder Investment Mgt	0.62
15.	Comgest	0.61
16.	Abu Dhabi Investment Authority (ADIA)	0.57
17.	JPMorgan Asset Mgt (JF Asset Mgt)	0.56
18.	Mandiri Investasi	0.53
19.	State Street Global Advisors	0.52
20.	Monetary Authority of Singapore	0.46

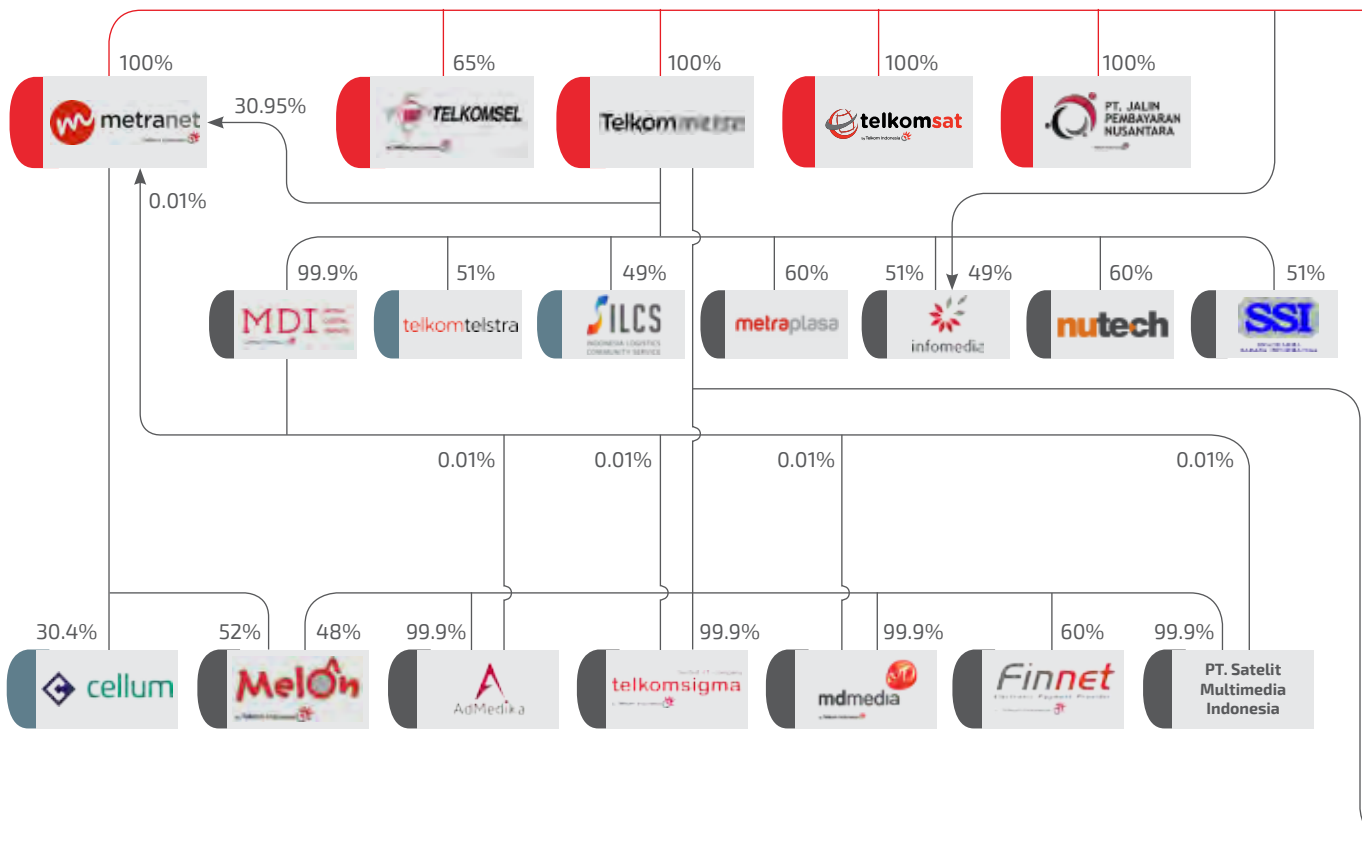
SUBSIDIARIES, ASSOCIATED COMPANIES, AND JOIN VENTURES



Government of Indonesia
52.09%

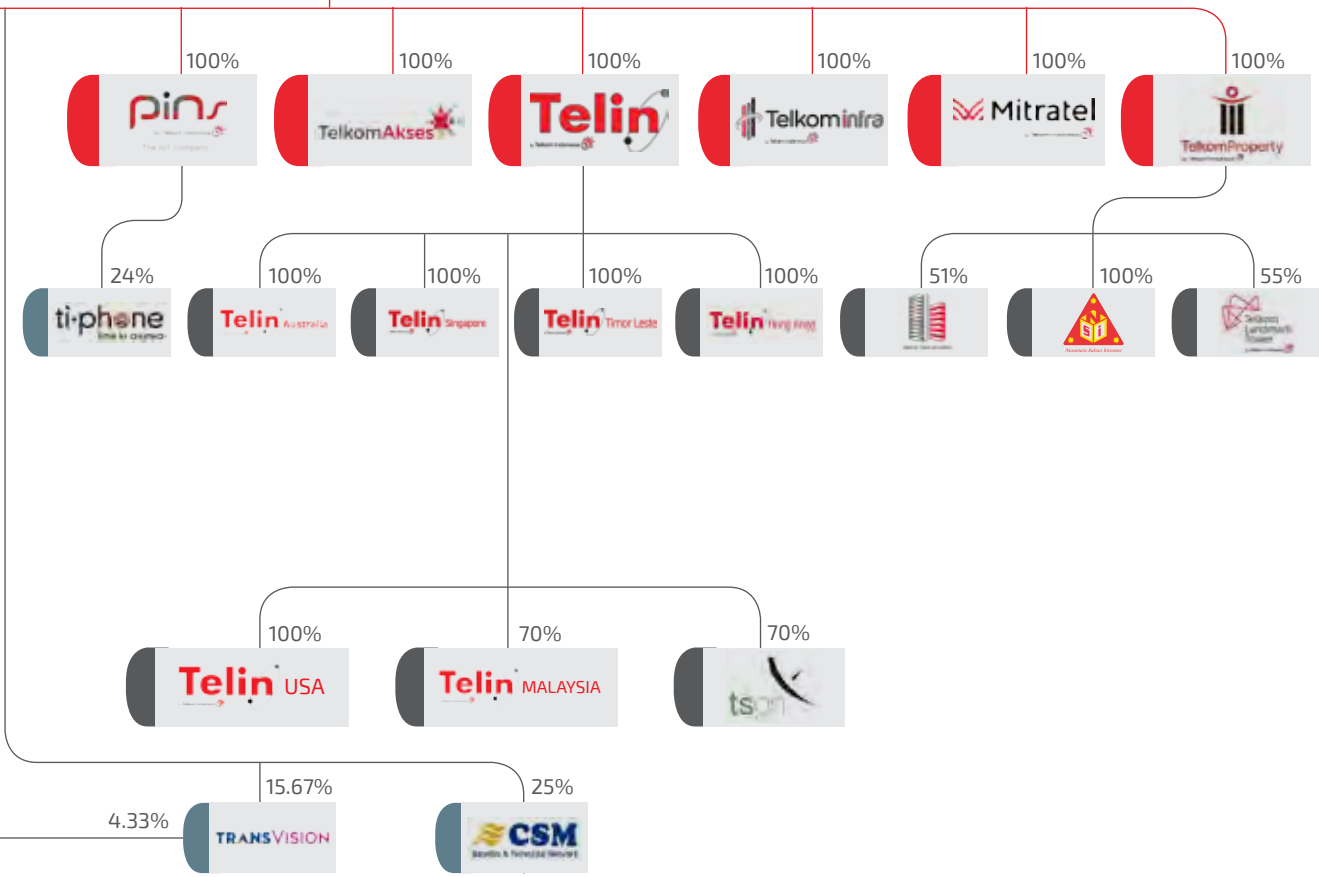


Public
47.91%



Notes:

- Direct Subsidiaries (consolidated)
- Indirect Subsidiaries (consolidated)
- Unconsolidated



As of December 31, 2018, Telkom consolidated the financial statements of all subsidiaries owned directly or indirectly as follows:

SUBSIDIARIES WITH DIRECT OWNERSHIP

Company	Share Ownership	Business Field	Operational Status	Total Asset (Rp billion)	Address
PT Telekomunikasi Selular Jakarta, Indonesia	65%	Telecommunication - provides telecommunication facilities and mobile celluler services using Global Systems for Mobile Communication (GSM)	Operating	82,650	Telkom Landmark Tower 1 st -20 th floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Dayamitra Telekomunikasi Jakarta, Indonesia	100%	Telecommunication	Operating	13,053	Telkom Landmark Tower 25 th -27 th floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Multimedia Nusantara Jakarta, Indonesia	100%	Network telecommunication services and multimedia	Operating	16,524	Telkom Landmark Tower 41 st floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Telekomunikasi Indonesia International Jakarta, Indonesia	100%	Telecommunication	Operating	10,408	Telkom Landmark Tower 16 th -17 th floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Telkom Akses Jakarta, Indonesia	100%	Construction, service and trade in the field telecommunication	Operating	4,244	Telkom Building, West Jakarta. Jl. S. Parman Kav. 8 West Jakarta, 11440, Indonesia
PT Graha Sarana Duta Jakarta, Indonesia	100%	Leasing of offices and providing building management and maintenance services, civil consultant and developer	Operating	5,805	Multimedia Tower. Jl. Kebon Sirih No. 10, Central Jakarta, 10110, Indonesia

Company	Share Ownership	Business Field	Operational Status	Total Asset (Rp billion)	Address
PT PINS Indonesia Jakarta, Indonesia	100%	Telecommunication construction and services	Operating	4,004	Telkom Landmark Tower 42 nd floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Infrastruktur Telekomunikasi Indonesia Jakarta, Indonesia	100%	Construction, service and trade in the field of telecommunications	Operating	3,351	Telkom Landmark Tower 19 th floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Telkom Indonesia Satelit Jakarta, Indonesia	100%	Telecommunication – provides satellite communication system, services and facilities	Operating	3,192	Telkom Landmark Tower 21 st floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Metranet Jakarta, Indonesia	100%	Multimedia portal service	Operating	782	Mulia Business Park, J Building. Jl. Letjen MT Haryono Kav. 58 – 60 Pancoran, Jakarta, 12780, Indonesia
PT Jalin Pembayaran Nusantara Jakarta, Indonesia	100%	Payment services – principal, switching, clearing and settlement activities	Operating	298	Dea Tower, 1 st Tower, 8 th floor. Jl. Mega Kuningan Barat IX Kav. E.4.3 No. 1 Jakarta, 12950, Indonesia
PT Napsindo Primatel Internasional Jakarta, Indonesia	60%	Telecommunication – provides Network Access oint (NAP), Voice Over Data (VOD) and other related services	Ceased Operations on January 13, 2006	5	-

SUBSIDIARIES WITH INDIRECT OWNERSHIP

Company	Share Ownership	Business Field	Operational Status	Total Asset (Rp/billion)	Description
PT Sigma Cipta Caraka Tangerang, Indonesia	100%	Information technology service - system implementation and integration service, outsourcing and software license maintenance	Operating	7,785	Telkom Landmark Tower 23 rd floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
Telekomunikasi Indonesia International Pte. Ltd., Singapore	100%	Telecommunication	Operating	3,413	Maritime Square, #09-63 Harbour Front Center, Singapore - 099253
PT Infomedia Nusantara Jakarta, Indonesia	100%	Data and information services - provides telecommunication information services and other information services in the form of print and electronic media and call center services	Operating	2,389	PT Infomedia Nusantara Head Office. Jl. RS. Fatmawati 77-81 Jakarta, 12150, Indonesia
PT Telkom Landmark Tower Jakarta, Indonesia	55%	Service for property development and management	Operating	2,128	Telkom Landmark Tower, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Metra Digital Media Jakarta, Indonesia	100%	Directory information services	Operating	1,339	Telkom Landmark Tower 18 th floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Finnet Indonesia Jakarta, Indonesia	60%	Information technology services	Operating	1,011	Bidakara Tower 1, 12 th floor. Jl. Jend. Gatot Subroto Kav. 71-73, South Jakarta, 12870 Indonesia
TS Global Network Sdn. Bhd Petaling Jaya, Malaysia	70%	Satellite service	Operating	832	Teknorat ½ street, Cyber 3, 6300 Cyberjaya, Selangor Darul Ehsan, Malaysia
Telekomunikasi Indonesia International Ltd., Hong Kong	100%	Telecommunication	Operating	1,185	Suite 905, 9/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
PT Metra Digital Investama Jakarta, Indonesia	100%	Trading and/or providing service related to information and technology, multimedia, entertainment and investment	Operating	979	Telkom Landmark Tower, The Telkom Hub. 21 st floor. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia

Company	Share Ownership	Business Field	Operational Status	Total Asset (Rp/billion)	Description
Telekomunikasi Indonesia International S.A., Dili, Timor Leste	100%	Telecommunication	Operating	677	Timor Plaza 4 th Floor, Rua Presidente Nicolao Lobato, Comoro, Dili Timor Leste
PT Nusantara Sukses Investasi Jakarta, Indonesia	100%	Service and trading	Operating	290	Multimedia Tower, Annex Building 2 nd floor. Jl. Kebon Sirih No. 10-12, Central Jakarta, Indonesia
PT Administrasi Medika Jakarta, Indonesia	100%	Health insurance administration services	Operating	346	STO Telkom Gambir C Building 3 rd floor. Jl. Medan Merdeka Selatan No. 12, Central Jakarta, 10110, Indonesia
PT Melon Jakarta, Indonesia	100%	Digital content exchange hub services	Operating	457	Telkom Landmark Tower 45 th floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia
PT Metraplaza Jakarta, Indonesia	60%	Network and e-commerce services	Operating	168	Mulia Business Park, J Building. Jl. Letjen MT Haryono Kav. 58 – 60 Pancoran, Jakarta 12780, Indonesia
PT Graha Yasa Selaras Jakarta, Indonesia	51%	Tourism service	Operating	250	Jl. Cimanuk No. 33 Bandung
Telekomunikasi Indonesia International Australia Pty. Ltd., Sydney, Australia	100%	Telecommunication	Operating	115	Level 4, 241 Commonwealth Street Surry Hills NSW 2010, Australia
PT Nutech Integrasi Jakarta, Indonesia	60%	System integrator	Operating	93	Jl. Tanjung Barat Raya, No. 17, Pasar Minggu, South Jakarta, 12510, Indonesia
Telekomunikasi Indonesia International Inc., Los Angeles, USA	100%	Telecommunication	Operating	57	800 Wilshire Boulevard, Suite 620 Los Angeles, California 90017
PT Satelit Multimedia Indonesia Jakarta, Indonesia	100%	Satellite service	Operating	16	Telkom Landmark Tower 41 st floor, The Telkom Hub. Jl. Jend Gatot Subroto Kav. 52 Jakarta, 12710, Indonesia

Company	Share Ownership	Business Field	Operational Status	Total Asset (Rp/billion)	Description
Telekomunikasi Indonesia International (Malaysia) Sdn. Bhd. Kuala Lumpur, Malaysia	70%	Telecommunication	Operating	76	Suite 7-3, Level 7, Wisma UOA II No. 21, Jalan Pinang, KLCC, 50450, Kuala Lumpur, Malaysia.
PT Swadharna Sarana Informatika Jakarta, Indonesia	51%	System Integrator Services	Operating	460	St Arteri JORR, No. 70, Jati Melati, Pondok Melati, Bekasi, Indonesia.

CHRONOLOGY OF STOCKS REGISTRATION

Since November 14, 1995, Telkom shares have been listed and traded in Indonesia Stock Exchange (IDX) and New York Stock Exchange (NYSE) with tickers of TLKM and TLK, respectively.

Date	Corporate Actions	Composition of Share Ownership		
		Government of Republic of Indonesia	Public	%
13/11/1995	Pre Initial Public Offering	8,400,000,000	-	-
	Sale of Shares Held By Government	(933,334,000)	933,334,000	-
	Telkom Right Issue	-	933,333,000	-
	Composition of Share Ownership	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 Share Ownership	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 Share Ownership	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 Share Ownership	6,177,995,700	3,155,337,300	33.8
2/8/1999	Distribution of Shares Bonus (Issuance) (Each 50 Shares Gets 4 Shares)	494,239,656	252,426,984	-
	Composition of Share Ownership	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 Share Ownership	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 Share Ownership	5,160,235,356	4,919,764,284	48.8
1/10/2004	Stock Split with Ratio 1:2	10,320,470,712	9,839,528,568	48.8
21/12/2005	Shares Buy Back Program (I) ⁽¹⁾	-	(211,290,500)	-
	Composition of Share Ownership	10,320,470,712	9,628,238,068	48.3
29/06/2007	Shares Buy Back Program (II) ⁽²⁾	-	(215,000,000)	-
	Composition of Share Ownership	10,320,470,712	9,413,238,068	47.7
20/06/2008	Shares Buy Back Program (III) ⁽³⁾	-	(64,284,000)	-
	Composition of Share Ownership	10,320,470,712	9,348,954,068	47.5
19/05/2011	Shares Buy Back Program (IV) ⁽⁴⁾	-	(520,355,960)	-
	Composition of Share Ownership	10,320,470,712	8,828,598,108	46.1
14/06/2013	Transfer of Shares Buy Back Program III to Employees through ESOP Program	-	59,811,400	0.3
	Composition of Share Ownership	10,320,470,712	8,888,409,508	46.3

Date	Corporate Actions	Composition of Share Ownership		
		Government of Republic of Indonesia	Public	%
30/07/2013	Transfer of Shares Buy Back Program I through Private Placement	-	211,290,500	-
	Composition of Share Ownership	10,320,470,712	9,099,700,008	46.9
2/9/2013	Stock Split with Ratio 1:5	51,602,353,560	45,498,500,040	46.9
13/06/2014	Transfer of Shares Buy Back Program II through Private Placement	-	1,075,000,000	-
	Composition of Share Ownership	51,602,353,560	46,573,500,040	47.4
21/12/2015	Transfer of Remaining Shares Buy Back Program III through Private Placement	-	22,363,000	-
	Composition of Share Ownership	51,602,353,560	46,595,863,040	47.5
29/06/2016	Transfer of Remaining Shares Buy Back Program IV through Private Placement	-	864,000,000	-
	Composition of Share Ownership	51,602,353,560	47,459,863,040	47.9
2017	No corporate action	-	-	-
	Composition of Share Ownership	51,602,353,560	47,459,863,040	47.9
02/07/2018	Transfer of Treasury Stock through Withdrawal by way of Capital Reduction	-	1,737,779,800	-
	Composition of Share Ownership	51,602,353,560	47,459,863,040	47.9

Remarks:

- (1) First shares buy back program began on December 21, 2005 (simultaneously with the EGMS when the program was approved) and ended in June 2007.
- (2) Second shares buy back program began on June 29, 2007 (simultaneously with the EGMS when the program was approved) and ended in June 2008.
- (3) Third shares buy back program began on June 20, 2008 (simultaneously with the EGMS when the program was approved) and ended in December 2009.
- (4) Fourth shares buy back program began on May 19, 2011 (simultaneously with the AGMS when the program was approved) and ended in November 2012.

CHRONOLOGY OF OTHER SECURITIES REGISTRATION

On July 16, 2002, Telkom issued bonds for the first time with a nominal value of Rp1,000 billion with a term of 5 (five) years and traded on Surabaya Stock Exchange. Five years later, on July 16, 2007, Telkom paid all of the bonds payable. Telkom issued a second bond on June 25, 2010, with a value of Rp1,005 billion for Series A with a period of 5 (five) years and Rp1,995 billion for Series B with a term of 10 (ten) years. These bonds were listed on the Indonesia Stock Exchange (IDX). The Company has repaid the Series A Bonds that due on July 6, 2015.

On June 16, 2015, Telkom issued Telkom Shelf Registered Bond I Trance I with each amounting to Rp2,200 billion for Series A with a term of 7 (seven) years, Rp2,100 billion for Series B with a term of 10 (ten) years, Rp1,200 billion for Series C with a term of 15 (fifteen) years, and Rp1,500 billion for Series D with a term of 30 (thirty) years. These bonds were listed on Indonesia Stock Exchange (IDX). On September 26, 2018, the Bondholders General Meeting (Telkom Bond II 2010), approved the Trustee replacement from PT Bank CIMB Niaga Tbk to PT Bank Tabungan Negara (Persero) Tbk.

Bond Name	Amount (Rp million)	Issuance Date	Maturity Date	Period (year)	Interest Rate	Underwriter	Trustee	Settlement Date
Telkom Bond I 2002	1,000,000	July 16, 2002	July 16, 2007	5	17.0%	PT Danareksa Sekuritas	PT BNI Tbk, PT BRI Tbk	July 16, 2007
Telkom Bond II 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 Bank CIMB Niaga Tbk	July 6, 2015
Telkom Bond II 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 Bank Tabungan Negara (Persero) Tbk	-
Telkom Shelf Registered Bond I 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	-
Telkom Shelf Registered Bond I 2015 Series B	2,100,000	June 23, 2015	June 23, 2025	10	10.25%			
Telkom Shelf Registered Bond I 2015 Series C	1,200,000	June 23, 2015	June 23, 2030	15	10.60%			
Telkom Shelf Registered Bond I 2015 Series D	1,500,000	June 23, 2015	June 23, 2045	30	11.00%			

Remark:

- (1) Telkom Shelf Registered Bond 1 Telkom 2015 Series A was issued June 16, 2015 but the official sale transaction was on June 23, 2015

On September 4, 2018, Telkom issued Medium Term Notes I Telkom Year 2018 with a principal value of Rp758,000,000,000 (seven hundred fifty eight billion Rupiah) and Medium Term Notes Sharia Ijarah I Telkom Year 2018 with Ijarah of Rp742,000,000,000 (seven hundred forty two billion Rupiah). Both MTN are issued on 3 series. The Monitoring Agent for the MTN issuance is PT Bank Tabungan Negara (Persero) Tbk.

Notes	Currency Principal (Rp million)	Issuance Date	Maturity Date	Term (Year)	Interest Rate per Annum (%) / Installment Payment per Year (Rp million)	Arranger	Monitoring Agent	Settlement Date
MTN I Telkom Year 2018 seri A	262,000	September 4, 2018	September 14, 2019	1	7.25%	PT Bahana Sekuritas, PT BNI	PT Bank Tabungan Negara (Persero)	
MTN I Telkom Year 2018 Series B	200,000	September 4, 2018	September 4, 2020	2	8.00%	PT CGS-CIMB Sekuritas Indonesia, PT Danareksa Sekuritas and PT Mandiri Sekuritas	Tbk	
MTN I Telkom Year 2018 Series C	296,000	September 4, 2018	September 4, 2021	3	8.35%	PT Bahana Sekuritas, PT BNI	PT Bank Tabungan Negara (Persero)	
MTN Syariah Ijarah I Telkom Year 2018 Series A	264,000	September 4, 2018	September 14, 2019	1	Rp19,000	PT CGS-CIMB Sekuritas Indonesia, PT Danareksa Sekuritas and PT Mandiri Sekuritas	Tbk	
MTN Syariah Ijarah I Telkom Year 2018 Series B	296,000	September 4, 2018	September 4, 2020	2	Rp24,000	PT Bahana Sekuritas, PT BNI	PT Bank Tabungan Negara (Persero)	
MTN Syariah Ijarah I Telkom Year 2018 Series C	182,000	September 4, 2018	September 4, 2021	3	Rp15,000	PT CGS-CIMB Sekuritas Indonesia, PT Danareksa Sekuritas and PT Mandiri Sekuritas	Tbk	

NAME AND ADDRESS OF INSTITUTIONS AND/OR SUPPORTING CAPITAL MARKET PROFESSION

	Supporting Capital Market Profession	Address	Service	2018 Fee	Assignment Period
External Auditor/ Public Accountant	KAP Purwantono, Sungkoro & Surja (a member of Ernst & Young Global Limited)	Bursa Efek Indonesia Building, 2 nd Tower, 7 th floor Jl. Jend. Sudirman Kav. 52-53 Jakarta - 12190	Conducting Integrated Audit of PT Telkom Indonesia (Persero) Tbk (Telkom) and the General Audit of financial statements of subsidiaries. Publishing Consent Letter.	Rp54,555 million	Since 2012
Securities Administration Bureau	PT Datindo Entrycom	Wisma Sudirman Jl. Jend. Sudirman Kav. 34-35 Jakarta - 10220	Acting as a depository institution (Custodian) of Telkom's common stock traded on the Indonesia Stock Exchange.	Rp136 million	Since 1995
Trustee	PT Bank Tabungan Negara (Persero) Tbk	Menara Bank BTN Jl. Gajah Mada No. 1 Jakarta 10130	Representing the interests of bond holders with the Company for Bond II Telkom.	-	Since September 2018
	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 Shelf Registered Bond I.	Rp75 million	Since 2015
	PT Bank CIMB Niaga Tbk	Graha CIMB Niaga, 20 th floor Jl. Jend. Sudirman Kav. 58 Jakarta - 12190	Representing the interests of Bond holders with the Company for Telkom II.	Rp75 million	Until September 2018
Central Custodian	PT Kustodian Sentral Efek Indonesia	Bursa Efek Indonesia Building, Tower 1, 5 th floor Jl. Jend. Sudirman Kav. 5253 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
Rating Agency	PT Pemeringkat Efek Indonesia	Panin Tower Senayan City, 17 th floor Jl. Asia Afrika Lot. 19 Jakarta - 10270	Providing rating on credit risk of Telkom bond issuance.	Rp150 million	Since 2012
	Moody's	Moody's Investors Service Singapore Pte. Ltd, 50 Raffles Place #23-06, Singapore Land Tower, Singapura - 048623	Provides ratings on Telkom credit risk.	US\$70,000	Since 2018
	Fitch	Fitch (Hong Kong) Limited 19/F Man Yee Building 68 Des Voeux Road Central, Hong Kong + 852 2263 9963	Provides ratings on Telkom credit risk.	US\$65,000	Since 2018
ADS Custodian Bank	The Bank of New York Mellon Corporation	Corporate Headquarters 240 Greenwich Street New York, NY 10286 United States +1 212 495 1784	Acting as a depository institution (Custodian) of ADS shares traded on the NYSE.	-	Since 1995
Official Service Agency in The United State	Puglisi and Associates	850 Library Ave # 204, Newark United States - 19711	Acting as an authorized representative in the US with regard to securities in accordance with the law and regulations.	US\$500	Since 2012
Legal Counsel	Hadiputranto, Hadinoto & Partners	Pacific Century Place, Level 35 Sudirman Central Business District Lot. 10 Jl. Jend. Sudirman Kav. 52-53 Jakarta 12190, Indonesia	Acting as capital market legal counsel	Rp225 million	Since 1995
Notary	Notaris/PPAT Ashoya Ratam, SH, MKn	Jl. Suryo No. 54, Kebayoran Baru, Jakarta 12180	Acting as notary	Rp25 million	Since 2012

04

MANAGEMENT DISCUSSION AND ANALYSIS

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Telkom Integrated Operation Center, focus on delivering quality network, service performance, and customer experience for all Telkom customers.

OPERATIONAL OVERVIEW BY SEGMENT



MOBILE



- Offers mobile voice, SMS, broadband services and digital services.
- Nationwide coverage with more than 189,000 BTS.
- The largest cellular network operator in Indonesia.



ENTERPRISE



- Offers end-to-end integrated ICT and Smart Enabler solutions to corporate and institutional customers.
- Market leader serving customers of 1,900 corporates, 300,416 SMBs and 979 government institutions.



CONSUMER



- Offers high-speed internet, fixed line, and IPTV services through the IndiHome brand with 5.1 million subscribers.
- Dominates the largest market share in Indonesia of fixed broadband and IPTV in Indonesia.



WHOLESALE & INTERNATIONAL BUSINESS



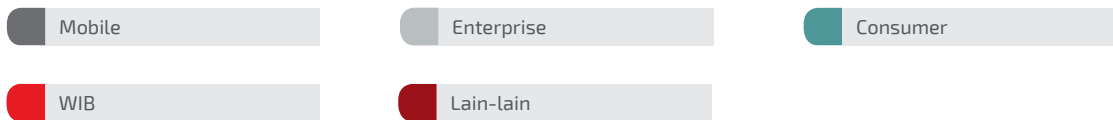
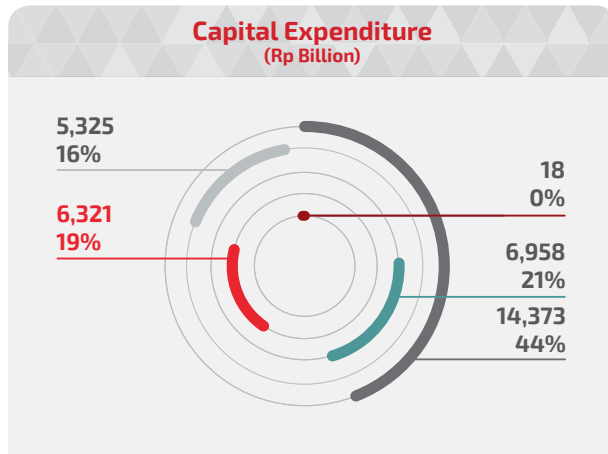
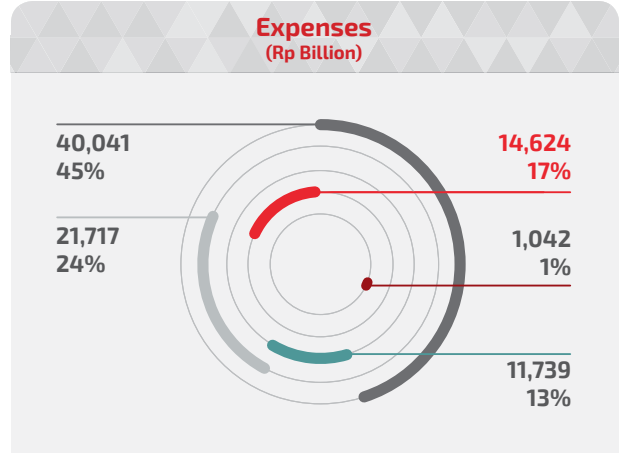
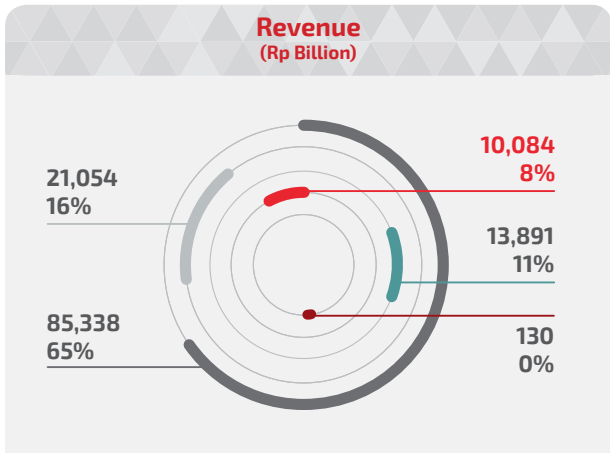
- Offering telecommunication services, tower, infrastructure, data centre, cloud and digital platform for domestic or international carrier and provider.



OTHERS



- Offers various digital lifestyle services such as music, video, e-payment, and e-commerce platform.
- Focused on creating unique and different digital experiences.
- Building management, property, and company's asset optimization service.



SEGMENT PERFORMANCE HIGHLIGHTS

The following table shows an overview of the performance of each of the business segments of TelkomGroup from 2016 to 2018.

Telkom's Results of Operation By Segment	Growth 2018-2017 (%)	Years ended December 31,			
		2018		2017	2016
		(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Mobile					
Revenues					
External revenues	(5.3)	85,338	5,934	90,073	83,998
Inter-segment revenues	25.7	3,880	270	3,086	2,724
Total segment revenues	(4.2)	89,218	6,204	93,159	86,722
Expenses					
External expenses	1.5	(40,041)	(2,784)	(39,452)	(37,814)
Inter-segment expenses	7.1	(15,408)	(1,071)	(14,382)	(12,547)
Total segment expenses	3.0	(55,449)	(3,856)	(53,834)	(50,361)
Segment results	(14.1)	33,769	2,348	39,325	36,361
Depreciation and amortization	(3.4)	(13,095)	(911)	(13,560)	(12,808)
Provision recognized in current period	50.5	(438)	(30)	(291)	(221)
Consumer					
Revenues					
External revenues	25.1	13,891	966	11,105	10,410
Inter-segment revenues	697.9	2,290	159	287	1,877
Total segment revenues	42.0	16,181	1,125	11,392	12,287
Expenses					
External expenses	13.3	(11,739)	(816)	(10,360)	(11,024)
Inter-segment expenses	142.6	(3,792)	(264)	(1,563)	(2,793)
Total segment expenses	30.3	(15,531)	(1,080)	(11,923)	(13,817)
Segment results	222.4	650	45	(531)	(1,530)
Depreciation and amortization	7.8	(3,060)	(213)	(2,839)	(2,881)
Provision recognized in current period	13.8	(438)	(30)	(385)	(392)
Enterprise					
Revenues					
External revenues	10.1	21,054	1,464	19,130	15,816
Inter-segment revenues	7.1	17,995	1,251	16,801	12,877
Total segment revenues	8.7	39,049	2,715	35,931	28,693
Expenses					
External expenses	5.2	(21,717)	(1,510)	(20,653)	(17,813)
Inter-segment expenses	7.2	(16,116)	(1,121)	(15,027)	(9,647)
Total segment expenses	6.0	(37,833)	(2,631)	(35,680)	(27,460)
Segment results	382.5	1,216	85	252	1,233
Depreciation and amortization	(0.4)	(2,128)	(148)	(2,136)	(1,386)
Provision recognized in current period	(2.1)	(764)	(53)	(668)	119

Telkom's Results of Operation By Segment	Growth 2018-2017 (%)	Years ended December 31,			
		2018		2017	2016
		(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
WIB					
Revenues					
External revenues	35.6	10,084	701	7,439	5,866
Inter-segment revenues	9.0	16,678	1,160	15,305	14,451
Total segment revenues	17.7	26,762	1,861	22,744	20,317
External expenses	18.6	(14,624)	(1,017)	(12,333)	(10,451)
Inter-segment expenses	7.1	(6,010)	(418)	(5,611)	(4,805)
Total segment expenses	15.0	(20,634)	(1,435)	(17,944)	(15,256)
Segment results	27.7	6,128	426	4,800	5,061
Depreciation and amortization	32.1	(3,146)	(219)	(2,382)	(1,715)
Provision recognized in current period	(44.1)	(71)	(5)	(127)	(238)
Other					
Revenues					
External revenues	3.2	130	9	126	19
Inter-segment revenues	47.2	886	62	602	209
Total segment revenues	39.6	1,016	71	728	228
External expenses	6.4	(1,042)	(72)	(979)	(417)
Inter-segment expenses	(55.7)	(31)	(2)	(70)	(12)
Total segment expenses	2.3	(1,073)	(74)	(1,049)	(429)
Segment results	82.2	(57)	(4)	(321)	(201)
Depreciation and amortization	(4.5)	(21)	(1)	(22)	(19)
Provision recognized in current period	150.0	(5)	(0)	(2)	(1)

OPERATIONAL HIGHLIGHT

	Unit	Year Ended on December 31,		
		2018	2017	2016
SUBSCRIBERS				
Cellular Subscribers	(000) subscribers	162,987	196,322	173,920
Postpaid (kartuHalo)	(000) subscribers	5,400	4,739	4,180
Prepaid (<i>simPATI</i> , Kartu As, Loop)	(000) subscribers	157,587	191,583	169,740
Broadband Subscribers	(000) subscribers	113,813	111,074	89,058
Fixed broadband ¹⁾	(000) subscribers	7,260	5,266	4,329
IndiHome	(000) subscribers	5,104	2,965	1,624
Mobile broadband ²⁾	(000) subscribers	106,553	105,808	84,729
Fixed Line Subscribers	(000) subscribers	11,111	10,957	10,663
Fixed wireline (POTS)	(000) subscribers	11,111	10,957	10,663
INFRASTRUCTURE				
Satellite Capacity	TPE	133	73	60
Point of Presence	PoP	118	99	69
Domestic	PoP	46	42	40
International	PoP	72	57	29
BTS	unit	189,081	160,705	129,033
BTS 2G	unit	50,310	50,324	50,344
BTS 3G	unit	82,118	82,228	72,327
BTS 4G	unit	56,653	28,153	6,362
Tower	unit	30,485	29,061	25,558
Fiber Optic Backbone Network	km	161,652	155,524	106,000
Domestic	km	96,952	90,854	85,770
International	km	64,700	64,670	20,230
Wi-Fi Services	access point	382,361	352,642	362,200
CUSTOMER SERVICE				
PlasaTelkom ³⁾	location	422	535	566
GraPARI TelkomGroup	location	7	4	-
Plasa Telkom Digital	location	10	-	-
GraPARI	location	440	442	423
International	location	11	10	7
Domestic	location	429	432	416
GraPARI Mobile	unit	761	761	487
IndiHome Mobile	unit	1,142	1,142	-
EMPLOYEES	People	24,071	24,065	23,876

Remarks:

1) Fixed broadband subscriber consists of IndiHome and high speed internet (HIS) subscriber.

2) Mobile broadband includes Flash user, Blackberry user, and PAYU.

3) Plasa Telkom outlet is a face-to-face customer service points consists of GraPARI TelkomGroup, Plasa Telkom Digital and other Plasa across Indonesia.



→ Family interaction becomes more definite with video call service on IndiHome TV screen.



→ Outdoor Micro BTS is one solution to expand cellular coverage and increase the capacity in strategic location and central business district.



MOBILE SEGMENT



Telkom performed its mobile segment business through its subsidiary Telkomsel, a leading cellular operator in Indonesia, with its 163 million subscriber and dominated more than 59.1% cellular market share. Telkomsel has been strengthening its broadband infrastructure by building new 4G LTE technology based 28,376 BTS, made its 4G LTE coverage more than 90% population. With this new BTS, Telkomsel has the widest network coverage of 189 thousand total BTS. Telkomsel commits giving the best experience for subscriber and presents the latest telecommunication service which would be a future trend of telecommunication technology.

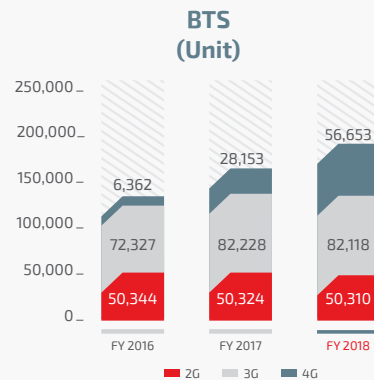
Throughout 2018, Indonesia cellular telecommunications industry experienced a very dynamic change and a decline, triggered by the accelerated transformation from legacy services to digital business, intense price war competition in data services and the implementation of prepaid SIM card registration policies.

Digital Business remained the growth stimulus and made revenue growth of 19.8% which substantially increased digital business contribution to total revenue into 53.0% from 42.3% in the previous year. This was supported by the growth in customer data to 106.6 million, an ARPU data increase, and a data usage growth of 101.7% into 4,373,077 TB.

“SIM card registration was the starting point for Telkomsel to re-map its costumers to provide the suitable customized program.”

Data traffic increased by **101.7%**
to 4,373,077 TB

More than **23 million**
TCASH registered users



Although in 2018 there was intense competition on mobile broadband services, especially during the prepaid SIM card registration process, the Mobile segment through Telkomsel efforts to push the data price level to a reasonable level and stifle the decline in legacy businesses, including offering programs such as voice and SMS package, succeeded quite well, then Telkomsel only recorded a decrease of 4.3%, and after consolidation, the Mobile segment only recorded a decrease in revenue of 5.3% compared to 2017. It was better than the decline in revenue of the main three operators of 7.4%

The dynamics of the Indonesian telecommunications industry was also marked by intense competition in data services triggered by a price war especially during the implementation of prepaid SIM card registration, caused unhealthy cellular industry. Telkomsel takes the initiative to increase the price of data services while maintaining an ideal premium level and expects all operators would respond in the similar manner, to improve industrial conditions and provide growing opportunities.

In addition, the prepaid SIM card registration program conducted by the Government has a significant reduction in all cellular operators customer, but in the long-term it will provide positive benefits. Telkomsel complies with this Government policy and believes that the registration of prepaid SIM cards would form a balance new business competition with more official and accurate customer data, so it could provide more appropriate customized programs for customers. In addition, this would lead to cost efficiency due to reduced SIM card production and distribution costs, the sales business model would be more oriented to the credit top-up packages sale than starter packs so that it is expected to provide a healthier revenue structure. Telkomsel started focussing to increase the High Value Customer (HVC). Nowadays, HVC contributed significantly toward Telkomsel revenue. To increase HVC and maintain their loyalty, Telkomsel made profiling so that it could deliver more focused and high quality service.

Telkom has several products to serve various customer segments. The market brand for postpaid customers is kartuHalo, while prepaid customers is *simPATI*, Kartu As and Loop. Mobile broadband services are marketed under Telkomsel Flash and are supported by LTE/HSDPA/3G/EDGE/GPRS technology.

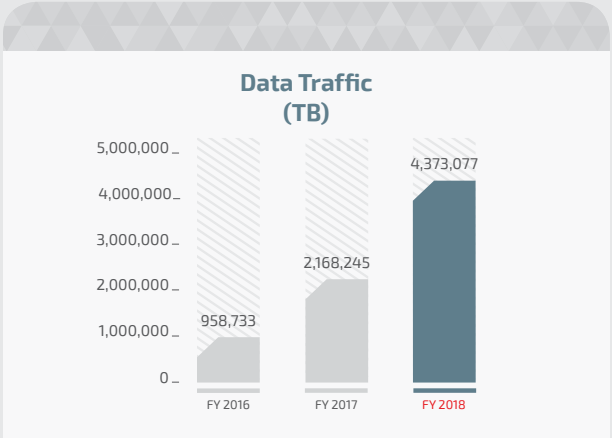
Several investments and initiatives have also been made to accelerate the digital services growth, in line with the access support of digital services in Indonesia and the Telkomsel mission to create Indonesia as a digital nation with digital services portfolio consisting of digital advertising, mobile banking, Internet of Things (IoT), mobile financial services, big data and API (Application Programming Interface) and digital lifestyle.

Digital advertising and mobile banking business includes several service categories such as digital advertising, mobile coupon and mobile banking as Telkom efforts to constantly improve its products and services as well as develop more channels. Telkomsel IoT (Internet of Things) is an enterprise customer service that connects devices, machines and objects

that include built-in technology with the internet, so it would be an "intelligence" asset that could interact with the external environment. TCASH, is an electronic money service for financial transactions that supports the government's goal to expand financial inclusion and become cashless society. Telkom big data business delivers consumer insights to the market and API business which provides a great opportunity for application developers, SMB and corporation to improve their services in line with the online market growth.

Digital lifestyle continues to focus on providing prime mobile entertainment experiences for customers. Telkomsel aims to become the leading mobile entertainment provider in Indonesia through video, games, music and other VAS mobile service platforms by targeting various segments through various services. The innovation and digital solution product development for enterprise segment are mobile security, NB-IoT and other celular solution that use myBusiness—a Telkomsel product portfolio. On May 2018, Telkomel launched MAXstream as a platform and one-stop video platform with the joint of OTT video apps, linear channel, and VOD content. Telkomsel also provide a whole digital game ecosystem and released the first game "Shellfire" on October 2018 under "Dunia Games" brand.

Telkomsel is committed to providing the best experience for customers and presenting the latest telecommunications services, in the 2018 Asian Games, Telkomsel conducted a 5G trial presenting the "Telkomsel 5G Experience Center" at Gelora Bung Karno, Jakarta. Visitors could get to know and experienced the implementation of revolutionary technology directly through various devices equipped with 5G technology such as Live Streaming, Football 2020, Future Driving, Cycling Everywhere, and Autonomous Bus.



Mobile Segment Financial Performance 2016 - 2018

The mobile segment is the largest contributor to revenue in 2018, which is 65.4% of Telkom total revenue. Below is the table of mobile segment performance over the last three years:

Mobile Segment	2018-2017	2018		2017	2016
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Revenues	(5.3)	85,338	5,934	90,073	83,998
Expenses	1.5	(40,041)	(2,784)	(39,452)	(37,814)
Results	(10.5)	45,297	3,150	50,621	46,184

Although there was a severe competition in mobile broadband service in 2018, particularly during the prepaid SIM card registration process, Telkom efforts adjusting data price to the fair level and maintaining the legacy business decrease was quite successful, by offering voice and SMS package. Mobile segment only recorded the revenue decrease by 5.3% than 2017. It was better than the decrease of the 3 main operators of 7.4%.

Throughout 2018, the revenue of the mobile segment was recorded at Rp85,338 billion (US\$5,934 million), decreased by Rp4,735 billion or 5.3% from the previous year revenue. This decrease was mainly due to the decrease in voice revenues of Rp6,815 billion or 18.3% and SMS revenue of Rp4,007 billion or 30.4% from the previous year. However, the voice and SMS decrease was compensated by an increase in cellular data and internet revenues of Rp7,193 billion or grew by 18.9% from the previous year encouraged by mobile data traffic growth of 101.7%. Meanwhile, the expense for the mobile segment in 2018 increased by 1.5% into Rp40,041 billion compared to 2017, which was mainly due to increase of the operational and maintenance expense in line with new BTS construction in 2018. This increase was compensated by the decrease of depreciation and marketing expense due to selective marketing program. Mobile segment made profit of Rp45,297 billion in the 2018.

In the 2016-2017, the mobile segment recorded revenue of Rp90,073 billion, increased by Rp6,075 billion or 7.2% compared to Rp83,998 billion in 2016. This revenue increase was encouraged by the data and internet cellular revenue growth due to the increased mobile data consumption. Segment expenses in 2017 also increased by Rp1,638 billion or 4.3% to Rp39,452 billion in line with the construction of network infrastructure and the higher business volume. Compared to the 2016 revenue, Mobile segment result was increased by Rp4,437 billion or 9.6%, into Rp50,621 billion.

DG
DUNIA GAMES

4G LTE

TELKOMSEL

SHELLFIRE

**RASAKAN SERUNYA
ARENA PERTARUNGAN**

DOWNLOAD SEKARANG

SHELLFIRE

GET IT ON
Google Play

kartuHalo slmPATI

1	Telkom Highlights
2	Report of The Board of Commissioners and Directors
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4	Analysis and Discussion
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6	Corporate Social Responsibility
7	Partnership and Community Development Program
8	Appendices
9	Consolidated Financial Statements



ENTERPRISE SEGMENT



Enterprise segment serves end to end solution and ecosystem to corporates, SMB, and government institutions for digital connectivity, data center and cloud, IT service, digital service, Business Process Outsourcing (BPO), device and adjacent service. Beside exploiting its existing products, Telkom actively explores business partnerships with various global players, including in the fields of Internet of Thing, Big Data Analytics, Financial Service, Smart City and others.

In enterprise service, the highest revenue in this segment was from connectivity service, a basic service for customers, contributed 47.3% of the revenue supported by IT service, data center and cloud, grew by 48.2% in enterprise segment. This high growth was in line with the high demand of digitalization from corporate, SMB and government institution.

As of December 31, 2018, enterprise customers reach 303,295 customers, including 1,900 corporate, 300,416 SMB, and 979 government institution. Telkom believes that the enterprise segment still has good growth opportunities, in line with the increasing of integrated ICT services importance and needs to improve the work efficiency.

Telkom position in enterprise segment is solid. Beside supported by the widest fiber optic-based infrastructure network providing high-quality connectivity services, the provision of end-to-end solutions to Telkom customers is also carried out together with several direct and indirect subsidiaries with its business variety providing a total solution.

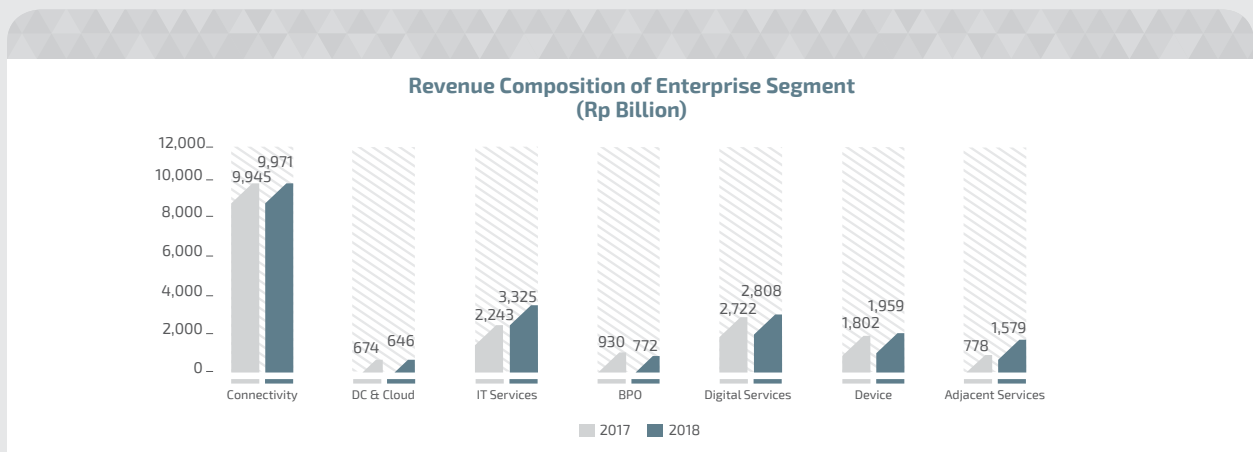
“The launch Merah Putih Satellite is strengthening Telkom’s capability providing connectivity service for customer, to uncovered fiber optic areas.”

1,900 corporate customers
300,416 SMB customers
979 government institution customers

60 TPE Merah Putih Satellite
49 TPE Telkom-3S Satellite
24 TPE Telkom-2 Satellite

3 Data Centers
with a specification of tier 3 and 4
(domestic)

Telkom made acquisition of PT Collega Inti Pratama through PT Sigma Cipta Caraka (Telkom Sigma) and PT Swadharna Sarana Informatika (SSI) through PT Multimedia Nusantara (Telkom Metra) to strengthen its capability in finance and banking industry.



In the future, Telkom will strive looking for more recurring new growth engines, by exploring opportunities to be a digital business provider. Telkom will strengthen the business model by encouraging business diversification to various industries offering digital business-based services.

Telkom also notices the ICT services penetration in Small and Medium Business (SMBs) is still relatively low. Telkom expects its ICT services presence would help business development among SMBs, considering the generated benefits, and also as the market opportunity for Telkom to grow with customers.

Enterprise Segment Financial Performance 2016–2018

The revenue contribution of the enterprise segment on Telkom revenues is 16.1% of total revenue in 2018. Here is the table of enterprise segment performance over the last three years:

Enterprise Segment	2018-2017	2018		2017	2016
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Revenues	10.1	21,054	1,464	19,130	15,816
Expenses	5.2	(21,717)	(1,510)	(20,653)	(17,813)
Results	56.5	(663)	(46)	(1,523)	(1,997)

The enterprise segment revenue in 2018 was recorded at Rp21,054 billion, increased by Rp1,924 billion or 10.1% from the previous year. This increase was from internet, data communication and information technology services revenue of Rp1,233 billion and e-business revenue of Rp251 billion. The main growth revenue booster was the IT service, grew by 48.2%. The higher growth is in line with the increasing companies need in digitizing their business processes to more competitive, and also for central and regional government institution to give better service for society, as well as to support SMB development. In the other hand, the enterprise segment expense in 2018 increased by 5.2% into Rp21,717 billion compared to 2017. The expenses increase was in line with the business volume increase. Based the calculation of intersegment expense allocation, Enterprise segment made loss result, but it was a lower loss result of Rp663 billion, decreased by Rp860 billion or 56.5% compared to last year the loss.

In the 2016–2017, enterprise segment revenues increased by Rp3,314 billion or 21.0%, to Rp19,130 billion compared to Rp15,816 billion in the previous year. This is mainly due to the increasing digitalization requirement, especially in corporate, SMB and government institutions customers. The enterprise segment expenses also increased to Rp20,653 billion, increased by Rp2,840 billion or 15.9% compared to Rp17,813 billion in 2016. Based the calculation of intersegment expense allocation, Enterprise segment made loss result in 2017 of Rp1,523 billion, but it was a lower loss result than 2016 of Rp1,997 billion, as the revenue increase was higher than the expense increase.



CONSUMER SEGMENT



IndiHome provides optical fiber-based fixed broadband services including high-speed fixed internet, (fixed wireline) phone and interactive TV with IPTV technology, to satisfy retail housing, apartment and premium cluster needs. In 2018, IndiHome subscribers grew from 2.9 million subscribers in 2017 to 5.1 million subscribers in 2018.

The customer growth is inseparable from the marketing strategy of More For Less programs, a bundling services providing programs that has more suitable needs and affordable price. Telkom uses the momentum of celebration days such as Chinese New Year, Ramadhan, Indonesian Independence Day, Christmas and New Year as a promotional period for IndiHome. At the same time, IndiHome also used the moment of the FIFA World Cup 2018 by becoming the official live broadcaster of all FIFA 2018 World Cup matches.

Besides special events promotions, Telkom continues to add beneficial services and features to IndiHome to increase its attractiveness for prospective customers. One of them is by enriching TV channel through a variety of attractive minipacks. In 2018, IndiHome customers were served by 18 minipack options, compared to 11 minipack in 2017. Minipack demand has been increasing with the 4.4 million add on minipack transactions grew 243% compared to 2017.

“With network modernization, advanced customer service, and attractive content variation, Telkom believes could deliver the best experience for IndiHome subscribers.”

5.1 Million

IndiHome subscribers increased

9.1 Million

Optical Ports
(fiber optic based broadband access)



On the other hand, a large community of gamers in Indonesia is one of the potential markets for IndiHome. With IndiHome gamer packages, customers would get in-game benefits (game points) that could be exchanged for attractive features. To enhance customer experience, Telkom also offers internet speed upgrade, all GSM operators call packages promotion, and Over-The-Top content such as UseeTV Go, iflix, HOOQ, and CATCHPLAY.

It cannot be denied that fixed broadband services are highly dependent on the infrastructure reliability and technicians supports. Network modernization has been carried out by replacing copper networks into fiber optic networks, managed by the subsidiary, Telkom Akses. Strengthening the skills of technicians has increased the percentage of new installments period (Mean Time To Install or MTTI) to below 3 days to 97% in 2018 from 87% in 2017. In addition, the percentage of under one day disturbances refinement completion increased to 82% in 2018 from 42% in 2017, with a significant reduction in the disturbances refinement or MTTR from 23.4 hours in 2017 to 9.8 hours in 2018. These efforts are in order to improve customer experience.

To improve network quality and capacity, network modernization is carried out by shutting down STOs and transforming them into T-Cloud. Along with technological developments, Telkom has shut down 719 STOs of 1,234

STOs in 2018. From these 719 STOs, 268 STOs have been transformed into T-Cloud. Telkom plans in 2020, all 1,234 STOs will be shut down and transformed into T-Cloud in 2021. The T-Cloud is the STO resulted from the modernization process into 100% optical fiber access Node. With the increase in network quality and capacity as a result of the modernization of STO, the quality of services to customers is expected to increase.

Those service improvement and capacity made Telkom as the market leader with a estimated market share of 84.5%. We believe that the growth opportunity of the fixed broadband business in Indonesia is widely open as the middle-class household population growth and the penetration of high-speed internet services are estimated to be around 12%. It was lower than Malaysia, Vietnam and Thailand which have reached around 34%, 43% and 44%. Telkom emphasizes the retail market as a market positioning by performing expansion across Indonesia. To ensure the availability of IndiHome services across Indonesia, Telkom has built the optical fiber-based broadband access network with a total of 9.1 million optical ports.

Consumer Segment Financial Performance 2016–2018

Consumer segment contributes revenue of 10.6% of Telkom total revenues in 2018. Here is the consumer segment performance tables over the last three years:

Consumer Segment	2018-2017	2018		2017	2016
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Revenues	25.1	13,891	966	11,105	10,410
Expenses	13.3	(11,739)	(816)	(10,360)	(11,024)
Results	188.9	2,152	150	745	(614)

Consumer segment financial performance in 2018 was very good, with the revenue reached Rp13,891 billion, increased by Rp2,786 billion or 25.1% higher than 2017. It was in line with the increase of IndiHome subscriber by 72.2% into 5.1 billion subscribers, the increase of minipack subscriber and up-sell service such as internet speed upgrade. In 2018, IndiHome revenue grew by 66.9% into RpRp11,520 billion, and contributed approximately 82.9% towards total consumer segment revenue, increased from 62.2% in the previous year. Meanwhile, the expense of 2018 for the consumer segment was Rp11,739 billion, increased 13.3% compared to the previous year, in line with the IndiHome business expansion. However, the increase of Consumer segment expense was lower than the increase of the revenue, which indicated the cost control effectivity. With intersegment expense allocation, Consumer segment result in 2018 was quite high by 188.9% into Rp2,152 billion.

In the 2016–2017 period, revenue in the consumer segment was Rp11,105 billion, increased by Rp695 billion or 6.7% compared to Rp10,410 billion in 2016, in accordance with the increased of IndiHome subscriber. Meanwhile the expense in 2017 decreased by Rp664 billion or 6.0% from Rp11,024 billion in 2016 to Rp10,360 billion. This prompted consumer segment to record its profit Rp745 billion, better than the previous year which recorded loss of Rp614 billion, in other words, the growth of the results of the consumer segment from 2016–2017 increased by 221.3%.



WHOLESALE AND INTERNATIONAL BUSINESS SEGMENT (WIB)



Wholesale and International Business segment serves domestic or global other operators, service provider and digital player for product and solution that could be differentiated into several business lines i.e. carrier service (network and traffic), tower, infrastructure and non-carrier international. The WIB business segment grew by 35.5% in 2018 driven by voice traffic products, digital enabler, infrastructure managed service and tower.

Carrier service grew by 29.1% due to marketing strategies targeting and the global transit market niche by carried traffic among countries. The digital enabler business also grew significantly by 112.6% driven by growth in the data center and digital platform business.

Telkom has optical fiber-based backbone network with a length of 161,652 km including domestic network of 96,952 km. Throughout 2018, Telkom deployed several submarine cable systems to strengthen its optic fiber network such as the SLM (Sabang-Lhokseumawe-Medan), the PATARA (Papua Utara) connecting Sentani and Sarmi, and MATANUSA. These three submarine cable systems are expected to be ready for service in the first half of 2019. With this connected domestic network, it could give positive impact for equal communication access and broadband information with similar quality across Indonesia. Telkom currently owns interests in global submarine cable infrastructure that connects the continents of Europe, Asia and America. Telkom succeeded completing

“With the Indonesia Global Gateway, Telkom is able to provide direct broadband alternative connection across Europe, Asia and America.”

161,652 km

Backbone Fiber Optic Network
96,952 km (domestic)
64,700 km (international)

Point of Presences (PoP)

72 Overseas PoPs

46 Domestic PoPs

5 Data Centres (overseas)

14 neuCentriX Data Centres (domestic)

12,485 towers

Indonesia Global Gateway cable system with an approximate length of 5,400 km in 2018 that connected two main submarine cable system of SEA-US and SEA-ME-WE 5. With this connected cable system, Telkom could provide alternative direct broadband connection across Europe, Asia, and America.

Telkom has 14 neutral data centers in 10 cities in Indonesia. Telkom subsidiary, Telin, has 5 overseas data centers consisting of 3 locations in Singapore (Telin-1, Telin-2 and Telin-3), 1 location in Timor Leste and 1 location in Hong Kong. All data centers are given the commercial name neuCentrIX, a neutral data center for domestic and global telecommunications operators and service providers. Currently, Telkom is planning to build a large data center in Indonesia that will function as the main hub for all neuCentrIX data centers. The entire domestic and global data centers will be seamlessly connected, which is expected to be meeting point for digital business people, internet service providers, enterprise customers and others to support the realization of Telkom as a hub or center of the digital ecosystem.

Telkom also operated Content Delivery Networks (CDN) so customers could access content that require large bandwidth and prime quality in connection speed and visual quality.

In 2018, Telkom added 4 domestic PoP (Point of Presence) so it has 46 PoP domestic. Meanwhile, Telkom added 25 global PoP so it has 72 global PoP in major cities in 33 countries. With these PoP, it is expected to improve convenience in providing services and interconnecting.

With the growing strength of Telkom's infrastructure both domestically and globally, it is expected to turn Indonesia become a Global Digital Hub.

Telkom international business is operated by its subsidiary, Telin, which has been present in 11 global offices located

in Singapore, Hong Kong, Macau, Timor Leste, Australia, Myanmar, Malaysia, Taiwan, the United States of America, Saudi Arabia and New Zealand, who performs the wholesale network business, wholesale voice, data center, MVNO, MNO and BPO. To strengthen international business, Telkom carried out several corporate actions through Telin. Telkom made several corporate actions through its subsidiary to intensify international business, Telin. On April 18 and 25, 2018, Telin increased its share ownership of Telin Malaysia and TSGN into 70%. These two corporate actions aim to give the flexibility and majority control in encouraging Telin Malaysia business strategy, including developing new business initiatives and synergizing the capabilities of TelkomGroup.

Telkom manages the Tower business through its subsidiary Mitratel, leasing space to other operators to place their telecommunications equipment on these towers. In 2018, Mitratel aggressively made offers for the operator to reseller and/or collocation its tower, which made growth of 6.6% and controlled 27.5% tower market shares. Mitratel has 12,485 units towers with 15,712 tenants. From reseller business Mitratel had 6,494 tenants.

Telkom also manages the telecommunications infrastructure business including the energy solution, construction solution, managed services and submarine cables through its subsidiary, Telkom Infra. Telkom Infra business experienced significant growth of 113.0% which was supported by the energy solution project which was Telkom effort in monetizing the capability of building and managing telecommunications infrastructure.



Wholesale and International Business Segment Financial Performance 2016–2018

The Wholesale and International Business segment contributes revenue of 7.7% of Telkom total revenues in 2018. The following table shows the performance of the Wholesale and International Business segment over the last three years:

WIB Segment	2018-2017	2018		2017	2016
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Revenues	35.6	10,084	701	7,439	5,866
Expenses	18.6	(14,624)	(1,017)	(12,333)	(10,451)
Results	7.2	(4,540)	(316)	(4,894)	(4,585)

WIB segment in 2018 recorded its revenue of Rp10,084 billion, increased significantly by Rp2,645 billion or 35.6% from Rp7,439 billion in 2017. The digital business contribution of this segment for 2018 was 57% higher than 53% in 2017. This achievement was due to the increase of international interconnection revenue from voice traffic service managed by Telin of Rp1,241 billion. Other revenue was also contributed by the managed service solution from Telkom Infra of Rp996 billion and network revenue of lease line and transponder of Rp319 billion. In the other hand, the WIB segment expense was Rp14,624 billion in 2018, increased by Rp2,291 billion or 18.6% compared to 2017. The increase was mainly due to strengthening of Telkom domestic and global infrastructure, such as the construction of optic-fiber based submarine cable and telecommunication tower. WIB main role in Group was supporting infrastructure and managed service provision, mainly for Mobile segment. It resulted that the WIB segment recorded its result toward intersegment expense allocation, resulted of Rp4,540 billion which better than last year recorded by Rp4,894 billion.

In the 2016-2017 period, the wholesale and international business segment made revenue of Rp7,439 billion in 2017, increased by Rp1,573 billion or 26.8% compared to Rp5,866 billion in 2016. The increase in revenue was in line with the increased of Telkom infrastructure capacity, which is able to provide wider coverage services to customers both domestically and abroad. The expenditure in 2017 increased by Rp1,882 billion or 18.0% into Rp12,333 billion compared to Rp10,451 billion in 2016, which mainly due to expenditure on infrastructure development. The expenses increase was greater than the revenue increase, caused a loss of Rp4,894 billion in 2017, increased by Rp309 billion or 6.7%, compared to the previous year loss of Rp4,585 billion.



Indonesia Global Gateway Submarine Cabel Construction



OTHERS SEGMENT



In other segments, Telkom offers digital advertising services, financial services, TV/video, e-Commerce, digital content and lifestyle, big data and smart platforms. Telkom also operates a venture capital fund through the subsidiary, PT Metra Digital Innovation which is also known as MDI Ventures, to invest in digital startups.

In digital advertising, Telkom delivers services including a digital advertising agency, integrated digital media, and big data analytics. Telkom also operates an ad exchange platform that brings publishers, advertisers, and agencies together to be able to carry out digital advertising activities effectively and efficiently by linking the buyers and sellers together in one advertisement marketplace.

E-Commerce services through BLANJA.com, an online marketplace that facilitates the sale of consumers-to-consumers and business-to-consumer. BLANJA.com also develops B2B commerce service targeting the TelkomGroup internal market, SOE, the Government, and corpoation. BLANJA.com currently has approximately 3.2 million users with 130.1 thousand transactions and value of Rp102.9 billion. To increase its User Interface (UI) and User Experience (UX),

“The sustainable product innovation and digital ecosystem formation would increase the customer satisfaction and convenience in adopting digital lifestyle.”

3.2 million
BLANJA.com
registered users

34.7 million
MelOn active users

BLANJA.com developed B2B commerce service for particular category such as education and migrant worker. BLANJA.com also increased its mobile apps, made one-stop account integration with LinkAja, launched seller apps, intensified QR code use and leveraged its big data analytic use.

MelOn is a digital content provider for music database and digital music content online application with 34.7 million active users. In 2018, MelOn user transaction reached 3,4 million. In September 2018, Telkom through its subsidiary Metranet, has launched an advertising based mobile video streaming collaborated with OONA, a Hong Kong digital company. This cooperation is expected Telkom capability in video service.

Telkom held Digital Amoeba and Indigo Creative Nation program to enhance its capability in digital sector. Digital Amoeba is a Corporate Innovation Lab program that aimed to accommodate and accelerate Telkom employee innovation. In order to accommodate and accelerate innovation from Telkom employees, there have been 52 teams validate their new product and process in the end of 2018, 14 of them is ready to further acceleration into a potential business portfolio. Indigo Creative Nation is a Telkom open innovation program collaborate with digital startup for developing new digital business, as well as the Telkom initiative program contributing

in Indonesia digital creative industry development. Several startups made synergy with Telkom providing the digital product and solution such as PrivylD, Kofera, Run System, Nodeflux, Bahaso, Qiscus, and Opsigo. Moreover, on January 2018, Metranet acquired 30.4% share ownership of Cellum Global Zrt (Cellum), a provider of international cellular transaction solutions. This acquisition was supposed to strengthen Telkom technological capabilities through the development of mobile wallets as well as to get exclusive B2B partners with Cellum for future operations.

Other Segment Financial Performance 2016–2018

The contribution of other segments to Telkom revenue in 2018 is 0.1%. Here are the other segment performance tables over the last three years:

Other Segment	2018-2017	2018		2017	2016
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Revenues	3.2	130	9	126	19
Expenses	6.4	(1,042)	(72)	(979)	(417)
Results	(6.9)	(912)	(63)	(853)	(398)

Other segment revenue was Rp130 billion throughout 2018, increased by 3.2% than the previous year. This revenue occurred due to increased transactions on BLANJA.com and Melon. Other segment expenses in 2018 was Rp1,042 billion, increased by 6.4% compared to 2017 due to the increase of digital business investments. These various situations caused the loss for other segments in 2018 into Rp912 billion, increased by 6.9% compared to last year loss.

In the 2016-2017, revenues in other segments recorded Rp126 billion, increased Rp107 billion or 563.2% compared to Rp19 billion in 2016. Meanwhile the increase in expenses in 2017 was Rp562 billion or 134.8%, into Rp979 billion. This resulted in an operating loss that increased by Rp455 billion or 114.3%, into Rp853 billion compared to Rp398 billion in 2016.

→ LEVERAGE ASSET PROGRAM

Telkom has very large fixed properties of more than 3,000 land and buildings spreading from Sabang to Merauke. In line with the technological development, the smaller telecommunications equipment used today requires smaller space. Due this condition, it resulted idle assets and space that could be utilized to provide maximum benefits for the TelkomGroup.

In 2018 Telkom focused and initiated intensively the asset leveraging program. Telkom divides asset leveraging into two categories based on cooperation partners, such as Synergy Group and Strategic & Retail Partnership. Synergy Group (SG) is the utilization of fixed assets specifically for TelkomGroup internal needs, including offices, warehouses, service centers (Plasa Telkom Digital, GraPARI TelkomGroup), and call centers.

Telkom Landmark Tower (TLT) and Telkomsel Smart Office (TSO), whose construction was completed in 2017 and 2016, became one of the master pieces of asset utilization that aims to create better synergy within the TelkomGroup entity. The formerly far-flung offices of TelkomGroup and its subsidiaries are now in the environment of The Telkom Hub (including Grha Merah Putih, Telkom Landmark Tower, Telkomsel Smart Office), that previously rented at outside of the TelkomGroup assets, its extensive Semi Gross Area (SGA) decreased by 113,885 m².

Until 2018 the total SGA that has been utilized for the synergy group is 272,368 m² (an additional area of 23,953 m² in 2018), spreading in more than 493 locations across Indonesia (an additional 106 locations in 2018).

In addition to support the operations and expansion of the TelkomGroup, Synergy Group also aims to create cost efficiency derived from decreasing base rent. This efficiency was resulted from the changes that previously leased land and buildings outside of Telkom assets, then utilized Telkom assets.

The Synergy Group project has been operated and utilized by TelkomGroup entities, such as Telkomsel, Telkom Akses, Telkomedika, PINS, Mitratel, Telkom Sigma, Infomedia, Telkomsat. Some of these projects include Graha Merah Putih Sorong, Balai Merah Putih Pematang Siantar, Telkomsel branch offices (Central Jakarta, Bengkulu, Pangkalpinang, and Bandung), Telkomsel Pontianak warehouses and Infomedia call center Bogor.



Graha Merah Putih TelkomGroup, Sorong - West Papua



Balai Merah Putih, Pematang Siantar - North Sumatera

The Strategic and Retail Partnership (SRP) is the utilization of fixed assets specifically for the external TelkomGroup. In 2018 we recorded revenues of Rp324 billion. The revenues obtained from various sectors include food and beverage, hospitality, consumer goods, education, collaboration space, and other retail. The cooperation offer are rent, business cooperation, build-operate-transfer (BOT).

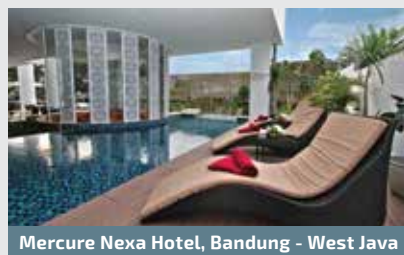
Until 2018, Telkom has cooperated with local and global players in more than 40 locations, such as McDonald's, Mercure (Accor Hotels), Alfamart, Indomaret, Pertamina Retail, Starbucks, The Coffee Bean and Maxx Coffee. This asset utilization activity collaborates on asset utilization and is enriched by the TelkomGroup digital ecosystem.



McDonald's, Pekanbaru - Riau



Alfamart, Jimbaran - Bali



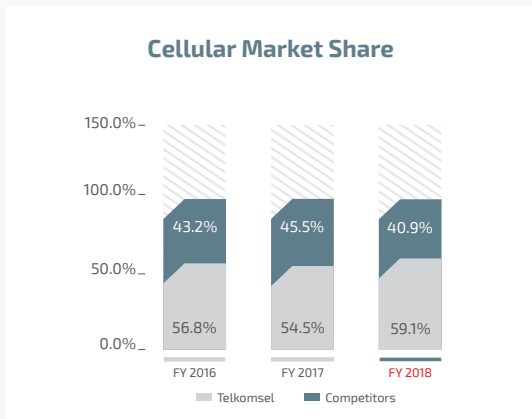
Mercure Nexa Hotel, Bandung - West Java

MARKETING OVERVIEW

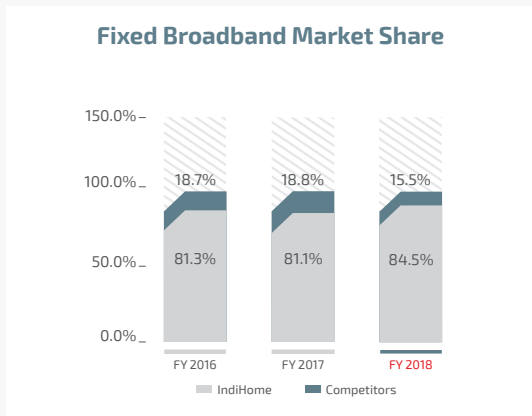
MARKET SHARE

Telkom has a dominant market share in almost all business segments.

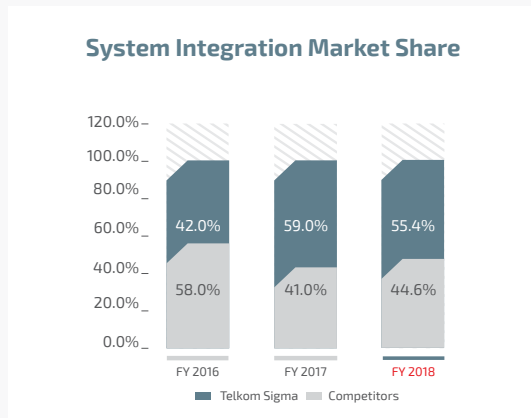
For the mobile segment, Telkom market share based on the number of subscriber until the end of 2018 was 59.1%. The Telkomsel cellular subscribers at the end of 2018 was 163 million, with 107 million subscribers were mobile broadband subscriber. This market share position increased from the previous year of 54.5%. This increase in the cellular market share could not be separated from Telkom success in implementing prepaid SIM card registration and the effectiveness of the marketing programs.



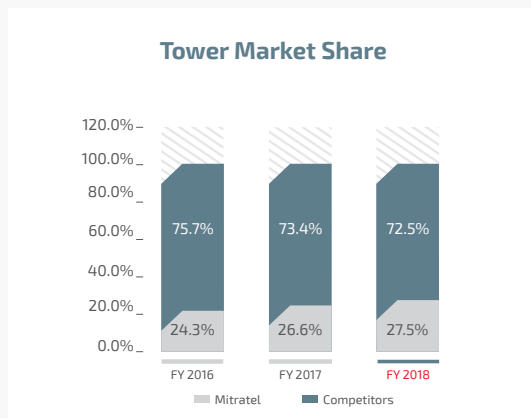
In the consumer segment, Telkom succeeded significantly in increasing Telkom market share in fixed broadband services. The number of IndiHome subscribers at the end of 2018 increased into 5.1 million subscribers from 2.9 million in the previous year. With this increase, IndiHome controlled 84.5% of the fixed broadband market share in Indonesia. This market share position was stronger than 2017 of 81.1% market share. The success of increasing market share includes the results of strengthening access and IT infrastructure that have a good impact on service quality, technician productivity, and marketing strategy.



Regarding the enterprise segment, there are several indicators that could describe Telkom market share position. In terms of bandwidth service, Telkom estimated its market share position in 2018 was approximately 73%. Through Telkom Sigma, Telkom estimated controlling the integration of the system market share of 55.4%. For business process outsourcing (BPO), Telkom estimated dominating the market of 41% through its subsidiary Infomedia. As for the satellite business, Telkom estimated controlling the market approximately of 37% market share.



For the WIB segment, in the tower business, Telkom estimated the market share of 27.5% through the subsidiary Mitratel. Compared to the previous year, Mitratel market share was higher from 26.6% due to the addition of tenants.



MARKETING STRATEGY

Telkom has implemented a comprehensive marketing and promotional strategy to boost Telkom brand and sales, including through marketing communication activities and product and service distribution channel development. To increase sales, Telkom also uses above and below the line marketing (ATL and BTL) channels to promote Telkom services to certain parties and communities. Telkom also continues to place the advertisement in printed and electronic media as well as implement marketing methods such as point of sales broadcasting as well as promotion and sponsorship events. Marketing strategies are customized based on the characteristics of Telkom targeted business and customer segments to be more effective and efficient.

Consumer

IndiHome was still the leading product for the consumer customer market. Not only targeting the residential segment as the main market segment in 2018 but Telkom also maximizes penetration into apartments and premium clusters. Telkom marketing strategies are: (i) giving promotion price and customer value, (ii) consistently offer products with attractive values through various sales channels especially digital channels, (iii) and held campaigns and year-round promotions such as Chinese New Year, Ramadhan, Indonesia Independence Day, Christmas and New Year Promo.

In 2018, Telkom had sales strategy focused on dynamic pricing implementation allowing prices to project different conditions in areas of Indonesia while providing superior bundled products with faster and better service for customers. Telkom also introduced a points program for the salesperson to incentivize greater sales activity on weekends and holidays in order to provide more convenience for Telkom customers.

Telkom intensified operating activities to provide tailored service for customers by using their profiles created through the data compilation in order to personalize service and product which might be attractive to customers. Telkom has also developed an end-to-end traceable customer relationship management process, allowing to identify and rectify problems as they happen, rather than waiting for customers alert us to such issues, so Telkom could proactively solve problems avoiding customers inconvenienced.

Mobile

For mobile segment, Telkom focused on improving profitability and increasing ARPU through healthier pricing. For instance, in 2018, Telkom introduced "More for More" which would give customers more value-added with higher ARPU. Telkom also continued promotion of mobile package options in order to encourage existing mobile broadband customers to increase their services use. In addition, Telkom continued promoting data package options which targeted the youth segment under Loop brand. Telkom efforts to increase ARPU included providing digital lifestyle and payment services as mobile-based digital life services.

In 2018, Telkom continued to introduce new products and to revamp mobile package options in order to appeal to various groups of customers. For example, Telkom introduced MAXstream, a video platform offering free and paid content, as well Shellfire, a gaming platform which offers in-app purchase opportunities and Langitmusik, a streaming music service. Telkom increased opportunities for customers to use TCASH, including

extending the ability to use TCASH to non-subscribers. Telkom also collaborated with additional partners such as taxi services, petrol stations, and food and beverage operators for the use of TCASH as payment.

Enterprise

For enterprise customers, Telkom applied a marketing strategy in winning the competition at high-end market customers using strategic managing accounts with the aim of improving relationship quality better than competitors through more focused services and customized to customer needs. Telkom also applied a marketing strategy under the "Disruptive Digitize Nation" program, which comprises:

- Ignite DISRUPTIVE Government Initiatives; which aims to become the Government partner for technology provision, information and communications service (ICT) by collaborating with the government on strategic ICT mega-deals that focus on the digital customer experience;
- Lead End to End Enterprise DIGITIZED Ecosystem; which markets end-to-end digital ICT solutions to the enterprise customers providing customized specific and segmented solutions based on market and industry diversification; and
- Build NATION's Digital-Driven SMB which markets basic ICT solutions in connectivity service and solution packages massively for SMB by providing proper digital platform to encourage the SMB business.

In 2018, Telkom had sales strategies comprises: (i) Provide Account Manager for corporation segment, it acted as the point of contact for interaction to the customer for end-to-end service, from initiation to after-sales service, (ii) Provide Government Relationship Officer for government customers to manage a close relationship with customers for the whole year as courtship for next year contract renewal and current service deliverable, and (iii) Provide Business Account Manager for medium SMB segment, Tele Account Management (TAM) served small SMB segment, and for micro SMB segment served with Value-Added Reseller method.

During 2018, Telkom has customer care management or after sales service through several ways, including call and contact center for handling customer request, complaints as well as delivering information of several products and services.

Wholesale and International Business

Wholesale and international business customers are mainly domestic Other License Operators (OLO), service providers, global wholesaler and carrier, and enterprises that related to Telkom product or services such as international data center or international connectivity (IPLC) besides retail customers in Telkom international operation of MNO and MVNO. However, for both Telkom wholesale and international business and network infrastructure portfolio, Telkom focuses on the implementation of:

- Attractive pricing, which is a creative and innovative business scheme in traffic (voice) and network service to satisfy customer need and business target; and
- Services improvement for international data center, MNO, MVNO, and BPO customers in order to maintain strong relationships with Telkom customers.

In 2018, Telkom had different sales channel in every business lines which acted as the sales and distribution channel for any sales perform by any entity. Telkom has customer care management for wholesale and international business customers such as Account Manager, OLO care center, wholesale digital touch point Apps (covering domestic & international customers), and World Hub Operation Command Center (WHOCC) which supporting for 24 hours every day.

Other and Digital Services

For digital service customers, Telkom implements a marketing strategy which focuss on strengthening and improving digital innovation, including by:

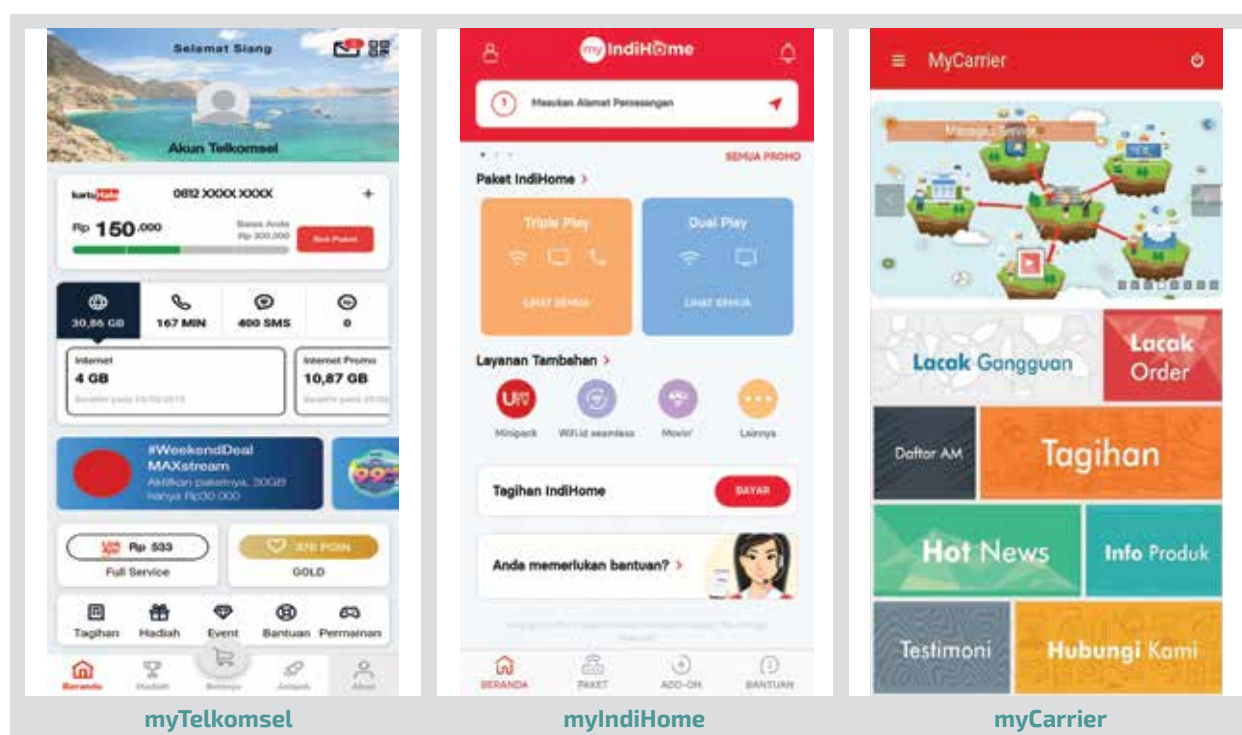
- Enriching digital content;
- Creating digital services with unique features;
- Improving brand, platform, operational, and customer experiences;
- Building digital business models in order to support Indonesia digital economics;
- Leveraging assets and inventory to obtain increasing insight into digital services and customer experience; and
- Growing the portfolio of digital business through investment in digital startups in order to be a part of Indonesia digital ecosystem.

Telkom has a tailor sales strategy for each particular digital business and the needs of their customers. Telkom offers customer care and channel management, including through contact centers, dedicated account management for corporation, websites, and social media.

DISTRIBUTION CHANNEL

Digital Touch Point

Digital touch point is a web-based and mobile-based service provided for IndiHome and corporate customers. Telkom provides MyIndiHome as a mobile-based self-care service for IndiHome customers. Through the application, customers could make subscription requests, billing and payment management, reporting and monitoring network issues, and accessing video on demand and customer reward programs. Telkomsel also offers myTelkomsel, a self-care mobile application-based service for Telkomsel subscribers, which provides information on services, allows the purchase of packages and products as well as account management. For customer journey, Telkom measures experience with the global standard Net Promoter Score (NPS). NPS information is used to improve customer experience in using services and improving the quality of products and services.



Authorized Dealers, Retail Outlets and Modern Channel

This distribution network provides Telkomsel products such as starter packs, prepaid SIM cards, and top-up vouchers. Telkom operates an authorized dealers and retail outlets network across which is non-exclusive with a discount on all marketable products.

Partnership Stores

This scheme is an extension of Telkom distribution channels through cooperation with various third-party marketing outlets, such as a computer or electronic stores, banks through ATM networks and other business networks.

Contact Center

Serving as call centers, Telkom has contact centers that help customers access products and services including billing inquiries, submitting complaints and accessing to certain promotional information and service features. Telkom operates a 24-hour contact center facility in Jakarta, Semarang, Bandung, Surabaya and Malang.

Account Management Team

Managing relationship and portfolio specifically for corporate, SMB, government institution and wholesale customers.

Sales Specialist

Sale Specialist is a person who has advanced technical knowledge about product and service for the corporate customer and cooperates with the account manager.

