Perusahaan Perseroan (Persero)
PT Telekomunikasi Indonesia Tbk and its subsidiaries

Consolidated financial statements as of March 31, 2015 (unaudited) and for the three months period then ended (unaudited)

Statement of the Board of Directors
regarding the Board of Director's Responsibility for

Consolidated financial statements as of March 31, 2015
and for three months period ended (unaudited)
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	: Heri Sunaryadi
	Business address	: Jl. Japati No.1 Bandung 40133
	Address	: Jl. Graha Taman Blok HC8 No.5 Bintaro Jaya Sektor 9 Kelurahan Pondok Pucung Kecamatan Pondok Aren, Tangerang 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 28, 2015

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Alex J. Sinaga
President Director

Heri Sunaryadi
Director of Finance

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2015 AND FOR THE THREE MONTHS PERIOD THEN ENDED
(UNAUDITED)

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(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

	Notes	2015	2014 (Restated)	January 1, 2014 (Restated)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	2c,2e,2u, 4,37,44	20,282	17,672	14,696
Other current financial assets	2c,2d,2e,2u, 3,5,37,44	3,043	2,797	6,872
Trade receivables - net of provision for impairment of receivables	2g,2u 6,17,20,21,29,44			
Related parties	2c,37	1,107	873	1,103
Third parties		7,014	6,124	5,520
Other receivables - net of provision for impairment of receivables	2g,2u,44	354	383	395
Inventories - net of provision for obsolescence	2h,7,17,20 21	537	474	509
Advances and prepaid expenses	2c,2i,8, 37	5,215	4,733	3,937
Claim for tax refund	2t,31	293	291	10
Prepaid taxes	2t,31	1,150	890	525
Asset held for sale	2j,9	57	57	105
Total Current Assets		39,052	34,294	33,672
NON-CURRENT ASSETS				
Long-term investments	2f,2u,10,44	1,768	1,767	304
Property and equipment - net of accumulated depreciation	2d,2l,2m,11 17,20,21,39	94,121	94,809	86,761
Prepaid pension benefit costs	2s,34	1,133	1,170	949
Advances and other non-current assets	2c,2i,2l,2n,2u 12,37,41,44	7,160	6,479	4,795
Claims for tax refund - net of current portion	2t,31	745	745	499
Intangible assets - net of accumulated amortization	2d,2k,2n,13	2,580	2,463	1,508
Deferred tax assets - net	2t,31	113	95	67
Total Non-current Assets		107,620	107,528	94,883
TOTAL ASSETS		**146,672**	**141,822**	**128,555**

The accompanying notes to the consolidated financial statements form an integral part ofthese consolidated financial statements taken as a whole.

(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

	Notes	2015	2014 (Restated)	January 1, 2014 (Restated)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables	2o,2r,2u, 14,44			
Related parties	2c,37	1,158	898	1,031
Third parties		10,219	11,464	11,166
Other payables	2u,44	153	114	388
Taxes payable	2t,31	2,863	2,376	1,698
Accrued expenses	2c,2r,2u,15, 27,34,37,44	5,919	5,211	5,264
Unearned income	2r,16	2,903	3,963	3,490
Advances from customers and suppliers	2c,37	1,613	583	472
Short-term bank loans	2c,2p,2u, 17,37,44	2,002	1,810	432
Current maturities of long-term liabilities	2c,2m,2p,2u, 18,37,44	5,827	5,899	5,093
Total Current Liabilities		32,657	32,318	29,034
NON-CURRENT LIABILITIES				
Deferred tax liabilities - net	2t,31	2,477	2,703	2,908
Other liabilities	2r	352	394	472
Long service award provisions	2s,35	419	410	336
Post-retirement health care benefit costs provisions	2s,36	502	441	993
Pension and other post-employment benefits	2s,34	3,734	3,678	3,265
Long-term liabilities - net of current maturities	2u,18,44			
Obligations under finance leases	2m,11	4,114	4,218	4,321
Two-step loans	2c,2p,19,37	1,431	1,408	1,702
Bonds and notes	2c,2p,20,37	2,352	2,239	3,073
Bank loans	2c,2p,21,37	7,712	7,878	5,635
Total Non-current Liabilities		23,093	23,369	22,705
TOTAL LIABILITIES		**55,750**	**55,687**	**51,739**

(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

	Notes	2015	2014 (Restated)	January 1, 2014 (Restated)
EQUITY				
Capital stock - Rp50 par value per Series A Dwiwarna share and Series B share Authorized - 1 Series A Dwiwarna share and 399,999,999,999 Series B shares Issued and fully paid - 1 Series A Dwiwarna share and 100,799,996,399 Series B shares	1c,23	5,040	5,040	5,040
Additional paid-in capital	2d,2v,24	2,899	2,899	2,323
Treasury stock	2v,25	(3,836)	(3,836)	(5,805)
Effect of change in equity of associated companies	2f	386	386	386
Unrealized holding gain on available-for-sale securities	2u	40	39	38
Translation adjustment	2f	392	415	391
Difference due to acquisition of non-controlling interests in subsidiaries	1d,2d	(508)	(508)	(508)
Other reserves	1d	49	49	49
Retained earnings				
Appropriated	33	15,337	15,337	15,337
Unappropriated		51,805	47,991	42,633
Net Equity Attributable to Owners of the Parent Company		71,604	67,812	59,884
Non-controlling Interests	2b,22	19,318	18,323	16,932
TOTAL EQUITY		**90,922**	**86,135**	**76,816**
TOTAL LIABILITIES AND EQUITY		**146,672**	**141,822**	**128,555**

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Three Months Period Ended March 31, 2015 and 2014 (unaudited)
(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

	Notes	2015	2014
REVENUES	2c,2r,26,37	23,616	21,250
Operations, maintenance and telecommunication service expenses	2c,2h,2r,7,28,37	(6,231)	(5,185)
Depreciation and amortization	2k,2l,2m,2r, 11,12,13	(5,098)	(3,948)
Personnel expenses	2c,2r,2s,15,27, 34,35,36,37	(2,320)	(2,304)
Interconnection expenses	2c,2r,30,37	(1,061)	(1,294)
General and administrative expenses	2c,2g,2r,2t, 6,29,37	(953)	(920)
Marketing expenses	2r	(689)	(697)
Loss on foreign exchange - net	2q	(12)	(52)
Other income	2r,3,11c	236	168
Other expenses	2r,11c	(40)	(100)
OPERATING PROFIT		**7,448**	**6,918**
Finance income	2c,37	314	333
Finance costs	2c,2r,37	(443)	(391)
Share of loss of associated companies	2f,10	(1)	(7)
PROFIT BEFORE INCOME TAX		**7,318**	**6,853**
INCOME TAX (EXPENSE) BENEFIT	2t,31		
Current		(2,045)	(1,896)
Deferred		235	168
		(1,810)	(1,728)
PROFIT FOR THE PERIOD		**5,508**	**5,125**
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit Or loss in subsequent period:			
Foreign currency translation	1d,2b,2f	(23)	(86)
Change in fair value of available-for-sale financial assets	2u	1	4
Other Comprehensive Income - net		(22)	(82)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5,486**	**5,043**
Profit for the period attributable to:			
Owners of the parent company	2b,22	3,814	3,585
Non-controlling interests		1,694	1,540
		5,508	**5,125**
Total comprehensive income for the period attributable to:			
Owners of the parent company		3,792	3,503
Non-controlling interests	2b,22	1,694	1,540
		5,486	**5,043**
BASIC AND DILUTED EARNINGS PER SHARE (in full amount)			
Net income per share	2x,32	38.85	36.92
Net income per ADS (200 Series B shares per ADS)		7,770.60	7,384.54

The accompanying notes to the consolidated financial statements form an integral part ofthese consolidated financial statements taken as a whole.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Three Months Period Ended March 31, 2015 and 2014 (Unaudited)
(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

		Attributable to owners of the parent company												
										Retained earnings				
Descriptions	**Notes**	**Capital stock**	**Additional paid-in capital**	**Treasury stock**	**Effect of change in equity of associated companies**	**Unrealized holding gain on available-for-sale securities**	**Translation adjustment**	**Difference due to acquisition of non-controlling interests in subsidiaries**	**Other reserves**	**Appropriated**	**Unappropriated**	**Net**	**Non-controlling interests**	**Total equity**
Balance, December 31, 2014		**5,040**	**2,899**	**(3,836)**	**386**	**39**	**415**	**(508)**	**49**	**15,337**	**47,986**	**67,807**	**18,318**	**86,125**
Adjustment in relation to implementation of Statement of Financial Accounting Standards (PSAK) No. 24 Employee benefits (Revised 2013)	2ab	-	-	-	-	-	-	-	-	-	5	5	5	10
Balance, January 1, 2015, restated		**5,040**	**2,899**	**(3,836)**	**386**	**39**	**415**	**(508)**	**49**	**15,337**	**47,991**	**67,812**	**18,323**	**86,135**
Cash dividends	2w	-	-	-	-	-	-	-	-	-	-	-	(699)	(699)
Comprehensive income for the period	1d,2b,2f, 2q,2u,22	-	-	-	-	1	(23)	-	-	-	3,814	3,792	1,694	5,486
Balance, March 31, 2015		**5,040**	**2,899**	**(3,836)**	**386**	**40**	**392**	**(508)**	**49**	**15,337**	**51,805**	**71,604**	**19,318**	**90,922**