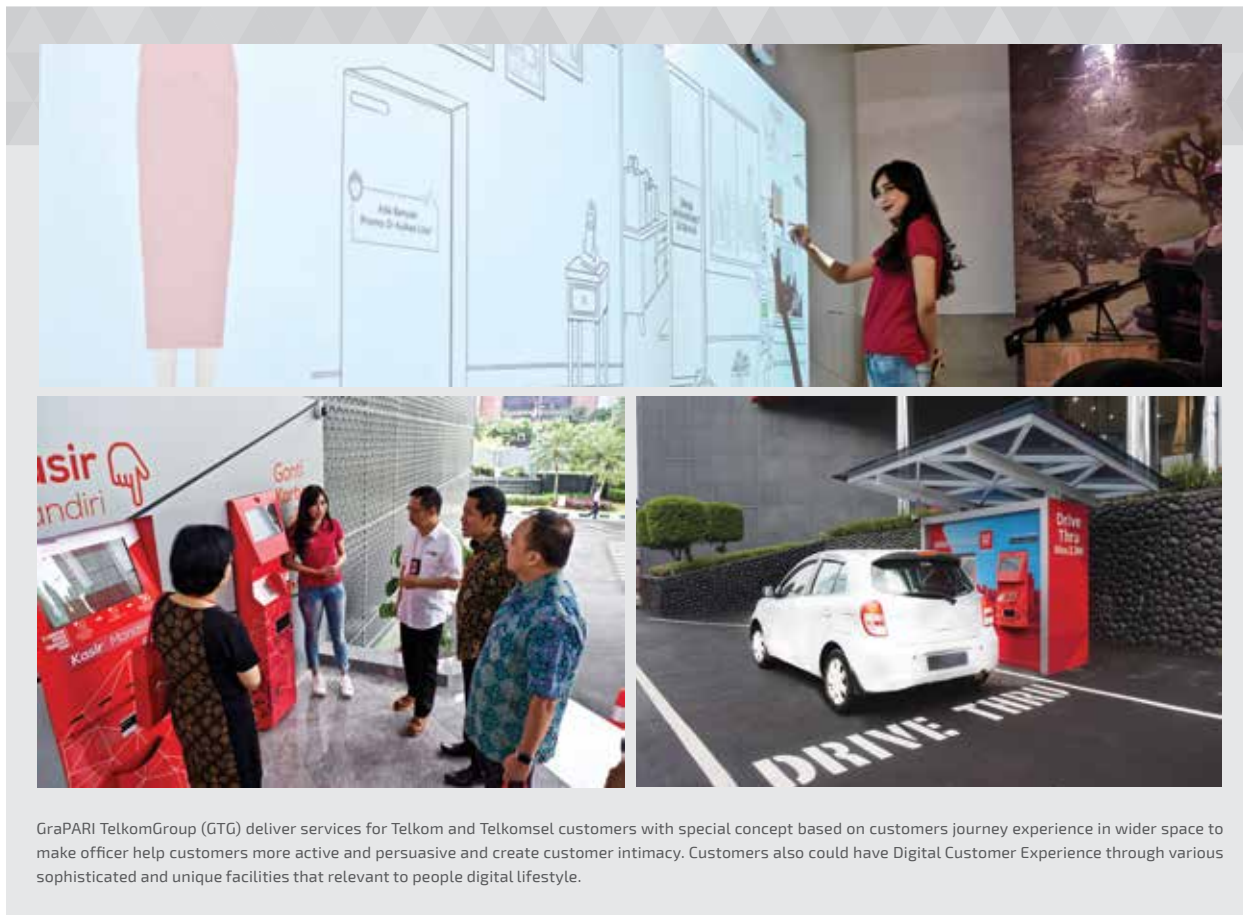
Channel Partner

For enterprise customers, Telkom cooperates with VAR (Value Added Reseller) who carry out sales and marketing activities to meet specific enterprise customer demands and for retail customers to offer retail packages. Telkom also works with third parties to conduct sales activities through certain events.

Customer Service Point

Telkom has Plasa Telkom, GraPARI Telkomsel and GraPARI TelkomGroup as walk-in customer service points to access all Telkom and Telkomsel product and service. It includes billing, payments, subscription cancellation, promotion and complaint handling.

As of December 31, 2018, Telkom has 422 Plasa Telkom outlet and 429 GraPARI center in Indonesia, as well 11 overseas GraPARI (Saudi Arabia, Singapore, Hong Kong, Macau, Taiwan and Malaysia) and 7 GraPARI TelkomGroup. Telkom also operated 761 unit mobile GraPARI and 1,142 unit mobile IndiHome.



Website

Telkom operates www.telkom.co.id, www.telkomsel.com and www.indihome.co.id in order to facilitate customers to access products and services. Some features of available services are e-billing, registration, collective billing information, and filing complaints.

Social Media

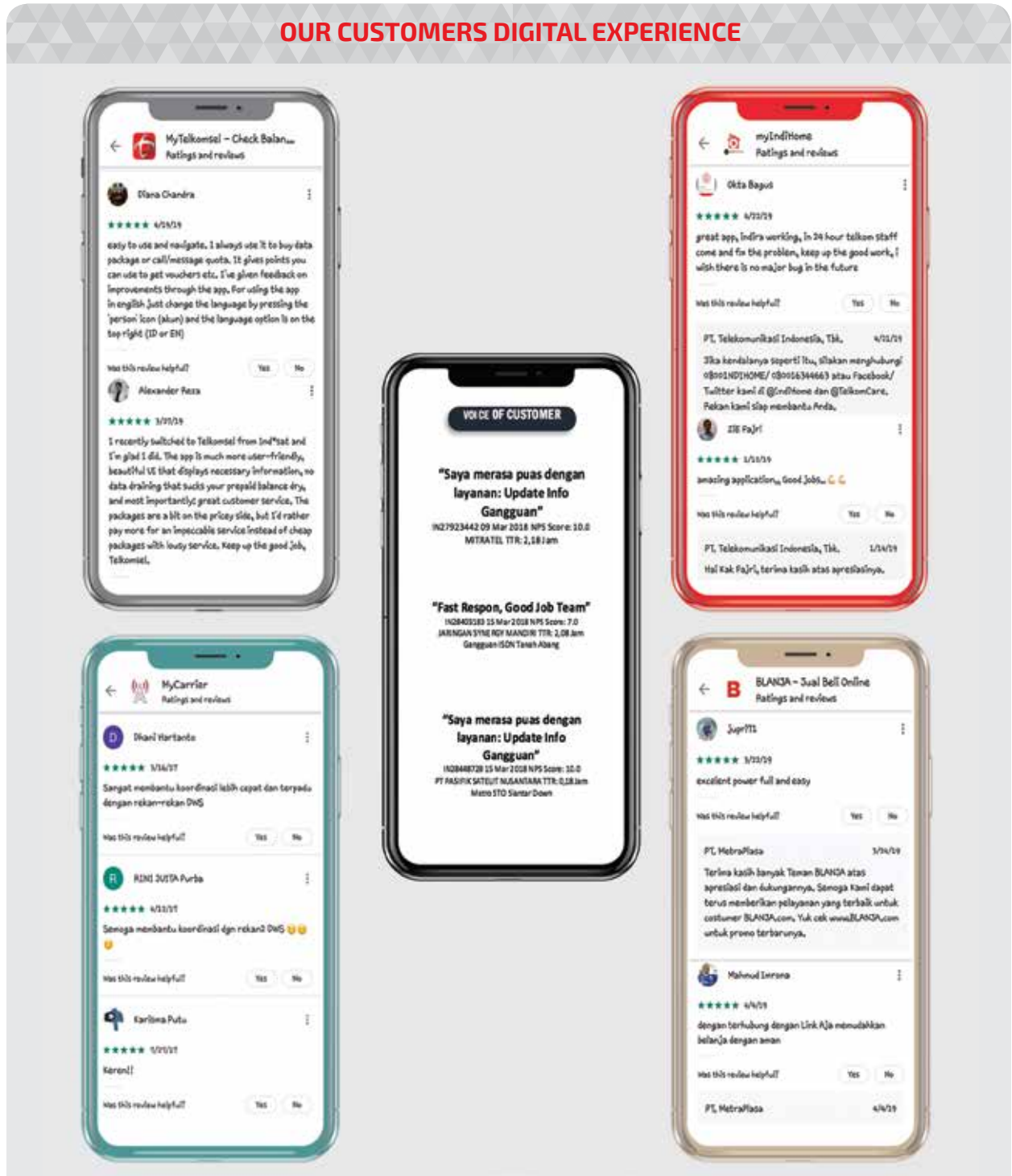
In line with the growing digital lifestyle, Telkom uses social media such as Facebook, Instagram, and Twitter, to provide information, and communicate with customers about Telkom products and services.

TCASH Wallet

A digital wallet application which allows customers to purchase data, voice package, and pay bills or other product with TCASH.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Telkom made the enhancement of IT-based Customer Relationship Management (CRM) to improve customer experience by NCX (New Customer Experience) application. With this application, Telkom could obtain and integrate information such as historical data and customer preference that helps the customer approaching, acquisition, agreement composition, and order submitting process, so that the customers would get high quality service. NCX has been operated gradually for enterprise as well as wholesale and international business segment in 2018, meanwhile it will be operated in 2019 for consumer segment.



COMPREHENSIVE FINANCIAL PERFORMANCE

FINANCIAL POSITION OVERVIEW

At the end of 2018, the Telkom recorded Total Assets of Rp206,196 billion, up 3.9% from the position at the end of the previous year. The increase in Total Assets was mainly due to the increase in Fixed Assets in line with infrastructure development.

Whereas the Telkom's total liabilities at the end of 2018 were recorded at Rp88,893 billion, up by 2.9%, which was mainly due to the increase in debt in order to support funding in infrastructure development as well as to optimize the capital structure.

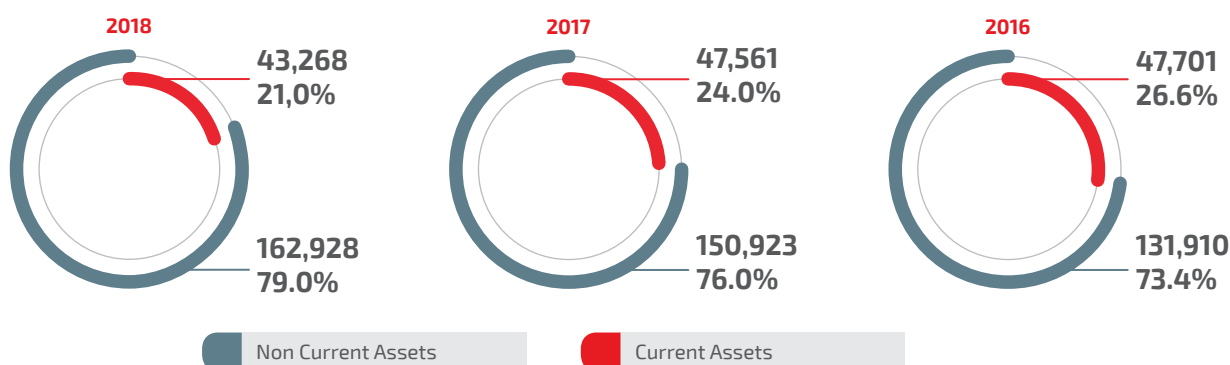
These tables show financial position of Telkom for three years, from 2016 to 2018.

Consolidated statements of financial position table	Growth 2018-2017 (%)	Years ended December 31,			
		2018		2017	2016
		(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Total Current Assets	(9.0)	43,268	3,009	47,561	47,701
Total Non-Current Assets	8.0	162,928	11,330	150,923	131,910
Total Assets	3.9	206,196	14,339	198,484	179,611
Total Current Liabilities	2.0	46,261	3,217	45,376	39,762
Total Non-Current Liabilities	4.0	42,632	2,965	40,978	34,305
Total Liabilities	2.9	88,893	6,182	86,354	74,067
Total Equity attributable to owners of the parent company	6.7	98,910	6,878	92,713	84,384

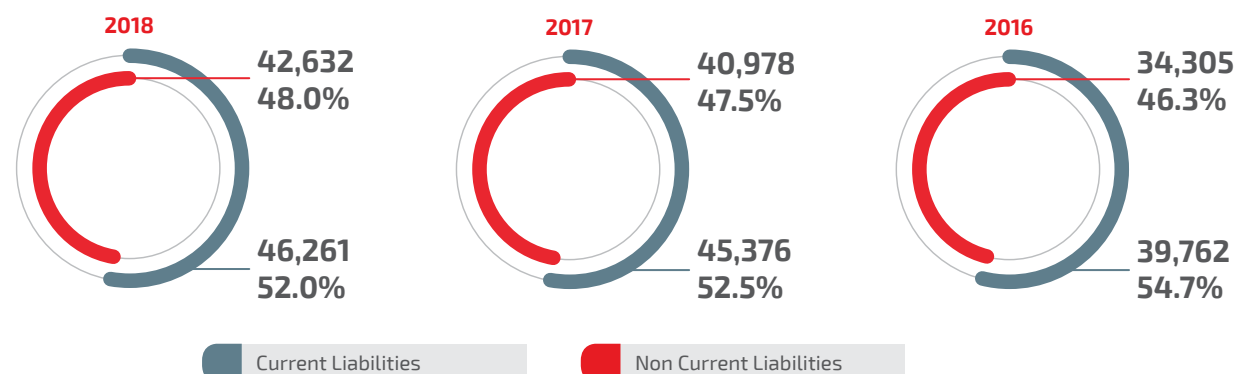
Financial Position Comparison

Composition of Assets and Liability during 2018, 2017 and 2016 can be seen in the following graphic.

Assets Composition 2016-2018



Liability Composition 2016-2018



Comparison of Financial Position as of December 31, 2018 Compared to as of December 31, 2017

1. Assets

As of December 31, 2018, Telkom have total assets of Rp206,196 billion (US\$14,339 million), an increase 3.9% from Rp198,484 billion in 2017.

a. Current Assets

Current assets position reached Rp43,268 billion (US\$3,009 million) as of December 31, 2018, decrease by Rp4,293 million atau 9.0% from Rp47,561 billion as at 31 December 2017. The decrease in Telkom current assets is mainly due to:

- Decrease in cash and cash equivalent by Rp7,706 billion or 30.6% due to dividen payment, capital expenditure and bank loan payment;
- Decrease in other current financial assets by Rp869 billion or 40.0% due to the decrease available for sale financial assets; and
- Decrease in claim for tax refund by Rp312 billion or 34.4%.

These decrease were compensated by:

- Increase in trade receivables by Rp2,192 billion or 23.8% due to third parties trade receivables of Rp1,611 billion;
- Increase in prepaid taxes by Rp802 billion or 41.2% due to the increase of prepaid cash payments for value added taxes;
- Increase other current assets by Rp799 billion or 11.1%;
- Increase in other receivables by Rp385 billion or 112.6%; and
- Increase in assets held for sale by Rp330 billion or 3,300.0%.

b. Non Current Assets

As of December 31, 2018, non-current assets reached Rp162,928 billion (US\$11,330 million), increase Rp12,005 billion or 8.0% compared to Rp150,923 billion in 2017. Increase in non-current assets is mainly caused by:

- Increase in property and equipment by Rp13,077 billion or 10.0% with the increase in infrastructure construction;
- Increase in intangible asset by Rp1,502 billion or 42.5% due to the goodwill increase from the acquisition of Swadharma Sarana Informatika, Collega Inti Pratama and Telin Malaysia; and
- Increase in long-term investment by Rp324 billion or 15.1% due to the acquisition Cellum and other long-term investment.

These increase were compensated by:

- Decrease other non-current assets by Rp2,598 billion or 21.2% due to the decrease in advances for purchases of property; and
- Decrease in deferred tax assets by Rp300 billion or 10.7%.

2. Liabilities

As of December 31, 2018 Telkom liabilities amount to Rp88,893 billion (US\$6,182 million), increase 2.9% from Rp86,354 billion in 2017.

a. Current Liabilities

As of December 31, 2018, Telkom current liabilities position reached Rp46,261 billion (US\$3,217 million), increase 2.0% compared to Rp45,376 billion as at 31 December 2017. Telkom current liabilities increase is mainly due to:

- Increase in short-term bank loans by Rp1,754 billion or 76.6% due to the increase of third parties short-term bank loans such as DBS and MUFG Bank for Telkom and subsidiaries working capital. This acquired bank loan facilities was spent for working capital;
- Increase in current maturities of long term borrowings by Rp1,087 billion or 20.9% due to matured bonds and notes in a year for Rp525 billion; and
- Increase in advances from customers by Rp329 billion or 26.5%.

The increase is compensated by:

- A decrease in taxes payable by Rp1,610 billion or 57.7% due to the decrease of the subsidiaries value-added tax;
- A decrease in trade payables by Rp808 billion or 5.2% due to the decrease in third parties payable by Rp905 billion; and
- A decrease in unearned income by Rp237 billion or 4.4%.

b. Non Current Liabilities

As of December 31, 2018, Telkom non current liabilities reached Rp42,632 billion (US\$2,965 million), increase by Rp1,654 billion or 4.0% from Rp40,978 billion as of December 31, 2017. Telkom increase in non current liabilities due to:

- Increase in long-term borrowings by Rp5,574 billion or 20.6% due to increase in bank loans by Rp4,859 billion, bond and notes by Rp974 billion and other borrowings by Rp754 billion. The increase is compensated by decrease in obligation under finance leases by Rp672 billion and two step loans by Rp141 billion; and
- Increase in deferred tax liabilities by Rp319 billion or 34.2%.

The increase is compensated by decrease in pension benefits and other post-employment benefits obligation by Rp4,640 billion or 45.5% due to the decrease of pension benefits by Rp2,405 billion and post-employment health care benefits by Rp2,224 billion.

3. Equity

Telkom recorded total equity increase by Rp5,173 billion or 4.6% from Rp112,130 billion as at December 31, 2017 to Rp117,303 billion (US\$8,157 million) as of December 31, 2018. The increase is mainly due to total retained earning increase by Rp6,099 billion or 7.2% due to the increase in total comprehensive income for the year attributable to owners of the parent company is Rp22,844 billion. The increase is compensated by decrease in non controlling interest by Rp1,024 billion.

Comparison of Financial Position as of December 31, 2017 Compared to as of December 31, 2016

1. Assets

As of December 31, 2017, Telkom have total assets of Rp198,484 billion, an increase 10.5% from Rp179,611 billion in 2016.

a. Current Assets

Current assets position reached Rp47,561 billion as of December 31, 2017, decrease by Rp140 billion or 0.3% from Rp47,701 billion as at 31 December 2016. The decrease in Telkom current assets is mainly due to:

- Decrease in cash and cash equivalent by Rp4,622 billion or 15.5% due to dividend payment and capital expenditure;
- Decrease in other receivables by Rp195 billion or 36.3%; and
- Decrease in prepaid tax Rp191 billion or 8.9%.

These decrease were offset by:

- Increase in other current asset by Rp1,937 billion or 36.9% due to radio frequency licensing;
- Increase in trade receivables by Rp1,859 billion or 25.2% due to increase in third party receivables by Rp1,208 billion;
- Increase in other current financial asset by Rp702 billion or 47.7%; and
- Increase in claim for tax refund by Rp316 billion or 53.4%.

b. Non Current Assets

As of December 31, 2017, non-current assets reached Rp150,923 billion, increase by Rp19,013 billion or 14.4% compared to Rp131,910 billion in 2016. Increase in non-current assets is mainly caused by:

- Increase in property and equipment by Rp15,673 billion or 13.7% due to increase in transmission network;
- Increase in deferred tax asset by Rp2,035 billion or 264.6% due to asset revaluation;
- Increase in other non-current asset by Rp762 billion or 6.6%;
- Increase in intangible asset by Rp441 billion or 14.3%; and
- Increase in long-term investment by Rp301 billion atau 16.3%.

These increase were offset by decrease in prepaid pension benefit cost by Rp199 miliar.

2. Liabilities

As of December 31, 2017 Telkom liabilities amount to Rp86,354 billion, increase 16.6% from Rp74,067 billion in 2016.

a. Current Liabilities

As of December 31, 2017, the current liabilities position reached Rp45,376 billion, increase 14.1% compared to Rp39,762 billion as at 31 December 2016.

The current liabilities increase is mainly due to:

- Increase in trade payables by Rp2,056 billion or 15.2% due to an increase in third party trade payables of Rp2,707 billion;
- Increase in short-term bank loans by Rp1,378 billion or 151.3%;
- Increase in accrued expenses by Rp1,347 billion or 11.9% due to operational, maintenance and telecommunication service expense;
- Increase in current maturities of long term borrowings by Rp688 billion or 15.2%; and
- Increase in advances from customers and suppliers by Rp400 billion or 47.6%.

The increase is compensated by:

- A decrease in taxes payable by Rp164 miliar or 5.6%; and
- A decrease in unearned income by Rp136 billion or 2.4%.

b. Non Current Liabilities

As of December 31, 2017, the non current liabilities reached Rp40,978 billion, increase by 6,673 billion or 19.5% from Rp34,305 billion as of December 31, 2016. The increase in non current liabilities due to:

- Increase in pension benefits and other post-employment benefits obligation by Rp4,069 billion or 66.4%;
- Increase in long-term borrowings by Rp1,607 billion or 6.1% due to increase in bank loans by Rp1,965 billion and other borrowings by Rp499 billion. The increase is compensated by decrease in obligation under finance leases by Rp342 billion, bonds and notes by Rp340 billion and two step loans by Rp175 billion;
- Increase in other liabilities by Rp565 billion or 1,948.3%;
- Increase in deferred tax liabilities by Rp188 billion or 25.2%; and
- Increase in long service award provision Rp145 billion or 23.7%.

3. Equity

Telkom recorded total equity increase by Rp6,586 billion or 6.2% from Rp105,544 billion as at December 31, 2016 to Rp112,130 billion as of December 31, 2017. The increase is mainly due to total retained earning increase by Rp8,281 billion or 10.8% to Rp19,952 billion due to increase in total comprehensive income for the year attributable to owners of the parent company. The increase is compensated by decrease in non controlling interest by Rp1,743 billion.

PROFIT AND LOSS OVERVIEW

In 2018, Telkom recorded a consolidated income of Rp130.8 trillion, a positive growth of 2.0%. Telkom's digital business revenue, which includes broadband connectivity and digital services, experienced a significant growth of 23.1%, which was able to compensate for the decline in the legacy business by 21.1%. The results of this performance show that the contribution of digital business in 2018 increased significantly to 63.0% from 52.1% in 2017. The achievement also shows that Telkom is on the right track to become the Digital Telecommunication Company by continuing to strengthen the capabilities of digital business, while demonstrating an increasingly solid commitment to serve various digital needs of customers.

Operating expenses grew by 12.5% to Rp71.6 trillion, in line with investment in infrastructure development both mobile and fixed line. Sustainable infrastructure development, especially broadband infrastructure is very important to ensure the best customer digital experience. While the total burden in 2018 was recorded at Rp93.96 trillion, or an increase of 9.8% compared to the previous year.

In 2018, Telkom profit before interest, tax, depreciation and amortization (EBITDA) decreased by 8.4% into Rp59.2 trillion, along with the development of a sustainable broadband infrastructure.

Telkom net profit also decreased by 18.6% into Rp18.0 trillion or 13.7% if not considered income as the impact of asset revaluation in 2017.

The following table shows Telkom Comprehensive Profit for three years from 2016 to 2018, with each percentage representing a comparison of total revenues or expenses.

Table of Comprehensive Income	Growth 2018-2017 (%)	Years ended December 31,						
		2018			2017		2016	
		(Rp billion)	(US\$ million)	%	(Rp billion)	%	(Rp billion)	%
Revenues	2.0	130,784	9,095	100.0	128,256	100.0	116,333	100.0
Telephone Revenues	(17.3)	36,319	2,526	27.8	43,911	34.2	46,039	39.6
Cellular	(18.3)	30,431	2,116	23.3	37,246	29.0	38,497	33.1
Fixed Line	(11.7)	5,888	409	4.5	6,665	5.2	7,542	6.5
Interconnection Revenues	5.6	5,463	380	4.2	5,175	4.0	4,151	3.6
Data, Internet and Information Technology Revenues	12.6	77,153	5,365	59.0	68,535	53.4	58,971	50.6
Cellular internet and data	18.9	45,154	3,140	34.5	37,961	29.6	28,308	24.3
Short Messaging Service (SMS)	(30.4)	9,185	639	7.0	13,192	10.3	15,980	13.7
Internet, data communication and information technology services	29.0	19,454	1,353	14.9	15,085	11.8	13,073	11.2
Pay TV	29.0	2,508	174	1.9	1,944	1.5	1,546	1.3
Others	141.4	852	59	0.7	353	0.3	64	0.1
Network Revenues	(8.0)	1,723	120	1.3	1,873	1.5	1,444	1.2
Other Telecommunications Revenues	15.6	10,126	704	7.7	8,762	6.8	5,728	4.9
Sales of peripherals	(19.2)	1,851	129	1.4	2,292	1.8	1,490	1.3
Telecommunication tower leases	14.2	909	63	0.7	796	0.6	733	0.6
Call center service	(8.5)	1,052	73	0.8	970	0.8	678	0.6
E-payment	(11.1)	449	31	0.3	505	0.4	424	0.4
E-health	19.8	563	39	0.4	470	0.4	415	0.4
CPE and terminal	170.5	1,450	101	1.1	536	0.4	192	0.2
Others	20.6	3,852	268	2.9	3,193	2.5	1,796	1.5

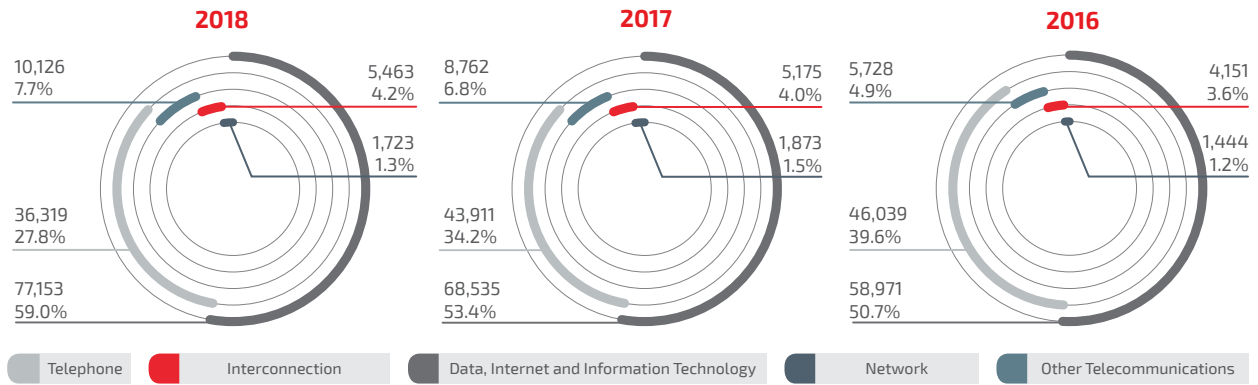
Table of Comprehensive Income	Growth 2018-2017 (%)	Years ended December 31,						
		2018			2017		2016	
		(Rp billion)	(US\$ million)	%	(Rp billion)	%	(Rp billion)	%
Expenses	9.8	93,691	6,515	100.0	85,362	100.0	77,888	100.0
Depreciation and Amortization Expenses	4.7	21,406	1,489	22.8	20,446	24.0	18,532	23.8
Operations, Maintenance and Telecommunication Services Expenses	19.6	43,791	3,045	46.7	36,603	42.9	31,263	40.1
Operations and Maintenance	11.7	25,214	1,753	26.9	22,577	26.4	18,610	23.9
Radio frequency usage charges	28.0	5,473	381	5.8	4,276	5.0	3,687	4.7
Leased lines and CPE	96.6	5,125	356	5.5	2,607	3.1	2,578	3.3
Concession fees and USO charges	2.1	2,297	160	2.5	2,249	2.6	2,217	2.8
Cost of sales of handset	20.5	1,860	129	2.0	1,544	1.8	1,481	1.9
Electricity, gas and water	1.4	1,051	73	1.1	1,037	1.2	960	1.2
Cost of SIM cards and vouchers	(16.3)	765	53	0.8	914	1.1	624	0.8
Vehicles rental and supporting facilities	37.2	413	29	0.4	301	0.4	367	0.5
Tower leases	1.7	480	33	0.5	472	0.6	322	0.4
Assurance	(34.4)	193	13	0.2	294	0.3	256	0.3
Others	177.1	920	64	1.0	332	0.4	161	0.2
Personnel Expenses	(2.6)	13,178	916	14.1	13,529	15.8	13,612	17.5
Salaries and related benefits	3.3	8,077	562	8.6	7,821	9.2	7,476	9.6
Vacation pay, incentives and other benefits	(1.4)	3,292	229	3.5	3,339	3.9	3,865	5.0
Pension benefit cost	(34.1)	1,120	78	1.2	1,700	2.0	1,068	1.4
Early Retirement Program	-	-	-	0.0	-	-	628	0.8
Long Service Award (LSA) Expense	(36.9)	161	11	0.2	255	0.3	237	0.3
Net periodic post employment health care benefits cost	21.4	335	23	0.4	276	0.3	163	0.1
Other employee benefit cost	82.3	113	8	0.1	62	0.1	82	0.1
Other post-employment benefit cost	(23.8)	32	2	0.0	42	0.0	48	0.1
Others	41.2	48	3	0.1	34	0.0	45	0.1
Interconnection Expenses	43.4	4,283	298	4.6	2,987	3.5	3,218	4.1
Marketing Expenses	(20.0)	4,214	293	4.5	5,268	6.2	4,132	5.3

Table of Comprehensive Income	Growth 2018-2017 (%)	Years ended December 31,							
		2018			2017		2016		
		(Rp billion)	(US\$ million)	%	(Rp billion)	%	(Rp billion)	%	
General and Administrative Expenses	16.7	6,137	427	6.6	5,260	6.2	4,610	5.9	
General Expenses	23.7	1,792	125	1.9	1,449	1.7	1,626	2.1	
Provision for impairment of receivables	15.4	1,724	120	1.8	1,494	1.8	743	1.0	
Training, education and recruitment	(12.8)	463	32	0.5	531	0.6	399	0.5	
Collection expenses	16.3	157	11	0.2	135	0.2	152	0.2	
Travelling	(12.6)	415	29	0.4	475	0.6	436	0.6	
Professional fees	65.3	823	57	0.9	498	0.6	594	0.8	
Meeting	(3.3)	233	16	0.2	241	0.3	207	0.3	
Social contribution	(8.1)	181	13	0.2	197	0.2	134	0.2	
Others	45.4	349	24	0.4	240	0.3	319	0.4	
Other expenses	(46.3)	682	47	0.7	1,269	1.5	2,521	3.2	
Gain / loss on foreign exchange-net	33.3	(68)	(5)	(0.1)	(51)	(0.1)	52	0.1	
Other expenses	(43.2)	750	52	0.8	1,320	1.5	2,469	3.2	
Other Income	68.6	1,752	122		1,039		750		
Operating Profit	(11.6)	38,845	2,701		43,933		39,195		
Finance Income	(29.3)	1,014	71		1,434		1,716		
Finance Costs	26.7	(3,507)	(244)		(2,769)		(2,810)		
Share of profit of associated companies	(13.1)	53	4		61		88		
Profit Before Income Tax	(14.7)	36,405	2,532		42,659		38,189		
Income Tax (Expense) Benefit	(5.3)	(9,426)	(655)		(9,958)		(9,017)		
Profit for the Year	(17.5)	26,979	1,876		32,701		29,172		
Other comprehensive income (expenses) - net	311.9	4,942	344		(2,332)		(2,099)		
Net comprehensive income for the year	5.1	31,921	2,220		30,369		27,073		
Profit for the year attributable to owners of the parent company		18,032	1,254		22,145		19,352		
Profit for the year attributable to non-controlling interest		8,947	622		10,556		9,820		
Net comprehensive income attributable to owner of the parent company		22,844	1,589		19,952		17,331		
Net comprehensive income for the year attributable to non-controlling interest		9,077	631		10,417		9,742		

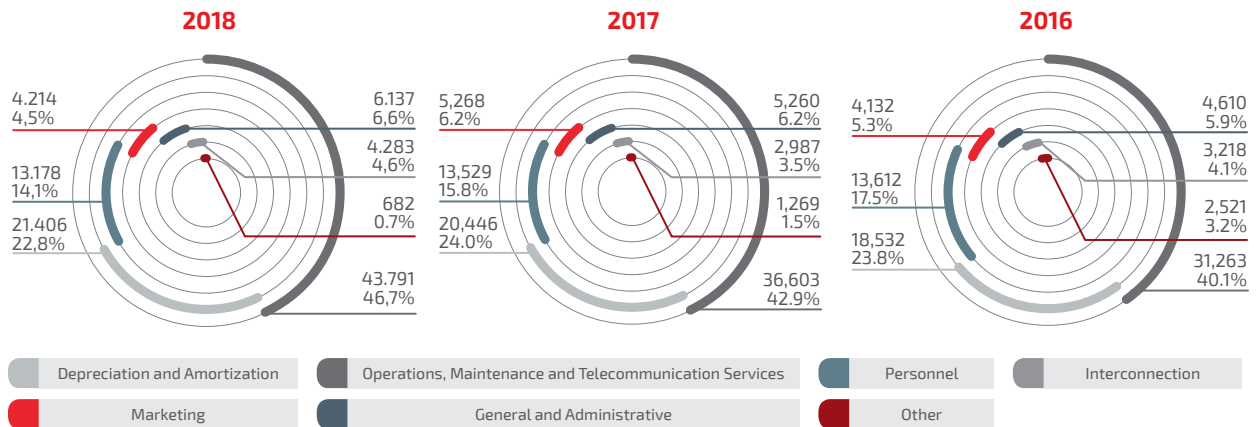
Profit and Loss Comparison

Composition of Revenues and Expenses during 2016 until 2018 can be seen in the following diagram.

Revenues Composition 2016-2018



Expenses Composition 2016-2018



Comparison of Profit and Loss for The Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

1. Revenues

Telkom recorded an increase in revenues by Rp2,528 billion or 2.0%, from Rp128,256 billion in 2017 to Rp130,784 billion (US\$9,095 million) in 2018. This increase is mainly due to the data, internet and information technology services revenue.

a. Cellular Telephone Revenues

Cellular voice revenues contributed for 23.3% of 2018 consolidated revenue of Telkom 2018 consolidated revenues. The cellular revenues decrease by Rp6,815 billion, or 18.3%, from Rp37,246 billion in 2017 to Rp30,431 billion (US\$2.116 million). The decrease is due to subscriber prefer to use Over the Top (OTT) service as a substitution of cellular service due to cellular service cannibalization.

b. Fixed Lines Revenues

Fixed line revenues decreased by Rp777 billion or 11.7%, from Rp6,655 billion in 2017 to Rp5,888 billion (US\$409 million) in 2018. due to the decrease of voice service usage.

c. Data, Internet and Information Technology Services Revenues

In 2018 Telkom derived data, internet and information technology services revenues of Rp77,153 billion (US\$5,365 million), increase by Rp8,618 billion or 12.6% from Rp68,535 billion in 2017. Revenue from this business activity accounted for 59.0% of consolidated revenue in the year ended December 31, 2018. Increase in data revenues, internet and information technology services is mainly due to:

- The increase of internet and data cellular revenue Rp7,193 billion or 18.9% due to the growth in data usage by 101.7% to 4,373,077 TB;
- An increase in internet, data communications and information technology services revenue increased by Rp4,369 billion or 29.0% in line with growing fixed broadband subscribers from 5.3 million to 7.2 million, which include IndiHome subscribers;
- Pay TV revenues increased by Rp564 billion or 29.0% in line with the increase in add on minipack transactions by IndiHome customers to 4.4 million in 2018, grew 243% compared to 2017; and
- Increase in other revenue by Rp499 billion or 141.4%.

The increase was compensated by decrease in SMS revenue by Rp4,007 billion or 30.4% due to customers preference transformation to Over the Top (OTT) service.

d. Interconnection Revenues

Telkom interconnection revenues consist of interconnection revenues from Telkom's fixed line and interconnection revenues from Telkomsel cellular network. Interconnection revenues include international direct incoming calls from IDD 007 services. Interconnection revenues in 2018 increased by Rp288 billion or 5.6% from Rp5,175 billion in 2017 to Rp5,463 billion (US\$380 million) in 2018, due to increased in voice traffic that targeted and considered the niche of the global transit market by flowing traffic between countries.

e. Network Revenues

Telkom network revenues increased by Rp150 billion or 8.0%, from Rp1,873 billion in 2017 to Rp1,723 billion (US\$120 million) in 2018.

f. Other Telecommunication Services Revenues

Other telecommunications services revenue increased by Rp1,364 billion or 15.6%, from Rp8,762 billion in 2017 to Rp10,126 billion (US\$704 million) in 2018. The increased was mainly due to:

- Increase in CPE and terminal revenue by Rp914 billion or 170.5% from Enterprise customer for ICT solution service; and
- Increase in other revenues by Rp441 billion or 19.2%.

These increases were compensated by the decrease of sales of peripherals by Rp441 billion or 19.2%.

g. Other Revenues

Other revenues increased by Rp713 billion or 68.6%, from Rp1,039 billion in 2017 to Rp1,752 billion (US\$122 million) in 2018.

2. Expense

Total expenses increased by Rp8,329 billion, or 9.8%, increased from Rp85,362 billion in 2017 to Rp93,691 billion (US\$6,515 million) in 2018.

a. Operation, Maintenance and Telecommunication Service Expense

Operations, maintenance and telecommunication service expenses contributed 46.7% from the total of expenses. Operations, maintenance and telecommunication service expenses increased by Rp7,188 billion, or 19.6%, from Rp36,603 billion in 2017 to Rp43,791 billion (US\$3,045 million) in 2018.

This increase was primarily attributable to the following:

- An increase in operations and maintenance expenses by Rp2,637 billion, or 11.7%, due to an increase of network maintenance for broadband, cellular or fixed network improvement;
- The increase in leased lines and CPE expenses by Rp2,518 billion or 96.6%, along with the increase in the Enterprise segment revenue in providing end-to-end IT Solutions;
- An increase in radio frequency usage charges expense by Rp1,197 billion or 28.0% due to the annual performance bond payment of Rp20 billion and Rp1,030 each for 2.1 GHz and 2.3 GHz frequency by Telkomsel;
- The increase of other expense was Rp588 billion or 177.1%; and
- An increase in cost of sales of handset by Rp316 billion or 20.5%.

This increase was compensated by the decrease in cost of SIM card and vouchers sales by Rp149 billion or 16.3% due to the decrease of production and distribution cost. It occurred due to the SIM Card registration that changed business orientation into top-up phone credit package than starter pack sales.

b. Depreciation and Amortization Expense

Depreciation and amortization expenses increased by Rp960 billion, or 4.7%, from Rp20,446 billion in 2017 to Rp21,406 billion (US\$1,489 million) in 2018 in line with the increase in fixed assets value.

c. Personnel Expense

Personnel expenses contributed 14.1% from Telkom total expenses. This expense decreases by Rp351 billion or 2.6%, from Rp13,529 billion in 2017 to Rp13,178 billion (US\$916 million) in 2018. This decrease was consisted of the decrease pension benefit cost of Rp580 billion or 34.1% due to past service cost as the previous year. This decrease was compensated by the increase of salaries and related benefit expenses by Rp256 billion or 3.3%.

d. Interconnection Expense

Interconnection expense increased by Rp1,296 billion, or 43.4%, from 2,987 billion in 2017 to Rp4,283 billion (US\$298 million) in 2018. This increase was in line with the efforts in interconnection revenue increase.

e. Marketing Expense

Marketing expenses decreased by Rp1,054 billion or 20.0%, from Rp5,268 billion in 2017 to Rp4,214 billion (US\$293 million) in 2018 due to the marketing program strategy which is effective and efficient, especially in cellular services as the sales business model will be more oriented to the sale of credit top-up packages than the sale of starter packs.

f. General and Administrative Expense

General and administrative expenses increased by Rp877 billion or 16.7%, from Rp5,260 billion in 2017 to Rp6,137 billion (US\$427 million) in 2018.

This increase primarily due to:

- An increase in general expenses by Rp343 billion or 23.4%;
- An increase in professional fees expenses by Rp325 billion, or 65.3%; and
- An increase in provision for impairment of receivables by Rp230 billion or 15.4%.

g. Gain (Loss) on Foreign Exchange-net

Gain on foreign exchange – net amounted to Rp68 billion (US\$5 million) in 2018, compared to Rp51 billion in 2017. indicated the relatively low impact of foreign currency rate fluctuation toward Telkom.

h. Other Expense

Other expenses decreased by Rp570 billion or 43.2%, from Rp1,320 billion in 2017 to Rp750 billion (US\$52 million) in 2018.

3. Operating Profit and Operating Profit Margin

With the various increases and decreases of transactions, operating profit decreased by Rp5,088 billion, or 11.6%, from Rp43,933 billion in 2017 to Rp38,845 billion (US\$2,701 million) in 2018. Operating profit margin decreased from 34.3% in 2017 to 29.7% in 2018.

4. Profit Before Income Tax and Pre-Tax Margin

The profit before income tax decreased by Rp6,254 billion, or 14.7%, from Rp42,659 billion in 2017 to Rp36,405 billion (US\$2,532 million) in 2018. Pre-tax margin decreased from 33.3% in 2017 to 27.8% in 2018.

5. Income Tax Expense

Income tax expense decreased by Rp532 billion or 5.3%, from Rp9,958 billion in 2017 to Rp9,426 billion (US\$655 million) in 2018, inline with the decrease in profit before income tax.

6. Other Comprehensive Income

In 2018, other comprehensive income was Rp4,942 billion (US\$344 million). In 2017, other Telkom comprehensive income was to Rp2,332 billion.

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

Profit for the year attributable to owners of the parent company decreased by Rp4,113 billion or 18.6%, from Rp22,145 billion in 2017 to Rp18,176 billion (US\$1,254 million) in 2018.

8. Profit for The Year Attributable to Non-Controlling Interest

Profit for the year attributable to non-controlling interest decreased by Rp1,609 billion, or 15.2%, from Rp10,556 billion in 2017 to Rp8,947 billion (US\$622 million) in 2018.

9. Net Comprehensive Income for The Year

Net Comprehensive income for the year increased by Rp1,552 billion, or 5.1%, from Rp30,369 billion in 2017 to Rp31,921 billion (US\$2,220 million) in 2018.

10. Net Income per Share

Net income per share decreased by Rp41.52 or 18.6%, from Rp223.55 in 2017 to Rp182.03 in 2018.

Comparison of Profit and Loss for The Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

1. Revenues

Telkom recorded an increase in revenues by Rp11,923 billion or 10.2%, from Rp116,333 billion in 2016 to Rp128,256 billion in 2017. This increase is mainly due to the data, internet and information technology services revenue.

a. Cellular Telephone Revenues

Telkom cellular revenues accounted for 29.0% of Telkom 2017 consolidated revenues. Telkom cellular revenues decrease by Rp1,251 billion, or 3.2%, from Rp38,497 billion in 2016 to Rp37,246 billion. The decrease is due to a decrease in usage charges revenue by Rp1,062 billion or 2.8%.

b. Fixed Lines Revenues

Fixed line revenues decreased by Rp877 billion or 11.6%, from Rp7,542 billion in 2016 to Rp6,665 billion in 2017. The decrease in fixed line revenues occurred due to a decrease in usage charges by Rp815 billion or 21.2%.

c. Data, Internet and Information Technology Services Revenues

Telkom derived data, internet and information technology services revenues of Rp68,535 billion, increase by Rp9,564 billion or 16.2% from Rp58,971 billion in 2016. Revenue from this business activity accounted for 53.4% of consolidated revenue in the year ended December 31, 2017. Increase in data revenues, internet and information technology services is mainly due to:

- An increase in celuller internet and data by Rp9,653 billion or 34.1% due to the growth in mobile broadband usage from 84.7 million subscribers in 2016 to 105.8 million subscribers in 2017;
- An increase in internet, data communications and information technology services revenue increased by Rp2,012 billion or 15.4% in line with growing fixed broadband subscribers from 4.3 million to 5.3 million, which include IndiHome subscribers;
- Increased Pay TV revenue by Rp398 billion or 25.7% as IndiHome subscribers;
- Increase in other revenue by Rp289 billion or 451.6%; and
- This increase was compensated by a decrease in SMS revenues of Rp2,788 billion or 17.4% due to over the top (OTT) services.

d. Interconnection Revenue

Telkom interconnection revenues consist of interconnection revenues from Telkom's fixed line and interconnection revenues from Telkomsel's cellular network. Interconnection revenues include international direct incoming calls from IDD 007 services. Interconnection revenues in 2017 increased by Rp1,024 billion or 24.7% from Rp4,151 billion in 2016 to Rp5,175 billion in 2017, due to increased in domestic interconnection revenue.

e. Network Revenues

Telkom network revenues increased by Rp429 Billion or 29.7%, from Rp1,444 billion in 2016 to Rp1,873 in 2017.

f. Other Telecommunication Services Revenues

Other telecommunication services increased by Rp3,034 billion or 53.0%, from Rp5,728 billion in 2016 to Rp8,762 billion in 2017. The increased was mainly due to:

- Increase in other revenue by Rp1,397 billion or 77.8%;
- Increase in sales of peripheral by Rp802 billion or 53.8%;
- Increase in CPE and terminal revenue by Rp344 billion or 179.2%; and
- Increase in call center service revenue by Rp292 billion or 43.1%.

g. Other Income

Other income increased by Rp289 billion or 38.5%, from Rp750 billion in 2016 to Rp1,039 miliar in 2017.

2. Expense

Total expenses increased by Rp7,474 billion, or 9.6%, increased from Rp77,888 billion in 2016 to Rp85,362 billion in 2017.

a. Operations, Maintenance Telecommunication Service Expense

Operations, maintenance and telecommunication service expenses contributed 42.9% from the total of Company's expenses. Operations, maintenance and telecommunication service expenses increased by Rp5,340 billion, or 17.1%, from Rp31,263 billion in 2016 to Rp36,603 billion in 2017. This increase was primarily attributable to the following:

- An increase in operations and maintenance expenses by Rp3,967 billion, or 21.3%, due to an increase of network maintenance;
- An increase in radio frequency usage charges expense by Rp589 billion or 16.0% due to additional radio frequency by Telkomsel;
- An increase in cost of SIM card and vouchers by Rp290 billion or 46.5%;
- An increase in others expense by Rp171 billion or 106.2%; and
- An increase in tower leases expense by Rp150 billion or 46.6%.

b. Depreciation and Amortization Expense

Depreciation and amortization expenses increased by Rp1,914 billion, or 10.3%, from Rp18,532 billion in 2016 to Rp20,446 billion in 2017 due to Telkomsel's acceleration of transmission depreciation.

c. Personnel Expense

Personnel expenses contributed 15.8% from Telkom total expenses. This expense increases by Rp83 billion or 0.6%, from Rp13,612 billion in 2016 to Rp13,529 billion in 2017. This increase was driven by:

- A decrease in vacation pay, incentives and other benefits expenses by Rp526 billion, or 13.6%; and
- A decrease in early retirement program by Rp628 billion due to no programs in 2017.

The decrease was offset by:

- An increase in pension benefit cost by Rp632 billion, or 59.2% in line with increase in pensions obligation;
- An increase in salaries and related benefits expenses by Rp345 billion, or 4.6%; and
- An increase in net periodic post-employment health care benefit cost by Rp113 billion, or 69.3%.

d. Interconnection Expense

Interconnection expense decreased by Rp231 billion, or 7.2%, from Rp3,218 billion in 2016 to Rp2,987 billion in 2017 in line with decrease in usage charges revenues.

e. Marketing Expense

Marketing expenses increased by Rp1,136 billion, or 27.5%, from Rp4,132 billion in 2016 to Rp5,268 billion in 2017. This increase was primarily due to an increased promotion by Telkomsel.

f. General and Administration Expense

General and administrative expenses increased by Rp650 billion, or 14.1%, from Rp4,610 billion in 2016 to Rp5,260 billion in 2017. This increase primarily due to:

- An increase in provision for impairment of receivables by Rp751 billion, or 101.1% due to more prudent estimation methods undertaken by management; and
- An increase in training, education and recruitment expenses by Rp132 billion, or 33.1%.

This increase was offset by a decrease in general expenses by Rp177 billion or 10.9%.

g. Gain on Foreign Exchange-net

Gain on foreign exchange – net amounted to Rp51 billion, while in 2016 loss on foreign exchange net by Rp52 billion.

h. Other Expense

Other expenses decreased by Rp1,149 billion or 46.5%, from Rp2,469 billion in 2016 to Rp1,320 billion in 2017.

3. Operating Profit and Operating Profit Margin

As a result of the foregoing, operating profit increased by Rp4,738 billion, or 12.1%, from Rp39,195 billion in 2016 to Rp43,933 billion in 2017. Operating profit margin increased from 33.7% in 2016 to 34.3% in 2017.

4. Profit Before Income Tax and Pre-Tax Margin

Telkom profit before income tax increased by Rp4,470 billion, or 11.7%, from Rp38,189 billion in 2016 to Rp42,659 billion in 2017. Pre-tax margin increased from 32.8% in 2016 to 33.3% in 2017.

5. Income Tax Expense

Income tax expense increased by Rp941 billion, or 10.4%, from Rp9,017 billion in 2016 to Rp9,958 billion in 2017, inline with the increase in profit before income tax.

6. Other Comprehensive Income

In 2017, other comprehensive income amounted to Rp2,332 billion due to an actuarial losses by Rp2,375 billion. In the previous year, Telkom's other comprehensive income amounted to Rp2,099 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 Rp2,793 billion, or 14.4%, from Rp19,352 billion in 2016 to Rp22,145 billion in 2017.

8. Profit for The Year Attributable to Non-Controlling Interest

Profit for the year attributable to non-controlling interest increased by Rp736 billion, or 7.5%, from Rp9,820 billion in 2016 to Rp10,556 billion in 2017.

9. Net Comprehensive Income fo The Year

Net Comprehensive income for the year increased by Rp3,296 billion, or 12.2%, from Rp27,073 billion in 2016 to Rp30,369 billion in 2017.

10. Net Income per Share

Net income per share increased by Rp27.36 or 13.9%, from Rp196.19 in 2016 to Rp223.55 in 2017.

CASHFLOW OVERVIEW

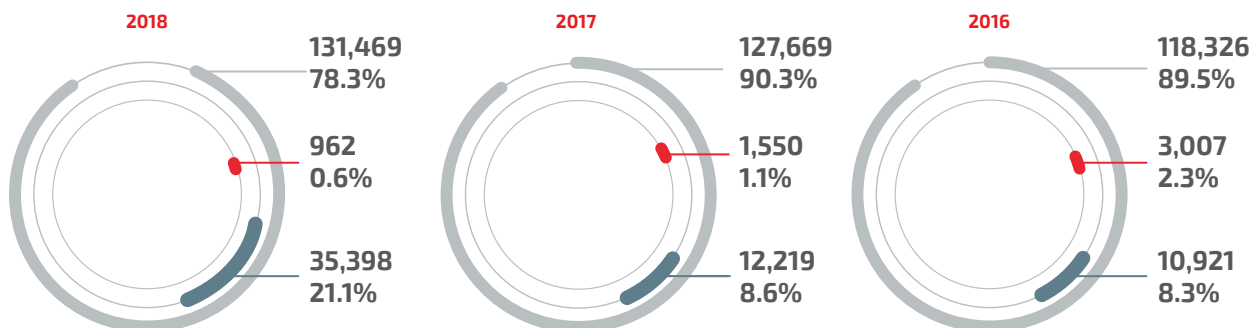
The following tables presents the information about Telkom consolidated cash flow, such as on Telkom Consolidated Financial Report from 2016 to 2018.

Cash Flow Table	Growth 2018-2017 (%)	Years ended December 31,			
		2018		2017	2016
		(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Net Cash					
provided by operating activities	(7.6)	45,671	3,176	49,405	47,231
used in investing activities	6.3	(35,090)	(2,440)	(33,007)	(27,557)
used in financing activities	(12.3)	(18,458)	(1,284)	(21,052)	(17,905)
Net increase in cash and cash equivalents	69.3	(7,877)	(548)	(4,654)	1,769
Effect of exchange rate changes on cash and cash equivalents	434.4	171	12	32	(119)
Cash and cash equivalents at beginning of year	(15.5)	25,145	1,749	29,767	28,117
Cash and cash equivalents at end of year	(30.6)	17,439	1,213	25,145	29,767

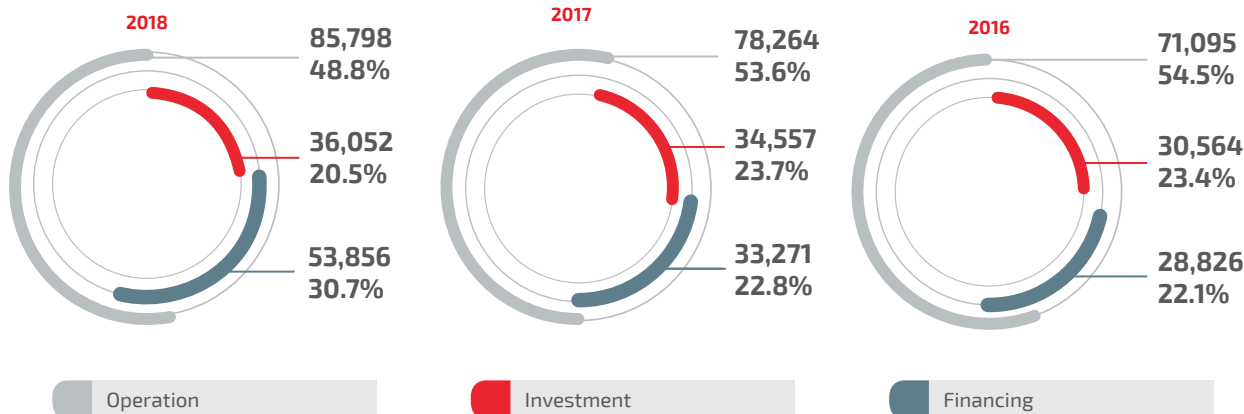
Cashflow Comparison

Composition of Cash Receipt and Cash Disbursement from 2016 to 2018 on graphic below.

Cash Receipt Composition 2016-2018



Cash Disbursement 2016-2018



Comparison of Cash Flow for Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Telkom total cash and cash equivalents as of December 31, 2018 amounted to Rp17,439 billion (US\$1,213 million), decreased by Rp7,706 billion or 30.6% compared to Rp25,145 billion 2017. The largest cash receipts by Rp131,469 or 78.3% came from operations activities, followed by receipts from funding activities by Rp35,398 billion or 21.1% and from investment activities by Rp962 billion or 0.6%.

Cash receipts is mostly used for operating activities by Rp85,798 billion or 48.8%, investment activity by Rp53,856 billion or 30.7% and funding activities by Rp36,052 billion or 20.5%.

1. Cash Flows from Operating Activities

In 2018, Telkom recorded net cash provided by operating activities were Rp45,671 billion (US\$3,176 million) compared to Rp49,405 billion in 2017. Cash receipts from operating activities amounted to Rp131,469 billion, increased by Rp3,800 billion, or 3.0% compared to 2017. The cash receipts came from:

- Cash receipts from customers and other operators of Rp127,855 billion;
- Interest income received of Rp1,036 billion; and
- Receipt for tax refund of Rp2,578 billion;

Cash disbursements from operating activities amounted to Rp85,798 billion (US\$5,966 million) in 2018, increased by Rp7,534 billion, or 9.6% compared to 2017. The cash disbursements were used for:

- Cash for expenses of Rp54,099 billion;
- Cash to employees of Rp12,657 billion;
- Cash for corporate and final income taxes of Rp10,375 billion;
- Cash for interest cost of Rp3,735 billion;
- Cash for value added taxes-net after of Rp3,434 billion; and
- Other cash (payments) receipts – net of Rp1,498 billion.

2. Cash Flows from Investing Activities

In 2018, net cash flows used in investing activities was Rp35,090 billion (US\$2,440 million) an increase than Rp33,007 billion in 2017. Cash receipts from investing activities amounted to Rp962 billion in 2018 compared to Rp1,550 billion in 2017. It was decreased by Rp588 billion or 37.9%.

The cash receipts came from:

- Proceeds from sale of property and equipment of Rp629 billion;
- Placement in time deposits and available-for-sale financial assets of Rp171 billion;
- Proceeds from insurance claims of Rp153 billion; and
- Dividen received from associated companies of Rp9 billion.

Cash disbursements from investing activities was Rp36,052 billion, increased by Rp1,495 billion, or 4.3% compared to Rp34,557 billion in 2017. Cash disbursements were used for:

- Purchases of property and equipment of Rp31,562 billion;
- Purchases of intangible assets of Rp2,972 billion;
- Increase of other assets of Rp461 billion;
- Acquisition of businesses - net of acquired cash of Rp420 billion;
- Additional contribution on long-term investments of Rp337 billion; and
- Advances for purchases of property and equipment of Rp300 billion.

3. Cash Flows from Financing Activities

Net cash flows used in financing activities in 2018 was Rp18,458 billion (US\$1,284 million) compared to with Rp21,052 billion in 2017. Cash receipts from financing activities amounted to Rp35,398 billion, which increased by Rp23,179 billion or 189.7% from Rp12,219 billion in 2017. The cash receipts came from:

- Proceeds from bank loans and other borrowings of Rp35,364 billion; and
- Capital contribution of non-controlling interests in subsidiaries of Rp34 billion.

In 2018, Telkom made cash disbursement for financing activities of Rp53,856 billion. Compared to Rp33,271 billion in 2017, the amount increased by Rp20,585 billion or 61.9%. The cash disbursements were used for:

- Cash dividends paid to the company stockholders and to non-controlling interest of subsidiaries of Rp16,609 billion, and Rp10,134 billion; and
- Repayment of loans and other borrowings of Rp27,113 billion.

Comparison of Cash Flow for Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Telkom total cash and cash equivalents as of December 31, 2017 amounted to Rp25,145 billion, decreased by Rp4,622 billion or 15.5% compared to Rp29,767 billion 2016. The largest cash receipts by Rp127,669 or 90.3% came from operations activities, followed by receipts from financing activities by Rp12,219 billion or 8.6% and from investment activities by Rp1,550 billion or 1.1%.

Cash received is mostly used for operating activities by Rp78,264 billion or 53.5%, investment activity by Rp34,557 billion or 23.7% and financing activities by Rp33,271 billion or 22.8%.

1. Cash Flow from Operating Activities

In 2017, Telkom recorded net cash provided by operating activities at Rp49,405 billion compared to Rp47,231 billion in 2016. Cash receipts from operating activities amounted to Rp127,669 billion, increased by Rp9,343 billion, or 7.9% compared to 2016. The cash receipts came from:

- Cash receipts from customers and other operator of Rp125,111 billion;
- Interest income received of Rp1,431 billion;
- Other cash receipts of Rp542 billion; and
- Tax refund receipts of Rp585 billion.

Cash disbursements from operating activities amounted to Rp78,264 billion, increased by Rp7,169 billion, or 10.1% compared to 2016. The cash disbursements were used for:

- Cash payments for expenses of Rp49,604 billion;
- Payment for corporate and final income taxes of Rp11,846 billion;
- Cash payments to employees of Rp11,739 billion;
- Payments for interest cost of Rp3,133 billion; and
- Payment for value added taxes after of Rp1,942 billion.

2. Cash Flow from Investing Activities

In 2017, net cash flows used in investing activities were Rp33,007 billion an increase of Rp27,557 billion in 2016. Cash receipts from investing activities amounted to Rp1,550 billion in 2017, compared to Rp3,007 billion recorded in 2016, The amount is decreased by Rp1,457 billion, or 48.5%.

The cash receipts came from:

- Proceeds from sale of property and equipment of Rp1,367 billion;
- Proceeds from insurance claims of Rp155 billion; and
- Dividends received from associated companies of Rp28 billion.

Cash disbursements from investing activities amounted to Rp34,557 billion, increased by Rp3,993 billion, or 13.1% compared to Rp30,564 billion in 2016. Cash disbursements were used for:

- Purchases of property and equipment of Rp32,294 billion;
- Placement in time deposits and available-for-sale financial assets of Rp676 billion
- Purchases of intangible assets of Rp508 billion;
- Increases advances for purchases of property and equipment of Rp490 billion;
- Additional contribution on long-term investments of Rp269 billion;
- Business acquisition, net of acquired cash of Rp243 billion; and
- Purchases of other assets of Rp77 billion.

3. Cash Flows from Financing Activities

Net cash flows used in financing activities in 2017 were Rp21,052 billion compared to with Rp17,905 billion in 2016. Cash receipts from financing activities amounted to Rp12,219 billion, which increased by Rp1,298 billion, or 11.9% from Rp10,921 billion in 2016. The cash receipts came from:

- Proceeds from bank loans and other borrowings of Rp12,169 billion; and
- Capital contribution of non-controlling interests in subsidiaries of Rp50 billion.

In 2017, Telkom had cash disbursement for financing activities of Rp33,271 billion. Compared to cash disbursement of Rp28,826 billion in 2016, the amount increased by Rp4,445 billion or 15.4%. The cash disbursements were used for:

- Cash dividends paid to the Company's stockholders and to non-controlling interest of subsidiaries of Rp11,627 billion, and Rp12,355 billion; and
- Repayment of loans and other borrowings of Rp9,289 billion.

SOLVENCY

The indicator of Telkom's liquidity in 2018 is quite good. This shows that Telkom and its subsidiaries have a good ability to pay their debts, both short-term and long-term debt. The liquidity source of Telkom and its subsidiary is mainly from operating cashflow, financing, and investment. Please refer Note 15 and 16 to the Consolidated Financial Statements.

SHORT-TERM LIABILITIES

Telkom and its subsidiaries maintain the liquidity position at a good level to ensure well operations and fulfillment of matured obligations. This liquidity positions management is carried out in an efficient manner to avoid inefficiencies in the resources use.

Telkom and its subsidiaries oversee liquidity ratios to maintain the favorable liquidity position, especially the current ratio, so that they are always at an adequate level and to avoid excessive inefficiencies.

The short-term liquidity ratios of Telkom and its subsidiaries are presented in current ratio, quick ratio and cash ratio in the following table.

Ratio	2018	2017	2016
Current Ratio	93.5%	104.8%	120.0%
Quick Ratio	66.8%	81.3%	98.4%
Cash Ratio	40.5%	60.2%	78.6%

With current ration of 93.5% above the industry average, it indicates that Telkom has a good level of liquidity and ability to meet matured obligations. To maintain company liquidity, Telkom made the following efforts:

- Maintain a current ratio above the industry current ratio; and
- Maintain the loan availability that can be withdrawn if needed. At the end of 2018, the total loan that have not been drawn were Rp8,507 billion.

LONG-TERM LIABILITIES

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

Ratio	2018	2017	2016
Debt To Equity Ratio	0.38X	0.32X	0.30X
Debt To EBITDA	0.74X	0.55X	0.53X
EBITDA to interest expense	16.9X	23.3X	21.2X

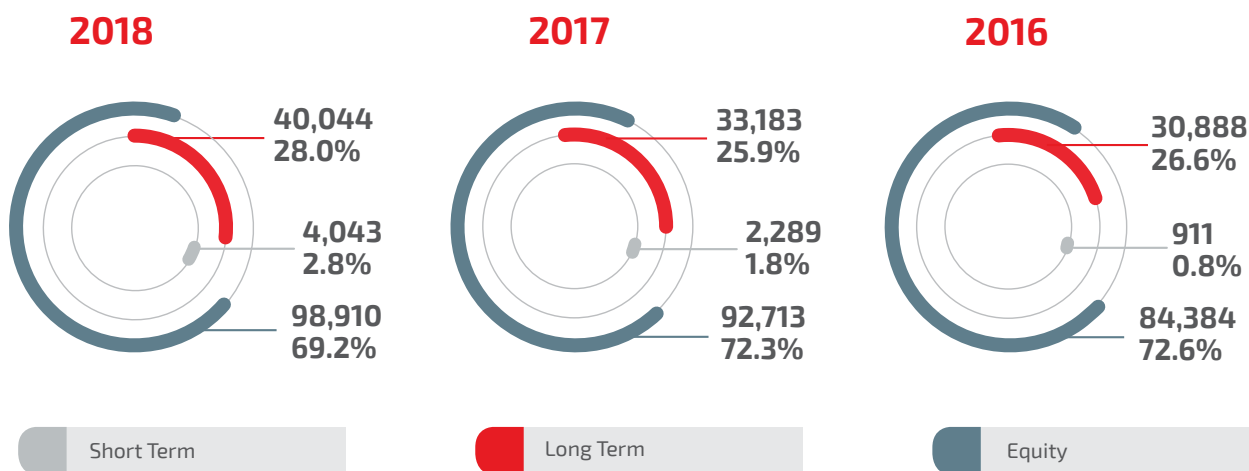
The debt to equity ratio is 0.38 times, the debt to EBITDA ratio is 0.74 times and the EBITDA ratio of interest expense is 16.9 times, indicating a controlled long-term liability management and a very low risk of default.

Nowadays, the financial condition indicators are quite strong, however in order to increase the effectiveness of funding management and working capital, it is necessary to conduct a debt for reprofiling strategy, such as improve the debt profile by changing most portion of the floating interest debt into fixed interest. The main purpose of this debt reprofiling is saving interest expense. Some of the strategies that have been carried out are as follows:

- Optimizing the use of internal funding sources to satisfy the corporate funding requirement;
- Renegotiating with banking partners related to the reduction in loan interest with floating interest rates;
- Renegotiating with banking partners regarding the type of interest loan, from loan with floating interest to a fixed rate loan; and
- Issue fixed interest debt instruments through Medium Term Notes (MTN).

CAPITAL STRUCTURE

Telkom funding resources are from short-term debt, long-term debt and equity with the largest composition of the capital structure coming from equity. The following are tables and diagrams which illustrate Telkom capital structure and composition during the last three years.



Capital Structure	2018		2017	2016
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Short Term	4,043	281	2,289	911
Long Term	40,044	2,785	33,183	30,888
Debt	44,087	3,066	35,472	31,799
Equity	98,910	6,878	92,713	84,384
Total Invested Capital	142,997	9,944	128,185	116,183

MANAGEMENT POLICY ON CAPITAL STRUCTURE

Periodically, Telkom reviewed the position of the capital structure, leverage level, and debt payment performance to add or pay the debt. This result was the basis for management policy on capital structure by taking qualitative and quantitative approaches. Telkom then determined optimal funding composition from equity and debt and took decision whether it is addition or payments of short-term or long-term debt. If possible, the funding scheme could be renewed with a more efficient one.

Telkom had concern maintaining credit rate and capital structure. It included maintaining them at least equivalent to competitor value. Moreover, Telkom optimized wighted average cost of capital and tax benefit. In maintaining the balance of capital structure, Telkom uses several financial ratios.

In 2018, Telkom debt-to-equity ratio (DER) was 0.38 times and the debt service coverage ratio was 1.9 times. It showed that Telkom had high ability to repay the debt. For information of management policy on capital management, see Note 37 to the Consolidated Financial Statements.

CAPITAL EXPENDITURE

Telkom capital expenditure was done as short-term, medium-term and long-term necessity in line with Telkom strategy for developing a digital business portfolio. Telkom understands that to be digital telecommunication company, it should accelerate capital expenditure to respond to the dynamic technology changes which is aligned with Telkom's strategy of developing a portfolio of digital businesses.

PURPOSE OF CAPITAL EXPENDITURE

Telkom capital expenditure is aimed to strengthen digital infrastructure in order to maintain competitive and sustainable long-term growth. It is to anticipate the telco industry changes in the digital era by expanding the connectivity business portfolio and digital service.

TYPES OF CAPITAL EXPENDITURE

Capital expenditure carried out by Telkom can be categorized as follows:

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

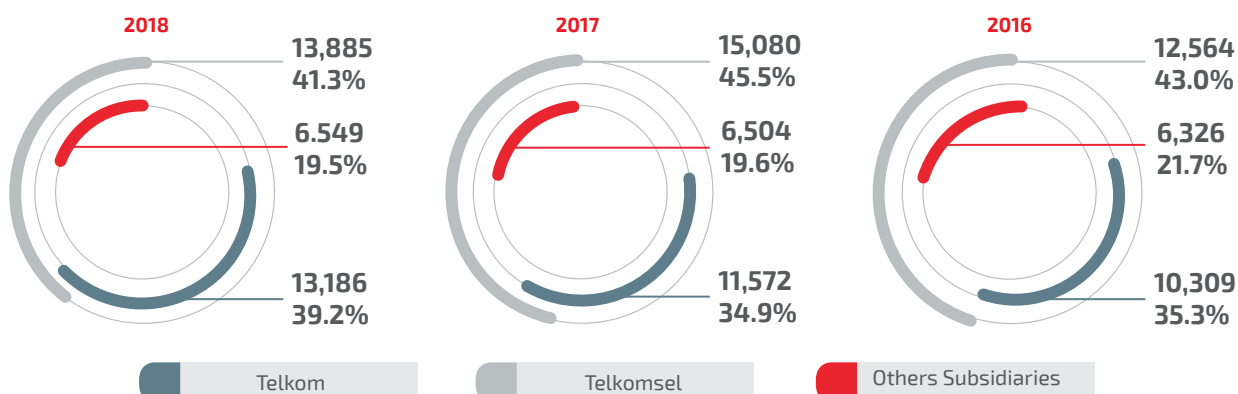
AMOUNT OF CAPITAL EXPENDITURE

Telkom capital expenditure in 2018 was Rp33,620 billion (US\$2,338 million) or around 25,7% of revenue, increased Rp464 billion or 1.4% compared to the previous year. This includes the capital expenditure investment from Telkom and subsidiary.

	Years ended December 31,			
	2018		2017	2016 (Restated)
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Telkom (parent company)	13,186	917	11,572	10,309
Subsidiaries				
Telkomsel	13,885	966	15,080	12,564
Others	6,549	455	6,504	6,326
Subtotal for subsidiaries	20,434	1,421	21,584	18,890
Total for TelkomGroup	33,620	2,338	33,156	29,199

Telkomsel invested the highest capital expenditure of Rp13,885 billion meanwhile Telkom invested Rp13,186 billion. Other subsidiary capital expenditure investment was Rp6,549 billion.

Capital Expenditure Composition of TelkomGroup Year in 2016-2018



The following are some of Telkom's capital expenditure and its subsidiaries:

- Built 28,376 BTS units. Total BTS by the end of 2018 was 189,081 BTS, grew 18% from the previous year. Total BTS in the end of 2018 was 189,081 BTS with 138,771 3G and 4G BTS;
- The construction of optic fiber-based network cable in 13 thousand district capitals., Telkom succeeded connecting accumulated 458 district capitals with fiber optic backbone. Telkom has total fiber optic backbone network of 161,652 km;
- Built the Indonesian Global Gateway (IGG) submarine cable project;
- Built and launched Satellite Merah Putih; and
- Built data centers.

MATERIAL COMMITMENT FOR CAPITAL EXPENDITURE

OBJECTIVES OF MATERIAL CONTRACTS FOR CAPITAL EXPENDITURE

Telkom have several material contracts for capital expenditure by holding companies and its subsidiaries. Material contract is mainly for the procurement and installation of transmission equipment and cable network. The following table presents a material contract for capital expenditure, including project-related agreements by Telkom and its subsidiaries.

Telkom

Contracting Parties	Initial Date of Agreement	Significant Provisions of the Agreement
TII and NEC Corporation	May 12, 2016	Procurement and installation agreement of Sistem Komunikasi Kabel Laut (SKKL) Indonesia Global Gateway
Consortium Bisnis Submarine Cable	November 10, 2017	Procurement and installation agreement of SKKL Sabang-Lhoksemawe-Medan
PT Sisindokom Lintas Buana	November 15, 2017	Procurement and installation for PE-VPNCISCO expans
PT Sisindokom Lintas Buana	April 26, 2018	Procurement and installation for PE-VPNCISCO expans
PT ZTE Indonesia	May 31, 2018	Procurement and installation of OLT and ONT Platform ZTE
PT ZTE Indonesia	September 13, 2018	Procurement agreement for ONT Platform ZTE
PT ZTE Indonesia	October 30, 2018	Procurement agreement for Set Top Box (STB) Platform ZTE phase-2
PT Huawei Tech Investment	November 23, 2018	Procurement and installation for DWDM Platform Huawei
PT Lintas Teknologi Indonesia	December 13, 2018	Procurement and installation for DWDM Platform Nokia NARU 2018
NEC Corporation	December 13, 2018	Procurement and installation agreement of ISP SKKL Platform NEC expansion and reengineering transport
PT Datacomm Diangraha	December 14, 2018	Procurement and Installation for Metro Ethernet Platform Nokia-ALU expansion
PT Huawei Tech Investment	December 17, 2018	Procurement and installation agreement of Methor Ethernet, BRAS, PCEF and PE Transit Platform Huawei
PT Master System Infotama	December 31, 2018	Procurement and installation for IP Backbone Platform CISCO expansion
PT Lanacs Arche Consumma	December 31, 2018	Procurement and installation for DWDM Platform Coriant Naru 2018

Telkomsel

Contracting Parties	Initial Date of Agreement	Significant Provisions of the Agreement
PT NSN, NSN Oy and Nokia Siemens Network GmbH & Co.KG	April 17, 2008	The combined 2G and 3G CS Core Network Rollout Agreement
PT Ericsson Indonesia and PT Ericsson AB	April 17, 2008	Technical Service Agreement (TSA) for combined 2G and 3G CS Core Network
PT Datacraft Indonesia, PT Dimension Data Indonesia and PT Huawei	February 3, 2010	Next Generation Convergence Core Transport Rollout and Technical Support agreement
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 Agreements
PT Application Solutions	February 8, 2010	Technical Support agreement to provide technical support services for the OCS and SCP

Contracting Parties	Initial Date of Agreement	Significant Provisions of the Agreement
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
PT Huawei	March 25, 2013	Technical Support agreement for the procurement of Gateway GPRS Support Node (GGSN) Service Complex
Wipro Limited, Wipro Singapore Pte. Ltd. And PT WT Indonesia	April 23, 2013	Development and procurement of Operational and Strategic Decision Support System (OSDSS) Solution Agreement
PT Ericsson Indonesia	October 22, 2013	Procurement of GGSN Service Complex Rollout agreement
PT Ericsson Indonesia, PT NSNI, NSN Oy, PT Huawei and PT ZTE Indonesia	February 1, 2018	Ultimate Radio Network Infrastructure ROA and SA agreement

SOURCES OF FUNDS OF MATERIAL CONTRACTS FOR CAPITAL EXPENDITURE

In 2018, Telkom allocated capital expenditure according to the business scheme with internal or external source fund. Telkom has good leverage ratios and is able to fund capital expenditures thus far. The detail information shall be referred in the discussion of "Capital Expenditure."

DENOMINATED CURRENCIES OF MATERIAL CONTRACTS FOR CAPITAL EXPENDITURE

Telkom use the Rupiah and foreign currencies such as US Dollar, Euro and HKD, to conduct transactions related to material contracts for capital expenditure. The composition of the value of material contracts for capital expenditure as of December 31, 2018 dominated by Rupiah as follows:

Table of Material Commitment based on Currencies	Amounts in Foreign Currencies (In Million)	Equivalent in Rupiah (In Billion)
Rupiah	—	7,988
US Dollar	94	1,349
Euro	1.23	20
HKD	0.79	1
Total	—	9,358

FOREIGN CURRENCY RISK MITIGATION OF MATERIAL CONTRACTS FOR CAPITAL EXPENDITURE

Telkom understands that there is an uncertain foreign exchange rate risk when committed to the payment of capital expenditure with foreign currency. On the other hand, Telkom also has the opportunity to gain foreign exchange gains from exchange rates on time deposits and receivables denominated in foreign currency, which set at least 25% of short-term liabilities in foreign currency payable.

Under these conditions, Telkom minimize the exchange rate risk by "offsetting" a trade-off between the exchange rate losses from material contracts for capital expenditure and exchange rate gain from time deposits and accounts receivable. In general, it lowers the exposure of foreign currency exchange risk to immaterial.

For more detail discussion of the material contracts for capital expenditure and the risk of foreign exchange rate can be seen in Notes 34 significant contracts and agreements and Notes 36 financial risk management in the Consolidated Financial Statements of 2018.

RECEIVABLES COLLECTABILITY

Telkom has a receivables rate in 2018 of 31.9 days with a receivable turnover ratio of 11.5%. Telkom created provision for impairment of receivables based on the collective assessment of historical impairment rates and individual assessment of its customers credit history in the amount to anticipate the uncollected parts of trade receivables throughout 2018.

Telkom did not distinguish trade receivables of an affiliated party or third parties in calculating and presenting the due receivables amount. The carrying amount of trade receivables considered past due but not impaired per December 31, 2018 and 2017 are of Rp4,296 billion and Rp3,354 billion respectively. It means the receivables past due but not impaired, are due from customer with good credit rating history and expected to be recoverable. For further details on Telkom receivables, please see Note 5 in the Consolidated Financial Statement.

Ratio	Average Collection Duration Ratio (%)		
	2018	2017	2016
Average collection ratio (days)	31.9	26.2	23.1
Receivables turnover ratio (%)	11.5	13.9	15.8

MATERIAL INFORMATION AND FACT AFTER ACCOUNTANT REPORTING DATE

In line with the principle of transparency and accountability in good corporate governance, Telkom present material information and facts that occurred after the accountant reporting date, as follows:

1. Based on notarial deed of Bonardo Nasution, S. H. No. 12 dated January 12, 2019 and No. 13 dated January 21, 2018, Telkomsel established a subsidiaries, PT Telkomsel Mitra Inovasi (PT TMI) and PT Fintek Karya Nusantara (PT Finarya) with full ownership by Telkomsel.
2. On January 25, 2019, and on January 14, 2019, Telkomsel fully paid the loan with MUFG and BNI amounting to Rp750 billion and Rp1000 billion, respectively.
3. Based on notarial deed of Jimmy Tanal, S. H., M. Kn., NO. 22 dated March 6, 2019 regarding Shareholder's Resolution of PT Persada Sokka Tama (PST), approving transfer of right over shares of PST to Dayamitra from Mrs. Rahina Dewayani and Mrs. Rahayu amounting to 2,559,000 and 6,000 shares, respectively, therefore Dayamitra has 2,565,000 shares or 95% ownership of PST.
4. In January, February and March 2019, the Company received the SC's verdicts as the result of the tax audit for tax period January to April and September 2007. Based on the verdict, SC rejected the Tax Authorities's Judicial review and strengthen the Tax Court's verdict.
On March 11, 2019, Tax authorities issued Decision letter on Company's objection, wherein the Tax Authorities has granted all the Company's objection and addition the overpayment amount for the tax period January to April 2016.
5. On February 18, 2019, Telkomsel received SP2PK from the Tax Authorities regarding the 2010 fiscal year VAT amounting to Rp290 billion. On March 25, 2019, the Company received SP2PK payment from the Tax Authorities regarding the 2010 fiscal year VAT amounting to Rp290 billion.

MACROECONOMY

GLOBAL AND INDONESIA ECONOMY IN 2018

In 2018, global economy grew around 3% or more stable than the previous year. Developing countries (Emerging Market and Developing Economies/EMDE) is still the main booster for global economy recovery, with the economic growth of 4.2%. Developing countries in East Asia, Pacific, Southeast Asia and South Asia made better growth than other developing countries. Meanwhile, developed countries (advanced economies) made economic growth of 2.2% throughout 2018.

Several main global economic challenges in 2018 were trade war of United States (US) and China, the aggressive increase of Federal Fund Rate interest rate and the uncomplete issue of Brexit. In general, those challenges have given impact to global economy including Indonesia.

Badan Pusat Statistik (BPS) or Central Bureau of Statistic showed that Indonesia economy grew 5.17% throughout 2018 or better than the previous year of 5.07%. The Government also succeeded controlling inflation rate which was relatively lower of 3.13% than the previous year of 3.61%. This controlled inflation rate could maintain consumer purchasing power, which domestic consumption is still the main role to encourage economic growth contributing more than half of Indonesia GDP.

The dynamics of global economy was the increase of Federal Fund Rate interest rate for 4 times throughout 2018, which responded prudently by Bank Indonesia (BI) with the increase of reference interest rate or BI 7-day reverse repo rate for 6 times. From May to December 2018, BI reference interest rate increases by 175 bps from 4.5% into 6.0%. This reference rate was able to overcome the Rupiah value fluctuation so only depreciated by 6.9% though Rupiah had been weekend on October. The prudent implementation of fiscal and moneter policy as well as the high of foreign exchange reserves have strengthen Indonesia resistance and capacity to encounter external fluctuation.

The sturdy Indonesia economy resulted the ranking increase of Sovereign Credit Rating (SCR) from international rating institution Moody's Investor Service from Baa3/Outlook Positive into Baa2/Outlook Stable on April 13, 2018. With this improvement, now Indonesia has been recognized by four international rating institutions at one level higher than the previous Investment Grade level.

INDONESIA TELECOMMUNICATIONS INDUSTRY

Indonesia telecommunication industry encountered varied situation. Cellular industry encountered quite severe challenge in 2018. The decreasing voice and SMS service (legacy business) is due to Over The Top (OTT) service. The OTT service offers communication convenience of data, voice, and video so it decrease conventional communication usage. The Government also determined pre-paid SIM card registration policy conforming with Ministerial Regulation of Ministry of Communication and Information Technology Indonesia (KOMINFO) No. 14 Year 2017 which had been applied from October 2017 to April 2018. This policy caused price war of data service in particular, as one of the operator strategy to preserve their customer or attract the new one. However, cellular industry had better condition in the second half of 2018 than the previous half after Telkomsel made initiative to increase its data service price started from July by encouraging the mobile broadband service package price to the reasonable price level.

For long-term period, SIM card registration is expected to give a great advantage for the country, telecommunication industry and society. It helped The Government to support national cyber security with the more complete and valid citizen identity. Meanwhile, there would be a healthier and balance new competition for telecommunication industry especially cellular industry. Operators would make a more precise marketing programs with this accurate customer profile that could be adjusted to their demands and needs. It also encouraged cost efficiency as the sales business model would more focus on credit top-up package than starter pack sales, so it decreased card production and distribution cost. It could be said like pulling back arrow for a while, then cellular industry would accelerate forward faster and sustainably for long-term purpose.

The fiber optic-based fixed broadband service demand with high-speed internet has been growing and nowadays it turn out to be the domestic need for information access and entertainment. The high quality fixed broadband also offers other value added service which is growing like home security.

Its penetration in domestic purpose is still low, estimated around 12% of all household in Indonesia. Besides, its competitiveness level is healthier. With its growth in middle class resident, it is estimated to have a good demand in the future.

In ICT solution service industry that used to be only for corporate customer, the business process digitalization is more important to enhance a competitiveness and efficiency for large company or SMB. Its estimated penetration for corporate customer in general is low, so the opportunity in this business is still quite good.

In the other hand, The Government also encourages, the Government encouraged digital industry revolution and stimulated the digitalization of economic growth in Indonesia. Ministry of Communication and Information technology Indonesia through Telecommunication and Information Accessibility Agency (BAKTI), continue striving telecommunication access equity and building internet infrastructure used by the outermost, underdeveloped, foremost region and Indonesia border. BAKTI targeted there are minimum one BTS in each rural area and expected to connect to internet in 2020. The Government also initiate constructing fiber optic based backbone network in those areas such as Palapa Ring. Palapa Ring had been started in 2016 and for its west segment was completed and can be used by the telecommunication operator. Its central and east segment are expected operating and used by the operator in 2019. It is also expected to support the acceleration of broadband services penetration and equality across Indonesia.

COMPETITION IN THE TELECOMMUNICATIONS INDUSTRY

Telkom has a comprehensive range of products and services covering cellular, fixed broadband and fixed voice, enterprise, interconnection and satellite services with an overview of the competition as follow below.

Mobile Business

Basic cellular services i.e. voice and SMS, continue showing decrease trend in line with the increase of Over The Top (OTT) use. It is major challenge for Telkomsel, Telkom subsidiaries, as well as another cellular operator such as Indosat and XL. Telkomsel is still the market leader with the widest coverage, while XL and Indosat are still competing with each other for a more affordable price.

Telkomsel is dominant outside Java island, meanwhile competition in Java island is very tight for cellular operators in Indonesia. The rivalry occurred mainly in Java with all operators focusing on developing their network, meanwhile Telkomsel is relatively dominant which supported by wide coverage infrastructure. The regulation of SIM card registration that started on October 2017, increased the rivalry because operator price competition by offering package to attract customers to register in their network. The prepaid SIM card registration program limits the number of prepaid SIM cards for each customer so that by the end of 2018, the number of Telkomsel customers has decreased by 17% to 163.0 million customers.

The three operators also experienced a drastic decline in legacy business, which was around 21%. On the other hand there was very tight competition in mobile data services triggered by a price war that intensified during the prepaid SIM card registration period. Both of these resulted in a decrease in revenue of 3 main operators by 7.4%. Telkomsel has taken the initiative to prevent increasingly unhealthy industrial conditions by encouraging the price of mobile broadband service packages to reach a reasonable price level in order to provide optimal value for both operators and customers. In addition, Telkomsel also seeks to restrain the decline of the legacy business as a result of the use of OTT services, including by offering programs such as voice packages and SMS packages. As a result of the above efforts, Telkomsel managed to grow better than the industry, and only recorded a decrease in revenue of 4.3%.

In 2018, there was dynamics of additional frequency spectrum used by domestic operators which secured by auction in October 2017, such as 30 MHz block on 2,300 MHz frequency and two other operators—Indosat and Tri on 2,100 MHz frequency. It will strengthen the operator position to maximize 4G LTE network quality, particularly in dense capacity data service area. This additional frequency spectrum enables the operator to provide higher capacity and speed for better digital lifestyle experience to Indonesia cellular customers.

Fixed Voice & Broadband Business (Fixed Business)

Fixed broadband service equipped with content as IPTV, is increasingly in demand. IndiHome customers increased to 5.1 million in 2018, it showed the high potential in this business line. The competitors are LinkNet, Biznet, MNC Play, and MyRepublic.

The competition in fixed voice and fixed broadband, emphasized at minipack offering or bundling, as well as educational, information, and entertainment programs. During 2018, IndiHome has been developing innovation of package programs such as Gamer package and minipacks.

In addition, IndiHome also continue developing extended product and service such as IndiHome Smart (smart home) so customers might monitor and control remotely, IndiHome Cloud and Movin so customer might use fixed phone with customer gadget (smartphone). IndiHome Digital touch point is increasing in various digital products and transactions. For smart home product and service, IndiHome compete with MNC Play that had launched MNC Play Smart Home since the end of 2016.

Telkom is still dominating in the fixed broadband market in 2018. Though fixed broadband penetration in Indonesia is still low, several operators are still widening their coverage area aggressively, focusing in high income areas, besides applying bundling service strategy or delivering various content collaborating with OTT player, especially video streaming platform.

Enterprise Business

Through this business line, Telkom delivered digital solution and integrated ICT. In operating enterprise business, Telkom is supported by partners and subsidiaries such as Telkom Sigma in developing platform solution and data center requirement; Infomedia in fulfilling requirement of call center and BPO; Telkomsat in providing satellite transponder; or PINS to provide supporting telecommunication equipment.

In general, the competitors in enterprise was spread out but there is no single player that delivers completed or integrated solutions. Its potential is higher in line with the trend of business process digitalization for corporate, government institution and SMB. It aims to make the business process more efficient.

To overcome the rivalry in 2018, Telkom made acquisitions and organizational changes as well as expanded its cross-sector digitalization service as a leveraging core capabilities. Nowadays, Telkom is serving the banking sector, especially the management of ATM communication network and retail for the digitalization of distribution channel.

International Traffic and Interconnection Business

The current operators of traditional international traffic IDD (non-VoIP) in Indonesia are only Telkom and Indosat. But the rivalry in this business line is the presence of OTT or digital communication service such as Skype, Line, and WhatsApp, or other VoIP service providers that open international access. Its contribution to Telkom revenue lessened continuedly by the presence of OTT.

To overcome this competition, Telkom preferred to provide OTT service platform than confront it directly. Telkom emphasized revenue and profit of broadband use through digital hub and Content Delivery Network (CDN).

Network and Satellite Infrastructure Business

In infrastructure business especially tower, Telkom competes with other companies such as Tower Bersama Infrastructure, Sarana Menara Nusantara (Protelindo), and Solusi Tunas Pratama, as well as other telecommunication operators such as Indosat and XL. Its operating activities were managed by Telkom subsidiary Mitratel and Telkomsel. Its strategy was building a new tower or co-location by leasing the existing tower to cellular operators. Telkom also delivers traffic carrier service as the operator that has backbone network.

In satellite business management, Telkom competed with other overseas satellite operators in South East Asia. Capacity limitation is the factor which restricted the capacity of domestic satellite operator to compete. Currently, satellite transponder demand is higher than the domestic transponder availability. It occurred due to the demand of satellite service in Indonesia's archipelago is very high, particularly in the regions which are not yet connected to the submarine cable and optic fiber.

BUSINESS PROSPECTS AND SUSTAINABILITY OF THE COMPANY

NATIONAL POLITICAL AND ECONOMIC PROJECTION

In 2019, Indonesia will have a Presidential Election. Telkom consider this opportunity as 'wait and see' strategy for industry players that might decrease the intensity of operating activity. On the other hand, the election would increase communication activity particularly broadband use for voice, video, data and information exchange that relates to preparation, implementation and supervision of the campaign and election.

On the macro scale, The Government targets Indonesia economy would grow around 5.3% in 2019. Indonesia economy was fundamentally solid with growth of 5.17% in 2018 which better than the previous year of 5.07%. The consumption level and consumer purchasing power is expected to favour quite well in the future, supported by a controlled inflation rate. More infrastructure such as highway, airport, power plant, seaport, and others might enhance long term economic activities for short-term or long-term period. Nevertheless, Telkom notices the global economic fluctuation i.e. the increase potential of US reference interest rate could influence Rupiah exchange rate and domestic interest rates and also Indonesia companies in general.

OVERVIEW OF BUSINESS PROSPECTS

Telkom believes that the opportunity to continue to grow in the future is still very promising. The connectivity of data and digital services has now become a basic need of the community, and even its use has penetrated in small towns and rural areas. Whereas for institutions and businesses, digital services have become the main requirement for improving services and in maintaining and developing their businesses. Telkom, with all its infrastructure and facilities, is in the leading position to take up these opportunities and continue to grow in the future.

For the Mobile segment, there are business potentials in three focus areas, namely increasing growth potential in the High Value Customer, mobile solution services for the Enterprise segment, and developing various digital services such as mobile financial services, games and videos. At present, High Value Customers contribute significantly to Telkom's revenues. To provide the best experience in order to maintain loyalty while increasing the number of High Value Customers, we conduct profiling of High Value Customers and take advantage of big data analytics so that they can offer diverse and quality services according to their personal needs. Telkom also continues to develop innovative products and digital solutions for the enterprise segment including Mobile

Security, NB-IoT and other cellular solutions that utilize the Telkom myBusiness product portfolio. Meanwhile on Digital services, we focus on providing lifestyle experiences such as video, games and music. In May 2018, we launched MAXstream as a platform and became a one-stop video portal by combining OTT Video apps, linear channels and VOD content. Telkom also provides a complete digital game ecosystem and releases the first game "Shellfire" in October 2018 under the *Dunia Games* brand.

Along with the increasing use of smartphones. At the end of 2018 from the total Mobile segment customers in Telkom subsidiaries, 66% of our customers have used smartphones, and are expected to continue to grow. The wider use of smartphones will also encourage the growth of digital service & solutions where Telkom has prepared platforms, applications and content to anticipate these customer needs. The average consumption of Telkom's customer data is around 4 Gigabytes per month, which is still lower than the data consumption of several operators in other countries such as Malaysia, Thailand and India which have reached more than 10 Gigabytes per month.

In the Enterprise segment, opportunities to increase business growth are still wide open. we always strive to find new growth engines that are recurring. We also believe that the trend of digitizing business processes in corporations will continue to strengthen, as well as institutions and government institutions, both central and regional. In addition, the penetration of ICT services in Small and Medium Enterprises (SMBs) is still relatively low. We hope that our presence with the provision of ICT services can help business development among SMEs given the magnitude of the benefits generated, and at the same time constitute a market opportunity for us to grow together. We also actively explore opportunities for enhancing digital capabilities through inorganic activities to strengthen integrated digital services.

In the Consumer segment, the opportunity to continue to grow is still wide open, until the end of 2018 the penetration of fixed broadband services in Indonesia is still relatively low, which is around 12%, while the number of middle class households continues to grow, so the potential demand for fixed broadband services is still very large. In addition, the level of competition is also relatively low because fixed broadband service providers require relatively high capital expenditure needs, which is one of the barrier to entry for new entrants or for existing operators to expand. to various regions. In terms of products and services, Telkom always provides additional choices for customers by offering more varied services and products so they can reach a wider market niche according to customer needs.

For the Wholesale and International Business segment, with the success of Telkom completing the construction of the Indonesia Global Gateway (IGG) cable project, Telkom has adequate network capacity and quality to develop domestic and global market. IGG has a length approximately 5,400 km, connecting the SEA-US submarine cable system (South East Asia - United States) and submarine cable systems SEA-ME-WE5 (South East Asia - Middle East - Western Europe 5), while integrating SEA-US and SEA-ME-WE5 with a network of domestic backbone infrastructure that covers almost all of the district capital in Indonesia.

By connecting SEA-ME-WE5 with SEA-US through IGG, Telkom is getting closer to becoming a Global Digital Hub that allows Telkom to provide alternative direct broadband connections between the European, Asian and American regions. The transformation towards the Global Digital Hub is also carried out by developing infrastructure and connectivity, data center, cloud, content and platform services that target the Carriers, Internet Service Provider, Digital Player, Enterprise and other segments in both the domestic and international markets.

COMPARISON OF INITIAL YEAR TARGET AND THE REALIZATION

In the challenging dynamics of the digital telecommunication industry throughout 2018, Telkom revenue growth was 2.0%. Telkom profit in 2018 was Rp18,032 billion, with EBITDA margin and net income margin of 45.3% and 13.8%. For capital expenditure, Telkom spent 25.7% of revenues in 2018, especially for digital business infrastructure development.

Indicator	Realization in 2018	Targets in Early 2018
Revenue growth	Revenue growth outperform the industry average revenue.	Revenue growth expected to outperform the industry average revenue
EBITDA Margin	EBITDA margin and net income margin decreased into 45.3% and 13.8% The decrease of EBITDA margin was mainly due to the decrease of legacy business that has higher EBITDA margin than other businesses. This decline has not been compensated by the increase in digital business volume.	Digital business contribution towards EBITDA margin, IndiHome growth acceleration and other businesses. Broadband expansion in mobile or fixed line, would always operate and is expected to decrease EBITDA and net income margin.
Capital expenditure	The realization of capital expenditure was 25.7% of revenue, focusing in the digital business infrastructure investment.	Capital expenditure amounted to 24%-27% of revenue per year with a focus on building digital business infrastructure.

TARGETS OR PROJECTIONS FOR THE FOLLOWING YEAR

Telkom business activities aim to achieve sustainable growth. In 2019, Telkom will establish three main programs to emphasize customer satisfaction and loyalty, digital business development, and acquisition or partnership.

1. *Embracing Best in Class Digital Customer Experience*, transforming customer experience by optimizing business process with system, process and people improvement.
2. *Intensifying Digital Business*, expanding the broadband connectivity and encouraging digital service and solution to maintain the market domination.
3. *Driving Smart Initiatives on Cost Effectiveness*, optimizing cost by emphasizing the streamlined business organization, system, and process and use its Telkom capability to improve the profit.

In 2019, Telkom targets revenue to be above the industry projection by increasing IndiHome contribution. In addition, Telkom still maintains dominance in the cellular market, and aggressively develops its digital business. In the coming year, along with Telkom role in the digitalization era, revenue from voice and sms services will decrease while revenues from digital business will increase. The contribution of digital business is expected to be even greater against the EBITDA margin and net income.

The allocation of capital expenditure is set to around 25-30% of revenue for building broadband infrastructure in both the cellular and fixed-line segments. In general, Telkom target for 2019 can be set out below:

Indicators	2019 Targets
Revenue growth	Revenue growth is expected to be better than industry average revenue and other digital business revenue continues to increase.
EBITDA margin	EBITDA and net income margin are projected to decline slightly in line with the development of mobile and cellular broadband infrastructure, along with an increase in the portion of revenue from digital business.
Expenditure capital	Capital expenditure around 25%-30% of revenue, with a focus on investment in digital business infrastructure.

DIVIDEND

Telkom have a dividend pay out policy with the approval of the Annual General Meeting of Shareholders (AGMS). Every year, we distribute cash dividends to shareholders with a payout ratio ranging from 60% to 75%. Then, for performance in 2018, we will set the payment ratio, dividend amount, and total final dividend at the AGMS to be held in 2019. Here are dividend payment data and information for the last five years from 2014 to 2018.

Dividend Year	Dividend Policy	Date of Dividend Payment in Cash and/or Date of Dividend Distribution in Non-Cash	Payment Ratio / Payout ratio (%) ¹	Dividend Amount paid per year (Million Rp)	Dividend Amount per Share (cash and/or non-cash) after Stock Split (Rp)
2013	AGMS, April 4, 2014	May 19, 2014	70	9,943,294 ²	102.40
2014	AGMS, April 17, 2015	May 21, 2015	60	8,782,812 ³	89.46
2015	AGMS, April 22, 2016	May 26, 2016	60	9,293,184 ⁴	94.64
2016	AGMS, April 21, 2017	May 26, 2017	70	13,546,411 ⁵	136.75
2017	AGMS, April 27, 2018	May 31, 2018	75	16,608,751 ⁶	167.66

Remarks:

1. The payment ratio shall be the profit percentage attributable to the owner of holding entity paid to the shareholders as dividends.
2. Consists of cash dividend in the amount of Rp7,812,588 million and special cash dividend in the amount of Rp2,130,706 million.
3. Consists of cash dividend in the amount of Rp7,319,010 million and special cash dividend in the amount of Rp1,463,802 million.
4. Consists of cash dividend in the amount of Rp7,744,304 million and special cash dividend in the amount of Rp1,548,880 million.
5. Consists of cash dividend in the amount of Rp11,611,211 million and special cash dividend in the amount of Rp1,935,200 million.
6. Consists of cash dividend in the amount of Rp13,286,997 million and special cash dividend in the amount of Rp3,321,754 million.

REALIZATION OF PUBLIC OFFERING FUND

As of December 31, 2018, Telkom have several outstanding bonds held by investors as follows:

Name of the Bond	Amount (Rp million)	Date of Issue	Maturity Date	Time Period (year)
Bond II Telkom 2010 series B	1,995,000	June 25, 2010	July 6, 2020	10
Telkom Shelf Registered Bonds I 2015 series A	2,200,000	June 23, 2015	June 23, 2022	7
Telkom Shelf Registered Bonds I 2015 series B	2,100,000	June 23, 2015	June 23, 2025	10
Telkom Shelf Registered Bonds I 2015 series C	1,200,000	June 23, 2015	June 23, 2030	15
Telkom Shelf Registered Bonds I 2015 series D	1,500,000	June 23, 2015	June 23, 2045	30

The rating of the bonds is AAA of Pefindo and secured by all of the Issuer Company assets, tradable or non-tradable, either existing or those that 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 and PT Bank Tabungan Negara Tbk as the appointed Trustee.

In 2018, all public offering funds had been realized in accordance with the plan to use the proceeds from the public offering, by recording the remaining balance is nil. For more details related to information about Bonds please see Note 16 to the Consolidated Financial Statements.

MATERIAL TRANSACTION INFORMATION CONTAINING CONFLICT OF INTEREST, TRANSACTION WITH AFFILIATED PARTIES, INVESTMENT, DIVESTMENT AND ACQUISITION

To comply with POJK No.31/POJK.04/2015, Telkom disclosed material transaction information that may affect stock prices or investment decisions. Through this report Telkom declared to have identified and disclosed material transactions containing conflict of interest, transactions with affiliates, and investment, divestment and acquisition transactions throughout 2018, as follows:

- On January 30, 2018, the Company entered into a conditional new shareholding agreement with Cellum Global Zrt. (Cellum) through two stages. In the first stage, Metranet will include new shares worth USD4,000,000 equivalent to 20.4% ownership and in the second stage valued at USD2,000,000 so that Metranet's ownership becomes 30.4%. Cellum is a provider solution for mobile payment and commerce services. This new equity participation is expected to strengthen the Company business portfolio, specifically strengthening the TelkomGroup Fin-Tech business ecosystem.
- On March 31, 2018, Metra signed a Sales Purchase Agreement with shareholders of PT Swadharna Sarana Informatika (Swadharna) in share ownership and the purchase of new shares totaling Rp397 billion. Metra has a 51% interest in Swadharna. Swadharna is engaged in managing computer technology facilities, especially in the banking sector. This new investment is expected to strengthen the Company business portfolio.
- On April 18, 2018, TII acquired a 21% shareholding owned by Compudyne Telecommunication Systems Sdn, Bhd. at Telin Malaysia at a acquisition cost of MYR8,764,798 (equivalent to Rp31 billion), so TII ownership in Telin Malaysia became 70% and became a consolidated entity.
- On April 25, 2018, TII increased its share ownership in TSGN to 70% with total acquisition price of MYR42,350,000 (equivalent to Rp150 billion).
- On December 28, 2018, a Sales and Purchase Agreement involving Telkom Sigma, PT Upperco Usaha Maxima and PT Abdi Anugrah Persada regarding with shares of PT Collega Inti Pratama. In this transaction, Telkom Sigma will become majority shareholder of PT Collega Inti Pratama, reaches 70%. PT College Inti Pratama is ICT solution provider for banking and financial institution. This acquisition will enhance TelkomGroup in providing ICT solution for banking, integrated with other ICT services.

CHANGES IN REGULATION

Good Corporate Governance (GCG) practice encourages Telkom to obey Indonesia regulations. Therefore, Telkom monitored regulation changes throughout 2018 and analysed its impacts. It resulted in no regulation change that affected business process and/or Telkom management strategies including financial or non-financial reports.

No	Laws and Regulations Having Significant Effect	Impact on Financial Statement
1	N/A	N/A

CHANGES IN ACCOUNTING POLICY

The Consolidated Financial Statements of Telkom and its subsidiary under Financial Accounting Standard (SAK) in Indonesia which covers the Statement of Financial Accounting Standard (PSAK) and Interpretation of Financial Accounting Standard (ISAK) in Indonesia, issued by the Board of Financial Accounting Standard – Indonesian Accountant Association. Telkom also comply with 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 Consolidated Financial Report.

Telkom as the only company in Indonesia listed on the New York Stock Exchange, has fully implemented the accounting standards of International Financial Reporting Standard (IFRS) since 2011 for financial statements submitted to the Securities and Exchange Commission (SEC). In 2018, Telkom began fully implementing IFRS 9 Financial Instrument and IFRS 15 *Revenue from Contracts with Customers* and simultaneously preparing for the implementation of IFRS 16 *Leases* which became effective on January 1, 2019. The three standards will be adopted as new accounting standards (PSAK71 Financial Instruments, PSAK72 *Revenue from Contracts with Customers* and PSAK73 *Leases*), which have been issued by DSAK and will be effective in Indonesia starting January 1, 2020.

In line with the development of applicable regulations, Telkom has implemented IFRS 9 and IFRS 15 in full for IFRS financial reports in 2018, where Telkom develops and strengthens IT systems and improves business processes in accordance with the Sarbanes Oxley Act, and simultaneously prepares for IFRS 16 implementation which will take effect on January 1, 2019.

Telkom has also carried out process changes in business units, data preparation, and systems and HR readiness for the adoption of the new IFRS accounting standards which require complex processes and a long time in preparing financial reports and the audit process, especially in the first year of implementation. Based on observations in global companies, it will take at least 2-3 years to prepare for implementing the three new IFRS accounting standards (IFRS 9, 15 and 16). Telkom has reformed and fully complied with adjusting its financial statements to meet these international standards in a timely manner.

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CORPORATE GOVERNANCE

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Annual General Meeting of Shareholder, April, 27 2018.

CORPORATE GOVERNANCE PRINCIPLE AND PLATFORM

The Telkom is continuously striving to apply the principles of Good Corporate Governance (GCG) at throughout organization's levels. The goal is to maintain accountability, improve performance, and meet the expectations of stakeholders.

Telkom's commitment in implementing GCG can be seen from Resolution of Board of Directors related to Group GCG Guidelines No.602/2011. This Resolution of Board of Directors contains several systems for implementing GCG that guarantee the implementation of GCG for ethical and comply with the Good Corporate Governance practices internal and external transactions. In line with this, the GCG support system policies and infrastructure continue to be evaluated and improved by the Telkom to strengthen the implementation quality of governance practices.

IMPLEMENTATION OF GCG BASIC PRINCIPLES

Telkom has implemented all the basic principles of GCG since it first listed its shares at IDX more than 23 years ago, the five basic principles of GCG are:

1. Principle of Transparency

Telkom regularly publishes financial reports and annual reports also other material information such as the decision-making process as a means for investors to easily access important information. The access information is provided in the form of the Company's website, print media and press releases, face-to-face meetings with investors, public expose, and press gatherings.

2. Principle of Accountability

Telkom ensures the availability of charter, guidance or manual that contain clarity of functions, implementations, and accountabilities of shareholders, Board of Commissioners, Board of Directors, committees, and Corporate Secretary. This will create check and balances mechanism on authority and roles in the management of the Company. In addition, clear criteria for Key Performance Indicators (KPI) and operational targets are also stipulated.

3. Principle of Responsibility

Telkom ensures compliance with applicable laws and regulations also applies principles of a healthy corporation. These include laws and/or tax regulations, fair competition, industrial relations, occupational health and safety, payroll standards and other relevant regulations. In addition, Telkom has the function of VP Legal and Compliance which is tasked to ensure the fulfillment of all regulations and legislation's.

4. Principle of Independence

Telkom professionally works without conflict of interest and free from other parties' pressure that are against regulation with regulations and contrary to the principles of healthy corporation. Telkom explicitly states corporate decision-making rules/authority in the board charter and the Company's Articles of Association. In addition, TelkomGroup has additional policies in the Corporate Governance Guidelines, such as conflict of interest transaction policy, prohibitions on political party donations and prohibitions on affiliate relations.

5. Principle of Equality and Equity

Telkom applies the principle of equality and equity in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations. Implementation is carried out in various operational aspects, such as respecting the rights of minority shareholders, prohibiting insider trading, implementing performance management based on the balanced scorecard, conducting open auctions in the procurement of goods/services and implementing e-procurement.

IMPLEMENTATION OF GCG MANAGEMENT PRINCIPAL - FINANCIAL SERVICES AUTHORITY

Telkom has also implemented the 8 (eight) principles of Company management according to the guidelines of Listed company governance from Financial Services Authority, as follows:

Principle	Recommendation	Implementation	Status
Principle 1			
Improving The Value of General Meeting Shareholders (GMS).	1. Technical methods or procedures for open and closed voting that prioritize independence and interest of the shareholders.	Telkom already has technical procedures for voting set out in the procedures for the General Meeting of Shareholders.	Comply
	2. Members of Board of Directors and Board of Commissioners attend the Annual GMS.	All of the members of Board of Directors and Board of Commissioners attended the GMS.	Comply
	3. A summary of minutes of GMS is available at the Website at least 1 year.	Telkom provided a Summary of Minutes of GMS at the Company's Website under Investor Relations.	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.	Telkom has a policy on communications with Investors through Non Deal Roadshow, One on One Meeting, Earnings Call, Public Expose, Conference and Investor Summit.	Comply
	2. Posted the communications policy of a Public Company at the Website.	Telkom 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.	Comply
Principle 3			
Strengthening The Membership and Composition of Board of Commissioners.	1. Determination of the numbers of board of commissioners should consider the company condition members should take into account the Company's Conditions.	Telkom has complied with the provision applicable to the Company as Public Company as set out in Article 20 of Regulation of Financial Services Authority No.33/POJK.04/2014 that the number of members of Board of Commissioners must be more than 2 (two) persons.	Comply
	2. Determination of the composition of members of Board of Commissioners takes into account the required variety of skills, knowledge and experience.	At the Shareholders' discretion, members of Board of Commissioners have been appointed by taking into account a variety of skills, knowledge, experiences and Telkom's business conditions and complexity.	Comply

Principle	Recommendation	Implementation	Status
Principle 4			
Improving The Quality of Duty and Responsibility of Board of Commissioners.	1. Board of Commissioners has a policy to self-assess the performance of Board of Commissioners.	Basically, the assessment of the performance of Board of Commissioners is carried out by Class A Dwiwarna Shareholders through the mechanism of a General Meeting of Shareholders.	Explain
	2. The self-assessment policy is reported in an Annual Report.	Telkom does not has any self-assessment policy yet, therefore there is no self-assessment policy reported in the Annual Report.	Explain
	3. Board of Commissioners has a policy of resignation in the event of involvement in any financial crimes.	In accordance with Telkom's Articles of Association, jo. Regulation of Financial Services Authority No. 33/POJK.04/2014 any member of Board of Commissioners who does not meet any requirements to be a member of Board of Commissioners as set out in the Articles of Association and Regulation of Financial Services Authority No.33/POJK.04/2014 including any involvement in any financial crimes, consequently his/her position will be null and void. In the event that the member of Board of Commissioners resigns, it will be resolved at a GMS.	Comply
	4. Board of Commissioners or the KNR sets out a provision of succession in the Nomination Process of a member of Board of Directors.	The Committee for Nomination and Remuneration sets out in the Committee for Nomination and Remuneration Charter that among its duties is to give recommendations to Board of Commissioners which will inform the Class A Dwiwarna Shareholders about the Planning of Succession of Members of Board of Directors. In addition, as an SOE, the provision of succession of Board of Directors refers to Regulation of Minister of SOE No.PER-03/MBU/02/2015 on the requirements, procedures for the appointment and dismissal of a member of Board of Directors of an SOE.	Comply

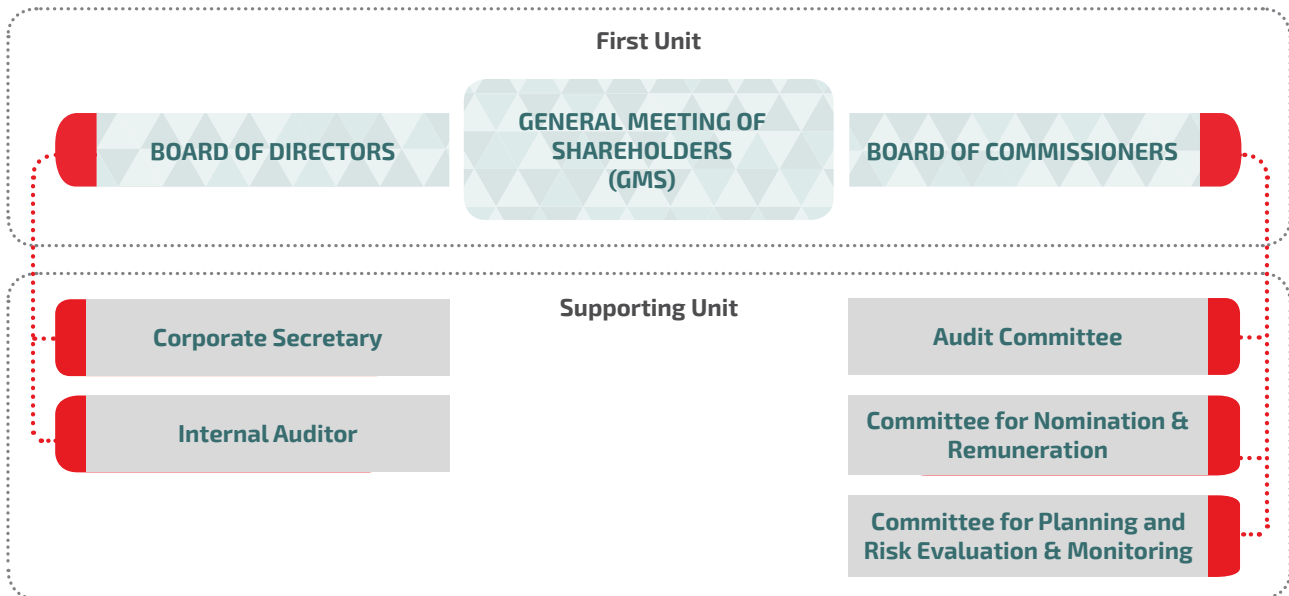
Principle	Recommendation	Implementation	Status
Principle 5			
Strengthening Membership and Compositions of Board of Directors.	1. Determination of the number of members of Board of Directors takes into account the Company's conditions and effectiveness in decision-making.	Determination of the number of members of Board of Directors of the Company refers to the Article 2 paragraph (1) and paragraph (2) Regulation of Financial Services Authority No.33/POJK.04/2014 regarding Board of Directors and Board of Commissioner of listed Company which provides that Board of Directors of Listed Companies or Public Companies must consist of at least 2 (two) members which 1 (one) of them have to be appointed as the President Director.	Comply
	2. Determination of the Composition of members of Board of Directors takes into account a variety of skills, knowledges and experiences as required.	At the Shareholders' discretion, members of 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.	Comply
	3. Members of Board of Directors in charge of accounting and finance have skills and/or knowledge in accounting.	The member of 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 Board of Directors under the section of Profiles of Board of Directors.	Comply
Principle 6			
Improving The Quality of Task execution and Responsibility of Board of Directors.	1. Board of Directors has a policy to self-assess the performance of Board of Directors.	Board of Directors has a Self-Assessment policy as set out in the section of Performance Assessment of Board of Commissioners and Board of Directors.	Comply
	2. The self-assessment policy is reported in an Annual Report.	Results of the Self-Assessment of Board of Directors are reported in the Company's Annual Report under the section of Corporate Governance.	Comply
	3. Board of Directors has a policy of resignation in the event of involvement in any financial crimes.	In accordance with our Articles of Association jo. Regulation of Financial Services Authority No. 33/POJK.04/2014, any member of Board of Directors who does not meet any requirements to be a member of Board of Directors as set out in the Articles of Association including any involvement in any financial crimes, consequently his/her position will be null and void. In the event that the member of Board of Directors resigns, it will be resolved at a GMS.	Comply

Principle	Recommendation	Implementation	Status
Principle 7			
Improving Corporate Governance Aspect Through Stakeholders Participation.	1. To have a Policy to prevent Insider Trading.	In accordance with Regulation of 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 includes Abuse of Authority or Position.	Comply
	2. To have a Policy of Anti Corruption and Anti Fraud.	Telkom 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.	Comply
	3. To have a Policy on the Selection and Capacity Building of Suppliers and Vendors.	Telkom selects 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 Finance Director No.PR.301.08/r.01/COP-A00110000/2016 on Procurement Implementation Guidelines.	Comply
	4. To have a Policy on the fulfillment of Creditors' Rights.	Telkom has a policy to fulfill the rights of our creditors through the Corporate Finance Unit that sets out and manages the rights of Telkom's creditors.	Comply

Principle	Recommendation	Implementation	Status
	5. To have a Policy on whistleblowing system.	Pursuant to Decision of Board of Commissioners No.08/KEP/DK/2016 dated June 8, 2016 on the Provision of Complaint Handling Procedures (Whistleblowers) at PT Telkom Indonesia, Tbk and its consolidated Subsidiaries which then ratified by Board of Directors through Regulation of Board of Directors No. PD.618.00/r.00/HK200/COP-C000000/2016 dated December 21, 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.	Comply
	6. To have a Policy on the granting of long-term incentives to Board of Directors and Employees.	In determining the incentives to be earned by Board of Directors, Telkom guided by Regulation of Minister of SOE No.PER-04/MBU/2014 on the Setup Guidelines 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 Labor Agreement Chapter VI on compensations and benefits. In addition, Telkom also provide long-term incentives in the form of Employee Stock Option Plan (ESOP), which was last done in 2013.	Comply
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.	Telkom also active in various social media as medium for information disclosure and product promotion. In addition, Telkom also use the mailing list system as medium for information disclosure and communication with investors.	Comply
	2. The Annual Reports of Public Companies disclose the most current beneficial owners of the Company's ownership, at least 5% other than Major Shareholders and Controllers.	Telkom discloses the most current beneficial owners of the Company's ownership with 5% or more in our Annual Report under the section of Shareholders' Composition and Ownership.	Comply

CORPORATE GOVERNANCE STRUCTURE

Telkom's governance structure consisting of Main and Supporting Organs, is in accordance to the Law of the Republic of Indonesia No.40/2007 regarding Limited Liability Companies and the prevailing regulations in the capital market. The Main Organs of the Company consist of the General Meeting of Shareholders (GMS), the Board of Commissioners and the Board of Directors. The Supporting Organs consist of the Audit Committee, the Committee for Nomination and Remuneration, the Committee for Planning and Risk Evaluation and Monitoring, the Corporate Secretary and the Internal Auditor.



CORPORATE GOVERNANCE ASSESSMENT

Assessment of Telkom's Disclosure of governance practices is done using the Corporate Governance Scorecard Methodology, which reviews all of our publicly available information, including all the information included in the annual report, website, announcement, and circular letter made by Telkom. The information used in the assessment is presented in English.

In 2018, the Indonesian Institute for Corporate Directorship (IICD) underwent an assessment to the top 200 companies listed in the Indonesia Stock Exchange ranked by market capitalization. The assessment (supported by 10 assessors and four reviewers) was divided into 2 groups, with 100 companies listed in the Big Market Capitalization Group (Big Capitalization), and the rest the Mid Market Capitalization Group (Mid Capitalization). The OECD Scorecard for Economic Co-operation and Development (OECD) was used to assess the top 200 companies. The OECD Principles consist of:

1. Shareholder rights;
2. Fair Shareholder treatment;
3. Stakeholder roles;
4. Disclosure and transparency;
5. Board Responsibility.

The IICD has been doing corporate governance assessments to hundred listed companies since 2005, using the international standards of the Corporate Governance principles of the OECD's Corporate Governance Scorecard. This has been implemented previously in some ASEAN Countries including Indonesia. In the future, the IICD will list anti corruption and financial performance as defining factors in the Corporate Governance performance assessment.

In this assessment, Telkom, with 2 other listed companies, achieved the title of "The Best State Owned Enterprise" apart of the Big Capitalization Category. Telkom was considered as an SOE that had implemented Good Corporate Governance properly and transparently, and could explain and give responsibility to the public regarding public decisions.

GENERAL MEETING OF SHAREHOLDERS (GMS)

Telkom as the highest governance organ is a General Meeting of Shareholders (GMS), which facilitates shareholders to make important and strategic decisions. In accordance with the provisions of Telkom's Articles of Association and statutory regulations, the Annual GMS (AGMS) is held once a year with the following routine discussion agenda:

1. Approval of the Company's Annual Report, including 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 Board of Directors and Commissioners.
3. Determination of the Company's Net Income, including dividend payment in the financial year.
4. The determination of remuneration for the members of Board of Directors and 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. Any other agenda proposed by one or more Shareholder that represent 1/20 or more of all shares that have a voting right.

AGMS RESOLUTION FOR 2016 FINANCIAL YEAR

Telkom conducted the AGMS on April 21, 2017 for the performance of the 2016 financial year with details of the agenda and realization of the 2016 fiscal year AGMS decisions as follows:

Agenda	AGMS Resolution	Status of the AGMS Resolution
1.	To approve the Annual Report of the Company including the Board of Commissioners' Supervision Duty Report for the Financial Year 2016, namely regarding the condition and operation and supervisory of the Company as substantially have been presented in the Meeting by the Board of Directors and the Board of Commissioners.	Resolution effective immediately.
2.	<ol style="list-style-type: none"> 1. To ratify <ol style="list-style-type: none"> a. The Company's Consolidated Financial Statements for the Financial Year 2016 which has been audited by the Public Accountant Firm Purwantono, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) according to its report number RPC 3036/PSS/2017 dated March 2, 2017 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, 2016 and the financial performance and consolidated cash flow for the year ended on such date in accordance with Indonesian Financial Accounting Standards; b. Partnership and Community Development Annual Report for the Financial Year 2016 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 RPC-2925/PSS/2017 dated January 25, 2017 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, 2016 and financial performance and cash flow for the year ended on such date in accordance with the Non Publicly Accountable Entities Financial Accounting Standards; 2. Then, by the approval of the Company's Annual Report for the Financial Year 2016 including Supervisory Task of the Board of Commissioner Report and the ratification of Financial Statement for the Financial Year 2016 and Annual Report on Partnership and Community Development Program for the Financial Year 2016, the Meeting hereby grant a full acquittal and discharge (volledig acquit et decharge) to members of the Board of Directors and the Board of Commissioners who serves in the Financial Year 2016 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 2016 and Annual Report of Partnership and Community Development for the Financial Year 2016. 	Resolution effective immediately.

Agenda	AGMS Resolution	Status of the AGMS Resolution
3.	<p>1. To Approve and determine the appropriation of the Company's net profit for the Financial Year ended on the December 31, 2016 in the amount of Rp19,352,026,828,926,- (nineteen trillion three hundred fifty two billion twenty six million eight hundred twenty eight thousand and nine hundred and twenty six Rupiah) which will be allocated to:</p> <p>a. Dividend amounting to 60% of the net profit or in the amount of Rp11,611,211,188,567.60 (eleven trillion six hundred eleven billion two hundred eleven million one hundred eighty eight thousand five hundred sixty seven point six zero Rupiah) including amount of Interim Dividend which had been distributed to shareholders on the December 27, 2016 based on the Board of Directors Meeting which had been approved by the Board of Commissioners on the December 6, 2016 in amount Rp1,919,726,695,491.40 (one trillion nine hundred ninety billion seven hundred twenty six million six hundred ninety five thousand and four hundred ninety one point four zero Rupiah), therefore the amount of cash dividend will be distributed to shareholders in amount of Rp9,691,484,493,076.18 (nine trillion six hundred ninety one billion four hundred eighty four million four hundred ninety three thousand seventy six point one eight Rupiah) and added special dividend of 10% or amount of Rp1,935,200,213,724.32 (one trillion nine hundred thirty five billion two hundred million two hundred thirteen thousand seven hundred twenty four point three two Rupiah) distributed as cash dividend, therefore dividend (either cash dividend and special dividend) to shareholders per shares of Rp117.3675 (one hundred and seventeen point three six seven five Rupiah) and specifically dividend for Government/Republic of Indonesia will be paid in accordance with prevailing laws, with notes:</p> <ul style="list-style-type: none"> • State of Rp6,056,439,231,453.30 (six trillion fifty six billion four hundred thirty nine million two hundred thirty one thousand four hundred fifty three point three zero Rupiah). • Public of Rp5,570,245,475,347.20 (five trillion five hundred seventy billion two hundred forty five million four hundred seventy five thousand three hundred forty seven point two zero Rupiah). <p>b. 30% of Net Profit of the Company or amount of Rp5,805,615,426,634.10 (five trillion eight hundred five billion six hundred fifteen million four hundred twenty six thousand six hundred thirty four point one zero Rupiah) determined as Retained Earning.</p> <p>2. To Approve the distribution of Cash Dividend and Special Dividend for the Financial Year 2016 will be conducted with the following conditions:</p> <p>a. Those who are entitled to receive Cash Dividend and Special Dividend are shareholders whose names are recorded in the Company's Shareholders on May 5, 2017 up to 16:15 Western Indonesia Standard Time;</p> <p>b. Cash Dividend and Special Dividend shall be paid all at once on May 26, 2017.</p> <p>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.</p>	<ul style="list-style-type: none"> • Dividend distribution was conducted on May 26, 2017. • The decision on reserve effective immediately.

Agenda	AGMS Resolution	Status of the AGMS Resolution
4.	<ol style="list-style-type: none"> 1. To grant authority and authorize to series A Dwiwarna shareholder to determine the amount of tantiem for financial year 2016 and to determine honorarium allowance, facility and other incentive to members of the Board of Commissioners for financial year 2017. 2. To grant authority and authorize to the Board of Commissioners by first obtaining written approval of series A Dwiwarna Shareholders to determine the amount of tantiem for financial year 2016 and to determine salary, allowance, facility and other incentive to members of the Board of Directors for financial year 2017. 	Has been implemented.
5.	<ol style="list-style-type: none"> 1. 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 2017 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 2017 and to audit the Financial Statements of Partnership and Community Development Program for the Financial Year 2017. 2. 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 2017. 3. To grant authority to the Boards of Commissioners to: <ol style="list-style-type: none"> a. 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 reason of prevailling law and the agreement on the amount for audit fee is unattainable. b. Tetermine the amount of audit fee and other terms and conditions of appointment of the relevant Public Accounting Firm. 	The PAF's approval is effective immediately.
6.	To approve the ratification of Minister of State Owned Enterprise's Regulation number PER-03/MBU/12/2016 regarding amendment of Minister of State Owned Enterprise's Regulation number PER-09/MBU/07/2015 regarding State Owned Enterprise's Partnership Program and Community Development Program.	Has been followed-up.

Agenda	AGMS Resolution	Status of the AGMS Resolution
7.	<p>In the First Part: The meeting with the majority vote 79,071,727,019 (98.770%) of the total votes issued in the Meeting resolved to approve amendment of the Articles of Association related with the right of serie A Shareholder.</p> <p>In the Second Part: The meeting with the majority vote 79,071,727,020 (98.770%) of the total votes issued in the Meeting resolved to approve amendment of the Articles of Association which is not related with the right of serie A Shareholder. Therefore in the seventh Agenda of the Meeting resolved:</p> <ol style="list-style-type: none"> To approve amendment and/or adjustment standarization of the Articles of Association of public State Owned Enterprise related with the change of right share of series A Dwiwarna by recompile all of the Articles of Association, in accordance with Letter Minister of State Owned Enterprise as proxy of shareholder seri A Dwiwarna. To grant authority to shareholder seri A Dwiwarna to amend and revise to the provisions of the Articles of Association of the Company as referred to in the event of any amendment and/or revision to the provisions issued by the competent authority including the institutions relating to the public Company and/or shareholder series A Dwiwarna as necessary in the framework of submission of reporting and/or approval of amendment of the Articles of Association to the authorized institution. To grant authority to the Board of Directors of the Company with rights of substitution to restate amendment and/or adjusment of the Articles of Association of the Company into a notarial deed and further submit application approval and/or notify amendment of Articles of Association of the Company to the Minister of Law and Human Rights of the Republic of Indonesia and/or authorized institution pursuant to the prevailing laws and regulations. 	Resolution effective immediately.

Agenda	AGMS Resolution	Status of the AGMS Resolution
8	<ol style="list-style-type: none"> 1. Confirmation Honorably dismissal from their offices the following names: <ol style="list-style-type: none"> a. Mr. MUHAMMAD AWALUDDIN as Director as of September 9th 2016; b. Mr. INDRA UTOYO as Director as of March 15th 2017; and c. Mr. HONESTI BASYIR as Director as of April 20th 2017. <p>With appreciation for contribution of dedication and thoughts during their term as the member of the Board of Directors of the Company.</p> 2. Honorably dismissal Mr. HADIYANTO and Mr. PONTAS TAMBUNAN respectively as Commissioner with appreciation for contribution of dedicaation and thoughts during their term as member of the Board of Commissioner of the Company. 3. Changing of the nomenclature of the Board of Directors as follow: <ol style="list-style-type: none"> a. President Director to become President Director; b. Director to become Finance Director; c. Director to become Consumer Service Director; d. Director to become Human Capital Management Director; e. Director to become Network & IT Solution Director; f. Director to become Digital & Strategic Portfolio Director; g. Director to become Wholesale & International Service Director; and h. Director to become Enterprise & Business Service Director. 4. Divert task: <ol style="list-style-type: none"> a. Mr. HARRY M ZEN formerly as Director to become Finance Director; b. Mr. DIAN RACHMAWAN formerly as Director to become Enterprise & Business Service Director; c. Mr. HERDY ROSADI HARMAN formerly as Director to become Human Capital Management Director; and d. Mr. ABDUS SOMAD ARIEF formerly as Director to become Wholesale & International Service Director. 5. To appoint the following names: <ol style="list-style-type: none"> a. Mr. HADIYANTO as Commissioner; b. Ms. DEVY W SURADJI as Commissioner; c. Mr. CAHYANA AHMADJAYADI as Independent Commissioner; d. Mr. MAS'UD KHAMID as Consumer Service Director; e. Mr. ZULHELFI ABIDIN as Network & IT Solution Director; and f. Mr. DAVID BANGUN as Digital & Strategic Portfolio Director. <p>With the term of office effective as of the close of the Meeting and ended at the closing of the fitfth Annual General Meeting of Shareholders without prejudice to the rights of General Meeting of Shareholders to dismiss at anytime.</p> 	Resolution effective immediately.

Agenda	AGMS Resolution	Status of the AGMS Resolution
	<p>6. For the members of the Board of Directors and the Board of Commissioners who are appointed as referred in number 5 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.</p> <p>7. By the dismissal, assignment and appointment as stated in number 1 and 2, 4 and 5 above mentioned, then composition of the member of the Board of the Company are becomes as follows:</p> <p>a. Board of Directors:</p> <ul style="list-style-type: none"> • Mr. ALEX JANANGKIH SINAGA as President Director; • Mr. HARRY MOZARTA ZEN as Finance Director; • Mr. MAS'UD KHAMID as Consumer Service Director; • Mr. HERDY ROSADI HARMAN as Human Capital Management Director; • Mr. ZULHELFI ABIDIN as Network & IT Solution Director; • Mr. DAVID BANGUN as Digital & Strategic Portfolio Director; • Mr. ABDUS SOMAD ARIEF as Wholesale & International Service Director; and • Mr. DIAN RACHMAWAN as Enterprise & Business Service Director. <p>b. Board of Commissioners:</p> <ul style="list-style-type: none"> • Mrs. HENDRI SAPARINI as President Commissioner; • Mr. DOLFIE OTHNIEL FREDRIC PALIT as Independent Commissioner; • Mr. HADIYANTO as Commissioner; • Ms. DEVY W. SURADJI as Commissioner; • Mr. RINALDI FIRMANSYAH as Commissioner; • Mr. MARGIYONO DARSASUMARJA as Independent Commissioner; • Mrs. PAMIJATI PAMELA JOHANNA WALUYO as Independent Commissioner; and • Mr. CAHYANA AHMADJAYADI as Independent Commissioner. <p>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.</p>	

Note: All of the above AGMS resolutions are in line with the adopted agenda and is reflected in the AGMS invitation

AGMS RESOLUTION FOR 2017 FINANCIAL YEAR

In addition, Telkom has conducted the AGMS in April 27, 2018 for the performance of the 2017 financial year with details of the agenda and realization of the 2017 fiscal year AGMS decisions as follows:

Agenda	AGMS Resolution	Status of the AGMS Resolution
1.	To approve the Annual Report of the Company including the Board of Commissioners' Supervision Duty Report for the Financial Year 2017, namely regarding the condition and operation and supervisory of the Company as substantially have been presented in the Meeting by the Board of Directors and the Board of Commissioners.	Resolution effective immediately.
2.	<ol style="list-style-type: none"> <li data-bbox="268 642 395 665">1. To ratify <ol style="list-style-type: none"> <li data-bbox="316 678 1050 992">a. The Company's Consolidated Financial Statements for the Financial Year 2017 which has been audited by the Public Accounting Firm Purwanto, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) according to its report number RPC-5841/PSS/2018 dated March 12, 2018 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 as of December 31, 2017 and the financial performance and consolidated cash flow for the year ended on such date in accordance with Indonesian Financial Accounting Standards"; <li data-bbox="316 1005 1050 1413">b. Partnership and Community Development Annual Report for the Financial Year 2017 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 Accounting Firm Purwanto, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) according to its report RPC-5580/PSS/2018 dated January 24, 2018 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, 2017 and financial performance and cash flow for the year ended on such date in accordance with the Non Publicly Accountable Entities Financial Accounting Standards. <li data-bbox="268 1426 1050 1771">• Then, by the approval of the Company's Annual Report for the Financial Year 2017 including Supervisory Task of the Board of Commissioners' Report and the ratification of Financial Statement for the Financial Year 2017 and Annual Report on Partnership and Community Development Program for the Financial Year 2017, 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 2017 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 2017 and Annual Report of Partnership and Community Development for the Financial Year 2017. <li data-bbox="268 1785 1050 1951">2. Authorize to the Board of Commissioners with the first by obtaining written approval from the Series A Dwiwarna Shareholder in relation to the authority of the General Meeting of Shareholders as provided in Regulation of the Minister of State Owned Enterprise Number PER-09/MBU/07/2015 as amended the latest by the Regulation of the Minister of State Owned Enterprise Number PER-02/MBU/ 7/2017 and its amendments. 	Resolution effective immediately.

Agenda	AGMS Resolution	Status of the AGMS Resolution
3.	<ol style="list-style-type: none"> 1. To Approve and determine the appropriation of the Company's net profit for the Financial Year ended on the December 31, 2017 in the amount of Rp22,144,990,327,956 (twenty two trillion one hundred forty four billion nine hundred ninety million three hundred twenty seven thousand nine hundred fifty six Rupiah) as follow: <ol style="list-style-type: none"> a. Cash Dividend amounting to 60% of the net profit or in the amount of Rp13,286,997,175,681.50 (thirteen trillion two hundred eighty six billion nine hundred ninety seven million one hundred seventy five thousand six hundred eighty one point five zero Rupiah) or amounting to Rp134.1278 (one hundred thirty four point one two seven eight rupiah) per share, based on shares have been issued (excluding shares have been repurchased by the Company) on the date of the Meeting, namely amountly 99,062,216,600 (ninety nine billion sixty two million two hundred sixteen thousand six hundred) of shares; b. Special Dividend amounting to 15% of the net profit or in the amount of Rp3,321,754,247,031.20 (three trillion three hundred twenty one billion seven hundred fifty four million two hundred forty seven thousand thirty one point two zero Rupiah) or amounting to Rp33.5320 (thirty three point five three two zero rupiah) per shares based on shares have been issued (excluding shares have been repurchased by the Company) on the date of the Meeting, amounting to 99,062,216,600 (ninety nine billion sixty two million two hundred sixteen thousand six hundred) of shares; c. 25% of Net Profit of the Company or amount of Rp5,536,238,905,243.30 (five trillion five hundred thirty six billion two hundred thirty eight million nine hundred five thousand two hundred forty three point three zero Rupiah) determined as Retained Earning which will be used to finance the development of the Company's business; 2. To Approve the distribution of Cash Dividend and Special Dividend for the Financial Year 2017 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 May 11, 2018 up to 16.15 Western Indonesia Standard Time; b. Cash Dividend and Special Dividend shall be paid all at the lattest on May 31, 2018. 3. To the Board of Directors granted the authorization with the right of substitution to regulate further the procedure of dividend distribution and to announce the same with due regard to 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 May 31, 2018. • The decision on reserve effective immediately.
4.	<ol style="list-style-type: none"> 1. To grant authority and authorize to serie A Dwiwarna shareholder to determine the amount of tantieme for financial year 2017 and to determine honorarium allowance, facility and other incentive to members of the Board of Commissioners for financial year 2018. 2. To grant authority and authorize to the Board of Commissioners by first obtaining written approval of serie A Dwiwarna Sahreholders to determine the amount of tantieme for financial year 2017 and to determine salary, allowance, facility and other incentive to members of the Board of Directors for financial year 2018. 	Has been implemented.

Agenda	AGMS Resolution	Status of the AGMS Resolution
5.	<ol style="list-style-type: none"> 1. Appointment of Public Accounting Firm Purwanto, Sungkoro & Surja (a member firm of Ernst & Young Global Limited) to conduct an integrated audit of the Company which include the audit of the Consolidated Financial Statements of the Company, including the audit of the Internal Control over Financial Reporting for the Financial Year 2018 and to audit the Financial Statements of Partnership and Community Development Program for the Financial Year 2018. 2. To grant authority to the Boards of Commissioners to: <ol style="list-style-type: none"> a. 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 reason of prevailing law and the agreement on the amount for audit fee is unattainable. b. Determine the amount of audit fee and other terms and conditions of appointment of the relevant Public Accounting Firm. 	The PAF's approval is effective immediately.
6.	To approve the transfer of Treasury stock through withdrawal of 1,737,779,800 (one billion seven hundred thirty seven million seven hundred seventy nine thousand eight hundred) shares which are all shares which have been repurchased by the Company, by way of reduction of issued and paid up capital from Rp5,039,999,820,000,- (five trillion thirty nine billion nine hundred ninety nine million eight hundred twenty thousand rupiah) to Rp4,953,110,830,000,- (four trillion nine hundred fifty three billion one hundred ten million eight hundred thirty thousands Rupiah). Therefore, to comply with the provisions of Article 33 of Law No. 40 of 2007 regarding Limited Liability Company, approved the reduction of the authorized capital of the Company from Rp20,000,000,000,000,- (twenty trillion Rupiah) to Rp19,500,000,000,000,- (nineteen trillion five hundred billion Rupiah).	The decision is effective from the amendment to the Articles of Association approved by the Minister of Law and Human Rights on July 2, 2018.
7.	<ol style="list-style-type: none"> 1. To approve amendment article 4 paragraph (1), (2) and (3) of the Articles of Association regarding issued and paid up capital and authorized capital. 2. To approve amendment of other Articles of Association of the Company. 3. To approve to recompile of all the provisions of the Articles of Association in relation with the changes as referred to in point 1 (one) and 2 (two) of the above mentioned resolutions. 4. To approve to the Board of Directors of the Company with rights of substitution to do all necessary actions in relation with the resolutions of the agenda of this Meeting, including to compile and restate of all Articles of Association in a Notarial Deed and to submit to the competent authority to obtain the approval and/or receipt of notification of the amendment of the Articles of Association, to do everything deemed necessary and useful for such purposes with no exceptions, including to add and/or to change the amendments of the Articles of Association if they are required by the competent authority. 5. To approve, in the case of reduction of issued and paid-up capital of the Company does not obtain approval from and the Ministry of Law and Human Rights of the Republic of Indonesia, the Sixth Agenda's resolution related with the approval of the transfer of the Treasury stock through withdrawal by way of reduction of capital to be automatically null and void without approval of the General Meeting of Shareholders (AGM) and therefore Article 4 paragraph (1) of the Articles of Association of the Company has not changed, therefore the Authorized Capital of the Company is remains as before. 	The amendment to the Articles of Association was approved by the Minister of Law and Human Rights on July 2, 2018.

Agenda	AGMS Resolution	Status of the AGMS Resolution
8.	To approve the ratification of Ministry of State Owned Enterprise's Regulation Number PER-03/MBU/08/2017 about State Owned Enterprise Partnership Guidance and Number PER-04/MBU/09/2017 about amendment of Ministry of State Owned Enterprise's Regulation Number PER-03/MBU/08/2017 including its amendments.	Resolution effective immediately.
9,	<p>1. Confirmation the dismissal the following names:</p> <ol style="list-style-type: none"> 1) Miss DEVY WILDASARI as Commissioner of the Company, as of her appointment as Marketing and Service Director of PT ANGKASA PURA I (Persero) based on Minister of State Owned Enterprise's Decision No. SK-289/MBU/12/2017 on December 22, 2017; 2) Mister HADIYANTO, related to his appointment as Commissioner of PT Bank BRI (Persero) Tbk; 3) Mister MAS'UD KHAMID as Consumer Service Director of the Company, as of his appointment as Retail Marketing Director of PT PERTAMINA (Persero) based on Minister of State Owned Enterprise's Decision No. SK-97/MBU/04/2018, on April 20, 2018; <p>With appreciation for contribution of dedication and thoughts during their term as Commissioner and the Board of Directors of the Company.</p> <p>2. To appoint the following names as members of the Board of Directors and member of the Board of Commissioners of the Company:</p> <ol style="list-style-type: none"> 1) Mistress SITI CHOIRIANA as Consumer Service Director; 2) Mister EDWIN HIDAYAT ABDULLAH as Commissioner; and 3) Mister ISA RACHMATARWATA as Commissioner. <p>Term of office member of the Board of Directors and member of the Board of Commissioners in accordance with provision of the Articles of Association, with due regard to regulation of Capital Market and without prejudice to the rights of General Meeting of Shareholders to dismiss at anytime.</p> <p>3. For the members of the Board of Directors and the Board of Commissioners who are appointed as reffered in number 2 above who still serve in other positions that are prohibited under the prevailing regulation to hold multiple offices with the position of the Board of Directors and the Board of Commissioner of State Owned Enterprises, then the concerned must resign from his position or dismissed from his/her position.</p> <p>4. By the dismissal and appointment the member of the Board Directors and the Board of Commissioners as stated in number 1 and 2, then composition of the member of the Board Directors and the Board of Commissioners of the Company are becomes as follows:</p>	Resolution effective immediately.

Agenda	AGMS Resolution	Status of the AGMS Resolution
	<p>A. Board of Directors:</p> <ol style="list-style-type: none"> 1) Mister ALEX JANANGKIH SINAGA as President Director. 2) Mister HARRY MOZARTA ZEN as Finance Director. 3) Mister DAVID BANGUN as Digital & Strategic Portfolio Director. 4) Mister DIAN RACHMAWAN as Enterprise & Business Service Director. 5) Mister ABDUS SOMAD ARIEF as Wholesale & International Service Director. 6) Mister HERDY ROSADI HARMAN as Human Capital Management Director. 7) Mister ZULHELFI ABIDIN as Network & Information Technology Solution Director. 8) Mistress SITI CHOIRIANA as Consumer Service Director. <p>B. Board of Commissioners:</p> <ol style="list-style-type: none"> 1) Mistress HENDRI SAPARINI as President Commissioner. 2) Mister MARGIYONO DARSA SUMARJA as Independent Commissioner. 3) Mister DOLFIE OTHNIEL FREDRIC PALIT as Independent Commissioner. 4) Mistress PAMIJATI PAMELA JOHANNA W. as Independent Commissioner. 5) Mister CAHYANA AHMADJAYADI as Independent Commissioner. 6) Mister EDWIN HIDAYAT ABDULLAN as Commissioner. 7) Mister RINALDI FIRMANSYAH as Commissioner. 8) Mister ISA RACHMATARWATA as Commissioner. <p>To authorize with the right of substitution to the Board of Directors of the Company to perform all necessary actions related with this agenda resolution in accordance with the prevailing laws and regulations, including to state in a notarial deed and to notify the composition of the Board of Commissioners and the Board of Directors to the Ministry of Law and Human Rights.</p>	

Note: All of the above AGMS resolutions are in line with the adopted agenda and is reflected in the AGMS invitation

BOARD OF COMMISSIONERS

Telkom's Board of Commissioner collectively work and responsible to supervise the Board of Directors in performing its duties and responsibilities, In addition, the Board of Commissioners give advice to the Board of Directors regarding Telkom's Business and the implementation of Good Corporate Governance (GCG) Principle.

BOARD OF COMMISSIONERS' COMPOSITION

In accordance with the results of the Annual General Meeting of Shareholders (AGMS) on April 27, 2018, Telkom changed the composition of the Board of Commissioners. The 2018 AGMS has decided to appoint Edwin Hidayat Abdullah and Isa Rachmatarwata as Commissioners, with a term of service until the AGMS in 2023. However, on March 22, 2018 Hadiyanto was appointed as Commissioner of PT Bank Rakyat Indonesia (Persero) Tbk based on the results of PT Bank Rakyat Indonesia (Persero) Tbk's AGMS. In addition, on September 20, 2018, Dolfie Othniel Fredric Palit was named in The House of Representatives' Final Candidates List for The 2019 General Election, meaning his term of office as an Independent Commissioner has ended due to his naming in the Final Candidate List.

Board of Commissioners' Composition per December 31, 2017

No.	Name	Position	Appointment	Discharge Date
1.	Hendri Saparini	President Commissioner	2014	AGMS 2019
2.	Rinaldi Firmansyah	Commissioner	2015	AGMS 2020
3.	Hadiyanto	Commissioner	2017	AGMS 2022
4.	Dolfie Othniel Fredric Palit	Independent Commissioner	2014	AGMS 2019
5.	Margiyono Darsasumarja	Independent Commissioner	2015	AGMS 2020
6.	Pamijati Pamela Johanna Waluyo	Independent Commissioner	2015	AGMS 2020
7.	Cahyana Ahmadjayadi	Independent Commissioner	2017	AGMS 2022

Board of Commissioners' Composition per December 31, 2018

No.	Name	Position	Appointment	Discharge Date
1.	Hendri Saparini	President Commissioner	2014	AGMS 2019
2.	Rinaldi Firmansyah	Commissioner	2015	AGMS 2020
3.	Edwin Hidayat Abdullah	Commissioner	2018	AGMS 2023
4.	Isa Rachmatarwata	Commissioner	2018	AGMS 2023
5.	Margiyono Darsasumarja	Independent Commissioner	2015	AGMS 2020
6.	Cahyana Ahmadjayadi	Independent Commissioner	2017	AGMS 2022
7.	Pamijati Pamela Johanna Waluyo	Independent Commissioner	2015	AGMS 2020

BOARD OF COMMISSIONERS' DIVERSITY

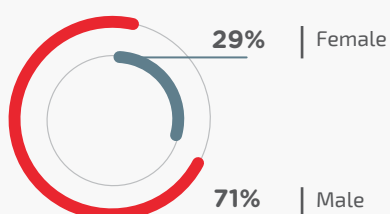
To fulfill the fairness principle in implementing GCG and Law No.39 of 1999 regarding Human Rights, Telkom guarantees non-discrimination in the workplace. The principle of non-discrimination also includes the selection and appointment of members of the Board of Commissioners. Although Telkom does not yet have a written policy regarding the diversity of the Board of Commissioners, Telkom guarantees that members of the Board of Commissioners are selected and appointed based on their respective expertise, skills and integrity.

Both men and women who have met the conditions and requirements have equal opportunities to be appointed as members of the Board of Commissioners. As of December 31, 2018, Telkom has male and female members of the Board of Commissioners with various skills needed, including economics, public policy, media, telecommunications, marketing and public relations.

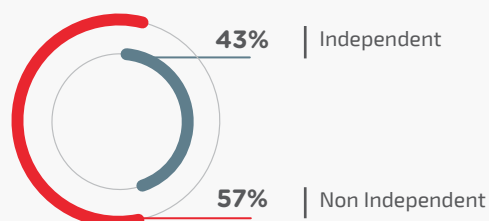
Board of Commissioners' Diversity per December 31, 2018

No.	Name	Position	Gender	Background of Expertise & Skill	Level of Education
1.	Hendri Saparini	President Commissioner	Female	Economics, Development Policy	Doctor
2.	Rinaldi Firmansyah	Commissioner	Male	Engineering, Telecommunications, Business and Finance	Doctor
3.	Edwin Hidayat Abdullah	Commissioner	Male	Public policy	Master
4.	Isa Rachmatarwata	Commissioner	Male	Mathematics, Risk Assessment in Insurance, Finance and Industry	Master
5.	Margiyono Darsasumarja	Independent Commissioner	Male	Media, Media and Internet Law	Master
6.	Cahyana Ahmadjayadi	Independent Commissioner	Male	Engineering, Telecommunications, Law and Content Application	Doctor
7.	Pamijati Pamela Johanna Waluyo	Independent Commissioner	Female	Sales, Marketing, Public Relations	Master

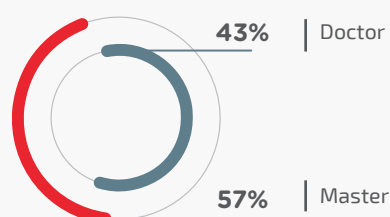
Board of Commissioners' Gender Composition Diversity



Board of Commissioners' Position Composition Diversity



Board of Commissioners' Education Level Composition Diversity



BOARD OF COMMISSIONERS' DOUBLE POSITION

Some members of Telkom's Board of Commissioners hold more than one position as committee members. Complete information regarding the double position of Telkom's Board of Commissioners may be seen in the following table:

Board of Commissioners' Double Position

No.	Name	Telkom		Subsidiary
		Position	Other Position	
1.	Hendri Saparini	President Commissioner	None	None
2.	Rinaldi Firmansyah	Commissioner	1. Member of Audit Committee 2. Member of KNR	None
3.	Edwin Hidayat Abdullah	Commissioner	1. Chairman of KEMPR 2. Member of KNR	None
4.	Isa Rachmatarwata	Commissioner	1. Member of KEMPR 2. Member of KNR	None
5.	Margiyono Darsasumarja	Independent Commissioner	1. Chairman of Audit Committee 2. Member of KNR 3. Member of KEMPR*	None
6.	Cahyana Ahmadjayadi	Independent Commissioner	1. Chairman of Audit Committee 2. Member of KNR 3. Member of KEMPR	None
7.	Pamijati Pamela Johanna Waluyo	Independent Commissioner	1. Chairwoman of KNR 2. Member of KEMPR*	None

Remarks:

KEMPR : (Committee for Planning and Risk Evaluation and Monitoring)

KNR : (Committee for Nomination and Remuneration)

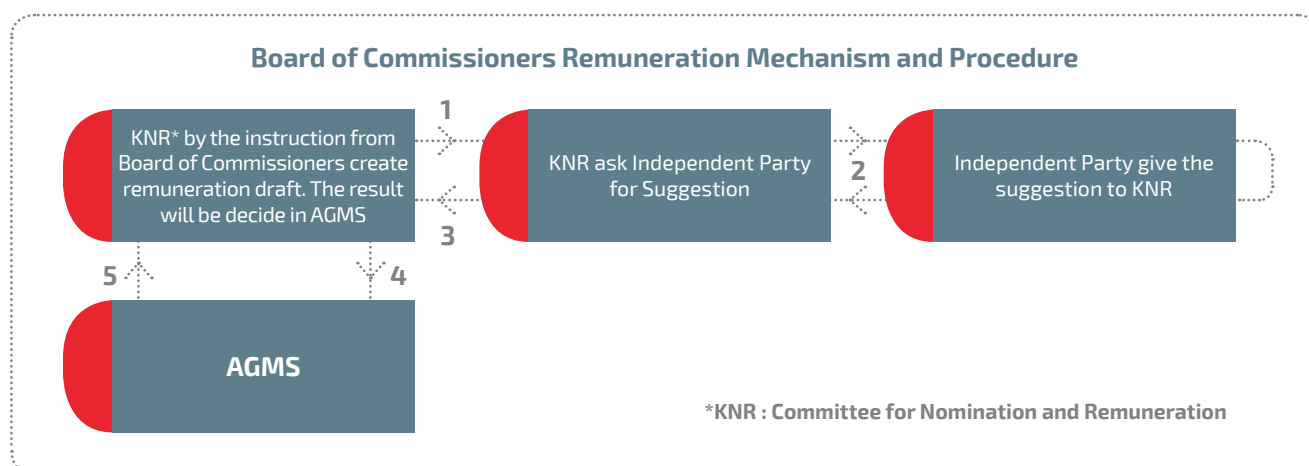
* : start from May 9, 2018 until October 25, 2018

BOARD OF COMMISSIONERS' REMUNERATION

The structure of the remuneration for Telkom's Board of Commissioners is based on the Regulation of SOE's State Minister No.PER-04/MBU/2014 regarding Guidelines for the Determination of Income for Directors, Board of Commissioners and Board of Trustees of SOE's along with their changes.

Based on the said regulation, the income component for members of Board of Commissioners consists of:

1. Salaries;
2. Allowances;
3. Facilities; and
4. Bonus/Incentive.



Telkom determines the remuneration of the Board of Commissioners through the following procedures:

1. The Board of Commissioners requests the KNR to draft a remuneration proposal for the Board of Commissioners.
2. The Committee for Nomination and Remuneration requests an independent party to draw up a framework on the remuneration of Board of Commissioner.
3. The Committee for Nomination and Remuneration proposes the remuneration to Board of Commissioners.
4. The Board of Commissioners proposes remuneration for Board of Commissioner the GMS.
5. The GMS delegates authority and power to the Board of Commissioners, with the prior approval of Series A Shareholders to determine the remuneration for Board of Commissioner.

During 2018, the total remuneration paid to the entire Board of Commissioners was Rp 102,8 billion. Taxes from remuneration borne by Telkom amounted to Rp 30,2 billion. The next table below sets forth the remuneration that Telkom's Commissioners received in 2018:

Board of Commissioners' Recapitulation of Remuneration

No.	Board of Commissioners	Honorarium	Tantiem & THR ⁽¹⁾	Total
		(Rp millions)		
1.	Hendri Saparini	2,908	13,393	16,301
2.	Rinaldi Firmansyah	2,821	12,033	14,854
3.	Edwin Hidayat Abdullah ⁽²⁾	2,011	97	2,108
4.	Isa Rachmatarwata ⁽²⁾	2,009	97	2,106
5.	Margiyono Darsasumarja	2,804	12,054	14,858
6.	Cahyana Ahmadjayadi	2,823	8,011	10,833
7.	Pamijati Pamela Johanna Waluyo	2,804	12,054	14,858
8.	Hadiyanto ⁽³⁾	1,137	11,936	13,073
9.	Dolfie Othniel Fredric Palit ⁽⁴⁾	1,779	12,033	13,812

Remarks:

(1) "THR" refers to Tunjangan Hari Raya or religious holiday allowance

(2) Since the AGMS on April 27, 2018

(3) Until AGMS on April 27, 2018

(4) Until September 28, 2018

PARTICIPATION IN BPJS

Telkom always support Government Program which one of them is the National Health Insurance Program. This is proven by Telkom's commitment to include all the Board of Directors and Board of Commissioner and their family into BPJS.

INDEPENDENCE STATEMENT

In order to do their duties and responsibilities, Independent Commissioners need to maintain their independence. That explains, Telkoms requirement for Independent Commissioner to sign an integrity pact when first appointed. This integrity pact is renewed every year. In 2017, all Independent Commissioners of Telkom declared their independence commitment in writing.

Independent Commissioners' Independence Statement

No.	Name	Position	Date of Signing	Status
1.	Margiyono Darsasumarja	Independent Commissioner	April 21, 2017	Renewal
2.	Cahyana Ahmadjayadi	Independent Commissioner	April 21, 2017	First Time
3.	Pamijati Pamela Johanna Waluyo	Independent Commissioner	April 21, 2017	Renewal

BOARD OF COMMISSIONERS' BOARD CHARTER

Based on the Resolution Letter of Board of Commissioners No. 16/KEP/DK/2013 dated December 17, 2013, Telkom's Board of Commissioners adopted a Board Charter to guide them in performing their duties to be in line with GCG practices. The Charter of the Board of Commissioners contains the code of conduct, authority, duties, responsibilities, obligations, division of tasks, meetings, provisions on conflict of interest, shareholding, and the relationship of Board of Commissioners to Board of Directors and the GMS. In addition, the Company's Articles of Association and joint decrees between Board of Commissioners and Directors are also used as guidelines.

BOARD OF COMMISSIONERS' AUTHORITIES, DUTIES, AND RESPONSIBILITIES

Based on the Article of Association of Telkom, Board of Commissioners have this following obligations:

1. Provide advices to the Board of Directors in performing the management of the Company;
2. Provide opinion and give approval over the Annual Work Plan and Budget of the Company as well as other work plans which have been prepared by the Board of Directors, in accordance with the provisions of this Articles of Association;
3. Keep up with the progress of activities of the Company, provide opinions and advices to the GMS with regard to every issue considered important for the management of the Company;
4. Report to the holder of Dwiwarna A Series share if there is any indication of decreasing performance of the Company;
5. Propose to the GMS for the appointment of Public Accountant who will perform the audit over the books of the Company;
6. Review and analyze the periodic reports and the Annual Report prepared by the Board of Directors as well as execute the Annual Report;
7. Provide explanation, opinion and advice to the GMS with regard to the Annual Report, if requested;
8. Draw up the minutes of meeting of the Board of Commissioners and keep their copies;
9. Report to the Company with regard to their and/or their families share ownership in the Company aforesaid and in other companies;
10. Provide report regarding the supervisory duties which have been performed during the recently passed financial year to the GMS;
11. Provide explanation regarding any matters inquired about or requested by the holder of Dwiwarna A Series share with due observance of- the statutory regulations, particularly those prevailing in the Capital Market sector;
12. Perform other obligations in the framework of supervisory duties and advice provision, to the extent it does not contradict to the statutory- regulations, the Articles of Association and/or the resolutions of the GMS.

Other than the duties and responsibilities previously explained, the Board of Commissioners also have the following authority:

1. Examine books, letters, as well as other documents, examine cash position for verification purposes and other securities and examine the assets of the Company;
2. Enter the yards, buildings, and offices used by the Company;
3. Demand explanation from the Board of Directors- and/or other officials with regard to any issues concerning the management of the Company;
4. Be informed of any policy and actions which have been and which will be taken by the Board of Directors;
5. Demand the Board of Directors and/or other officials under the level of the Board of Directors, with the knowledge of the Board of Directors, to attend the meeting of the Board of Commissioners;
6. Appoint and dismiss a Secretary of the Board of Commissioners;
7. Suspend the members of the Board of Directors in accordance with the provisions of this Articles of Association;
8. Form the Audit Committee, the Remuneration and-Nomination Committee, the Risk Monitoring Committee and other committees, if considered necessary, with due observance of the capability of the company;
9. Utilize experts for certain matters and within a certain period of time on the account of the Company, if considered necessary;
10. Perform the management actions over the Company in certain conditions for a certain period of time in accordance with the provisions of this- Articles of Association;
11. Approve the appointment and dismissal of the Corporate Secretary and/or the Head of Internal Supervisory Unit;
12. Attend the Meeting of the Board of Directors and give viewpoint towards the matters being discussed;
13. Perform other supervisory authorities to the extent they do not contradict with the statutory regulations, the Articles of Association and/or the resolutions of the GMS.

Jointly, the Board of Commissioners are responsible for the Company's losses caused by errors or omissions of members of Board of Commissioners in carrying out their duties. Board of Commissioners cannot be responsible for the Company's losses if they can prove that:

1. Such loss is not caused by their mistake or negligence;
2. They have performed in good faith with 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.

BOARD OF COMMISSIONERS' MEETING

Based on the Regulation of Financial Services Authority 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 in the presence of more than half of total members of Board of Commissioners. In addition, the Board of Commissioners shall also be obliged to organize 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 Board of Directors and Board of Commissioners within the Company shall also be referred to as the Joint Meeting.

Decision making at Board of Commissioners meeting is based on discussion to reach 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.

Throughout 2018, Board of Commissioners held 28 internal meetings and 13 Joint Meetings with the Board of Directors. Some important themes or agendas discussed at Board of Commissioners' meetings and joint meetings during 2018 can be seen in the appendix 1 - 3. The following tables describe attendance frequency of the Board of Commissioners meetings and joint Meetings:

Board of Commissioners' Attendance at Internal Meetings

No.	Name	Total Meetings	Total Attendances	Percentage of Attendance (%)
1.	Hendri Saparini	28	28	100
2.	Rinaldi Firmansyah	28	23	82
3.	Edwin Hidayat Abdullah ⁽¹⁾	19	17	89
4.	Isa Rachmatarwata ⁽¹⁾	19	8	42
5.	Margiyono Darsasumarja	28	28	100
6.	Cahyana Ahmadjayadi	28	28	100
7.	Pamijati Pamela Johanna Waluyo	28	28	100
8.	Hadiyanto ⁽²⁾	9	2	22
9.	Dolfie Othniel Fredric Palit ⁽³⁾	19	1	5

Remarks:

(1) Since the AGMS on April 27, 2018

(2) Until AGMS on April 27, 2018

(3) Until September 28, 2018

Board of Commissioners' Attendance at Joint Meetings

No.	Name	Total Meetings	Total Attendances	Percentage of Attendance (%)
1.	Hendri Saparini	13	13	100
2.	Rinaldi Firmansyah	13	12	92
3.	Edwin Hidayat Abdullah ⁽¹⁾	9	4	44
4.	Isa Rachmatarwata ⁽¹⁾	9	6	67
5.	Margiyono Darsasumarja	13	13	100
6.	Cahyana Ahmadjayadi	13	13	100
7.	Pamijati Pamela Johanna Waluyo	13	13	100
8.	Hadiyanto ⁽²⁾	4	0	0
9.	Dolfie Othniel Fredric Palit ⁽³⁾	9	0	0

Remarks:

(1) Since the AGMS on April 27, 2018

(2) Until AGMS on April 27, 2018

(3) Until September 28, 2018

Board of Directors' Attendance at Joint Meetings

No.	Name	Total Meetings	Total Attendances	Percentage of Attendance (%)
1.	Alex Janangkih Sinaga	13	12	92
2.	Harry Mozarta Zen	13	13	100
3.	David Bangun	13	13	100
4.	Dian Rachmawan	13	12	92
5.	Abdus Somad Arief	13	12	92
6.	Herdy Rosadi Harman	13	10	77
7.	Zulhelfi Abidin	13	12	92
8.	Siti Choiriana ⁽¹⁾	9	8	89
9.	Mas'ud Khamid ⁽²⁾	3	3	100

Remarks:

(1) Since the AGMS on April 27, 2018

(2) Up to April 20, 2018

BOARD OF COMMISSIONERS' PERFORMANCE ASSESSMENT

The performance of the Board of Commissioners is evaluated through the mechanism of the Company's AGMS. Shareholders assess the achievement of the Board of Commissioners based on their Performance Implementation Report which is accounted at the Annual GMS of the Company to the Shareholders for the current financial year. The evaluation criteria used includes the level of participation of members of Board of Commissioners in meetings and activities of the Company, as well as the achievement of targets and work targets, both in carrying out their functions as members of Board of Commissioners and as committee members.

COMMITTEE UNDER BOARD OF COMMISSIONERS' ASSESSMENT

The Board of Commissioners have been assisted by a number of committees, including the Audit Committee, the Committee for Nomination and Remuneration, and the Committee for Planning and Risk Evaluation and Monitoring. In 2018, the Audit Committee assisted Board of Commissioners in overseeing the audit process conducted by independent auditors. In addition, the Audit Committee also helps to evaluate and provide recommendations on the results of internal and external audit very well.

The Committee for Nomination and Remuneration (KNR) has assisted Board of Commissioners to give consideration to Board of Directors in making strategic decisions. This committee did a good job in carrying out their responsibility, especially in terms of proposals for candidates and the remuneration of Board of Directors and top management.

Meanwhile, the Committee for Planning and Risk Evaluation and Monitoring (KEMPR) assisted the Board of Commissioners in business planning and risk management. With the assistance of the Committee, the Board of Commissioners could give recommendations to Board of Directors on Telkom's long-term business continuity, including the Company's decisions on Merger & Acquisition (M&A).

BOARD OF DIRECTORS' ASSESSMENT PERFORMANCE

Telkom uses the balance scorecard in the implementation of the assessment of the performance of Board of Directors by measuring four main aspects, namely financial, customer, internal business process, and learning and growth. Both the Board of Commissioners and the GMS also assess the performance of the Board of Directors based on the achievement of the Key Performance Indicator (KPI) in accordance with the Articles of Association of the Company, as well as the realization of the RKAP.

There are three KPI criteria used by Telkom, namely shared KPI, Common KPI, and specific KPI. Shared KPI is the KPI with the same naming, target, realization and achievement for all Board of Directors. Common KPI is KPI with the same naming and targets, but different realization and achievements for each Board of Directors. Specific KPI is a different KPI for each Board of Directors and is a specific program which is the main task and priority of each Director and Directorate he leads.

The assessment of the performance of Board of Directors begins with filling in the realization of an online Management Contract (KM) and then following up with a face-to-face meeting to clarify and determine the final performance value that will be submitted to the Performance Committee and Managing Director for final determination, then submitted to Board of Commissioners.

AUDIT COMMITTEE

In order to comply with Regulation of Financial Services Authority No.55/POJK.04/2015 dated December 23, 2015, the provisions of the US SEC Exchange Act 10A-3, the principles of Good Corporate Governance (GCG), and other related regulations, Telkom has an Audit Committee. Throughout 2018, the Audit Committee assisted the Board of Commissioners in carrying out their supervisory functions in accordance with the Audit Committee Charter which was determined in the same year through Resolution of Board of Commissioners No.10/KEP/DK/2018 regarding the Audit Committee Charter of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk.

AUDIT COMMITTEE'S COMPOSITION

The Audit Committee consists of at least three members, one of them being an Independent Commissioner who also acts as the chairman. The two other members of the Audit Committee must be independent parties. The composition of the audit committee members refers to the Regulations of Financial Services Authority and US Regulations of SEC.

The Resolution of 2018 Annual GMS dated April 27, 2018, decided to change the composition of Board of Commissioners due to one of the Members of Board of Commissioners' terms of service is ending as a result of a prohibited double position. As a result of this, Telkom adjusted the composition of the Audit Committee under Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018 regarding Composition of the Audit Committee of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk, as follows:

Audit Committee's Composition per December 31, 2018

Position	Name and Double Position Status	Term of Service	Basis of Appointment
Chairman	Margiyono Darsasumarja* Independent Commissioner	2017-Now	Resolution of Board of Commissioners No.05/KEP/DK/2017 dated April 28, 2017, and lastly stipulated by Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018.
Secretary	Tjatur Purwadi Independent Member	2014-Now	Resolution of Board of Commissioners No.05/KEP/DK/2014 dated March 25, 2014 and lastly stipulated by Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018.
Member	Rinaldi Firmansyah* Commissioner (non Voting Member)	2017-Now	Resolution of Board of Commissioners No.05/KEP/DK/2017 dated April 28, 2017, and lastly stipulated by Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018.
	Cahyana Ahamdjayadi* Independent Commissioner	2017-Now	Resolution of Board of Commissioners No.05/KEP/DK/2017 dated April 28, 2017, and lastly stipulated by Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018.
	Sarimin Mietra Sardi Independent Member	2016-Now	Resolution of Board of Commissioners No.04/KEP/DK/2016 dated March 31, 2016 and lastly stipulated by Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018.

Remark:

* Profile of Audit Committee's Member can be seen on Profile of The Board of Commissioners

Audit Committee's Previous Composition

Position	Name	Duplicate Position Status
Chairman	Margiyono Darsasumarja*	Independent Commissioner
Secretary	Tjatur Purwadi	Member Independent
Member	Rinaldi Firmansyah*	Commissioner/Non Voting Member
	Dolfie Othniel Fredric Palit*	Independent Commissioner
	Cahyana Ahmadjayadi*	Independent Commissioner
	Sarimin Mietra Sardi	Independent Member

Remark:

* Profile of Audit Committee's Member can be seen on Profile of The Board of Commissioners

AUDIT COMMITTEE MEMBER'S PROFILE WHO ARE NOT BOARD OF COMMISSIONERS' DOUBLE POSITION

Tjatur Purwadi

Secretary and Independent Member

Born : Surabaya, January 28, 1956
 Age : 62 years old
 Citizenship : Indonesian
 Domicile : Bandung

Educations

1990 Bachelor degree in Accounting, University of Gadjah Mada, Yogyakarta, Indonesia.
 2000 Master degree of Management in Finance, University of Padjajaran, Bandung, Indonesia.

Basis of Appointment

Resolution of Board of Commissioners No.05/KEP/DK/2014 dated March 25, 2014 and lastly stipulated by Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018. Aside from being the Secretary of the Audit Committee, there is currently no other position held by Tjatur Purwadi in the Company.

Term of Service

2014 up to present.

Career Experiences

2014 - Present Secretary/Member of the Audit Committee.
 (Responsible to facilitate the Audit Committee members' performance, conducting correspondence, preparing documentation, making reports of changes to the Audit Committee Charter, and coordinating the selection process of independent auditors. In accordance with Resolution of Board of Commissioners No.09/KEP/DK/2016, he was appointed as Secretary and financial expert concurrently for the Audit Committee).

2012 - 2014 Director - Assurance Team KAP Tanudiredja, Wibisana & Rekan/PwC.

1979 - 2012 PT Telkom Indonesia (Persero) Tbk.
 (Holding a number of strategic offices including Vice President (VP) - Financial & Logistic Policy and Head of Internal Audit).

Sarimin Mietra Sardi

Independent Member

Born : Ujung Pandang, September 17, 1958
 Age : 60 years old
 Citizenship : Indonesian
 Domicile : Bandung

Educations

1993 Bachelor degree in Accounting, Sekolah Tinggi Akuntansi Negara (STAN), Jakarta, Indonesia.
 2008 Master degree of Management, Universitas Pendidikan Indonesia (UPI), Jakarta, Indonesia.

Basis of Appointment

Resolution of Board of Commissioners No.04/KEP/DK/2016 dated March 31, 2016 and lastly stipulated by Resolution of Board of Commissioners No.07/KEP/DK/2018 dated September 28, 2018.

Term of Service

March 1, 2016 up to the present.

Career Experiences

2016 - Now Independent Member of the Audit Committee.
 (Responsible for supervising and monitoring the integrated audit process, financial statement consolidation process, effectivity of internal control of financial reporting. In accordance with Resolution of Board of Commissioners No. 07/KEP/DK/2018, he was appointed as member of the Audit Committee).

1982 - 2014 PT Telkom Indonesia (Persero) Tbk.
 (Holding a number of strategic offices including Deputy SGM Finance Operation and Director of Finance & HR of Telkom Pension Fund).

AUDIT COMMITTEE' INDEPENDENCE

Telkom require all members of the Audit Committee to sign a statement of integrity and independence as a commitment to uphold GCG principles ensuring they show integrity at all times and be independent in performing their duties and responsibilities. Accordingly, Telkom convinced that the decisions made through the Audit Committee will be free of pressure from any other parties.

AUDIT COMMITTEE'S SCOPE, DUTIES, AND RESPONSIBILITIES

The Audit Committee shall perform its duties and responsibilities as follows:

1. To assist the Board of Commissioners in the process of selecting independent auditors to conduct the integrated audit for the Company and its consolidated subsidiaries based on independency, scope of work and service fee.
2. To oversee the integrated audit process for the Company and the audit process of the subsidiaries of which the financial statements are consolidated into the Company's consolidated financial statements.
3. To give independent opinions in the event of any different opinion between the management and the independent auditors.
4. To give pre-approval of non-audit services to be assigned to the independent auditors.
5. To review any financial information to be published by the Company, such as financial statements, projections, and any other financial information.
6. To monitor the adequacy of the management's efforts to build and operate effective internal control, in particular the internal control of financial reporting.
7. To analyze inspection done by the Internal Auditor.
8. Supervise Internal Auditors' findings follow-up by management.
9. Providing facilities to receive, study and follow-up complaint (whistleblower) which includes The Company, Subsidiaries and Affiliate (Affiliate definition based on the Article 1 Number 1 Law No. 8 in 1995 regarding Capital Market).
10. To monitor the compliance of the Company with the laws and regulations on capital market and any other laws and regulations in relation to the Company's business.
11. To analyze Risk Management policies and implementation made and run by management.
12. Analyzing and giving advise to the Board of Commissioners regarding potential conflict of interest inside The Company.
13. Maintain confidentiality of The Company and its consolidated Subsidiaries's document, data and information.
14. To do other tasks given by the Board of Commissioners.