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements taken as a whole.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Three Months Period Ended March 31, 2015 and 2014 (Unaudited)
(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

		Attributable to owners of the parent company												
										Retained earnings				
Descriptions	**Notes**	**Capital stock**	**Additional paid-in capital**	**Treasury stock**	**Effect of change in equity of associated companies**	**Unrealized holding gain on available-for-sale securities**	**Translation adjustment**	**Difference due to acquisition of non-controlling interest in subsidiaries**	**Other reserves**	**Appropriated**	**Unappropriated**	**Net**	**Non-controlling interests**	**Total equity**
Balance, December 31, 2013		**5,040**	**2,323**	**(5,805)**	**386**	**38**	**391**	**(508)**	**49**	**15,337**	**43,291**	**60,542**	**16,882**	**77,424**
Adjustment in relation to implementation of Statement of Financial Accounting Standards (PSAK) No. 24 Employee benefits (Revised 2013)	2ab	-	-	-	-	-	-	-	-	-	(658)	(658)	50	(608)
Balance, January 1, 2014, restated		**5,040**	**2,323**	**(5,805)**	**386**	**38**	**391**	**(508)**	**49**	**15,337**	**42,633**	**59,884**	**16,932**	**76,816**
Paid in capital for associated companies		-	-	-	-	-	-	-	-	-	-	-	17	17
Cash dividends	2w	-	-	-	-	-	-	-	-	-	-	-	(21)	(21)
Comprehensive income (loss) for the period	1d,2b,2f, 2q,2u,22	-	-	-	-	4	(86)	-	-	-	3,585	3,503	1,540	5,043
Balance, March 31, 2014		**5,040**	**2,323**	**(5,805)**	**386**	**42**	**305**	**(508)**	**49**	**15,337**	**46,218**	**63,387**	**18,468**	**81,855**

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
For the three months period ended March 31, 2015 and 2014 (Unaudited)
(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from:			
Customers		20,240	19,001
Other operators		1,521	769
Total cash receipts from revenues		21,761	19,770
Interest income received		307	305
Other cash receipts - net		114	160
Cash payments for expenses		(8,137)	(8,487)
Cash payments to employees		(2,500)	(2,087)
Payments for corporate and final income taxes		(1,726)	(1,471)
Payments for interest costs		(469)	(397)
Payments for value added taxes - net		(77)	(42)
Net cash provided by operating activities		**9,273**	**7,751**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	11	223	1
Increase in advances and other assets		85	167
Proceeds from insurance claims	11	24	12
Acquisition of property and equipment	11	(5,331)	(5,148)
Increase in advances for purchases of property and equipment		(425)	16
Acquisition of intangible assets	13	(326)	(157)
Proceeds from (placements in) time deposits	5	(236)	4,219
Increase of long-term investments	10	(2)	-
Net cash used in investing activities		**5,988**	**(890)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term bank loans	17	292	347
Proceeds from bank loans	21	204	867
Proceeds from medium term notes	20	120	-
Proceeds from promissory notes	20	-	21
Capital contribution of non-controlling interests in susidiaries		-	17
Cash dividends paid to non-controlling interests of subsidiaries		(699)	(21)
Repayments of two-step and bank loans	19,21	(537)	(1,206)
Repayments of short-term bank loans	17	(165)	(302)
Payments of obligations under finance leases	11	(145)	(197)
Repayments of promissory notes	20	(19)	(56)
Net cash used in financing activities		**(949)**	**(530)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,336**	**6,331**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**274**	**(327)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**17,672**	**14,696**
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**20,282**	**20,700**

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 23).

The Company was established based on notarial deed No. 128 dated September 24, 1991 of Imas Fatimah, S.H. Its deed of establishment was approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C2-6870.HT.01.01.Th.1991 dated November 19, 1991 and was published in State Gazette No. 5 dated January 17, 1992, Supplement No. 210. The Articles of Association has been amended several times, the latest amendment of which was about, among others, the change of capital structure through the Company's 5-for-1 stock split whereby each share with par value of Rp250 would be split into Rp50 per share, and the Partnership and Community Development Programme (PKBL) was excluded from the Work Plan and Company Budgets, based on notarial deed No. 11 dated May 8, 2013 of Ashoya Ratam, S.H., MKn. The latest amendment was accepted and approved by the Ministry of Law and Human Rights of the Republic of Indonesia ("MoLHR") in its Letter No. AHU-AH.01.10-22500 dated June 7, 2013 and was published in State Gazette of the Republic of Indonesia No. 26 dated April 1, 2014, Supplement of the Republic of Indonesia No. 2990/L.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities are to provide telecommunication network and services and informatics, and to optimize the Company's resources in accordance with prevailing regulations. To achieve this objective, the Company is involved in the following activities:

a. Main business:
   i. Planning, building, providing, developing, operating, marketing/selling/leasing, and maintaining telecommunications and information networks in a broad sense in accordance with prevailing regulations.
   ii. Planning, developing, providing, marketing/selling, and improving telecommunications and information services in a broad sense in accordance with prevailing regulations.

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, and repairs and maintenance facilities.

The Company's head office is located at Jalan Japati No. 1, Bandung, West Java.

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, 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").

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

a. Establishment and general information (continued)

The reports comprise information such as network development progress, service quality standard achievement, total customers, license payment and universal service contribution, while for internet telephone services for public purpose, Internet Interconnection Service, and Internet Access Service, there are additional informations required such as operational performance, customer segmentation, traffic, and gross revenue.

Details of these licenses are as follows:

License	License No.	Type of services	Grant date/latest renewal date
License to operate local fixed line and basic telephone services network	381/KEP/ M.KOMINFO/ 10/2010	Local fixed line and basic telephone services network	October 28, 2010
License to operate fixed domestic long distance and basic telephone services network	382/KEP/ M.KOMINFO/ 10/2010	Fixed domestic long distance and basic telephone services network	October 28, 2010
License to operate fixed international and basic telephone services network	383/KEP/ M.KOMINFO/ 10/2010	Fixed international and basic telephone services network	October 28, 2010
License to operate fixed closed network	398/KEP/ M.KOMINFO/ 11/2010	Fixed closed network	November 12, 2010
License to operate internet telephone services for public purpose	384/KEP/DJPT/ M.KOMINFO/ 11/2010	Internet telephone services for public purposes	November 29, 2010
License to operate as internet service provider	83/KEP/DJPPI/ KOMINFO/ 4/2011	Internet service provider	April 7, 2011
License to operate data communication system services	169/KEP/DJPPI/ KOMINFO/ 6/2011	Data communication system services	June 6, 2011
License to operate packet switched based local fixed line network	331/KEP/ M.KOMINFO/ 07/2011	Packet switched based local fixed line network	July 27, 2011
License to operate network access point	331/KEP/ M.KOMINFO/ 09/2013	Internet connection services	September 24, 2013

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

b. Company's Board of Commissioners, Board of Directors, Audit Committee, Corporate Secretary and employees

1. Boards of Commissioners and Directors

Based on resolutions made at the Extraordinary General Meeting ("EGM") as covered by notarial deed No. 35 of Ashoya Ratam, S.H., MKn., dated on December 19, 2014, the composition of the Company's Boards of Commissioners and Directors as of March 31, 2015 and December 31, 2014, respectively, were as follows:

	March 31, 2015	December 31, 2014
President Commissioner	Hendri Saparini	Hendri Saparini
Commissioner	Dolfie Othiel Fredric Palit	Dolfie Othiel Fredric Palit
Commissioner	Hadiyanto	Hadiyanto
Commissioner	Imam Apriyanto Putro	Imam Apriyanto Putro
Independent Commissioner	Virano Gazi Nasution	Virano Gazi Nasution
Independent Commissioner	Parikesit Suprapto	Parikesit Suprapto
Independent Commissioner	Johnny Swandi Sjam	Johnny Swandi Sjam
President Director	Alex Janangkih Sinaga	Alex Janangkih Sinaga
Director of Finance	Heri Sunaryadi	Heri Sunaryadi
Director of Innovation and Strategic Portfolio	Indra Utoyo	Indra Utoyo
Director of Enterprise and Business Service	Muhammad Awaluddin	Muhammad Awaluddin
Director of Wholesale and International Services	Honesti Basyir	Honesti Basyir
Director of Human Capital Management	Herdy Rosadi Harman	Herdy Rosadi Harman
Director of Network, Information Technology and Solution	Abdus Somad Arief	Abdus Somad Arief
Director of Consumer Services	Dian Rachmawan	Dian Rachmawan

2. Audit Committee and Corporate Secretary

The composition of the Company's Audit Committee and the Corporate Secretary as of March 31, 2015 and 2014, were as follows:

	March 31, 2015	December 31, 2014
Chair	Johnny Swandi Sjam	Johnny Swandi Sjam
Secretary	Tjatur Purwadi	Tjatur Purwadi
Member	Parikesit Suprapto	Parikesit Suprapto
Member	Agus Yulianto	Agus Yulianto
Member	Virano Gazi Nasution	Virano Gazi Nasution
Corporate Secretary	Andi Setiawan	Honesti Basyir

1. GENERAL (continued)

b. Company's Board of Commissioners, Board of Directors, Audit Committee, Corporate Secretary and employees

3. Employees

As of March 31, 2015 and December 31, 2014, the Group had 25,190 employees and 25,284 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 100%-owned by the Government. On November 14, 1995, 933,333,000 new Series B shares and 233,334,000 Series B shares owned by the Government were offered to the public through an IPO and listed on the Indonesia Stock Exchange ("IDX") and 700,000,000 Series B shares owned by the Government were offered to the public and listed on the New York Stock Exchange ("NYSE") and the London Stock Exchange ("LSE"), in the form of American Depositary Shares ("ADS"). There were 35,000,000 ADS and each ADS represented 20 Series B shares at that time.