In order to monitor and analyze compliance with laws and the effectiveness of the Risk Management as mentioned by number 10 and 11 above, based on the Resolution of Board of Commissioners No. 04/KEP/DK/2011 dated March 24, 2011, regarding Committee For Planning And Risk Evaluation And Monitoring Charter of PT Telekomunikasii Indonesia, Tbk, the task of Audit Committee and Committee for Planning and Risk Evaluation and Monitoring is divided, as follow:

1. Audit Committee analyze and monitor The Company's compliance to the Capital Market Regulation where The Company's stock is listed, especially related to the financial reporting risk.
2. KEMPR analyze ad monitor The Company's compliance to laws and regulation related to the business of The Company.

AUDIT COMMITTEE'S PERFORMANCE AND IMPLEMENTATION ACTIVITIES

Based on the Audit Committee Activity Report during 2018, the Audit Committee has implemented its functions, among others, as follows:

1. To conduct the supervision of the Integrated Audit process for the 2018 financial year

The Audit Committee has conducted the discussion with the internal and independent auditor Ernst & Young (EY) in relation to the quality and acceptability of financial accounting standard implemented by the Company. Also the discussion regarding the properness of significant accounting estimate and judgements and the adequacy of disclosure in the consolidated financial report as well as the internal control conducted by the Management. Therefore the quality of the financial report released by Management can be presented properly and there is no material misstatement.

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 have a material impact on the presentation of the financial report.

In addition, the Audit Committee also reviews and discusses with independent auditors (EY) the management's compliance with the implementation of capital market regulations and other regulations relating to the Company's business in accordance with the PSA 62 standard that began auditing in 2017 financial year.

2. To conduct the supervision and review of the plan and implementation of the work program of Internal Auditor Unit for the 2018 financial year

The Audit Committee has conducted the review and discussion regarding the proposal of Internal Audit Unit's working program for 2018 in relation to the risks that may occur in 2018 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 made by Internal Audit Unit, including the monitoring of the follow-up act completed by the Management.

3. To conduct the supervision upon the audit process of Partnership and Community Development Program (PKBL) conducted by the Community Development Center (CDC) Unit for the 2018 financial year

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 2018, the audit process for the financial report in the financial year of 2018 as well as the Agreed Upon Procedure/AUP.

4. To conduct the review of the information on the incoming complaints through the Whistleblower (WBS) program for the 2018 financial year

To provide opportunities and convenience to all parties in submitting complaints either from the TelkomGroup employees or from outside the TelkomGroup (third parties), the Audit Committee has prepared a Whistleblower application system that can be accessed easily from anywhere through the Internet.

AUDIT COMMITTEE'S MEETING

Regulation of Financial Services Authority No.55/POJK.04/2015 dated December 23, 2015 regarding Establishment and Guidelines of Implementation of the Works of Audit Committee, in particular Article 13, states that the Audit Committee shall hold regular meetings at least once in three months. However, the Audit Committee Charter sets out that the Audit Committee shall hold meetings once every month.

Pursuant to the above provisions, the Audit Committee held 26 meetings throughout 2018. The meetings were held in accordance with the requirements of the Audit Committee Charter and aimed to facilitate the performance of duties and responsibilities of each member of the Audit Committee.

Audit Committee's Meeting Attendances

No.	Name	Total Meetings	Total Attendances	Percentage of Attendance (%)
1.	Margiyono Darsasumarja	26	25	96
2.	Tjatur Purwadi	26	26	100
3.	Rinaldi Firmansyah	26	24	92
4.	Cahyana Ahamdjayadi	26	19	73
5.	Sarimin Mietra Sardi	26	26	100
6.	Dolfie Othniel Fredric Palit*	19	12	63

Remark:

* Profile of members of Audit Committee can be seen on the Board of Commissioners' profile

EDUCATION AND TRAINING

Telkom includes members of the Audit Committee in various activity programs to competency development throughout 2018 in order to improve the skill of Audit Committee members to perform their duties and responsibilities, as follows:

Audit Committee's Education and Training

No.	Nama	Program Pelatihan	Tanggal	Lokasi
1.	Margiyono Darsasumarja	Conference Security of things Worlds 2018 by We, Connect Global Leader	September 16-18, 2018	San Diego, USA
2.	Tjatur Purwadi	1. The latest PSAK Workshop according to IFRS convergence on January 1, 2018 by Ikatan Akuntan Indonesia 2. COMiMS Finance World Congress 2018 by TMT Finance	July 24-27, 2018 November 27-29, 2018	Denpasar, Indonesia London, UK
3.	Rinaldi Firmansyah	Association for Finance Professional 2018 by AFP Financial Institute	November 4-7, 2018	Chicago, USA
4.	Cahyana Ahmadjayadi	The IRES – 506 th International Conference on E-Education, E-Business, E-Management, and E-Learning (IC4E) by The IRES	December 9-10, 2018	Kyoto, Japan
5.	Sarimin Mietra Sardi	1. The latest PSAK Workshop according to IFRS convergence on January 1, 2018 by Ikatan Akuntan Indonesia 2. COMiMS Finance World Congress 2018 by TMT Finance	July 24-27, 2018 November 27-29, 2018	Denpasar, Indonesia London, UK

COMMITTEE FOR NOMINATION AND REMUNERATION

The Committee for Nomination and Remuneration (KNR) plays an important role in ensuring the selection process and remuneration policy making are based on professional and independent considerations without any pressure from other parties. Telkom has a Committee for Nomination and Remuneration in charge of assisting Board of Commissioners to supervise the determination of qualifications and nomination process, as well as the remuneration of Board of Commissioners, Directors and executive officers. This committee works based on Regulation of Financial Services Authority No.34/POJK.04/2015 regarding the Committee for Nomination and Remuneration of Issuers or Public Companies. Telkom also has a Committee for Nomination and Remuneration Charter established through the Resolution Letter of Board of Commissioners No.13/KEP/DK/2018 dated 31 December 2018 concerning the Nomination and Remuneration Work Guidelines (Charter) of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia, Tbk.

KNR'S COMPOSITION

Committee for Nomination and Remuneration stipulates that the Committee for Nomination and Remuneration shall consist of at least three members, one of whom is an Independent Commissioner who also serves as Chairman of the Committee for Nomination and Remuneration. The remaining two members may be appointed from any members of Board of Commissioners, external parties, or management under Board of Directors. The composition of this member is in accordance with Regulation of Financial Services Authority No.34/POJK.04/2015. Until now, the KNR does not have any members from external parties.

Pursuant to such regulation, the Board of Commissioners issued Resolution of Board of Commissioners No.08/KEP/DK/2018 dated October 25, 2018 regarding the composition of the Committee for Nomination and Remuneration of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk, which stipulating that the Committee for Nomination and Remuneration Members are as follows:

Committee for Nomination and Remuneration's Composition

Position	Name and Double Position Status	Duties of Each Member
Chairman	Pamijati Pamela Johanna Waluyo* Independent Commissioner	To be responsible to give the directions and coordination of the implementation of duty.
Secretary/Member	Ario Guntoro Secretary of Board of Commissioners	To be responsible to give and manage the administration and documentation of the Committee.
Member	Rinaldi Firmansyah* Commissioners	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.
	Edwin Hidayat Abdullah* Commissioners	
	Isa Rachmatarwata* Commissioners	
	Margiyono Darsasumarja* Independent Commissioners	
	Cahyana Ahmadjayadi* Independent Commissioners	

Remark:

* Profile of KNR's Member can be seen on Profile of The Board of Commissioners

KNR'S MEMBER PROFILE WHO ARE NOT BOARD OF COMMISSIONERS' DOUBLE POSITION

Ario Guntoro

Secretary

Education

1993 Bachelor degree in Economics, University of Gadjah Mada, Yogyakarta, Indonesia.

Basis of Appointment

Resolution of Board of Commissioners No.08/KEP/DK/2018 dated October 25, 2018.

Term of Service

Year 2013 up to present.

Career Experiences

2008 - 2013	Secretary of the Committee for Planning and Risk Evaluation and Monitoring (KEMPR) of PT Telkom Indonesia (Persero) Tbk.
2004 - 2008	Member of Committee for Planning And Risk Evaluation and Monitoring (KEMPR) PT Telkom Indonesia (Persero) Tbk.
2004	Serving as special advisor to PT PPA (Persero).
1999 - 2004	Working at the Indonesian Bank Restructuring Agency (BPPN), with the last position as Assistant Vice President of HIPA Division.
1994 - 1999	Working at private banks, holding a range of offices from Corporate Officer to Branch Manager.

KNR'S INDEPENDENCE

To ensure that each member of the Committee for Nomination and Remuneration is upholding the GCG principles and committing to maintaining integrity and independence in performing their duties and responsibilities, Telkom requires that each member of the Committee for Nomination and Remuneration sign a statement of integrity and independence. This is important to each member to make professional decisions without pressure from any other parties.

KNR'S SCOPE, DUTIES, AND RESPONSIBILITIES

Duties and responsibilities of the Committee for 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 Board of Directors and member of 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 Board of Directors to select the candidate for strategic titles within the Company (member of Board of Directors and member of 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 Board of Directors.
 - b. The succession planning of members of Board of Directors.
 - c. Assessment based on the parameter that has been prepared as the evaluation material for the capability development of Board of Directors' members.
4. Provide recommendations to the Board of Commissioners to be submitted to the General Meeting of Shareholders through the shareholders of the A Dwiwarna Series concerning the policies, amount and/or structures for the remuneration of Board of Directors and Board of Commissioners.
5. Remuneration of the Board of Directors and Board of Commissioners in the form of salary or honorarium, allowances and facilities that are fixed and incentives that are variable.
6. Review the employment contract and/or performance statement of each member of Board of Directors.

In general, the Chairman of the Committee for Nomination and Remuneration has a role to directing and coordinating the performance of the Committee's duties. The Secretary of the Committee shall assist the Chairman in preparing and managing the administration and documentation of the Committee's activities. The members of the Committee shall coordinate the inputs of the parties relating to the controlling shareholders related to the nomination and remuneration.

KNR'S PERFORMANCE AND IMPLEMENTATION ACTIVITIES

Throughout 2018, the Committee for Nomination and Remuneration assisted Board of Commissioners in making strategic decisions, including:

No.	Letter	Date
1.	Letter of Board of Commissioners No.020/SRT/DK/2018 regarding Prospective President Director of PT Dayamitra Telekomunikasi.	January 25, 2018
2.	Letter of Board of Commissioners No.33/SRT/DK/2018/RHS regarding Application for Approval of Proposal of Company Representative of PT Telkom Indonesia (Persero) Tbk in PT Dayamitra Telekomunikasi.	February 15, 2018
3.	Letter of Board of Commissioners No.039/SRT/DK/2018/RHS regarding Your Appointment Mr. S. Mietra Sardi as Member of the Audit Committee.	March 2, 2018
4.	Letter of Board of Commissioners No.055/SRT/DK/2018/RHS regarding Submission of Proposal Documents of Telkom Representatives as Mitratel's Managing Director.	March 20, 2018
5.	Letter of Board of Commissioners No.056/SRT/DK/2018/RHS regarding Approval of Representative of Telkom as Commissioner of PT Telkom Metra and Mitratel.	March 21, 2018
6.	Letter of Commissioners No.062/SRT/DK/2018/RHS regarding Appointment of Sri Hartati Rahayu as KEMPR Member.	April 3, 2018
7.	Letter of Board of Commissioners No.065/SRT/DK/2018/RHS regarding Proposals for Prospective Directors of PT Telekomunikasi Indonesia Tbk.	April 9, 2018
8.	Letter of Board of Commissioners No.070/SRT/DK/2018/RHS regarding Submission of 3 Proposals of Company Representatives at PT Mitratel.	April 10, 2018
9.	Letter of Board of Commissioners No.080/SRT/DK/2018/RHS regarding Proposal for Prospective Directors of PT Telkom Indonesia.	April 20, 2018
10.	Letter of Board of Commissioners No.084/SRT/DK/2018/RHS regarding Acting Managing Director of Consumer Director PT Telkom Indonesia, Tbk.	April 24, 2018
11.	No.086/SRT/DK/2018/RHS Letter of Board of Commissioners regarding Application for 2017 Financial Year Tantiem and Board of Directors & Board of Commissioners Remuneration for 2018 Book Year.	April 30, 2018
12.	Letter of Board of Commissioners No.119/SRT/DK/2018 regarding Commissioner of PT Telkomsel.	June 26, 2018
13.	Letter of Board of Commissioners No.129/SRT/DK/2018 regarding Approval of Reappointment of SVP Internal Audit PT Telkom Indonesia, Tbk.	July 3, 2018
14.	Letter of Board of Commissioners No.168/SRT/DK/2018/RHS Regarding Approval of Representative of Telkom as President Director of PT Dayamitra Telekomunikasi (Mitratel).	August 20, 2018
15.	Letter of Board of Commissioners No.169/SRT/DK/2018/RHS regarding New Honorarium Notification Mr. Ario Guntoro.	August 21, 2018
16.	Letter of Board of Commissioners No.170/SRT/DK/2018/RHS regarding New Honorarium Notification Mr. Tjatur Purwadi.	August 21, 2018
17.	Letter of Board of Commissioners No.171/SRT/DK/2018/RHS regarding New Honorarium Notification Mr. S. Mietra Sardi.	August 21, 2018
18.	Letter of Board of Commissioners No.172/SRT/DK/2018/RHS regarding New Honorarium Notification Ms.Sri Hartati Rahayu.	August 21, 2018

No.	Letter	Date
19.	Letter of Board of Commissioners No.173/SRT/DK/2018/RHS regarding New Honorarium Notification Ms. Widuri Meintari Kusumawati.	August 21, 2018
20.	Letter of Board of Commissioners No.174/SRT/DK/2018/RHS regarding New Honorarium Notification Ms. Diyah Santi Indrawati.	August 21, 2018
21.	Letter of Board of Commissioners No.175/SRT/DK/2018/RHS regarding New Honorarium Notice Mr. Adam Wirahadi.	August 21, 2018
22.	Letter of Board of Commissioners No.176/SRT/DK/2018/RHS regarding New Honorarium Notification Mr. Juminta.	August 21, 2018
23.	Letter of Board of Commissioners No.177/SRT/DK/2018/RHS regarding New Honorarium Notification Mr. Fahmi Khauzdi.	August 21, 2018
24.	Letter of Board of Commissioners No.178/SRT/DK/2018/RHS regarding New Honorarium Notification Ms. Dyah Swasti.	August 21, 2018
25.	Letter of Board of Commissioners No.179/SRT/DK/2018/RHS regarding New Honorarium Notification Mr. Farkhan AL-Fathoni.	August 21, 2018
26.	Letter of Commissioners No.218/SRT/DK/2018/RHS regarding Consultants of Remuneration Survey of Company Management in 2018.	October 12, 2018
27.	Letter of Board of Commissioners No.223/SRT/DK/2018/RHS regarding Appointment of Ms. Widia Praptiwi as a Member of KEMPR PT Telkom Indonesia, Tbk.	October 16, 2018
28.	Letter of Board of Commissioners No.246/SRT/DK/2018/RHS regarding the Appointment of Mr. Adam Wirahadi as KEMPR Staff.	November 13, 2018
29.	Letter of Board of Commissioners No.247/SRT/DK/2018/RHS regarding Vehicle Facilities of the Board of Directors.	November 13, 2018

KNR'S MEETINGS

Regulation of Financial Services Authority No.34/POJK.04/2014 regarding the Committee for Nomination and Remuneration of Issuers or Public Companies requires that the Committee for Nomination and Remuneration shall hold meetings at least once every four months. In 2018, the Committee for Nomination and Remuneration holds 44 meetings, including 29 meetings by circulation.

Committee for Nomination and Remuneration's Meeting Attendance in 2018

No.	Name	Total Meetings	Total Attendances	Percentage of Attendance (%)
1.	Pamijati Pamela Johanna Waluyo	44	44	100
2.	Ario Guntoro	44	44	100
3.	Edwin Hidayat Abdullah	26	24	92
4.	Rinaldi Firmansyah	44	42	95
5.	Isa Rachmatarwata	26	21	81
6.	Margiyono Darsasumarja	44	44	100
7.	Cahyana Ahmadjayadi	44	44	100
8.	Hadiyanto	18	11	61
9.	Dolfie Othniel Fredric Palit	36	23	64

KNR'S EDUCATION AND TRAINING

In the 2018 financial year, education and training activities in order to improve the competence of the members of the Committee for Nomination and Remuneration were not yet required. The policy was taken because of due to the activities of the Committee for Nomination and Remuneration, specifically the remuneration proposal process, supported by independent and professional consultants.

COMMITTEE FOR PLANNING AND RISK EVALUATION AND MONITORING

Telkom has a Committee for Planning and Risk Evaluation and Monitoring (KEMPR) which assist Board of Commissioners in the fields of planning, management and risk evaluation. This is in line with Telkom's commitment to implement good governance, especially in relation to evaluation, monitoring and planning of various risks.

Committee for Planning and Risk Evaluation and Monitoring's duties and responsibilities are stipulated by the Committee for Planning and Risk Evaluation and Monitoring Charter, under Resolution Letter of Board of Commissioners No.04/KEP/DK/2011 dated March 24, 2011, regarding Charter of the Committee for Planning and Risk Evaluation and Monitoring of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk. The decision stipulates, among other things, as follows:

1. The establishment and the appointment of its members;
2. The structure and requirements of membership, duties, responsibilities, and authority; and
3. The scope of works, meetings, reporting, term of office, and funding.

KEMPR'S COMPOSITION

Resolution of Board of Commissioners No.09/KEP/DK/2018 dated October 25, 2018, regarding Composition of the Committee for Planning and Risk Evaluation and Monitoring of Telkom is as follows:

Committee for Planning and Risk Evaluation and Monitoring's Composition

Position	Name and Double Position Status	Term of Service	Duties of Each Member
Chairman	Edwin Hidayat Abdullah* Commissioners	Starting from Mei 9, 2018	To give the direction, to coordinate and monitor the implementation of duties of all Members of Committee.
Member	Isa Rachmatarwata* Commissioner	Starting from Mei 9, 2018	Supervise and monitor the implementation of RJPP / CSS, RKAP and enterprise risk management, implement non-organic business growth initiatives, as well as certain actions of the Board of Directors that require Board of Commissioners approval.
	Cahyana Ahmadjayadi* Independent Commissioners	Starting from Mei 8, 2017	
	Widia Praptiwi Independent Member	Starting from October 25, 2018	

Remark:

* Profile of KEMPR's Member can be seen on Profile of The Board of Commissioners

KEMPR'S MEMBER PROFILE WHO ARE NOT BOARD OF COMMISSIONERS' MEMBER

Widia Praptiwi

Independent Member

Born	: July 7, 1974
Age	: 44 years old
Citizenship	: Indonesian
Domicile	: Jakarta

Education

1992 - 1997	Bachelor degree in Accounting, University of Indonesia, Indonesia.
2001 - 2004	Master of Science in Accounting, University of Indonesia, Indonesia.

Basis of Appointment

Resolution of Board of Commissioners No.09/KEP/DK/2018 dated October 25, 2018, regarding Membership Composition of Committee for Planning and Risk Evaluation and Monitoring of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia, Tbk.

Term of Service

October 25, 2018 up to present.

Career Experiences

2015 - Present	Lecturer in Universitas Krisnadwipayana Jakarta.
2015 - 2018	Member of Hotel Indonesia Natour's Audit Committee.
2002 - 2008	PT Bina Prima Perdana.

KEMPR'S INDEPENDENCE

The Committee for Planning and Risk Evaluation and Monitoring is not regulated by any regulator. However, Telkom still require the Committee to have good integrity and to maintain its independence as mentioned in the KEMPR Charter Chapter 4 point 4.b.

KEMPR'S SCOPE, DUTIES, AND RESPONSIBILITIES

Committee for 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 Board of Directors;
2. To conduct the evaluation of the implementation of RJPP and RKAP to assess whether the implantation is in line with the target of RJPP and RKAP which has been ratified by the Board of Commissioners; and
3. To conduct the monitoring towards the implementation of enterprise risk management within the Company.

KEMPR'S PERFORMANCE AND IMPLEMENTATION ACTIVITIES

Throughout 2018, the Committee for Planning and Risk Evaluation and Monitoring did its activities based on Committee Guidelines/Charter and Resolution Board of Commissioners No.10/KEP/DK/2017 dated October 27, 2017, regarding the Arrangement of the Certain Actions of Directors who Must Obtain the Written Approval of Board of Commissioners and/or Holders of Series A Dwiwarna Share which have been updated by the Resolution of Board of Commissioners No. 11/KEP/DK/2018 dated November 15, 2018, as well as Resolution of Board of Commissioners No.02/KEP/DK/2017 dated February 24, 2017, regarding Standard Operating Procedures (SOP) on the Process of Giving Board of Commissioners' Approval. It consists of:

1. Company's Long Term Plan (RJPP)

a. Evaluation of RJPP 2018-2022

Evaluation of the implementation of RJPP 2018-2022 shows an increasingly difficult challenge for the Company to achieve the target market capitalization and at the same time realize its vision of becoming the King of Digital in the Region. To face this challenge, the Company maximized growth in three portfolios, namely IT & services, media, and edutainment.

In addition, on the internal side, the Company accelerated the transformation towards digital telco, both through digitization and digitalization. Digital maturity measurements are conducted periodically, especially related to strategy & business aspects, customer experience, technology, and operation; also people, culture, and organization.

In addition to strengthening on the side of organic initiatives, achieving the Company's vision also requires sharpening on the side of inorganic initiatives. Sharpening on the side of strategic initiatives includes determining the focus of inorganic investment (business portfolio, area, and investment size (expansion of inorganic strategies - not only on acquisitions but also on initiatives that are able to unlock the current business value of the Company, and monitor post-implementation business inorganic initiatives.

b. Preparation of RJPP 2019-2023

The focus of KEMPR in the preparation of the RJPP 2019-2023, among others:

- Harmonization of strategic initiatives between CFU, especially on initiatives related to the development of business portfolios;
- Sharpening inorganic initiatives, especially those related to business unlocking;
- Efforts to optimize the value of capital expenditure invested by the Company, including maintaining the level of efficiency and effectiveness of the capital expenditure; and
- The need for refinement of several roadmaps related to changes in the direction of business portfolios, including satellite, e-commerce, and financial services.

2. Company's Work and Budget Plan as well as Capital Expenditure

a. Monitoring focus of RKAP and Capital Expenditure of 2018

In the implementation of the 2018 RKAP, the monitoring focus of KEMPR including the implementation of efforts to maintain the growth of CFU Mobile - especially in the legacy component; improving the performance of fixed broadband products through a value added service solution developed on broadband services, evaluating the impact of changes in exchange rates and interest rates on the performance of the Company and its subsidiaries, and monitoring the performance of subsidiaries - especially those acting as vehicles for international business, and business development information, media, and edutainment.

On the capital expenditure side, monitoring of the absorption of capital expenditure is primarily directed at the realization of the development of the Company's strategic projects, achievement of healthiness & effectiveness CAPEX indicators, and optimizing the absorption of capital expenditure for CFU Consumer.

b. Evaluation to the Proposal of RKAP and Capital Expenditure of 2019

Evaluation of the proposed RKAP and capital expenditure in 2019 will focus on 3 (three) things as follows:

- **Control of growth expenses on revenue growth**
In line with the direction of transformation towards digital business, controlling the growth of the expense on revenue growth needs to be a control so that the Company's margins are maintained. This is also in line with investor recommendations and also benchmarks for similar telecommunications companies at the regional level.
- **Increased customer loyalty to suppress withdrawals and increase revenue**
The increase in the number of cellular, broadband and corporate customers also SMB needs to be accompanied by efforts to increase customer loyalty. Customer loyalty needs to be grown by providing integrated end to end services; providing products, services, and solutions as needed; and creating superior customer experience for customers. These efforts are expected to reduce the rate of revocation, while increasing customer engagement with the Company.
- **The need for increased orchestration between CFU in developing business initiatives**
The Company has 4 main CFUs as the spearhead of services to customers, namely Mobile, Enterprise & Business Service, Consumer, and Wholesale & International Business. Orchestration between CFUs is needed to ensure the allocation of the Company's resources for each business initiative at each CFU, there is no overlap of services and products, and minimize investment duplication.

3. Enterprise Risk Management

Based on monitoring of the Company's risk profile, there are three things that need attention, namely:

- Mitigation of strategic, compliance and operational risks;
- Effectiveness of ERM management organizations in the Company; and
- Implementation of ERM online monitoring.

Mitigation of strategic, compliance and operational risks related to the Company's activities in digital business, the need to anticipate the development of regulations and improvement of internal control, as well as the management of international traffic business. In the past few years, these three things are still the main agenda in managing the Company's risk profile. The biggest challenge lies in anticipating the development of digital business that suppresses the Company's margins, and at the same time challenges the Company to create new businesses and/or digital service distribution lines according to the needs of the community.

Changes to the risk management organization structure and implementation of ERM online monitoring are expected to provide added value in the Company's risk management. Strengthening the risk management organization needs to be done considering the Company's expanding business including developments in its subsidiaries. Therefore, as part of the efforts to monitor the ERM management of the Company, it is necessary to evaluate in 2019 regarding the effectiveness of changes in organizational structure and implementation of the tools used in monitoring the Company's risk.

4. Certain Action from Board of Directors that Requires the Approval from Board of Commissioners

In 2018, KEMPR has assisted Board of Commissioners in reviewing the proposal of strategic plans as submitted by Board of Directors, among others:

- Strategic fit and final approval of equity participation in PT Telkom Satelit Indonesia (Telkomsat);
- Inorganic project strategic fit related to digital business, B2B, financial services, and telecommunications infrastructure;
- Proposal for write-off of receivables in 2018; and
- Approval of the release of phase II capital expenditures - after the Phase I approval that is carried out in conjunction with the approval of the 2018 RKAP.

KEMPR'S MEETING

In 2018, KEMPR conducted 10 Committee meetings attended by the members who are members of Board of Commissioners and non-members of Board of Commissioners, with the following detail of attendance:

Committee for Planning and Risk Evaluation and Monitoring's Meeting Attendance 2018

No.	Name	Total Attendances	Percentage of Attendance (%)
1.	Hadiyanto ⁽¹⁾	2	100
2.	Dolfie Othniel F.P ⁽²⁾	0	0
3.	Margiyono D.S ⁽²⁾	5	100
4.	Pamijati Pamela Johanna Waluyo ⁽²⁾	5	100
5.	Cahyana Ahmadjayadi	10	100
6.	Sri Hartati Rahayu ⁽²⁾	5	100
7.	Edwin Hidayat Abdullah ⁽³⁾	8	100
8.	Isa Rachmatarwata ⁽³⁾	2	25*
9.	Widia Praptiwi ⁽⁴⁾	4	100

Remarks:

(1) until April 19, 2018

(2) until October 24, 2018

(3) start May 9, 2018

(4) start October 25, 2018

* Carry out state duties on the middle of October - November 8, 2018

KEMPR'S EDUCATION AND TRAINING

Telkom includes KEMPR members in various training and education activities to improve competency during 2018, as follows:

Date	Name of Training	Organizer	Remarks
February 26, - March 2, 2018	Mobile World Congress 2018	GSMA	Barcelona, Spain
July 4, 2018	Strategic discussion on Global Telco Industry	Internal	Jakarta, Indonesia
September 9-11, 2018	Factory and Research Visit	Internal	Shenzhen, PR China
July 17-12, 2018	Pertemuan dengan Softbank dan NEC	Internal	Japan
December 9-10, 2018	The IRES – 506 th International Conference on e-education, e-business, e-management, and e-learning	IRES	Japan

BOARD OF DIRECTORS

Directors at Telkom collectively have the duty and responsibility to manage the Company in accordance with the provisions of the Company's Articles of Association. In carrying out its duties, members of Board of Directors act and decide a policy in accordance with the duties and authority of each member.

BOARD OF DIRECTORS' COMPOSITION

During 2018, there was a change in the composition of Board of Directors. On April 20, 2018, Mas'ud Khamid was appointed as director at PT Pertamina (Persero). Related to this, through the Annual General Meeting of Shareholders (AGMS) on April 27, 2018, Telkom made a decision regarding the changes in the Company's Management as follows:

1. Mas'ud Khamid was honorably dismissed from his position as a Board of Directors because of his assignment in another place.
2. Siti Choiriana was appointed Director of Consumer Service.

The composition of Board of Directors differences at the end 2018 and at the end of the year before can be seen in these following table:

Board of Directors' Composition per December 31, 2017

No.	Name	Title	Appointment	Discharge Date
1.	Alex Janangkih Sinaga	President Director	2014	AGMS 2019
2.	Harry Mozarta Zen	Director of KEU	2016	AGMS 2021
3.	Mas'ud Khamid	Director of CONS	2017	AGMS 2022
4.	Herdy Rosadi Harman	Director of HCM	2014	AGMS 2019
5.	Zulhelfi Abidin	Director of NITS	2017	AGMS 2022
6.	David Bangun	Director of DSP	2017	AGMS 2022
7.	Abdus Somad Arief	Director of WINS	2014	AGMS 2019
8.	Dian Rachmawan	Director of EBIS	2014	AGMS 2019

Remarks:

KEU (Finance), **CONS** (Consumer Service), **HCM** (Human Capital Management), **NITS** (Network, IT, & Solution), **DSP** (Digital & Strategic Portfolio), **WINS** (Wholesale and International Service), and **EBIS** (Enterprise & Business Service)

Board of Directors' Composition per December 31, 2018

No.	Name	Title	Appointment	Discharge Date
1.	Alex Janangkih Sinaga	President Director	2014	AGMS 2019
2.	Harry Mozarta Zen	Director of KEU	2016	AGMS 2021
3.	David Bangun	Director of DSP	2017	AGMS 2022
4.	Dian Rachmawan	Director of EBIS	2014	AGMS 2019
5.	Abdus Somad Arief	Director of WINS	2014	AGMS 2019
6.	Herdy Rosadi Harman	Director of HCM	2014	AGMS 2019
7.	Zulhelfi Abidin	Director of NITS	2017	AGMS 2022
8.	Siti Choiriana	Director of CONS	2017	AGMS 2023

Remarks:

KEU (Finance), **DSP** (Digital & Strategic Portfolio), **EBIS** (Enterprise & Business Service), **WINS** (Wholesale and International Service), **HCM** (Human Capital Management), **NITS** (Network, IT, & Solution), dan **CONS** (Consumer Service).

BOARD OF DIRECTORS' DIVERSITY

As a form of compliance with Law No. 39 of 1999 concerning Human Rights, Telkom guarantees that there is no discrimination in the selection and appointment of Directors. At present there is no written policy that specifically regulates the diversity of Board of Directors, but Telkom guarantees that members of Board of Directors are elected and appointed based on their respective expertise, skills and integrity.

Based on the results of the 2018 AGMS, the composition of the Telkom Directors consists of seven men and a woman. The low number of female directors in Telkom is based on the results of the selection and is not an attempt to discriminate women for the position of Directors.

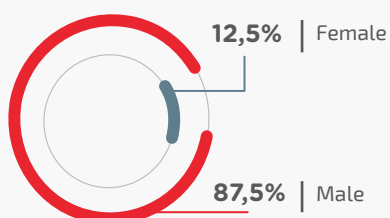
Board of Directors' Diversity per December 31, 2018

No.	Name	Position	Gender	Background of Expertise & Skill	Level of Education
1.	Alex Janangkih Sinaga	President Director	Male	Telecommunication and Telematics Engineering	Master
2.	Harry M Zen	Director of KEU	Male	Administration, Business and Finance	Master
3.	David Bangun	Director of DSP	Male	Telecommunication and Electrical Engineering	Master
4.	Dian Rachmawan	Director of EBIS	Male	Telecommunications Engineering	Master
5.	Abdus Somad Arief	Director of WINS	Male	Technology and Information Systems	Master
6.	Herdy Rosadi Harman	Director of HCM	Male	Law, Business Administration	Master
7.	Zulhelfi Abidin	Director of NITS	Male	Information and Technology	Master
8.	Siti Choiriana	Director of CONS	Female	Electrical Engineering and Technology Management	Master

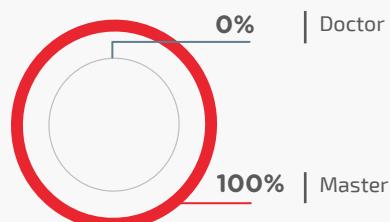
Remarks:

KEU (Finance), **DSP** (Digital & Strategic Portfolio), **EBIS** (Enterprise & Business Service), **WINS** (Wholesale and International Service), **HCM** (Human Capital Management), **NITS** (Network, IT, & Solution), dan **CONS** (Consumer Service).

Board of Directors' Gender Composition Diversity



Board of Directors' Education Level Composition Diversity



BOARD OF DIRECTORS' DOUBLE POSITION

Some of Telkom's Directors have dual positions, either in Telkom as the holding Company or subsidiaries. Information on the double positions of Directors can be seen in the following table:

Board of Directors' Double Position per December 31, 2018

No.	Name	Telkom		Subsidiary
		Position	Other Position	
1.	Alex Janangkih Sinaga	President Director	None	President Commissioner of Telkomsel.
2.	Harry Mozarta Zen	Director of KEU	None	Commissioner of Telkomsel and President Commissioner of GSD.
3.	David Bangun	Director of DSP	None	Commissioner of Metra and President Commissioner of Metranet.
4.	Dian Rachmawan	Director of EBIS	None	President Commissioner of Metra and President Commissioner of Teltranet.
5.	Abdus Somad Arief	Director of WINS	None	President Commissioner of Telin and President Commissioner of Telkomsat.
6.	Herdy Rosadi Harman	Director of HCM	None	President Commissioner of Infomedia.
7.	Zulhelfi Abidin	Director of NITS	None	President Commissioner of Sigma.
8.	Siti Choiriana	Director of CONS	None	President Commissioner of Telkom Akses.

Remarks:

KEU (Finance), **DSP** (Digital & Strategic Portfolio), **EBIS** (Enterprise & Business Service), **WINS** (Wholesale and International Service), **HCM** (Human Capital Management), **NITS** (Network, IT, & Solution), dan **CONS** (Consumer Service).

BOARD OF DIRECTORS' REMUNERATION

The structure of the remuneration of the Directors is based on the provisions of State Minister of SOE's Regulation No.PER-04/MBU/2014 Number jo: PER-02/MBU/06/2016 Number jo: PER-01/MBU/06/2017 Number jo: PER-06/MBU/06/2018 regarding Guidelines for the Determination of Income for Directors, Board of Commissioner and Board of Trustees of SOE's.

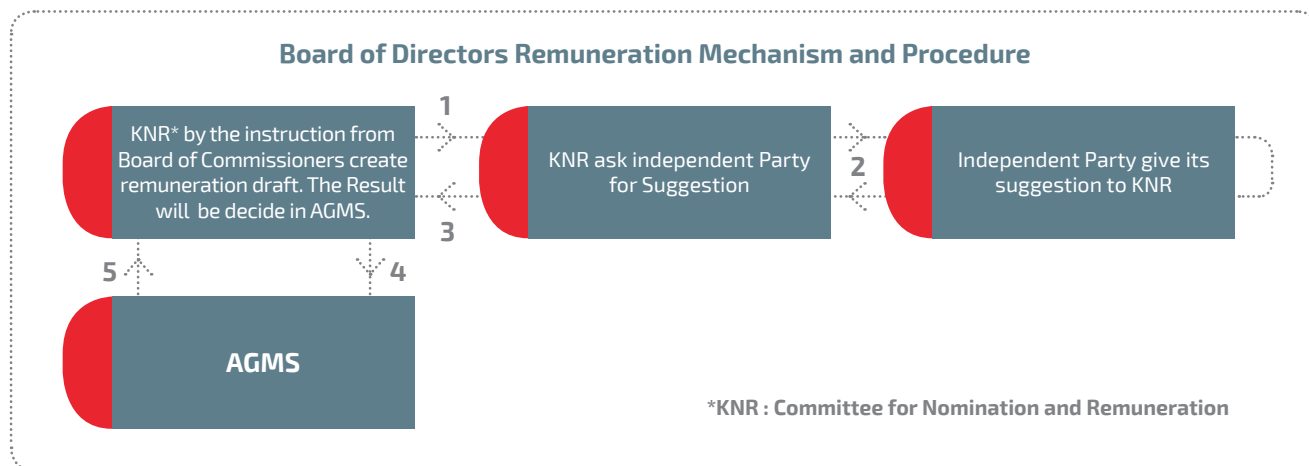
Based on such regulation, the income component for members of the Directors consists of:

1. Salaries;
2. Allowances;
3. Facilities; and
4. Bonus/Incentive.

Telkom determines the remuneration of Board of Commissioners through the following procedures:

1. Board of Commissioners requests Committee for Nomination and Remuneration to draft a remuneration proposal for Board of Directors.
2. The Committee for Nomination and Remuneration requests an independent party to draw up a framework on the remuneration of Board of Directors.
3. The Committee for Nomination and Remuneration proposes the remuneration to Board of Commissioners.
4. Board of Commissioner proposes remuneration for Board of Directors the GMS.
5. The GMS delegates authority and power to Board of Commissioners with the prior approval of Series A Shareholders to determine the remuneration for Board of Directors.

The determination of income in the form of salary/honorarium, allowances and facilities that are fixed is based on the Company's conditions. While bonus/work incentive is an annual employment benefit based on the performance of the Company which the amount of the company's performance is determined by the General Meeting of Shareholders.



In 2018, the total remuneration of the entire Board of Directors was Rp160.5 billion. Taxes from remuneration borne by our Company amounted to Rp5.9 billion. The table below sets forth the remunerations that Telkom's Directors received in 2018:

Board of Directors' Recapitulation of Remuneration

No.	Board of Directors	Honorarium	Tantiem and THR ⁽¹⁾	Allowance	Total
1.	Alex Janangkih Sinaga	3,530	20,870	300	24,700
2.	Harry Mozarta Zen	2,989	18,783	300	22,072
3.	David Bangun	2,989	12,526	300	15,815
4.	Dian Rachmawan	2,989	18,783	300	22,072
5.	Abdus Somad Arief	2,989	18,783	300	22,072
6.	Herdy Rosadi Harman	2,989	18,783	300	22,072
7.	Zulhelfi Abidin	2,989	12,526	300	15,815
8.	Siti Choiriana ⁽²⁾	2,021	216	203	2,440
9.	Mas'ud Khamid ⁽³⁾	986	12,310	100	13,396

Remarks:

(1) "THR" refers to Tunjangan Hari Raya or religious holiday allowance

(2) Since AGMS on April 27, 2018

(3) Up to April 20, 2018

PARTICIPATION IN BPJS

Telkom always support Government Program which one of them is the National Health Insurance Program. This is proven by Telkom's commitment to include all the Board of Directors and Board of Commissioner and their family into BPJS.

BOARD OF DIRECTORS' BOARD CHARTER

In performing its duties, responsibilities, and authority, Board of Directors shall be guided by the Charter of Board of Directors established by Resolution of Board of Directors No.PD.604.00/r.00/HK000/C00-D0030000/2011 dated July 11, 2011. The Charter of Board of Directors contains the code of conduct, authority, duties, responsibilities, obligations, division of tasks, meetings, provisions on conflict of interest, shareholding, provisions on the mechanisms and division of authorities among members of Board of Directors which are not set out by the Company's Articles of Association and the applicable laws and regulations. This is intended to improve the performance of the Directors and more coordinated and make Board of Directors' working time more effective in managing the Company.

BOARD OF DIRECTORS' AUTHORITIES, DUTIES, AND RESPONSIBILITIES

Based on the Article of Association of Telkom, Board of Directors have this following obligations:

1. Work for and ensure the performance of businesses and activities of the Company in accordance with its purposes and objectives as well as business activities;
2. Prepare in a timely manner, the Long Term Plan of the Company, the Annual Work Plan and Budget of the Company and other work plans as well as their changes to be submitted to the Board of Commissioners and to obtain approval of the Board of Commissioners;
3. Prepare the Register of Shareholders, the Special Register, the Minutes of the GMS, and the Minutes of Meeting of the Board of Directors;
4. Prepare the Annual Report which, among others, contains the financial statement, as the materialization of the accountability report on the management of the Company, as well as the financial documents of the Company, as referred to in the Law regarding Corporate Documents;
5. Compose the financial statement in number 4 above based on the Financial Accounting Standards and submit it to the Public Accountant for audit;
6. Submit the Annual Report after having been reviewed by the Board of Commissioners within a period of at the latest 5 (five) months after the financial year of the Company has ended to the GMS for approval and ratification;
7. Provide explanation to the GMS with regard to the Annual Report;
8. Submit the Balance Sheet and the Profit and Loss Statement which have been ratified by the GMS to the Minister in the Law Sector in accordance with the provisions of the statutory regulations;
9. Compose other reports which are obliged by the provisions of the statutory regulations;
10. Maintain the Register of Shareholders, the Special Register, the Minutes of GMS, the Minutes of Meeting of the Board of Commissioners and the Minutes of Meeting of the Board of Directors, the Annual Report and the financial documents of the Company as referred- to in letter b.4 and letter b.5 above, and other documents of the company;
11. Maintain at the place of domicile of the Company: the Register of Shareholders, the Special Register, the Minutes of GMS, the Minutes of Meeting of the Board of Commissioners and the Minutes of Meeting of the Board of Directors, the Annual Report and the financial documents of the Company as well as other documents of the company;
12. Maintain and keep the bookkeeping and administration of the Company in accordance with the common practices for a company;
13. Compose an accounting system in accordance with the Financial Accounting Standards and based on the internal control principles, particularly the management, registration, retention, and supervisory functions;
14. Provide periodic report according to the method and at the time in accordance with the provisions, as well as other reports, once requested by the Board of Commissioners and/or- the holder of Dwiwarna A Series share, with due observance of the statutory regulations, particularly the regulations in the Capital Market sector;
15. Prepare the organizational structure of the Company, complete with its breakdown and their- duties;
16. Provide explanation with regard to any matters to be inquired about or requested by the members of the Board of Commissioners and the holder of Dwiwarna A Series share, with due observance of statutory regulations, particularly the regulations in the Capital Market sector;
17. Perform other obligations in accordance with the provisions stipulated in this Articles of Association and which are stipulated by the GMS by continue observing the statutory regulations.

In addition to having obligations as mentioned above, the Board of Directors also have this following authority:

1. To determine the policies considered appropriate in the management of the Company;
2. To arrange the delegation of authorities of the Board of Directors to represent the Company, inside and outside the Court to one or several individuals specifically appointed for such purposes, including the employees of the Company, both individually and collectively and/or other entities;
3. To stipulate the provisions regarding the employees of the Company, including the stipulation of salary, pension or old age insurance and other income for the employees of the Company based on the statutory regulations;
4. To appoint and dismiss the employees of the Company based on the manpower regulations of the Company and the statutory regulations;
5. To appoint and dismiss the Corporate Secretary and/or the Head of Internal Supervisory Unit with the approval of the Board of Commissioners;
6. To write-off non-performing loans with the provisions as stipulated in this Articles of Association and which furthermore will be reported to the Board of Commissioners to be further reported and accounted in the Annual Report;
7. Not to further collect interest receivables, penalties, costs and other receivables outside the principal debts which is carried out in the framework of restructuring and/or receivables settlement as well as other actions in the framework of Company's receivables settlement with the obligation to report it to the Board of Commissioners, the provisions and reporting- procedures of which are stipulated by the Board of Commissioners;
8. To take any actions and other deeds with regard to the management and ownership of the Company's assets, to bind the Company to other parties and/or other parties to the Company, as well as to represent the Company inside and outside the Court with regard to any matters and in any events, with the restrictions as stipulated in the statutory regulations, this Articles of Association and/or the Resolutions- of the General Meeting of Shareholders.

Any member of 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.

BOARD OF DIRECTORS' MEETING

Board of Directors shall hold an internal meeting periodically at least 1 (one) time in each month and may also be held at any time as necessary. In addition, Board of Directors shall also hold a meeting with Board of Commissioners at least once in 4 (four) months and may also be held at any time as necessary. The joint meetings of Board of Directors and Board of Commissioners within the Company are 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 mechanism at Board of Directors meeting is based on deliberations to reach 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.

Throughout 2018, Board of Directors' meetings were held as many as 59 times. Some important themes or agendas discussed in Board of Directors meeting are more detailed in the Appendix 4. The following table shows Directors' attendance frequency of in internal meetings:

Board of Directors' Attendances at Internal Meeting

No.	Name	Total Attendances	Total Meetings	Percentage of Attendance (%)
1.	Alex Janangkih Sinaga	53	59	90
2.	Harry Mozarta Zen	56	59	95
3.	David Bangun	54	59	92
4.	Dian Rachmawan	55	59	93
5.	Abdus Somad Arief	51	59	86
6.	Herdy Rosadi Harman	51	59	86
7.	Zulhelfi Abidin	52	59	88
8.	Siti Choiriana ⁽¹⁾	36	37	97
9.	Mas'ud Khamid ⁽²⁾	18	21	86

Remarks:

(1) Since AGMS on April 27, 2018

(2) Up to April 20, 2018

CORPORATE SECRETARY

Corporate Secretary in Telkom has a significant role in facilitating the Company's internal communication, connect the Company and its shareholders, The Financial Services Authority, and other stakeholders. In addition, the Corporate Secretary also ensures the Company's compliance with capital market regulations.

CORPORATE SECRETARY'S PROFILE

Andi Setiawan



Born : June 6, 1978
Age : 40 years old
Nationality : Indonesian
Domicile : Jakarta

Education

2002 Bachelor degree in Financial Management, University of Indonesia, Indonesia.

Basis of Appointment

Decision Letter of Board of Directors.

Term of Service

March 4, 2015 up to present.

Career Experiences

2014-2015 PT Telekomunikasi Seluler as GM of Investor Relations.
2010-2014 PT Summarecon Agung Tbk as a Manager of Investor Relations.
2007-2010 PT Bakrieland Development Tbk as a Manager of Corporate Secretary.
2004-2007 PT Pemeringkat Efek Indonesia as a Corporate Rating Analyst.

CORPORATE SECRETARY'S FUNCTIONS

According to Telkom's Guidelines on GCG, the functions of the Corporate Secretary are:

1. To prepare and communicate accurate, complete, and timely information regarding the performance and prospect of the Company to stakeholders.
2. To synergize with related units, including the subsidiaries, for socialization, implementation, monitoring and reviewing of GCG, and its implementation.
3. To assist Board of Directors in various activities, information, and documentation, among others:
 - a. Preparing the Register Book of Shareholders;
 - b. Attending 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.

CORPORATE SECRETARY'S TASKS AND DUTIES

1. Preparing and organizing GMS, including the material, particularly the Annual Report;
2. Attending the Board of Directors' meetings and joint meetings between Board of Commissioners and Board of Directors;
3. Managing and maintaining documents related to the Company's activities, including the GMS's documents, Board of Directors' minutes of meetings, the minutes of joint meetings between Board of Directors and Board of Commissioners, and other important documents of the Company; and
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.

CORPORATE SECRETARY'S IMPLEMENTATION TASKS

Throughout the 2018 financial year, the Corporate Secretary has performed its tasks in accordance with the tasks and duties under the applicable laws and regulations. During the 2018 financial year, activities carried out by the Investor Relations/Corporate Secretary including:

Date	Name of Activities	Organize by	Location
January 10, 2018	Non-Deal Roadshow	Investor Relations Telkom	Singapore
January 11, 2018	DBS Vickers Securities Pulse of Asia	DBS Vickers Securities	Singapore
February 6 and 8-9, 2018	Mandiri Investment Forum	Mandiri Sekuritas	Jakarta
May 3-4, 2018	Citi-Indonesia Investor Conference	Citi Group	Jakarta
May 7, 2018	Non-Deal Roadshow	Investor Relations Telkom	Singapore
May 10-11, 2018	Non-Deal Roadshow	HSBC	Hong Kong
May 14-15, 2018	dbAccess Asia Conference	Deutsche Bank	Singapore
May 24-25, 2018	Non-Deal Roadshow	Bahana Sekuritas	Jakarta
July 11-12, 2018	CGS-CIMB 12 th Annual Indonesia Conference	CGS-CIMB	Denpasar
August 1, 2018	Non-Deal Roadshow	Investor Relations Telkom	Singapore
August 9-10, 2018	Non-Deal Roadshow	Macquarie	Melbourne and Sydney, Australia
August 15-16, 2018	Credit Suisse 3 rd Annual Indonesia Conference	Credit Suisse	Singapore
August 27-28, 2018	Macquarie ASEAN Conference 2018	Macquarie	Singapore
September 3-7, 2018	Non-Deal Roadshow	Deutsche Bank	Paris, Frankfurt, and London
September 12-14, 2018	25 th CLSA Investor's Forum	CLSA	Hong Kong
November 5-9, 2018	Non-Deal Roadshow	J. P. Morgan	Toronto, Boston, New York, and San Fransisco
November 13-14, 2018	dbAccess Indonesia Conference 2018	Deutsche Bank	Jakarta
November 29-30, 2018	Seventeenth Annual Asia Pacific Summit	Morgan Stanley	Singapore
December 6, 2018	Citi ASEAN Top Picks 2018	Citi Group	Malaysia
December 11-12, 2018	Non-Deal Roadshow	Deutsche Bank	Hong Kong

CORPORATE SECRETARY'S TRAINING AND EDUCATION

In order to improve the competence of Corporate Secretary/Investor Relations, the Company has held trainings designated to the Investor Relations unit as follows:

Date	Name of Activities	Organizer	Location
January 15-19, 2018	Disclosure Management Report	Merrill Corporation	Hong Kong
March 5-7, 2018	Business Valuation for Startup Company	Telkom Corporate University	Bandung
March 16, 2018	<i>Sertifikasi Pengadaan Barang dan Jasa Pemerintah</i>	Telkom Corporate University	Bandung
March 21-22, 2018	Executive Leadership Program-Business Simulation Expedition	Telkom Corporate University	Surabaya
April 4, 2018	Investment in Indonesia	Euromoney	Jakarta
April 19-20, 2018	Infographic for Creative Presentation	Telkom Corporate University	Bandung
May 8-9, 2018	Sustainability Report	Telkom Corporate University	Bogor
June 4-6, 2018	Advance Excel for Professionals	Telkom Corporate University	Jakarta
August 2, 2018	IR BUMN Gathering	Investor Relations BNI	Jakarta
August 20-21, 2018	<i>Sosialisasi Update Knowledge: Macro Economy 2019 dan Finance Regulatory Update</i>	Telkom Corporate University	Jakarta
August, 27-29, 2018	Essential Financial Analysis and Reporting Writing	Indonesia Investor Relations Institute	Bandung
September 3-6, 2018	Certified Investor Relations	Indonesia Investor Relations Institute	Jakarta
September 27, 2018	<i>Seminar POJK Nomor 9/POJK.04/2018 dan POJK Nomor 11/POJK.04/2018</i>	Bursa Efek Indonesia, Asosiasi Emiten Indonesia, Indonesian Corporate Secretary Association	Jakarta
October 18, 2018	<i>Seminar IPO untuk Perusahaan Tercatat dan Entitas Anak</i>	Bursa Efek Indonesia	Jakarta
December 6, 2018	<i>Sosialisasi Pengenalan E-Proxy</i>	Bursa Efek Indonesia	Jakarta
	<i>Sekolah Pasar Modal Batch 1</i>	Bursa Efek Indonesia	Jakarta
December 18, 2018	<i>Sekolah Pasar Modal Batch 2</i>	Bursa Efek Indonesia	Jakarta

INTERNAL AUDIT UNIT

Telkom has an Internal Audit Unit or Internal Audit (IA) who provides independent and objective views on the conditions of our internal controls, risk management and corporate Governance processes in business activities. The purpose of this function to become a catalyst, through the submission of recommendations for Telkom in improving its business operations.

SVP INTERNAL AUDIT UNIT'S PROFILE

Harry Suseno Hadisoebroto



Born : Bandung, June 24, 1966
 Age : 52 years old
 Nationality : Indonesian
 Domicile : Bandung

Education

1990 Master's degree in Civil Engineering (Ir.), Bandung Institute of Technology, Bandung, Indonesia.
 1999 Doctoral degree in Engineering – Project Management (MSc.), University of Manchester, Institute of Science and Technology, Manchester, United Kingdom.

Basis of Appointment

Board of Directors Resolution No. 1905/P5720/HCC-10/2015 dated June 9, 2015 which effectively prevail from July 1, 2015..

Term of Office

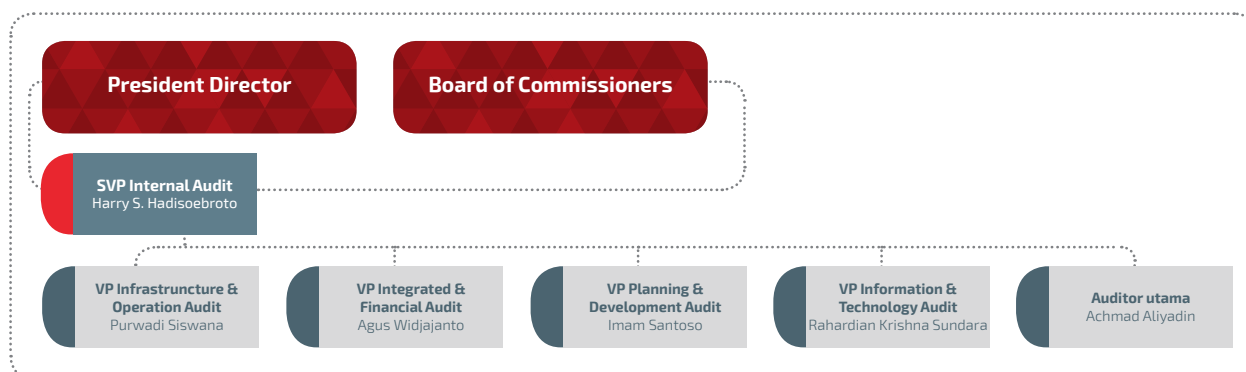
July 1, 2015 up to present.

Career Experiences

May 1, 2014 - June 30, 2015 SVP Internal Audit, PT Telekomunikasi Seluler.
 April 1, 2011 - April 30, 2014 VP Infrastructure & Supply Management Audit, PT Telkom Indonesia (Persero) Tbk.
 January 1, 2010 - March 31, 2011 AVP Infrastructure Audit, PT Telkom Indonesia (Persero) Tbk.
 November 1, 2007 - December 31, 2009 Deputy General Manager Kandatel Malang, PT Telkom Indonesia (Persero) Tbk.

INTERNAL AUDIT UNIT'S STRUCTURE AND POSITION

Internal Audit Telkom is a unit that is directly responsible to the President Director and an independent unit to other work units. This is in line with applicable capital market regulations. The following is a chart of IA Telkom's organizational structure.



The Internal Audit Unit is led by a Head of Internal Audit Unit called the Head of Internal Audit (Senior Vice President of Internal Audit) who is appointed and dismissed by the President Director with the approval of the Board of Commissioners. The President Director can dismiss the Head of Internal Audit, after obtaining approval from the Board of Commissioners, if the Head of Internal Audit does not meet the requirements as an auditor for the Internal Audit Unit as stipulated in the Regulation of Financial Services Authority No.56/POJK.04/2015 regarding "Establishment and Guidelines for Preparation of the Internal Audit Unit Charter" and/or fail or are incapable of carrying out their duties. The term of office of the Head of Internal Audit is a maximum of 3 (three) years and can be reappointed for one subsequent period. Until the end of 2018, the Head of Internal Audit assisted by 88 members and each Auditor who sits in the Internal Audit Unit is responsible in stages to the Head of Internal Audit.

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 IA's Auditor requirements. 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 Resolution of Board of Directors No.Tel.09/PW000/UTA/COP-C0000000/2015 regarding Internal Audit Charter.

INTERNAL AUDIT UNIT'S DUTIES AND RESPONSIBILITIES

Based on Internal Audit Charter, duties and responsibilities of the Internal Audit are:

1. To compose 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. Create audit report and to deliver that report to the President Director and Board of Commissioner c.q. Head of Audit Committee;
9. To monitor, analyze and report the implementation of the improvement that has been recommended;
10. 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. To provide consultation needed by the Company's management and its affiliation Company which the coverage of the assignment has been agreed before;
12. To carry out task number 2 - 10 for the Company's affiliation upon request by the President Director of the Company (management instruction);
13. To collaborate with the Audit Committee, including monitor 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. To compose the evaluation methodology and program to increase the quality of internal audit activity cooperating/ coordinating with Audit Committee;
15. To review and/or deep inspection 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 President Director and the Audit Committee; and
16. To conduct the preliminary inspection with a particular purposes.

INTERNAL AUDIT UNIT'S TASK IMPLEMENTATION

In accordance with the Annual Internal Audit Work Plan, in the year 2018, Unit IA implemented 69 assignments consisting of audit, consultation, evaluation and review activities, as follows:

Sub Department	Audit	Consultancy	Review	Evaluation	Total
Infrastructure & Operation Audit (IOA)	7	11	0	0	18
Integrated & Financial Audit (IFA)	6	5	16	6	33
Information & Technology Audit (ITA)	9	9	0	0	18
Total	22	25	16	6	69

INTERNAL AUDIT'S QUALIFICATION AND PROFESSIONAL CERTIFICATION

To ensure the quality of internal controls works well, our internal audit unit members possess various certifications that relevant and necessary in carrying out their work. Here are the details of certification held by Internal Audit members.

Certification Type	Number of Certification
Certification in Risk Management Assurance (CRMA)	1
Certified Accountant (CA)	3
Certified Banking Internal Audit (CBIA)	1
Certified Behaviour Consultan (CBC)	1
Certified Business Analysis Professional (CBAP)	2
Certified Data Center Specialist (CDCS)	1
Certified Data Center Professional (CDCP)	1
Certified Data Security Specialist (CDSS)	1
Certified Ethical Hacker (CEH)	5
Certified Fraud Examiner (CFE)	3
Certified Information Systems Auditor (CISA)	4
Certified Internal Auditor (CIA)	2
Certified IT Infrastructure Library	3
Certified Management Accountant (CMA)	4
Certified Professional Accountant of Indonesia (CPAI)	1
Certified Public Accountant (CPA)	1
Chartered of Accountant (CA)	4
Chartered Risk Manager Professional (CRMP)	3
Computer Hacking Forensic Investigator (CHFI)	3
ISO (9001, 14001, 18001, 20000, 22301, 27001)	21
Manajemen Umum Dana Pensiun (MUDP)	2
Organization Learning Technology (OLT)	2
Qualified Internal Audit (QIA)	11
Total	80

INTERNAL AUDIT'S TRAINING AND EDUCATION

During 2018, to improve quality, Telkom's internal auditors attended the training as follows:

Programs	Number of Participants	Number of Days
Culture	28	14
Leadership	8	28
Business	89	110
Technical	176	275
Certification	22	60
Sharing Knowledge	101	116
Total	424	603

INTERNAL CONTROL SYSTEM

The provisions of SOX Section 404 require Telkom to build, maintain, test and disclose the effectiveness of internal controls over financial reporting. To fulfill this, Telkom has an Internal Control System (SPI) which designed by/or under the supervision of the President Director and the Director of Finance and run by Board of Directors, management and other personnel. The purpose of implementing the SPI is to gain public confidence regarding the effectiveness of financial reporting and the preparation of consolidated financial statements in accordance with the Financial Accounting Standards of the Indonesian Institute of Accountants.

INTERNAL CONTROL FRAMEWORK

In practice, Telkom uses the Internal Control-Integrated Framework 2013 as a reference from The Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO's internal controls contain five mutually tied components that have applied at all levels and business units of the Company, including:

1. Control Environment

- a. Demonstrates commitment to integrity and ethical values.
- b. Exercises oversight responsibility.
- c. Establishes structure, authority and responsibility.
- d. Demonstrates commitment to competence.
- e. Enforces accountability.

2. Risk Assessment

- a. Specifies relevant objectives.
- b. Identifies and analyzes risk.
- c. Assesses fraud risk.
- d. Identifies and analyzes significant change.

3. Control Activities

- a. Selects and develops control activities.
- b. Selects and develops general controls over technology.
- c. Deploys through policies and procedures.

4. Information and Communication

- a. Uses relevant information.
- b. Communicates internally.
- c. Communicates externally.

5. Monitoring Activity

- a. Conducts ongoing and/or separate evaluations.
- b. Evaluates and communicates deficiencies.

These five components have been applied to Telkom's policies, such as:

INTERNAL CONTROL IMPLEMENTATION IN TELKOM

Control Environment

- Telkom builds corporate culture as a guide for key role holders in building leadership patterns and strengthening organizational synergies and enhancing sustainability competitive growth based on the values that have been formulated in The Telkom Way. It is continuously reinforced and sustained which includes four dimensions, namely the spiritual dimension, the emotional dimension, the intellectual dimension and the physical dimension as well as the great spirit of core values namely 3S: Solid, Speed, Smart.
- Telkom ensures the effectiveness of implemented Internal Audit activities by implementing the SOA 302/404 prerequisites and managed with a risk based audit approach. Telkom also ensures that effective coordination and co-operation with internal and external parties and business risks to all business activities are adequately managed with internal control systems.
- Telkom has a Competency Directory that defines the Company's competency needs. One of them is Stream Finance which includes the competence of Corporate Finance with the sub area of Capital Structure competency and Working Capital Management (Treasury Management). Then, Accounting with sub area competence of Financial Accounting, Management Accounting and Corporate Tax. The competency development policy is aimed at creating superior, global quality and highly competitive employees.

Risk Assessment

- Telkom has several considerations in developing accounting policies such as Statements of Financial Accounting Standards (PSAK), Interpretation of Statements of Financial Accounting Standards (ISAK), International Accounting Standards (IAS), Related Laws, and changes in impacted internal environments.
- Telkom has a principle of financial assertion in ICOFR planning that is well respected by all relevant employees.
- Telkom manages internal and external corporate risk with established mechanisms.
- Telkom also implements an anti fraud policy control system and have potential fraud prevention.

Control Activities

- Telkom sets up a Business Process Owner (BPO) and AO (Application Owner) that have duties and responsibilities related to ICOFR.
- Risk determination rules and internal controls refer to the ICOFR policy consisting of segregation of duties, risk determination and determination of internal controls.
- Telkom has guidelines for the implementation of information systems security that are aligned with Company needs and can be implemented on an ongoing basis.

Information and Communication

- Telkom has accounting policies implemented under IFRS, outlined in accordance with accounting principles and implementation, including information or data related to the process and disclosure of financial reporting, and regulates the components of the consolidated financial statements.
- Telkom has an information technology policy that provides a frame of reference for each process or unit associated with the organization's IT operations in the preparation and implementation of guidelines and procedures. The scope of IT regulations in our Company covers aspects of Governance of IT Governance and IT management.

Monitoring Activity

- Telkom has an Internal Audit Charter that includes the auditor's requirements in the Internal Audit unit, which has professional integrity and behavior, knowledge of risks and important controls in the field of information technology, knowledge of capital market laws and regulations.
- CEO Telkom always increases awareness from management regarding audit and change management in the form of CEO Notes and establishes Integrated Audit and forms Probis IFRS.

As of December 31, 2018, Telkom assessed the effectiveness of internal controls over the company's financial reporting with the results of the report being effective. The result shows that the implementation of the five components also in line with the Regulation of Minister of SOE Article 26 paragraph 2 in 2011 regarding Internal Control System. The effectiveness assessment has also been audited by KAP Purwantono, Sungkoro & Surja, an independent and registered public accounting firm.

Other than the COSO framework as our reference, Telkom also committed to ensure that our policies, compliance and all business activities are conducted in accordance with applicable internal and external laws and regulations such as legal advisory, legal opinion, legal review and litigation. The unit responsible for compliance with legislation is the Legal & Compliance Unit under the Corporate Secretary Department.

RISK MANAGEMENT SYSTEM

Risk management is important for Telkom to protect assets and business activities and create value for stakeholders. The risk management also constitutes compliance towards the prevailing regulations. The role and function of risk management supports the telecommunications business that has a wide scope of business areas, requires very large investments, has a high level of competition, rapid technological development, regulated business and changes in the way of communication.

GENERAL ILLUSTRATION REGARDING THE RISK MANAGEMENT SYSTEM

Regulation of Minister of SOE No. 1 in 2011 requires SOE, including Telkom, to implement risk management. In addition, the implementation of risk management is also Telkom's obligation as a Company listed on the New York Stock Exchange (NYSE) to fulfill the Sarbanes-Oxley Act, specifically article 302 and 404.

Risk Management System (Framework) and Policy

Telkom's Risk Management Policies is regulated through 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 Director of Finance No.PR.614.01/r.00/HK200/COP-D0030000/2016 regarding the implementing guideline for Telkom Enterprise Risk Management.

The main framework of Risk Management in Telkom refers to the framework of COSO (COSO ERM Framework), which includes three main components:

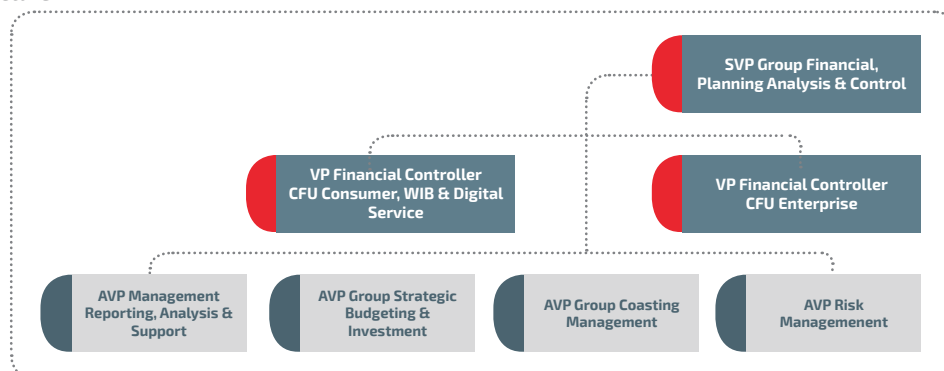
1. The implementation of Company's risk management must be able to support the Company's objective from the aspects of strategic, operational, reporting and compliance.
2. Company's risk management is applied at all levels of the organization, namely Enterprise level, Division, Business Unit, and Subsidiary, in the Company.
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/communication.
 - h. Monitoring.

References and other guidelines relevant to the implementation of risk management at Telkom, among others:

1. ISO 31000	Enterprise Risk Management as comparison and implementation 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 service.

Risk Management's Organizational Structure

According to the Regulation of Board of Directors and the Regulation of Director of Human Capital Management in 2018, Telkom's risk management function is implemented by Sub-Directorate of Risk & Process Management in the Directorate of Finance with following structure:



TYPES OF RISK AND MANAGEMENT METHOD

The risk management system helps Telkom to identify significant risks for business sustainability. Telkom has specifically identified risks in Indonesia, which cover social and political risks, macroeconomics, disasters, and other risks. Then for business risks, Telkom has identified operational, financial, legal, and compliance risks, regulations, inherent risks of the fixed and cellular telecommunications business. In addition to these risks, Telkom also conducts quantitative and qualitative disclosures on market risks.

Type of Risk	Risks That Is Faced	The Impact to Telkom	Mitigation/Risk Management
a. Risks Related to Indonesia			
Political and Social	The disruption of political 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 result 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 Telkom's 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	Risks 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 Telkom's 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, result 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 Identificate all 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 regarding 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 Telkom's business result.	<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.

Type of Risk	Risks That Is Faced	The Impact to Telkom	Mitigation/Risk Management
	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, operation result 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.
Financial Risk	Interest Rate Risk.	Has an adverse effect to the business, financial condition and result 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 result from the operation.	Placement of time deposit and hedging to cover the fluctuation risk of foreign exchange.
	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.
Legal and Compliance Risk	Penalty/fine by KPPU in relation to the price fixing and the occurrence of class action.	Reducing Telkom's revenue and has negative impact to the business, reputation and profit.	Strengthening Legal Review towards corporate action plan or certain contract.
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 result from operation, financial condition and Telkom's business prospect.	<ol style="list-style-type: none"> 1. Improving QoS – Quality of Service for cable phone customers. 2. Giving Value Added Service.

Type of Risk	Risks That Is Faced	The Impact to Telkom	Mitigation/Risk Management
	Competition on the internet service (fixed Broadband).	Has a negative impact on the business, financial condition operational performance and business prospect.	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.	1. Acceleration of the launch of the infrastructure for 4G service. 2. Improving QoS – Quality of Service.

RISK MANAGEMENT SYSTEM'S REVIEW ON THE EFFECTIVENESS

Throughout 2018, Telkom's risk management system has been effective in supporting every business policy and process in Telkom and subsidiaries. Assessment of the effectiveness of Risk Management Implementation is carried out through an evaluation process, namely:

1. One-on-one Evaluation/discussion with business unit as necessary.
2. Workshop for sharing the implementation and development of ERM with the subsidiaries as necessary.
3. Audit Program on Risk Management Implementation as necessary.
4. Evaluation with the Risk Committee, Compliance and Revenue Assurance in Board of Directors level as necessary.
5. Evaluation with Committee for Planning and Risk Evaluation and Monitoring (KEMPR) as necessary.

Telkom using application (tools)/ risk management information system as an infrastructure to support risk management system effectivity, such as:

1. Generic Tools Enterprise Risk Management Online (ERM Online) which is used by all units to manage Risk Assessment.
2. Specific Tools for the purpose of certain risk management such as:
 - a. Fraud Management System (FRAMES) application is used as an early detection system for the possibility of Customer Fraud.
 - b. i-Library application managed by the Service Operation Division and to be used to manage documentation system of Integrated Management System.
 - c. SMK 3 Online application managed by Security & Safety Unit for Health and Safety documentation management.
 - d. Telkomcare application for the coordinate with Crisis Management Team.



In 2018, the implementation of Telkom's risk management system is in accordance with certification standards from external parties, namely:

External Institution	Type of Award
PT. TUV Rheinland Indonesia	Integrated Management System for infrastructure management includes: <ul style="list-style-type: none"> • The certificate of ISO 20000-1:2011 - IT Service Management • The certificate of ISO 22301:2012 - Business Continuity Management System • The certificate of ISO 27001:2013 - Information Security Management System • The certificate of ISO 9001:2015 - Quality Management System

In order to maintain and improve the quality of risk management, Telkom developed risk management competencies through training. In addition, Telkom conducts socialization and workshops related to risk management in the division office and subsidiaries so that individuals in Telkom have a common understanding of risk management.

Risk Management Training in 2018

No.	Type of Training	Time
1.	Risk Register Management	February 2018
2.	Responding to Our VUCA World "with Effective Risk Management with The New ISO 31000:2018 Risk Management Guidelines"	May 2018
3.	Risk Control Self Assessment	May 2018
4.	Cyber Risk Management	May 2018
5.	Asia Pacific Risk Symposium 2018	June 2018
6.	Nurturing Agile Internal Auditors in Disruptives Times	August 2018
7.	Financial Risk Management	September 2018
8.	Business Continuity Management: Business Disruptions	September 2018



→ The giving of the cake as a symbolic expression of gratitude and happiness at Telkom's birthday celebration was carried out by the President Director to the youngest employees and the President Commissioner to Mr. Setyanto P. Santosa as Chairperson of the Telkom Retired Association (P2Tel).

WHISTLEBLOWING SYSTEM

Telkom has a violation reporting system or known as a Whistleblowing System (WBS) since 2006. Through the WBS, all individuals within Telkom and third parties can report violations, fraud or other forms of ethical violations that occur. The WBS is managed by the Audit Committee through the decisions of Board of Commissioners and ratified by the Resolution of Board of Directors. Telkom has socialized the WBS to employees so the existing system can be used properly and effectively. The application of WBS in Telkom's environment is an effort to uphold business ethics and work ethics.

THE VIOLATION REPORT

All individuals at all of our Telkom staffing levels, including Board of Directors, Board of Commissioners and members of the committees under Board of Commissioner, are entitled to use the WBS. Reports can be submitted via email, fax, or letter with an address:

Audit Committee

PT Telkom Indonesia (Persero) Tbk
Telkom Landmark Tower 40th Floor, The Telkom Hub
Jl. Jend. Gatot Subroto Kav. 52, Jakarta, 12710
Email: whistleblower@telkom.co.id; ka301@telkom.co.id
Fax: +6221 80863540
Website: www.telkom.co.id

The Complaint must fulfil the following requirements:

1. It is submitted through the website, email, fax or letter.
2. Complaints submitted related to 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 COMPLAINANT

Telkom guarantees protection of the identity of the reporter through Resolution of Board of Commissioners No.08/KEP/DK/2016 dated June 8, 2016 regarding the Complaints Handling Procedure (Whistleblowing) Policy of PT Telkom Indonesia (Persero) Tbk and its subsidiaries which followed up by Standard Operating Procedure (SOP) which the last one that released through the Resolution of Board of Commissioners No. 01/KEP/DK/2018 regarding Standard Operating Procedure of Whistleblowing System on Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk. and its consolidated subsidiaries. The Resolution of Board of Commissioners regarding whistleblowing system were later ratified by the Resolution of Board of Directors No.PD.618.00/r.00/HK200/COP-C0000000/2016 dated December 21, 2016. Furthermore, the implementation of the WBS always prioritizes confidentiality and the principle of presumption of innocence in following up on any complaints or reports submitted. This is stated in the standard procedures for handling the WBS with the aim of encouraging safe reporting of violations without fear or worry about their safety.

THE COMPLAINT HANDLING

The Whistleblowing System is the responsibility of the Audit Committee based on Regulation of Financial Services Authority No.55/POJK.04/2015 and Sarbanes-Oxley Act 2002 Section 301 regarding the Public Company Audit Committee. On the other hand, the requirements for complaints are also needed to ensure that the reporter submits the complaint responsibly and is not a slander against someone.

In general, complaint reports submitted by internal or third parties handled by the audit committee covers the following topics:

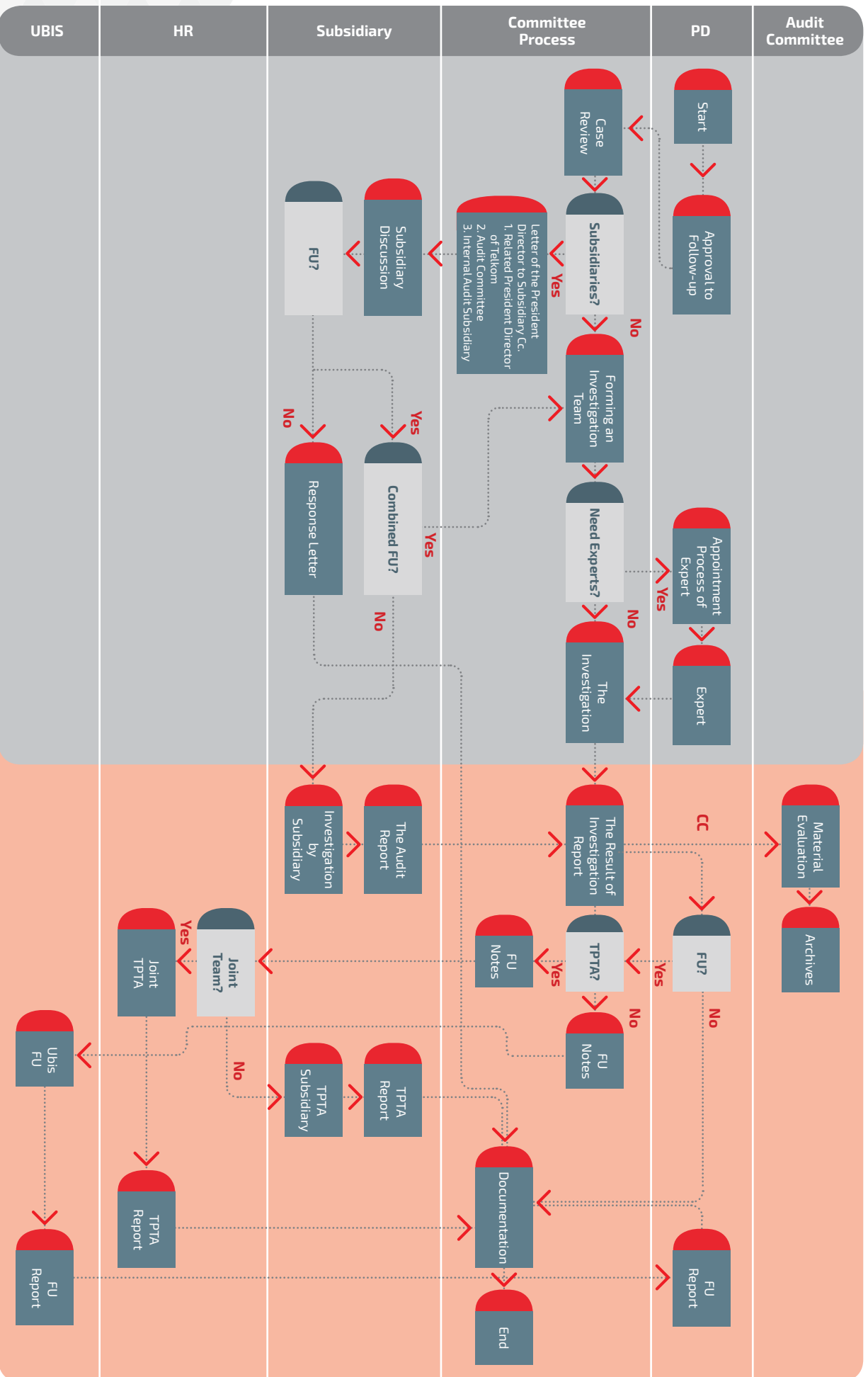
1. Accounting and Auditing.
2. Violation of Regulation.
3. Fraud and/or The Allegation of Corruption.
4. Code of Conduct.

THE COMPLAINT HANDLING MECHANISM

Telkom encourages reporters to ensure the correctness and accuracy of information and provide sufficient supporting data so that reports can be followed up immediately. In practice, some WBS cases cannot be processed because the data and information are inaccurate and unreliable.

Investigation Process

Reporting and Follow-up



Remarks:
 TPTA: Tim Pertimbangan Tindakan Administrasi
 (Administrative Measures Consideration Team)

THE PARTY THAT MANAGES THE COMPLAINT

The Whistleblower Protection Officer (WPO) is a member of the Audit Committee whose task is handle complaints by doing the following things:

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:

1. To give approvals to follow up of complaints received.
2. To give approvals on whether a complaint is to be followed up by an internal or external party.
3. 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 2018, there were 24 (twenty four) whistleblowing complaints submitted in WBS, but after the Audit Committee reviewed the complaints, there were only 5 (five) complaints that qualified as WBS category, while the remaining qualified as service/product complaints.

Description	Total	Remarks
Total Complaint	24	Received complaints
Fulfil the requirements	5	Complaints proper to be followed up

BOARD OF DIRECTORS' AND COMMISSIONERS' SHARE OWNERSHIP POLICY IMPLEMENTATION

The obligation of each member of Board of Directors and Commissioners of Telkom to report any changes in share ownership directly or indirectly is regulated in the Regulation of Financial Services Authority No.11/POJK.04/2017 regarding Ownership Reports or Any Change in Public Company Share Ownership.

In line with these regulations, in this report Telkom provides information about share ownership by members of Board of Directors and Board of Commissioners and changes throughout 2018. The information referred to is found at the beginning of this annual report.

EMPLOYEE STOCK OWNERSHIP PROGRAM

Telkom had opened opportunity for employees to participate in employee ownership programs and/or management, or also called Employee Stock Ownership Programs (ESOP). On November 14, 1995, during the Initial Public Offering (IPO), on November 14, 1995, 43,218 employees owned 116,666,475 Telkom shares.

Then on June 14, 2013, Telkom transferred a portion of the buyback shares in the form of employee share ownership as part of the annual work incentive for financial year 2012. A total of 59,811,400 of buyback shares (equivalent to 299,057,000 shares after the stock split) transferred to 24,993 employees with an overall fair value of Rp661 billion.

In 2018, Telkom has not entered into an ESOP program in 2018, thus returning, so that there is no information on the number of shares and/or options, implementation period, eligible employee and/or management requirements, and implementation prices displayed in this Report.

SIGNIFICANT LEGAL DISPUTES

During 2018, none of Telkom's board of commissioners' and directors' members, either those who remain in office and whose terms of office have expired, had any legal disputes or faced any civil or criminal cases. As a business entity, Telkom faces 52 legal cases consisting of 14 criminal law cases and 38 civil law cases.

Recapitulation of Lawsuits Cases in 2016-2018

Legal Issues						
Status	2018		2017		2016	
	Criminal	Civil	Criminal	Civil	Criminal	Civil
In process	14	38	4	36	9	36
Final and binding (inkracht)	22	27	19	29	0	24
Sub Total	36	65	23	65	9	60
Total	101		88		69	

Significant legal issues faced by the Telkom during the period of January to December 2018 can be seen in the table as follows.

Key Case Faced in 2018

Object of Dispute	Type of Court	Status of Dispute	Financial Implications
Telkom became the Appellee in the DKI Jakarta High Court with allegations of malafides in stopping transponder services to PT Citra Sari Makmur (PT CSM).	High Court	The High Court of DKI Jakarta has issued an Appeal Decision whose core concern is to state that this case is the absolute authority of the Tax Court.	-

INFORMATIONS REGARDING ADMINISTRATIVE SANCTIONS

In 2018 financial year, Telkom received several administrative sanctions from capital market authorities. Details of sanctions as follows:

Administrative Sanctions 2018

No.	Administrative Sanctions	Institution	Financial Implications (Rp)
1.	Administrative Sanctions for Delays in Submitting Reports and Announcements Information or Material Facts for the Acquisition of Shares in PT Bosnet Distribution Indonesia.	OJK	2,000,000
2.	Administrative Sanctions for Delays in Submitting Reports and Announcements Information or Material Facts on Acquisition of PT Nutech Integrasi Shares.	OJK	3,000,000
3.	Administrative Sanctions for Delays in Submitting Reports and Announcements of Information or Material Facts related to Appointment of Ms. Devy W Suradji as Director of the Company (Company) of PT Angkasa Pura I.	OJK	5,000,000

INFORMATION ACCESS AND COMPANY'S PUBLIC DATA

Telkom provides access to company's information and data on a regular basis through various approaches and lines of communication. This is done to fulfill the principles of transparency and accountability in the implementation of good corporate governance (GCG). In addition, Telkom also establishes communication with stakeholders and participates in fulfilling the information disclosure of the capital market environment regulated in the Regulation of Financial Services Authority No.31/POJK.04/2015 regarding Disclosure of Material Information and Facts by Issuers or Public Companies. Approaches and lines of communication applied includes:

1. General Meeting Of Shareholders (GMS)

Through the GMS, information related to company's performance is delivered to shareholders. The GMS is also a tool for shareholders to participate in decision making, especially regarding decisions of strategic matters.

2. Website

Through the www.telkom.co.id website, the latest information about Telkom can be accessed by stakeholders. Information that can be accessed includes profiles, corporate governance, CSR programs, careers, reports including annual reports and financial reports, and products from Telkom.

3. Media

During 2018, Telkom made a news release and sent it to the mass media in order to spread the company's information transparency to stakeholders.

4. Meeting with Analysts and Investors

Telkom meets with analysts and investors to provide information about performance and prospects of the Company and provide up-to-date information about the telecommunications industry in general.

5. Contact Via E-Mail

Telkom is open to communicate with stakeholders through e-mail. For communication facilities, the customercare@telkom.co.id e-mail address can be used by stakeholders who are Telkom customers, while the e-mail address of investor@telkom.co.id is intended for investors.

6. Internal Media

Intra Telkom is a media managed by Telkom as a tool of information, education and socialization for Telkom to all internal employees of the company.

7. Social Media

Telkom uses a variety of social media to communicate with stakeholders, including the younger generation, who are very familiar with digital media and social media.

Social Media	Twitter	Facebook	Instagram	Youtube
Account	@TelkomIndonesia	Telkom Indonesia	@telkomindonesia	Telkom Indonesia Official
Followers/Subscribers/Fans	109,596 Followers	292,394 Fans	140,243 Followers	6,620 Subscribers

CORPORATE CODE OF CONDUCT

CODE OF CONDUCT'S IMPLEMENTATION FOR BOARD OF DIRECTORS, BOARD OF COMMISSIONERS AND EMPLOYEES

In accordance with Circular Letter of Financial Services Authority No.32/SEOJK.04/2015 regarding Corporate Governance Guidelines and Sarbanes-Oxley Act (SOA) 2002 section 406, Telkom owns and runs a code of ethics that applies to all levels of the organization. This Telkom specified by the Regulation of Board of Directors No.PD. 201.01/2014 regarding Business Ethics in TelkomGroup and the Regulation of Director of the Human Capital Management No.PR.209.05/r.00/PS800/COP-A4000000/2017 regarding Employees' Ethics and Compliance. The decision explained about the business ethics devoted to the external environment and the work ethic of employees devoted to internal Telkom. Telkom's business ethics applies to members of Board of Directors, Member of Board of Commissioners and a large family of Telkom employees in dealing with customers, suppliers, contractors and other external parties who have a relationship with the Company. Employee work ethic applies to fellow employees during work in TelkomGroup.

In addition, Telkom Directors through Regulation of Board of Directors No.PD.604.00/r.00/HK000/C00-D0030000/2011 dated July 11, 2011 which contains a Board of Directors Charter which is not only contains duties and responsibilities but also contains the Code of Ethics which prevail for all Directors. As for the Board of Commissioners through the Board of Commissioners Charter as outlined in the Resolution of Board of Commissioners No.16/KEP/DK/2013, it also has a Code of Ethics that applies to the entire Board of Commissioners, both Commissioners and Independent Commissioners.

Besides the Code of Ethics, Telkom through Resolution of Board of Directors Number KD.36/HK290/COP-D0053000/2009 regarding the Integrity Pact also requires employees and Directors to sign the Integrity Pact which contains the commitment of Employees and Directors not to violate the integrity codes described in the regulation. Likewise with the Board of Commissioners who signed the Integrity Pact as a manifestation of the Board of Commissioners' commitment not to violate the existing Code of Ethics.

CODE OF CONDUCT'S PRINCIPLES

The Telkom Code of Ethics that is applied includes arranging the main matters regarding:

1. Employee Ethics

Which is the system of values or norms that are used by all employees and leaders in the daily work.

2. Business Ethics

Which is a system of values or norms that is upheld by the Company as guidelines for the Company, Management, and its Employees to interact with the surrounding business environment.

CODE OF CONDUCT'S SOCIALIZATION AND EFFORTS TO ENFORCE THEM

Telkom sends out the socialization materials to employees about GCG understanding, business ethics, integrity pacts, fraud, risk management, internal control (SOA), whistleblowing, ban of gratification, IT Governance, maintain information security and other matters related to corporate governance practices. This form of socialization is carried out so that employees can continue to maintain and apply the code of ethics as long as they are part of the Telkom family.

Telkom also organizes e-learning on business ethics and employee's ethics and compliance with the population of all employees through the media portal/intranet. Through this e-learning, employees are expected to extend their understanding of the code of ethics in carrying out daily activities. In addition each employee also required to make a statement in the form of integrity pact signed and observed by all employees for being employees of the Telkom.

CORPORATE CULTURE

THE TELKOM WAY

Telkom has "The Telkom Way" which was established on June 10, 2013 as a Company culture or values. The determination was made through Resolution Letter of Telkom's Board of Directors No.PD.201.00/r.00/HK250/COP-B0020000/2013 regarding Architectural Leadership and Corporate Culture. The above corporate culture determination refers to the Telkom management concept which is based on 8S elements, namely Spirituality, Style, Shared Values, Strategy, Staff, Skill, System, and Structure. The complete Corporate Culture is formulated as follows:

1. Philosophy to be the Best: Integrity, Enthusiasm, Totality.
2. Principles to be the Star: Solid, Speed, Smart.
3. Practices to be the Winner : Imagine - Focus - Action.

Furthermore, guidelines for the implementation of Corporate Culture in the TelkomGroup are stipulated in Regulation of the Director of Human Capital Management Number: PR.201.01/r.01/HK250/COP-B0400000/2018 regarding Telkom Corporate Culture. In this Regulation, it is regulated in detail regarding Corporate Culture, one of which is the description of Do's and Dont's of the values of The Telkom Way facilitating Employees to understand the values of Corporate Culture.



CORPORATE CULTURE'S IMPLEMENTATION IN 2018

The measurement of corporate culture's implementation in Telkom is done by measuring the Cultural Health Index through the Corporate Culture Entropy Survey. Until now, the TelkomGroup has succeeded in maintaining the Corporate Culture Health Index at the PRIME or HEALTHY level.

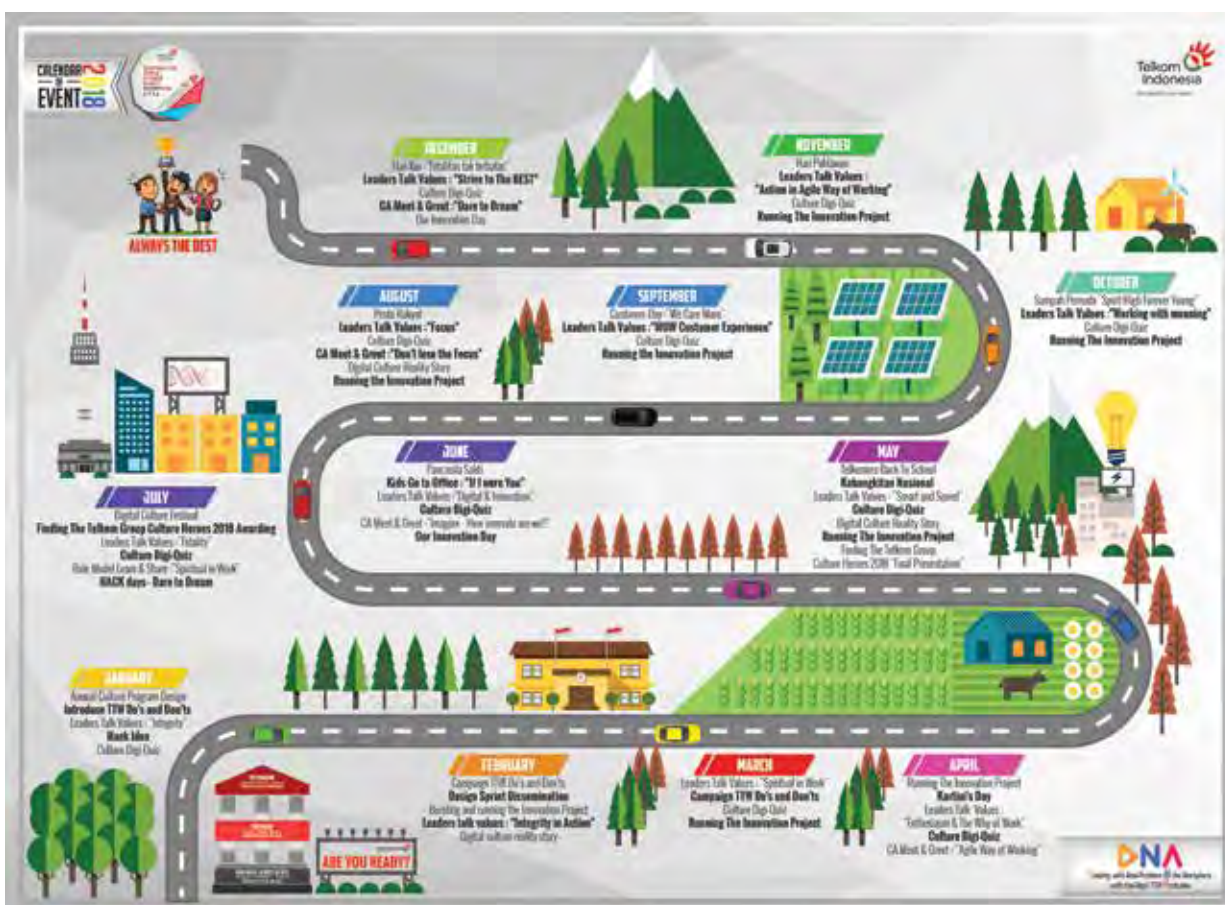
CORPORATE CULTURAL ACTIVATION PROGRAMS IN 2018

Our corporate culture is internalized from top to down, CEO of TelkomGroup is a role model of Corporate Culture and assigns all Unit Leaders to be Role Models. Role Models are also obliged to select and assign Culture Agents in charge of organizing cultural activation initiatives in the relevant units and motivating all employees to participate in the initiatives to allow smooth internalization process of The Telkom Way. To date the TelkomGroup has assigned 1,659 Culture Agents (consisting of 445 Culture Agents of Telkom, 582 Culture Agents of Subsidiaries and 632 Culture Booster) who prior to carrying out their duties as Culture Agents were engaged in the Culture Agent on Boarding program to provide skills and knowledge as well as common perception to be Culture Agents.

To accelerate the implementation of corporate cultural activities at the unit level, all Unit Leaders are instructed to establish a Cultural Activation Provocation Community (Komunitas Provokasi Aktivasi Budaya/KIPAS Budaya) in their respective units. A total of 123 units of KIPAS Budaya were recorded until December 2018. Each unit has discretion to name their KIPAS Budaya according to their respective goal and awesome. The theme of KIPAS Budaya activities is tailored to the Company's business strategy. In 2018, the theme was set nationally as "Dealing with real problem N the work place with the right TTW Attitude (DNA)". As a reference for unit cultural activation activities, a Calendar of Event Program was published with an approach of National Days.

CALENDAR OF EVENT

Calendar of Events (COE) is one of media to communicating culture activation program every month and as a reference to the TelkomGroup's Unit in constructing and do their culture activation in its own unit the values of The Telkom Way in order to instill corporate culture to the daily attitude of employees.



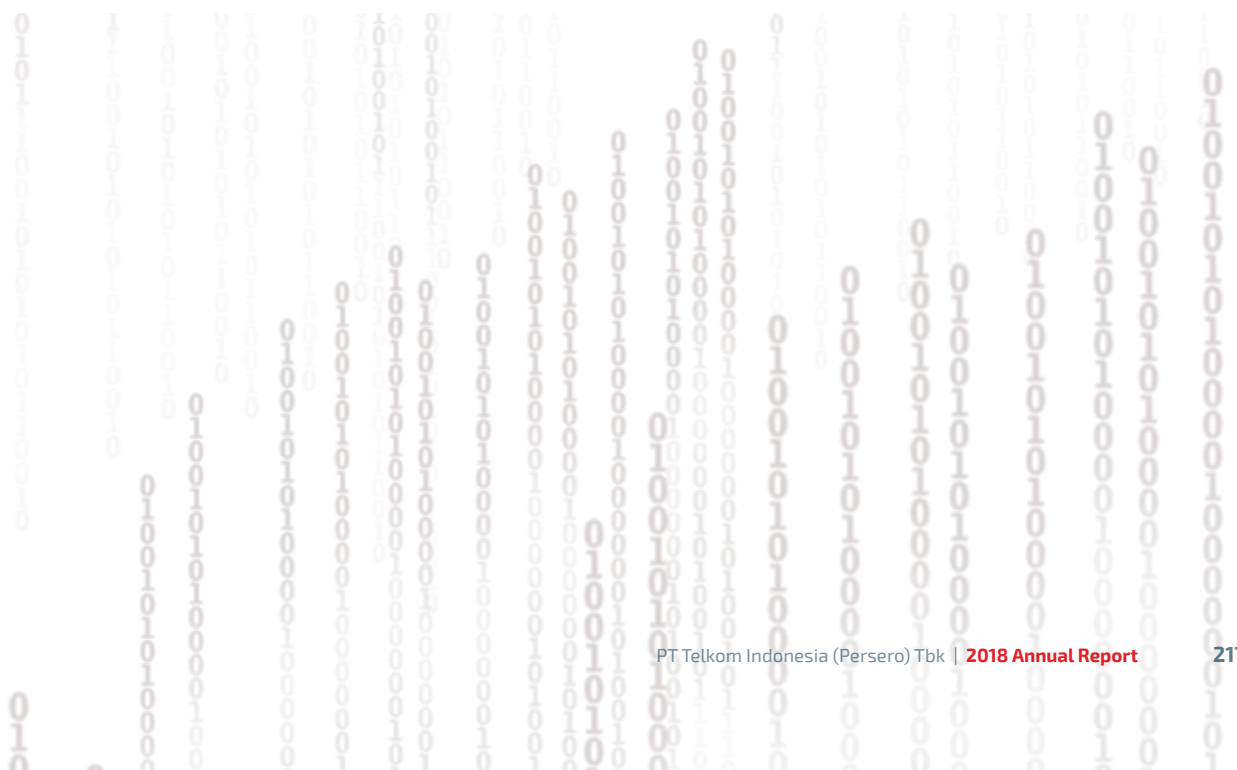
BUILDING DIGITAL CULTURE

As part of the company's transformation, the Company builds human resources with a digital culture while still referring to The Telkom Way as a system value formulated as the Philosophy To Be The Best, Principles To Be The Star and Practices To Be The Winner. This system value provides the spirit for every Telkom employee to always give the best, mobilize their abilities in total, enthusiastic and with integrity. Every Telkom employee is also encouraged to build synergy towards a common goal, have initiative in serving and looking for new ways to solve various problems. Internalization of the values of The Telkom Way is always carried out through various culture activation activities, especially in daily works so that the behavior and characteristics of the winner are embedded in every Telkom Employee.

In order to build digital competency, The Company gives trainings to strengthen digital culture that has been built at the top of 4 development pillars. The first pillars are character development by referring to values of The Telkom Way. The second pillars are leadership development, by referring to 8 main competency of Digital Leader which expected to have a good character with business capabilities and a strong leadership, have a national insight and global orientation. The third pillars are professional development including soft skill aspect needed to become manager & Leader like decision making, people development, teamwork, organization awareness, analytical & conceptual thinking and many others related skill. The last one is the development of technical skill, such as the development of job family, job function and job role that are relevant with its role in the organization, for example for the ICT & Digital we develop trainings like digital business, user interface (UI) & user experience (UX), data analytics, digital marketing and many other related trainings. The Company also equipped employee with digital tools for daily operation namely corporate portal, which includes e-office, e-budgeting, filesharing, collaboration (Diarium), career & succession management (Ingenium), learning & knowledge management (Cognitium), and many other digital applications.

The Company encourage its employees to develop digital based innovation culture which expected to produce digital product and services, improve service given to the customer and solve operational problems. In order to build the innovation culture mentioned before, the shape of our organization and method of work need to be changed into an agile one by expanding "team based" method of work. Telkom made a breakthrough in terms of how the organizations work through tribe and squad scheme which allows a group of employees with certain competency move faster and more agile in order to serve certain customer. Telkom also made a breakthrough by providing media for our employee that have certain competency and expertise to participate in a project outside its working unit, among them are that the company encourage its employee to develop digital based innovation culture through program Digital Amoeba which is expected to produce digital product and services.

Employee ideas are also possible to be channeled more easily through the hackaton model known as HackIdea which is carried out routinely and massively throughout the Telkom organization and region. Ideas that are considered to have value for the organization are exposed regularly through innovation festivals and developed structurally through the Digital Amoeba innovation program.





06

CORPORATE SOCIAL RESPONSIBILITY (CSR)

- 220 Goods and Services Responsibility
- 222 Employment, Health, and Safety
- 225 Community Social Development
- 228 Environmental Responsibility



Tower Maintenance is carried out to maintain the quality of mobile service.

GOODS AND SERVICES RESPONSIBILITY

PRODUCT INFORMATION

Telkom constantly ensures customers to obtain accurate and current information product could be satisfied so the customer would not incur losses. Telkom provided product information in various ways such as in starter pack mobile packaging, website, promotion occasion and intensive marketing communication.

CONSUMER HEALTH AND SAFETY

Telkom has several activities to ensure costumers would not incur losses in health and safety such as Telkom Integrated Quality Assurance (TIQA) program, after-sales warranty, and customer service policy implementation. For customer service, Telkom policy emphasized on service delivery, service assurance and quality service measurement

CUSTOMER SATISFACTION

High customer satisfaction is one indicator of Telkom service quality. Customer satisfaction measurements are conducted annually through the Customer Satisfaction Index (CSI), Customer Dissatisfaction Index (CDI), and Customer Loyalty Index (CLI). The following table shows the results of the CSI, CDI and CLI surveys in the last three years.

Description	Year		
	2018	2017	2016
Customer Satisfaction Index (CSI)*	87.71	86.56	85.26
Customer Loyalty Index (CLI)*	82.84	82.01	78.31
Customer Dissatisfaction Index (CDI)*	2.17	2.78	2.50

*IndiHome & Wifi.id customers

CUSTOMER COMPLAINTS

In response to customer complaints, Telkom provides different approaches for individual and corporate customers. For individual customers, the complaints may be submitted to the customer service center called Plasa Telkom. In addition, individual customer complaints can also be submitted through complaint media:

- Plasa Telkom
- Call Center: 147
- Social Media: @telkomcare (twitter), telkomcare (FB).
- Apps: myIndiHome.
- Complaint via web chat at www.indihome.co.id.

Specifically for the celular's customers, Telkom provides "Caroline" call center, which is an abbreviation for customer care online. The contact numbers of Caroline are as follows:

- 133 for Kartu Halo.
- 188 (24 hours, paid) for simPATI and Kartu As.
- 0807-1811811 (PSTN local rate tariff) for national scale.

Moreover, the corporate customer complaints may be submitted through:

- 1500250 and e-mail tele-am@telkom.co.id and social media @Smart_Bisnis (Twitter) and Smartbisnis (Facebook) for SMB customers.
- 08001 Telkom or 08001035566 and e-mail: c4@telkom.co.id, and social media @TelkomSolution (Twitter) and TelkomSolutionID (Facebook) for corporate customers and Government Institutions.



In 2018, there was a percentage increase of direct settlement of complaints compared to that of the previous year. The following table shows the duration of customer complaint settlement for the past three years:

Customer's complaint	2018	2017	2016
	%	%	%
Internet			
Directly solved	44.3	37.0	22.1
1-3 days	52.6	59.8	60.5
> 3 days	3.1	3.2	17.4
	100.0	100.0	100.0
Telephone			
Directly solved	44.0	30.0	23.7
1-3 days	52.5	65.6	60.9
> 3 days	3.5	4.4	15.4
	100.0	100.0	100.0

EMPLOYMENT, HEALTH, AND SAFETY PRACTICES

GENDER EQUALITY AND EMPLOYMENT OPPORTUNITIES

Telkom has employment practices in accordance with international regulations and business ethics. Telkom high concern about gender equality and employment opportunities. In Telkom, every gender could hold the position at the various level according to their competency.

In 2018, Telkom recruited 349 men and 212 women. The number of male and female employees at the end of 2018 was 18,042 and 5,961 people. The proportion of male employees to women in Telkom was not due to discrimination. However, there was more men were compared to women who were interested in working in the telecommunications industry, especially for the types of outdoor work.

Telkom Employee Recruitment Based on Gender for 2016-2018

Description	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Entry Level						
a. Age Range 18-25 Years Old	244	141	232	147	200	202
b. Age Range 26-30 Years Old	105	71	21	13	20	24
	349	212	253	160	220	226
Total	561		413		446	

Employees by Managerial and Gender Position per 31 December 2016-2018

Description	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Band I	144	6	111	8	110	8
Band II	607	58	498	44	420	40
Band III	2.010	355	2.027	319	1.661	212
	2,761	419	2,636	371	2,191	260
Total	3,180		3,007		2,451	

EDUCATION AND/OR TRAINING

Telkom is committed to providing the best education and training for the employee because improving employee competencies will impact on the performance. Telkom always strives for a quantitative and qualitative improvement for employee education and training. In 2018, Telkom provided opportunities for education and training for 12,897 men and 2,385 women. It was lower than the previous year in general due to the change of learning method into self-led learning so Telkom provided knowledge repository for business requirement.

Description	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Certification	1,140	193	850	321	308	118
Leadership Development Program	1,048	426	822	262	446	62
Regular Training	10,709	1,766	14,719	6,060	19,849	5,598
a. Operational	10,054	1,668	9,367	4,299	12,385	3,493
b. Management	655	98	5,352	1,761	7,464	2,105
Total	12,897	2,385	16,391	6,643	20,603	5,778

EMPLOYEE TURNOVER RATE

Our employee turnover rate in 2018 reached 0.16% compared to 0.19% in 2017. Most of the employees who left the Company were on their own request.

Description	2018	2017	2016
Total number of Telkom Employees	12,765	13,956	14,933
Employee turnover rate	21	27	11
By own request/voluntary	15	15	11
Becoming a political party official	-	-	-
Becoming an SOE director/government official	4	4	-
Disciplinary misconduct	-	-	-
Marry another Telkom employee	2	8	-
Retired	-	-	-
Died	-	-	-
Turn Over percentage	0.16%	0.19%	0.07%

REMUNERATION

In terms of remuneration, Telkom conform with provincial minimum wage regulations. Telkom set the lowest salary above the provincial minimum wage. The following table shows that the salary conditions apply to all Telkom employees at various levels.

Description	2018		2017		2016	
	Men	Women	Men	Women	Men	Women
Senior Management	100%	100%	100%	100%	100%	100%
Middle Management	100%	100%	100%	100%	100%	100%
Supervisor	100%	100%	100%	100%	100%	100%
Other	100%	100%	100%	100%	100%	100%

FACILITY AND WORK SAFETY

In terms of workplace safety and health, Telkom has an internal policy on occupational safety in the Directors Decree No.37 of 2010 concerning the Establishment of a Company Safety and Security Management Policy dated October 26, 2010. Telkom also maintains a reputation for safe working hours and zero fatality in the last few years and implemented a workplace safety and health management system (SMK3). The socialization of the implementation of SMK3 was carried out online through Safety Care Online and the SAS Portal application was in accordance with Government Regulation No. 50 of 2012. The consistency of the SMK3 implementation was online through application in SAS Portal in accordance with Government Regulation No. 50 of 2012. In 2018, the SMK3 certification program was implemented in 19 Telkom office locations throughout Indonesia. This program has an impact on improving employees work safety readiness in accordance with applied regulations and policies.

RATE OF OCCUPATIONAL ACCIDENTS

Telkom has maintained zero accident for three years since 2016. This is a good achievement of various efforts to handle employee safety and health.

COMPLAINTS HANDLING MECHANISM OF LABOR ISSUES

Telkom understands the importance of manpower as one of the most crucial components in conducting business activities and achieving performance targets as effectively and efficiently as possible. Therefore, Telkom makes our best efforts to minimize the negative impacts of existing labor issues. One of Telkom's effort is provide a number of employee complaint mechanisms for the early detection and settlement of problems.

Complaints of labor issues may be submitted through:

- **HR helpdesk** is a complaint mechanism through the web-in service, mail-in service HR_helpdesk@telkom.co.id, and phone-in service number 1500305.
- **HR Wiki** is a search engine service used by the employees to obtain information about employment in Telkom.
- **Employee aspiration** is an adaptation of the employee suggestion system (ESS) which may be utilized by the employees to convey their suggestions and aspirations.
- **Employee reference** is a catalog of human capital or employment policy of Telkom available to the employees, including regulations and explanations.

Telkom accepted 348 employment complaints and solved 307 complaints or 95%. Most of the complaints are about remuneration, administration, service, and career management. Telkom did refinement such as:

- Remuneration improvement by increasing housing allowance basic rate in 2018 followed by the adjustment for employee who took 5-year housing allowance option.
- Administration service improvement by providing help to update employee and family data, healthcare facilities information and allowance for social security of employment and health program.
- Career management improvement by providing Ingenium application that could be accessed online to choose their desired career path, talent management with compatible job function, and assessment in promotion and mutation.

COMMUNITY SOCIAL DEVELOPMENT

LOCAL WORKERS

Telkom noticed the socio-economic impacts of the operating activities such as the absorption of local labor. It was done directly by the recruitment of Telkom and its subsidiaries, as well as indirectly by the recruitment of Telkom partner contractors.

ANTI-CORRUPTION MECHANISM AND PROCEDURAL POLICY

Telkom has an internal policy related to Anti-Corruption through Directors Decree No.43 of 2008 concerning Anti-Fraud Policies in Telkom on December 2, 2008. Each employee is required to sign the Integrity Pact. Telkom also has anti-corruption portal called myintegrity.telkom.co.id. In order for employees to have good capacity to prevent corruption, Telkom holds anti-corruption training for employees. One of Telkom efforts in preventing corruption is the supplier selection process that needs to take several stages such as name registration through the application of supply management and logistic enhancement (SMILE), supplier selection, and determination of suppliers entitled to bid.

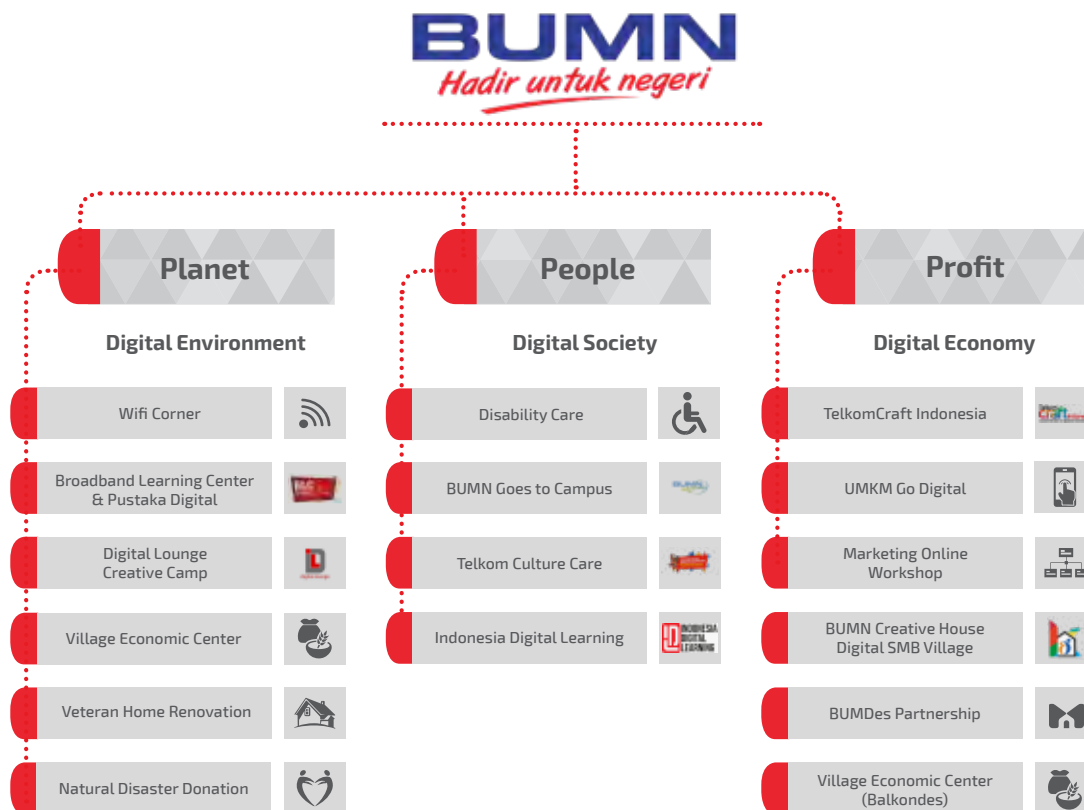
In addition, Telkom also complies with regulations that regulate the Obligations of State Administrators to report assets. The obligation refers to:

1. Law No. 28 of 1999 concerning State Administrators that Are Clean and Free of Corruption, Collusion and Nepotism
2. Law Number 30 of 2002 concerning the Corruption Eradication Commission
3. Corruption Eradication Commission Regulation Number: 07 of 2016 concerning Procedures for Registration, Announcement and Examination of State Assets Assets

As an implementation of these regulations, Telkom requires all echelon I and II officials to report their assets according to applicable procedures.

EMPOWERMENT OF OUR COMMUNITIES

Telkom's CSR program includes the Partnership and Community Development Program (PKBL) and CSR-PR. In 2018, Telkom's CSR program, BUMN, was present for the country, taking the theme of Telkom Indonesia for Indonesia. The main programs are: Planet - Digital Environment, People - Digital Society, and Profit - Digital Economy.



In 2018, the costs incurred for the implementation of our social responsibility activities reached Rp425.66 billion. The biggest proportion of the costs was for partnership programs of Rp279.98 billion, followed by Rp105.88 billion for environmental development and Rp39.80 billion for CSR programs. The following funds are allocated for community empowerment:

Description	2018	2017	2016
	Rp (Billion)		
Partnership & Community Development Program	385.86	389.58	442.89
Partnership Program	279.98	307.61	360.92
Community Development Program	105.88	81.97	81.97
CSR-PR	39.80	28.50	19.30
Total	425.66	418.08	462.19

UPGRADING OF SOCIAL FACILITIES AND INFRASTRUCTURE

Telkom held several activities such as rehabilitation of the education facilities, orphanage, sanitation and environment, maintenance of the public road, and facilities recovery in disaster affected area. Telkom conducted social facilities and infrastructure improvement in several Indonesia area throughout 2018 below.



Minister of SOE Rini M. Soemarno accompanied by East Nusa Tenggara Governor Frans Lebu Raya dan Telkom President Director Alex Janangkih Sinaga presented Telkom CSR such as clean water facilities for residents in Adonara, East Nusa Tenggara. In the activity series of BUMN Hadir untuk Negeri at NTT, Telkom gave help renovating St. Martinus Hinga Church, Nur Sa'adah Puhu Mosque and Jabal Nur Great Mosque in East Adonara District, as well as constructed artesian well in Wotan Ulu Mado District to overcome scarcity of freshwater, and built Broadband Learning Center facilities at MTs Nurul Iman, Kupang; and provided iChat application Weri States SLB, Larantuka.



Telkom provided Broadband Learning Centre and renovated Utsmaniyah Al-Musri Boarding School that had a fire in Garut, West Java.



Telkom HCM Director Herdy Harman symbolically delivered help for Al Andalusia Orphanage, Jakarta.



Telkom Consumer Service Director Siti Choiriana delivered Telkom CSR for national border posts. Telkom and other BUMNs worked together to improve the quality of public and social facilities for the society in Oebela Village, Rote Barat Laut District, Rote Ndao District, East Nusa Tenggara.



Telkomsel President Director Ririek Adriansyah inaugurated public toilet and clean water facilities in Cilincing, North Jakarta at BUMN Hadir Untuk Negeri 2018 Program.



Telkom Finance Director Harry M. Zen, as the advisor for the improvement and provision of school infrastructure for the BUMN Hadir untuk Negeri 2018, visited schools in the Marunda, Cilincing, North Jakarta to see the progress of school facilities and the BLC (Broadband Learning Center) room. On that occasion, he also gave volleyball and basketball to Al Rahmah and Al Aminiyah Elementary School.



Telkom President Director Alex Janangkih Sinaga presented 1000 simPATI simcard to IT Head Division of Central Sulawesi Police AKBP M. Haritsuddin, witnessed by Ministry of SOE Rini M. Soemarno and Telkomsel Network Director Bob Apriawan at Integrated Operation Center (IOC) Telkom Regional Office in Palu, Central Sulawesi. It was supposed to help the communication of police officer and volunteer in disaster area.



President Joko Widodo was accompanied by Minister of SOE Rini M. Soemarno, Telkom President Director Alex Janangkih Sinaga, PLN President Director Sofyan Basir, and West Java Governor Ridwan Kamil observed "Sambungan Listrik Gratis" (Free Electrical Connection) program in Cibatu, Garut, West Java. This program was part of BUMN Hadir untuk Negeri 2018 program when Telkom, PLN and other SOEs participated increasing electrification ratio and compliance of basic electricity needs for resident in south region West Java and Banten to enhance their productivity.



Director of WINS Abdus Somad Arief accompanied by Director of Consumer Siti Choiriana helped resident that affected by tsunami disaster in Banten, Jawa Barat.

ENVIRONMENTAL RESPONSIBILITY

RECYCLABLE AND ENVIRONMENT-FRIENDLY MATERIAL AND ENERGY USE

Telkom made various efforts to reduce the bad impact on the environment. Since 2010, Telkom has used inverter AC and LED lighting. Telkom data center also uses cooling system management, making it more energy efficient. To save energy use of the office building, Telkom uses reflective glass with a thickness of 6 mm, thereby reducing the incoming heat. From the various initiatives, Telkom succeeded in saving electricity consumption as reflected in the following table.

Electricity Consumption	2018	2017	2016
	Kwh		
Fixed Network (STO)	327,744,883	338,902,852	345,016,112
Operational (Building)	71,226,285	69,556,971	70,412,205
Total	398,971,168	408,459,823	415,428,317

Telkom provides vehicles Employee Shuttle Bus (EMSHUB) which contribute decreasing in the level of congestion in the city of Jakarta. The presence of EMSHUB is supported by Satellite Office facilities in Bogor, Tangerang, and Bekasi that allow employees to continue working while in high traffic. EMSHUB also have a meeting room and collaboration room equipped with video conference and high-speed internet so that it could work mobile comfortably and productive. In addition, Telkom also provides operational vehicles that can be used by employees alternately, by ordering through the online application Trends Online.

Regarding the use of environment-friendly energy, Telkom utilizes solar panels to generate electricity in electricity scarcity areas where electricity supply which difficult for BTS resource, so it can save fuel oil.

WASTE TREATMENT SYSTEM

In the case of waste management, Telkom submits both the solid waste of hazardous and toxic materials or B3 waste, and non-B3 waste, to the Government official mechanism through the local Sanitary Agency.

ENVIRONMENTAL COMPLAINT HANDLING MECHANISMS

Telkom business characteristics in the telecommunication and digital industry cause relatively low impacts on the environment. Therefore, there was no complaint from the citizens or other stakeholders about environmental issues so far. Should there be any violation of environmental regulations, Telkom welcome any complaints to the mechanism of Whistle Blowing System (WBS) or complaints may be submitted directly to the Corporate Secretary.

ENVIRONMENTAL AWARD

In line with concern for the environment, Telkom received the Subroto 2018 Award in the category of Energy Management in Industry and Building from Ministry of Energy and Mineral Resources (ESDM).



With eco green concept, Vertical Garden located between Telkom Landmark Tower and Telkomsel Smart Office equipped with giant screen and high speed Wifi network.

07

PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAM

232 Partnership and Community Development Program Report





Telkom actively participates in plogging activities, including doing fitness activities accompanied by picking up trash found on *Jalan Sehat 7.300m BUMN Hadir Untuk Negeri* route to create a clean and healthy environment.

PARTNERSHIP AND COMMUNITY DEVELOPMENT PROGRAM (PKBL) REPORT

For Telkom, the Partnership and Community Development Program is an effort to manage the impact of operational policies and activities on society and the natural environment. The Partnership Program is the government's mandate to distributed loan funds to Micro and Small Business (MSB) and increases the capacity of Foster Partners, while the Community Development Program is a social empowerment program consisting of seven objects of assistance, namely:

1. Natural disaster victims donation
2. Education donation
3. Healthcare improvement donation
4. Improvement for infrastructure and/or public facility donation
5. Places of worship donation
6. Nature conservation donation
7. Civil sociaety in order for poverty alleviation donation

LEGAL BASIS AND GENERAL POLICY

The legal basis for the implementation of PKBL activities has been regulated through Law No. 19 of June 19, 2003 regarding SOE, as well as a series of Regulation of Minister of SOE which has undergone several changes. The last change is Regulation of Minister of SOE No.PER-02/MBU/7/2017 dated July 5, 2017 regarding the Second Amendment to Regulation of Minister of SOE No.PER-09/MBU/07/2015 regarding the Partnership Program and the Agency for Community Development Programs of SOE. Another legal basis is Letter of Minister of SOE No.S 513/

MBU/08/2016 dated August 30, 2016 regarding the Submission of Aspirations of Shareholders/Capital Owners for Preparation of Company Work Plans and Budgets for 2017.

To carry out this obligation, the company has formulated policy and operational guidelines, namely Regulation of Directors PR.202.60/r.00/HK200/COP-A2000000/2017 dated August 8, 2017, regarding the Community Development Center Organization.

SUCCESS PARAMETER

CSR (PKBL) Index

In 2018, the Company conducted a measurement of CSR (PKBL) Index with the achievement of 72.14%. The achievement shows that the Company's CSR activities brought an impact at the rate of 72.14% on customer satisfaction and corporate reputation.

Net Promoter Score – NPS

In measuring the success of social responsibility, especially for customers, Telkom measures the Net Promoter Score (NPS) which indicates the motivation of the community to advocate or promote Telkom products and services. The results of the NPS measurement in 2018 show a positive value from the point of view of the community in recommending the use of Telkom products.

NPS Measurement Results in 2017-2018

Criteria	2018	2017
Promoters	46.75%	42.88%
Passive	40.50%	35.32%
Detractor	12.75%	21.80%

The Effectiveness of Partnership Program Fund Disbursement

In 2018, Telkom targets the effectiveness of distributing the Partnership Program funds by 80% of available funds. The realization of the distribution of the Partnership Program funds reached 95.27% and a score of 3.

Effectiveness of Program Fund Disbursement in 2016-2018

Partnership Program	2018	2017	2016
Total Funds Disbursed (Rp billion)	279.98	307.61	360.92
Total Funds Allocated (Rp billion)	293.87	328.21	366.54
Fund Disbursement Effectiveness Rate (%)	95.27	93.72	98.47
Fund Disbursement Effectiveness Score	3	3	3

The Collectability of Partnership Program Funds

Telkom sets a target for 2018 collectability of 80%. Realization in 2018 recorded collectability of 88.85% with the achievement of a score of 3.

Collectability Rate of Partnership Program Funds in 2016-2018

Collectability	2018	2017	2016
Collectability Rate (%)	88.85	85.17	88.54
Score	3	3	3

The Effectiveness of Community Development Program Fund Disbursement

In setting the target for 2018, Telkom is expected to be able to distribute as 80% of Community Development funds from the allocation of funds of Rp105 billion. The fund realization of the Community Development Program is Rp105.88 billion or 100.84% of the fund allocation in 2018.

Effectiveness of Community Development Program Fund Disbursement in 2016-2018

Community Development Program	2018	2017	2016
Total Funds Disbursed (Rp billion)	105.88	81.97	81.97
Total Funds Allocated (Rp billion)	105.00	82.00	82.00
Fund Disbursement Effectiveness Rate (%)	100.84	99.97	99.97

PKBL BUDGET ALLOCATION

In accordance with the regulations of Minister of SOE, the Partnership Program budget allocation sources from profit provision, while the Community Development Program sources from the Telkom budget. In 2018, the PKBL budget increase from Rp404.00 billion in 2017 to Rp405.00 billion in 2018.

Budget Allocation of Partnership Program and Community Development in 2017-2018

No	Type of Program	2018	2017	Change
		Rp (billion)		%
1	Partnership Program	300.00	322.00	(6.83)
2	Community Development Program	105.00	82.00	28.05
Total		405.00	404.00	0.25

PKBL REALIZATION

PKBL Program in 2018 consists of The Partnership Program and The Community Development Program.

Partnership Program

The Partnership Program is a community economic empowerment program to increase income through micro and small scale business activities carried out by providing loan funds with a low administration fee. By focusing on digitizing the management of partnership programs, digital training for fostered partners and including fostered partners at national and international scale exhibitions.

For 2018, the Partnership Program funds that have been distributed by Telkom are Rp279.98 billion to 7,498 Foster Partners consisting of industry, trading, agriculture, farming, plantation, fishery, service, and other sectors. The following are data on the realization of the number of Foster Partners and fund disbursements per business sector from 2016 to 2018.

No	Business Sector	Number of Foster Partners			Total Disbursements (Rp billion)		
		2018	2017	2016	2018	2017	2016
1	Industry	1,699	1,683	1,784	53.86	53.92	60.92
2	Trading	4,028	4,592	6,371	134.39	144.56	203.48
3	Agriculture	125	120	200	4.17	4.37	7.18
4	Farming	216	237	351	8.20	8.56	13.29
5	Plantation	80	121	201	2.71	3.46	5.40
6	Fishery	146	199	276	4.78	6.48	7.97
7	Service	1,184	1,404	1,751	43.06	47.80	61.52
8	Others	20	11	22	0.77	0.43	1.16
Sub Total		7,498	8,367	10,956	251.99	269.58	360.92
Fostering Partnership Fund					27.99	38.03	0
Total					279.98	307.61	360.92
CAGR (%)		(10.40)	(23.63)	(8.56)	(8.98)	(14.77)	4.02

The number of recipients of the Partnership Program funds in 2018 decreased by 10.4% compared to 2017, while the amount of funds distributed in 2018 has a decrease of 8.98%. This is because there is no additional agreement on budget allocations from the Ministry of BUMN.

Foster Partners Capacity Building

In 2018, Telkom increased the capacity of fostered partners with three main activities, namely digitizing the management of partnership programs, digital training for fostered partners and involving fostered partners at national and international scale exhibitions.

Partnership Program Management Digitalization

Telkom has used digital technology to manage Partnership Program fostered partners' data by implementing PKBL management information system (SIM) since 2007. Then, in 2016 Telkom implemented a Partnership Program fund loan submission service through the SmartBisnis web, installment payments through a bank virtual account, Mandiri Bank and BNI Bank.

In 2017, the installment payment through virtual accounts was expanded in collaboration with its subsidiary, PT Finnet Indonesia as a non-bank payment point aggregator, as well as PT Pos Indonesia, PT Pegadaian, Alfamart, and Indomaret, in order to facilitate the Foster Partners in making installment payments. Furthermore, Telkom also innovates on Smart Survey and SMS Reminder in 2018.

Micro and Small Enterprises (MSE) Digitalization Training

Since 2015, Telkom has provided training and digital seminars to Foster Partners to promote and market their products by utilizing the facilities of the BLANJA.com website. In 2018, these training were given to 1,038 MSB.

National and International Exhibitions

Telkom consistently encourages Foster Partners to take part in national and international exhibitions. This is also one of Telkom's strategies to increase the capacity of the Foster Partners. In 2018, The exhibition that followed, among others Telkom Craft Indonesia, was a part of Rumah Kreatif BUMN. This exhibition was participated by 400 Leading Foster Partners and it was Telkom's improvement to improve the capacity of Foster Partners. Furthermore, the other exhibitions were Adiwastra Exhibition, Kriyanusa Exhibition, and international scale exhibition namely Indonesia Creative Product Festival (ICPF) in Malaysia. The exhibitions were participated by 5 leading fostered partners. The other activities were followed such as Exhibition Trade Expo Indonesia (TEI), Indonesia Pavillion at the World Bank Event in Bali, and the MSB exhibition event organized by the Local Government.



→ Telkom Craft Indonesia 2018 at Jakarta Convention Center.

Community Development Program

The Community Development Program includes seven Donation Type, such as natural disaster victims donation, education donation, healthcare improvement donation, improvement for infrastructure and/or public facility donation, places of worship donation, nature conservation donation, and civil society in order for poverty alleviation donation. The donation is part of the BUMN Hadir Untuk Negeri Program.

In 2018, the actual distribution of funds for the Community Development Program amounted to Rp105.88 billion or 100.84% of fund disbursement commitment of Rp105.00 billion. The following table shows the distribution of funds for the Community Development Program per donation type from 2016 until 2018.

No	Donation Type	Total Donation Objects			Total Disbursements (Rp billion)		
		2018	2017	2016	2018	2017	2016
1	Natural disaster victims donation	44	20	20	4.69	0.69	0.94
2	Education donation	346	392	492	31.50	25.08	35.68
3	Healthcare improvement donation	125	113	154	6.16	4.78	10.42
4	Improvement for infrastructure and/or public facility donation	328	311	221	22.47	11.85	13.37
5	Places of worship donation	408	395	382	15.93	10.21	10.62
6	Nature conservation donation	13	18	30	0.29	1.10	0.91
7	Civil society in order for poverty alleviation donation	101	86	22	24.84	28.26	1.64
8	Capacity improvement donation to foster partners	0	0	115	0	0	8.39
Total		1,365	1,335	1,436	105.88	81.97	81.97
CAGR (%)		0.70	(7.03)	64.11	29.17	0	13.20

Natural Disaster Victims Donation

In 2018, Telkom provides disaster assistance such as donation for of earthquake natural disasters in Lombok and Palu and tsunami in Banten.

Healthcare Improvement Donation

Public health is Telkom's concern in 2018, including through the Disability Care program that has been ongoing since 2016. The implementation of the Disability Care program in 2018 is The Gantari Award Program which collaboration with Kick Andy Foundation, donated to people with disabilities consist of 1,000 artificial eyes, 188 artificial legs, and hearing aids.

Education Donation

As a form of commitment to the nation's children, Telkom is active in improving the quality of education, particularly related to the development of Indonesian digital technology competencies, which are packaged in the Indonesia Digital Learning program, including providing Digital Library (PaDi) and My Teacher My Hero Programs. As of 2018, Telkom has provided as many as 5,843 PaDi, holding digital training for teachers in the My Teacher My Hero Program as many as 1,027 teachers.

In addition, Telkom also maintains local wisdom and national cultural values towards the young generation through the Telkom Cultural Care program held in Jakarta.



→ Providing Assistance to Disabilities in the 2018 Gantari Award Program.

Improvement for Infrastructure and/or Public Facility Donation

The goal of implementing this program is to improve services to the community in facilities and infrastructure. This program is expected to be able to increase community accessibility in activities, facilitating activities that can be carried out with build 28 suspension bridges in difficult access areas, making drill wells in Wotan Ulu Mado District, Cash for Work Program in the form of road casting in Gunung Kidul Regency.

Places of Worship Donation

Telkom improves the quality of public services to the community, especially in terms of increasing public access to utilize public facilities and infrastructure. The activities carried out throughout 2018 were construction, renovation, assistance with facilities for houses of worship including the construction of the mosque, church and other places of worship.

Nature Conservation Donation

The donation program for Nature Conservation is part of the Telkom's commitment to the environment. The Nature Conservation Program includes mangrove cultivation in Banten and Rhino Conservation in Lampung and West Kalimantan.

Poverty Alleviation Donation

Through Civil Society in Order for Poverty Alleviation Donation, Telkom hopes to improve the lives of pauper society both in urban and rural areas. The Civil Society in Order for Poverty Alleviation Donation provided in 2018 included retirement and community home renovation that reach 164 beneficiaries and installation of electricity for poor people in Bantarjati Bogor, West Java.

Employee Volunteer Program (EVP)

The Employee Volunteer Program (EVP) is part of the main program Work-Life Integration which serves as a forum to facilitate social activities initiated by Insan TelkomGroup (Telkomers) in the scope of individuals, business units, and employee communities within the TelkomGroup. In 2018, as many as 3,887 Telkom employees have participated in EVP.

08

APPENDICES

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Telkom develops the Smart Mosque at Al-Istiqamah Mosque which is equipped with various digital technology facilities such as interactive online media sharing through video conferencing, live streaming da'wah, Digital Library and cashless infaq facilities.

APPENDIX 1: BOARD OF COMMISSIONERS' AGENDA AND ATTENDANCE AT INTERNAL MEETINGS

No	Date	Agenda	Commissioners' Attendance								
			HS	RF	EHA ⁽¹⁾	IR ⁽¹⁾	MGD	CA	PJW	HD ⁽²⁾	DOFP ⁽³⁾
1.	January 24, 2018	Proper Test and Feasibility of Prospective Candidates for the Main Director of a Subsidiary	√	√	N/A	N/A	√	√	√	-	-
2.	February 3, 2018	1. Discussion of Candidate Submissions to Series A Dwiwarna Shareholders 2. Strategic Update Project	√	√	N/A	N/A	√	√	√	√	-
3.	February 7, 2018	1. Strategic Project Discussion 2. Strategic Final Project Agreement Discussion	√	√	N/A	N/A	√	√	√	-	-
4.	February 21, 2018	1. BPJS <i>Ketenagakerjaan</i> for Board of Commissioners 2. Extention for Mr. S. Mietra Sardi (Komite Audit Member) 3. PT Telkomsel Business Development	√	√	N/A	N/A	√	√	√	-	-
5.	March 13, 2018	1. Strategic Fit Agreement Discussion 2. Extention for Ms. Sri Hartati Rahayu (KEMPR's meeting) 3. Miscellaneous	√	√	N/A	N/A	√	√	√	-	-
6.	March 26, 2018	1. Article of Association PT Telkom Indonesia, Tbk Amendnt 2. Proposed KBM Facilities for Directors	√	√	N/A	N/A	√	√	√	√	-
7.	April 11, 2018	1. Article of Association PT Telkom Indonesia, Tbk Amendment 2. Proposals for Prospective Telkom's Directors	√	√	N/A	N/A	√	√	√	-	-
8.	April 18, 2018	1. Proposals for Prospective Telkom's Directors 2. Proposal for Management Remuneration 2018 (by Hay Group Consultant) 3. Determination of the Chairperson of the 2018 GMS	√	√	N/A	N/A	√	√	√	-	-
9.	April 24, 2018	1. Acting Proposal Director of the Consumer Service 2. Update on Proposal to Telkom's Articles of Association Amendment	√	√	N/A	N/A	√	√	√	-	√
10.	May 2, 2018	1. Proposed Amendment to the Committee Membership Arrangement 2. Remuneration proposal	√	√	√	√	√	√	√	N/A	-
11.	May 7, 2018	1. Strategic Project Submission 2. Discussion of the Threshold Proposal on Article 12 Paragraph 7 of Telkom's Articles of Association	√	-	√	√	√	√	√	N/A	-
12.	May 30, 2018	1. Vehicle Facilities Board of Directors 2. Proposed Addition of Secretariat Staff and KEMPR Members	√	√	-	√	√	√	√	N/A	-
13.	June 8, 2018	1. Strategic Strategic Fit Project Discussion 2. Discussion of Capex Phase 2 Release Agreement 3. Submission of Draft Board Manual 4. Others: Commissioner Telkomsel	√	√	√	√	√	√	√	N/A	-
14.	July 3, 2018	1. Strategic Fit Approval and Final Approval of Telkom's Equity Participation to Telkomsat 2. Strategic Fit Changes in Equity Injection Allocation for Subsidiaries 3. Capex Phase 2 Release Agreement and Additional Capex Discussion 4. Remuneration	√	√	√	-	√	√	√	N/A	-

No	Date	Agenda	Commissioners' Attendance								
			HS	RF	EHA ⁽¹⁾	IR ⁽¹⁾	MGD	CA	PJW	HD ⁽²⁾	DOFP ⁽³⁾
15.	July 16, 2018	1. Submission of Local Capital Market Instrument 2. Discussion of the Initial CSS Draft 2019-2023 3. Remuneration 4. Others: Resignation of Mr. Dolfie OFP from Independent Commissioner	√	√	√	-	√	√	√	N/A	-
16.	July 30, 2018	Discussion of the CSS Final Draft 2019-2023	√	√	√	-	√	√	√	N/A	-
17.	August 10, 2018	Agreement on Principles for Issuance of MTN	√	-	√	-	√	√	√	N/A	-
18.	August 27, 2018	Validation of CSS 2019-2023	√	-	√	-	√	√	√	N/A	-
19.	September 6, 2018	Follow up on Amendments to Articles of Association of TelkomGroup Subsidiary	√	√	√	√	√	√	√	N/A	-
20.	October 4, 2018	Application for Strategic Fit Project Strategic Approval	√	√	√	√	√	√	√	N/A	N/A
21.	October 16, 2018	1. Application for Strategic Fit Project Strategic Approval 2. Remuneration	√	√	√	√	√	√	√	N/A	N/A
22.	November 1, 2018	Request for Final Approval of Strategic Projects	√	√	√	-	√	√	√	N/A	N/A
23.	November 9, 2018	1. Application for Strategic Fit Project Strategic Approval 2. Vehicle Facilities Board of Directors	√	-	√	-	√	√	√	N/A	N/A
24.	November 15, 2018	1. Request for Final Approval of Strategic Projects 2. Approval of Proposal for Write-Off of Uncollectible Receivables in 2018 3. Discussion on the Preliminary Draft of the Proposed RKAP in 2019	√	√	√	-	√	√	√	N/A	N/A
25.	November 19, 2018	1. Strategic Discussion of Fit Release of Subsidiary's shares 2. Discussion of Initial Draft Proposal for 2019 RKAP	√	-	√	-	√	√	√	N/A	N/A
26.	November 29, 2018	Strategic Strategic Fit Project Final Approval	√	√	√	√	√	√	√	N/A	N/A
27.	December 5, 2018	1. Request for Approval of the 2019 RKAP Proposal 2. Request for Strategic Approval Fit for the majority of the Company's Subsidiary Sales	√	√	√	-	√	√	√	N/A	N/A
28.	December 20, 2018	1. Request for Approval of Capital Participation of TelkomGroup Subsidiary 2. Miscellaneous	√	√	-	-	√	√	√	N/A	N/A
Total Attendances			23	17	8	28	28	28	2	1	
Total Meetings			28	19	19	28	28	28	9	19	
Board of Commissioners' Attendance Level (%)			82	89	42	100	100	100	22	5	

Remarks:

HS (Hendri Saparini), **RF** (Rinaldi Firmansyah), **EHA** (Edwin Hidayat Abdullah), **IR** (Isa Rachmatarwata), **MGD** (Margiyono Darsasumarja), **CA** (Cahyana Ahmadjayadi), **PJW** (Pamiyati Pamela Johanna Waluyo), **HD** (Hadiyanto), dan **DOFP** (Dolfie Othniel Fredric Palit).

(1) Since the AGMS on April 27, 2018

(2) Until AGMS on April 27, 2018

(3) Until AGMS on September 28, 2018

APPENDIX 2: BOARD OF COMMISSIONERS' AGENDA AND ATTENDANCE AT JOINT MEETINGS

No.	Date	Agenda	Commissioners' Attendance								
			HS	RF	EHA ⁽¹⁾	IR ⁽¹⁾	MGD	CA	PJW	HD ⁽²⁾	DOFP ⁽³⁾
1.	January 30, 2018	Company Performance in December 2017	√	√	N/A	N/A	√	√	√	-	-
2.	February 21, 2018	Company Performance in January 2018	√	√	N/A	N/A	√	√	√	-	-
3.	March 21, 2018	1. Company's performance in February 2018 2. 2017 Annual Integrated Audit Completion Report 3. Report on GMS Preparation for 2018	√	√	N/A	N/A	√	√	√	-	-
4.	April 25, 2018	1. Company Performance Month March 2018 2. 2017 Key Performance Indicator (KPI) 3. Others: AGMS Agenda	√	√	N/A	N/A	√	√	√	-	-
5.	May 30, 2018	Company Performance Month April 2018	√	√	-	√	√	√	√	N/A	-
6.	June 28, 2018	1. Company Performance Month May 2018 2. Explanation of the Additional Capital to TelkomGroup Subsidiary	√	√	√	√	√	√	√	N/A	-
7.	July 30, 2018	1. Company Performance Month June 2018 2. Submission of Final CSS Draft 2019-2023	√	√	-	√	√	√	√	N/A	-
8.	August 23, 2018	Company Performance Month July 2018	√	-	√	√	√	√	√	N/A	-
9.	September 25, 2018	Company Performance Month August 2018	√	√	√	-	√	√	√	N/A	-
10.	October 25, 2018	Company Performance Month September 2018	√	√	-	√	√	√	√	N/A	N/A
11.	November 21, 2018	1. Company Performance Month October 2018 2. Annual RKAP proposal 2019	√	√	-	-	√	√	√	N/A	N/A
12.	December 7, 2018	Company Performance Month October 2018	√	√	-	√	√	√	√	N/A	N/A
13.	December 20, 2018	Annual RKAP proposal 2019	√	√	√	-	√	√	√	N/A	N/A
Total Attendances			13	12	4	6	13	13	13	0	0
Total Meetings			13	13	9	9	13	13	13	4	9
Board of Commissioners' Level Attendances (%)			100	92	44	69	100	100	100	0	0

Remarks:

HS (Hendri Saparini), **RF** (Rinaldi Firmansyah), **EHA** (Edwin Hidayat Abdullah), **IR** (Isa Rachmatarwata), **MGD** (Margiyono Darsasumarja), **CA** (Cahyana Ahmadjayadi), **PJW** (Pamiyati Pamela Johanna Waluyo), **HD** (Hadiyanto), dan **DOFP** (Dolfie Othniel Fredric Palit).

(1) Since the AGMS on April 27, 2018

(2) Until AGMS on April 27, 2018

(3) Until AGMS on September 28, 2018

APPENDIX 3: BOARD OF DIRECTORS' AGENDA AND ATTENDANCE AT JOINT MEETINGS

No.	Date	Agenda	Directors' Attendance									
			PD	KEU	DSP	EBIS	WINS	HCM	NITS	CONS		
			AJS	HMZ	DB	DR	ASA	HRH	ZA	SC ⁽¹⁾	MK ⁽²⁾	
1.	January 30, 2018	Company Performance in December 2017	√	√	√	√	√	√	√	√	N/A	√
2.	February 21, 2018	Company Performance in January 2018	√	√	√	√	√	√	√	√	N/A	√
3.	March 21, 2018	1. Company's performance in February 2018 2. 2017 Annual Integrated Audit Completion Report 3. Report on GMS Preparation for 2018	√	√	√	√	√	√	√	√	N/A	√
4.	April 25, 2018	1. Company Performance Month March 2018 2. 2017 Key Performance Indicator (KPI) 3. Others: AGMS Agenda	√	√	√	√	√	√	√	√	√**	
5.	May 30, 2018	Company Performance Month April 2018	√	√	√	√	-	-	√	√	√	N/A
6.	June 28, 2018	1. Company Performance Month May 2018 2. Explanation of the Additional Capital to TelkomGroup Subsidiary	√	√	√	√	√	-	√	√	√	N/A
7.	July 30, 2018	1. Company Performance Month June 2018 2. Submission of Final CSS Draft 2019-2023	√	√	√	√	√	√	-	√	√	N/A
8.	August 23, 2018	Company Performance Month July 2018	√	√	√	√	√	√	√	√	√	N/A
9.	September 25, 2018	Company Performance Month August 2018	√	√	√	√	√	√	√	√	√	N/A
10.	October 25, 2018	Company Performance Month September 2018	-	√	√	√	√	√	√	√	√	N/A
11.	November 21, 2018	1. Company Performance Month October 2018 2. Annual RKAP proposal 2019	√	√	√	√	√	√	-	√	√	N/A
12.	December 7, 2018	Company Performance Month October 2018	√	√	√	√	√	√	√	√	√	N/A
13.	December 20, 2018	Annual RKAP proposal 2019	√	√	√	-	√	√	√	√	-	N/A
Total Attendances			12	13	13	12	12	10	12	8	3	
Total Meetings			13	13	13	13	13	13	13	9	3	
Board of Directors' Attendance Level (%)			92	100	100	92	92	77	92	89	100	

Remarks:

PD (President Director), **KEU** (Finance), **DSP** (Digital & Strategic Portfolio), **EBIS** (Enterprise & Business Service), **WINS** (Wholesale and International Service), **HCM** (Human Capital Management), **CONS** (Consumer Service), dan **NITS** (Network, IT, & Solution). **AJS** (Alex Janangkih Sinaga), **HMZ** (Harry Mozarta Zen), **DB** (David Bangun), **DR** (Dian Rachmawan), **ASA** (Abdus Somad Arief), **HRH** (Herdy Rosadi Harman), **ZA** (Zulhelfi Abidin), **SC** (Siti Choiriana), dan **MK** (Mas'ud Khamid).

** The position of Director of Consumer Service was temporarily held by the Director of WINS (ASA)

(1) Up to April 20, 2018

(2) Since AGMS on April 27, 2018

APPENDIX 4: BOARD OF DIRECTORS' AGENDA AND ATTENDANCE AT INTERNAL MEETINGS

No.	Date	Agenda	Directors' Attendance								
			PD	KEU	DSP	EBIS	WINS	HCM	NITS	CONS	
			AJS	HMZ	DB	DR	ASA	HRH	ZA	SC ⁽¹⁾	MK ⁽²⁾
1.	January 3, 2018	Operational & Revenue MtD December 2017 Performance Report	-	-	-	-	√	√	√	N/A	√
2.	January 9, 2018	1. Operational & Revenue YtD December 2017 Performance Report 2. NARU 2017/2018 Implementation Report 3. Telkom Click 2018 Preparation Report 4. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
3.	January 16, 2018	1. Operational & Revenue MtD January 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
4.	January 22, 2018	Limited Agenda Report	√	√	√	√	-	√	-	N/A	√
5.	January 23, 2018	1. Operational & Revenue MtD January 2018 Performance Report 2. Limited Agenda Report	-	√	√	√	-	-	-	N/A	√
6.	January 30, 2018	1. Operational & Revenue MtD January 2018 Performance Report 2. FU HCM Report 3. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
7.	February 6, 2018	1. Operational & Revenue MtD January 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	-	√	√	N/A	-
8.	February 9, 2018	Limited Agenda Report	√	√	√	√	-	√	√	N/A	-
9.	February 13, 2018	1. Operational & Revenue MtD February 2018 Performance Report 2. SMPCS Handling Disorders Progress Report 3. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
10.	February 16, 2018	Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
11.	February 20, 2018	1. Operational & Revenue MtD February 2018 Performance Report 2. 2018 Customer Experience Report 3. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
12.	February 27, 2018	1. Operational & Revenue MtD February 2018 Performance Report 2. FU HCM Report 3. Limited Agenda Report	√	√	-	-	√	√	√	N/A	√
13.	March 6, 2018	1. Operational & Revenue YtD February 2018 Performance Report 2. Limited Agenda Report	-	√	√	√	√	-	√	N/A	√
14.	March 13, 2018	Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
15.	March 15, 2018	1. Operational & Revenue MtD March 2018 Performance Report 2. TelkomCraft Indonesia Preparation Report 3. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
16.	March 20, 2018	1. Operational & Revenue MtD March 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
17.	March 27, 2018	1. Operational & Revenue MtD March 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	√	-	N/A	√
18.	April 3, 2018	1. Operational & Revenue MtD March 2018 Performance Report 2. Limited Agenda Report	√	√	√	-	√	-	√	N/A	√
19.	April 10, 2018	1. Operational & Revenue YtD March 2018 & MtD April 2018 Performance Report 2. Limited Agenda Report	√	√	-	√	√	√	√	N/A	√

No.	Date	Agenda	Directors' Attendance										
			PD	KEU	DSP	EBIS	WINS	HCM	NITS	CONS			
			AJS	HMZ	DB	DR	ASA	HRH	ZA	SC ⁽¹⁾	MK ⁽²⁾		
20.	April 17, 2018	1. Operational & Revenue MtD April 2018 Performance Report 2. FU HCM Report 3. Updated RAPIM TelkomGroup I in 2018 Implementation Plan 4. Limited Agenda Report		√	√	√	√	√	√	√	√	N/A	√
21.	April 20, 2018	Limited Agenda Report		√	√	√	√	√	√	√	√	N/A	-
22.	April 24, 2018	1. Operational & Revenue MtD April 2018 Performance Report 2. Limited Agenda Report		√	√	√	√	-	√	√	√	N/A	N/A
23.	May 2, 2018	1. Operational & Revenue MtD April 2018 Performance Report 2. Launching Indonesia Digital Learning Preparation Update 3. RAPIM TelkomGroup I 2018 Theme Update 4. Limited Agenda Report		√	√	√	√	√	√	√	√	√	N/A
24.	May 15, 2018	1. Operational & Revenue YtD April 2018 & MtD Mei 2018 Performance Report 2. TelkomGroup Siaga RaFi 2018 & HUT Telkom – 53 Rundown Event Update 3. Limited Agenda Report		√	√	√	√	√	√	√	√	√	N/A
25.	May 22, 2018	1. Operational & Revenue MtD May 2018 Performance Report 2. Limited Agenda Report		√	√	√	√	√	√	√	√	√	N/A
26.	May 30, 2018	1. Operational & Revenue MtD May 2018 Performance Report 2. Limited Agenda Report		√	√	√	√	-	√	√	√	√	N/A
27.	June 5, 2018	1. Operational & Revenue YtD May 2018 Performance Report 2. <i>Mudik Bareng</i> BUMN, <i>Halal Bi Halal</i> TelkomGroup, HUT Telkom ke-53 Update 3. Limited Agenda Report		√	√	√	√	√	√	√	√	√	N/A
28.	June 26, 2018	1. Operational & Revenue MtD June 2018 Performance Report 2. <i>Halal Bi Halal</i> TelkomGroup 2018 Event Update 3. Limited Agenda Report		-	√	√	√	√	√	√	√	√	N/A
29.	July 3, 2018	1. Operational & Revenue MtD June 2018 Performance Report 2. HUT Telkom ke-53 Rundown Event Update and Merah Putih Satellite Launching 3. FU HCM Report 4. Limited Agenda Report		√	√	√	√	√	-	√	√	√	N/A
30.	July 10, 2018	1. Operational & Revenue YtD June & MtD July 2018 Performance Report 2. RAPIM TelkomGroup II 2018 Scenario Update 3. Portfolio Evaluation Q1Y18 Update 4. Limited Agenda Report		√	√	√	√	√	-	√	√	√	N/A
31.	July 17, 2018	Limited Agenda Report		√	√	√	√	√	√	√	√	√	N/A
32.	July 18, 2018	Launch Preparation of Merah Putih Satellite Program Update		√	√	√	√	√	√	√	√	√	N/A
33.	July 24, 2018	1. Operational & Revenue MtD July 2018 Performance Report 2. BUMN <i>Hadir Untuk Negeri</i> Program Update 3. Experience Center Progress Update 4. Project Telkom Update for SOE Investment Forum 5. Limited Agenda Report		√	√	-	-	√	√	-	√	√	N/A

No.	Date	Agenda	Directors' Attendance										
			PD	KEU	DSP	EBIS	WINS	HCM	NITS	CONS			
			AJS	HMZ	DB	DR	ASA	HRH	ZA	SC ⁽¹⁾	MK ⁽²⁾		
34.	July 31, 2018	1. Operational & Revenue MtD July 2018 Performance Report 2. Digital Grapari TelkomGroup GMP Building Update 3. Experience Center Progress Report 4. Limited Agenda Report		√	√	√	√	√	√	√	√	N/A	-
35.	August 7, 2018	1. Update Live Streaming Events Launch of Telkom Merah Putih Satellite 2. Operational & Revenue YtD July 2018 Performance Report 3. Limited Agenda Report	-	√	√	√	-	√	√	√	√	N/A	-
36.	August 14, 2018	1. Operational & Revenue YtD July & MtD August 2018 Performance Report 2. BUMN <i>Hadir Untuk Negeri</i> Progress Report and ASIAN Games 2018 Implementation Readiness 3. Telkom Digital Experience Progress Update 4. Limited Agenda Report	√	√	√	√	√	√	√	-	√	N/A	√
37.	August 21, 2018	1. Operational & Revenue MtD August 2018 Performance Report 2. FU HCM Report 3. Limited Agenda Report	√	√	√	√	√	√	√	√	√	N/A	√
38.	August 23, 2018	1. Launching TLT Progress Report 2. Material Update Joint Meeting: Company Performance July 2018 3. Limited Agenda Report	√	√	√	√	√	√	√	√	√	N/A	√
39.	August 28, 2018	1. Operational & Revenue MtD August 2018 Performance Report 2. Q2 2018 Company Performance Report 3. Limited Agenda Report	√	√	√	√	√	√	√	√	√	N/A	√
40.	September 4, 2018	1. Operational & Revenue MtD August 2018 Performance Report 2. TDX Progress Report 3. FU HCM Report 4. Limited Agenda Report	√	-	√	√	-	√	√	√	√	N/A	√
41.	September 12, 2018	1. Operational & Revenue YtD Agustus & MtD September 2018 Performance Report 2. The Telkom Hub Launching Readiness Progress Report 3. Limited Agenda Report	√	√	√	√	√	√	√	√	√	N/A	√
42.	September 18, 2018	1. Operational & Revenue MtD September 2018 Performance Report 2. Limited Agenda Report 3. The Telkom Hub Launching Readiness Progress Report	√	√	√	√	√	√	√	√	√	N/A	√
43.	September 25, 2018	1. Operational & Revenue MtD September 2018 Performance Report 2. IBD Expo 2018 Readiness Report FU HCM Report 3. Telkom Supported in IMF-WB Annual Summit 2018 Readiness Report 4. The Telkom Hub Grand Launching Readiness Report 5. CAM 2019 Update and RAPIM TelkomGroup III-2018 Theme 6. Limited Agenda Report	√	√	√	√	√	√	√	√	√	N/A	√
44.	October 5, 2018	Limited Agenda Report	√	√	√	√	√	√	√	√	√	N/A	√

No.	Date	Agenda	Directors' Attendance								
			PD	KEU	DSP	EBIS	WINS	HCM	NITS	CONS	
			AJS	HMZ	DB	DR	ASA	HRH	ZA	SC ⁽¹⁾	MK ⁽²⁾
45.	October 10, 2018	1. Operational & Revenue YtD September and MtD October 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	-	√	N/A	√
46.	October 16, 2018	1. Operational & Revenue YtD September and MtD October 2018 Performance Report 2. The Telkom Hub Grand Launching Readiness Report 3. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
47.	October 22, 2018	Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
48.	October 24, 2018	Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
49.	October 30, 2018	1. Operational & Revenue MtD October 2018 Performance Report 2. FU HCM Report 3. The Telkom Hub Grand Launching Readiness Report 4. Limited Agenda Report	√	√	√	√	√	√	√	N/A	-
50.	November 6, 2018	1. Operational & Revenue YtD October 2018 Performance Report 2. FU HCM Report 3. Limited Agenda Report	√	-	√	√	√	√	√	N/A	√
51.	November 13, 2018	1. Operational & Revenue MtD November 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
52.	November 14, 2018	Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
53.	November 19, 2018	Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
54.	November 21, 2018	1. Operational & Revenue MtD November 2018 Performance Report 2. FU HCM Report 3. Limited Agenda Report	√	√	√	√	√	-	√	N/A	√
55.	November 27, 2018	1. Operational & Revenue MtD November 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
56.	December 4, 2018	1. Operational & Revenue YtD November 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
57.	December 11, 2018	1. Operational & Revenue MtD December 2018 Performance Report 2. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
58.	December 18, 2018	1. Operational & Revenue MtD December 2018 Performance Report 2. TelkomClick 2019, TelkomGroup 2019 Logo & Corporate Theme Readiness Report 3. FU HCM Report 4. Limited Agenda Report	√	√	√	√	√	√	√	N/A	√
59.	December 27, 2018	Operational & Revenue MtD December 2018 Performance Report	-	√	-	√	√	-	√	N/A	√
Total Attendances			53	56	54	55	51	51	36	18	52
Total Meetings			59	59	59	59	59	59	37	21	59
Board of Directors' Attendance Level (%)			90	95	92	93	86	86	97	86	88

Remarks:

PD (President Director), **KEU** (Finance), **DSP** (Digital & Strategic Portfolio), **EBIS** (Enterprise & Business Service), **WINS** (Wholesale and International Service), **HCM** (Human Capital Management), **CONS** (Consumer Service), dan **NITS** (Network, IT, & Solution). **AJS** (Alex Janangkih Sinaga), **HMZ** (Harry Mozarta Zen), **DB** (David Bangun), **DR** (Dian Rachmawan), **ASA** (Abdus Somad Arief), **HRH** (Herdy Rosadi Harman), **ZA** (Zulhelfi Abidin), **SC** (Siti Choiriana), dan **MK** (Mas'ud Khamid).

(1) Since AGMS on April 27, 2018

(2) Up to April 20, 2018

APPENDIX 5: GLOSSARY

2G

The abbreviation for second generation: relating to or using a technology that gave mobile phone users improved features and allowed people to send text messages (SMS).

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.

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.

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.

Backbone

The main telecommunications network consists of transmission and switching facilities that connect multiple network access nodes. The transmission network between node and switching facilities includes microwaves, submarine cables, satellites, optical fibers, and other transmission technologies.

Balanced Scorecard

One of the tools used by managers to measure the performance of a business seen from four perspectives. The four perspectives consist of a financial perspective, a customer perspective, an internal business process perspective, and a growth and learning perspective.

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.

C-Band

C-Band is a frequency allocation for communications satellites. C-Band uses 3.7-4.2GHz for downlink and 5.925-6.425Ghz for uplink. The lower frequencies that C Band uses perform better under adverse weather conditions than the Ku band or Ka band frequencies.

Consortium

Co-financing a project or enterprise undertaken by two or more banks or financial institutions.

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.

Cyber Attack

A cyber attack is deliberate of exploitation of computer systems, technology-dependent enterprises, and networks. Cyber attacks use malicious code to alter computer code, logic or data, resulting in disruptive consequences that can compromise data and lead to cyber crimes, such as information and identity theft.

e-Commerce

Electronic Commerce, the buying and selling of products or services over electronic systems such as the internet and other computer networks.

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.

Edutainment

Education and Entertainment.

e-Procurement

electronic procurement, the process of procuring goods and services carried out online.

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.

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.

GMS

General Meeting of Shareholders, which may be an Annual General Meeting of Shareholders ("AGMS") or an Extraordinary General Meeting of Shareholders ("EGMS").

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.

GraPARI

Telkomsel service network.

GSM

Global System for Mobile Telecommunication, a European standard for digital cellular telephone.

Home passed

A connection with access to fixed line voice, IPTV and broadband services.

ICT Platform

An abbreviation of information and communications technology platform. ICT platform services consist of enterprise connectivity, IT services, data center and cloud services, business process outsourcing, device & hardware sales and services.

Insider Trading

The trading of a public company's stock or other securities (such as bonds or stock options) by individuals with access to nonpublic information about the company. In various countries, some kinds of trading based on insider information is illegal.

Intranet

A computer network based on TCP / IP protocols such as the internet, however the usage is restricted or closed and only certain people or users who can log on and use the intranet network.

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 traditional terrestrial, satellite signal, and cable television formats.

ISP

Internet Services Provider, an organization that provides access to the internet.

Ku-Band

The Kurtz-under band (Ku band) is a frequency range or segment of the radio spectrum 11-17GHz. This range is often used for satellite communications, including VSAT, and some types of satellite antennas.

Market Cap

Market cap (market capitalization) is the market value of a publicly traded company's outstanding shares.

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.

Network Access Point

A public network exchange facility where ISPs connected with one another in peering arrangements.

OJK

Otoritas Jasa Keuangan, or the 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.

PSA 62

Audit Standard Statement No. 62 (PSA 62) is a statement issued by the Indonesian Accounting Association which states that in conducting audits of financial statements of government entities or other recipients of government financial assistance which conducts stock offers through the capital market, auditors must comply with the provisions of the Capital Market Law.

PSTN

Public Switched Telephone Network, a telephone network operated and maintained by us and the KSO Units for us and on our behalf.

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).

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.

SIM cards

Subscriber Identity Module card is a stamp-sized smart card placed on a mobile phone that holds the key to the telecommunication service.

SMS

Short Messaging Service, a technology allowing the exchange of text messages between mobile phones and between fixed wireless phones.

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.

SOE

State-Owned Enterprise (Badan Usaha Milik Negara/BUMN) is a government-owned company, state-owned company, state-owned entity, state-owned company, public-owned company, or parastatal which is a legal entity formed by the Government to conduct commercial activities on behalf of the Government as the owner.

SOX Section 404

SOX Section 404 (Sarbanes-Oxley Act Section 404) mandates that all publicly-traded companies must establish internal controls and procedures for financial reporting and must document, test and maintain those controls and procedures to ensure their effectiveness.

Stock split

Splitting the number of shares becoming more shares using lower value per share.

Switching

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 IMT2000 framework.

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.

Whistleblower

The term for employees, former employees or workers, members of institutions or organizations who report actions that are considered to violate the regulation to the authorities.

APPENDIX 6: LIST OF ABBREVIATIONS

Keyword	Descriptions
A&A	Alliance & Acquisition
AAG	Asia-America Gateway
AC	Air Conditioner
AO	Application Owner
APII	<i>Asosiasi Penyelenggara Jasa Internet</i> or Internet Service Provider Association
APSAT	Asia Pasific Satellite System
ASEAN	Association of Southeast Asian Nations
ATL	Above The Line
ATM	Anjungan Tunai Mandiri
AUP	Agreed Upon Procedure
B2B	Bussiness to Bussiness
B3	<i>Bahan Berbahaya dan Beracun</i> or Hazardous and Toxic Substances
BAKTI	<i>Badan Aksesibilitas Telekomunikasi dan Informasi</i> or Telecommunication and Information Accessibility Agency
BATIC	Bali Annual Telkom International Conferences
BCM	Business Continuity Management
BCP	Business Continuity Plan
BEI / IDX	<i>Bursa Efek Indonesia</i> atau Indonesia Stock Exchange
BOC	Board of Commisioners
BOD	Board of Directors
BPJS	<i>Badan Penyelenggara Jaminan Sosial</i> or Social Insurance Administration Organization
BPO	Business Process Outsourcing
BPS	Biro Pusat Statistik
BSCS	Batam-Singapore Cable System
BTL	Below The Line
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CDC	Community Development Center
CDI	Customer Dissatisfaction Index
CDN	Content Delivery Networks
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFU	Customer Facing Unit
CLI	Customer Loyalty Index
COE	Calendar of Event

Keyword	Descriptions
CONS	Consumer Service
CORE	Center of Reformation
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPO	Crude Palm Oil
CSI	Customer Satisfaction Index
CSR	Corporate Social Responsibility
CSS	Corporate Strategic Scenario
DER	Debt-To-Equity Ratio
DMCS	Dumai-Malacca Cable System
DR	Deposite Receipt
DRP	Disaster Recovery Plan
DS	Depository Shares
DSAK	<i>Dewan Standar Akuntansi Keuangan</i> or Board of Financial Accounting Standard
DSP	Digital & Strategic Portfolio
DWDM	Dense Wavelength Division Multiplexing
EBIS	Enterprise & Business Service
Edutainment	Education and Entertainment
EDGE	Enhanced Data Rates for GSM Evolution
EMSHUB	Employee Shuttle Bus
ERM	Enterprise Risk Management
ESOP	Employee Stock Ownership Program
EVP	Employee Volunteer Program
EY	Ernst & Young
FRAMES	Fraud Management System
FO	Fiber Optic
FU	Functional Unit
GCG	Good Corporate Governance
GGSN	Gateway GPRS Support Node
GHz	Gigahertz
GSD	Graha Sarana Duta
GTG	GraPARI TelkomGroup
GTT	Go-Jek, Tokopedia, and Traveloka
Harbolnas	<i>Hari Belanja Online Nasional</i> or Nation Online Shopping Day
HCM	Human Capital Management
HIS	High Speed Internet
HKI	<i>Hak Kekayaan Intelektual</i> or Intellectual Property Rights

Keyword	Descriptions
HR	Human Research
HRM	Human Resource Management
HSDPA	High Speed Downlink Packet Access
IA	Internal Audit
IAS	International Accounting Standards
ICOFR	Internal Control Over Financial Reporting
ICPF	Indonesia Creative Product Festival
IDN	Indonesian Digital Network
IFRS	International Financial Reporting Standard
IGG	Indonesia Global Gateway
IICD	Indonesian Institute for Corporate Directorship
IMS	Integrated Management System
IoT	Internet of Things
IPLC	International Data Center or International Connectivity
ISAK	<i>Interpretasi Standar Akuntansi Keuangan</i> or Interpretation of Statements of Financial Accounting Standards
ISO	International Organization for Standardization
IT	Information Technology
JaKaLaDeMa	Jawa Kalimantan Sulawesi Denpasar Mataram
Jo.	Juncto
KAP	<i>Kantor Akuntan Publik</i> or Public Accountant Firm
KEMPR	<i>Komite Evaluasi dan Monitoring Perencanaan dan Risiko</i> or Committee for Planning and Risk Evaluation and Monitoring
KEU	Kuangan or Finance
KIPAS	<i>Komunitas Provokasi Aktivasi</i> or Community Cultural Activation Provocation
KM	<i>Kontrak Manajemen</i> or Contract Management
KNR	<i>Komite Nominasi dan Remunerasi</i> or Committee for Nomination and Remuneration
KOWANI	<i>Kongress Wanita Indonesia</i> or Indonesian Woman Congress
KPEI	<i>Kliring Penjaminan Efek Indonesia</i> or The Indonesian Clearing and Guarantee

Keyword	Descriptions
KPI	Key Performance Indicator
KPKU	<i>Kriteria Penilaian Kinerja Unggul</i> or Criteria for Superior Performance Appraisal
KPPU	<i>Komisi Pengawasan Persaingan Usaha</i> or Commission for the Supervision of Business Competition
KSEI	<i>Kustodian Sentral Efek Indonesia</i> or The Indonesia Central Securities Depository
Kwh	Kilo Watt Hour
LED	Light Emitting Diode
LSA Expenses	Long Service Award Expenses
LSE	London Stock Exchange
M&A	Merger & Acquisition
M2M	Machine to Machine
MDI	Metra Digital Investama
MNO	Mobile Network Operator
MSE	Micro and Small Enterprises
MTN	Medium Term Notes
MVNO	Mobile Virtual Network Operator
NAP	Network Access Point
NITS	Network, IT & Solution
NPS	Net Promotor Score
NPWP	<i>Nomor Pokok Wajib Pajak</i> or Tax Identification Number
NYSE	New York Stock Exchange
OCS	Online Charging System
OECD	Organization for Economic Co-operation and Development
OLO	Other Licensed Operator
ONT	Optical Network Termination
OSDSS	Operational and Strategic Decision Support Systems
OSP-FO	Outside Plan Fiber Optic
OTT	Over The Top
PaDi	<i>Pustaka Digital</i> or Digital Library
PANDI	<i>Pengelola Nama Domain Internet Indonesia</i> or Indonesian Internet Domain Name Registry
PAYU	Pay As You Use
PE-VPN	Provider Edge Virtual Private Network
PII	<i>Persatuan Insinyur Indonesia</i>

Keyword	Descriptions
PKBL	<i>Program Kemitraan Bina Lingkungan</i> or Partnership and Community Development Program
PN	<i>Perusahaan Negara</i> or State Company
POJK	<i>Peraturan Otoritas Jasa Keuangan</i> or Regulation of Indonesia Financial Services Authority
PoP	Point of Presence
POTS	Plain Old Telephone Service
PSAK	<i>Pernyataan Standar Akuntansi Keuangan</i> or Statements of Financial Accounting Standards
QMS	Quality Management System
QoS	Quality of Service
RAN	Radio Access Network
RJPP	<i>Rencana Jangka Panjang Perusahaan</i> or Company's Long Term Plan
RKAP	<i>Rencana Kerja Anggaran dan Pendapatan</i> or Budgeting and Revenue Work Plan
ROA	Return on Asset
ROE	Return on Equity
SAK	<i>Standar Akuntansi Keuangan</i> or Financial Accounting Standard
SAS	Security and Safety
SCP	Service Control Points
SDM	<i>Sumber Daya Manusia</i>
SEA-ME-WE-5	South East Asia – Middle East – Western Europe 5
SEA-US	South East Asia-United States
SEC	Securities and Exchange Commission
SEOJK	<i>Surat Edaran Otoritas Jasa Keuangan</i> or Circular Letter of Indonesia Financial Service Authority
SIUP	<i>Surat Izin Usaha Perdagangan</i> or Business Permit
SJC	South East Asia Japan
SLI	<i>Sambungan Langsung Internasional</i> or International Direct Dialing
SMB	Small Medium Business
SMILE	Supply Management and Logistic Enhancement
SMK3 / OHSAS	<i>Sistem Manajemen Keselamatan dan Kesehatan Kerja</i> atau Occupational Health and Safety Assessment System

Keyword	Descriptions
SMPCS	Sulawesi Maluku Papua Cable System
SOP	Standard Operating Procedures
SOX	Sarbanes Oxley Act
SPI	<i>Sistem Pengendalian Internal</i> or Internal Control System
SRA	Sustainability Reporting Award
STB	Set Top Box
STO / PABX	<i>Sentral Telepon Otomat</i> or Private Automatic Branch Exchange
TAM	Tele Account Management
TDP	<i>Tanda Daftar Perusahaan</i> or Company Registration Certificate
TEI	Trade Expo Indonesia
THR	<i>Tunjangan Hari Raya</i> or Religious Festivity Allowance
TII	Telkom Indonesia International
TIQA	Telkom Integrated Quality Assurance
TIS	Thailand-Indonesia-Singapore
TLK	Kode Saham Telkom di New York Stock Exchange
TLKM	Kode Saham Telkom di Bursa Efek Indonesia
TLT	Telkom Landmark Tower
TSA	Technical Support Agreement
USO	Universal Service Obligation
UTRAN	UMTS Terrestrial Radio Access Network
VOD	Voice Over Data
VoIP	Voice over Internet Protocol
VP	Vice President
VPN	Virtual Private Network
WBS	Whistleblowing System
WHOCC	World Hub Operation Command Center
WIB	Wholesale and International Business
WINS	Wholesale and International Service
WPO	Whistleblower Protection Officer

APPENDIX 7: CIRCULAR LETTER TO FINANCIAL SERVICES AUTHORITY NO.30/SEOJK.04/2016 CROSS REFERENCE

No.	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:	<ol style="list-style-type: none"> 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. 	<p>17</p> <p>18-19</p> <p>30-39</p> <p>24-29</p> <p>10-12</p> <p>92-145</p> <p>146-215</p> <p>216-227</p> <p>268</p> <p>40-41</p>
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	<p>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:</p> <ol style="list-style-type: none"> 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; 	17

No.	Criteria	Explanation	Pages
		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.	
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; and d) Traded volume in the stock exchange where the share is listed.	18-19
		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.	20
		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	Tidak ada suspension/delisting
		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.	Tidak ada suspension/delisting

No.	Criteria	Explanation	Pages
c.	Director's Report	<p>Report from the Directors at least contain:</p> <ol style="list-style-type: none"> 1) Brief description about the performance of issuer or public company, that at least include: <ol style="list-style-type: none"> 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). 	30-39
d.	Board of Commissioners' Report	<p>Report from Board of Commissioners' at least contains:</p> <ol style="list-style-type: none"> 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 Board of Directors; 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. 	24-29
e.	Profile of Issuer or Public Company	<p>The Issuer or Public Company's Profile at least contains:</p> <ol style="list-style-type: none"> 1) Name of issuer or public company, including, if any, changes in names, reasons for such changes, and the effective date of name; 	10-12
		<ol style="list-style-type: none"> 2) Access to issuer or public company, including branch or representative offices that enables people to obtain the information of: <ol style="list-style-type: none"> a) Address; b) Telephone number; c) Facsimile number; d) E-mail address; and e) Web site address; 	10-11
		<ol style="list-style-type: none"> 3) Brief history of the issuer or public company; 	46-47
		<ol style="list-style-type: none"> 4) Vision and mission of issuer or public company; 	44-45
		<ol style="list-style-type: none"> 5) Business activities under the latest articles of association, business activities conducted during the financial year, and type of goods and/or services offered; 	48-49
		<ol style="list-style-type: none"> 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; 	56-57

No.	Criteria	Explanation	Pages
7)	Profile of the directors, consisting of at least: <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 1. Legal basis of Board of Directors members appointment 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; 	66-73	
8)	Profile of Board of Commissioners, consisting of: <ol style="list-style-type: none"> a) Name; b) Latest photograph; c) Age; d) Nationality; e) Educational background; f) Employment record, consisting of: <ol style="list-style-type: none"> 1. Legal basis of non-Independent Board of Commissioners members appointment at the related Issuer or Public Company; 2. Legal basis of Independent Board of Commissioners members appointment 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); and j) Education and/or trainings participated by member of Board of Commissioners in enhancing the competencies within a financial year (if any); 	58-64	

No.	Criteria	Explanation	Pages
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;	58-73
10)		Number of employees and description of the range of educational background and ages in a financial year;	74-77
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;	78-79
12)		Number of shareholders and ownership percentage at the end of financial year presented in the following classifications: a) Local institution ownership; b) Foreign institution ownership; c) Local individual ownership; and d) Foreign individual ownership;	78-79
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;	80-81
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 of company's address should be added;	80-86
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);	87-88
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);	89-90
17)		Names and addresses of institutions and/or capital market supporting professionals;	91
18)		In the event that capital market supporting professionals provides services periodically to the Issuer or Public Company, there should be information on services provided, fees and period of assignment; and	91

No.	Criteria	Explanation	Pages
		19) Award and certification received by the Issuer or Public Company, both national and international scale during the fiscal year (if any), that includes: <ol style="list-style-type: none"> a) Name of Award and/or certification; b) Rewarding body or institution; and c) Validity period of the award and/or certification (if any). 	50-55
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: <ol style="list-style-type: none"> 1) Operational review by business segment in accordance with the industry of Issuer or Public Company, consisting of at least: <ol style="list-style-type: none"> a) Production, which includes process, capacity and its development; b) Revenue; and c) Profitability. 	94-111
		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: <ol style="list-style-type: none"> 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; 	118-131
		3) Capability to pay debts by presenting relevant ratio;	132
		4) Collectable accounts of Issuer or Public Company receivable by presenting relevant ratio;	137
		5) Capital structure and Management's policies on the capital structure, as well as basis of the policy making;	133
		6) Discussion on material commitment for the investment of capital goods with explanation concerning: <ol style="list-style-type: none"> a) Purpose of such commitment; b) Sources of funds expected to fulfill to the commitment; c) Currency of denomination; d) Steps taken by the Issuer or Public Company to protect the position of related foreign currency against risks; 	135-136
		7) Discussion on capital goods investments realized within the last Financial year, that at least contains: <ol style="list-style-type: none"> a) Type of capital goods investments; b) Purpose of capital goods investments; c) Value of capital goods investments issued. 	134
		8) Material information and facts occurring after the date of accountant's report (if any);	137
		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;	141

No.	Criteria	Explanation	Pages
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.	142
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.	142
12)	Marketing aspects of the goods and/or services of Issuer or Public Company, including among others marketing strategies and market Share;		112-117
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;	143
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 Obligated 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;	143
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.	144
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		144
17)	Changes in the accounting policy, rationale and impacts on the financial statement (if any);		148

No.	Criteria	Explanation	Pages
g.	Governance of Issuer or Public Company	<p>Governance of Issuer or Public Company at least contains brief description of:</p> <p>1) Directors, consisting of among others:</p> <ul style="list-style-type: none"> a) Scope of work and responsibility of each member of the Directors; b) Disclosure that the Directors have Directors' Charter; 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; 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; 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: <ul style="list-style-type: none"> 1. Resolutions of GMS realized in one financial year; and 2. Reasons in the event that there is a resolution not yet realized. f) Disclosure of resolutions of GMS during financial year, that includes: <ul style="list-style-type: none"> 1. Resolutions of GMS realized in one financial year; and 2. Reasons in the event that there is a resolution not yet realized; and g) Disclosure of company policies on performance assessment of members of Directors; 	189-194
		<p>2) Board of Commissioners, consisting of among others:</p> <ul style="list-style-type: none"> a) Description of responsibility of the Board of Commissioners; b) Disclosure that the Board of Commissioners has Board of Commissioners' charter; c) Disclosure of procedures, basis of decision, and amount of remuneration for members of Board of Commissioners; d) Disclosure of company policies and the implementation on frequency of Board of Commissioners meetings, including joint meetings with the Directors, and attendance of members of Board of Commissioners in such meetings; e) Disclosure of Issuer or Public Company's policies on performance assessment of members of Directors and Board of Commissioners and its implementation, including among others: <ul style="list-style-type: none"> 1) Procedure of performance assessment implementation; 2) Criteria of assessment; and 3) Parties conducting the assessment. f) Disclosure of performance assessment of committee supporting the duties of Board of Commissioners; and g) In the event that the Board of Commissioners did not establish Committee of Nomination and Remuneration, the least information to disclose includes: <ul style="list-style-type: none"> 1) Reasons for not establishing a committee; and 2) Procedure of nomination and remuneration implemented during financial year; 	169-175

No.	Criteria	Explanation	Pages
		3) Syariah Supervisory Board, for Issuer or Public Company running business under the principles of Syariah as expressed in the Articles of Association, contains at least: <ul style="list-style-type: none"> a) Name; b) Tasks and responsibilities of Syariah Supervisory Board; and c) Frequency and method of advising and supervisory on the compliance of Syariah Principles in Capital Market toward the Issuer or Public Company; 	Tidak relevan
		4) Audit Committee, consisting of among others: <ul style="list-style-type: none"> a) Name and position in the committee; b) Age; c) Nationality; d) Educational background; e) Employment record, consisting of: <ol style="list-style-type: none"> 1. Legal basis of appointment as member of committee; 2. Double position, either as member of Board of Commissioners, directors, and/or committee and other positions (if any); and 3. Work experience and the time period, both inside and outside the Issuer or Public Company; f) Period of service of Audit Committee members; g) Disclosure of independence of Audit Committee; h) Disclosure of company policies and the implementation on frequency of Audit Committee meetings and the attendance of Audit Committee members in such meetings; i) Education and/or trainings participated within a financial year (if any); and j) Brief description activities carried out by Audit Committee during the financial year based on what is stated in Audit Committee Charter; 	176-180

No.	Criteria	Explanation	Pages
5)		<p>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> <ul style="list-style-type: none"> a) Name and position in the committee; b) Age; c) Nationality; d) Educational background; e) Employment record, consisting of: <ul style="list-style-type: none"> 1. Legal basis of appointment as committee member; 2. Double position, either as member of Board of Commissioners, Directors and/or committee and the other positions (if any); and 3. Work experience and the time period both inside and outside the Issuer or Public Company; f) Period of service of committee members; g) Description of the tasks and responsibilities; h) Disclosure that the committee has charter of committee; i) Disclosure of independence of committee members; j) Disclosure of company policies and the implementation on frequency of committee meetings and the attendance of committee members in such meetings; k) Education and/or trainings participated within a financial year (if any); and l) Brief description activities carried out by committee during the financial year; 	176-184
6)		<p>Corporate Secretary, consisting among others:</p> <ul style="list-style-type: none"> a) Name; b) Domicile; c) Employment record, consisting of: <ul style="list-style-type: none"> 1. Legal basis of appointment as Corporate Secretary; and 2. Work experience and the time period both inside and outside the Issuer or Public Company; d) Educational background; e) Education and/or trainings participated within a financial year; and f) Brief description activities carried out by Corporate Secretary during the financial year; 	195-197

No.	Criteria	Explanation	Pages
7)	Internal Auditing Unit, consisting among others:		198-201
	a) Name of Internal Auditing Unit's chief;		
	b) Employment record, consisting of:		
	1. Legal basis of appointment as Internal Auditing Unit's chief; and		
	2. Work experience and the time period both inside and outside the Issuer or Public Company;		
	c) Qualification/certification as an Internal Audit (if any);		
	d) Education and/or trainings participated within a financial year;		
	e) Structure and position of Internal Auditing Unit;		
	f) Description of tasks and responsibilities of Internal Auditing Unit;		
	g) Disclosure that the the unit has charter Internal Auditing Unit; and		
	h) Brief description of tasks implementation of Internal Auditing Unit during the financial year;		
8)	Description of internal control system implemented by Issuer or Public Company, consisting of at least:		201-202
	a) Operational and financial control, along with compliance with other prevailing rules and regulations; and		
	b) Review on effectiveness of internal control system;		
9)	Risk management system implemented by Issuer or Public Company, consisting of at least:		203-208
	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;		
10)	Material litigation faced by the Issuer or Public Company, subsidiaries, present members of the Board of Commissioners and Directors (if any), including among others:		212
	a) Material of the case/claim;		
	b) Status of settlement of case/claim; and		
	c) Impacts on the financial condition of the Issuer or Public Company;		
11)	Information on administrative sanctions to Issuer or Public Company, members of the Board of Commissioners and Directors, by capital market authority and other authorities during the fiscal year (if any);		212
12)	Information on code of conducts and culture of Issuer or Public Company (if any) consisting of:		214
	a) Main points of code of conducts;		
	b) Form of socialization of code of conducts and efforts to enforce it; and		
	c) Disclosure of that code of conducts is applicable to member of Directors, Board of Commissioners, and employers of Issuer or Public Company;		

No.	Criteria	Explanation	Pages
13)		Information on corporate culture or corporate values (if any);	215-217
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;	211
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) Procedure to submit whistleblowing report; 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;	209-210
16)		Implementation of Public Company Governance Guidelines for Issuer that issues Equity Securities or Public Company, consisting of: a) Disclosure of implemented recommendations; and/or b) Explanation concerning unimplemented recommendation, including reasons for such conditions and alternatives (if any);	150-156

No.	Criteria	Explanation	Pages
h.	Social and Environmental Responsibility of Issuer or Public Company	<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> <ol style="list-style-type: none"> 1. Use of environmentally friendly and recyclable material and energy; 2. Issuer or Public Company's waste management system; 3. Mechanisms of complaints on environmental concern; 4. Certification in the field of environment; <p>b) Labor practices, occupational health and safety, among others:</p> <ol style="list-style-type: none"> 1. Equality in gender and work opportunity; 2. Work facility and safety; 3. Employees turnover; 4. Level of work accident; 5. Eduation and/or training. 6. Remuneration; and 7. Mechanisms of complaints on Employment concern; <p>c) Social and community development, among others:</p> <ol style="list-style-type: none"> 1. Use of local work force; 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; 3. Improvement of social facilities and infrastructure; 4. Other forms of donations; and 5. Communication on anti corruption policy and procedure in the Issue or Public Company, as well as training on anti corruption(if any). <p>d) Product and/or services responsibility, among others:</p> <ol style="list-style-type: none"> 1. Consumers' health and safety; 2. Product and/or services information; and 3. Facilities for customers' complaints, number of complaints and complaints handling. 	<p>228</p> <p>222-223</p> <p>225-227</p> <p>220-221</p>

No.	Criteria	Explanation	Pages
		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 Annual Report; and	
		3) The report referred 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 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; and	272
j.	Statement of members Board of Directors and Board of Commissioners on the Responsibility for the Annual Report	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 Circular Letter of FSA.	40-41

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- 1 Telkom Highlights
- 2 Report of The Board of Commissioners and Directors
- 3 About Telkom
- 4 Analysis and Discussion
- 5 Corporate Governance
- 6 Corporate Social Responsibility
- 7 Partnership and Community Development Program
- 8 Appendices
- 9 Consolidated Financial Statements

09

CONSOLIDATED FINANCIAL STATEMENTS

Audited Consolidates Financial Statements 2018
Audited PKBL Financial Statements 2018



BUMN
Hadir untuk negeri

Telkom
Indonesia

ANNUAL MEETING
2018 Indonesia

APEL KESIAPAN

SATUAN TUGAS OPERASIONAL TELKOM GROUP
EVENT ANNUAL MEETING IMF-WB 2018

Nusa Dua, 21 September 2018



Preparation ceremony of TelkomGroup operational task force for the 2018 IMF-WB Annual Meeting Event.