In December 1996, the Government had a block sale of its 388,000,000 Series B shares, and in 1997, distributed 2,670,300 Series B shares as incentive to the Company's stockholders who did not sell their shares within one year from the date of the IPO. In May 1999, the Government further sold 898,000,000 Series B shares.

To comply with Law No. 1/1995 on Limited Liability Companies, at the AGM of Stockholders of the Company on April 16, 1999, the Company's stockholders resolved to increase the Company's issued share capital by the distribution of 746,666,640 bonus shares through the capitalization of certain additional paid-in capital, which were made to the Company's stockholders in August 1999. On August 16, 2007, Law No. 1/1995 on Limited Liability Companies was amended by the issuance of Law No. 40/2007 on Limited Liability Companies which became effective on the same date. Law No. 40/2007 has no effect on the public offering of shares of the Company. The Company has complied with Law No. 40/2007.

In December 2001, the Government had another block sale of 1,200,000,000 shares or 11.9% of the total outstanding Series B shares. In July 2002, the Government further sold a block of 312,000,000 shares or 3.1% of the total outstanding Series B shares.

At the AGM of Stockholders of the Company held on July 30, 2004, the minutes of which are covered by notarial deed No. 26 of A. Partomuan Pohan, S.H., LLM., 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.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Public offering of securities of the Company (continued)

During the EGM held on December 21, 2005 and the Annual General Meeting ("AGM") 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 25).

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 25).

At the AGM held on April 19, 2013 as covered by notarial deed No. 38 dated April 19, 2013 of Ashoya Ratam, S.H., MKn., the stockholders approved the changes to the Company's plan on the treasury stock acquired under phase III (Note 25).

At the AGM held on April 19, 2013, the minutes of which are covered by notarial deed No.38 of Ashoya Ratam, S.H., MKn., the stockholders approved the Company's 5-for-1stock split for Series A Dwiwarna and Series B shares. Series A Dwiwarna share with par value of Rp250 per share was split into 1 Series A Dwiwarna share with par value of Rp50 per share and 4 Series B shares with par value Rp50 per share. The stock split resulted in an increase of the Company's authorized capital stock from 1 Series A Dwiwarna and 79,999,999,999 Series B shares to 1 Series A Dwiwarna and 399,999,999,999 Series B shares, and the issued capital stock 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.

On May 16 and June 5, 2014, the Company deregistered from Tokyo Stock Exchange ("TSE") and delisted from the LSE,respectively.

As of March 31, 2015, all of the Company's Series B shares are listed on the IDX and 44,380,529 ADS shares are listed on the NYSE (Note 23).

As of March 31, 2015, the Company's outstanding bonds representing the second rupiah bonds issued on June 25, 2010 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 20a).

d. Subsidiaries

As of March 31, 2015 and December 31, 2014, the Company has consolidated the following directly or indirectly owned subsidiaries (Notes 2b and 2d):

(i) <u>Direct subsidiaries</u>:

Subsidiary/place of incorporation	Nature of business/ date of incorporation or acquisition by the Company	Date of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
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	82,937	78,187

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

(i) Direct subsidiaries:

Subsidiary/place of incorporation	Nature of business/ date of incorporation or acquisition by the Company	Date of start of commercial operations	Percentage of ownership interest March 31, 2015	Percentage of ownership interest December 31, 2014	Total assets before elimination March 31, 2015	Total assets before elimination December 31, 2014
PT Dayamitra Telekomunikasi (**"Dayamitra"**), *Jakarta, Indonesia*	Telecommunication/ May 17, 2001	1995	100	100	8,613	8,836
PT Multimedia Nusantara (**"Metra"**), *Jakarta, Indonesia*	Multimedia and network telecommunication services/May 9, 2003	1998	100	100	6,461	6,259
PT Telekomunikasi Indonesia International (**"TII"**), *Jakarta, Indonesia*	Telecommunication/ July 31, 2003	1995	100	100	4,783	4,549
PT PINS Indonesia (**"PINS"**) previously PT Pramindo Ikat Nusantara *Jakarta, Indonesia*	Telecommunication construction and services/ August 15, 2002	1995	100	100	3,393	3,129
PT Graha Sarana Duta (**"GSD"**), *Jakarta, Indonesia*	Leasing of offices and providing building management and maintenance services, civil consultant and developer/ April 25, 2001	1982	99.99	99.99	2,804	2,308
PT Telkom Akses (**"Telkom Akses"**), *Jakarta, Indonesia*	Construction, service and trade in the field of telecommunication/ November 26, 2012	2013	100	100	2,525	2,089
PT Patra Telekomunikasi Indonesia (**"Patrakom"**) *Jakarta, Indonesia*	Telecomunication- provides satellite communication system, services and facilities/ September 28, 1995	1996	100	100	407	345
PT Infrastruktur Telekomunikasi Indonesia **("Telkom Infratel")** *Jakarta, Indonesia*	Construction, service and trade in the field of telecommunication/ January 16, 2014	2014	100	100	581	331
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

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

(ii) Indirect subsidiaries:

Subsidiary/place of incorporation	Nature of business/ date of incorporation or acquisition by the Company	Date of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
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	2,388	2,515
PT Infomedia Nusantara (**"Infomedia"**), *Jakarta, Indonesia*	Data and information service - provides telecommunication information services and other information services in the form of print and electronic media and call center services/ September 22,1999	1984	100	100	1,435	1,354
Telekomunikasi Indonesia International Pte. Ltd., *Singapore*	Telecommunication/ December 6, 2007	2008	100	100	1,105	1,058
PT Telkom Landmark Tower (**"TLT"**), *Jakarta, Indonesia*	Service for property development and management/ February 1, 2012	2012	55	55	913	828
Telekomunikasi Indonesia International (**"TL"**) S.A., *Timor Leste*	Telecommunication/ September 11, 2012	2012	100	100	828	832
PT Metra Digital Media (**"MD Media"**), *Jakarta, Indonesia*	Directory information services/ January 22, 2013	2013	99.99	99.99	723	723
Telekomunikasi Indonesia International Ltd., *Hong Kong*	Telecommunication/ December 8, 2010	2010	100	100	253	242
PT Finnet Indonesia (**"Finnet"**), *Jakarta, Indonesia*	Information Technology services/ October 31, 2005	2006	60	60	216	208
Telekomunikasi Indonesia Internasional Pty Ltd. **("Telkom Australia")** *Australia*	Telecomunication/ January 9, 2013	2013	100	100	190	190
PT Nusantara Sukses Investasi (**"NSI"**) *Jakarta, Indonesia*	Trade and service / September 1, 2014	2014	99.99	99.99	165	115
PT Administrasi Medika (**"Ad Medika"**), *Jakarta, Indonesia*	Health insurance administration services/ February 25, 2010	2002	75	75	136	136

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Subsidiaries (continued)

(ii) <u>Indirect subsidiaries:</u> **(continued)**

Subsidiary/place of incorporation	Nature of business/ date of incorporation or acquisition by the Company	Date of start of commercial operations	Percentage of ownership interest March 31, 2015	Percentage of ownership interest December 31, 2014	Total assets before elimination March 31, 2015	Total assets before elimination December 31, 2014
PT Graha Yasa Selaras (**"GYS"**) *Jakarta, Indonesia*	Tourism service/ April 27, 2012	2012	51	51	103	88
PT Metra Plasa (**"Metra Plasa"**), *Jakarta, Indonesia*	Network & e-commerce services/ April 9, 2012	2012	60	60	65	88
PT Metra-Net (**"Metranet"**), *Jakarta, Indonesia*	Multimedia portal service/April 17, 2009	2009	99.99	99.99	45	42
PT Pojok Celebes Mandiri (**"PCM"**) *Jakarta, Indonesia*	Tour agent/bureau services/ August 16, 2013	2008	51	51	10	13
PT Satelit Multimedia Indonesia (**"SMI"**) *Jakarta, Indonesia*	Satellite services/ March 25, 2013	2013	99.99	99.99	9	7
Telekomunikasi Indonesia International (**"Telkom USA"**) Inc. *USA*	Telecommunication/ December 11, 2013	2014	100	100	2	1
PT Metra Digital Investama (**"MDI"**) previously PT Metra Media *Jakarta, Indonesia*	Trade service, information & technology multimedia, entertainment & investment/ January 8, 2013	2013	99.99	99.99	1	0
PT Metra TV (**"Metra TV"**) *Jakarta, Indonesia*	Pay TV services/ January 8, 2013	2013	99.83	99.83	-	-
PT Nusantara Sukses Sarana (**"NSS"**) *Jakarta, Indonesia*	Hotel and building management services, etc/ September 1, 2014	-	99,99	99.99	-	-
PT Nusantara Sukses Realti (**"NSR"**) *Jakarta, Indonesia*	Trade and service / September 1, 2014	-	99,99	99.99	-	-

1. GENERAL (continued)

d. Subsidiaries (continued)

(a) Metra

On June 5, 2014, based on the Circular Resolution of the Stockholders as covered by notarial deed No. 18 of N.M. Dipo Nusantara Pua Upa, S.H., M.Kn., which was approved by the MoLHR through its Letter No. AHU-03769.40.20.2014 dated June 10, 2014, PT Metra Media's stockholders approved the change of name from PT Metra Media to PT Metra Digital Investama ("MDI").