Perusahaan Perseroan (Persero)
PT Telekomunikasi Indonesia Tbk. and its subsidiaries

Consolidated financial statements
as of December 31, 2018 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, 2018 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
Alamat Domisili : Jl. H. Namin No. 48 A Kelurahan Cipete Utara
Kecamatan Kebayoran Baru, 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, April 29 , 2019



A handwritten signature in blue ink is written over a yellow 6000 Rupiah stamp. The stamp features the Garuda Pancasila emblem and the text 'METERAI TEMPEL', '6000', and 'ENAM RIBURUPIAH'. A unique identification number '39851AFF805168871' is also visible on the stamp.

Alex J. Sinaga
President Director

Harry M. Zen
Director of Finance



This report is originally issued in the Indonesian language.

Independent Auditors' Report

Report No. 00910/2.1032/AU.1/06/0691 2/1/IV/2019

**The Shareholders and the Boards of Commissioners and Directors
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, 2018, 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.



This report is originally issued in the Indonesian language.

Independent Auditors' Report (continued)

Report No. 00910/2.1032/AU.1/06/0691-2/1/IV/2019 (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, 2018, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

KAP Purwantono, Sungkoro & Surja

A handwritten signature in black ink, appearing to read 'David Sungkoro', is written over the printed name and registration number.

David Sungkoro, CPA
Public Accountant Registration No. AP.0691

April 29, 2019

**PERUSAHAAN PESEROAN (PESERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018 AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITOR'S REPORT**

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These consolidated financial statements are originally issued in the Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2018

(Amounts in the tables expressed in billions of Indonesian Rupiah, unless otherwise stated)

	Notes	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,2e,2u,3,31,36	17,439	25,145
Other current financial assets	2c,2e,2u,4,31,36	1,304	2,173
Trade receivables - net provision for impairment of receivables	2g,2u,2ac,5,36		
Related parties	2c,31	2,126	1,545
Third parties		9,288	7,677
Other receivables - net of provision for impairment of receivables	2g,2u,36	727	342
Inventories - net provision for obsolescence	2h,6	717	631
Assets held for sale	2j,9	340	10
Prepaid taxes	2t,26	2,749	1,947
Claim for tax refund	2t,26	596	908
Other current assets	2c,2i,2m,7,31	7,982	7,183
Total Current Assets		43,268	47,561
NON-CURRENT ASSETS			
Long-term investments	2f,2u,8	2,472	2,148
Property and equipment - net of accumulated depreciation	2l,2m,2ab,2ac,9,34	143,248	130,171
Intangible assets - net of accumulated amortization	2d,2k,2n,2ab,11	5,032	3,530
Deferred tax assets - net	2t,26	2,504	2,804
Other non-current assets	2c,2g,2i,2n,2t,2u,10,26,31,36	9,672	12,270
Total Non-current Assets		162,928	150,923
TOTAL ASSETS		206,196	198,484
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables	2o,2u,12,36		
Related parties	2c,31	993	896
Third parties		13,773	14,678
Other payables	2u,36	448	217
Taxes payable	2t,26	1,180	2,790
Accrued expenses	2c,2u,13,31,36	12,769	12,630
Unearned income	2r,14	5,190	5,427
Advances from customers	2c,31	1,569	1,240
Short-term bank loans	2c,2p,2u,15a,31,36	4,043	2,289
Current maturities of long-term borrowings	2c,2m,2p,2u,2v,15b,31,36	6,296	5,209
Total Current Liabilities		46,261	45,376
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	2t,26	1,252	933
Unearned income	2r,14	652	524
Long service award provisions	2s,30	852	758
Pension benefits and other post-employment benefits obligations	2s,29	5,555	10,195
Long-term borrowings - net of current maturities	2c,2m,2p,2u,2v,16,31,36	33,748	27,974
Other liabilities	2u,2o,2aa	573	594
Total Non-current Liabilities		42,632	40,978
TOTAL LIABILITIES		88,893	86,354
EQUITY			
Capital stock	1c,18	4,953	5,040
Additional paid-in capital	2w,19	2,455	4,931
Treasury stock	2w,20	-	(2,541)
Other equity	2f,2u,21	507	387
Retained earnings			
Appropriated	28	15,337	15,337
Unappropriated		75,658	69,559
Net equity attributable to:			
Owners of the parent company		98,910	92,713
Non-controlling interest	2b,17	18,393	19,417
TOTAL EQUITY		117,303	112,130
TOTAL LIABILITIES AND EQUITY		206,196	198,484

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

These consolidated financial statements are originally issued in the Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the Year Ended December 31, 2018
(Amounts in the tables expressed in billions of Indonesian Rupiah, unless otherwise stated)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
REVENUES	2c,2r,22,31	130,784	128,256
Operation, maintenance and telecommunication service expenses	2c,2r,24,31	(43,791)	(36,603)
Depreciation and amortization expenses	2k,2l,2m,9,11	(21,406)	(20,446)
Personnel expenses	2c,2r,2s,23,31	(13,178)	(13,529)
Interconnection expenses	2c,2r,31	(4,283)	(2,987)
General and administrative expenses	2c,2r,25,31	(6,137)	(5,260)
Marketing expenses	2c,2r,31	(4,214)	(5,268)
Gain on foreign exchange - net	2q	68	51
Other income	2l,2r,9c	1,752	1,039
Other expenses	2r, 9c	(750)	(1,320)
OPERATING PROFIT		38,845	43,933
Finance income	2c,31	1,014	1,434
Finance cost	2c,2p,2r,31	(3,507)	(2,769)
Share of profit of associated companies	2f,8	53	61
PROFIT BEFORE INCOME TAX		36,405	42,659
INCOME TAX (EXPENSE) BENEFIT	2t,26		
Current		(9,432)	(11,357)
Deferred		6	1,399
		(9,426)	(9,958)
PROFIT FOR THE YEAR		26,979	32,701
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation	2f,2q,21	146	24
Change in fair value of available-for-sale financial assets	2u,21	(10)	20
Share of other comprehensive income of associated companies	2f,8	(14)	(1)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit actuarial gain (loss) - net	2s,29	4,820	(2,375)
Other comprehensive income - net		4,942	(2,332)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		31,921	30,369
Profit for the year attributable to:			
Owners of the parent company		18,032	22,145
Non-controlling interests	2b,17	8,947	10,556
		26,979	32,701
Total comprehensive income for the year attributable to:			
Owners of the parent company		22,844	19,952
Non-controlling interests	2b	9,077	10,417
		31,921	30,369
BASIC EARNING PER SHARE			
(in full amount)	2x,27		
Net income per share		182.03	223.55
Net income per ADS (100 Series B shares per ADS)		18,202.70	22,354.64

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

These consolidated financial statements are originally issued in the Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2018

(Amounts in the tables expressed in billions of Indonesian Rupiah, unless otherwise stated)

Description	Notes	Attributable to owners of the parent company							Non-controlling interests	Total equity
		Capital stock	Additional paid-in capital	Treasury stock	Other equity	Appropriated	Unappropriated	Net		
Balance, January 1, 2018		5,040	4,931	-	387	15,337	69,559	92,713	19,417	112,130
Capital contribution to subsidiaries	2d	-	-	-	-	-	-	-	34	34
Acquisition of businesses		-	(22)	-	(16)	-	-	(38)	65	27
Acquisition of non-controlling interest		-	-	-	-	-	-	-	(69)	(69)
Cash dividends	17,28	-	-	-	-	-	-	-	(10,131)	(26,740)
Cancellation of treasury stocks	2v,20	(87)	(2,454)	2,541	-	-	(16,609)	(16,609)	-	-
Profit for the year	2b,17	-	-	-	-	-	18,032	18,032	8,947	26,979
Other comprehensive income	2f,2q,2s,2u,17	-	-	-	136	-	4,676	4,812	130	4,942
Balance, December 31, 2018		4,953	2,455	-	507	15,337	75,658	98,910	18,393	117,303

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

These consolidated financial statements are originally issued in the 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, 2018
(Amounts in the tables expressed in billions of Indonesian Rupiah, unless otherwise stated)

Description	Notes	Attributable to owners of the parent company									
		Capital stock	Additional paid-in capital	Treasury stock	Other equity	Appropriated	Unappropriated	Net	Non-controlling interests	Total equity	
Balance, January 1, 2017		5,040	4,931	(2,541)	339	15,337	61,278	84,384	21,160	105,544	
Capital contribution		-	-	-	-	-	-	-	50	50	
Acquisition of businesses	2d	-	-	-	4	-	-	4	-	4	
Acquisition of non-controlling interest		-	-	-	-	-	-	-	145	145	
Cash dividends	2w,28	-	-	-	-	-	(11,627)	(11,627)	(12,355)	(23,982)	
Profit for the year	2b,17	-	-	-	-	-	22,145	22,145	10,556	32,701	
Other comprehensive income - net	2f,2q,2s,2u,17	-	-	-	44	-	(2,237)	(2,193)	(139)	(2,332)	
Balance, December 31, 2017		5,040	4,931	(2,541)	387	15,337	69,559	92,713	19,417	112,130	

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

These consolidated financial statements are originally issued in the Indonesian language.

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2018

(Amounts in the tables expressed in billions of Indonesian Rupiah, unless otherwise stated)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Total cash receipts from customers and other operators		127,855	125,111
(Payment) receipts for tax refund		2,578	585
Interest income received		1,036	1,431
Cash payments for expenses		(54,099)	(49,604)
Cash payments to employees		(12,657)	(11,739)
Cash payments for corporate and final income taxes		(10,375)	(11,846)
Payment for interest costs		(3,735)	(3,133)
Cash payments for value added taxes - net		(3,434)	(1,942)
Other cash (payments) receipts - net		(1,498)	542
Net cash provided by operating activities		45,671	49,405
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	9	629	1,367
Receipts (placement) in time deposits and available-for-sale financial assets		171	(676)
Proceeds from insurance claims	9	153	155
Dividen received from associated companies	8	9	28
Purchase of property and equipment	9, 38	(31,562)	(32,294)
Purchase of intangible assets	11, 38	(2,972)	(508)
Additional contribution on long-term investments	8	(337)	(269)
Increase in advances for purchases of property and equipment		(300)	(490)
Acquisition of businesses - net of acquired cash		(420)	(243)
Purchase in other assets		(461)	(77)
Net cash used in investing activities		(35,090)	(33,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans and other borrowings	15, 16	35,364	12,169
Capital contribution of non-controlling interests in subsidiaries		34	50
Repayments of loan and other borrowings	15, 16	(27,113)	(9,289)
Cash dividends paid to the Company's stockholder subsidiaries		(16,609)	(11,627)
Cash dividends paid to non-controlling interests of subsidiaries	28	(10,134)	(12,355)
Net cash used in financing activities		(18,458)	(21,052)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(7,877)	(4,654)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		171	32
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3	25,145	29,767
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	17,439	25,145

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

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2018 and For the Year Then Ended
(Amounts in the tables expressed in billions of Indonesian 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 amendments of which were about increase the flexibility and independency of Commissioners in approving the Directors' actions at a certain threshold and changes in authorized and issued capital stocks due to the transfer of total shares of cancelation treasury stocks by deducting from equity as stated in notarial deed No. 34 and No. 35 dated May 15, 2018 of Ashoya Ratam, S.H., MKn. The latest amendments were accepted and approved by the Ministry of Law and Human Rights of the Republic of Indonesia ("MoLHR") in its Letter No. AHU-AH.01.03-0214555 dated June 8, 2018 and MoLHR decision's No. AHU-0013328.AH.01.02 year 2018 dated July 2, 2018.

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 to provide high quality and competitive goods and/or services to gain/pursue profit in order to increase the value of the Company with applied the Limited Company principle. In regard to achieving its objectives, 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 or 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, 2018 and For the Year Then Ended
(Amounts in the tables expressed in billions of Indonesian 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 is additional information 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 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 closed network	844/KEP/M.KOMINFO/05/2016	Fixed closed 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 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)

a. Establishment and general information (continued)

License	License No.	Type of services	Grant date/latest renewal date
License to operate internet service provider	2176/KEP/ M.KOMINFO/12/2016	Internet service provider	December 30, 2016
License to operate content service provider	1040/KEP/ M.KOMINFO/16/2017	Content service provider	May 16, 2017
License for the Implementation of Internet Interconnection Services	1004/KEP/ M.KOMINFO/2018	Interconnection Services	December 26, 2018

b. Company's Board of Commissioners, Directors, Audit Committee, Corporate Secretary, Internal Audit, and Employees

1. Board of Commissioners and Directors

Based on resolutions made at the Annual General Meeting ("AGM") of Stockholders of the Company as covered by notarial deed No. 54 and No. 28 of Ashoya Ratam., S.H., M.Kn., dated April 27, 2018 and April 21, 2017, the composition of the Company's Boards of Commissioners and Directors as of December 31, 2018 and 2017, respectively, were as follows:

	2018	2017
President Commissioner	Hendri Saparini	Hendri Saparini
Commissioner	Edwin Hidayat Abdullah	Rinaldi Firmansyah
Commissioner	Rinaldi Firmansyah	Hadiyanto
Commissioner	Isa Rachmatarwata	-
Independent Commissioner	Margiyono Darsasumarja	Margiyono Darsasumarja
Independent Commissioner*	-	Dolfie Othniel Fredric Palit
Independent Commissioner	Pamijati Pamela Johanna	Pamijati Pamela Johanna
Independent Commissioner	Cahyana Ahmadjayadi	Cahyana Ahmadjayadi
President Director	Alex Janangkih Sinaga	Alex Janangkih Sinaga
Director of Finance	Harry Mozarta Zen	Harry Mozarta Zen
Director of Digital and Strategic Portfolio	David Bangun	David Bangun
Director of Enterprise and Business Service	Dian Rachmawan	Dian Rachmawan
Director of Wholesale and International Services	Abdus Somad Arief	Abdus Somad Arief
Director of Human Capital Management	Herdy Rosadi Harman	Herdy Rosadi Harman
Director of <i>Network, Information Technology and Solution</i>	Zulhelfi Abidin	Zulhelfi Abidin
Director of Consumer Service	Siti Choiriana	Mas'ud Khamid

* Dolfie Othniel Fredric Palit has been appointed as a permanent candidate for the House Representatives of the Republic of Indonesia starting from September 20, 2018, hence his position as Commissioner of the Company was ended by law.

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1. GENERAL (continued)

b. Company's Board of Commissioners, Directors, Audit Committee, Corporate Secretary , Audit Internal and Employees (continued)

2. Audit Committee, Corporate Secretary, and Internal Audit

The composition of the Company's Audit Committee, Corporate Secretary, and Internal Audit as of December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Chairman	Margiyono Darsasumarja	Margiyono Darsasumarja
Secretary	Tjatur Purwadi	Tjatur Purwadi
Member	Rinaldi Firmansyah	Rinaldi Firmansyah
Member	-	Dolfie Othniel Fredric Palit
Member	Sarimin Mietra Sardi	Sarimin Mietra Sardi
Member	Cahyana Ahmadjayadi	Cahyana Ahmadjayadi
Corporate Secretary	Andi Setiawan	Andi Setiawan
Internal Audit	Harry Suseno Hadisoebroto	Harry Suseno Hadisoebroto

3. Employees

As of December 31, 2018 and 2017, the Company and subsidiaries ("Group") had 24,064 employees and 24,071 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 was 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.

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1. GENERAL (continued)

c. Public offering of securities of the Company (continued)

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 Extraordinary General Meeting ("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).

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., M.Kn., 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., M.Kn., 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 of 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 change the ratio of Depositary Receipt from 1 ADS representing 200 series B shares to become 1 ADS representing 100 series B shares (Note 18). Profit per ADS information have been retrospectively adjusted to reflect the changes in the ratio of ADS.

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, 2018, all of the Company's Series B shares are listed on the IDX and 68,824,067 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).

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1. GENERAL (continued)

c. Public offering of securities of the Company (continued)

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).

On December 21, 2015, the Company sold the remaining shares of treasury shares phase III (Note 20).

On June 29, 2016, the Company sold the treasury shares phase IV (Note 20).

At the AGM held on April 27, 2018, which were covered by notarial deed No. 54 of Ashoya Ratam, S.H., M.Kn., the stockholders approved for cancellation 1,737,779,800 shares of treasury stock by reduced the Company's capital stock (Note 20).

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1. GENERAL (continued)

d. Subsidiaries

As of December 31, 2018 and 2017, 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	
			2018	2017	2018	2017
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	82,650	85,748
PT Multimedia Nusantara ("Metra"), Jakarta, Indonesia	Network telecommunication services and multimedia/ May 9, 2003	1998	100	100	16,524	13,275
PT Dayamitra Telekomunikasi ("Dayamitra") Jakarta, Indonesia	Telecommunication/ May 17, 2001	1995	100	100	13,053	13,606
PT Telekomunikasi Indonesia Internasional ("TII"), Jakarta, Indonesia	Telecommunication/ July 31, 2003	1995	100	100	10,408	9,125
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	100	100	5,805	5,641
PT Telkom Akses ("Telkom Akses"), Jakarta, Indonesia	Construction, service and trade in the field of telecommunication/ November 26, 2012	2013	100	100	4,244	5,716
PT PINS Indonesia ("PINS"), Jakarta, Indonesia	Telecommunication construction and services/ August 15, 2002	1995	100	100	4,004	3,473
PT Infrastruktur Telekomunikasi Indonesia ("Telkom Infratel"), Jakarta, Indonesia	Construction, service and trade in the field of telecommunication/ January 16, 2014	2014	100	100	3,351	1,871
PT Telkom Satelit Indonesia* ("Telkomsat"), previously PT Patra Telekomunikasi Indonesia Jakarta, Indonesia	Telecommunication - provides satellite communication system, services and facilities/ September 28, 1995	1996	100	100	3,192	576
PT Metra-net ("Metranet"), Jakarta, Indonesia	Multimedia portal service/ April 17, 2009	2009	100	100	782	524
PT Jalin Pembayaran Nusantara ("Jalin"), Jakarta, Indonesia	Payment services - principal, switching, clearing and settlement activities/ November 3, 2016	2016	100	100	298	225

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1. GENERAL (continued)

d. Subsidiaries (continued)

(i) Direct 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	
			2018	2017	2018	2017
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

(ii) Indirect subsidiaries:

Subsidiary/place of incorporation	Nature of business/date of Incorporation or acquisition Nature of business	Year of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			2018	2017	2018	2017
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	7,785	6,064
Telekomunikasi Indonesia International Pte. Ltd., Singapore	Telecommunication/ December 6, 2007	2008	100	100	3,413	3,048
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	2,389	2,122
PT Telkom Landmark Tower ("TLT"), Jakarta, Indonesia	Service for property development and management/ February 1, 2012	2012	55	55	2,128	2,009
PT Metra Digital Media ("MD Media"), Jakarta, Indonesia	Directory information services/ January 22, 2013	2013	100	100	1,339	1,106
Telekomunikasi Indonesia International Ltd, Hong Kong	Telecommunication/ December 8, 2010	2010	100	100	1,185	710
PT Finnet Indonesia ("Finnet"), Jakarta, Indonesia	Information technology services/ October 31, 2005	2006	60	60	1,011	907
PT Metra Digital Investama ("MDI"), Jakarta, Indonesia	Trading and/or providing service related to information and tehnology, multimedia, entertainment and investment/ January 8, 2013	2013	100	100	979	658
TS Global Network Sdn. Bhd. ("TSGN"), Petaling Jaya, Malaysia	Satellite services/ December 14, 2017	1996	70	49	832	818

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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 Nature of business	Year of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			2018	2017	2018	2017
Telekomunikasi Indonesia International (“TL”) S.A., <i>Dili, Timor Leste</i>	Telecommunication/ September 11, 2012	2012	100	100	677	639
PT Melon (“Melon”) <i>Jakarta, Indonesia</i>	Digital content exchange hub services/ November 14, 2016	2010	100	100	457	231
PT Swadharma Sarana Informatika (“Swadharma”) <i>Jakarta, Indonesia</i>	System Integrator Services/ April 2, 2018	2001	51	-	460	-
PT Administrasi Medika (“Ad Medika”), <i>Jakarta, Indonesia</i>	Health insurance administration services/ February 25, 2010	2002	100	100	346	273
PT Nusantara Sukses Investasi (“NSI”), <i>Jakarta, Indonesia</i>	Service and trading/ September 1, 2014	2014	100	100	290	303
PT Graha Yasa Selaras (“GYS”), <i>Jakarta, Indonesia</i>	Tourism service/ April 27, 2012	2012	51	51	250	178
PT Metraplasa (“Metraplasa”), <i>Jakarta, Indonesia</i>	Network & e-commerce services/ April 9, 2012	2012	60	60	168	203
Telekomunikasi Indonesia International Pty Ltd, (“Telkom Australia”), <i>Sydney, Australia</i>	Telecommunication/ January 9, 2013	2013	100	100	115	123
PT Nutech Integrasi (“Nutech”), <i>Jakarta, Indonesia</i>	System integrator/ December 13, 2017	2001	60	60	93	60
Telekomunikasi Indonesia International Inc., (“Telkom USA”), <i>Los Angeles, USA</i>	Telecommunication/ December 11, 2013	2014	100	100	57	36
Telekomunikasi Indonesia Intl (Malaysia) Sdn. Bhd (“Telin Malaysia”) <i>Malaysia</i>	Telecommunication/ July 2, 2013	2013	70	49	76	23
PT Satelit Multimedia Indonesia (“SMI”), <i>Jakarta, Indonesia</i>	Satellite services/ March 25, 2013	2013	100	100	16	18

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1. GENERAL (continued)

d. Subsidiaries (continued)

(a) Metra

Based on notarial deed of Utiék Rochmuljati Abdurachman, S.H., M.LI, M.Kn., No. 10 and 11 dated December 13, 2017, Metra purchased 36,000 shares of Nutech (equivalent to 60% ownership) amounting to Rp24 billion. This is larger than the ownership portion of net book value amounting to Rp13 billion. As of December 31, 2017, the difference amounting to Rp11 billion was recognized as goodwill (Note 11). In accordance to independent appraisal report, fair value of net assets amounting to Rp18 billion. The difference between transaction price with the fair value of net assets amounting to Rp6 billion was recognized as goodwill (Note 11).

Based on notarial deed Utiék Rochmuljati Abdurachman S.H., MLI., M.Kn, No. 3, 4, and 5 dated April 2, 2018, Metra purchase 14,600 shares of PT Swadharma Sarana Informatika (SSI) ownership interests from Yayasan Danar Dana Swadharma, PT Tri Handayani Utama, dan Koperasi Swadharma or equivalent to 36.50 % ownership interests from SSI with purchase consideration amounting Rp220 billion.

Based on notarial deed N.M. Dipo Nusantara Pua Upa, S.H., MKn, No. 4 dated April 9, 2018, the Company as Metra's shareholders subscribing for 11,837 new shares issued by SSI with purchase consideration amounting Rp178 billion. These transaction result in change composition become 51% causing Company to have control over SSI as a subsidiary with total purchase consideration amounting to Rp397 billion (consideration paid on acquisition of control net of cash acquired is Rp210 billion). Acquisition cost of SSI which was higher than the ownership portion of net book value, which amounting to Rp196 billion. As of December 31, 2018, the difference recorded as provisional goodwill. As of the completion date of the consolidated financial statements, purchase price allocation of the acquisition is in progress.

From the date of acquisition until December 31, 2018, the total revenue and profit before tax of Swadharma included in the statements of profit or loss income and other comprehensive income amounted to Rp630 billion and Rp101 billion, respectively. If acquisition occurred since the beginning of the year, revenue and profit before tax recognized in consolidated profit and loss and other comprehensive income was Rp 823 billion and Rp110 billion, respectively.

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1. GENERAL (continued)

d. Subsidiaries (continued)

(b) Sigma

Based on notarial deed Utiek Rochmuljati Abdurachman S.H., MLI., M.Kn, No. 151 and 152, dated December 28, 2018, Sigma purchase 2,493 (equal 67% ownership share's) shares from PT Upperco Usaha Maxima with purchase consideration paid amounting Rp208 billion and 111 share's (equal 3% ownership share's) from PT Abdi Anugerah Persada with purchase consideration paid amounting Rp9 billion, hence Sigma own 2,604 shares (equal 70% ownership shares) causing Company to have control over SCC as a subsidiary with total purchase consideration amounting to Rp217 billion (consideration paid on acquisition of control net of cash acquired is Rp188 billion).. Acquisition cost of CIP which was higher than the ownership portion of net book value, which amounting to Rp165 billion. As of December 31, 2018, the difference recorded as provisional goodwill. As of the completion date of the consolidated financial statements, purchase price allocation of the acquisition is in progress.

From the date of acquisition until December 31, 2018, the total revenue and profit before tax of CIP included in the statements of profit or loss income and other comprehensive income amounted to Rpnil. If acquisition occurred since the beginning of the year, revenue and profit before tax recognized in consolidated profit and loss and other comprehensive income was Rp 166 billion and Rp24 billion, respectively.

(c) TII

On December 14, 2017, TII purchased TSGN equivalent to 49% ownership amounting to MYR66,150,000 (equivalent to Rp220 billion). TSGN is engaged in providing ICT (information and communication technologies) systems for satellite communication services, satellite bandwidth services and Very Small Aperture Terminal ("VSAT") services. Non-controlling interests of the acquiree are measured at fair value. Based on Sale and Subscription Agreement, TII owns the control over TSGN through placing and replacing of 3 out of 5 key managements that controls the overall business of TSGN. On April 25, 2018, TII purchased 21% of ownership shares obtained from issued new shares.

This acquisition will enhance synergy and utilization of assets and resources between companies in order to provide more innovative services to customers.

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1. GENERAL (continued)

d. Subsidiaries (continued)

(c) TII (continued)

The fair values of the identifiable assets and liabilities acquired at acquisition date were:

	<u>Total</u>
Assets	
Cash and cash equivalents	21
Trade receivables	18
Other current assets	57
Property and Equipment (Note 9)	770
Other non-current assets	20
Liabilities	
Current liabilities	(422)
Non-current liabilities	(155)
	309
Fair value of identifiable net assets acquired	309
Fair value of non-controlling interest	(157)
Provisional goodwill (Note 11)	68
	220
Fair value consideration transferred	

On July 2, 2013, Telin Malaysia was incorporated, with TII obtaining 49% direct ownership, and on April 18, 2018 TII purchased 21% of Compudyne Telecommunication Systems Sdn, Bhd shares in Telin Malaysia. The acquisition cost amounted to MYR8,764,789 or equivalent to Rp31 billion (consideration paid on acquisition of control net of cash acquired is Rp16 billion). In connection with the acquisition of Telin Malaysia's shares, TII recognized goodwill amounting to Rp61 billion (Note 11).

From the date of acquisition until December 31, 2018, the total revenue and profit before tax of Telin Malaysia included in the statements of profit or loss and other comprehensive income amounted to Rp23 billion and Rp20 billion, respectively. If acquisition occurred since the beginning of the year, revenue and loss before tax recognized in consolidated profit and loss and other comprehensive income was MYR13.323.065 (equivalent to Rp47 billion) and MYR7.888.930 (equivalent to Rp28 miliar) respectively.

e. Completion and authorization for the issuance of the consolidated financial statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, which have been completed and authorized for issuance by the Board of Directors of the Company on April 29, 2019.

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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 Institute of Indonesian Chartered Accountants 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, 2019

- **Amendments to PSAK 22: Business Combination**
The amendments clarifies that when a party in joint arrangement obtains control of a business that is a joint operation (as defined in PSAK 66) and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the assets and liabilities of the joint operation at fair value.
- **Amendments to PSAK 24: Plan Amendment, Curtailment or Settlement**
The amendments provides guidance for entities in recognizing past service costs, gains and losses, current service costs and net interest after amendments, curtailments, or settlement of programs using the latest actuarial assumptions (previously using actuarial assumptions at the beginning of the annual reporting period). In addition, the amendments also clarifies how the accounting requirements for amendments, curtailments, or settlement can affect the asset ceiling requirements reflected in the surplus reduction which causes the impact of the asset ceiling to change.
- **Amendment to PSAK 26: Borrowing Costs Eligible for Capitalisation**
The amendments clarifies that capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period, but the entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of preparation of financial statements (continued)

Effective January 1, 2019 (continued)

- **Amendment to PSAK 46: Income Tax**
The amendments clarifies that an entity shall recognise the income tax consequences of dividends as defined in PSAK 71: Financial Instruments when it recognises a liability to pay a dividend. An entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
- **Amendment to PSAk 66: Joint Arrangements**
The amendments clarifies that a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business (as defined in PSAK 22). In such cases, previously held interests in the joint operation are not remeasured.
- **ISAK 33: Foreign Currency Transactions and Advance Consideration**
ISAK 33 defines that the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration is the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.
- **ISAK 34: Uncertainty over Income Tax Treatments**
ISAK 34 clarifies how to apply the recognition and measurement requirements in PSAK 46 Income Taxes when there is uncertainty over income tax treatments. When there is uncertainty over income tax treatments, ISAK 34 addresses:
 - whether an entity considers uncertain tax treatments separately,
 - the assumptions an entity makes about the examination of tax treatments by taxation authorities,
 - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and
 - how an entity considers changes in facts and circumstances.

Effective January 1, 2020

- **PSAK 71: Financial Instruments**
PSAK 71 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from PSAK 55: Financial Instruments: Recognition and Measurement. PSAK 71 replaces the existing guidance in PSAK 55: Financial Instruments: Recognition and Measurement.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of preparation of financial statements (continued)

Effective January 1, 2020 (continued)

- **PSAK 72: Revenue from Contracts with Customers**
PSAK 72 establishes a comprehensive framework to determine how, when and how much revenue is to be recognized. The standard provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. The standard also provides specific guidance requiring certain types of costs to obtain and/or fulfil a contract to be capitalized and amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the capitalized cost relates.

PSAK 72 replaces a number of existing revenue standards, including PSAK 23: Revenue, PSAK 34: Construction Contracts and ISAK 10: Customer Loyalty Programmes.

- **PSAK 73: Leases**
PSAK 73 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PSAK 30. PSAK 73 includes two recognition exemptions for lessees – leases of 'low-value' assets and leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the lease asset.

Lessor accounting under PSAK 73 is substantially unchanged from today's accounting under PSAK 30. Lessors will continue to classify all leases using the same classification principle as in PSAK 30.

PSAK 73 replaces PSAK 30: Leases and ISAK 8: Determining whether an Arrangement contains a Lease.

- **Amendments to PSAK 15: Long-term Interests in Associates and Joint Ventures**
These amendments require the entity to apply PSAK 71 to financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.
- **Amendments to PSAK 71: Prepayment Features with Negative Compensation**
These amendments provides that financial assets with prepayment features that may result in negative compensation qualify as contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- **Amendment to PSAK 62: Insurance Contract - Implementing PSAK 71: Financial Instruments with PSAK 62: Insurance Contract** will be effective January 1, 2022, but such amendments have no impact on Group's consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business combinations (continued)

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 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, cash 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 statements of financial position.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Investments in associated companies (continued)

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 Cellum Global Zrt. (“Cellum”) is Hungary Forint (“HUF”) and PT Citra Sari Makmur (“CSM”) is the United States dollar (“U.S. dollars”). 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.

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, 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 expected 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Intangible assets except goodwill 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Property and equipment (continued)

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 measured reliably.

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 are charged to the consolidated statements of profit or loss and other comprehensive income as incurred. Significant renewals and betterments are capitalized.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Property and equipment (continued)

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 prepayment 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 functional currency is maintained in U.S. dollars and Telekomunikasi Indonesia International, Pty. Ltd., Australia whose functional currency is maintained in Australian dollars, TS Global Network Sdn. Bhd. and Telekomunikasi Indonesia International Sdn. Bhd. whose functional currency is Malaysian ringgit. 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):

	2018		2017	
	Buy	Sell	Buy	Sell
Dolar A.S. ("US\$") 1	14,375	14,385	13,565	13,570
Dolar Australia ("AU\$") 1	10,157	10,167	10,592	10,598
Euro 1	16,432	16,446	16,231	16,242
Yen Jepang 1	130.56	130.70	120.48	120.55
Ringgit Malaysia ("MYR") 1	3,474	3,480	3,520	3,526

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 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

i. Cellular revenues (continued)

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 23 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.

vi. Other revenues

Revenues from sales of peripherals 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

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.

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.

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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)

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 plan and post-retirement health care benefits plan as well as qualifying insurance policy. The assets are measured at 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.

Gains 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.

Gains 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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Employee benefits (continued)

iv. Early retirement benefits

Early retirement benefits are accrued at the time the Group 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. Tax deduction from the reversal of deferred tax assets is excluded from the estimation of future taxable income.

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 regulations impose final tax on several types of transactions based on the gross value of the transaction. Therefore, final tax which is charged based on the such transaction remains subject to tax even though the tax payer incurred a loss on the transaction. 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 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 marketplace (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, other non-current financial assets, and available-for-sale investments.

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 income/(expense) in consolidated statements of profit or loss and other comprehensive income in the period in which they arise.

No financial assets were classified as financial assets at fair value through profit or loss as of December 31, 2018 and 2017.

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, 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

i. Financial assets (continued)

c. Held-to-maturity investments

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, 2018 and 2017.

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 investments primarily consist of mutual funds, corporate and government bonds and capital stock, which are recorded as part of "Other Current Financial Assets" and "Long-term Investments" in the consolidated statements of financial position.

Available-for-sale investments are stated at fair value. Unrealized holding gains or losses on available-for-sale investments are excluded from income of the current period and are reported as a separate component in the equity section of the consolidated statements of financial position until realized. Realized gains or losses from the sale of available-for-sale investments 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, other borrowings and other liabilities. Interest-bearing loans 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, 2018 and 2017.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

ii. Financial liabilities (continued)

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, interest-bearing loans, other borrowings, and other liabilities. Interest-bearing loans consist of short-term bank loans, two-step loans, bonds and notes, long-term bank loans and obligations under finance leases.

iii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements 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 arm's 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 36.

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 can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

v. Impairment of financial assets (continued)

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.

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. Sukuk Ijarah

Sukuk Ijarah issued by the Group is recognized at nominal value, adjusted to the premium or discount and related transaction costs. The difference between the carrying amount and the nominal value is amortized on a straight-line basis over the period of the sukuk and is recognized in the income statement as the sukuk issuance expense.

Sukuk Ijarah, after adjusting for premium or discount and unamortized transaction costs, is presented as part of liabilities.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Treasury stock

Reacquired Company shares of stock are accounted for at their reacquisition cost and classified as "Treasury Stock" and presented as a deduction in equity. The cost of treasury stock sold/transferred is accounted for using the weighted average method. The portion of treasury stock transferred for employee stock ownership program is accounted for at its fair value at grant date. The difference between the cost and the proceeds from the sale/transfer of treasury stock is credited to "Additional Paid-in Capital".

x. 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 is recognized as a liability based on the Board of Directors' decision supported by the approval from the Board of Commissioners.

y. 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.

z. 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 ("CODM") 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.

aa. 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. 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 ("VIU"). 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 can not be reversed in future periods.

ac. Critical accounting estimates and assumptions

Estimates and judgments 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 makes 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.

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 and return on investment (ROI). Any changes in these assumptions will impact the carrying amount of the retirement benefit obligations.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac. Critical accounting estimates and assumptions (continued)

i. Retirement benefits (continued)

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 benefit 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 continuing 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 judgment 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 amounts of income tax are disclosed in Note 26.

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3. CASH AND CASH EQUIVALENTS

	Currency	2018		2017	
		Balance		Balance	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Cash on hand	Rp	-	36	-	12
Cash in banks					
Related parties					
PT Bank Mandiri (Persero) Tbk ("Bank Mandiri")	Rp	-	1,199	-	1,481
	US\$	10	139	27	367
	JPY	8	1	7	1
	EUR	1	20	1	17
	HKD	1	1	1	2
	AUD	0	0	0	0
PT Bank Negara Indonesia (Persero) Tbk ("BNI")	Rp	-	791	-	968
	US\$	2	28	1	13
	EUR	0	0	0	6
	SGD	0	0	0	0
PT Bank Rakyat Indonesia (Persero) Tbk ("BRI")	Rp	-	728	-	466
	US\$	2	31	6	82
PT Bank Tabungan Negara (Persero) Tbk ("BTN")	Rp	-	342	-	7
Others	Rp	-	15	-	14
	US\$	0	0	0	1
Sub-total			<u>3,295</u>		<u>3,425</u>
Third parties					
PT Bank Permata Tbk ("Bank Permata")	Rp	-	218	-	278
	US\$	2	30	0	2
PT Bank HSBC Indonesia ("HSBC")	Rp	-	1	-	-
The Hongkong and Shanghai Banking Corporation Ltd. ("HSBC Hongkong")	US\$	12	181	14	184
	HKD	5	9	4	6
Standard Chartered Bank ("SCB")	Rp	-	0	-	0
	US\$	10	148	11	154
	SGD	1	14	0	1
PT Bank UOB Indonesia ("UOB")	Rp	-	17	-	23
United Overseas Bank Limited ("UOB Singapore")	US\$	4	55	1	15
	SGD	1	14	0	2
Others (each below Rp75 billion)	MYR	3	9	2	8
	Rp	-	197	-	361
	US\$	4	60	4	46
	EUR	1	20	1	20
	MYR	3	12	0	0
	TWD	17	8	8	4
	AUD	0	2	0	1
	HKD	0	0	0	0
	MOP	0	0	0	0
Sub-total			<u>995</u>		<u>1,105</u>
Total cash in banks			<u>4,290</u>		<u>4,530</u>
Time deposits					
Related parties					
BNI	Rp	-	2,640	-	5,315
	US\$	58	837	9	116
BTN	Rp	-	2,559	-	2,958
	US\$	31	446	-	-
BRI	Rp	-	1,911	-	4,954
	US\$	47	676	15	203
Bank Mandiri	Rp	-	611	-	446
	US\$	16	230	-	-
Sub-total			<u>9,910</u>		<u>13,992</u>

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3. CASH AND CASH EQUIVALENTS (continued)

	Currency	2018		2017	
		Balance		Balance	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Time deposits (continued)					
Third parties					
PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk ("BJB")	Rp	-	1,295	-	1,726
PT Bank Tabungan Pensiunan Nasional Tbk ("BTPN")	Rp	-	181	-	676
UOB	US\$	25	363	30	401
PT Bank Mega Tbk ("Bank Mega")	Rp	-	429	20	263
PT Bank Bukopin Tbk ("Bank Bukopin")	Rp	-	365	-	1,243
PT Bank CIMB Niaga Tbk ("Bank CIMB Niaga")	Rp	-	248	-	22
	Rp	-	190	0	600
	US\$	-	-	2	31
PT Bank Muamalat Indonesia Tbk	Rp	-	40	-	91
PT Bank OCBC NISP Tbk ("OCBC NISP")	Rp	-	-	-	1,200
SCB	US\$	-	-	10	136
PT Bank ANZ Indonesia ("ANZ")	Rp	-	-	-	5
	US\$	-	-	5	73
Others	Rp	-	53	-	97
	MYR	11	39	14	47
Sub-total			<u>3,203</u>		<u>6,611</u>
Total time deposits			<u>13,113</u>		<u>20,603</u>
Total			<u>17,439</u>		<u>25,145</u>

Interest rates per annum on time deposits are as follows:

	2018	2017
Rupiah	2.50%-9.25%	2.85%-8.50%
Foreign currency	0.50%-3.75%	0.40%-1.75%

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 parties transactions.

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4. OTHER CURRENT FINANCIAL ASSETS

	Currency	2018		2017	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Time deposits					
Related parties					
BNI	Rp	-	1	-	-
BRI	Rp	-	-	-	2
Third parties					
SCB	US\$	8	116	8	109
UOB	US\$	3	45	14	191
HSBC	US\$	3	43	-	-
Others	Rp	-	-	-	23
Total time deposits			<u>205</u>		<u>325</u>
Available-for-sale financial assets					
Related parties					
PT Mandiri Manajemen Investasi	Rp	-	379	-	711
PT Bahana TCW Investment Management ("Bahana TCW")	Rp	-	91	-	360
Others	Rp	-	-	-	80
Sub-total			<u>470</u>		<u>1,151</u>
Third parties	Rp	-	-	-	17
Total available-for-sale financial assets			<u>470</u>		<u>1,168</u>
Escrow accounts					
Rp		-	136	-	318
US\$		0	1	6	78
MYR		5	16	5	15
Others					
Rp		-	476	-	263
US\$		-	-	0	6
MYR		-	-	0	0
AUD		-	-	0	0
Total			<u>1,304</u>		<u>2,173</u>

The time deposits have maturities of more than three months but not more than one year, with interest rates as follows:

	2018	2017
Rupiah	5.00%	6.00%-7.00%
Foreign currency	1.35%-1.92%	1.38%-1.64%

Refer to Note 31 for details of related parties 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

	2018	2017
State-owned enterprises	1,649	721
Indonusa	522	465
PT Indosat Tbk ("Indosat")	219	372
Others	467	670
Total	2,857	2,228
Provision for impairment of receivables	(731)	(683)
Net	2,126	1,545

(ii) Third parties

	2018	2017
Individual and business subscribers	12,044	9,808
Overseas international carriers	1,542	1,517
Total	13,586	11,325
Provision for impairment of receivables	(4,298)	(3,648)
Net	9,288	7,677

b. By age

(i) Related parties

	2018	2017
Up to 3 months	1,748	1,405
3 to 6 months	296	100
More than 6 months	813	723
Total	2,857	2,228
Provision for impairment of receivables	(731)	(683)
Net	2,126	1,545

(ii) Third parties

	2018	2017
Up to 3 months	8,006	6,809
3 to 6 months	1,502	688
More than 6 months	4,078	3,828
Total	13,586	11,325
Provision for impairment of receivables	(4,298)	(3,648)
Net	9,288	7,677

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5. TRADE RECEIVABLES (continued)

b. By age (continued)

(iii) Aging of total trade receivables

	2018		2017	
	Gross	Provision for impairment of receivables	Gross	Provision for impairment of receivables
Not past due	7,512	394	6,788	920
Past due up to 3 months	2,244	281	1,426	281
Past due more than 3 to 6 months	1,797	329	788	258
Past due more than 6 months	4,890	4,025	4,551	2,872
Total	16,443	5,029	13,553	4,331

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, 2018 and 2017, the carrying amounts of trade receivables of the Group considered past due but not impaired amounted to Rp4,296 billion and Rp3,354 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

	2018	2017
Rupiah	2,850	2,187
U.S. dollar	7	41
Others	0	0
Total	2,857	2,228
Provision for impairment of receivables	(731)	(683)
Net	2,126	1,545

(ii) Third parties

	2018	2017
Rupiah	11,348	10,300
U.S. dollar	2,118	968
Australian dollar	19	19
Others	101	38
Total	13,586	11,325
Provision for impairment of receivables	(4,298)	(3,648)
Net	9,288	7,677

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5. TRADE RECEIVABLES (continued)

d. Movements in the provision for impairment of receivables

	2018	2017
Beginning balance	4,331	2,990
Provision recognized during the year (Note 25)	1,724	1,494
Receivables written off	(1,026)	(153)
Ending balance	5,029	4,331

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, 2018, certain trade receivables of the subsidiaries amounting to Rp7,116 billion have been pledged as collateral under lending agreements (Notes 15 and 16c).

Refer to Note 31 for details of related parties transactions.

6. INVENTORIES

	2018	2017
Components	429	447
SIM Cards and blank prepaid vouchers	137	168
Others	218	69
Total	784	684
Provision for obsolescence		
Components	(38)	(24)
SIM Cards and blank prepaid vouchers	(28)	(29)
Others	(1)	0
Total	(67)	(53)
Net	717	631

Movements in the provision for obsolescence are as follows:

	2018	2017
Beginning balance	53	47
Provision recognized during the year	22	6
Inventory written off	(8)	-
Ending balance	67	53

The inventories recognized as expense and included in operations, maintenance and telecommunication service expenses as of December 31, 2018 and 2017 amounted to Rp2,625 billion and Rp2,458 billion, respectively (Note 24).

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6. INVENTORIES (continued)

Management believes that the provision is adequate to cover losses from decline in inventory value due to obsolescence.

Certain inventories of the subsidiaries amounting to Rp235 billion have been pledged as collateral under lending agreements (Notes 16c).

As of December 31, 2018 and 2017, modules and components held by the Group with book value amounting to Rp125 billion and Rp143 billion, respectively, have been insured against fire, theft, and other specific risks. Total sum insured as of December 31, 2018 and 2017 amounted to Rp176 billion and Rp256 billion, respectively.

Management believes that the insurance coverage is adequate to cover potential losses of inventories arising from the insured risks.

7. OTHER CURRENT ASSETS

The breakdown of other current assets is as follows:

	2018	2017
Frequency license (Note 34c.i)	3,636	3,760
Advances	1,803	1,156
Prepaid rental	1,382	1,349
Prepaid salaries	200	227
Advance to employee	30	35
Others	931	656
Total	7,982	7,183

Refer to Note 31 for details of related parties transactions.

8. LONG-TERM INVESTMENTS

The Group has investments in several entities as follows:

	2018							Ending balance
	Percentage of ownership	Beginning balance	Additions (deductions)	Share of net profit (loss)	Dividend	Share of other comprehensive income	Impairment	
Long-term investments in associated companies:								
Tiphone ^a	24.00	1,539	-	87	(9)	(15)	-	1,602
Indonusa ^b	20.00	221	-	(11)	-	-	-	210
Teltranet ^c	51.00	18	-	(19)	-	1	-	0
PT Integrasi Logistik Cipta Solusi ("ILCS") ^d	49.00	43	-	1	-	0	-	44
PT Graha Sakura Nusantara ("GSN") ^e	45.00	14	-	0	-	-	-	14
Cellum ^f	30.40	-	84	(5)	-	-	-	79
Others ^g	25.00-32.00	4	-	0	0	0	-	4
Sub-total		1,839	84	53	(9)	(14)	-	1,953
Other long-term investments		309	253	-	-	-	(43)	519
Total long-term investments		2,148	337	53	(9)	(14)	(43)	2,472

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8. LONG-TERM INVESTMENTS (continued)

Summarized financial information of the Group's investments accounted under the equity method for 2018:

	Tiphone	Indonusa	Teltranet	ILCS	GSN	Cellum	Others
<i>Statements of financial position</i>							
Current assets	7,615	449	269	132	184	22	201
Non-current assets	892	310	116	47	-	43	601
Current liabilities	(1,466)	(571)	(269)	(87)	154	(23)	(663)
Non-current liabilities	(3,062)	(297)	(138)	(2)	-	(20)	(1,863)
Equity (deficit)	3,979	(109)	(22)	90	338	22	(1,724)
<i>Statements of profit or loss and other comprehensive income</i>							
Revenues	29,228	824	206	164	5	22	95
Operating expenses	(28,117)	(583)	(264)	(162)	(5)	(46)	(233)
Other income (expenses) including finance costs - net	(391)	(39)	(13)	1	1	(10)	(33)
Profit (loss) before tax	720	202	(71)	3	1	(34)	(171)
Income tax benefit (expense)	(137)	(55)	12	(1)	(0)	-	(1)
Profit (loss) for the year	583	147	(59)	2	1	(34)	(172)
Other comprehensive income (loss)	(63)	(3)	1	-	-	-	-
Total comprehensive income (loss) for the year	520	144	(58)	2	1	(34)	(172)

	2017						
	Percentage of ownership	Beginning balance	Additions (deductions)	Share of net profit (loss)	Dividend	Share of other comprehensive income	Ending balance
Long-term investments in associated companies:							
Tiphone ^a	24.00	1,488	-	80	(28)	(1)	1,539
Indonusa ^b	20.00	221	-	-	-	-	221
Teltranet ^c	51.00	38	-	(20)	-	-	18
ILCS ^d	49.00	42	-	1	-	-	43
GSN ^e	45.00	-	14	0	-	-	14
Others ^f	25.00-49.00	-	4	(0)	-	(0)	4
Sub-total		1,789	18	61	(28)	(1)	1,839
Other long-term investments		58	251	-	-	-	309
Total long-term investments		1,847	269	61	(28)	(1)	2,148

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8. LONG-TERM INVESTMENTS (continued)

Summarized financial information of the Group's investments accounted under the equity method for 2017:

	<u>Tiphone</u>	<u>Indonusa</u>	<u>Teltranet</u>	<u>ILCS</u>	<u>GSN</u>	<u>Others</u>
<i>Statements of financial position</i>						
Current assets	8,084	307	174	145	1	190
Non-current assets	994	415	101	32	185	606
Current liabilities	(2,107)	(877)	(149)	(87)	(27)	(724)
Non-current liabilities	(3,255)	(177)	(90)	(2)	(129)	(1,882)
Equity (deficit)	3,716	(332)	36	88	30	(1,810)
<i>Statements of profit or loss and other comprehensive income</i>						
Revenues	27,914	692	209	122	0	106
Operating expenses	(27,217)	(333)	(255)	(116)	(0)	(287)
Other income (expenses) including finance costs - net	(246)	(364)	(5)	(4)	(0)	(19)
Profit (loss) before tax	451	(5)	(51)	2	0	(200)
Income tax benefit (expense)	(116)	-	13	1	-	-
Profit (loss) for the year	335	(5)	(38)	3	0	(200)
Other comprehensive income (loss)	(3)	-	(0)	(0)	-	-
Total comprehensive income (loss) for the year	332	(5)	(38)	3	0	(200)

^a Tiphone was established on June 25, 2008 as PT Tiphone Mobile Indonesia Tbk. Tiphone is engaged in the telecommunication equipment business, such as 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, 2018 and 2017, the fair value of the investment amounted to Rp1,649 billion and Rp1,755 billion, respectively. The fair value was calculated by multiplying the number of shares by the published price quotation as of December 31, 2018 and 2017 amounting to Rp940 and Rp1,000 per share, respectively.

Reconciliation of financial information to the carrying amount of long-term investment in Tiphone as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Assets	8,507	9,078
Liabilities	(4,528)	(5,362)
Net Assets	3,979	3,716
Group's proportionated share of net assets (24.00% in 2018 and 2017)	955	892
Goodwill	647	647
Carrying amount of long-term investment	1,602	1,539

^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 waived its right to own the new shares issued and transferred it to Metra, as the result, Metra's ownership in Indonusa increased to 4.33% and the Company's ownership become 15.67%.

^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 to determine the financial and operating policies of Teltranet. The unrecognized share of losses in Teltranet for the year ended December 31, 2018 are Rp11 billion.

^d ILCS is engaged in providing E-trade logistic services and other related services.

^e On August 31, 2017, NSI and third party established GSN which engaged in real estate, residential and apartment marketing business.

^f Investment in Cellum is accounted for under the equity method, which covered by a conditional shares subscription agreement between Metranet and Cellum in January 30, 2018. Cellum is a company which engaged in mobile payment and commerce services.

^g The unrecognized share of losses in other investments cumulatively as of December 31, 2018 are Rp263 billion.

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9. PROPERTY AND EQUIPMENT

	January 1, 2018	Acquisition	Additions	Deductions	Reclassifications/ Translations	December 31, 2018
At cost:						
Directly acquired assets						
Land rights	1,519	46	39	-	22	1,626
Buildings	9,802	43	67	(1)	1,922	11,833
Leasehold improvements	1,257	-	23	(24)	119	1,375
Switching equipment	18,463	-	818	(1,920)	(2,070)	15,291
Telegraph, telex and data communication equipment	1,583	-	3	-	-	1,586
Transmission installation and equipment	133,797	-	3,266	(6,398)	10,743	141,408
Satellite, earth station and equipment	9,300	-	2,414	(3)	261	11,972
Cable network	47,155	-	5,887	(36)	(7,555)	45,451
Power supply	16,279	13	484	(187)	1,275	17,864
Data processing equipment	13,294	23	140	(540)	1,348	14,265
Other telecommunication peripherals	1,659	-	1,765	-	(1)	3,423
Office equipment	1,557	46	471	(18)	86	2,142
Vehicles	439	6	203	(1)	(6)	641
Other equipment	97	-	18	-	(21)	94
Property under construction	4,415	2	17,821	(23)	(17,339)	4,876
Asset under finance lease						
Transmission installation and equipment	5,582	-	21	-	-	5,603
Data processing equipment	83	-	-	(82)	-	1
Vehicles	401	-	176	-	1	578
Office equipment	80	-	4	(68)	-	16
CPE assets	22	-	-	-	-	22
Power supply	215	-	-	(90)	-	125
RSA assets	252	-	-	-	-	252
Total	267,251	179	33,620	(9,391)	(11,215)	280,444

	January 1, 2018	Acquisition	Additions	Deductions	Reclassifications/ Translations	December 31, 2018
Accumulated depreciation and impairment losses:						
Directly acquired assets						
Buildings	2,880	-	513	(1)	13	3,405
Leasehold improvements	823	-	150	(24)	-	949
Switching equipment	14,553	-	1,307	(1,920)	(3,390)	10,550
Telegraph, telex and data communication equipment	802	-	518	-	-	1,320
Transmission installation and equipment	69,240	-	10,958	(5,579)	(372)	74,247
Satellite, earth station and equipment	4,334	-	677	(3)	(3)	5,005
Cable network	17,864	-	2,076	(36)	(7,719)	12,185
Power supply	11,154	-	1,332	(177)	7	12,316
Data processing equipment	10,236	-	1,040	(519)	(10)	10,747
Other telecommunication peripherals	602	-	428	-	(1)	1,029
Office equipment	1,036	-	290	(18)	4	1,312
Vehicles	226	-	62	(1)	(6)	281
Other equipment	96	-	4	-	(25)	75
Asset under finance lease						
Transmission installation and equipment	2,638	-	603	-	-	3,241
Data processing equipment	76	-	7	(82)	-	1
Vehicles	66	-	60	-	-	126
Office equipment	80	-	44	(54)	-	70
CPE assets	20	-	-	-	-	20
Power supply	120	-	43	(90)	-	73
RSA assets	234	-	10	-	-	244
Total	137,080	-	20,122	(8,504)	(11,502)	137,196
Net book value	130,171	-	13,500	(8,504)	(11,502)	143,248

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9. PROPERTY AND EQUIPMENT (continued)

	January 1, 2017	Acquisition	Additions	Deductions	Reclassifications/ Translations	December 31, 2017
At cost:						
Directly acquired assets						
Land rights	1,417	40	62	-	-	1,519
Buildings	7,837	39	211	(3)	1,718	9,802
Leasehold improvements	1,116	-	34	(25)	132	1,257
Switching equipment	20,490	69	556	(977)	(1,675)	18,463
Telegraph, telex and data communication equipment	1,586	-	-	-	(3)	1,583
Transmission installation and equipment	121,552	-	2,420	(4,489)	14,314	133,797
Satellite, earth station and equipment	8,445	573	1,233	(2,202)	1,251	9,300
Cable network	44,791	-	5,715	(694)	(2,657)	47,155
Power supply	15,022	-	222	(456)	1,491	16,279
Data processing equipment	12,515	-	715	(602)	666	13,294
Other telecommunication peripherals	700	-	966	(7)	-	1,659
Office equipment	1,453	11	327	-	(234)	1,557
Vehicles	387	-	65	(13)	-	439
Other equipment	100	-	-	-	(3)	97
Property under construction	4,550	-	20,110	(96)	(20,149)	4,415
Asset under finance lease						
Transmission installation and equipment	5,354	-	228	-	-	5,582
Data processing equipment	84	-	-	(1)	-	83
Vehicles	135	-	290	(24)	-	401
Office equipment	76	-	-	(84)	88	80
CPE assets	22	-	-	-	-	22
Power supply	215	-	-	-	-	215
RSA assets	252	-	-	-	-	252
Total	248,099	732	33,154	(9,673)	(5,061)	267,251

	January 1, 2017	Acquisition	Additions	Deductions	Reclassifications/ Translations	December 31, 2017
Accumulated depreciation and impairment losses:						
Directly acquired assets						
Buildings	2,435	-	407	-	38	2,880
Leasehold improvements	692	-	149	(23)	5	823
Switching equipment	16,650	-	1,391	(977)	(2,511)	14,553
Telegraph, telex and data communication equipment	333	-	416	-	53	802
Transmission installation and equipment	62,302	-	10,629	(3,642)	(49)	69,240
Satellite, earth station and equipment	7,098	-	595	(2,202)	(1,157)	4,334
Cable network	20,301	-	1,992	(693)	(3,736)	17,864
Power supply	10,164	-	1,274	(286)	2	11,154
Data processing equipment	9,468	-	1,372	(581)	(23)	10,236
Other telecommunication peripherals	461	-	149	(7)	(1)	602
Office equipment	846	-	189	(9)	10	1,036
Vehicles	168	-	66	(8)	-	226
Other equipment	99	-	1	-	(4)	96
Asset under finance lease						
Transmission installation and equipment	2,054	-	584	-	-	2,638
Data processing equipment	44	-	29	(1)	4	76
Vehicles	32	-	47	(13)	-	66
Office equipment	94	-	26	(56)	16	80
CPE assets	19	-	1	-	-	20
Power supply	98	-	22	-	-	120
RSA assets	243	-	13	-	(22)	234
Total	133,601	-	19,352	(8,498)	(7,375)	137,080
Net book value	114,498	-	19,352	(8,498)	(7,375)	130,171

a. Gain on sale of property and equipment

	2018	2017
Proceeds from sale of property and equipment	629	1,367
Net book value	(1)	(1,009)
Gain on sale of property and equipment	628	358

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9. PROPERTY AND EQUIPMENT (continued)

b. Asset impairment

In 2014, the Group decided to cease its fixed wireless business, and accelerated the depreciation of its fixed wireless assets in 2015.

In 2017, the Company derecognized the fixed wireless asset which fully depreciated with acquisition cost of Rp3,193 billion.

As of December 31, 2018, the CGUs that independently generate cash inflows were fixed wireline, cellular and others. Management believes that there is no indication of impairment in the assets as of December 31, 2018.

c. Others

(i) Interest capitalized to property under construction amounted to Rp271 billion and Rp328 billion for the years ended December 31, 2018 and 2017, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization ranged from 9.68% to 11.00% and 8.15% to 11.00% for the years ended December 31, 2018 and 2017, respectively.

(ii) No foreign exchange loss was capitalized as part of property under construction for the years ended December 31, 2018 and 2017.

(iii) In 2018 and 2017, the Group obtained proceeds from the insurance claim on lost and broken property and equipment, with a total value of Rp153 billion and Rp155 billion, respectively, and were recorded as part of "Other Income" in the consolidated statements of profit or loss and other comprehensive income. In 2018 and 2017, the net carrying amount of those assets of Rp51 billion and Rp7 billion, respectively, were charged to the consolidated statements of profit or loss and other comprehensive income.

(iv) In 2018 and 2017, Telkomsel decided to replace certain equipment units with net carrying amount of Rp341 billion and Rp620 billion, respectively, as part of its modernization program and accelerated the depreciation of such equipment units. The impact of accelerated depreciation was an increase in the depreciation expense for the year ended December 31, 2018 amounting to Rp378 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 change in useful lives increases 2018 profit before income tax amounting to Rp135 billion.

In 2018, the estimated useful lives of radio software license and data processing equipment were changed from 7 to 10 years and from 3 to 5 years, respectively. The reduction in the depreciation expense for the year ended December 31, 2018 amounting to Rp925 billion. The change in useful lives will increase/(decrease) profit before income tax in future years as follows:

<u>Years</u>	<u>Increase (Decrease)</u>
2019	637
2020	266
2021	18
2022	(106)

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9. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

(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 2018 and 2017, the Company derecognized the copper cable network asset with net carrying amount of Rp0 and Rp1 billion, respectively, and recorded the fiber optic network asset from the exchange transaction of Rp0 and Rp506 billion, respectively.

In 2018 and 2017, Telkomsel’s certain equipment units with net carrying amount of Rp777 billion and Rp816 billion, respectively, were exchanged with equipment from Ericsson AB, PT Ericsson Indonesia, PT Huawei Tech Investment, PT Nokia Solutions and Network Indonesia, and PT ZTE Indonesia. As of December 31, 2018, Telkomsel’s equipment units with net carrying amount of Rp340 billion are going to be exchanged and, therefore, these equipment were reclassified as “Assets held for sale” in the consolidated statements of financial position.

(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 2018 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, 2018, the Group’s property and equipment excluding land rights, with net carrying amount of Rp134,586 billion were insured against fire, theft, earthquake and other specified risks, including business interruption, under blanket policies totalling Rp16,059 billion, US\$47 million, HKD9 million, SGD225 million and MYR37 million and first loss basis amounted to Rp2,760 billion. Management believes that the insurance coverage is adequate to cover potential losses from the insured risks.

(viii) As of December 31, 2018, the percentage of completion of property under construction was around 62.80% of the total contract value, with estimated dates of completion until September 2020. 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). Certain property and equipment of the Company’s subsidiaries with gross carrying value amounting to Rp8,077 billion have been pledged as collateral under lending agreements (Notes 15, 16c and 16d).

(x) As of December 31, 2018, the cost of fully depreciated property and equipment of the Group that are still used in operations amounted to Rp50,633 billion. The Group is currently performing modernization of network assets to replace the fully depreciated property and equipment.

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9. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

- (xi) In 2018, 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 Rp33,557 billion.
- (xii) On August 25, 2017, Telkom-1 Satellite experienced technical problems which impacted to customer service disruptions. Therefore, the Company was migrating customers services to the Company’s other satellites (Telkom-3S and Telkom-2), as well as to several third party satellites. This customers services migration process has been completed on September 10, 2017, and the costs incurred on this migration process are recognized in these consolidated statements of profit or loss and other comprehensive income. As of December 31, 2017, the acquisition cost and accumulated depreciation of Telkom-1 Satellite amounting to Rp1,165 billion is presented as part of disposal assets group and classified as “Other Non-current Assets” in the consolidated statements of financial position.
- (xiii) 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. 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 lease terms.

Future minimum lease payments required for assets under finance leases are as follows:

Years	2018	2017
2018	-	1,083
2019	1,049	969
2020	945	866
2021	781	778
2022	605	605
2023	254	254
Thereafter	130	130
Total minimum lease payments	3,764	4,685
Interest	(619)	(881)
Net present value of minimum lease payments	3,145	3,804
Current Maturities (Note 15b)	(807)	(794)
Long-term portion (Note 16)	2,338	3,010

The details of obligations under finance leases as of December 31, 2018 and 2017 are as follows:

	2018	2017
PT Tower Bersama Infrastructure Tbk	1,089	1,293
PT Profesional Telekomunikasi Indonesia	930	1,120
PT Mandiri Utama Finance	186	198
PT Solusi Tunas Pratama	181	212
PT Putra Arga Binangun	159	189
PT Mitsubishi UFJ Lease & Finance Indonesia	103	135
PT Bali Towerindo Sentra	86	100
Others (each below Rp75 billion)	411	557
Total	3,145	3,804

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10. OTHER NON-CURRENT ASSETS

The breakdown of other non-current assets is as follows:

	2018	2017
Prepaid rental - net of current portion (Note 7)	2,662	2,688
Claims for tax refund - net of current portion (Note 26)	2,450	3,085
Frequency license - net of current portion (Note 7)	1,743	2,019
Prepaid income taxes - net of current portion (Note 26)	1,142	753
Deferred charges	474	413
Advances for purchases of property and equipment	387	2,805
Convertible bonds	213	64
Restricted Cash	183	31
Security deposit	173	116
Others	245	296
Total	9,672	12,270

Prepaid rental covers rent of leased line, telecommunication equipment, land and building under lease agreements of the Group with remaining rental periods ranging from 1 to 40 years.

As of December 31, 2018 and 2017, deferred charges represent deferred Indefeasible Right of Use ("IRU") Agreement charges. Total amortization of deferred charges for the year ended December 31, 2018 and 2017 amounted to Rp56 billion and Rp46 billion, respectively.

Refer to Note 31 for details of related parties 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, 2018	680	8,387	84	635	9,786
Additions	-	2,328	14	19	2,361
Acquisition	422	1	2	-	425
Deductions	-	(51)	(11)	-	(62)
Reclassifications/translations	(36)	15	5	33	17
Balance, December 31, 2018	<u>1,066</u>	<u>10,680</u>	<u>94</u>	<u>687</u>	<u>12,527</u>
Accumulated amortization and impairment losses:					
Balance, January 1, 2018	(29)	(5,714)	(71)	(442)	(6,256)
Amortization	-	(1,226)	(9)	(49)	(1,284)
Deductions	-	51	4	-	55
Reclassifications/translations	-	(7)	(5)	2	(10)
Balance, December 31, 2018	<u>(29)</u>	<u>(6,896)</u>	<u>(81)</u>	<u>(489)</u>	<u>(7,495)</u>
Net book value	<u>1,037</u>	<u>3,784</u>	<u>13</u>	<u>198</u>	<u>5,032</u>
	Goodwill	Software	License	Other intangible assets	Total
Gross carrying amount:					
Balance, January 1, 2017	449	7,222	75	607	8,353
Additions	-	1,289	3	21	1,313
Acquisition	232	4	-	-	236
Deductions	(3)	(122)	-	(11)	(136)
Reclassifications/translations	2	(6)	6	18	20
Balance, December 31, 2017	<u>680</u>	<u>8,387</u>	<u>84</u>	<u>635</u>	<u>9,786</u>
Accumulated amortization and impairment losses:					
Balance, January 1, 2017	(29)	(4,776)	(56)	(403)	(5,264)
Amortization	-	(1,037)	(9)	(48)	(1,094)
Deductions	-	95	-	11	106
Reclassifications/translations	-	4	(6)	(2)	(4)
Balance, December 31, 2017	<u>(29)</u>	<u>(5,714)</u>	<u>(71)</u>	<u>(442)</u>	<u>(6,256)</u>
Net book value	<u>651</u>	<u>2,673</u>	<u>13</u>	<u>193</u>	<u>3,530</u>

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11. INTANGIBLE ASSETS (continued)

- (i) Goodwill resulted from the acquisition of Sigma (2008), Admedika (2010), data center BDM (2012), Contact Centres Australia Pty. Ltd. (2014), MNDG (2015), Melon (2016), GSDm (2016), TSGN (2017), Nutech (2017), Swadharma (2018), CIP (2018) and Telin Malaysia (2018) (Note 1d).
- (ii) The amortization is presented as part of “Depreciation and Amortization” in the consolidated statements of profit or loss and other comprehensive income. The remaining amortization periods of software range from 1-5 years.
- (iii) As of December 31, 2018, the cost of fully amortized intangible assets that are still used in operations amounted to Rp4,463 billion.

12. TRADE PAYABLES

The breakdown of trade payables is as follows:

	<u>2018</u>	<u>2017</u>
Related parties		
Purchases of equipments, materials and services	804	574
Payables to other telecommunication providers	189	322
Sub-total	<u>993</u>	<u>896</u>
Third parties		
Purchases of equipments, materials and services	10,874	11,662
Radio frequency usage charges, concession fees and Universal Service Obligation (“USO”) charges	1,471	1,561
Payables to other telecommunication providers	1,428	1,455
Sub-total	<u>13,773</u>	<u>14,678</u>
Total	<u>14,766</u>	<u>15,574</u>

Trade payables by currency are as follows:

	<u>2018</u>	<u>2017</u>
Rupiah	11,726	13,344
U.S. dollar	2,978	2,167
Others	62	63
Total	<u>14,766</u>	<u>15,574</u>

Refer to Note 31 for details of related parties transactions.

13. ACCRUED EXPENSES

The breakdown of accrued expenses is as follows:

	<u>2018</u>	<u>2017</u>
Operation, maintenance and telecommunication services	8,013	7,093
General, administrative and marketing expenses	2,299	2,684
Salaries and benefits	2,219	2,664
Interest and bank charges	238	189
Total	<u>12,769</u>	<u>12,630</u>

Refer to Note 31 for details of related parties transactions.

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14. UNEARNED INCOME

a. Current portion of unearned income

	<u>2018</u>	<u>2017</u>
Prepaid pulse reload vouchers	4,374	4,800
Telecommunication tower leases	356	300
Other telecommunications services	284	148
Others	176	179
Total	<u>5,190</u>	<u>5,427</u>

b. Non-current portion of unearned income

	<u>2018</u>	<u>2017</u>
Indefeasible Right of Use	258	205
Other telecommunications services	394	319
Total	<u>652</u>	<u>524</u>

15. SHORT-TERM BANK LOANS AND CURRENT MATURITIES OF LONG-TERM BORROWINGS

a. Short-term bank loans

Lenders	Currency	<u>2018</u>		<u>2017</u>	
		Outstanding		Outstanding	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Related parties					
BNI	Rp	-	956	-	1,252
Bank Mandiri	Rp	-	-	-	45
Sub-total			<u>956</u>		<u>1,297</u>
Third parties					
MUFG Bank, Ltd. ("MUFG Bank")	Rp	-	1,295	-	-
DBS	Rp	-	699	-	408
	US\$	1	13	-	-
UOB	Rp	-	580	-	400
HSBC	Rp	-	317	-	18
	US\$	0	4	-	-
SCB	Rp	-	100	-	-
Bank CIMB Niaga	Rp	-	78	-	83
PT Bank Sumitomo Mitsui Indonesia ("Sumitomo")	Rp	-	-	-	80
Others	Rp	-	1	-	3
Sub-total			<u>3,087</u>		<u>992</u>
Total			<u>4,043</u>		<u>2,289</u>

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15. SHORT-TERM BANK LOANS AND CURRENT MATURITIES OF LONG-TERM BORROWINGS
(continued)

a. Short-term bank loans

Other significant information relating to short-term bank loans as of December 31, 2018 is as follows:

	Borrower	Currency	Total facility (in billions)*	Maturity date	Interest payment period	Interest rate per annum	Security
BNI							
2014 - 2017	GSD ^e , Sigma ^a	Rp	375	January 9, 2019 - November 8, 2019	Monthly	9.00%	Trade receivables (Note 5) and property and equipment (Note 9)
2013 - 2018	Telkom Infratel, Infomedia ^f , MD Media, Sigma ^e	Rp	2,895	January 9, 2019 - November 30, 2019	Monthly	1 month JIBOR + 2.20% - 3.00%	Trade receivables (Note 5)
MUFG Bank							
2018	Telkomsel, Infomedia, Metra, TII	Rp	2,350	March 27, 2019 - September 27, 2019	Monthly, Semi-annually	1 months JIBOR + 0.70% - 0.95%. 6 months JIBOR + 0.70%	None
DBS							
2018	Telkom Infratel, Infomedia	Rp	600	February 26, 2019	Monthly	1 month JIBOR + 0.70%	None
2016 2016	Nutech ^e Sigma ^{b,c}	Rp US\$	17 0.02	October 13, 2019 July 31, 2019	Monthly Semi-annually	10.50% - 11.00% 3.25% (US\$), 10.75% (Rp)	None Trade receivables (Note 5)
UOB							
2016 - 2018	MD Media, Finnet ^d	Rp	800	April 6, 2019 - December 20, 2020	Monthly	1 month JIBOR + 2,00%	Trade receivables (Note 5)
HSBC							
2018	Sigma	Rp	600	July 15, 2019	Monthly	14.34%	Trade receivables (Note 5)
2018	Sigma	US\$	0.004	July 15, 2019	Monthly	13.12%	Trade receivables (Note 5)
2018	PINS	Rp	300	June 28, 2019	Quarterly	3 months JIBOR + 1,00%	None
SCB							
2015	GSD ^e	Rp	100	March 28, 2019	Monthly	10.50%	None
Bank CIMB Niaga							
2013	GSD ^e	Rp	85	January 1, 2019	Monthly	10,90% - 11,50%	Trade receivables (Note 5) and property and equipment (Note 9)

^a Based on the latest amendment on December 21, 2017.

^b Based on the latest amendment on December 5, 2018

^c Facility in U.S. Dollar. Withdrawal can be executed in U.S. Dollar and Rupiah.

^d Based on the latest amendment on June 5, 2018.

^e Unsettled loan will be automatically extended.

^f Based on the latest amendment on March 28, 2018 and July 6, 2018.

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15. SHORT-TERM BANK LOANS AND CURRENT MATURITIES OF LONG-TERM BORROWINGS (continued)

a. Short-term bank loans (continued)

Other significant information relating to short-term bank loans as of December 31, 2018 is as follows (continued):

On February 26, 2018, the Company, Telkom Infratel and Infomedia entered a credit agreements with DBS amounting to Rp600 billion. As of December 31, 2018 the unused facilities was amounting to Rp125 billion.

On March 21, 2018, the Company, TII, Infomedia and Metra entered a credit agreement with MUFG Bank amounting to Rp500 billion. As of December 31, 2018 the unused facilities was amounting to Rp80 billion.

The credit facilities were obtained by the Company's subsidiaries for working capital purposes.

b. Current maturities of long-term borrowings

	Notes	2018	2017
Two-step loans	16a	198	206
Bonds and notes	16b	525	-
Bank loans	16c	4,472	4,110
Other borrowings	16d	294	99
Obligation under finance leases	9c.xiii	807	794
Total		6,296	5,209

16. LONG-TERM LOANS AND OTHER BORROWINGS

	Notes	2018	2017
Two-step loans	16a	751	892
Bonds and notes	16b	9,956	8,982
Bank loans	16c	18,753	13,894
Other borrowings	16d	1,950	1,196
Obligation under finance leases	9c.xiii	2,338	3,010
Total		33,748	27,974

Scheduled principal payments as of December 31, 2018 are as follows:

	Notes	Year					
		Total	2020	2021	2022	2023	Thereafter
Two-step loans	16a	751	198	181	144	127	101
Bonds and notes	16b	9,956	2,490	477	2,197	-	4,792
Bank loans	16c	18,753	7,653	3,051	2,577	2,813	2,659
Other borrowings	16d	1,950	404	405	405	415	321
Obligation under finance leases	9c.xiii	2,338	768	670	549	233	118
Total		33,748	11,513	4,784	5,872	3,588	7,991

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.