On December 12, 2014, based on the Circular Resolution of the Stockholders of Metra as covered by notarial deed No. 24 dated December 12, 2014 of N.M. Dipo Nusantara Pua Upa, S.H., M.Kn., which has been approved by the MoLHR through its Letter No. AHU-09792.40.21.2014 dated December 17, 2014, Metra's stockholders approved an increase in its authorized capital to 350,000,000 shares, amounting to Rp3.5 trillion which was taken proportionately by each of the shareholders and approved an increase in its issued and paid capital to 273,307,349 shares amounting to Rp2.7 trillion.

(b) Sigma

Sigma has amended its Articles of Association several times, the latest amandment of which was notarized by deed No. 02 dated December 4, 2014 of Utiek Rochmuljati Abdurachman, SH., MLI., Mkn., regarding the changes in the authorized capital, stock and the issued and fully paid capital stock. The latest amandment of the Articles of Association was approved by MoLHR through its Letter No. AHU-12707.40.20.2014 dated December 11, 2014.

(c) Dayamitra

On October 9, 2014, the Company signed a Conditional Shares Exchange Agreement with PT Tower Bersama Infrastructure Tbk. ("TBI") to exchange its 49% ownership in Dayamitra for 5.7% ownership in TBI. In addition, there is an option to exchange the Company's remaining 51% ownership in Dayamitra within 2 years that will increase the Company's ownership up to 13.7% in TBI. The completion of the agreement is subject to various approval including that of the stockholders of Dayamitra and TBI. As of date of approval and authorization for the issuance of the consolidated financial statement, the transaction is still in progress.

1. GENERAL (continued)

d. Subsidiaries (continued)

(d) Telkom Infratel

On January 16, 2014 the Company established a wholly owned subsidiary under the name PT Telkom Infrastruktur Telekomunikasi Indonesia which was approved by the MoLHR through its Decision Letter No. AHU-03196.AH.01.01.2014 dated January 23, 2014. Telkom Infratel is engaged in providing construction, service and trade in the field of telecommunication.

(e) GSD

On August 27, 2014, based on notarial deed No. 21 dated August 27, 2014 of Zulkifli Harahap, S.H., which was approved by the MoLHR in its Letter No. AHU-22722.40.10.2014 dated September 1, 2014, GSD established a subsidiary, PT Nusantara Sukses Sarana with 99.99% ownership. NSS is engaged in building and hotel services management and other services. As of the date of approval and authorization for the issuance of the consolidated financial statements, NSS has not commenced operational activities.

On August 27, 2014, based on notarial deed No. 22 dated August 27, 2014 of Zulkifli Harahap, S.H., which was approved by the MoLHR in its Letter No. AHU-22723.40.10.2014 dated September 1, 2014, GSD established a subsidiary, PT Nusantara Sukses Realti with 99.99% ownership. NSR is engaged in service and trading. As of the date of approval and authorization for the issuance of the consolidated financial statements, NSR has not commenced operational activities.

On August 27, 2014, based on notarial deed No. 23 dated August 27, 2014 of Zulkifli Harahap, S.H., which was approved by the MoLHR in its Letter No. AHU-22724.40.10.2014 dated September 1, 2014, GSD established a subsidiary, PT Nusantara Sukses Investasi with 99.99% ownership. NSI is engaged in service and trading.

e. Authorization for the issuance of the consolidated financial statements

The consolidated financial statements were prepared and approved for issuance by the Board of Directors on April 28, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and subsidiaries (collectively referred to as "the Group") has been prepared in accordance with Financial Accounting Standards ("Standar Akuntansi Keuangan" or "SAK") including Indonesian 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 Financial Accounting Standard Board of Indonesian Institute of Accountants and Regulation No. VIII.G.7 of the Capital Market and Financial Institution Supervisory Agency ("Bapepam-LK") regarding the Presentation and Disclosures 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.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is retrospective application of an accounting policy, a retrospective statement, or a reclassification of items in the financial statements. An additional statement of financial position as of Januari 1, 2014, is presented in these consolidated financial statements due to the retrospective application of PSAK 24, Employee Benefits (Revised 2013) and PSAK 50, Financial Instruments: Presentation (Revised 2014) (Note 2ab).

Changes to PSAKs and ISAKs

On January 1, 2015, the Group adopted new and revised PSAKs, which were effective in 2015. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective standards and interpretations.

- PSAK 1 (2013), "Presentation of Financial Statements"

  The revised standard requires the entity to change the title of the "Statement of Comprehensive Income" to the "Statement of Profit or Loss and Other Comprehensive Income". Furthermore, the entity is required to present the other comprehensive income based on the following categories:

  i. Items that will never be classified to profit or loss
  ii. Items that can be reclassified subsequently to profit or loss when certain conditions are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of preparation of financial statements (continued)

Effective beginning on or after January 1, 2015 (continued)

- PSAK 24 (2013), "Employee Benefits".

  The revised standard, changes, among other things, the accounting for defined benefit plans. Some of the key changes that impacted the Group include the following:
  - Recognition of actuarial gain (losses) directly to other comprehensive income.
  - All past service costs are recognized at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognized. As a result, unvested past service costs can no longer be deffered and recognized over the future vesting period.
  - The interest cost and expected return on plan assets used in the previous version of PSAK 24 are replaced with a net interest amount, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.

- PSAK 50 (2014), "Financial Instrument: Presentation".

  The revised standard clarifies additional criterias to have a legally enforceable right to offset the amount of financial assets and liabilities, as follows:
  i. The right of set-off must not be contingent on a future event; and
  ii. 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.

- PSAK 67, "Disclosure of Interest in Other Entities".

  The revised standard requires, for each joint venture and the associates that is material to the reporting entity, the reporting entity shall disclose the financial summary of the joint venture and associate. The financial summary represents the amount presented in the financial statements of those joint venture or associate using the equity method:
  i. The amounts included in the financial statements of the joint venture or associate shall be adjusted to reflect adjustments made by the entity when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.
  ii. The entity shall provide a reconciliation of the summarized financial information presented to the carrying amount of its interest in the joint venture or associate.

The application of standards, new/revised interpretations and revocation of the following standards have no significant implicatian to consolidated financial statements:
- PSAK 4 (2013),"Separate Financial Statements"
- PSAK 15 (2013)," Investments in Associates and Joint Ventures"
- PSAK 46 (2014), "Income Tax"
- PSAK 48 (2014)," Asset Impairment"
- PSAK 55 (2014)," Financial Instrument: Measurement and Recognition"
- PSAK 60 (2014)," Financial Instrument: Disclosure"
- PSAK 65," Consolidated Financial Statements"
- PSAK 66," Joint Arrangements"
- PSAK 68," Fair Value Measurement"
- ISAK 26 (2014)," Revaluation of Embedded Derivatives"

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 statements of comprehensive income 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 regarding the Presentations and Disclosures of Financial Statements of Issuers or Public companies, enclosed in the decision letter No.KEP-347/BL/2012, a government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. Government in this context is the Minister of Finance or the Local Government, as the shareholder of the entity. Formerly, the Group in its disclosure applied the definition of related party used based on PSAK 7 "Related Party".

Key management personnel are identified as the persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group. The related-party status extends to the key management of the subsidiaries to the extent they direct the operations of subsidiaries with minimal involvement from the Company's management.

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.

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. Since the restructuring transaction between entities under common control does not result in a change of the economic substance of the ownership of assets, liabilities, shares or other instruments of ownership, which are exchanged, assets or liabilities transferred are recorded at book value using the pooling-of-interests method. In applying the pooling-of-interests method, the components of the financial statements for the period during which the restructuring occurred must be presented in such a manner as if the restructuring has occurred since the beginning of the earliest period presented. The excess of consideration paid or received over the carrying value of interest acquired, net of income tax, is directly recognized to equity and presented as "Additional Paid-in Capital" under the equity section of the consolidated statement of financial position.

At the initial application of PSAK 38 (Revised 2012), all balances of the Difference In Value of restructuring Transactions of Entities under Common Control was reclassified to "Additional Paid-in Capital" in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and in banks and all unrestricted time deposits with an original maturity of three months or less at the time of placement.

Time deposits with maturities of more than three months but not more than one year are presented as part of “Other Current Financial Assets” in the consolidated statement of financial position.

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 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 it share of the change in the consolidated statements of changes in equity. Unrealized gain and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group determines at each reporting date whether there is any objective evidence that the investments in associated companies are impaired. If there is, the Group calculates and recognizes the amount of impairment as the difference between the recoverable amount of the investments in the associated companies and their carrying value.

These assets are included in “Long-term Investments” in the consolidated statements of financial position.

The functional currency of PT Citra Sari Makmur (“CSM”) is the United States dollar (“U.S. dollars”), and Telin Malaysia is the Malaysian ringgit (“MYR”). For the purpose of reporting these investments using the equity method, the assets and liabilities of these companies as of the statement of financial position date are translated into Indonesian rupiah using the rate of exchange prevailing at that date, while revenues and expenses are translated into Indonesian rupiah at the average rates of exchange for the year. The resulting translation adjustments are reported as part of “translation adjustment” in the equity section of the consolidated statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, Removable User Identity Module ("RUIM") cards, handsets, set top boxes, wireless broadband modems, and blank prepaid vouchers, which are expensed upon sale.

The costs of inventories comprise of the purchase price, import duties, other taxes, transport, handling, and other costs directly attributable to their acquisition. Inventories are recognized at the lower of cost and net realizable value. Net realizable value is the estimate of selling price less the costs to sell.

Cost is determined using the weighted average method.

The amounts of any write-down of inventories below cost to net realizable value and all losses of inventories are recognized as expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of general and administrative expenses in the year in which the reversal occurs.

Provision for obsolescence is primarily based on the estimated forecast of future usage of these items.

i. Prepaid expenses

Prepaid expenses are amortized over their future beneficial periods using the straight-line method.

j. Assets held for sale

Assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Assets that meet the criteria to be classified as held for sale are reclassified from property and equipment and depreciation on such assets is ceased.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Intangible assets

Intangible assets mainly consist of software and license. Intangible assets are recognized if it is 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, if any. Intangible assets are amortized over their useful lives. The Group estimates the recoverable value of its intangible assets. When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount.

Intangible assets are amortized using the straight-line method, based on the estimated useful lives of the assets as follows:

	Years
Software	3-6
License	3-20
Other intangible assets	1-30

Intangible assets are derecognized 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 Statement of profit or loss and other comprehensive income.

l. Property and equipment

Property and equipment directly acquired are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property and equipment includes: (a) purchase price, (b) any costs directly attributable to bringing the asset to its location and condition, and (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Property and equipment, except landrights, are depreciated using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
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 telecommunications peripherals	5
Office equipment	2-5
Vehicles	4-8
Asset Customer Premise Equipment (“CPE”)	10
Other equipment	2-5

Significant expenditures related to leasehold improvements are capitalized and depreciated over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Property and equipment (continued)

The depreciation method, useful life and residual value of an asset are reviewed at least at each financial year end and adjusted, if appropriate. The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life.

Property and equipment acquired in exchange for a non-monetary asset or for a combination of monetary and non-monetary assets are measured at fair value unless (i) the exchange transaction lacks commercial substance; or (ii) the fair value of neither the asset received nor the asset given up is reliably measurable.

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 Statement of profit or loss and other comprehensive income.

Certain computer hardware can not be used without the availability of certain computer software. In such circumstance, the computer software is recorded as part of the computer hardware. If the computer software is independent from its computer hardware, it is recorded as part of intangible assets.

The cost of maintenance and repairs is charged to the consolidated Statement of profit or loss and other comprehensive income as incurred. Significant renewals and betterments are capitalized.

Property under construction is stated at cost until 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 forms 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 statement 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 term, the leased assets are fully depreciated over the shorter of the lease term 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 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 payment is due within one year or less (or in the normal operating cycle of the business, if this period is longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

p. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated Statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on obtaining loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facilities to which it relates.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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., Singapore, and Telekomunikasi Indonesia International S.A., Timor Leste whose accounting records are maintained in U.S. dollars and Telekomunikasi Indonesia International, Pty.Ltd., Australia whose accounting records is maintained in Australian dollars. Transactions in foreign currencies are translated into Indonesian rupiah at the rates of exchange prevailing at transaction date. At the consolidated statement of financial position date, 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 statement of financial position date, as follows:

	March 31, 2015		December 31, 2014	
	Buy	Sell	Buy	Sell
U.S. dollar (“US$”) 1	13,070	13,078	12,380	12,390
Australian dollar (“AU$”) 1	9,925	9,937	10,143	10,155
Euro 1	14,011	14,025	15,044	15,059
Yen 1	108.76	108.87	103.53	103.64

The resulting foreign exchange gains or losses, realized and unrealized, are credited or charged to the consolidated Statement 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. Fixed line telephone revenues

Revenues from fixed line installations including incremental costs, are deferred and recognized as revenue and costs 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 expected term of the customer relationships in 2015 and 2014 to be 18 years. Revenues from usage charges are recognized as customers incur the charges. Monthly subscription charges are recognized as revenues when incurred by subscribers.

ii. Cellular and fixed wireless telephone revenues

Revenues from postpaid service, which consist of usage and monthly charges, are recognized as follows:

- Airtime and charges for value added services are recognized based on usage by subscribers.
- Monthly subscription charges are recognized as revenues when incurred by subscribers.

Revenues from prepaid service, which consist of the sale of starter packs (also known as SIM cards in the case of cellular or RUIM cards in the case of fixed wireless telephone and start-up load vouchers) and pulse reload vouchers (either bundled in starter packs or sold as separate items), are recognized initially as unearned income and recognized proportionately as revenue based on duration and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

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 telecommunications service revenues

Revenues from other telecommunications services consist of Revenue-Sharing Arrangements ("RSA") and sales of other telecommunication services or goods.

The RSA are recorded in a manner similar to capital leases where the property and equipment and obligation under RSA are reflected in the consolidated statements of financial position. All revenues generated from the RSA are recorded as a component of revenues, while a portion of the investors' share of the revenues from the RSA is recorded as finance costs, with the balance treated as a reduction of the obligation under RSA.

Universal Service Obligation ("USO") compensation from construction activities is recognized on a stage-of-completion basis. Revenues from operating and maintenance activities in respect of assets under the concession are recognized when the services are rendered.

In concession contracts under USO, the Group recognizes a financial asset to the extent that it has a contractual right to receive cash or other financial assets from the Government for the construction services, where the Government has little, if any, discretion to avoid payment. The Group recognizes an intangible asset to the extent that it receives a license to charge users of the public service.

Revenues from sales of other telecommunication services or goods are recognized upon completion of services and/or delivery of goods to customers.

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 agents 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 monthly usage for postpaid service or reload vouchers for prepaid services. The points will be accumulated during a certain period and can be redeemed in the future for free or discounted products, provided other qualifying conditions are achieved.

ix. Customer loyalty programme (continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The net obligations in respect of the defined pension benefit plans and post-retirement health care benefit plan 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 that are held by the pension and post-retirement health care benefit plans. These assets are measured at fair value at the end of the reporting period.

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 and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability) 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 classified to profit or loss in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Employee benefits (continued)

ii. Post-employment benefit plans and other long-term employee benefits (continued)

Past service costs are recognized immediately in profit or loss on the earlier of:
- The date of plan amendment or curtailment; and
- The date that the Group recognized restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or assets.

Gain or losses on curtailment are recognized when there is a commitment to make a material reduction in the number of employees covered by a plan or when there is an amendment of defined benefit plan terms such as that a material element of future services to be provided by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

Gain or losses on settlement are recognized when there is a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

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 comprehensive income and credited to additional paid-in capital at the grant date.

iv. Early retirement benefits

Early retirement benefits are accrued at the time the Company and subsidiaries makes a commitment to provide early retirement benefits as a result of an offer made in order to encourage voluntary redundancy. A commitment to a termination arises when, and only when a detailed formal plan for the early retirement cannot be withdrawn.

t. Income tax

Current and deferred income taxes are recognized as income or an expense and included in the consolidated Statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Income tax (continued)

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 profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are offset in the consolidated statement 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 tax 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.

u. Financial instruments

The Group classifies financial instruments into financial assets and financial liabilities. Financial assets and liabilities are recognized initially at fair value including transaction costs. These are subsequently measured either at fair value or amortized cost using the effective interest rate method in accordance with their classification.

i. Financial assets

The Group classifies its financial assets as (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity financial assets or (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commit to purchase or sell the assets.

The Group’s financial assets include cash and cash equivalents, other current financial assets, trade receivables and other receivables and other non-current financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

i. Financial assets (continued)

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short-term profit taking. Gains or losses arising from changes in fair value of the trading securities are presented as other (expenses)/income in consolidated Statement of profit or loss and other comprehensive income in the period in which they arise. Financial asset measured at fair value through profit loss consists of derivative asset-put option which is recognized as part of “Other Current Financial Assets” in the consolidated statement of financial position.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables consist of, among other things, cash and cash equivalents, other current financial assets (time deposits and escrow account), trade receivables, other receivables, and other non-current assets (long-term trade receivables and restricted cash).