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

a. Two-step loans (continued)

Lenders	Currency	2018		2017	
		Outstanding		Outstanding	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Overseas banks	Yen	4,607	602	5,375	648
	US\$	13	188	17	237
	Rp	-	159	-	213
Total			949		1,098
Current maturities (Note 15b)			(198)		(206)
Long-term portion			751		892

Lenders	Currency	Principal payment schedule	Interest payment period	Interest rate per annum
Overseas banks	Yen	Semi-annually	Semi-annually	2.95%
	US\$	Semi-annually	Semi-annually	3.85%
	Rp	Semi-annually	Semi-annually	7.50%

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:

- Projected net revenue to projected debt service ratio should exceed 1.2:1 for the two-step loans originating from Asian Development Bank ("ADB").
- 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, 2018, the Company has complied with the above-mentioned ratios.

b. Bonds and notes

Bonds and notes	Currency	2018		2017	
		Outstanding		Outstanding	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
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")					
MTN I Telkom 2018					
Series A	Rp	-	262	-	-
Series B	Rp	-	200	-	-
Series C	Rp	-	296	-	-
MTN Syariah Ijarah I Telkom 2018					
Series A	Rp	-	264	-	-
Series B	Rp	-	296	-	-
Series C	Rp	-	182	-	-
Total			10,495		8,995
Unamortized debt issuance cost			(14)		(13)
Total			10,481		8,982
Current maturities (Note 15b)			(525)		-
Long-term portion			9,956		8,982

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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 not secured by specific security but 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. Based on the General Meeting of Bondholders on September 26, 2018, the trustee was changed to BTN.

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, 2018, the rating of the bonds issued by PT Perneringkat 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, 2018 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 not secured by specific security but 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 Indonesia, Tbk and the trustee is Bank Permata.

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, 2018, the rating of the bonds issued by Pefindo is idAAA (stable outlook).

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

b. Bonds and notes (continued)

i. Bonds (continued)

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, 2018, the Company has complied with the above-mentioned ratios.

i. MTN

MTN I Telkom Year 2018

Notes	Currency	Principal	Issuance date	Maturity date	Interest payment period	Interest rate per annum	Security
Series A	Rp	262	September 4, 2018	September 14, 2019	Quarterly	7.25%	All assets
Series B	Rp	200	September 4, 2018	September 4, 2020	Quarterly	8.00%	All assets
Series C	Rp	296	September 4, 2018	September 4, 2021	Quarterly	8.35%	All assets
		758					

Based on Agreement of Issuance and Appointment of Monitoring Agents of Medium Term Notes (MTN) I Telkom Year 2018 dated August 31, 2018 as covered by notarial deed No. 24 of Fathiah Helmi, S.H., the Company issued MTN with the principal amount up to Rp758 billion in series.

Bahana, PT BNI Sekuritas, PT CGS-CIMB Sekuritas Indonesia, PT Danareksa Sekuritas and PT Mandiri Sekuritas act as the Arranger, BTN as the Monitoring Agent and PT Kustodian Sentral Efek Indonesia ("KSEI") as the Custodian. The MTN are traded in private placement programs. The funds obtained from MTN are used for investment projects.

As of December 31, 2018, the rating of the MTN issued by Pefindo is idAAA (Triple A).

Under to the 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 interest ratio should not be less than 4:1
3. Debt Service Coverage is at least 125%

As of December 31, 2018, 2018, the Company has complied with the above-mentioned ratios.

MTN Syariah Ijarah I Telkom Year 2018

Notes	Currency	Principal	Issuance date	Maturity date	return period	Annual return payment	Security
Series A	Rp	264	September 4, 2018	September 14, 2019	Quarterly	19	The Right to benefit of ijarah objects
Series B	Rp	296	September 4, 2018	September 4, 2020	Quarterly	24	The Right to benefit of ijarah objects
Series C	Rp	182	September 4, 2018	September 4, 2021	Quarterly	15	The Right to benefit of ijarah objects
		742				58	

Based on Agreement of Issuance and Appointment of Monitoring Agents of Medium Term Notes (MTN) Syariah Ijarah Telkom Year 2018 dated August 31, 2018 as covered by notarial deed No. 26 of Fathiah Helmi, S.H., the Company issued MTN Syariah Ijarah with the principal amount up to Rp742 billion in series.

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

b. Bonds and notes (continued)

ii. MTN (continued)

MTN Syariah Ijarah I Telkom Year 2018 (continued)

Bahana, PT BNI Sekuritas, PT CGS-CIMB Sekuritas Indonesia, PT Danareksa Sekuritas and PT Mandiri Sekuritas act as the Arranger, BTN as the Monitoring Agent and KSEI as the Custodian. The MTN Syariah Ijarah are traded in private placement programs. The funds obtained from MTN Syariah Ijarah are used for investment projects. The object of MTN Syariah Ijarah transaction is telecommunication network which is located in the special region of Yogyakarta, its network telecommunication involves cable network, information technology equipments, and other production tools of telecommunication services.

As of December 31, 2018, the rating of the MTN Syariah Ijarah issued by Pefindo is idAAA sy (Triple A Syariah).

Under to the 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 interest ratio should not be less than 4:1
3. Debt Service Coverage is at least 125%

As of December 31, 2018, the Company has complied with the above-mentioned ratios.

c. Bank loans

Lenders	Currency	2018		2017	
		Outstanding		Outstanding	
		Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Related parties					
BNI	Rp	-	6,826	-	4,603
Bank Mandiri	Rp	-	4,546	-	1,126
BRI	Rp	-	1,248	-	2,166
Sub-total			12,620		7,895
Third parties					
MUFG Bank	Rp	-	3,011	-	1,944
	US\$	10	144	-	-
Syndication of banks	Rp	-	1,750	-	2,250
	US\$	37	532	-	-
Citibank	Rp	-	1,000	-	-
PT Bank Central Asia Tbk ("BCA")	Rp	-	740	-	1,100
UOB Singapore	US\$	49	710	49	664
Sumitomo	Rp	-	661	-	804
Bank CIMB Niaga	Rp	-	462	-	1,726
ANZ	Rp	-	440	-	440
UOB	Rp	-	428	-	500
DBS	Rp	-	379	-	144
PT Bank ICBC Indonesia ("ICBC")	Rp	-	204	-	249
Exim Bank of Malaysia Berhad	MYR	23	81	37	124
Japan Bank for International Cooperation ("JBIC")	US\$	3	45	9	128
Others	Rp	-	33	-	26
	MYR	13	46	15	50
Sub-total			10,666		10,149
Total			23,286		18,044
Unamortized debt issuance cost			(61)		(40)
			23,225		18,004
Current maturities (Note 15b)			(4,472)		(4,110)
Long-term portion			18,753		13,894

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

Other significant information relating to bank loans as of December 31, 2018 is as follows:

	Borrower	Currency	Total facility (in billions)*	Current period payment (in billions)*	Principal payment schedule	Interest payment period	Interest rate per annum	Security
BNI								
2018	GSD	Rp	182	8	2018 - 2021	Monthly	8.75%	Trade receivables (Note 5)
2013 - 2018	The Company, Telkomsel ^a , GSD, TLT, Sigma, Dayamitra, Telkom Infratel, Telkom Akses	Rp	9,892	1,671	2016 - 2033	Monthly, Quarterly	1 month JIBOR + 1.50% - 3.00%; 3 months JIBOR + 1.85% - 2.50%	Trade receivables (Note 5), Inventory (Note 6) and Property and equipment (Note 9)
Bank Mandiri								
2016 - 2018	The Company, Telkomsel ^{a,c} , Balebat, Telkomsat	Rp	8,750	4,035	2017 - 2024	Monthly, Quarterly	8.50%, 8.75%, 9.00%, 9.50%	Trade receivables (Note 5), Inventory (Note 6) and Property and equipment (Note 9)
2017	GSD, TII, Dayamitra	Rp	845	-	2019 - 2024	Quarterly	3 months JIBOR + 1.85%	None
BRI								
2013	GSD	Rp	103	17	2014 - 2021	Monthly	10.00%	Trade receivables (Note 5), Property and equipment (Note 9) and lease agreement
2017 - 2018	The Company, Dayamitra	Rp	1,200	-	2019 - 2025	Quarterly	3 months JIBOR + 1.85%	None
MUFG Bank								
2015 - 2018	GSD, Metra, Infomedia, Dayamitra	Rp	3,950	194	2016 - 2025	Quarterly	3 months JIBOR + 1.43% - 2.25%	Property and equipment (Note 9) and lease agreement
2018	TII	US\$	0.01	-	2019 - 2023	Quarterly	3 months LIBOR + 1.25%	None
Syndication of Banks								
2015	The Company, GSD	Rp	3,000	500	2016 - 2022	Quarterly	3 months JIBOR + 2.00%	All Assets
2018	TII	US\$	0.09	-	2020 - 2024	Semi-annually	6 months LIBOR + 1.25%	None
Citibank								
2018	The Company	Rp	1,000	-	2019 - 2020	Quarterly	8.50%	None
BCA								
2017 - 2018	Metra, Dayamitra, Telkom Infratel	Rp	870	21	2018 - 2025	Quarterly	3 months JIBOR + 1.50% - 1.85%	Property and equipment (Note 9)
UOB Singapore								
2016	TII	US\$	0.06	-	2019 - 2024	Monthly	1 months JIBOR + 1.25%	None
Sumitomo								
2015 - 2017	GSD, Metra, Infomedia, Dayamitra	Rp	1,150	194	2016 - 2022	Quarterly	3 months JIBOR + 1.50% - 2.15%	None

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

Other significant information relating to bank loans as of December 31, 2018 is as follows (continued):

	Borrower	Currency	Total facility (in billions)*	Current period payment (in billions)*	Principal payment schedule	Interest payment period	Interest rate per annum	Security
Bank CIMB Niaga								
2011	GSD	Rp	78	8	2011 - 2021	Monthly	9.75%	Property and equipment (Note 9) and lease agreement
2017	GSD, Metra	Rp	495	28	2018 - 2023	Quarterly	3 months JIBOR + 1.50%	None
ANZ								
2015 - 2017	GSD, PINS	Rp	750	-	2020 - 2022	Quarterly	3 months JIBOR + 2.00%	Property and equipment (Note 9)
UOB								
2016	Dayamitra	Rp	500	71	2018 - 2024	Quarterly	3 months JIBOR + 2.20%	Property and equipment (Note 9)
DBS								
2016 - 2017	Nutech, Telkomsat	Rp	136	17	2017 - 2022	Monthly, Semi-annually	9.17%, 11.00%	Trade receivables (Note 5) and Property and equipment (Note 9)
2017	PINS, Dayamitra	Rp	400	38	2018 - 2022	Quarterly	3 months JIBOR + 1.50%	None
ICBC								
2017	GSD	Rp	272	45	2017 - 2023	Quarterly	3 months JIBOR + 2.36%	Trade receivables (Note 5) and Property and equipment (Note 9)
Exim Bank of Malaysia Berhard								
2016	Tli	MYR	0.06	0.014	2017 - 2020	Monthly	ECOF + 1.89%	None
JBIC^b								
2013	The Company	US\$	0.03	0.004	2014 - 2019	Semi-annually	2.18%	None
2013	The Company	US\$	0.03	0.003	2014 - 2019	Semi-annually	6 months LIBOR + 1.20%	None

Other significant information relating to bank loans as of December 31, 2018 is as follows (continued):

* In original currency

^a 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, 2018 Telkomsel has complied with the above covenants.

^b 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.

^c Based on the latest amendment on December 11, 2018.

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

c. Bank loans (continued)

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, 2018, the Group has complied with all covenants or restrictions, except for certain loans. As of December 31, 2018, the Group obtained waiver from lenders to not demand the loan payment as consequence of the breach of covenants.

On March 13, 2015, the Company, GSD, Metra and Infomedia entered into several credit facilities agreements with Sumitomo, MUFG Bank, ANZ and syndication of banks (BCA and BNI) amounting to Rp750 billion, Rp750 billion, Rp500 billion, and Rp3,000 billion, respectively. Based on amendment on August 2, 2016, Dayamitra and Telkom Akses are included as borrowers into Sumitomo and MUFG Bank credit facilities agreement and excluded GSD from those agreement. Based on the latest amendment on March 13, 2017, PINS is included as one of borrower into ANZ's credit facility agreement. In 2017, PINS drawn down the facility amounted to Rp200 billion. As of December 31, 2018 the unused facilities for Sumitomo, MUFG Bank and ANZ amounted to Rp82.5 billion, Rp82.5 billion and Rp60 billion, respectively.

On March, 24, 2017, the Company, Dayamitra, Sigma, GSD and TII entered several credit agreements with BRI, BNI, and Bank Mandiri amounting to Rp1,000 billion, Rp2,005 billion and Rp1,500 billion, respectively. As of December 31, 2018, the unused facilities for Bank Mandiri amounted to Rp5 billion.

On March 30, 2017, The Company, GSD, Metra, Dayamitra, PINS, and Telkomsat entered into several credit agreements with MUFG Bank, Sumitomo, DBS, Bank CIMB Niaga, and BCA amounting to Rp400 billion, Rp400 billion, Rp850 billion, Rp495 billion and Rp850 billion, respectively. Based on amendment on June 29, 2017, Telkom Infratel is included as one of borrower into BCA's credit facility agreement replaced PINS. As of December 31, 2018, the unused facilities for MUFG Bank, Sumitomo, DBS, Bank CIMB Niaga, and BCA amounted to Rp79 billion, Rp79 billion, Rp420 billion, Rp20 billion and Rp564 billion, respectively.

On March, 27, 2018, the Company, Dayamitra and TII entered into several credit agreements with BNI, BRI, Bank Mandiri and MUFG Bank amounting to Rp825 billion, Rp700 billion, Rp775 billion and Rp800 billion. As of December 31, 2018, the unused facilities for BNI, BRI, Bank Mandiri dan MUFG Bank amounting to Rp825 billion, Rp500 billion, Rp775 billion, and RpNil, respectively.

The credit facilities were obtained by the Group for working capital purposes.

d. Other borrowing

<u>Lenders</u>	<u>Currency</u>	<u>Outstanding</u>	
		<u>Rupiah 2018</u>	<u>Rupiah 2017</u>
PT Sarana Multi Infrastruktur			
Unamortized debt issuance cost	Rp	2,250	1,300
Total		(6)	(5)
Current maturities (Note 15b)		2,244	1,295
Long-term portion		(294)	(99)
		1,950	1,196

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16. LONG-TERM LOANS AND OTHER BORROWINGS (continued)

d. Other borrowing (continued)

i. Dayamitra

	<u>Borrower</u>	<u>Currency</u>	<u>Total facility (in billions)</u>	<u>Current period payment (in billions)</u>	<u>Principal payment schedule</u>	<u>Interest rate per annum</u>	<u>Security</u>
PT Sarana Multi Infrastruktur October 12, 2016	Dayamitra	Rp	700	50	Semi- annually (2018-2024)	3 months JIBOR+1.85%	Property and equipment (Note 9)
March 29, 2017	Dayamitra	Rp	600	-	Semi- annually (2018-2024)	3 months JIBOR+1.85%	Property and equipment (Note 9)

Under the agreement, Dayamitra 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 at least 100%.

As of December 31, 2018, Dayamitra has complied with the above-mentioned ratios.

ii. The Company

	<u>Borrower</u>	<u>Currency</u>	<u>Total facility (in billions)</u>	<u>Current period payment (in billions)</u>	<u>Principal payment schedule</u>	<u>Interest rate per annum</u>	<u>Security</u>
PT Sarana Multi Infrastruktur November 14, 2018	The Company	Rp	1,000	-	Semi- annually (2019-2023)	8.35%	None

Under the 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 interest ratio should not be less than 4:1.
3. Minimal debt service coverage at least 125%.

As of December 31, 2018, The Company has complied with the above-mentioned ratios.

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17. NON-CONTROLLING INTERESTS

The details of non-controlling interests are as follows:

	2018	2017
Non-controlling interests in net assets of subsidiaries:		
Telkomsel	17,899	18,944
GSD	212	186
Metra	171	115
TII	111	172
Total	18,393	19,417
	2018	2017
Non-controlling interests in net income (loss) of subsidiaries:		
Telkomsel	8,937	10,637
Metra	11	(82)
TII	7	6
GSD	(8)	(5)
Total	8,947	10,556

Material partly-owned subsidiary

As of December 31, 2018 and 2017, the non-controlling interest holds 35% ownership interest in Telkomsel 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

	2018	2017
Current assets	16,836	21,098
Non-current assets	65,814	64,650
Current liabilities	(20,737)	(23,031)
Non-current liabilities	(10,767)	(8,587)
Total equity	51,146	54,130
Attributable to:		
Equity holders of parent company	33,247	35,186
Non-controlling interest	17,899	18,944

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17. NON-CONTROLLING INTERESTS (continued)

Summarized statements of profit or loss and other comprehensive income

	2018	2017
Revenues	89,246	93,217
Operating expenses	(55,286)	(53,183)
Other income - net	124	380
Profit before income tax	34,084	40,414
Income tax expense - net	(8,548)	(10,018)
Profit for the year from continuing operations	25,536	30,396
Other comprehensive income - net	356	(392)
Net comprehensive income for the year	25,892	30,004
Attributable to non-controlling interest	8,937	10,637
Dividend paid to non-controlling interest	10,105	12,334

Summarized statements of cash flows

	2018	2017
Operating activities	36,848	39,564
Investing activities	(16,095)	(13,984)
Financing activities	(24,867)	(34,720)
Net decrease in cash and cash equivalents	(4,114)	(9,140)

18. CAPITAL STOCK

Description	2018		
	Number of shares	Percentage of ownership	Total paid-in capital
Series A Dwiwarna share			
Government	1	0	0
Series B shares			
Government	51,602,353,560	52.09	2,580
The Bank of New York Mellon Corporation*	4,944,921,880	4.99	247
Commissioners (Note 1b):			
Hendri Saporini	654,505	0	0
Rinaldi Firmansyah	454,113	0	0
Directors (Note 1b):			
Alex Janangkih Sinaga	1,683,359	0	0
Herdy Rosadi Harman	1,514,720	0	0
Abdus Somad Arief	1,515,022	0	0
Dian Rachmawan	1,575,562	0	0
Harry Mozarta Zen	689,492	0	0
David Bangun	1,000	0	0
Siti Choiriana	540	0	0
Public (individually less than 5%)	42,506,852,846	42.92	2,126
Total	99,062,216,600	100.00	4,953

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18. CAPITAL STOCK (continued)

Description	2017		
	Number of shares	Percentage of ownership	Total paid-in capital
Series A Dwiwarna share			
Government	1	0	0
Series B shares			
Government	51,602,353,560	52.09	2,580
The Bank of New York Mellon Corporation*	6,078,374,280	6.14	304
Commissioners (Note 1b):			
Hendri Saparini	414,157	0	0
Hadiyanto	875,297	0	0
Rinaldi Firmansyah	147,100	0	0
Directors (Note 1b):			
Alex Janangkih Sinaga	920,349	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%)	41,376,586,676	41.77	2,069
Total	99,062,216,600	100.00	4,953
Treasury stock (Note 20)	1,737,779,800	-	87
Total	100,799,996,400	100.00	5,040

* The Bank of New York Mellon Corporation serves as the Depository 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 of the Boards of Commissioners and Directors, issuance of new shares, and amendments of the Company's Articles of Association.

19. ADDITIONAL PAID-IN CAPITAL

	2018	2017
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 211,290,500 shares under the treasury stock plan phase I (Note 20)	544	544
Excess of value over cost of selling 215,000,000 shares under the treasury stock plan phase II (Note 20)	576	576
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	1,996
Capitalization into 746,666,640 Series B shares in 1999	(373)	(373)
Reduction additional paid in capital as a result of cancellation treasury stock (Note 20)	(2,454)	-
Differences from acquisition of non-controlling interest	(22)	-
Net	2,455	4,931

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, 2018 and 2017, the accumulated development of the related infrastructure amounting to Rp537 billion, respectively.

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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:

	2018			2017		
	Number of shares	%	Rp	Number of shares	%	Rp
Beginning balance	1,737,779,800	1.72	2,541	1,737,779,800	1.72	2,541
Sale of treasury stock	(1,737,779,800)	(1.72)	(2,541)	-	-	-
Ending balance	-	-	-	1,737,779,800	1.72	2,541

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 2011, the Company bought back 283,085,460 shares (equivalent to 1,415,427,300 shares after stock split) from the public (part of stock repurchase program 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) amounting to Rp1,744 billion. Total shares of repurchase amounting to 2,601,779,800 shares.

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).

The Company diverted shares of repurchase program phase I in 2013, shares of repurchase program phase II in 2014, and shares of repurchase program phase III in 2015.

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).

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20. TREASURY STOCK (continued)

At the AGM held on April 27, 2018 which were covered by notarial deed No.54 of Ashoya Ratam, S.H.,M.Kn., the stockholders approved for cancellation 1,737,779, 800 shares of treasury stock with acquisition cost amounting to Rp2,541 billion by reduced the Company's capital stock from 100,799,996,400 shares to 99,062,216,600 shares (decrease amounting to Rp87 billion) (Note 18).

21. OTHER EQUITY

	<u>2018</u>	<u>2017</u>
Translation adjustment	673	527
Effect of change in equity of associated companies	386	386
Unrealized holding gain on available-for-sale securities	48	58
Difference due to acquisition of non controlling interests in subsidiaries	(637)	(637)
Other equity components	37	53
Total	<u>507</u>	<u>387</u>

22. REVENUES

	<u>2018</u>	<u>2017</u>
Telephone revenues		
Cellular	30,431	37,246
Fixed lines	5,888	6,665
Total telephone revenues	<u>36,319</u>	<u>43,911</u>
Interconnection revenues	<u>5,463</u>	<u>5,175</u>
Data, internet, and information technology service revenues		
Cellular internet and data	45,154	37,961
Internet, data communication, and information technology services	19,454	15,085
Short Messaging Services ("SMS")	9,185	13,192
Pay TV	2,508	1,944
Others	852	353
Total data, internet and information technology service revenues	<u>77,153</u>	<u>68,535</u>
Network revenues	<u>1,723</u>	<u>1,873</u>
Other revenues		
Sales of peripherals	1,851	2,292
CPE and terminal	1,450	536
Call center service	1,052	970
Telecommunication tower leases	909	796
<i>E-health</i>	563	470
<i>E-payment</i>	449	505
Others	3,852	3,193
Total other revenues	<u>10,126</u>	<u>8,762</u>
Total revenues	<u>130,784</u>	<u>128,256</u>

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22. REVENUES (continued)

The detail of net revenues received by the Group from agency relationships for the years ended as December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Gross revenues	46,672	39,111
Compensation to value added service providers	(1,518)	(1,150)
Net revenues	<u>45,154</u>	<u>37,961</u>

Refer to Note 31 for details of related parties transactions.

23. PERSONNEL EXPENSES

The breakdown of personnel expenses is as follows:

	<u>2018</u>	<u>2017</u>
Salaries and related benefits	8,077	7,821
Vacation pay, incentives and other benefits	3,292	3,339
Pension benefit cost (Note 29)	1,120	1,700
Net periodic post-employment health care benefit cost (Note 29)	335	276
LSA expense (Note 30)	161	255
Other employee benefit cost (Note 29)	113	62
Other post-employment benefit cost (Note 29)	32	42
Others	48	34
Total	<u>13,178</u>	<u>13,529</u>

Refer to Note 31 for details of related parties transactions.

24. OPERATION, MAINTENANCE AND TELECOMMUNICATION SERVICE EXPENSES

The breakdown of operation, maintenance and telecommunication service expenses is as follows:

	<u>2018</u>	<u>2017</u>
Operation and maintenance	25,214	19,929
Radio frequency usage charges (Note 34c.i)	5,473	4,276
Leased lines and CPE	5,125	5,255
Concession fees and USO charges	2,297	2,249
Cost of sales of handset (Note 6)	1,860	1,544
Electricity, gas and water	1,051	1,037
Cost of SIM cards and vouchers (Note 6)	765	914
Tower leases	480	472
Vehicles rental and supporting facilities	413	301
Insurance	193	294
Others	920	332
Total	<u>43,791</u>	<u>36,603</u>

Refer to Note 31 for details of related parties transactions.

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25. GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of general and administrative expenses is as follows:

	2018	2017
General expenses	1,792	1,449
Provision for impairment of receivables (Note 5d)	1,724	1,494
Professional fees	823	498
Training, education and recruitment	463	531
Travelling	415	475
Meeting	233	241
Social contribution	181	197
Collection expenses	157	135
Others	349	240
Total	6,137	5,260

Refer to Note 31 for details of related parties transactions.

26. TAXATION

a. Claims for tax refund

	2018	2017
The Company:		
Corporate income tax	494	610
Value Added Tax ("VAT")	1,119	1,338
Subsidiaries:		
Corporate income tax	406	174
VAT	1,027	1,871
Total claims for tax refund	3,046	3,993
Current portion	(596)	(908)
Non-current portion (Note 10)	2,450	3,085

b. Prepaid taxes

	2018	2017
The Company:		
Income Tax		
Article 22 - Withholding tax on goods delivery and import	-	1
Article 23 - Withholding tax on service delivery	63	44
VAT	1,048	629
Subsidiaries:		
Corporate Income Tax	14	1
Income Tax Article 23 - Withholding tax on service delivery	1	17
VAT	2,765	2,008
Total prepaid taxes	3,891	2,700
Current portion	(2,749)	(1,947)
Non-current portion (Note 10)	1,142	753

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26. TAXATION (continued)

c. Taxes payable

	<u>2018</u>	<u>2017</u>
The Company:		
Income taxes		
Article 4 (2) - Final tax	18	26
Article 21 - Individual income tax	47	81
Article 22 - Withholding tax on goods delivery and imports	3	3
Article 23 - Withholding tax on services	36	29
Article 25 - Installment of corporate income tax	1	1
Article 26 - Withholding tax on non-resident income	3	1
VAT - Tax collector	334	372
	<u>442</u>	<u>513</u>
Subsidiaries:		
Income taxes		
Article 4 (2) - Final tax	75	85
Article 21 - Individual income tax	113	129
Article 22 - Withholding tax on goods delivery and imports	5	3
Article 23 - Withholding tax on services	110	115
Article 25 - Installment of corporate income tax	14	37
Article 26 - Withholding tax on non-resident income	7	303
Article 29 - Corporate income tax	389	763
VAT	25	842
	<u>738</u>	<u>2,277</u>
Total taxes payable	<u>1,180</u>	<u>2,790</u>

d. The components of income tax expense (benefit) are as follows:

	<u>2018</u>	<u>2017</u>
Current		
The Company	236	586
Subsidiaries	9,196	10,771
	<u>9,432</u>	<u>11,357</u>
Deferred		
The Company	(103)	(1,603)
Subsidiaries	97	204
	<u>(6)</u>	<u>(1,399)</u>
Net income tax expense	<u>9,426</u>	<u>9,958</u>

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26. TAXATION (continued)

d. The components of income tax expense (benefit) are as follows (continued):

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:

	2018	2017
Profit before income tax	36,405	42,659
Less: income subject to final tax - net	(1,277)	(1,491)
	<u>35,128</u>	<u>41,168</u>
Income tax expense calculated at the Company's applicable statutory tax rate of 20%	7,026	8,234
Difference in applicable statutory tax rate for subsidiaries	1,753	2,046
Non-deductible expenses	398	761
Final income tax expense	60	591
Deferred tax assets that cannot be utilized - net	(2)	(6)
Deferred tax assets on fixed assets revaluation for tax purpose	-	(1,796)
Others	191	128
Net income tax expense	<u>9,426</u>	<u>9,958</u>

The reconciliation between the profit before income tax and the estimated taxable income of the Company for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Profit before income tax	36,405	42,659
Add back consolidation eliminations	25,933	21,445
Consolidated profit before income tax and eliminations	62,338	64,104
Less: profit before income tax of the subsidiaries	(43,322)	(43,702)
Profit before income tax attributable to the Company	19,016	20,402
Less: income subject to final tax	(425)	(462)
	<u>18,591</u>	<u>19,940</u>
Temporary differences:		
Provision for impairment and trade receivables written-off	193	1,030
Net periodic pension and other post-retirement benefits costs	133	985
Deferred installation fee	92	(4)
Provision for impairment of assets	-	(1,012)
Provision for personnel expenses	(532)	188
Depreciation and gain on sale of property and equipment	(180)	(3,120)
Finance leases	(10)	(3)
Other provisions	349	(76)
Net temporary differences	<u>45</u>	<u>(2,012)</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 years ended December 31, 2018 and 2017 are as follows (continued) :

	<u>2018</u>	<u>2017</u>
Permanent differences:		
Net periodic post-retirement healthcare benefit costs	335	276
Employee benefits	215	264
Donations	123	194
Gain on transfer business to under common control entities	-	86
Equity in net income of associates and subsidiaries	(17,852)	(20,635)
Others	(71)	1,026
Net permanent differences	(17,250)	(18,789)
Compensation of fiscal loss	(986)	-
Taxable income of the Company	400	(861)
Current corporate income tax expense	80	-
Final income tax expense	57	586
Current income tax expense on tax assessment	99	-
Total current income tax expense of the Company	236	586
Current income tax expense of the subsidiaries	9,196	10,771
Total current income tax expense	9,432	11,357

Tax Law No. 36/2008 with implementing rules under 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 years ended December 31, 2018 and 2017, the Company has reduced the applicable tax rate by 5%.

The Company applied the tax rate of 20% for the years ended December 31, 2018 and 2017. The subsidiaries applied the tax rate of 25% for the years ended December 31, 2018 and 2017.

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 2018 that will be reported to the tax office based on prevailing regulations. The amount of corporate income tax for the year ended December 31, 2017, is different with what was reported in the annual tax return due to adjustment of fiscal correction from tax assessment for fiscal year 2016.

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26. TAXATION (continued)

e. Tax assessment

(i) The Company

On November 15, 2013, the Company received tax underpayment assessment letters ("SKPKBs") 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, and in December 2014, Tax Authorities issued a decision which rejected the objections. 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 statement of profit or loss and other comprehensive income. The portion of VAT international incoming call interconnection amounting to Rp120 billion (including penalty of Rp39 billion) is recognized as claim for tax refund. On March 12, 2015, the Company has filed an appeal to the Tax Court on the rejection of its objection to the assessment of VAT international incoming call interconnection.

On August 1 and 2, 2017, the Tax Court issued a verdict regarding to VAT international incoming call interconnection appeal process. The verdict stated that the international incoming call interconnection is the taxable services and categorized as export service that subject to 0% VAT and granted all the Company's appeal. In September 2017, the Company received tax refund amounting to Rp115 billion and for remaining balance amounting to Rp5 billion has been compensated to tax collection letter ("STP") for withholding tax article 21 and SKPKBs of VAT on tax collected and self-assessed offshore VAT.

On October 26 and November 23, 2017, the Company received a notification from Tax Court that Tax Authorities filed a request for judicial review. On November 23 and December 21, 2017, to response the judicial review from Tax Authorities, the Company sent contra memorandum for judicial review to Supreme Court ("SC"). In September and November 2018, the Company received the verdict from the SC as the result of the tax audit for tax period June to August and November 2007. Based on the verdict, the SC rejected the Tax Authorities' judicial review and strengthen the Tax Court's verdict. As of the date of approval and authorization for the issuance of these consolidated financial statements, the judicial review for tax period May 2007 is still in process.

In November 2014, the Company received SKPKBs from the Tax Authorities as the result of the tax audit for fiscal year 2011. 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 amounting to Rp2.8 billion (including penalty of Rp929 million). The accepted portion amounting to Rp4.7 billion (including penalty of Rp2 billion) was charged to the 2014 consolidated financial statement of profit or loss and other comprehensive income. The portion of VAT international incoming call interconnection amounting to Rp178 billion (including penalty of Rp58 billion) is recognized as claim for tax refund. On January 7, 2015, the Company filed an objection and on October 20, 2015, Tax Authorities issued a rejection regarding this objection. On January 20, 2016, the Company filed an appeal on the decision of its objection.

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26. TAXATION (continued)

e. Tax assessment (continued)

(i) The Company (continued)

On April 4 and 5, 2017, the Tax Court issued a verdict regarding to VAT international incoming call interconnection appeal process. The verdict stated that the international incoming call interconnection is the taxable services and categorized as export service that subject to 0% VAT and granted the Company's appeal for the tax period January and September to December 2011. Tax Court rejected the Company's appeal for the tax period February to August 2011, since the Company did not meet the administrative requirement. Regarding this rejection, on June 19 and 21, 2017, the Company filed the request for judicial review. On October 15, 2018, the Company received a notification from Tax Court that Tax Authorities field a request for judicial review for the tax period January and September to December 2011. On November 13, 2018, to response the judicial review from Tax Authorities, the Company sent contra memorandum for judicial review to SC for the tax period January and September to December 2011. In November 2018, the Company received a notification from Tax Court that Tax Authorities field a contra memorandum for judicial review for the tax period February to August 2011. As of the date of approval and authorization for the issuance of these consolidated financial statements, the judicial review is still in process.

On May 3, 2016, the Tax Authorities issued Field Tax Audit Notification Letter for tax period January to December 2012. On November 3, 2016, Tax Authorities issued SKPKBs for fiscal year 2012, wherein the Company was liable for underpayment of corporate income tax amounting to Rp991.6 billion (including penalty of Rp321.6 billion), VAT underpayment amounting to Rp467 billion (including penalty of Rp153.5 billion), self-assessed offshore VAT underpayment amounting to Rp1.2 billion (including penalty of Rp392 million), VAT on tax collected underpayment amounting to Rp57 billion (including penalty of Rp18.5 billion). The Company also received STP for VAT amounting to Rp37.5 billion, withholding tax article 21 underpayment amounting to Rp16.2 billion (including penalty of Rp5.3 billion), final withholding tax article 21 underpayment amounting to Rp1.2 billion (including penalty of Rp407 million), withholding tax article 23 underpayment amounting to Rp63.5 billion (including penalty of Rp20.6 billion), withholding tax article 4(2) underpayment amounting to Rp25 billion (including penalty of Rp8.1 billion) and withholding tax article 26 underpayment amounting to Rp197.6 billion (including penalty of Rp64 billion). The Company has agreed to the recalculation of input tax credit on international incoming call interconnection services amounting to Rp35 billion, corporate income tax amounting to Rp613 million and withholding tax article 26 amounting to Rp311.5 million that have been charged in the 2016 consolidated statement of profit or loss and other comprehensive income. The Company filed an objection regarding to the remaining assessments on November 16, 2016.

On March 1, 2017 and May 9, 2017, the Company received the Decision Letter from Directorate General of Taxes ("DGT") for the underpayment of self-assessed offshore VAT amounting to Rp1.8 billion (including penalty of Rp0.6 million) and the underpayment of VAT on tax collected amounting to Rp4.4 billion (including penalty of Rp1.4 billion). The Company decided to accept the decision.

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26. TAXATION (continued)

e. Tax assessment (continued)

(i) The Company (continued)

On October 19, 2017, the Tax Authorities issued Decision Letter on Company's objections, wherein the Tax Authorities has reduced Company's underpayment. Based on Decision Letter, the Company was liable for underpayment of withholding tax article 21 amounting to Rp20.7 billion (including penalty of Rp6.7 billion), underpayment of final withholding tax article 21 amounting to Rp23.8 billion (including penalty of Rp7.7 billion), underpayment of withholding tax article 23 amounting to Rp115.7 billion (including penalty of Rp37.5 billion), underpayment of withholding tax article 4(2) amounting to Rp25 billion (including penalty of Rp8.1 billion), underpayment of withholding tax article 26 amounting to Rp197.6 billion (including penalty of Rp64.1 billion) and underpayment of corporate income tax amounting to Rp496.4 billion (including penalty of Rp161 billion). On October 30 and 31, 2017, the Tax Authorities issued Decision Letter on Company's objection, wherein the Tax Authorities has reduced Company's underpayment for VAT from the tax period January to December 2012 totaling to Rp429.3 billion (including penalty of Rp141.2 billion). On January, 17 and 26, 2018, the Company filed an appeal on the rejection of its objection. As of the date of approval and authorization for the issuance of these consolidated financial statements, the appeal is still in process.

On August 23, 2016, the Tax Authorities issued Field Tax Audit Notification Letter for tax period January to December 2015 regarding overpayment of corporate income tax amounting to Rp414 billion. On April 25, 2017, the Tax Authorities issued Tax Overpayment Assessment Letter ("SKPLB") for overpayment of corporate income tax amounting to Rp147 billion, and SKPKBs for underpayment of VAT amounting to Rp13 billion (including penalty of Rp4 billion), underpayment of VAT on tax collected amounting to Rp6 billion (including penalty of Rp1.5 billion), underpayment of self-assessed offshore VAT amounting to Rp55 billion (including penalty of Rp17 billion). The Company also received STP for VAT amounting to Rp34 billion, VAT on tax collected amounting to Rp7 billion and self-assessed offshore VAT amounting to Rp8 billion.

The Company accepted tax audit decision amounting to Rp17 billion for corporate income tax, to transfer deductible temporary differences related to provision for incentives to fixed wireless (Flexi) subscribers' migration amounting to Rp42 billion from Annual Tax Return of corporate income tax fiscal year 2015 to Annual Tax Return of corporate income tax fiscal year 2016. The Company also accepted underpayment of VAT, underpayment of VAT on tax collected and STP for VAT on tax collected totaling to Rp26 billion. The accepted portion was charged to the 2017 consolidated financial statement of profit or loss and other comprehensive income.

On July 24, 2017, the Company filed Objection Letter to the Tax Authorities for corporate income tax amounting to Rp210.5 billion and self-assessed offshore VAT amounting to Rp55 billion. On May 3 and 22, 2018, the Tax Authorities issued Decision Letter on Company's objections for SKPLB of self-assessed offshore VAT amounting to Rp54 billion and granted all the Company's objection. On July 18, 2018, the Tax Authorities issued Decision Letter on Company's objections for SKPLB of corporate income tax, wherein the Tax Authorities has granted the several Company's objection and additional amount of overpayment which should be received amounting to Rp76 billion. On October 10, 2018, the Company filed an appeal. 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)

On August 25, 2017, the Tax Authorities issued Field Tax Audit Notification Letter for tax periods January to December 2016 regarding overpayment of corporate income tax amounting to Rp114.4 billion. On June 7, 2018, Tax Authorities issued SKPLB of corporate income tax amounting to Rp15.3 billion, SKPKB of withholding tax article 26 amounting to Rp557 million (including penalty of Rp180 million) and SKPLB of VAT amounting to Rp923 billion. The Company accepted the assessment on the overpayment of corporate income tax amounting to Rp15.3 billion and for the remaining balance amounting to Rp99.1 billion was charged as current income tax expense on tax assesment, underpayment of withholding tax article 26 and correction of VAT In totaling to Rp10.5 billion, STP for VAT on tax collected amounting to Rp7.1 billion, VAT on free gifts amounting to Rp7.3 billion, VAT on transfer asset amounting to Rp1.2 billion and STP for VAT amounting to Rp1.7 billion. The accepted portion was charged to the consolidated financial statement of profit or loss and other comprehensive income. In July 2018, the Company received tax refund amounting to Rp882.7 billion and for the remaining balance amounting to Rp39.9 billion has been compensated to STP for VAT amounting to Rp31.9 billion, VAT on tax collected amounting to Rp7.1 billion, withholding tax article 23 amounting to Rp556 million and withholding tax article 21 amounting to Rp300 million. On August 31, 2018, the Company filed an objection to the Tax Authorities for VAT international incoming call interconnection services amounting to Rp151 billion and STP for VAT amounting to Rp30.3 billion. As of the date of approval and authorization for the issuance of these consolidated financial statements, the objection is still in process.

On September 11, 2017 and January 9, 2018, the Tax Authorities issued Field Tax Audit Notification Letter for tax period December and November 2014 regarding claim for tax refund overpayment of VAT correction for tax period November and December 2014 amounting to Rp129 billion and Rp86.7 billion, respectively. On July 25 and September 7, 2018, the Company received SKPLB for tax period December and November 2014. On August 24, 2018, the Company received tax refund amounting to Rp122.5 billion for December 2014 period. In October 2018, the Company received tax refund amounting to Rp80.8 billion and for the remaining balance amounting to Rp3.6 billion has been compensated to SKPKBs for self-assessed offshore VAT for tax period March, April and June 2015, STP for VAT for tax period November 2014, and other tax assessment letters.

On November 6, 2018, the Tax Authorities issued Field Tax Audit Notification Letter for tax period 2017 for all taxes. As of the date of approval and authorization for the issuance of these consolidated financial statements, the tax audit is still in process.

(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 SC. On August 19, 2016, Telkomsel received a notification from the Tax Court that the Tax Authorities filed a request for judicial review to SC for the VAT case amounting to Rp108 billion. Telkomsel filed a contra memorandum for judicial review to the SC on September 14, 2016. In April 2017, Tax Authorities has granted Telkomsel's claim on interest income will be compensate against corporate income tax installment for the period of April 2017. In July 2018, Telkomsel received the official verdict from the SC which rejected the Tax Authorities request.

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26. TAXATION (continued)

e. Tax assessment (continued)

(ii) Telkomsel (continued)

On April 21, 2010, the Tax Authorities filed a request for judicial review to the SC for the Tax Court's acceptance of Telkomsel's request to cancel the 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 memorandum for judicial review to the SC. On March 2, 2017, Telkomsel received the official verdict from the SC which accept the Tax Authorities request. The penalty was paid in June 2017.

In May and June 2012, Telkomsel received the refund of the penalty on the 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 request for judicial review to the SC on the Tax Court's Verdict. On September 14, 2012, Telkomsel filed a contra memorandum for judicial review to the SC. In July 2016, conservatively, Telkomsel recognized the tax penalty of Rp15.7 billion as expense based on its previous experience on a similar income tax case.

On May 24, 2012, Telkomsel filed an objection to the Tax Authorities for the 2010 underpayment of VAT of Rp290.6 billion (including penalty of Rp67 billion) and recorded it as a claim for tax refund. On May 9, 2017, Telkomsel received the official verdict from the SC which rejected Telkomsel's request, therein Telkomsel paid the underpayment on July 10, 2017. On July 19, 2017, Telkomsel filed the second judicial review to contest against the SC's verdict. On August 8, 2018, the SC accepted Telkomsel's request. Telkomsel received *Surat Pelaksanaan Putusan Peninjauan Kembali* ("SP2PK").

In July and October 2017, Telkomsel received notifications that the Tax Authorities had filed a request for judicial reviews to the SC for cases relating to corporate income tax and VAT amounting to Rp62 billion and Rp1.2 billion, respectively. Telkomsel submitted its contra memorandum for judicial review in August and November 2017. As of the date of approval and authorization for issuance of these financial statements, Telkomsel has received partial official verdicts from the SC which rejected the Tax Authorities's request for VAT case amounting to Rp1.1 billion.

On July 28, 2016 and March 24, 2017, Telkomsel received the tax audit instruction letter for compliance of fiscal year 2014 and 2015, respectively. As of the date of approval and authorization for the issuance of these consolidated financial statements, the tax audit is still in progress.

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26. TAXATION (continued)

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.

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 a KJPP to perform fixed assets revaluation of the Company.

The Company submitted the fixed asset 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 submitted its fixed assets revaluation application for Phase 2 to DGT and expects to be eligible for 6% tax rate. In its application, the Company estimated a revaluation increment of Rp8,961 billion with estimated final income tax of Rp538 billion. In 2017, the Company received fixed asset revaluation report from KJPP. Based on the report, the value of fixed asset increased amounting to Rp8,982 billion with related final income tax amounting to Rp540 billion. The Company has paid final income tax amounting to Rp2 billion as addition on September 22, 2017 and November 15, 2017. On November 21, 2017, DGT issued approval regarding fixed assets revaluation amounting to Rp8,982 billion with related final income tax amounting to Rp540 billion.

A deductible temporary difference arose on this fixed assets revaluation for tax purposes since the tax base of the fixed assets is higher than their carrying amount. The deductible temporary difference results in a deferred tax asset since the economic benefits will flow to the Company in a form of reduction of taxable income in the future periods when the assets are recovered.

In 2016 and 2017, the Company recognized deferred tax assets amounting to Rp1,415 billion and Rp1,796 billion, respectively, on the phase 1 and phase 2 revaluation increment on fixed assets as approved by the DGT.

These consolidated financial statements are originally issued in the Indonesian language.

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26. TAXATION (continued)

g. Deferred tax assets and liabilities

The details of the Group's deferred tax assets and liabilities are as follows:

	December 31, 2017	(Charged) credited to profit or loss	Charged to other comprehensive income	Charged to equity and reclassification	December 31, 2018
The Company					
Deferred tax assets:					
Net periodic pension and other post-employment benefit costs	1,102	27	(466)	-	663
Provision for impairment of receivables	594	38	-	-	632
Difference between accounting and tax bases of property and equipment	240	180	-	-	420
Provision for employee benefits	247	(32)	-	-	215
Deferred installation fee	74	18	-	-	92
Accrued expenses and provision for inventory obsolescence	43	36	-	-	79
Land rights, intangible assets and others	(1)	10	-	-	9
Fiscal loss	172	(172)	-	-	-
Total deferred tax assets	2,471	105	(466)	-	2,110
Deferred tax liabilities:					
Finance leases	1	(2)	-	-	(1)
Valuation of long-term investment	(11)	-	-	-	(11)
Total deferred tax liabilities	(10)	(2)	-	-	(12)
Deferred tax assets of the Company - net	2,461	103	(466)	-	2,098
Deferred tax assets of the other subsidiaries - net	343	76	(8)	(5)	406
Telkomsel					
Deferred tax assets:					
Provision for employee benefits	677	83	(119)	-	641
Provision for impairment of receivables	184	86	-	-	270
Total deferred tax assets	861	169	(119)	-	911
Deferred tax liabilities:					
Finance leases	(561)	(335)	-	-	(896)
Difference between accounting and tax bases of property and equipment	(552)	(64)	-	-	(616)
License amortization	(225)	107	-	-	(118)
Total deferred tax liabilities	(1,338)	(292)	-	-	(1,630)
Deferred tax liabilities of Telkomsel - net	(477)	(123)	(119)	-	(719)
Deferred tax liabilities of the other subsidiaries - net	(456)	(50)	(5)	(22)	(533)
Deferred tax liabilities - net	(933)	(173)	(124)	(22)	(1,252)
Deferred tax assets - net	2,804	179	(474)	(5)	2,504

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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, 2016	(Charged) credited to profit or loss	Credited to other comprehensive income	(Charged) credited to equity and reclassification	December 31, 2017
The Company					
Deferred tax assets:					
Net periodic pension and other post-employment benefit costs	563	197	342	-	1,102
Provision for impairment of receivables	388	206	-	-	594
Provision for employee benefits	209	38	-	-	247
Difference between accounting and tax bases of property and equipment	(772)	1,012	-	-	240
Fiscal loss	-	172	-	-	172
Deferred installation fee	75	(1)	-	-	74
Accrued expenses and provision for inventory obsolescence	69	(26)	-	-	43
Finance leases	1	(0)	-	-	1
Total deferred tax assets	533	1,598	342	-	2,473
Deferred tax liabilities:					
Valuation of long-term investment	(11)	-	-	-	(11)
Land rights, intangible assets and others	(11)	10	-	-	(1)
Total deferred tax liabilities	(22)	10	-	-	(12)
Deferred tax assets of the Company - net	511	1,608	342	-	2,461
Deferred tax assets of the other subsidiaries - net	258	(20)	9	96	343
Telkomsel					
Deferred tax assets:					
Provision for employee benefits	478	68	131	-	677
Provision for impairment of receivables	143	41	-	-	184
Total deferred tax assets	621	109	131	-	861
Deferred tax liabilities:					
Finance leases	(549)	(12)	-	-	(561)
Difference between accounting and tax bases of property and equipment	(482)	55	-	(125)	(552)
License amortization	(48)	(177)	-	-	(225)
Total deferred tax liabilities	(1,079)	(134)	-	(125)	(1,338)
Deferred tax liabilities of Telkomsel - net	(458)	(25)	131	(125)	(477)
Deferred tax liabilities of the other subsidiaries - net	(287)	(164)	12	(17)	(456)
Total deferred tax liabilities - net	(745)	(189)	143	(142)	(933)
Total deferred tax assets - net	769	1,588	351	96	2,804

As of December 31, 2018 and 2017, the aggregate amounts of temporary differences associated with investments in subsidiaries and associated companies, for which deferred tax liabilities have not been recognized were Rp31,461 billion and Rp31,928 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 reduced if actual future taxable income is lower than estimates.

h. Administration

From 2008 to 2017, 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 Government Regulation No. 77/2013 and the latest by Government Regulation No. 56/2015 in conjunction with PMK No. 238/PMK.03/2008. On the basis of historical data, for the year ended December 31, 2018, the Company calculates the deferred tax using the tax rate of 20%.

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26. TAXATION (continued)

h. Administration (continued)

The taxation laws of Indonesia require that the Company and its local subsidiaries submit to 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 from the time the tax became due, but not later than 2013, while for fiscal years 2008 and onwards, the period is within five years from 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 of 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 the VAT, PPnBM and also income tax article 22 in accordance with the Regulations.

27. BASIC EARNINGS PER SHARE

Basic earnings per share is computed by dividing profit for the year attributable to owners of the parent company amounting to Rp18,032 billion and Rp22,145 billion by the weighted average number of shares outstanding during the period totaling 99,062,216,600 shares for the years ended December 31, 2018 and 2017, 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 Rp182.03 and Rp223.55 (in full amount) for the years ended December 31, 2018 and 2017, respectively.

The Company does not have potentially dilutive financial investments for the years ended December 31, 2018 and 2017.

28. CASH DIVIDENDS AND GENERAL RESERVE

Pursuant to the AGM of Stockholders of the Company as stated in notarial deed No. 28 dated April 21, 2017 of Ashoya Ratam, S.H., M.Kn., the Company's stockholders approved the distribution of cash dividend and special cash dividend for 2016 amounting to Rp11,611 billion (Rp117.21 per share) and Rp1,935 billion (Rp19.54 per share), respectively.

Pursuant to the AGM of Stockholders of the Company as stated in notarial deed No. 54 dated April 27, 2018 of Ashoya Ratam, S.H., M.Kn., the Company's stockholders approved the distribution of cash dividend and special cash dividend for 2017 amounting to Rp13,287 billion (Rp134.13 per share) and Rp3,322 billion (Rp33.53 per share), respectively.

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, 2018 and 2017 amounting to Rp15,377 billion, respectively.

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The details of pension and other post-employment benefit liabilities are as follow:

	Notes	2018	2017
Pension benefit and other post-employment benefit obligations			
Pension benefit			
The Company - funded			
Defined pension benefit obligation	29a.i.a.i	1,057	1,540
Additional pension benefit obligation	29a.i.a.ii	6	1,076
The Company - unfunded			
Telkomsel	29a.i.b	1,830	2,384
Telkomsat	29a.ii	1,541	1,839
MD Media		0	0
Infomedia		-	0
Projected pension benefit obligations		4,434	6,839
Net periodic post-employment health care benefit	29b	195	2,419
Other post-employment benefit	29c	419	510
Obligation under the Labor Law	29d	507	427
Total		5,555	10,195

The details of net pension benefit expense recognized in the consolidated statements of profit or loss and other comprehensive income is as follows:

	Notes	2018	2017
Pension benefit cost			
The Company - funded			
Defined pension benefit obligation	29a.i.a.i	511	557
Additional pension benefit obligation	29a.i.a.ii	69	657
The Company - unfunded			
Telkomsel	29a.i.b	198	239
Telkomsat	29a.ii	342	247
MD Media		0	0
Infomedia		0	0
Telkomsat		0	0
Total pension benefit cost	23	1,120	1,700
Net periodic post-employment health care benefit cost	23,29b	335	276
Other post-employment benefit cost	23,29c	32	42
Obligation under the Labor Law	23,29d	113	62
Total		1,600	2,080

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

The details of the net pension benefit expense recognized in the consolidated statements of profit or loss and other comprehensive income is as follows (continued):

	Notes	2018	2017
Defined benefit plan actuarial gain (losses)			
The Company - funded	29a.i.a		
Defined pension benefit obligation	29a.i.a.i	1,236	(1,154)
Additional pension benefit obligation	29a.i.a.ii	934	(419)
The Company - unfunded	29a.i.b	137	(100)
Telkomsel	29a.ii	514	(530)
MD Media		0	(2)
Infomedia		0	(1)
Telkomsat		0	0
Post-employment health care benefit cost	29b	2,559	(551)
Other post-employment benefit	29c	24	(40)
Obligation under the Labor Law	29d	14	(72)
Sub-total		5,418	(2,869)
Deferred tax effect at the applicable tax rates	26g	(598)	494
Defined benefit plan actuarial gain (losses) - net of tax		4,820	(2,375)

a. Pension benefit cost

i. The Company

a. Funded pension plan

i. Defined pension benefit obligation

The Company sponsors a defined benefit pension plan for employees with permanent status prior to July 1, 2002. The plan is governed by the pension laws in Indonesia and managed by Telkom Pension Fund (“Dana Pensiun Telkom” or “Dapen”). The pension benefits are paid based on the participating employees’ latest basic salary at retirement and the number of years of their service. The participating employees contribute 18% (before March 2003: 8.4%) of their basic salaries to the pension fund. The Company did not make contributions to the pension fund for the years ended December 31, 2018 and 2017.

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, 2018 and 2017, under the defined benefit pension plan:

	2018	2017
Changes in projected pension benefit obligations		
Projected pension benefit obligations at beginning of year	22,354	18,849
Charged to profit or loss:		
Service costs	384	366
Past service cost - plan amendments	-	94
Interest costs	1,459	1,454
Pension plan participants’ contributions	38	41
Actuarial (gain) losses recognized in OCI	(2,691)	2,862
Pension benefits paid	(1,423)	(1,312)
Projected pension benefit obligations at end of year	20,121	22,354

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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)

i. Defined pension benefit obligation (continued)

	2018	2017
Changes in pension benefit plan assets		
Fair value of pension plan assets at beginning of year	20,814	19,046
Interest income	1,357	1,387
Return on plan assets (excluding amount included in net interest expense)	(1,455)	1,709
Pension plan participants' contributions	38	41
Pension benefits paid	(1,423)	(1,312)
Provision of additional benefit	(205)	-
Plan administration cost	(62)	(57)
Fair value of pension plan assets at end of year	19,064	20,814
Projected pension benefit obligations at end of year	1,057	1,540

As of December 31, 2018 and 2017, plan assets consist of:

	2018		2017	
	Quoted in active market	Unquoted	Quoted in active market	Unquoted
Cash and cash equivalents	873	-	1,481	-
Equity instruments:				
Finance	1,456	-	1,463	-
Consumer goods	1,336	-	1,411	-
Infrastructure, utilities and transportation	530	-	656	-
Construction, property and real estate	199	-	363	-
Basic industry and chemical	124	-	115	-
Trading, service and investment	420	-	388	-
Mining	112	-	92	-
Agriculture	55	-	46	-
Miscellaneous industries	362	-	377	-
Equity-based mutual fund	1,336	-	1,233	-
Fixed income instruments:				
Corporate bonds	-	5,267	-	5,428
Government bonds	6,166	-	6,968	-
Mutual funds	54	-	54	-
Non-public equity:				
Direct placement	-	288	-	237
Property	-	178	-	188
Others	-	308	-	314
Total	13,023	6,041	14,647	6,167

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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)

i. Defined pension benefit obligation (continued)

Pension plan assets include Series B shares issued by the Company with fair values totalling to Rp372 billion and Rp469 billion, representing 1.95% and 2.25% of total plan assets as of December 31, 2018 and 2017, respectively, and bonds issued by the Company with fair value totalling to Rp314 billion and Rp340 billion representing 1.65% and 1.64% of total plan assets as of December 31, 2018 and 2017, respectively.

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 Rp(158) billion and Rp3,039 billion for the years ended December 31, 2018 and 2017, 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, 2018, Dapen's FSR is below 105%. Therefore, the Company will make contributions to the defined benefit pension plan in 2019.

Based on the Company's policy issued on June 7, 2017 regarding Pension Regulation by Dapen, the Company provided other benefits in the form of additional benefit in 2017 amounted to Rp4.5 million to monthly pension beneficiaries who retired before end of June 2002 and Rp2.25 million to monthly pension beneficiaries who retired starting from the end of June 2002 until the end of April 2017.

The movement at the projected pension benefit obligations for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Projected pension benefit obligations (prepaid pension benefit cost) at beginning of year	1,540	(197)
Net periodic pension benefit cost	548	583
Provision of additional benefit	205	-
Actuarial (gain) losses recognized in OCI	(2,691)	2,862
Return on plan assets (excluding amount included in net interest expense)	<u>1,455</u>	<u>(1,708)</u>
Projected pension benefit obligations at end of year	<u>1,057</u>	<u>1,540</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)

i. Defined pension benefit obligation (continued)

The components of net periodic pension benefit cost for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Service costs	384	366
Past service cost - plan amendments	-	94
Plan administration cost	62	57
Net interest cost	<u>102</u>	<u>66</u>
Net periodic pension benefit cost	548	583
Amount charged to subsidiaries under contractual agreements	<u>(37)</u>	<u>(26)</u>
Net periodic pension benefit cost less cost charged to subsidiaries	<u>511</u>	<u>557</u>

Amounts recognized in OCI for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Actuarial gain (losses) recognized during the year due to:		
Experience adjustments	329	163
Changes in financial assumptions	(3,020)	2,699
Return on plan assets (excluding amount included in net interest expense)	<u>1,455</u>	<u>(1,708)</u>
Net	<u>(1,236)</u>	<u>1,154</u>

The actuarial valuation for the defined benefit pension plan was performed based on the measurement date as of December 31, 2018 and 2017, with reports dated April 1, 2019 and February 27, 2018, 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	8.25%	6.75%
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)

a. Pension benefit costs (continued)

i. The Company (continued)

a. Funded pension plan (continued)

ii. Additional pension benefit obligation

Based on the Company's policy issued on June 7, 2017 regarding Pension Regulation by Dapen, the Company established additional benefit fund at maximum 10% of surplus of defined benefit plan, when FSR is above 105% and return on investment is above actuarial discount rate of pension fund.

	<u>2018</u>	<u>2017</u>
Changes in projected pension benefit obligations		
Projected pension benefit obligations at beginning of year	1,076	-
Charged to profit or loss:		
Past service costs	-	657
Interest costs	69	-
Actuarial (gain) losses recognized in OCI	(948)	419
Pension benefits paid	(93)	-
Projected pension benefit obligations at end of year	<u>104</u>	<u>1,076</u>
Changes in pension benefit plan assets		
Fair value of pension plan assets at beginning of year	-	-
Provision of additional benefit	205	-
Return of benefit plan assets	(14)	-
Pension benefits paid	(93)	-
Fair value of pension plan assets at end of year	98	-
Projected pension benefit obligations at end of year	<u>6</u>	<u>1,076</u>

As of December 31, 2018 there is no plan asset on additional pension benefit obligation. Plan asset will be recognized in accordance with the reserve of additional benefits funds determined by the board (*pengurus*) with the approval of the Supervisory board (*Dewan Pengawas*)

Changes in additional pension benefit obligation for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Additional pension benefit obligation at beginning of year	1,076	-
Past service cost	-	657
Interest costs	69	-
Provision of additional benefit	(205)	-
Actuarial loss (gain) recognized in OCI	(948)	419
Return on plan asset	14	-
Projected additional pension benefit obligation at end of year	<u>6</u>	<u>1,076</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)

ii. Additional pension benefit obligation (continued)

The components of additional pension benefit cost for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Past service costs	-	657
Net interest costs	69	-
Pension benefit costs	69	657

Amounts recognized in OCI for the years ended December 31, 2018 and 2017 are as follows :

	2018	2017
Actuarial (gain) losses recognized during the year due to:		
Experience adjustment	(773)	-
Changes in financial assumption	(175)	419
Return on plan assets (excluding amount included in net interest expense)	14	-
Total	(934)	419

The actuarial valuation for the additional pension benefit plan was performed based on the measurement date as of December 31, 2018 and 2017, with report dated April 1, 2019 and February 27, 2018, by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary for the year ended December 31, 2018 and 2017 is as follows:

	2018	2017
Rate of return on investment	9.30%-10.00%	9.50%-10.25%
Discount rate	8.25%	6.75%
Actuarial discount rate of pension fund	9.25%-9.50%	9.25%-9.50%
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 with permanent status hired 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 Rp13 billion and Rp10 billion, respectively, for the years ended December 31, 2018 and 2017, respectively.

Since 2007, the Company has provided pension benefit based on uniformization for both participants prior to and from April 20, 1992 effective for employees retiring beginning February 1, 2009. In 2010, the Company replaced the uniformization 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.

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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 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 in the unfunded projected pension benefit obligations for MPS and MPP for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Unfunded projected pension benefit obligations at beginning of year	2,384	2,507
Charged to profit or loss:		
Service costs	54	51
Net Interest costs	144	188
Actuarial losses recognized in OCI	(137)	100
Benefits paid by employer	(615)	(462)
Unfunded projected pension benefit obligations at end of year	<u>1,830</u>	<u>2,384</u>

The components of total periodic pension benefit cost the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Service costs	54	51
Net interest costs	144	188
Total periodic pension benefit cost	<u>198</u>	<u>239</u>

Amounts recognized in OCI are as follow:

	<u>2018</u>	<u>2017</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	27	19
Changes in demographic assumptions	(21)	-
Changes in financial assumptions	(143)	81
Net	<u>(137)</u>	<u>100</u>

The actuarial valuation for the defined benefit pension plan was performed, based on the measurement date as of December 31, 2017 and 2016, with reports dated April 1, 2019 and February 27, 2018, respectively, by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary for the year ended December 31, 2017 and 2016 are as follow:

	<u>2018</u>	<u>2017</u>
Discount rate	8.00%-8.25%	6.00%-6.75%
Rate of compensation increases	6.10%-8.00%	6.10%-8.00%
Indonesian mortality table	2011	2011

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

ii. Telkomsel

Telkomsel sponsors 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 (excluding functional allowance) and 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 the plan. Starting 2005, the entire contributions have been fully made by Telkomsel.

Telkomsel's contributions to Jiwasraya amounted to Rp125 billion and Rp131 billion for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, under Telkomsel's defined benefit pension plan:

	<u>2018</u>	<u>2017</u>
Changes in projected pension benefit obligations		
Projected pension benefit obligation at beginning of year	2,928	2,034
Charged to profit or loss:		
Service costs	213	149
Net interest costs	203	167
Actuarial (gain) losses recognized in OCI	(583)	584
Benefit paid	(27)	(6)
Projected pension benefit obligation at end of year	<u>2,734</u>	<u>2,928</u>
Changes in pension benefit plan assets		
Fair value of pension plan assets at beginning of year	1,089	841
Interest income	74	69
Return on plan assets (excluding amount included in net interest expense)	(68)	54
Employer's contributions	125	131
Benefit paid	(27)	(6)
Fair value of pension plan assets at end of year	<u>1,193</u>	<u>1,089</u>
Pension benefit obligation at end of year	<u>1,541</u>	<u>1,839</u>

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Pension benefit costs (continued)

ii. Telkomsel (continued)

Movements of the pension benefit obligation for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pension benefit obligation at beginning of year	1,839	1,193
Periodic pension benefit cost	342	247
Actuarial (gain) losses recognized in OCI	(583)	584
Return on plan assets (excluding amount included in net interest expense)	68	(54)
Employer's contributions	(125)	(131)
Pension benefit obligation at end of year	<u>1,541</u>	<u>1,839</u>

The components of the periodic pension benefit cost for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Service costs	213	149
Net interest costs	129	98
Total	<u>342</u>	<u>247</u>

Amounts recognized in OCI are as follow:

	<u>2018</u>	<u>2017</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	192	(77)
Changes in financial assumptions	(774)	661
Return on plan assets (excluding amount included in net interest expense)	68	(54)
Net	<u>(514)</u>	<u>530</u>

The actuarial valuation for the defined benefit pension plan was performed based on the measurement date as of December 31, 2018 and 2017, with reports dated February 14, 2019 and February 8, 2018 respectively, by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary as of December 31, 2018 and 2017, are as follow:

	<u>2018</u>	<u>2017</u>
Discount rate	8.25%	7.00%
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 benefit cost

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 *Yayasan Kesehatan Telkom* ("Yakes").

The defined contribution post-employment health care benefit plan is provided to employees with permanent status hired on or after November 1, 1995 or employees with terms of service less than 20 years at the time of retirement. The Company did not make contributions to Yakes for the years ended December 31, 2018 and 2017.

The following table presents the changes in projected post-employment health care benefit provision, changes 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, 2017 and 2018:

	<u>2018</u>	<u>2017</u>
Changes in projected post-employment health care benefit obligation		
Projected post-employment health care benefit obligation at beginning of year	15,448	13,357
Charged to profit or loss:		
Interest costs	1,102	1,115
Actuarial (gain) losses recognized in OCI	(3,641)	1,460
Post-employment health care benefits paid	(486)	(484)
Projected post-employment health care benefit obligation at end of year	12,423	15,448
Changes in post-employment health care benefit plan assets		
Fair value of plan assets at beginning of year	13,029	11,765
Interest income	927	979
Return on plan assets (excluding amount included in net interest expense)	(1,082)	909
Post-employment health care benefits paid	(486)	(484)
Plan administration cost	(160)	(140)
Fair value of plan assets at end of year	12,228	13,029
Projected for post-employment health care benefit obligation-net	195	2,419

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Post-employment health care benefit cost (continued)

As of December 31, 2018 and 2017, plan assets consists of:

	2018		2017	
	Quoted in active market	Unquoted	Quoted in active market	Unquoted
Cash and cash equivalents	1,115	-	1,354	-
Equity instruments:				
Manufacturing and consumer	799	-	835	-
Finance industries	799	-	840	-
Construction	190	-	254	-
Infrastructure and telecommunication	332	-	350	-
Wholesale	177	-	137	-
Mining	77	-	65	-
Other Industries:				
Services	60	-	38	-
Agriculture	32	-	35	-
Biotechnology and pharma industry	85	-	68	-
Others	3	-	1	-
Equity-based mutual funds	1,204	-	1,113	-
Fixed income instruments:				
Fixed income mutual funds	7,020	-	7,642	-
Unlisted shares:				
Private placement	-	335	-	297
Total	11,893	335	12,732	297

Yakes plan assets also include Series B shares issued by the Company with fair value totalling Rp249 billion and Rp265 billion, representing 2.03% and 2.04% of total plan assets as of December 31, 2018 and 2017, 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 Rp(315) billion and Rp1,748 billion for the years ended December 31, 2018 and 2017, respectively.

The movements of the projected post-employment health care benefit obligation for the years ended December 31, 2018 and 2017 are as follow:

	2018	2017
Projected post-employment health care benefit obligation at beginning of year	2,419	1,592
Net periodic post-employment health care benefit costs	335	276
Actuarial (gain) losses recognized in OCI	(3,641)	1,460
Return on plan assets (excluding amount included in net interest expense)	1,082	(909)
Projected post-employment health care benefit obligation at end of year	195	2,419

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29. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Post-employment health care benefit cost (continued)

The components of net periodic post-employment health care benefit cost for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Plan administration costs	160	141
Net interest costs	175	135
Periodic post-employment health care benefit cost	<u>335</u>	<u>276</u>

Amounts recognized in OCI are as follow:

	<u>2018</u>	<u>2017</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	(1,100)	(1,198)
Changes in financial assumptions	(2,541)	2,658
Return on plan assets (excluding amount included in net interest expense)	1,082	(909)
Net	<u>(2,559)</u>	<u>551</u>

The actuarial valuation for the post-employment health care benefits plan was performed based on the measurement date as of December 31, 2018 and 2017, with reports dated April 1, 2019 and February 27, 2018 respectively, by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary as of December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Discount rate	8.75%	7.25%
Health care costs trend rate assumed for 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	2018	2018
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 of the unfunded projected other post-employment benefit obligations for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Projected other post-employment benefit obligations at beginning of year	510	502
Charged to profit or loss:		
Service costs	6	6
Net interest costs	26	36
Actuarial (gain) losses recognized in OCI	(24)	40
Benefits paid by employer	(99)	(74)
Projected other post-employment benefits obligations at end of year	<u>419</u>	<u>510</u>

The components of the projected other post-employment benefit cost for the years ended December 31, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Service costs	6	6
Net interest costs	26	36
Total	<u>32</u>	<u>42</u>

Amounts recognized in OCI are as follow:

	<u>2018</u>	<u>2017</u>
Actuarial (gain) losses recognized during the year due to:		
Experience adjustments	40	10
Changes in demographic assumptions	(34)	-
Changes in financial assumptions	(30)	30
Total	<u>(24)</u>	<u>40</u>

The actuarial valuation for the other post-employment benefits plan was performed based on measurement date as of December 31, 2018 and 2017, with reports dated April 1, 2019 and February 27, 2018 respectively, by TWP, an independent actuary in association with WTW. The principal actuarial assumptions used by the independent actuary as of December 31, 2018 and 2017, are as follow:

	<u>2018</u>	<u>2017</u>
Discount rate	8.00%	5.75%
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. Total obligation recognized as of December 31, 2018 and 2017 amounted to Rp507 billion and Rp427 billion, respectively. The related pension employee benefits cost charged to expense amounted to Rp113 billion and Rp62 billion for the years ended December 31, 2018 and 2017, respectively (Note 23). The actuarial losses recognized in OCI amounted to Rp(14) billion and Rp72 billion for the years ended December 31, 2018 and 2017, 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 2018 are as follow:

Time Period	Expected Benefits Payment					
	The Company			Telkomsel		
	Defined pension benefit obligation	Additional pension benefit obligation	Unfunded	Post-employment health care benefits	Other post-employment benefits	
Within next 10 years	16,370	-	948	2,498	5,620	485
Within 10-20 years	20,349	-	160	7,880	6,913	91
Within 20-30 years	16,207	20	29	6,680	6,217	39
Within 30-40 years	9,400	38	9	1,580	3,193	3
Within 40-50 years	3,383	30	-	-	661	-
Within 50-60 years	644	50	-	-	22	-
Within 60-70 years	62	101	-	-	0	-
Within 70-80 years	2	-	-	-	-	-
Weighted average duration of DBO	9.11 years	9.11 years	3.97 years	10.58 years	17.41 years	3.13 years

f. Sensitivity Analysis

1% change in discount rate and rate of compensation would have effect on DBO ,as follow :

Sensitivity	Discount Rate		Rate of Compensation	
	1% Increase	1% Decrease	1% Increase	1% Decrease
	Increase (decrease) in amounts		Increase (decrease) in amounts	
Funded;				
Defined pension benefit obligation	(1,568)	1,832	275	(286)
Additional pension benefit obligation	(2)	(1)	-	-
Unfunded	(41)	38	42	(45)
Telkomsel	(497)	562	294	(276)
Post-employment health care benefits	(1,428)	1,815	1,783	(1,508)
Other post-employment benefits	(12)	13	-	-

The sensitivity analysis has 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 DBO at the end of the year. 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 preparing the sensitivity analysis from the previous period.

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30. LSA PROVISIONS

Telkomsel and Telkomsat provide certain cash awards or certain number of days leave benefits to their employees based on the employees' length of service requirements, including LSA and LSL. LSA are either paid at the time the employees reach certain years of 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 reach 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 Rp852 billion and Rp758 billion as of and December 31, 2018 and 2017, respectively. The related benefit costs charged to expense amounted to Rp161 billion and Rp255 billion for the years ended December 31, 2018 and 2017, respectively (Note 23).

31. RELATED PARTIES 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 Perusahaan Listrik Negara ("PLN")	Entity under common control	Electricity expenses, finance income, finance costs, and investment in financial instrument
PT Pertamina (Persero) ("Pertamina")	Entity under common control	Internet and data service revenues and other telecommunication service revenues
INTI	Entity under common control	Internet and data service revenues, other telecommunication service revenues, purchase of property and equipment and construction services
State-owned banks	Entity under common control	Finance income and finance costs
BNI	Entity under common control	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
PT Pegadaian ("Pegadaian")	Entity under common control	Internet and data service revenues and other telecommunication service revenues

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31. RELATED PARTIES 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):

Related parties	Nature of relationships parties	Nature of accounts/transactions
PT Balai Pustaka ("Balai Pustaka")	Entity under common control	Internet and data service revenues and other telecommunication service revenues
PT Garuda Indonesia ("Garuda Indonesia")	Entity under common control	Internet and data service revenues and other telecommunication service revenues
PT Angkasa Pura ("Angkasa Pura")	Entity under common control	Internet and data service revenues and other telecommunication service revenues
Perum Peruri ("Peruri")	Entity under common control	Internet and data service revenues and other telecommunication service revenues
PT Kereta Api Indonesia ("KAI")	Entity under common control	Internet and data service revenues and other telecommunication service revenues
PT Asuransi Jasa Indonesia ("Jasindo")	Entity under common control	Fixed assets insurance expenses
PT Mandiri Manajemen Investasi	Entity under common control	Available-for-sale financial assets
Bahana TCW	Entity under common control	Available-for-sale financial assets, and bonds.
PT Sarana Multi Infrastruktur	Entity under common control	Finance costs
Indonusa	Associated company	Pay TV expenses
Teltranet	Associated company	CPE Expenses
Tiphone	Associated company	Distribution of SIM cards and pulse reload voucher
PT Poin Multi Media Nusantara ("POIN")	Other related entities	Purchase of handset
PT Perdana Mulia Makmur ("PMM")	Other related entities	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
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	Network service revenues, operation and maintenance expenses, purchase of property and equipment and construction services and distribution of SIM card and pulse reload voucher
PT Pembangunan Telekomunikasi Indonesia ("Bangtelindo")	Other related entities	Purchase of property and equipment and construction services
Directors	Key management personnel	Honorarium and facilities
Commissioners	Supervisory 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. As of December 31, 2018, the Group recorded impairment of receivables from related parties of Rp(150) billion. Impairment assessment is undertaken each financial year through examining the current status of existing receivables and historical collection experience.

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31. RELATED PARTIES TRANSACTIONS (continued)

b. Transactions with related parties

The following are significant transactions with related parties:

	2018		2017	
	Amount	% of total revenues	Amount	% of total revenues
REVENUES				
Majority Stockholder				
Ministry of Finance	258	0.20	280	0.22
Entities under common control				
Indosat	1,002	0.77	1,789	1.39
BRI	397	0.30	237	0.18
Pegadaian	228	0.17	115	0.09
BNI	188	0.14	105	0.08
Pertamina	183	0.14	94	0.07
BTN	179	0.14	129	0.10
Bank Mandiri	173	0.13	157	0.12
Peruri	120	0.09	-	-
Angkasa Pura	114	0.09	-	-
Garuda Indonesia	105	0.08	55	0.04
KAI	83	0.06	18	0.01
Balai Pustaka	81	0.06	-	-
Lain-lain	696	0.53	682	0.54
Sub-total	3,807	2.70	3,818	1.89
Other related entities	73	0.06	31	0.02
Associated companies	55	0.04	65	0.05
Total	3,935	3.00	4,084	3.17

	2018		2017	
	Amount	% of total expenses	Amount	% of total expenses
EXPENSES				
Entities under common control				
PLN	2,596	2.79	2,269	2.69
Indosat	933	1.00	890	1.06
Jasindo	349	0.38	168	0.20
Others	189	0.20	68	0.08
Sub-total	4,067	4.37	3,395	4.03
Other related entities				
Kisel	916	0.98	813	0.96
PMM	850	0.91	404	0.48
POIN	850	0.91	405	0.48
Kopegtel	836	0.90	713	0.85
Yakes	128	0.14	139	0.16
Others	190	0.20	81	0.10
Sub-total	3,770	4.04	2,555	3.03
Associated companies				
Indonusa	306	0.33	264	0.31
Teltranet	181	0.19	123	0.15
Others	11	0.01	38	0.04
Sub-total	498	0.53	425	0.50
Total	8,335	8.94	6,375	7.56

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31. RELATED PARTIES TRANSACTIONS (continued)

b. Transactions with related parties (continued)

The following are significant transactions with related parties (continued):

	2018		2017	
	Amount	% of total finance income	Amount	% of total finance income
FINANCE INCOME				
Entities under common control				
State-owned banks	596	58.78	850	59.27
Others	6	0.59	35	2.44
Total	602	59.37	885	61.71

	2018		2017	
	Amount	% of total finance costs	Amount	% of total finance costs
FINANCE COSTS				
Majority stockholder				
Ministry of Finance	41	1.17	54	1.95
Entities under common control				
State-owned banks	1,140	32.51	819	29.58
Sarana Multi Infrastruktur	110	3.14	94	3.39
Total	1,291	36.82	967	34.92

	2018		2017	
	Amount	% of total purchases	Amount	% of total purchases
PURCHASE OF PROPERTY AND EQUIPMENTS (Note 9)				
Entities under common control				
INTI	137	0.43	203	0.79
Others	41	0.13	93	0.33
Sub-total	178	0.56	296	1.12
Other related entities				
Kopegstel	144	0.46	130	0.41
Bangtelindo	135	0.43	64	0.20
Others	193	0.61	189	0.64
Sub-total	472	1.50	359	1.25
Total	650	2.06	655	2.37

	2018		2017	
	Amount	% of total revenues	Amount	% of total revenue
DISTRIBUTION OF SIM CARD AND VOUCHER				
Other related entities				
Tiphone	4,390	3.36	3,888	3.03
Kisel	4,221	3.23	4,181	3.26
Gratika	474	0.36	408	0.32
Total	9,085	6.95	8,477	6.61

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31. RELATED PARTIES TRANSACTIONS (continued)

b. Transactions with related parties (continued)

Presented below are balances of accounts with related parties:

	2018		2017	
	Amount	% of total assets	Amount	% of total assets
a. Cash and cash equivalents (Note 3)	13,205	6.40	17,417	8.78
b. Other current financial asset (Note 4)	471	0.23	1,153	0.58
c. Trade receivables - net (Note 5)	2,126	1.03	1,545	0.78
d. Other current asset (Note 7)	159	0.08	126	0.06
e. Other non-current asset (Note 10)	44	0.02	55	0.03
	2018		2017	
	Amount	% of total liabilities	Amount	% of total liabilities
f. Trade payables (Note 12)				
Majority stockholder				
Ministry of Finance	2	0.00	29	0.03
Entities under common control				
Indosat	122	0.14	225	0.26
State-owned enterprises	294	0.33	102	0.12
Sub-total	416	0.47	327	0.38
Other related entities				
Kopegtel	279	0.31	209	0.24
Others	296	0.33	329	0.38
Sub-total	575	0.64	538	0.62
Total	993	1.11	869	1.00
g. Accrued expenses (Note 13)				
Majority stockholder				
Government	7	0.01	9	0.01
Entities under common control				
State-owned enterprises	86	0.10	113	0.13
State-owned banks	61	0.07	36	0.04
Sub-total	147	0.17	149	0.17
Other related entities				
Kisel	183	0.21	235	0.27
Others	13	0.01	1	0.00
Total	350	0.40	394	0.46
h. Advances from customers				
Majority stockholder				
Government	19	0.02	19	0.02
Entities under common control				
PLN	12	0.01	11	0.01
Total	31	0.03	30	0.03

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31. RELATED PARTIES TRANSACTIONS (continued)

b. Transactions with related parties (continued)

Presented below are balances of accounts with related parties (continued):

	2018		2017	
	Amount	% of total liabilities	Amount	% of total liabilities
i. Short-term bank loans (Note 15)	956	1.08	1,297	1.50
j. Two-step loans (Note 16a)	949	1.07	1,098	1.27
k. Long-term bank loans (Note 16c)	12,620	14.19	7,895	9.14
l. Other borrowings (Note 16d)	2,244	2.52	1,295	1.50

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 to 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 Regulation 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 its 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 PARTIES TRANSACTIONS (continued)

c. Significant agreements with related parties (continued)

iii. Others

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. Remuneration of key management and supervisory personnel

Key management personnel consists of the Directors of the Company and supervisory personnel consists of Board of Commissioners.

The Company provides remuneration in the form of salaries/honorarium and facilities to support the governance and oversight duties of the Board of Commissioners and the leadership and management duties of the Directors. The total of such remuneration is as follow:

	2018		2017	
	Amount	% of total expenses	Amount	% of total expenses
Directors	360	0.39%	175	0.21%
Board of Commissioners	166	0.18%	65	0.08%

The amounts disclosed in the table are the amounts recognized as an expense during the reporting periods.

32. OPERATING SEGMENT

In 2017, management rearranged the way it manages the Group's business portfolios from a customer-centric approach to a Customer Facing Units ("CFU") approach that allow the Group to focus on more specific customer markets. This was followed by a change in the Group's organizational structure to accommodate decision making and assessing performance based on the CFU approach.

The Group has four primary reportable segments, namely mobile, consumer, enterprise and WIB. The mobile segment provides mobile voice, SMS, value added services and mobile broadband. The consumer segment provides fixed wireline telecommunications services, pay TV, data, internet and other telecommunication services to home customers. The enterprise segment provides end-to-end solution to corporate and institutions. The WIB segment provides interconnection services, leased lines, satellite, VSAT, broadband access, information technology services, data and internet services to Other Licensed Operator companies and institutions. Other segment represents Digital Service Operating Segments that does not meet the disclosure requirements for a reportable segments. No Operating Segments have been aggregated to from the reportable segments.

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 managed on a group basis and not separately monitored and allocated to operating segments.

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32. OPERATING SEGMENT (continued)

Segment revenues dan expenses include transactions between operating segments and are accounted at prices that management believes represent market prices.

	2018					Total segment	Adjustment and elimination	Total consolidated
	Mobile	Consumer	Enterprise	WIB	Others			
Segment results								
Revenues								
External revenues	85,338	13,891	21,054	10,084	130	130,497	287	130,784
Inter-segment revenues	3,880	2,290	17,995	16,678	886	41,729	(41,729)	-
Total segment revenues	<u>89,218</u>	<u>16,181</u>	<u>39,049</u>	<u>26,762</u>	<u>1,016</u>	<u>172,226</u>	<u>(41,442)</u>	<u>130,784</u>
Expenses								
External expenses	(40,041)	(11,739)	(21,717)	(14,624)	(1,042)	(89,163)	(2,776)	(91,939)
Inter-segment expenses	(15,408)	(3,792)	(16,116)	(6,010)	(31)	(41,357)	41,357	-
Total segment expenses	<u>(55,449)</u>	<u>(15,531)</u>	<u>(37,833)</u>	<u>(20,634)</u>	<u>(1,073)</u>	<u>(130,520)</u>	<u>38,581</u>	<u>(91,939)</u>
Segment results	<u>33,769</u>	<u>650</u>	<u>1,216</u>	<u>6,128</u>	<u>(57)</u>	<u>41,706</u>	<u>(2,861)</u>	<u>38,845</u>
Other information								
Capital Expenditures	(14,373)	(6,958)	(5,325)	(6,321)	(18)	(32,995)	(625)	(33,620)
Depreciation and amortization	(13,095)	(3,060)	(2,128)	(3,146)	(21)	(21,450)	44	(21,406)
Provision recognized in current period	(438)	(438)	(764)	(71)	(5)	(1,716)	(8)	(1,724)

	2017					Total segment	Adjustment and elimination	Total consolidated
	Mobile	Consumer	Enterprise	WIB	Others			
Segment results								
Revenues								
External revenues	90,073	11,105	19,130	7,439	126	127,873	383	128,256
Inter-segment revenues	3,086	287	16,801	15,305	602	36,081	(36,081)	-
Total segment revenues	<u>93,159</u>	<u>11,392</u>	<u>35,931</u>	<u>22,744</u>	<u>728</u>	<u>163,954</u>	<u>(35,698)</u>	<u>128,256</u>
Expenses								
External expenses	(39,452)	(10,360)	(20,653)	(12,333)	(979)	(83,777)	(572)	(84,349)
Inter-segment expenses	(14,382)	(1,563)	(15,027)	(5,611)	(70)	(36,653)	36,653	-
Total segment expenses	<u>(53,834)</u>	<u>(11,923)</u>	<u>(35,680)</u>	<u>(17,944)</u>	<u>(1,049)</u>	<u>(120,430)</u>	<u>36,081</u>	<u>(84,349)</u>
Segment results	<u>39,325</u>	<u>(531)</u>	<u>252</u>	<u>4,800</u>	<u>(321)</u>	<u>43,525</u>	<u>382</u>	<u>43,907</u>
Other information								
Capital Expenditures	(15,134)	(6,544)	(3,637)	(7,120)	(11)	(32,447)	(709)	(33,156)
Depreciation and amortization	(13,560)	(2,839)	(2,136)	(2,382)	(22)	(20,940)	494	(20,446)
Provision recognized in current period	(291)	(385)	(668)	(127)	(2)	(1,473)	(8)	(1,481)

Adjustment and elimination:

	2018	2017
Segment result	41,706	43,525
Operating loss of operating business	(798)	(786)
Other elimination and adjustment	(2,063)	1,168
Consolidated operating income	38,845	43,907

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32. OPERATING SEGMENT (continued)

Geographic information:

The revenue information below is based on the location of the customers.

	<u>2018</u>	<u>2017</u>
External revenues		
Indonesia	127,438	125,970
Foreign countries	3,346	2,286
Total	<u>130,784</u>	<u>128,256</u>

Non-current operating assets for this purpose consist of property and equipment and intangible assets.

	<u>2018</u>	<u>2017</u>
Non-current operating assets		
Indonesia	144,631	130,468
Foreign countries	3,649	3,233
Total	<u>148,280</u>	<u>133,701</u>

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.

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33. TELECOMMUNICATIONS SERVICE TARIFFS (continued)

b. Mobile cellular telephone tariffs (continued)

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.

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.

On January 18, 2017, ITRB in its letters No. 20/BRTI/DPI/I/2017 and No. 21/BRTI/DPI/I/2017, decided to use the interconnection tariff based on the Company and Telkomsel’s RIO in 2014 until the new interconnection tariff is set.

d. 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.