These are initially recognized at fair value including transaction costs and subsequently measured at amortized cost, using the effective interest method.

c. Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity, other than:

a) those that the Group upon initial recognition designates as assets 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 financial assets as of March 31, 2015 and December 31, 2014.

d. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets consist of mutual funds, and corporate and government bonds, which are recorded as part of “Other Current Financial Asset” in the consolidated statements of financial position.

Available-for-sale securities are stated at fair value. Unrealized holding gains or losses on available-for-sale securities are excluded from income of the current period and are reported as a separate component in the equity section of the consolidated statements of financial position until realized. Realized gains or losses from the sale of available-for-sale securities are recognized in the consolidated statements of profit or loss and other comprehensive income, and are determined on the specific identification basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

ii. Financial liabilities

The Group classifies their 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 payables, other payables, accrued expenses, loans and other borrowings, and other liabilities. Loans and other borrowings consist of short-term bank loans, two step loans, bonds and long-term notes, and bank loans and obligations under capital lease.

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 them 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 March 31, 2015 and 2014.

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 payables, other payables, accrued expenses, loans and other borrowing, and other liabilities. Loans and other borrowings consist of short-term bank loans, two-step loans, bonds and notes, long-term bank loans and obligation under finance leases.

iii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

a. the normal course of business;
b. the event of default; and
c. the event of insolvency or bankruptcy of the Group and all of the counterparties.

iv. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, in an arms' length transaction.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 44.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

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 asset. Impairment is recognized when the loss event can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognized.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss.

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 expired.

v. Treasury stock

Reacquired Company shares of stock are accounted for at their reacquisition cost and classified as "Treasury Stock" and presented as a deduction to equity. The cost of treasury stock sold/transferred is accounted for using the weighted average method. The portion of treasury stock transferred for employees ownership program is accounted for at its fair value at grand date. The difference between the cost and the proceeds from the sale/transfer value of treasury stock is credited to "Additional Paid-in Capital".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Dividends

Dividend for distribution to the stockholders is recognized as a liability in the consolidated financial statements in the year in which the dividend is approved by the stockholders. The interim dividend as a liability based on the Board of Directors' decision supported by the approval from the Board of Commissioners.

x. Basic earnings per share and earnings per ADS

Basic earnings pershare 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 basic earnings per share by 200, the number of shares represented by each ADS.

The Company does not have potentially dilutive financial investments.

y. Segment information

The Group's segment information is presented based upon identified operating segments. An operating segment is a component of an entity: a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); b) whose operating results are regularly reviewed by the Group's chief operating decision maker i.e., the Directors, to make decisions about resources to be allocated to the segment and assess its performance, and c) for which discrete financial information is available.

z. Provision

Provision is recognized when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

aa. Impairment of non-financial assets

The Group assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the Cash-Generating Unit ("CGU") to which the asset belongs ("the asset's CGU").

The recoverable amount of an asset (either individual asset or CGU) is the higher of the asset's fair value less costs to sell and its value in use. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, the Group uses an appropriate valuation model to determine the fair value of the asset. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss under "Depreciation and Amortization" in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa. Impairment of non-financial assets

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses for an asset, other than goodwill, may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset, other than goodwill, is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment been recognized for the asset in prior periods. Reversal of an impairment loss is recognized in profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment loss relating to goodwill cannot be reversed in future periods.

ab. Changes in accounting policies and disclosures (continued)

Implementation of Offsetting Financial Assets and Financial Liabilities (PSAK 50)

The Group applied *Offsetting Financial Assets and Financial Liabilities (PSAK 50)* retrospectively in the current period in accordance with the transitional provisions set out in the amendments. The comparative balances are accordingly restated.

These amendments clarify, among others things, that the right to set off must not only be legally enforceable in the normal course of business, but must also be enforceable in the events of default, bankruptcy or insolvency of all of the counterparties to contracts, including the Group itself.

The Group re-assessed its contracts that include an enforceable right to set off in the normal course of business and the prevailing laws and regulations, and concluded that the right to set off would not remain and be exercisable in the event of default, insolvency or bankruptcy. Accordingly, the set-off criterion is not met and the financial asset and liability should not be offset, and the gross amount is presented in the consolidated statement of financial position.

As a result of the amendments, the comparative figures in the consolidated statements of financial position have been restated as follows:

	Before restatement	Restatement	After restatement
Consolidated statement of financial position as of January 1, 2014			
Trade receivables	6,026	597	6,623
Trade payables	11.600	597	12,197

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. Changes in accounting policies and disclosures (continued)

As a result of the amendments, the comparative figures in the consolidated statements of financial position have been restated as follows:

	Before restatement	Restatement	After restatement
Consolidated statement of financial position as of December 31, 2014			
Trade receivables	6,465	532	6,997
Trade payables	11.830	532	12,362

The implementation of *PSAK 50 (2014)*, did not have impact on the consolidated statements of comprehensive income, changes in equity and cash flows.

Implementation of PSAK 24, Employee Benefits (Revised 2013)

The Group applied PSAK 24 (Revised 2013) retrospectively at the current period in accordance with the requirements of the revised standard. Therefore, the statement of the financial position as at the beginning of the earliest comparative period (January 1, 2014) and the related comparative items have been restated.

As a result of the changes, the comparative figures in the consolidated financial statements have been restated as follows:

	Before restatement	Restatement	After restatement
Consolidated statement of financial position as of January 1, 2014			
Prepaid pension benefit costs	927	22	949
Deferred tax assets – net	82	(15)	67
Deferred tax payable – net	3,004	(96)	2,908
Post-retirement health care benefit Costs provisions	752	241	993
Retirement benefits obligation and Other post-retirement benefits	2,795	470	3,265
Retained earnings Unappropriated	43,291	(658)	42,633
Net equity attributable to owners of The parent company – net	60,542	(658)	59,884
Non-controlling interests	16,882	50	16,932

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. Changes in accounting policies and disclosures

Implementation of PSAK 24, Employee Benefits (Revised 2013)

	Before restatement	Restatement	After restatement
Consolidated statement of financial position as of December 31, 2014			
Prepaid pension benefit costs	771	399	1,170
Deferred tax assets – net	99	(4)	95
Deferred tax payable – net	2,743	(40)	2,703
Post-retirement health care benefit Costs provisions	602	(161)	441
Retirement benefits obligation and Other post-retirement benefits	3,092	586	3,678
Retained earnings Unappropriated	47,986	5	47,991
Net equity attributable to owners of The parent company – net	67,807	5	67,812
Non-controlling interests	18,318	5	18,323

	Before restatement	Restatement	After restatement
Consolidated statement of comprehensive income for the six months period ended March 31, 2014			
Personnel expenses	(2,242)	(62)	(2,304)
Operating profit	6,980	(62)	6,918
Profit before income tax	6,915	(62)	6,853
Income tax benefit - deferred	170	(2)	168
Net income tax expense	(1,726)	(2)	(1,728)
Profit for the year	5,189	(64)	(5,125)
Profit for the year attributable to			
Owners of the parent company	3,649	(64)	3,585
Non-controlling interests	1,540	0	1,540
Net comprehensive income for the year attributable to			
Owners of the parent company	3,567	(64)	3,503
Non-controlling interests	1,540	0	1,540
Basic and diluted earnings per share (in full amount)			
Net income per share	37.58	(0.66)	36.92
Net income per ADS	7,515.90	(131.36)	7,384.54

PSAK 24 (Revised 2013) also requires more extensive disclosures. These have been provided in Notes 34 and 36.

The implementation of PSAK 24, *Employee Benefits* (Revised 2013), have no impact on the consolidated statements of cash flows.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab. Changes in accounting policies and disclosures

The overall impact of the implementation of those revised standards in the consolidated financial statements is as follows:

	Before restatement	Restatement	After restatement
Consolidated statement of financial position as of January 1, 2014			
Total current assets	33,075	597	33,672
Total non current assets	94,876	7	94,883
Total assets	127,951	604	128,555
Total current liabilities	28,437	597	29,034
Total non current liabilities	22,090	615	22,705
Total liabilities	50,527	1,212	51,739
Total Equity	77,424	(608)	76,816
Total liabilities and equity	127,951	604	128,555

	Before restatement	Restatement	After restatement
Consolidated statement of financial position as of December 31, 2014			
Total current assets	33,762	532	34,294
Total non current assets	107,133	395	107,528
Total assets	140,895	927	141,822
Total current liabilities	31,786	532	32,318
Total non current liabilities	22,984	385	23,369
Total liabilities	54,770	917	55,687
Total Equity	86,125	10	86,135
Total liabilities and equity	140,895	927	141,822

ac. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac. Critical accounting estimates and judgements (continued)

i. Retirement benefits

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations.

The Group determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Group considers the interest rates of Government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligations.

If there is an improvement in the ratings of such Government bonds or a decrease in interest rates as a result of improving economic conditions, there could be a material impact on the discount rate used in determining the post-employment benefits obligations.