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS

a. Capital expenditures

As of December 31, 2018, 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	-	7.988
U.S. dollar	94	1.349
Euro	1,23	20
HKD	0,79	1
Total		9.358

The above balance includes the following significant agreements:

(i) The Company

Contracting parties	Initial date of agreement	Significant provisions of the agreement
The Company, TII and NEC Corporation	May 12, 2016	Procurement and installation agreement of Sistem Komunikasi Kabel Laut ("SKKL") Indonesia Global Gateway
The Company and Consortium Bisnis Submarine Cable	November 10, 2017	Procurement and installation agreement of SKKL Sabang-Lhoksemawe-Medan
The Company and PT Sisindokom Lintas Buana	November 15, 2017	Procurement and installation for PE-VPN CISCO expans
The Company and PT Sisindokom Lintas Buana	April 26, 2018	Procurement and installation for PE-VPN CISCO expans
The Company and PT ZTE Indonesia	May 31, 2018	Procurement and installation of OLT and ONT Platform ZTE
The Company and PT ZTE Indonesia	September 13, 2018	Procurement agreement for ONT platform ZTE
The Company and PT ZTE Indonesia	October 30, 2018	Procurement agreement for Set Top Box ("STB") Platform ZTE phase-2
The Company and PT Huawei Tech Investment	November 23, 2018	Procurement and installation for DWDM Platform Huawei
The Company and PT Lintas Teknologi Indonesia	December 13, 2018	Procurement and installation for DWDM Platform Nokia NARU 2018
The Company and NEC Corporation	December 13, 2018	Procurement and installation agreement of ISP SKKL Platform NEC expansion and reengineering transport
The Company and PT Datacomm Diangraha	December 14, 2018	Procurement and installation for Metro Ethernet Platform Nokia-ALU expansion
The Company and PT Huawei Tech Investment	December 17, 2018	Procurement and installation agreement of Methor Ethernet, BRAS, PCEF and PE Transit Platform Huawei
The Company and PT Master System Infotama	December 31, 2018	Procurement and installation for IP Backbone Platform CISCO expansion
The Company and PT Lancs Arche Consumma	December 31, 2018	Procurement and installation for DWDM Platform Coriant Naru 2018

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

a. Capital expenditures (continued)

(ii) Telkomsel

Contracting parties	Initial date of agreement	Significant provisions of the agreement
Telkomsel, PT NSN, NSN Oy and Nokia Siemens Networks GmbH & Co.KG	April 17, 2008	The combined 2G and 3G CS Core Network Rollout Agreement
Telkomsel, PT Ericsson Indonesia dan PT Ericsson AB	April 17, 2008	Technical Service Agreement ("TSA") for combined 2G and 3G CS Core Network
Telkomsel, PT Datacraft Indonesia, PT Dimension Data Indonesia and PT Huawei	February 3, 2010	Next Generation Convergence Core Transport Rollout and Technical Support agreement
Telkomsel, Amdocs Software Solutions Limited Liability Company dan PT Application Solutions	February 8, 2010	Online Charging System ("OCS") and Service Control Points ("SCP") System Solution Development Agreements
Telkomsel dan 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 dan PT Application Solutions	July 5, 2011	Development and Rollout agreement for Customer Relationship Management and Contact Center Solutions
Telkomsel dan PT Huawei	March 25, 2013	Technical Support agreement for the procurement of Gateway GPRS Support Node ("GGSN") Service Complex
Telkomsel dan Wipro Limited, Wipro Singapore Pte. Ltd. dan PT WT Indonesia	April 23, 2013	Development and procurement of Operational and Strategic Decision Support System ("OSDSS") Solution Agreement
Telkomsel dan PT Ericsson Indonesia	October 22, 2013	Procurement of GGSN Service Complex Rollout agreement
Telkomsel, PT Ericsson Indonesia, PT NSNI, NSN Oy, PT Huawei dan PT ZTE Indonesia	February 1, 2018	Ultimate Radio Network Infrastructure ROA and SA agreement

b. Borrowings and other credit facilities

- (i) As of December 31, 2018, 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
BRI	500	March 14, 2020	Rp	280
BNI	850	March 31, 2019	Rp	261
Bank Mandiri	500	December 23, 2019	Rp	361
Total	1,850			902

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

b. Borrowings and other credit facilities (continued)

- (ii) Telkomsel has US\$3 million bond, bank guarantee and standby letter of credit facility with SCB, Jakarta. The facilities will expire on July 31, 2019.

Telkomsel has a Rp1,000 billion bank guarantee facility with BRI. The facility will expire on September 25, 2022. Under this facility, as of December 31, 2018, Telkomsel has issued a bank guarantee amounting to Rp499 billion as payment commitment guarantee for annual right of usage fee valid until March 31, 2019 and Rp20 billion as frequency performance bond valid until May 31, 2019 (Note 34c.i).

Telkomsel has a Rp150 billion bank guarantee facility with BCA. The facility will expire on April 15, 2019.

Telkomsel also has a Rp2,100 billion bank guarantee facility with BNI. The facility will expire on December 11, 2019. Telkomsel uses this facility to replace the time deposits which were pledged as collateral for bank guarantees required for the USO program amounting to Rp52.2 billion (Note 34c.iii) and for surety bond of 2.3 Ghz radio frequency amounting to Rp1,030 billion (Note 34c.i)

- (iii) TII has a US\$15 million equal to Rp210 billion bank guarantee from Bank Mandiri and has been renewed in accordance with the addendum V (five) on December 18, 2017 with a maximum credit limit of US\$10 million equal to Rp135 billion. The facility will expire on December 18, 2018. As of December 31, 2018, TII has not used the facility.
- (iv) As of December 31, 2018, Sigma has a Rp354 billion bank guarantee from BNI and HSBC. The used facility on December 31, 2018 amounting to Rp156 billion.

c. Others

- (i) Radio Frequency Usage

Based on Decree No. 8 dated November 2, 2015 of the Government of the Republic of Indonesia which replaced Decree No. 76 dated December 15, 2010, Telkomsel is required to pay the annual frequency usage fees for the 800 MHz, 900 MHz and 1800 MHz bandwidths using the formula set out in the decree.

As an implementation of the above decree, the Company and Telkomsel paid annual frequency usage fees since 2010.

Based on Decision letter No. 1987 Year 2017 dated November 15, 2017, which amended Decree No. 42 Year 2014 dated January 29, 2014, whereby the MoCI granted Telkomsel the rights to provide:

1. Mobile telecommunication services with radio frequency bandwidth in the 800 MHz, 900 MHz, 1800 MHz, 2.1 GHz and 2.3 GHz; and
2. Basic telecommunication services.

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(i) Radio Frequency Usage (continued)

With reference to Decision Letters No. 268/KEP/M.KOMINFO/9/2009, No. 191 Year 2013, No. 509 Year 2016 and No. 1896 year 2017 of the MoCI, Telkomsel is required, among other things, to:

1. Pay an annual right of usage *Biaya Hak Penyelenggara* ("BHP") over the license term (10 years) as set forth in the decision letters. The BHP is payable upon receipt of *Surat Pemberitahuan Pembayaran* (notification letter) from the DGPI. The BHP fee is payable annually up to the expiry period of the license.
2. Issue a performance bond each year amounting to Rp20 billion for spectrum 2.1 GHz and a surety bond each year amounting Rp1.03 trillion for spectrum 2.3 GHz (Note 34b.ii).

(ii) 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 2019 and 2028. Periods may be extended based on the agreement by both parties.

Future minimum lease payments/receivables under non-cancelable operating lease agreements as of December 31, 2018 are as follows :

	Total	Less than 1 year	1-5 years	More than 5 years
As lessee	23,832	6,271	13,030	4,531
As lessor	4,105	1,084	2,464	557

(iii) USO

The MoCI issued Regulation No. 17 year 2016 dated September 26, 2016 which replaced Decree No. 45 year 2012 and other previous regulations regarding policies underlying the USO program. The regulation requires telecommunications operators in Indonesia to contribute 1.25% of gross revenues (with due consideration for bad debts and/or interconnection charges and/or connection charges and/or the exclusion of certain revenues that are not considered as part of gross revenues as a basis to calculate the USO charged) for USO development.

Subsequently, Decree No. 17 year 2016 dated September 26, 2016 was replaced by Decree No. 19 year 2016 which was effective from November 8, 2016. The latest Decree stipulates, among other things, the USO charged was effective for fiscal year 2016 and thereafter.

Based on MoCI Regulation No. 25 year 2015 dated June 30, 2015, 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 Penyedia dan Pengelola Pembiayaan Telekomunikasi dan Informatika* ("BPPPTI"). BPPPTI replaced *Balai Telekomunikasi dan Informatika Pedesaan* ("BTIP") based on Decree No. 18/PER/M.KOMINFO/11/2010 dated November 19, 2010 of MoCI.

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34. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

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 packages 1, 2 and 3 with a total price of Rp261 billion.

In 2015, the Program was ceased. In January 2016, Telkomsel filed an arbitration claim to BANI for the settlement of the outstanding receivables of USO Programs.

On June 22, 2017, Telkomsel received a decision letter from BANI No.792/1/ARB-BANI/2016 requesting BPPPTI to pay compensation to Telkomsel amounting to Rp217 billion, and as of the date of the issuance of these consolidated financial statements, Telkomsel has received the payment from BPPPTI amounting to Rp83 billion (before tax).

As of December 31, 2018 and 2017, 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 Rp115 billion.

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35. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are as follows:

	2018			
	U.S dollar (in millions)	Japanese yen (in millions)	Others* (in millions)	Rupiah equivalent (in billions)
Assets				
Cash and cash equivalents	253.37	8.02	10.50	3,802
Other current financial assets	14.56	-	1.30	223
Trade receivables				
Related parties	0.49	-	-	7
Third parties	146.39	-	9.55	2,238
Other receivables	0.34	-	0.12	6
Other current assets	-	-	0.51	14
Other non-current assets	57.42	-	1.17	840
Total assets	472.57	8.02	23.15	7,130
Liabilities				
Trade payables				
Related parties	(0.21)	-	-	(3)
Third parties	(206.20)	(33.39)	(4.99)	(3,037)
Other payables	(3.63)	-	(4.44)	(111)
Accrued expenses	(47.10)	(15.64)	(2.51)	(709)
Short-term bank loan	(1.15)	-	-	(17)
Advances from customers	(0.76)	-	-	(11)
Current maturities of long-term borrowings	(18.77)	(767.90)	(4.07)	(430)
Other liabilities	(19.63)	-	-	(284)
Long-term borrowings - net of current maturities	(93.41)	(3,839.49)	(4.71)	(1,917)
Total liabilities	(390.86)	(4,656.42)	(20.72)	(6,519)
Assets (liabilities) - net	81.71	(4,648.40)	2.43	611
	2017			
	U.S dollar (in millions)	Japanese yen (in millions)	Others* (in millions)	Rupiah equivalent (in billions)
Assets				
Cash and cash equivalents	154.07	7.47	8.37	2,201
Other current financial assets	28.34	-	1.14	399
Trade receivables				
Related parties	3.02	-	-	41
Third parties	71.38	-	4.24	1,025
Other receivables	0.15	-	0.01	2
Other current assets	0.10	-	72.33	18
Other non-current assets	4.27	-	0.06	59
Total assets	317.22	7.47	87.09	3,745
Liabilities				
Trade payables				
Related parties	(0.22)	-	-	(3)
Third parties	(159.65)	(19.57)	(7.41)	(2,227)
Other payables	(4.12)	-	(7.41)	(149)
Accrued expenses	(42.20)	(18.28)	(1.05)	(584)
Advances from customers	(0.48)	-	-	(7)
Current maturities of long-term borrowings	(10.59)	(767.90)	-	(292)
Other liabilities	(21.83)	-	-	(296)
Long-term borrowings - net of current maturities	(65.22)	(4,607.39)	-	(1,557)
Total liabilities	(304.31)	(5,413.14)	(15.87)	(5,115)
Assets (liabilities) - net	12.81	(5,405.67)	71.22	(1,370)

*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, 2018 using the exchange rates on April 29, 2019 the unrealized foreign exchange loss amounting to Rp17 billion.

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36. FINANCIAL RISK MANAGEMENT

1. Fair value of financial assets and financial liabilities

a. Classification

i. Financial asset

	2018	2017
Loans and receivables		
Cash and cash equivalents	17,439	25,145
Other current financial assets	834	1,005
Trade and other receivables, net	12,141	9,564
Other non-current assets	460	183
Available-for-sale financial assets		
Available-for-sale investments	1,204	1,541
Total financial assets	32,078	37,438

ii. Financial liabilities

	2018	2017
Financial liabilities measured at amortized cost		
Trade and other payables	15,214	15,791
Accrued expenses	12,769	12,630
Interest-bearing loans and other borrowings		
Short-term bank loans	4,043	2,289
Two-step loans	949	1,098
Bonds and notes	10,481	8,982
Long-term bank loans	23,225	18,004
Obligation under finance leases	3,145	3,804
Other borrowings	2,244	1,295
Total financial liabilities	72,070	63,893

b. Fair values

	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)
2018					
Financial assets measured at fair value					
Available-for-sale investments	1,204	1,204	470	-	734
Financial liabilities for which fair values are disclosed					
Interest-bearing loans and other borrowings:					
Two-step loans	949	898	-	-	898
Bonds and notes	10,481	10,894	9,380	-	1,514
Long-term bank loans	23,225	22,878	-	-	22,878
Obligation under finance leases	3,145	3,145	-	-	3,145
Other borrowings	2,244	2,154	-	-	2,154
Other liabilities	261	261	-	-	261
Total	41,509	41,434	9,850	-	31,584

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36. FINANCIAL RISK MANAGEMENT (continued)

1. Fair value of financial assets and financial liabilities (continued)

b. Fair value (continued)

2017	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 investments	1,541	1,541	1,151	17	373
Financial liabilities for which fair values are disclosed					
Interest-bearing loans and other borrowings					
Two-step loans	1,098	1,116	-	-	1,116
Bonds	8,982	10,038	10,038	-	-
Long-term bank loans	18,004	18,108	-	-	18,108
Obligation under finance leases	3,804	3,804	-	-	3,804
Other borrowings	1,295	1,370	-	-	1,370
Other liabilities	296	296	-	-	296
Total	35,020	36,273	11,189	17	25,067

Loss on fair value measurement recognized in consolidated statements of profit or loss and other comprehensive income for 2018 amounting to Rp10 billion. There is no movement between fair value hierarchy during 2018.

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 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.

The fair values of long-term financial assets and financial liabilities (other non-current assets (long-term trade receivables and restricted cash) and liabilities) approximate their carrying amounts as the impact of discounting is not significant.

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) available-for-sale investments primarily consist of stocks, mutual funds, corporate and government bonds and convertible bonds. Stocks and 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. The fair value of convertible bonds are determined using valuation technique. Corporate and government bonds are stated at fair value by reference to prices of similar securities at the reporting date;
- (ii) 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 price.

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36. FINANCIAL RISK MANAGEMENT (continued)

1. Fair value of financial assets and financial liabilities (continued)

c. Fair value measurement (continued)

The fair value estimates are inherently judgemental 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, market price 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 on 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.

Increasing risks of foreign currency exchange rates on the obligations of the Group are expected to be partly 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:

	2018		2017	
	U.S. dollar (in billions)	Japanese yen (in billions)	U.S. dollar (in billions)	Japanese yen (in billions)
Financial assets	0.47	0.01	0.26	0.01
Financial liabilities	(0.39)	(4.66)	(0.31)	(5.41)
Net exposure	0.08	(4.65)	(0.05)	(5.40)

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36. FINANCIAL RISK MANAGEMENT (continued)

2. Financial risk management (continued)

a. Foreign exchange risk (continued)

Sensitivity analysis

A strengthening of the U.S. dollar and Japanese yen, as indicated below, against the Rupiah at December 31, 2018 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.

	Equity/profit (loss)
December 31, 2018	
U.S. dollar (1% strengthening)	12
Japanese yen (5% strengthening)	(30)

A weakening of the U.S. dollar and Japanese yen against the rupiah at December 31, 2018 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 the consolidated statements of profit or loss and other comprehensive income.

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, 2018, 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.

At reporting date, the interest rate profile of the Group's interest-bearing borrowings was as follows:

	2018	2017
Fixed rate borrowings	(21,260)	(14,204)
Variable rate borrowings	(22,827)	(21,267)

Sensitivity analysis for variable rate borrowings

As of December 31, 2018, a decrease (increase) by 25 basis points in interest rates of variable rate borrowings would have increased (decreased) equity and profit or loss by Rp67 billion, respectively. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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36. FINANCIAL RISK MANAGEMENT (continued)

2. Financial risk management (continued)

d. Credit risk

The following table presents the maximum exposure to credit risk of the Group's financial assets:

	2018	2017
Cash and cash equivalents	17,439	25,145
Other current financial assets	1,304	2,173
Trade and other receivable, net	12,141	9,564
Other non-current assets	460	183
Total	31,344	37,065

The Group is exposed to credit risk primarily from cash and cash equivalents and trade and other receivables. The credit risk is controlled by continuous monitoring of outstanding balance and collection.

Credit risk from balances with banks and financial institutions is managed by the Group's Corporate Finance and Financial Policy Unit 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.

The customer credit risk is managed by continuous monitoring of outstanding balances and collection. Trade and other receivables do not have any major concentration of risk whereas no customer receivable balance exceeds 4.30% of trade receivables as of December 31, 2018.

Management is confident in its ability to continue to control and sustain minimal exposure to the customer 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.

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.

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36. FINANCIAL RISK MANAGEMENT (continued)

2. Financial risk management (continued)

e. Liquidity risk (continued)

The following is the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Carrying amount	Contractual cash flows	2019	2020	2021	2022	2023 and thereafter
2018							
Trade and other payables	15,214	(15,214)	(15,214)	-	-	-	-
Accrued expenses	12,769	(12,769)	(12,769)	-	-	-	-
Interest bearing loans and other borrowings							
Two-step loans	949	(1,075)	(242)	(232)	(205)	(159)	(237)
Bonds and notes	10,481	(19,050)	(1,562)	(3,436)	(1,231)	(2,817)	(10,004)
Bank loans	27,268	(33,363)	(10,434)	(9,160)	(3,991)	(3,219)	(6,559)
Other borrowings	2,244	(2,905)	(490)	(570)	(533)	(495)	(817)
Obligations under finance leases	3,145	(3,764)	(1,049)	(945)	(781)	(605)	(384)
Other liabilities	261	(306)	(16)	(36)	(36)	(109)	(109)
Total	72,331	(88,446)	(41,776)	(14,379)	(6,777)	(7,404)	(18,110)

	Carrying amount	Contractual cash flows	2018	2019	2020	2021	2022 and thereafter
2017							
Trade and other payables	15,791	(15,791)	(15,791)	-	-	-	-
Accrued expenses	12,630	(12,630)	(12,630)	-	-	-	-
Interest bearing loans and other borrowings							
Two-step loans	1,098	(1,243)	(250)	(222)	(214)	(189)	(368)
Bonds and notes	8,982	(18,278)	(929)	(929)	(2,873)	(726)	(12,821)
Bank loans	20,293	(24,378)	(7,655)	(5,078)	(4,006)	(2,660)	(4,979)
Other borrowings	1,295	(1,759)	(220)	(303)	(285)	(266)	(685)
Obligations under finance leases	3,804	(4,685)	(1,083)	(969)	(866)	(778)	(989)
Other liabilities	296	(355)	(17)	(34)	(34)	(135)	(135)
Total	64,189	(79,119)	(38,575)	(7,535)	(8,278)	(4,754)	(19,977)

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.

The changes in liabilities arising from financing activities is as follows:

	January 1, 2018	Cash flows	Non-cash changes				December 31, 2018
			Acquisition	Foreign exchange movement	New leases	Other Changes	
Short-term bank loans	2,289	1,757	-	(1)	-	(2)	4,043
Two step loans	1,098	(220)	-	72	-	-	950
Bonds and notes payable	8,982	1,497	-	-	-	2	10,481
Long-term bank loans	18,004	5,046	58	90	-	28	23,226
Other borrowings	1,295	947	-	-	-	-	2,242
Obligations under finance leases	3,804	(828)	-	-	168	1	3,145
Total liabilities from financing activities	35,472	8,199	58	161	168	29	44,087

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37. CAPITAL MANAGEMENT

The capital structure of the Group is as follows:

	2018		2017	
	Amount	Portion	Amount	Portion
Short-term debts	4,043	2.83%	2,289	1.78%
Long-term debts	40,044	28.00%	33,183	25.89%
Total debts	44,087	30.83%	35,472	27.67%
Equity attributable to owners of the parent company	98,910	69.17%	92,713	72.33%
Total	142,997	100.00%	128,185	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, 2018 and 2017 are as follows:

	2018	2017
Total interest-bearing debts	44,087	35,472
Less: cash and cash equivalents	(17,439)	(25,145)
Net debts	26,648	10,327
Total equity attributable to owners of the parent company	98,910	92,713
Net debt-to-equity ratio	26.94%	11.14%

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 years ended December 31, 2018 and 2017, the Group has complied with the externally imposed capital requirements.

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38. SUPPLEMENTAL CASH FLOWS INFORMATION

The non-cash investing activities for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Acquisition of property and equipment:		
Credited to trade payables	4,275	5,525
Credited to obligations under finance lease	201	328
Interest capitalization	270	816
Advance paid	2,837	-
Acquisition of intangible assets:		
Credited to trade payables	235	846

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39. SUBSEQUENT EVENT

1. Based on notarial deed of Bonardo Nasution, S. H. No. 12 dated January 12, 2018 and No. 13 dated January 21, 2018, Telkomsel established a subsidiaries, PT Telkomsel Mitra Inovasi ("PT TMI") and PT Fintek Karya Nusantara ("PT Finarya") with full ownership by Telkomsel.
2. On January 25, 2019, and on January 14, 2019, Telkomsel fully paid the loan with MUFG and BNI amounting to Rp750 billion and Rp1,000 billion, respectively.
3. Based on notarial deed of Jimmy Tanal, S. H., M. Kn., No. 22 dated March 6, 2019 regarding Shareholder's Resolution of PT Persada Sokka Tama ("PST"), approving transfers of right over shares of PST to Dayamitra from Mrs. Rahina Dewayani and Mrs. Rahayu amounting to 2,559,000 and 6,000 shares, respectively, therefore Dayamitra has 2,565,000 shares or 95% ownership of PST.

PST is a company engaged in managing tower rental. This new investment is expected to strengthen the Company's business portfolio.

The fair values of the identifiable assets and liabilities acquired at acquisition date were:

	<u>Total</u>
Assets	
Cash and cash equivalents	5
Trade receivables	121
Property and Equipment (Note 9)	1,107
Other assets	113
Liabilities	
Current liabilities	(129)
Non-current liabilities	(378)
Other liabilities	(104)
Fair value of identifiable net assets acquired	735
Fair value of non-controlling interest	(37)
Provisional goodwill	415
Fair value consideration transferred	1,113

As of the date of approval and authorization for the issuance of these consolidated financial statement, purchase price allocation calculation is still in process.

4. In January, February and March 2019, the Company received the SC's verdicts as the result of the tax audit for tax period January to April and September 2007. Based on the verdict, SC rejected the Tax Authorities's Judicial review and strengthen the Tax Court's verdict.
 On March 11, 2019, Tax Authorities issued Decision letter on Company's objection, wherein the Tax Authorities has granted all the Company's objection and addition the overpayment amount for the tax period January to April 2016.
5. On February 18, 2019, Telkomsel received SP2PK from the Tax Authorities regarding the 2010 fiscal year VAT amounting to Rp290 billion. On March 25, 2019, the Company received SP2PK payment from the Tax Authorities regarding the 2010 fiscal year VAT amounting to Rp290 billion.

These consolidated financial statements are originally issued in the Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
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(Amounts in the tables expressed in billions of Indonesian Rupiah, unless otherwise stated)

40. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PSAK AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

These are summary of significant differences between PSAK and IFRS for the year 2018.

Impact of significant differences between PSAK and IFRS on consolidated statements of financial position as of December 31, 2018 were as follows:

	Reference	PSAK	Reconciliation	IFRS
ASSETS				
Cash and cash equivalents	d	17,439	(4)	17,435
Other current financial assets	d	1,304	10	1,314
Trade receivables - net provision for impairment of receivables				
Related parties	d,b	2,126	(112)	2,014
Third parties	d,b	9,288	(2,001)	7,287
Contract asset	c	-	1,560	1,560
Other receivables - net of provision for impairment of receivables	d	727	(100)	627
Contract expense	c	-	924	924
Other current assets	d	7,982	(702)	7,280
Total Current Assets		43,268	(425)	42,843
Long-term investments	d	2,472	190	2,662
Property and equipment - net of accumulated depreciation	a	143,248	(336)	142,912
Deferred tax assets - net	c,d	2,504	(27)	2,477
Contract expense	c,d	-	320	320
Other non-current assets	a	9,672	(18)	9,654
Total Non-current Assets		162,928	129	163,057
TOTAL ASSETS		206,196	(296)	205,900
LIABILITIES AND EQUITY				
Trade payables				
Related parties	b	993	1,496	2,489
Third parties	b	13,773	(1,496)	12,277
Unearned income	c	5,190	(5,190)	-
Contract liabilities	c	-	5,252	5,252
Total Current Liabilities		46,261	62	46,323
Deferred tax liabilities - net	c,d	1,252	(55)	1,197
Unearned income	c	652	(652)	-
Contract liabilities	c	-	652	652
Long-term borrowing	b	33,748	(5)	33,743
Total Non-current Liabilities		42,632	(60)	42,572
TOTAL LIABILITIES		88,893	2	88,895
EQUITY				
Additional paid-in capital		2,455	(479)	1,976
Other equity		507	(186)	321
Retained earnings		90,995	493	91,488
Net equity attributable to owners of the parent company		98,910	(172)	98,738
Non-controlling interest		18,393	(126)	18,267
TOTAL EQUITY		117,303	(298)	117,005
TOTAL LIABILITIES AND EQUITY		206,196	(296)	205,900

These consolidated financial statements are originally issued in the Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
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40. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN PSAK AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)

Impact of significant differences between PSAK and IFRS on consolidated statements of profit and loss and other comprehensive income for the year ended December 31, 2018 were as follows:

	Reference	PSAK	Reconciliation	IFRS
REVENUES		130,784		130,788
Operation, maintenance and telecommunication service expenses	c	(43,791)	(102)	(43,893)
Depreciation and amortization expenses	c			
Marketing expenses	a	(21,406)	(36)	(21,442)
General and administrative expenses	c	(4,214)	213	(4,001)
Gain on foreign exchange - net	d	(6,137)	(457)	(6,594)
Other income	d	68	3	71
Other expenses	d	1,752	(7)	1,745
		(750)	70	(680)
OPERATING PROFIT		38,845	(312)	38,533
Finance cost	c	(3,507)	(16)	(3,523)
PROFIT BEFORE INCOME TAX		36,405	(328)	36,077
INCOME TAX (EXPENSE) BENEFIT		(9,426)	60	(9,366)
PROFIT FOR THE YEAR		26,979	(268)	26,711
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation		146	2	148
Change in fair value of available-for-sale financial assets	d	(10)	10	-
Other comprehensive income - net		4,942	12	4,954
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		31,921	(256)	31,665
Profit for the year attributable to:				
Owners of the parent company		18,032	(230)	17,802
Non-controlling interests		8,947	(38)	8,909
		26,979	(268)	26,711
Total comprehensive income for the year attributable to:				
Owners of the parent company		22,844	(216)	22,628
Non-controlling interests		9,077	(40)	9,037
		31,921	(256)	31,665
BASIC EARNING PER SHARE				
(in full amount)				
Net income per share		182.03	(2.32)	179.71
Net income per ADS (100 Series B shares per ADS)		18,202.70	(232.18)	17,970.52

**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2018 and For the Year Then Ended
(Amounts in the tables expressed in billions of Indonesian Rupiah, unless otherwise stated)**

40. 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.

c. Revenue and expense recognition

Under PSAK, for sale of goods, revenue is recognised when entity has transferred all risk of goods to the customer and entity no longer has effective control over the goods. As for services, revenue is recognised when the amount of revenue can be measured reliably and the level of completion of a transaction at the end of the reporting period can be measured reliably. Expenses recognized as incurred.

Under IFRS, revenue is recognised when control of a product or service is transferred to the customer. Revenue is measured according to the value of the expected consideration in a contract with a customer. In addition, whoever fulfill its obligation, the entity presents contracts in the statement of financial position as contract asset or contract liabilities, depend on performance and customer’s payment. Entity presents unconditional right to consideration separately as receivables.

IFRS required recognition of incremental cost on contract acquisition and fulfillment as assets with several conditions.

d. Financial instruments

Under PSAK, financial assets are classified based on management intention. Provision of impairment on financial assets is recognised using the incurred loss method, which is its formed when the quality of financial assets has decreased.

Under IFRS, financial assets are classified based on business model of entity and characteristic of contractual cash flows from financial assets. Provision of impairment on financial assets is recognised using the expected credit loss method, which is its formed as long as the financial assets is owned by the Company and started from the financial assets is acquired.

Perusahaan Perseroan (Persero)
PT Telekomunikasi Indonesia Tbk
Pusat Pengelolaan Program Kemitraan dan
Program Bina Lingkungan
(Community Development Center)

Laporan keuangan tanggal 31 Desember 2018
dan untuk tahun yang berakhir pada tanggal tersebut
beserta laporan auditor independen/
*Financial statements as of December 31, 2018
for the year then ended
with independent auditors' report*

**SURAT PERNYATAAN SENIOR GENERAL MANAGER
TENTANG TANGGUNG JAWAB ATAS LAPORAN
KEUANGAN 31 DESEMBER 2018 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.27/KU750/CDC-A1010000/2019

No:Tel. 27/KU750/CDC-A1010000/2019

Kami yang bertandatangan dibawah ini:

We, the undersigned:

Nama : Sindhu Aryanto:
Alamat Kantor : Jl Gatot Subroto Kav 52 Jakarta:
Telepon : 021-5202173:
Jabatan : Senior General Manager :
Community Development Center

Name
Office Address
Telephone
Position

Menyatakan bahwa:

State that:

- | | |
|---|--|
| <ol style="list-style-type: none"> 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 2018 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. | <ol style="list-style-type: none"> 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, 2018 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.

**Jakarta, 24 Januari 2019/Jakarta, January 24, 2019
Senior General Manager CDC**



**Sindhu Aryanto
NIK.660403**



The original report included herein is in Indonesian language.

Laporan Auditor Independen

Laporan No. 00046/2.1032/AU.2/11/0687-2/1/2019

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 2018, 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. 00046/2.1032/AU.2/11/0687-2/1/2019

*The Shareholders and Boards 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 statement financial position as of December 31, 2018, and the statements of activities and 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)

Laporan No. 00046/2.1032/AU.2/11/0687-2/1/I/2019 (lanjutan)

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 keefektivitasan 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.

Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

Opini

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 2018, serta kinerja keuangan dan arus kas untuk tahun yang berakhir pada tanggal tersebut, sesuai dengan Standar Akuntansi Keuangan Entitas Tanpa Akuntabilitas Publik.

Independent Auditors' Report (continued)

Report No. 00046/2.1032/AU.2/11/0687-2/1/I/2019 (continued)

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

Opinion

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, 2018, 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

Agung Purwanto

Registrasi Akuntan Publik No. AP.0687/Public Accountant Registration No. AP.0687

24 Januari 2019/January 24, 2019

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 2018
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, 2018
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITORS' REPORT

Daftar Isi

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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 2018
(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, 2018
(Expressed in Rupiah)**

	31 Desember 2018/ December 31, 2018	Catatan/ Notes	31 Desember 2017/ December 31, 2017	
ASET				ASSETS
Kas dan Setara Kas	20.068.938.465	2b,4	122.592.383.269	Cash and Cash Equivalents
Pinjaman kepada Mitra Binaan setelah dikurangi penyisihan kerugian penurunan nilai sebesar Rp148.890.837.074 (2017: Rp163.459.565.255)	393.084.904.469	2c,2d,5a,5b	427.831.885.901	Loan to Foster Partners net of allowance for impairment losses of Rp148,890,837,074 (2017: Rp163,459,565,255)
Pinjaman Bermasalah setelah dikurangi penyisihan penurunan nilai sebesar Rp140.272.599.646 (2017: Rp115.125.085.775)	-	2f,6	-	Troubled Loan net of allowance for impairment losses of Rp140,272,599,646 (2017: Rp115,125,085,775)
JUMLAH ASET	413.153.842.934		550.424.269.170	TOTAL ASSETS
LIABILITAS DAN ASET NETO				LIABILITIES AND NET ASSETS
LIABILITAS				LIABILITIES
Utang dan Liabilitas Lancar Lainnya	1.849.561.725	2i,7	4.026.512.834	Payables and Other Current Liabilities
Kelebihan Pembayaran Angsuran	1.535.366.391	2h,8	589.900.373	Overpayment of Installments
JUMLAH LIABILITAS	3.384.928.116		4.616.413.207	TOTAL LIABILITIES
ASET NETO				NET ASSETS
Aset Neto Tidak Terikat	409.768.914.818	2j,9	545.807.855.963	Unrestricted Net Assets
JUMLAH ASET NETO	409.768.914.818		545.807.855.963	TOTAL NET ASSETS
JUMLAH LIABILITAS DAN ASET NETO	413.153.842.934		550.424.269.170	TOTAL LIABILITIES AND NET ASSETS

Catatan atas laporan keuangan terlampir merupakan bagian integral dari laporan keuangan

The accompanying notes form an integral part of these financial statements

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 2018
(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, 2018
(Expressed in Rupiah)

	Tahun yang Berakhir pada tanggal 31 Desember/ Year Ended December 31,			
	2018	Catatan/ Notes	2017	
PERUBAHAN ASET NETO TIDAK TERIKAT				CHANGES IN UNRESTRICTED NET ASSETS
PENDAPATAN				REVENUE
Penerimaan dari BUMN Pembina	-	10	81.971.846.793	Revenue from Foster SOE
Pendapatan Jasa Administrasi Pinjaman	13.211.057.850	11	29.487.984.479	Loan Administration Service Income
Pendapatan Bunga: Program Kemitraan	541.735.636	12a	640.813.090	Interest Income on: Partnership Program Community Development
Program Bina Lingkungan	1.676.136.071	12b	2.411.159.468	Program
Pendapatan Lain - lain	27.201.239	13	1.431.387.514	Other Income
JUMLAH PENDAPATAN	15.456.130.796		115.943.191.344	TOTAL REVENUE
BEBAN				EXPENSES
Dana Pembinaan Kemitraan	27.993.625.616	14	38.029.139.916	Fostering Partnership Funds Community Development
Penyaluran Dana Bina Lingkungan	105.882.480.777	15	81.971.846.793	Funds Distribution
Kerugian Penyisihan Penurunan Nilai Pinjaman, neto	17.618.965.548	5d	82.008.147.399	Allowance for Impairment of Loan, net
JUMLAH BEBAN	151.495.071.941		202.009.134.108	TOTAL EXPENSES
PENURUNAN ASET NETO TIDAK TERIKAT TAHUN BERJALAN	(136.038.941.145)		(86.065.942.764)	DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR
ASET NETO TERIKAT TAHUN BERJALAN	-		-	RESTRICTED NET ASSETS FOR THE YEAR
PENURUNAN ASET NETO TAHUN BERJALAN	(136.038.941.145)		(86.065.942.764)	DECREASE IN NET ASSETS FOR THE YEAR
ASET NETO AWAL TAHUN	545.807.855.963		631.873.798.727	NET ASSETS AT BEGINNING OF YEAR
ASET NETO AKHIR TAHUN	409.768.914.818		545.807.855.963	NET ASSETS AT END OF YEAR

Catatan atas laporan keuangan terlampir merupakan bagian integral dari laporan keuangan

The accompanying notes form an integral part of these financial statements

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
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LAPORAN ARUS KAS
Tahun yang Berakhir pada Tanggal
31 Desember 2018
(Disajikan dalam Rupiah)

PERUSAHAAN PERSEROAN (PERSERO)
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PUSAT PENGELOLAAN PROGRAM KEMITRAAN
DAN PROGRAM BINA LINGKUNGAN
(COMMUNITY DEVELOPMENT CENTER)
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Expressed in Rupiah)

	Tahun yang Berakhir pada tanggal 31. Desember/ Year Ended December 31,		
	2018	2017	
AKTIVITAS OPERASI			OPERATING ACTIVITIES
Penurunan Aset Neto tahun berjalan	(136.038.941.145)	(86.065.942.764)	Decrease in Net Assets for the year
Penyesuaian			Adjustments
Kerugian penyisihan penurunan nilai pinjaman, neto	10.578.785.690	82.008.147.399	Allowance for impairment of loan, net
Penghapusan piutang jasa administrasi sehubungan dengan proses <i>reconditioning</i> pinjaman	7.040.179.858	-	Reversal of administration service income due to loan reconditioning process
Perubahan aset dan liabilitas			Change in asset and liability
Pinjaman kepada Mitra Binaan	17.128.015.884	8.470.463.936	Loan to Fosters Partners
Kelebihan Pembayaran Angsuran	945.466.018	429.547.381	Overpayment of Installment
Utang dan Liabilitas Lancar Lainnya	(2.176.951.109)	4.001.512.834	Payables and Other Current Liabilities
Angsuran Belum Teridentifikasi	-	(549.272.950)	Unidentified Installment
KAS NETO DIGUNAKAN UNTUK (DIPEROLEH DARI) AKTIVITAS OPERASI	(102.523.444.804)	8.294.455.836	NET CASH FLOWS USED TO (PROVIDED BY) OPERATING ACTIVITIES
(PENURUNAN) KENAIKAN KAS DAN SETARA KAS	(102.523.444.804)	8.294.455.836	(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS PADA AWAL TAHUN	122.592.383.269	114.297.927.433	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR
KAS DAN SETARA KAS PADA AKHIR TAHUN	20.068.938.465	122.592.383.269	CASH AND CASH EQUIVALENTS AT END OF YEAR

Catatan atas laporan keuangan terlampir merupakan bagian integral dari laporan keuangan

The accompanying notes form an integral part of these financial statements

**PERUSAHAAN PERSEROAN (PERSERO)
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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/PR0000/COP-B0030000/2010 dated April 19, 2010 regarding Management of Partnership Program and Community Development Program.

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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 No: 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 sebagai Perubahan Pertama terhadap Peraturan Menteri BUMN No: PER-09/MBU/07/2015.

Pada tanggal 5 Juli 2017 Kementerian BUMN memberlakukan PER-02/MBU/07/2017 sebagai Perubahan kedua atas Peraturan Menteri BUMN No: PER-09/MBU/07/2015.

CDC Pusat berdomisili di Kantor Pusat Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("Telkom"), Jl Jend Gatot Subroto Kav 52 Jakarta. Community Development ("CD") Regional dan CD Witel berdomisili di Kantor Divisi Regional ("Divre") dan Kantor Wilayah ("Witel") Telkom yang tersebar di seluruh Indonesia.

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 regulation No: 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 December 10, 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 No: PER-09/MBU/07/2015.

On July 5, 2017 Ministry of SOE issued PER-02/MBU/07/2017 as second ammdement for Ministry Regulation of SOE No: PER-09/MBU/07/2015.

Head office of CDC is domiciled in Head office of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("Telkom"), Jend Gatot Subroto Kav 52 Jakarta. Community Development ("CD") Regional and CD Witel is domiciled in Regional Division Office ("Divre") and Witel Office ("Witel") Telkom which spread all over Indonesia.

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1. INFORMASI MENGENAI UNIT COMMUNITY DEVELOPMENT CENTER (lanjutan)

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.
- 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
- 4) 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

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.
- 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
- 4) 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 2018 dan 2017 adalah sebagai berikut:

Management Structure of CDC as of December 31, 2018 and 2017 is as follows:

	31 Desember/December 31,		
	2018	2017	
Senior General Manager	Shindu Aryanto	M. Sulthonul Arifin	Senior General Manager
Pengelola Fungsi Dukungan:			Supporting Management:
Senior Manager Perencanaan dan Pengendalian	M. Wahyudi	M. Wahyudi	Senior Manager of Planning and Controlling
Senior Manager Keuangan	Haris Widjanarko	Haris Widjanarko	Senior Manager of Finance
Senior Manager Program Kemitraan	Romles Simanjuntak	Romles Simanjuntak	Senior Manager of Partnership Program
Senior Manager Program Bina Lingkungan	Hery Susanto	Hery Susanto	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* (HCM). Pada tanggal 31 Desember 2018 and 2017 Direktur HCM adalah Bapak 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 (HCM). As of December 31, 2018 and 2017, The Director of HCM is Mr. Herdy Rosadi Harman.

Jumlah karyawan CDC untuk tahun yang berakhir pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

Number of CDC's employees as of December 31, 2018 and 2017 is as follows:

	31 Desember/December 31,		
	2018	2017	
CDC Pusat	27	28	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 penyeteroran 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 24 Januari 2019.

The financial statements were completed and authorized for issuance by CDC Management on January 24, 2019.

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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 2018 dan 2017 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 No: 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, 2018 and 2017 are as 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)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Pinjaman

c. Loan

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.

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.

Pinjaman kepada BUMN Pembina Lain atau Lembaga Penyalur merupakan pinjaman yang diberikan kepada unit PKBL atau Lembaga Penyalur sebagai bentuk sinergi antar unit PKBL.

Loan to Other Foster SOE or Distribution Partners represents loans given to PKBL unit or Distributing Partners as synergy form among PKBL units.

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.

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.

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.

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.

Penggolongan kualitas pinjaman ditetapkan sebagai berikut:

The classification of loan based on its collectibility are as follows:

- 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.

- 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. 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 CDC terhadap tingkat ketertagihan saldo pinjaman.

Allowance for impairment of loan represents allowance for doubtful loan. This allowance is calculated based on the Management's CDC 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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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	Computers
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.

Pada tanggal 31 Desember 2018 dan 2017, nilai buku bersih aset tetap adalah nihil.

Terkait dengan aset tetap tidak berfungsi yang nilai bukunya telah nihil tersebut di atas, SGM CDC telah mengirim Surat kepada Kementerian BUMN dengan No: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.

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.

As of December 31, 2018 and 2017, net book value of fixed asset is zero.

In relation to fixed assets not in use with zero 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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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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. 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.

h. 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.

i. Utang Usaha

Utang usaha diakui pada saat terjadinya transaksi atau saat perjanjian kontrak. Utang usaha dicatat sebesar nilai transaksi atau perjanjian kontrak.

i. Account Payables

Account payables are recognized when transactions occur or when contract are completed. Account payables is recognized based on transaction amount or contracts.

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j. 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.

k. 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.

l. Perpajakan

Pajak yang muncul dari seluruh transaksi yang terjadi di CDC menjadi beban CDC dan dilaporkan atas nama BUMN Pembina.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. 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.

k. 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.

l. Taxation

Tax transactions in relation to CDC are charged to CDC and reported by Foster SOE.

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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 dan 6).

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.

Pada tanggal 31 Desember 2018, untuk pinjaman mitra binaan yang sudah dilakukan proses *reconditioning*, penyisihan penurunan nilai pinjamannya dilakukan dengan penilaian secara individu.

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 and 6).

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.

As of December 31, 2018, for troubled loan foster partners which has been recovered through *reconditioning* process, the allowance for impairment of loan was assessed individually.

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3. PENGGUNAAN PERTIMBANGAN, ESTIMASI DAN ASUMSI (lanjutan)

b. Estimasi dan Asumsi (lanjutan)

Penyisihan penurunan nilai pinjaman (lanjutan)

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.

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 dan 6).

4. KAS DAN SETARA KAS

	31 Desember/December 31,	
	2018	2017
Program Kemitraan		
Kas di Bank:		
PT Bank Mandiri (Persero) Tbk	8.884.306.252	2.106.340.416
PT Bank Negara Indonesia (Persero) Tbk	2.786.700.883	3.323.662.115
	11.671.007.135	5.430.002.531
Deposito:		
PT Bank Mandiri (Persero) Tbk	-	5.000.000.000
Jumlah Kas dan Setara Kas Program Kemitraan	11.671.007.135	10.430.002.531
Program Bina Lingkungan		
Kas di Bank:		
PT Bank Mandiri (Persero) Tbk	8.397.931.330	112.162.380.738
Jumlah Kas dan Setara Kas Bina Lingkungan	8.397.931.330	112.162.380.738
Jumlah Kas dan Setara Kas	20.068.938.465	122.592.383.269

3. ACCOUNTING JUDGEMENTS, ESTIMATION, AND ASSUMPTION (continued)

b. Estimations and Assumptions (continued)

Allowance for impairment of loan (continued)

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.

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 dan 6).

4. CASH AND CASH EQUIVALENTS

Partnership Program
Cash in Bank:
PT Bank Mandiri (Persero) Tbk
PT Bank Negara Indonesia (Persero) Tbk
Time deposit:
PT Bank Mandiri (Persero) Tbk
Total Cash and Cash Equivalents Partnership Program
Community Development Program
Cash in Bank:
PT Bank Mandiri (Persero) Tbk
Total Cash and Cash Equivalents of Community Development
Total Cash and Cash Equivalents

The original financial statements included herein are in Indonesian language.

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5. PINJAMAN KEPADA MITRA BINAAN (lanjutan)

5. LOAN TO FOSTER PARTNERS (continued)

a. Pinjaman kepada Mitra Binaan berdasarkan CD Regional

a. Loan to Foster Partners Classified by CD Regional

	31 Desember/December 31,		
	2018	2017	
Pinjaman kepada Mitra Binaan			Loan to Foster Partners
CD Corporate	25.500.000	-	CD Corporate
CD Regional I Sumatera	113.871.385.204	122.931.200.304	CD Regional I Sumatera
CD Regional II DKI Jakarta & Banten	85.299.807.412	85.668.594.377	CD Regional II DKI Jakarta & Banten
CD Regional III Jabar	78.507.827.671	94.353.576.094	CD Regional III Jabar
CD Regional IV Jateng & DIY	63.609.003.118	66.517.291.242	CD Regional IV Jateng & DIY
CD Regional V Jatim & Madura	99.029.914.997	107.617.267.940	CD Regional V Jatim & Madura
CD Regional VI Kalimantan	54.698.337.180	60.602.668.402	CD Regional VI Kalimantan
CD Regional VII Kawasan Timur Indonesia	46.933.965.961	53.600.852.797	CD Regional VII Kawasan Timur Indonesia
Jumlah	541.975.741.543	591.291.451.156	Total
Penyisihan Penurunan Nilai Pinjaman	(148.890.837.074)	(163.459.565.255)	Allowance for Impairment of Loan
Jumlah Pinjaman kepada Mitra Binaan - Neto	393.084.904.469	427.831.885.901	Total Loan to Foster Partners - Net

b. Pinjaman kepada Mitra Binaan Menurut Sektor

b. Loan to Foster Partners Classified by Sector

	31 Desember/December 31,		
	2018	2017	
Perdagangan	291.437.230.072	315.979.058.108	Trading
Industri	105.052.250.745	109.044.948.707	Industry
Jasa	89.978.658.457	101.488.875.416	Service
Peternakan	20.248.955.950	22.817.078.198	Farming
Perikanan	14.265.479.694	17.632.065.305	Fishing
Pertanian	10.524.680.011	11.749.642.911	Agriculture
Perkebunan	8.972.516.925	10.193.550.875	Plantation
Lainnya	1.495.969.689	2.386.231.636	Others
Jumlah	541.975.741.543	591.291.451.156	Total
Penyisihan Penurunan Nilai Pinjaman	(148.890.837.074)	(163.459.565.255)	Allowance for Impairment of Loan
Jumlah Pinjaman kepada Mitra Binaan - Neto	393.084.904.469	427.831.885.901	Total Loan to Foster Partners - Net

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 the uncollectible loan.

Termasuk di dalam 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.

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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5. PINJAMAN KEPADA MITRA BINAAN (lanjutan)

c. Pendapatan Jasa Administrasi Pinjaman

Sejak tahun buku 2008 besarnya prosentase pendapatan jasa administrasi pinjaman program kemitraan dihitung berdasarkan pada ketentuan pasal 12 ayat (2) Peraturan Menteri BUMN No: 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 ditetapkan sebesar 6% per tahun dari saldo pinjaman awal tahun.

Setelah pemberlakuan PER-02/MBU/07/2017 yang efektif tanggal 5 Juli 2017, besarnya jasa administrasi pinjaman ditetapkan sebesar 3% 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,

	2018	2017
Saldo awal	163.459.565.255	89.312.658.468
Penambahan (Pemulihan) - neto	17.618.965.548	74.146.906.787
Pembalikan atas proses <i>reconditioning</i>	(7.040.179.858)	-
Reklasifikasi sebagai bermasalah	(25.147.513.871)	-
	148.890.837.074	163.459.565.255

Beginning balance
Additional (Recovery) - net
Reversal for reconditioning process
Reclassification as troubled loan

31 Desember 2018/December 31, 2018

5. LOAN TO FOSTER PARTNERS (continued)

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 Ministry 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 was determined by 6% per annum from the opening balance of the loan.

Based on PER-02/MBU/07/2017 dated July 5, 2017, administration service income was determined by 3% 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:

Kualitas Pinjaman	Umur Pinjaman (dari jatuh tempo)/ Loan Aging (from maturity date)	Saldo Pinjaman/ Loan Balance	% Penyisihan/ Allowance %	Akumulasi Penyisihan/ Accumulated Allowance	Mutasi/ Movement	Loan Quality
Mitra Binaan						Foster Partners
<u>Dinilai secara kolektif</u>						<u>Collective assessment</u>
Lancar	< 30 hari/ < 30 days	321.498.797.352	0,90%	2.893.489.176	(2.645.961.941)	Current
Kurang lancar	> 30 hari ≤ 180 hari > 30 days ≤ 180 days	54.518.058.712	6,94%	3.783.553.275	(3.475.294.634)	Substandard
Diragukan	> 180 hari ≤ 270 hari > 180 days ≤ 270 days	27.291.050.797	13,27%	3.621.522.441	(2.551.728.323)	Doubtful
Macet	> 270 hari/ > 270 days	2.023.033.302	100,00%	2.023.033.302	(142.464.982.183)	Loss
Sub jumlah		405.330.940.163		12.321.598.194	(151.137.967.051)	Sub total
Bermasalah						Troubled
Mitra Binaan		130.995.443.463	100,00%	130.995.443.463	25.207.513.871	Foster Partner
BUMN Pembina lain/ Lembaga Penyalur		9.277.156.183	100,00%	9.277.156.183	(60.000.000)	Other Foster SOE/ Distributing Partners
Sub jumlah		140.272.599.646		140.272.599.646	25.147.513.871	Sub total

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5. PINJAMAN KEPADA MITRA BINAAN (lanjutan)

d. Penyisihan Pinjaman Kepada Mitra Binaan (lanjutan)

Mutasi penyisihan penurunan nilai pinjaman adalah sebagai berikut: (lanjutan)

5. LOAN TO FOSTER PARTNERS (continued)

d. Allowance for Impairment of Loan to Foster Partners (continued)

Movement of allowance for impairment of loan is as follow: (continued)

31 Desember 2018/December 31, 2018

Kualitas Pinjaman	Umur Pinjaman (dari jatuh tempo/ Loan Aging (from maturity date)	Saldo Pinjaman/ Loan Balance	% Penyisihan/ Allowance %	Akumulasi Penyisihan/ Accumulated Allowance	Mutasi/ Movement	Loan Quality
<u>Dinilai secara individual</u>						<u>Individual assessment</u>
Mitra Binaan Pinjaman Tambahan						Additional Loan Foster Partners
Lancar		75.562.500	0,00%	-	-	Current
Mitra Binaan Pinjaman Regular						Regulars Loan Foster Partners
Lancar		39.662.972.850	100,00%	39.662.972.850	39.662.972.850	Current
Kurang lancar		29.794.185.059	100,00%	29.794.185.059	29.794.185.059	Substandard
Diragukan		28.634.895.250	100,00%	28.634.895.250	28.634.895.250	Doubtful
Macet		38.477.185.721	100,00%	38.477.185.721	38.477.185.721	Loss
Sub jumlah		136.644.801.380		136.569.238.880	136.569.238.880	Sub total
Jumlah		682.248.341.189		289.163.436.720	10.578.785.690	Total

31 Desember 2017/December 31, 2017

Kualitas Pinjaman	Umur Pinjaman (dari jatuh tempo/ Loan Aging (from maturity date)	Saldo Pinjaman/ Loan Balance	% Penyisihan/ Allowance %	Akumulasi Penyisihan 2017/ Accumulated Allowance 2017	Mutasi/ Movement	Loan Quality
Mitra Binaan Pinjaman Regular						Regulars Loan Foster Partners
<u>Dinilai secara kolektif</u>						<u>Collective assessment</u>
Lancar	< 30 hari/ < 30 days	345.662.978.450	1,60%	5.539.451.117	681.658.912	Current
Kurang lancar	> 30 hari ≤ 180 hari > 30 days ≤ 180 days	66.782.470.910	10,87%	7.258.847.909	358.499.298	Substandard
Diragukan	> 180 hari ≤ 270 hari > 180 days ≤ 270 days	34.357.986.331	17,97%	6.173.250.764	1.869.474.553	Doubtful
Macet	> 270 hari/ > 270 days	144.488.015.465	100,00%	144.488.015.465	71.237.274.024	Loss
Sub jumlah		591.291.451.156		163.459.565.255	74.146.906.787	Sub total
Bermasalah Mitra Binaan BUMN Pembina lain/ Lembaga Penyalur		105.787.929.592	100,00%	105.787.929.592	7.876.240.612	Troubled Foster Partner
		9.337.156.183	100,00%	9.337.156.183	(15.000.000)	Other Foster SOE/ Distributing Partners
Sub jumlah		115.125.085.775		115.125.085.775	7.861.240.612	Sub total
Jumlah		706.416.536.931		278.584.651.030	82.008.147.399	Total

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6. PINJAMAN BERMASALAH

a. Pinjaman Kepada Mitra Binaan Menurut CD Regional

Pinjaman mitra binaan bermasalah pada tanggal 31 Desember 2018 dan 2017 berdasarkan CD Regional adalah sebagai berikut:

	31 Desember/December 31,	
	2018	2017
CD Regional I Sumatera	28.662.644.332	23.775.355.288
CD Regional II DKI Jakarta & Banten	12.818.663.373	12.234.798.786
CD Regional III Jabar	16.132.921.943	10.340.984.229
CD Regional IV Jateng & DIY	11.744.160.652	11.733.442.946
CD Regional V Jatim & Madura	22.662.855.049	16.984.743.476
CD Regional VI Kalimantan	16.276.162.716	12.595.983.082
CD Regional VII Kawasan Timur Indonesia	22.698.035.398	18.122.621.785
	<u>130.995.443.463</u>	<u>105.787.929.592</u>
CD Corporate		
PT Sang Hyang Seri (Persero) ("SHS")	7.657.387.468	7.717.387.468
Baitul Mal Wal Tamwil ("BMT Hidayah")	1.619.768.715	1.619.768.715
	<u>9.277.156.183</u>	<u>9.337.156.183</u>
Jumlah	140.272.599.646	115.125.085.775
Penyisihan Pinjaman Bermasalah	(140.272.599.646)	(115.125.085.775)
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 No: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.

6. TROUBLED LOAN

a. Loan to Foster Partners Classified by CD Regional

Troubled loan from foster partners as at December 31, 2018 and 2017 by CD Regional is as follow:

CD Regional I Sumatera		CD Regional I Sumatera
CD Regional II DKI Jakarta & Banten		CD Regional II DKI Jakarta & Banten
CD Regional III Jabar		CD Regional III Jabar
CD Regional IV Jateng & DIY		CD Regional IV Jateng & DIY
CD Regional V Jatim & Madura		CD Regional V Jatim & Madura
CD Regional VI Kalimantan		CD Regional VI Kalimantan
CD Area VII Kawasan Timur Indonesia		CD Area VII Kawasan Timur Indonesia
CD Corporate		CD Corporate
PT Sang Hyang Seri (Persero) ("SHS")		PT Sang Hyang Seri (Persero) ("SHS")
Baitul Mal Wal Tamwil ("BMT Hidayah")		Baitul Mal Wal Tamwil ("BMT Hidayah")
		Total
		Allowance for Impairment of Troubled Loan
		Troubled Loan Distribution - Net

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 represented troubled loans from January 1, 2001 until December 20, 2016.

Until the completion date of the financial statements, the approval for the proposal to write-off the troubled loan has not been obtained from the Ministry of SOE.

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6. PINJAMAN BERMASALAH (lanjutan)

6. TROUBLED LOAN (continued)

b. Pinjaman Bermasalah Diterima Kembali

b. Repayment of Troubled Loan

	31 Desember/December 31,		
	2018	2017	
Saldo awal	115.125.085.775	107.263.845.163	Beginning balance
Penambahan	25.147.513.871	8.397.660.652	Additions
Saldo akhir	140.272.599.646	115.661.505.815	Ending balance
Jumlah pinjaman bermasalah	(137.464.634.670)	(115.125.085.775)	Total troubled loan
Pinjaman Bermasalah Diterima Kembali	2.807.964.976	536.420.040	Repayment of Troubled Loan

7. UTANG DAN LIABILITAS LANCAR LAINNYA

7. PAYABLES AND OTHER CURRENT LIABILITIES

Rincian utang dan liabilitas lancar lainnya pada tanggal 31 Desember 2018 dan 2017 adalah sebagai berikut:

Detail of payables and other current liabilities as of December 31, 2018 and 2017 are as follows:

	31 Desember/December 31,		
	2018	2017	
Utang Lain-lain			Other Payables
PT PINS Indonesia	963.766.375	-	PT PINS Indonesia
PT Enciety Binakarya Cemerlang	653.592.500	-	PT Enciety Binakarya Cemerlang
Koperasi Pegawai Telkom	170.602.850	-	Koperasi Pegawai Telkom
PT Metranet	61.600.000	61.600.000	PT Metranet
PT Infomedia Nusantara	-	3.936.759.627	PT Infomedia Nusantara
	1.849.561.725	3.998.359.627	
Liabilitas Lancar Lainnya			Other Current Liability
PT Telekomunikasi Indonesia (Persero) Tbk	-	28.153.207	PT Telekomunikasi Indonesia (Persero) Tbk
	1.849.561.725	4.026.512.834	

Utang kepada PT PINS Indonesia merupakan transaksi kerjasama penyaluran program bina lingkungan untuk *Broadband Learning Center (BLC)*.

Liability to PT PINS Indonesia are transaction for the distribution of community development related to *Broadband Learning Center (BLC)*.

Utang kepada PT Enciety Binakarya Cemerlang merupakan transaksi untuk pelaksanaan survey *Corporate Social Responsibility (CSR) Index* tahun 2018.

Liability to PT Enciety Binakarya Cemerlang represents transaction for 2018's *Corporate Social Responsibility (CSR) Index* survey.

Utang kepada Koperasi Pegawai Telkom merupakan transaksi untuk pelaksanaan Pelatihan e-Commerce.

Liability to Koperasi Pegawai Telkom represents transaction for e-commerce training.

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8. KELEBIHAN PEMBAYARAN ANGSURAN

8. OVERPAYMENT OF INSTALLMENTS

	31 Desember/December 31,		
	2018	2017	
Saldo Awal	589.900.373	160.352.992	Beginning Balance
Penambahan selama tahun berjalan	1.113.906.692	470.417.654	Additional during the year
Restitusi kepada mitra binaan	(168.440.674)	(40.870.273)	Refund to foster partners
Saldo Akhir	1.535.366.391	589.900.373	Ending Balance

9. ASET NETO

9. NET ASSETS

	31 Desember/December 31,		
	2018	2017	
Aset Neto Tidak Terikat	409.768.914.818	545.807.855.963	Unrestricted Net Assets
Aset Neto Terikat	-	-	Restricted Net Assets
Jumlah	409.768.914.818	545.807.855.963	Total

Mutasi Aset Neto

Movement of Net Asset

	31 Desember/December 31,		
	2018	2017	
Aset Neto Tidak Terikat			Unrestricted Net Asset
Aset Neto Tidak Terikat - Awal Tahun	545.807.855.963	631.873.798.727	Unrestricted Net Asset - Beginning of Year
Penurunan Aset Neto Tidak Terikat	(136.038.941.145)	(86.065.942.764)	Decrease in Unrestricted Net Asset
Aset Neto Tidak Terikat - Akhir Tahun	409.768.914.818	545.807.855.963	Unrestricted Net Asset - End of Year

10. PENERIMAAN DARI BUMN PEMBINA

10. REVENUE FROM FOSTER SOE

Alokasi dana tahun 2018

Fund allocation for the year 2018

Berdasarkan Peraturan Direksi No: PD.312.09/r.00/HK230/COP-I3000000/2017 tanggal 19 Desember 2017 tentang Rencana Kerja dan Anggaran, telah ditetapkan anggaran Program Bina Lingkungan tahun 2018 sebesar Rp87.000.000.000. Dana tersebut telah diterima sepenuhnya pada tanggal 19 Januari 2018 dan dikembalikan kepada BUMN Pembina tanggal 4 Juni 2018 berdasarkan Risalah Rapat dengan Kementerian BUMN No: RIS-68/D7/MBU.3/4/2018 tanggal 19 Maret 2018 tentang Pembahasan Laporan Tahunan Program Kemitraan dan Bina Lingkungan tahun 2017.

Based on the Directors Regulations No: PD.312.09/r.00/ HK230/COP-I3000000/2017 dated December 19, 2017 regarding the Work Plan and Budget has decided that the budget for Community Development Program was Rp87,000,000,000. Such fund has been fully received on January 19, 2018 and returned to Foster SOE on June 4, 2018 based on Minutes of Meeting with Ministry of SOE No: RIS-68/D7/MBU.3/4/2018 dated March 19, 2018 regarding with 2017's Annual Report of Community Development Center.

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10. PENERIMAAN DARI BUMN PEMBINA (lanjutan)

Alokasi dana tahun 2017 (lanjutan)

Berdasarkan Peraturan Direksi No: PD.311.00/r.00/ HK230/ COP-I3000000/2016 tanggal 22 Desember 2016 tentang Rencana Kerja dan Anggaran, telah ditetapkan anggaran Program Bina Lingkungan tahun 2017 sebesar Rp82.000.000.000. Dana tersebut telah diterima sepenuhnya pada tanggal 6 Februari 2018.

Berdasarkan PER-09/MBU/07/2015, CDC mencatat alokasi dana dari BUMN Pembina sebagai pendapatan di Laporan Aktivitas.

11. PENDAPATAN JASA ADMINISTRASI
PINJAMAN

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,	
	2018	2017
CDC Corporate	2.221.261	-
CD Regional I Sumatera	2.462.027.325	5.374.245.621
CD Regional II DKI Jakarta & Banten	1.819.679.698	3.963.194.541
CD Regional III Jabar	2.230.305.650	4.603.657.675
CD Regional IV Jateng & DIY	1.594.836.111	3.990.087.307
CD Regional V Jatim & Madura	2.403.977.440	5.169.404.062
CD Regional VI Kalimantan	1.436.312.280	3.479.298.860
CD Regional VII Kawasan Timur Indonesia	1.261.698.085	2.908.096.413
Jumlah	13.211.057.850	29.487.984.479

10. REVENUE FROM FOSTER SOE (continued)

Fund allocation for the year 2017 (continued)

Based on the Directors Regulations No: PD.311.00/r.00/HK230/COP-I3000000/2016 dated December 22, 2016 regarding the Work Plan and Budget decided that budget of Community Development Program was Rp82,000,000,000. Such fund has been fully received on February 6, 2018.

Based on PER-09/MBU/07/2015, CDC recognized the fund allocation for the Foster SOE as revenue in the Statement of Activities.

11. LOAN ADMINISTRATION SERVICE INCOME

12. PENDAPATAN BUNGA

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,	
	2018	2017
Program Kemitraan		
Jasa Giro	539.368.513	618.397.313
Deposito	2.367.123	22.415.777
Jumlah Pendapatan Bunga Program Kemitraan	541.735.636	640.813.090
Program Bina Lingkungan		
Jasa Giro	1.657.975.341	2.086.725.324
Deposito	18.160.730	324.434.144
Jumlah Pendapatan Bunga Program Bina Lingkungan	1.676.136.071	2.411.159.468
Jumlah Pendapatan Bunga	2.217.871.707	3.051.972.558

12. INTEREST INCOME

CDC Corporate	-	
CD Regional I Sumatera	5.374.245.621	
CD Regional II DKI Jakarta & Banten	3.963.194.541	
CD Regional III Jabar	4.603.657.675	
CD Regional IV Jateng & DIY	3.990.087.307	
CD Regional V Jatim & Madura	5.169.404.062	
CD Regional VI Kalimantan	3.479.298.860	
CD Regional VII Kawasan Timur Indonesia	2.908.096.413	
Total	29.487.984.479	

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13. PENDAPATAN LAIN-LAIN

13. OTHER INCOME

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2018	2017	
Pendapatan atas kelebihan angsuran Mitra Binaan (kurang dari Rp100.000)	27.201.239	-	Income from Foster Partners overpayment (less than Rp100,000)
Pendapatan dari sisa dana Program BUMN Peduli	-	1.431.387.514	Income from remaining fund of SOE Care program
	<u>27.201.239</u>	<u>1.431.387.514</u>	

14. DANA PEMBINAAN KEMITRAAN

14. FOSTERING PARTNERSHIP FUNDS

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2018	2017	
Pameran/Promosi	15.595.132.580	22.367.228.818	Exhibition/ Promotion
Pengembangan	8.264.764.125	11.580.655.830	Development
Pelatihan	4.133.728.911	4.081.255.268	Training
Jumlah	<u>27.993.625.616</u>	<u>38.029.139.916</u>	Total

15. PENYALURAN DANA BINA LINGKUNGAN

15. COMMUNITY DEVELOPMENT FUNDS
DISTRIBUTION

	Tahun yang Berakhir pada Tanggal 31 Desember/ Year Ended December 31,		
	2018	2017	
Bantuan Bina Lingkungan			Community Development Donation
Bantuan Pendidikan dan/atau Pelatihan	31.499.719.150	25.076.224.955	Education and/or Training Donation
Bantuan Pengentasan Kemiskinan	24.843.660.416	28.261.408.040	Poverty Alleviation
Bantuan Pengembangan Prasarana dan/ atau Sarana Umum	22.470.692.510	11.851.612.870	Improvement for Facility and/or Public Facility Donation
Bantuan Sarana Ibadah	15.921.606.803	10.210.317.630	Religion Facility Donation
Bantuan Peningkatan Kesehatan	6.161.049.348	4.783.170.948	Healthcare Improvement Donation
Bantuan Korban Bencana Alam	4.691.682.550	693.047.350	Nature Disaster Victims Donation
Bantuan Pelestarian Alam	294.070.000	1.096.065.000	Natural Preservation Donation
Jumlah Program Bantuan Bina Lingkungan	<u>105.882.480.777</u>	<u>81.971.846.793</u>	Total Community Development Programs

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16. TRANSAKSI DAN SALDO DENGAN PIHAK BERELASI

Hubungan dan sifat saldo akun/ transaksi dengan pihak - pihak berelasi adalah sebagai berikut:

16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The relationship and nature of account balances/ transactions with related parties were as follows:

Hubungan/ <i>Relation</i>	Pihak-pihak berelasi/ <i>Related parties</i>	Transaksi/ <i>Transaction</i>
BUMN Pembina/ <i>Foster SOE</i>	PT Telekomunikasi Indonesia (Persero) Tbk.	Pengalokasian pendapatan program bina lingkungan / <i>Income allocation for community development program</i>
Entitas sepengendali PT Telekomunikasi Indonesia Tbk / <i>Under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Graha Sarana Duta	Penyedia jasa fitting out ruangan/ <i>Room fitting out provider</i>
Entitas sepengendali PT Telekomunikasi Indonesia Tbk/ <i>Under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Infomedia Nusantara	Penyedia jasa pelatihan mitra binaan/ <i>Foster partner training provider</i>
Entitas sepengendali PT Telekomunikasi Indonesia Tbk/ <i>Under common control of PT Telekomunikasi Indonesia Tbk</i>	PT PINS Indonesia	Penyedia perangkat CPE (<i>Customer Premises Equipment</i>)/ CPE (<i>Customer Premises Equipment</i>) Provider
Entitas sepengendali PT Telekomunikasi Indonesia Tbk/ <i>Under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Metra Digital Media	Penyedia bantuan dana pelatihan internet/ <i>Fund provider for internet training program</i>
Perusahaan dibawah entitas PT Telekomunikasi Indonesia Tbk / <i>Entity under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Finnet Indonesia	Penyedia jasa virtual account/ <i>Provider of virtual accounts</i>
Perusahaan dibawah entitas PT Telekomunikasi Indonesia Tbk / <i>Entity under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Metra-Net	Penyedia barang bantuan/ <i>Provider of goods donation</i>
Perusahaan dibawah entitas PT Telekomunikasi Indonesia Tbk / <i>Entity under common control of PT Telekomunikasi Indonesia Tbk</i>	PT Sarana Usaha Sejahtera Insanpalapa	Penyedia jasa kesehatan/ <i>Provider of medical services</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Bank Mandiri (Persero) Tbk.	Jasa perbankan/ <i>Banking services</i>
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ <i>Entity under common control of the Government</i>	PT Bank Negara Indonesia (Persero) Tbk.	Jasa perbankan/ <i>Banking services</i>

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16. TRANSAKSI DAN SALDO DENGAN PIHAK BERELASI (lanjutan)

Hubungan dan sifat saldo akun/ transaksi dengan pihak - pihak berelasi adalah sebagai berikut: (lanjutan)

16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

The relationship and nature of account balances/ transactions with related parties were as follows: (continued)

Hubungan/ Relation	Pihak-pihak berelasi/ Related parties	Transaksi/ Transaction
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ Entity under common control of the Government	PT Bank Rakyat Indonesia (Persero) Tbk.	Pendapatan lain-lain program BUMN Peduli/ Other income of SOE Care Program
Perusahaan dibawah entitas sepengendali oleh Pemerintah/ Entity under common control of the Government	PT Sang Hyang Seri (Persero)	BUMN Penyalur lain/ Other Foster SOE

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,		
	2018	2017	
Aset			Assets
Kas dan Setara Kas (Catatan 4) Program Kemitraan			Cash and Cash Equivalents (Note 4) Partnership Program
Kas di bank			Cash in banks
PT Bank Mandiri (Persero) Tbk.	8.884.306.252	2.106.340.416	PT Bank Mandiri (Persero) Tbk.
PT Bank Negara Indonesia (Persero) Tbk.	2.786.700.883	3.323.662.115	PT Bank Negara Indonesia (Persero) Tbk.
Deposito:			Time deposit
PT Bank Mandiri (Persero) Tbk.	-	5.000.000.000	PT Bank Mandiri (Persero) Tbk.
	11.671.007.135	10.430.002.531	
Program Bina Lingkungan			Community Development Program
Kas di bank			Cash in banks
PT Bank Mandiri (Persero) Tbk.	8.397.931.330	112.162.380.738	PT Bank Mandiri (Persero) Tbk.
Jumlah kas dan setara kas pada pihak afiliasi	20.068.938.465	122.592.383.269	Total cash and cash equivalents in affiliated parties

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16. TRANSAKSI DAN SALDO DENGAN PIHAK
BERELASI (lanjutan)

16. TRANSACTIONS AND BALANCES WITH
RELATED PARTIES (continued)

	31 Desember/December 31,		
	2018	2017	
Pinjaman kepada BUMN Pembina Lain atau Lembaga Penyalur (Catatan 6)			<i>Loan to Other Foster SOE or Distributing Partners (Note 6)</i>
PT Sang Hyang Seri (Persero)			<i>PT Sang Hyang Seri (Persero)</i>
Jumlah Pinjaman	7.657.387.468	7.717.387.468	<i>Total Loan</i>
Penyisihan Pinjaman Bermasalah	(7.657.387.468)	(7.717.387.468)	<i>Allowance for Impairment of Troubled Loan</i>
Jumlah pinjaman	-	-	<i>Total loan</i>
Jumlah aset pada pihak afiliasi	20.068.938.465	122.592.383.269	<i>Total assets in affiliated parties</i>
Jumlah aset	413.153.842.934	550.424.269.170	<i>Total assets</i>
Sebagai prosentase terhadap jumlah aset	4,86%	22,17%	<i>As percentage to total assets</i>
Liabilitas			<i>Liabilities</i>
Utang lain-lain			<i>Other Payables</i>
Program Kemitraan			<i>Partnership Program</i>
PT Infomedia Nusantara	-	3.936.759.627	<i>PT Infomedia Nusantara</i>
	-	3.936.759.627	
Program Bina lingkungan			<i>Community Development Program</i>
PT PINS Indonesia	963.766.375	-	<i>PT PINS Indonesia</i>
PT Metrasat	61.600.000	61.600.000	<i>PT Metrasat</i>
Jumlah utang lain-lain	1.025.366.375	3.998.359.627	<i>Total other payables</i>
Utang dan liabilitas lancar lainnya (Catatan 7)			<i>Payables and other current liabilities (Note 7)</i>
PT Telekomunikasi Indonesia (Persero) Tbk	-	28.153.207	<i>PT Telekomunikasi Indonesia (Persero) Tbk</i>
Jumlah liabilitas lancar lainnya	-	28.153.207	<i>Total other current liabilities</i>
Jumlah liabilitas pihak afiliasi	1.025.366.375	4.026.512.834	<i>Total liabilities affiliated parties</i>
Jumlah liabilitas	3.384.928.116	4.616.413.207	<i>Total liabilities</i>
Sebagai prosentase terhadap jumlah liabilitas	30,29%	87,22%	<i>As percentage to total liabilities</i>
Beban			<i>Expenses</i>
Program Kemitraan			<i>Partnership Program</i>
PT Metra Digital Media	11.182.970.000	-	<i>PT Metra Digital Media</i>
PT Infomedia Nusantara	2.424.354.505	8.523.968.054	<i>PT Infomedia Nusantara</i>
PT Graha Sarana Duta	297.417.120	-	<i>PT Graha Sarana Duta</i>
PT Finnet Indonesia	-	10.513.339.980	<i>PT Finnet Indonesia</i>
Jumlah	13.904.741.625	19.037.308.034	<i>Total</i>
Program Bina Lingkungan			<i>Partnership Program</i>
PT Graha Sarana Duta	16.375.162.287	-	<i>PT Graha Sarana Duta</i>
PT PINS Indonesia	4.153.810.375	1.773.178.000	<i>PT PINS Indonesia</i>
PT Metra Digital Media	3.465.000.000	-	<i>PT Metra Digital Media</i>
PT Sarana Usaha Sejahtera Insanpalapa	70.472.383	-	<i>PT Sarana Usaha Sejahtera Insanpalapa</i>
PT Metra-Net	-	61.600.000	<i>PT Metra-Net</i>
Jumlah	24.064.445.045	1.834.778.000	<i>Total</i>
Jumlah beban operasional pihak afiliasi	37.969.186.670	20.872.086.034	<i>Total operational expenses in affiliated parties</i>
Jumlah beban	151.495.071.941	202.009.134.108	<i>Total expenses</i>
Sebagai prosentase terhadap jumlah beban	25,06%	10,33%	<i>As percentage to total expenses</i>

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16. TRANSAKSI DAN SALDO DENGAN PIHAK BERELASI (lanjutan)

16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

	31 Desember/December 31,		
	2018	2017	
Penerimaan			Revenue
Program Bina Lingkungan			Community Development Program
Penerimaan dari BUMN Pembina	-	82.000.000.000	Revenue from Foster SOE
	-	82.000.000.000	
Program Kemitraan			Partnership Program
Pendapatan Bunga Deposito			Interest from Time Deposits
PT Bank Mandiri (Persero) Tbk.	2.367.123	22.415.777	PT Bank Mandiri (Persero) Tbk.
Pendapatan Jasa Giro			Interest from Current Account
PT Bank Mandiri (Persero) Tbk.	284.145.474	500.857.021	PT Bank Mandiri (Persero) Tbk.
PT Bank Negara Indonesia (Persero) Tbk.	255.223.039	117.540.292	PT Bank Negara Indonesia (Persero) Tbk.
Jumlah pendapatan bunga deposito dan jasa giro	541.735.636	640.813.090	Total interest from deposit and current account
Program Bina Lingkungan			Community Development Program
Pendapatan Bunga Deposito			Revenue from Deposits
PT Bank Mandiri (Persero) Tbk.	18.160.730	-	PT Bank Mandiri (Persero) Tbk.
PT Bank Negara Indonesia (Persero) Tbk.	-	324.434.134	PT Bank Negara Indonesia (Persero) Tbk.
Jumlah pendapatan bunga deposito	18.160.730	324.434.134	Total interest from deposits
Pendapatan Jasa Giro			Interest from Current Account
PT Bank Mandiri (Persero) Tbk.	1.657.975.341	2.086.725.324	PT Bank Mandiri (Persero) Tbk.
Jumlah pendapatan bunga deposito dan jasa giro	1.676.136.071	2.411.159.458	Total Interest from deposit and current account
Pendapatan Lain-lain			Other Income
PT Bank Rakyat Indonesia (Persero) Tbk.	-	1.431.387.514	PT Bank Rakyat Indonesia (Persero) Tbk.
Jumlah pendapatan lain-lain	-	1.431.387.514	Total other income
Jumlah pendapatan dari pihak afiliasi	1.676.136.071	86.460.944.285	Total revenues from affiliated parties
Jumlah pendapatan	15.456.130.796	115.943.191.344	Total revenue
Sebagai prosentase terhadap jumlah pendapatan	10,84%	73,49%	As percentage to total revenue

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17. PEMBATASAN PENGGUNAAN DANA

KEP.100/MBU/2002

Program Kemitraan

a. Penilaian Efektivitas

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.

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.

Tabel skor tingkat penyerapan dana:

Penyerapan %	>90	85 - 90	80 - 85	<80	% of absorbtion
Skor	3	2	1	0	Score

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Distribusi dana					<i>Fund Distribution</i>
Jumlah Dana yang Disalurkan (Catatan 17)		251.994.750.000			<i>Amount of Distribution (Note 17)</i>
Dana Pembinaan Kemitraan (Catatan 14, 17)		27.993.625.616			<i>Fostering Partnership Funds (Note 14, 17)</i>
		<u>279.988.375.616</u>			
Saldo Awal Kas dan Setara Kas Program Kemitraan		10.430.002.531			<i>Beginning Balance for Cash and Cash Equivalents of Partnership Program</i>
Pengembalian Pinjaman Mitra Binaan		267.841.760.329			<i>Loan Repayments from Foster Partners</i>
Pendapatan Jasa Administrasi Pinjaman		15.605.970.097			<i>Loan Administration Service Income</i>
		<u>293.877.732.957</u>			
Tingkat efektivitas penyaluran (prosentase distribusi dana terhadap dana yang tersedia)		95,27%			<i>Level of the effectiveness of the loan distribution (percentage of fund distribution to available fund)</i>
Skor tingkat efektivitas penyaluran pinjaman		<u>3</u>			<i>Score of level of the effectiveness of the loan distribution</i>

17. RESTRICTED FUND USAGE

KEP.100/MBU/2002

Partnership Program

a. Effectivity Performance

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.

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.

Score of funds absorbtion table:

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17. PEMBATASAN PENGGUNAAN DANA (lanjutan)

KEP.100/MBU/2002 (lanjutan)

Program Kemitraan (lanjutan)

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%).

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 2018 adalah sebagai berikut:

Kualitas Pinjaman	Saldo pinjaman (tidak diaudit)/ Loan balance (unaudited)	%	Jumlah rata-rata tertimbang/ Weighted Average Amount	Loan Quality
Lancar	3.402.658.965.012	100%	3.402.658.965.012	Current
Kurang Lancar	174.259.512.000	75%	130.694.634.000	Substandard
Diragukan	96.513.529.896	25%	24.128.382.474	Doubtful
Macet	330.581.608.278	0%	-	Troubled
Jumlah	4.004.013.615.186		3.557.481.981.486	Total
Tingkat kolektibilitas pengembalian pinjaman (prosentase jumlah rata-rata tertimbang kolektibilitas pinjaman terhadap saldo pinjaman yang disalurkan)		88,85%	Loan repayment collectibility level (percentage of weighted average loan collectibility to loan distribution)	
Nilai tingkat kolektibilitas pengembalian pinjaman		3	Score of repayments collectibility level	

17. RESTRICTED FUND USAGE (continued)

KEP.100/MBU/2002 (continued)

Partnership Program (continued)

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%)

Score of loan repayments collectibility level is as follows:

Weighted average amount of the collectibility of the loan as of December 31, 2018 is as follows:

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17. PEMBATASAN PENGGUNAAN DANA (lanjutan)

17. RESTRICTED FUND USAGE (continued)

Laporan Arus Kas - Metode Langsung

Statement of Cash Flows - Direct Method

	Tahun yang Berakhir pada tanggal 31 Desember/ Year Ended December 31,		
	2018	2017	
AKTIVITAS OPERASI			OPERATING ACTIVITIES
Penerimaan Dana BUMN Pembina	87.000.000.000	82.000.000.000	Fund Received from Foster SOE
Pengembalian Dana BUMN Pembina	(87.000.000.000)	-	Loan Repayments to Foster SOE
Pengembalian Pinjaman Mitra Binaan	267.841.760.329	281.988.460.454	Loan Repayments from Foster Partners
Pembayaran Utang	(2.176.951.109)	(25.000.000)	Payable Payment
Pendapatan Jasa Administrasi Pinjaman	15.605.970.097	25.469.582.665	Loan Administration Service Income
Pendapatan Bunga	2.217.871.707	3.051.972.558	Interest Income
Penyaluran Pinjaman	(251.994.750.000)	(269.578.450.000)	Loan Distribution
Penyaluran Bina Lingkungan	(105.882.480.777)	(81.910.246.793)	Community Development Fund Distribution
Dana Pembinaan Kemitraan	(27.993.625.616)	(34.092.380.289)	Fostering Partnership Funds
Restitusi kepada Mitra Binaan	(168.440.674)	(40.870.273)	Refund to Foster Partners
Pendapatan lain-lain	27.201.239	1.431.387.514	Other Revenues
KAS NETO (DIGUNAKAN UNTUK) DITERIMA DARI AKTIVITAS OPERASI	(102.523.444.804)	8.294.455.836	NET CASH FLOWS (USED TO) RECEIPT FROM OPERATING ACTIVITIES
(PENURUNAN) KENAIKAN KAS DAN SETARA KAS	(102.523.444.804)	8.294.455.836	(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS PADA AWAL TAHUN	122.592.383.269	114.297.927.433	CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR
KAS DAN SETARA KAS PADA AKHIR TAHUN	20.068.938.465	122.592.383.269	CASH AND CASH EQUIVALENTS AT END OF YEAR

18. KOMITMEN

18. COMMITMENT

Berdasarkan Peraturan Menteri BUMN Nomor PER-02/MBU/7/2017 tanggal 5 Juli 2017, BUMN Pembina dapat memberikan pinjaman tanpa bunga atau hibah dana program kemitraan untuk pengembangan ekonomi mikro dan kecil melalui BUMN Khusus yang akan ditetapkan oleh Kementerian BUMN.

Based on Minister of SOE Decree Number PER-02/MBU/7/2017 dated July 5, 2017, Foster SOE may provide non - interest bearing loan or grant of fostering partnership fund for small micro and enterprises development, through a Special SOE which will be appointed by Ministry of SOE.

Melalui Surat No: S-822/MBU/12/2018 tanggal 13 Desember 2018, Menteri BUMN menetapkan PT Permodalan Nasional Madani (PNM) sebagai BUMN Khusus untuk menyalurkan pinjaman program kemitraan. Besaran dana program kemitraan yang akan dikontribusikan oleh PT Telekomunikasi Indonesia (Persero) Tbk sebesar Rp25 milyar.

Through the letter No: S-822/MBU/12/2018 dated December 13, 2018, Minister of SOE has appointed PT Permodalan Nasional Madani (PNM) as Special BUMN to distribute the partnership program loan. The partnership program fund contribution from PT Telekomunikasi Indonesia (Persero) Tbk of Rp25 billion.

Sampai dengan tanggal penyelesaian laporan keuangan, belum terdapat Perjanjian Kerjasama antara CDC dengan PT PNM sehingga penyaluran dana PK dari CDC kepada PT PNM belum dilakukan.

Until the completion date of the financial statements, there is no contract made between CDC and PT PNM so that the partnership program fund is not yet transferred from CDC to PT PNM.

2018 ANNUAL REPORT FEEDBACK FORM PT TELKOM INDONESIA (PERSERO) TBK

Thank you for reading our 2018 Annual Report. To improve the quality of future Annual Report, we would like to ask your feedback by completing the following form:

Question

1. In your opinion, this Annual Report provides information on various activities implemented by PT Telkom Indonesia (Persero) Tbk.

SA	A	M	D	SD
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2. In your opinion, the materials in this Annual Report include data and information that are easily understood.

SA	A	M	D	SD
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3. In your opinion, the materials in this Annual Report include data and information that are sufficiently complete.

SA	A	M	D	SD
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4. In your opinion, the materials in this Annual Report include data and information that are accountable and can be validated for decision making process.

SA	A	M	D	SD
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Remarks:

SS: Strongly Agree A: Agree M: Moderate D: Disagree SD: Strongly Disagree

5. In your opinion, what was the useful information presented in this Annual Report?

- a.
- b.
- c.

6. In your opinion, what was unuseful information presented 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.

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Doing a good job is not always about impressive innovation. Sometimes it is only about doing something with plain dedication.

Thank you for the dedications!

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