Other key assumptions for retirement benefit obligations are based in part on current market conditions. Additional information is disclosed in Notes 34, 35 and 36.

ii. Useful lives of property and equipment

The Group estimate the useful lives of their 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 review estimates of useful lives at least each financial year end and such estimates are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the assets. The amounts of recorded expenses for any year will be affected by changes in these factors and circumstances. A change in the estimated useful lives of the property and equipment is a change in accounting estimates and is applied prospectively in profit or loss in the period of the change and future periods.

Details of the nature and carrying amount of property and equipment are disclosed in Note 11.

iii. Provision for impairment of receivables

The Group assesses whether there is objective evidence that trade 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 amount of provision for impairment of receivables are disclosed in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac. Critical accounting estimates and judgments (continued)

iv. Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made. Details of the nature and carrying amount of income tax are disclosed in Note 31.

v. Impairment of non-financial assets

The Group annually assesses whether goodwill is impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on the higher of its fair value less costs to sell and its value in use, calculated on the basis of management's assumptions and estimates.

The Group determines the estimated recoverable amount based on the future cash flows projections from the continuing use of the asset and the net cash flows to be received for the disposal of an asset at the end of its useful life. Those projections are estimated for the asset in its current condition and do not include future cash flows that are expected to arise from (a) a future restructuring, to which the Group is not yet committed, and (b) improving or enhancing the asset's performance.

The assessment of recoverable amount is sensitive to the management's judgments in estimating future forecasted cash flows, as well as the selection of discount rate, and technological and economic obsolescence rate. These judgments are applied based on management's understanding of historical and current information, and expectations of the Group's future plan and performance. Further details are presented in Note 11.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

3. BUSINESS COMBINATIONS

Acquisition of Contact Centers Australia Pty. Ltd. ("CCA")

On June 14, 2014, the shareholders of CCA and Telkom Australia entered into an agreement to purchase 75% ownership in CCA amounting for AU$10,843,000 or equivalent to Rp115 billion. The acquisition was completed on September 25, 2014.

CCA is a private company based in Surry Hills, Sydney and was established in 2002. This company provides comprehensive and integrated Business Process Outsourcing solutions with other services for a complete end-to-end solution.

The fair values of the assets acquired and liabilities assumed at the acquisition date were as follows:

	Total
Cash and equivalents	5
Trade receivable	20
Other current assets	18
Property and equipment	6
Intangibles	78
Lease	4
Current liabilities	(29)
Non current liabilities	(2)
Fair value of identifiable net asset acquired	100
Fair value of non-controlling interest	(39)
Goodwill	54
Fair value of consideration transferred	**115**

The prevailing exchange rate prevailing at the time of acquisition was Rp10,655/AU$.

Since the acquisition date, CCA has generated operating revenue amounting to AU$7,018,260 (equivalent to Rp71 billion). The net cash flow to acquire control, net of cash acquired, amounting to Rp110 billion.

The business combination transactions mentioned above have complied to the related Bapepam-LK Regulations.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

	March 31, 2015	December 31, 2014
Cash on hand	56	24
Cash in banks		
Related parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk (“Bank Mandiri”)	719	611
PT Bank Negara Indonesia (Persero) Tbk (“BNI”)	437	384
PT Bank Rakyat Indonesia (Persero) Tbk (“BRI”)	215	213
Others	10	15
	1,381	1,223
Foreign currencies		
Bank Mandiri	200	230
BNI	257	332
BRI	60	104
Others	0	0
	517	666
Sub-total	1,898	1,889
Third parties		
Rupiah		
Citibank, N.A. (“Citibank”)	293	0
Others (each below Rp75 billion)	176	187
	469	187
Foreign currencies		
Standard Chartered Bank (“SCB”)	227	398
Hong Kong and Shanghai Banking Corporation Ltd (“HSBC”)	105	95
Others (each below Rp75 billion)	58	87
	390	580
Sub-total	859	767
Total cash in banks	2,757	2,656
Time deposits		
Related parties		
Rupiah		
BRI	4,220	4,443
BNI	2,425	1,285
Bank Mandiri	819	852
Others	33	26
	7,497	6,606

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS (continued)

	March 31, 2015	December 31, 2014
Time deposits (continued)		
Related parties (continued)		
Foreign currencies		
BRI	2,437	1,713
Bank Mandiri	261	248
BNI	8	8
	2,706	1,969
Sub-total	10,203	8,575
Third parties		
Rupiah		
PT Bank CIMB Niaga Tbk (“Bank CIMB Niaga”)	2,081	2,057
PT Bank Permata Tbk (“Bank Permata”)	1,800	1,350
PT Bank Mega Tbk (“Bank Mega”)	425	1,057
PT Bank UOB Indonesia (“UOB”)	200	100
PT Bank OCBC NISP Tbk (“OCBC NISP”)	100	-
PT Bank Muamalat Indonesia Tbk (“Bank Muamalat”)	83	66
PT Bank Ekonomi Raharja Tbk (“Bank Ekonomi”)	40	75
Others (each below Rp75 billion)	194	221
	4,923	4,926
Foreign currencies		
Bank Permata	276	720
OCBC NISP	1,799	448
Bank Mega	268	323
	2,343	1,491
Sub-total	7,266	6,417
Total time deposits	17,469	14,992
Grand Total	**20,282**	**17,672**

Interest rates per annum on time deposits are as follows:

	March 31, 2015	December 31, 2014
Rupiah	2.75%-10.80%	4.00%-11.50%
Foreign currencies	0.10%-3.00%	0.03%-3.00%

The related parties in which the Group places its funds are state-owned banks. The Group placed a 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 37 for details of related party transactions.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

5. OTHER CURRENT FINANCIAL ASSETS

	March 31, 2015	December 31, 2014
Time deposits		
Related parties		
Bank Mandiri	183	100
Third parties		
SCB	167	10
Total time deposits	350	110
Available-for-sale financial assets		
Related parties		
Government	131	130
State-owned enterprises	57	55
Sub-total	188	185
Third parties	72	69
Total available-for-sale financial assets	260	254
Escrow account	2,121	2,121
Others	312	312
Total	**3,043**	**2,797**

As of March 31, 2015 and December 31, 2014, time deposits denominated in foreign currency amounted to Rp350 billion and Rp110 billion, respectively.

Escrow account represents Telkomsel's account in BNI, in relation to the Conditional Business Transfer Agreement between Telkomsel and the Company (Note 41c.ii).

The time deposits have maturities of more than three months but not more than one year, with interest rates as follows:

	March 31, 2015	December 31, 2014
Foreign currencies	0.55-1.00%	0.85%-1.00%

Refer to Note 37 for details of related party transactions.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

6. 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

	March 31, 2015	December 31, 2014 (Restated)
State-owned enterprises	442	458
PT Indosat Tbk (“Indosat”)	317	195
Indonusa	288	290
CSM	58	52
Others	299	280
Total	1,404	1,275
Provision for impairment of receivables	(297)	(402)
Net	**1,107**	**873**

(ii) Third parties

	March 31, 2015	December 31, 2014 (Restated)
Individual and business subscribers	9,116	8,033
Overseas international carriers	842	785
Total	9,958	8,818
Provision for impairment of receivables	(2,944)	(2,694)
Net	**7,014**	**6,124**

b. By age

(i) Related parties

	March 31, 2015	December 31, 2014 (Restated)
Up to 6 months	873	712
7 to 12 months	124	125
More than 12 months	407	438
Total	1,404	1,275
Provision for impairment of receivables	(297)	(402)
	1,107	873

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

6. TRADE RECEIVABLES (continued)

b. By age (continued)

(ii) Third parties

	March 31, 2015	December 31, 2014 (Restated)
Up to 3 months	5,570	5,287
More than 3 months	4,388	3,531
Total	9,958	8,818
Provision for impairment of receivables	(2,944)	(2,694)
Net	**7,014**	**6,124**

(iii) Aging of total trade receivables

	March 31, 2015		December 31, 2014 (Restated)	
	Gross	**Provision for impairment of receivables**	**Gross**	**Provision for impairment of receivables**
Not past due	3,951	40	3,595	127
Past due up to 3 months	2,516	199	2,294	262
Past due more than 3 to 6 months	871	224	645	321
Past due more than 6 months	4,133	2,778	3,559	2,386
Total	**11,471**	**3,241**	**10,093**	**3,096**

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 March 31, 2015 and December 31,2014, the carrying amount of trade receivables of the Group considered past due but not impaired amounted to Rp4,319 billion and Rp3,365 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

	March 31, 2015	December 31, 2014 (Restated)
Rupiah	1,367	1,249
U.S. dollar	37	26
Total	1,404	1,275
Provision for impairment of receivables	(297)	(402)
Net	**1,107**	**873**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

6. TRADE RECEIVABLES (continued)

c. By currency (continued)

(ii) Third parties

	March 31, 2015	December 31, 2014 (Restated)
Rupiah	8,849	7,730
U.S. dollar	1,084	1,053
Australian dollar	22	31
Euro	2	3
Hong Kong dollar	1	1
Total	9,958	8,818
Provision for impairment of receivables	(2,944)	(2,694)
Net	**7,014**	**6,124**

d. Movements in the provision for impairment of receivables

	March 31, 2015	December 31, 2014 (Restated)
Beginning balance	3,096	2,872
Provision recognized during the year (Note 29)	142	784
Receivables written-off	-	(560)
Recovery of receivables	3	-
Ending balance	**3,241**	**3,096**

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 receivables.

As of March 31, 2015, certain trade receivables of the subsidiaries amounting to Rp2,503 billion have been pledged as collateral under lending agreements (Notes 17, 20 and 21).

Refer to Note 37 for details of related party transactions.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

7. INVENTORIES

	March 31, 2015	December 31, 2014
Components	303	279
SIM cards, RUIM cards, set top boxes, and blank prepaid vouchers	119	105
Others	155	133
Total	577	517
Provision for obsolescence		
Components	(13)	(15)
SIM cards, RUIM cards, set top boxes, and blank prepaid vouchers	(27)	(28)
Others	0	0
Total	(40)	(43)
Net	**537**	**474**

Movements in the provision for obsolescence are as follows:

	March 31, 2015	December 31, 2014
Beginning balance	43	22
Provision (reversal) recognized during the year	1	39
Inventory write off	(4)	(18)
Ending balance	**40**	**43**

The inventories recognized as expense and included in operations, maintenance, and telecommunication service expenses as of March 31, 2015 and December 31, 2014 amounted to Rp442 billion and Rp1,031 billion, respectively (Note 28).

Management believes that the provision is adequate to cover losses from declines in inventory value due to obsolescence.

Certain inventories of the Company's subsidiaries amounting to Rp57 billion have been pledged as collateral under lending agreements (Notes 17 and 21).

As of March 31, 2015 and December 31, 2014, modules and components held by the Group has been insured against fire, theft, and other specific risks with book value amounting to Rp229 billion and Rp237 billion, respectively. Modules are recorded as part of property and equipment. Total sum insured as of March 31, 2015 and December 31, 2014 amounted to Rp266 billion, respectively.

Management believes that the insurance coverage is adequate to cover potential losses of inventories arising from the insured risks.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

8. ADVANCES AND PREPAID EXPENSES

	March 31, 2015	December 31, 2014
Frequency license (Notes 41c.i and 41c.ii)	2,409	2,699
Prepaid rental	884	983
Advances	700	410
Salaries	602	218
Others (each below Rp75 billion)	620	423
Total	**5,215**	**4,733**

Refer to Note 37 for details of related party transactions.

9. ASSET HELD FOR SALE

This account represents the carrying amount of Telkomsel's equipment units to be exchanged with equipment units of Nokia Siemens Network Oy ("NSN Oy") and PT Huawei Tech Investment ("PT Huawei"). The amount will be used as part of the settlement for the acquisition of equipment from these companies.

As of March 31, 2015 and December 31, 2014, Telkomsel's equipment units with net carrying amount of Rp57 billion, respectively, are presented as asset held for sale in the consolidated statements of financial statements (Note 11c.vi).

Asset held for sale is presented under personal segment (Note 38).

10. LONG-TERM INVESTMENTS

	March 31, 2015					
	Percentage of ownership	Beginning balance	Addition (Deduction)	Share of net (loss) profit of associated company	Translation adjustment	Ending balance
Long-term investments in associated companies:						
Tiphone[a]	24.92	1,392	-	4	-	1,396
Indonusa[b]	20.00	221	-	-	-	221
Teltranet[c]	51.00	52	-	(0)	-	52
PT Melon Indonesia ("Melon")[d]	51.00	43	-	2	-	45
PT Integrasi Logistik Cipta Solusi ("ILCS")[e]	49.00	38	-	(3)	-	35
Telin Malaysia[f]	49.00	6	2	(4)	(0)	4
CSM[g]	25.00	-	-	-	-	-
Sub-total		1,752	2	(1)	(0)	1,753
PSN[h]	14.60	-	-	-	-	-
Other long-term investments		15	-	-	-	15
Total long-term investments		**1,767**	**2**	**(1)**	**0**	**1,768**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

10. LONG-TERM INVESTMENTS (continued)

Summarized financial information of the Group's investments accounted under the equity method for 2015:

	Tiphone	Indonusa	Teltranet	Melon	ILCS	Telin Malaysia	CSM
Statements of financial position							
Current assets	3,533	398	107	106	72	2	151
Non-current assets	633	393	0	34	20	4	899
Current liabilities	(2,650)	(454)	(4)	(50)	(19)	(2)	(1,350)
Non-current liabilities	(46)	(602)	-	(2)	(1)	-	(330)
Equity (deficit)	**1,470**	**(265)**	**103**	**88**	**72**	**4**	**(630)**
Statements of comprehensive income							
Revenues	4,664	111	-	41	7	1	43
Cost of revenues and operating expenses	(4,419)	(134)	(7)	(38)	(12)	(8)	(96)
Other (expenses) income, including finance costs – net	(93)	(14)	5	1	(0)	-	3
Profit (loss) before tax	152	(38)	(2)	4	(5)	(7)	(50)
Net income tax expense	(38)	-	-	-	-	-	0
Profit (loss) for the year	**114**	**(37)**	**(2)**	**4**	**(5)**	**(7)**	**(50)**

	December 31, 2014					
	Percentage of ownership	**Beginning balance**	**Addition (Deduction)**	**Share of net (loss) profit of associated company**	**Translation adjustment**	**Ending balance**
Long-term investments in associated companies:						
Tiphone[a]	24.92	-	1,395	(3)	-	1,392
Indonusa[b]	20.00	189	32	-	-	221
Teltranet[c]	51.00	-	52	(0)	-	52
PT Melon Indonesia ("Melon")[d]	51.00	39	-	4	-	43
PT Integrasi Logistik Cipta Solusi ("ILCS")[e]	49.00	37	-	1	-	38
Telin Malaysia[f]	49.00	18	8	(19)	(1)	6
CSM[g]	25.00	-	-	-	-	-
Sub-total		283	1,487	(17)	(1)	1,752
PSN[h]	14.60	-	-	-	-	-
Other long-term investments		21	(6)	-	-	15
Total long-term investments		**304**	**1,481**	**(17)**	**(1)**	**1,767**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

10. LONG-TERM INVESTMENTS (continued)

Summarized financial information of the Group's investments accounted under the equity method for 2014:

	Tiphone	Indonusa	Teltranet	Melon	Telin ILCS	Malaysia	CSM
Statements of financial position							
Current assets	4,469	396	104	101	86	8	157
Non-current assets	1,259	365	0	36	24	4	933
Current liabilities	(2,465)	(382)	0	(51)	(31)	(1)	(1,297)
Non-current liabilities	(275)	(605)	-	(2)	(2)	-	(317)
Equity (deficit)	**2,988**	**(226)**	**104**	**84**	**77**	**11**	**(524)**
Statements of comprehensive income							
Revenues	3,000	96	-	28	28	4	77
Cost of revenues and operating expenses	(2,923)	(85)	-	(26)	(36)	(13)	(105)
Other (expenses) income, including finance costs – net	5	(2)	-	0	1	-	(31)
Profit (loss) before tax	81	9	-	2	(6)	(11)	(59)
Net income tax expense	(20)	-	-	-	-	-	14
Profit (loss) for the year	**61**	**9**	**-**	**2**	**(6)**	**(11)**	**(45)**

[a] Tiphone was established on June 25, 2008 as PT Tiphone Mobile Indonesia Tbk. Tiphone is engaged in the telecommunication equipment business, such as for celullar 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 March 31, 2015, the fair value of the investment is Rp1,711 billion. The fair value is calculated by multiplying the number of shares by the published price quotation as of December 31, 2014 (Rp975 per share).

Reconciliation of financial information to the carrying amount of long-term investment in Tiphone is as follows:

Assets	5,728
Liabilities	(2,740)
Net assets	2,988
Group's proportionate share of net assets (24.92%)	745
Goodwill	647
Carrying amount of long-term investment	1,392

[b] Indonusa had been a subsidiary of the Company until 2013 when the Company disposed 80% of its interest in Indonusa (Note 3b). On May 14, 2014, based on the Circular Resolution of the Stockholders of Indonusa as covered by notarial deed No. 57 dated April 23, 2014 of FX Budi Santoso Isbandi, S.H., which was approved by the MoLHR in its Letter No. AHU-02078.40.20.2014 dated April 29, 2014, Indonusa's stockholders approved an increase in its issued and fully paid capital by Rp80 billion. The Company has waived its right to own the new shares issued and transferred it to Metra and, as a result, Metra's ownership in Indonusa increased to 4.33%.

[c] Investment in Teltranet is accounted for under the equity method, which covered on an agreement between Metra and Telstra Holding Singapore Pte. Ltd. on August 29, 2014. Teltranet is engaged in communication system services. Metra does not have control as it does not determine the financial and operating policies of Teltranet.

[d] Melon is engaged in providing Digital Content Exchange Hub services ("DCEH"). Metra does not have control over Melon due to the existence of substantive participating rights held by the other venturer over the financial and operating policies of Melon.

[e] ILCS is engaged in providing E-trade logistic services and other related services.

[f] Telin Malaysia is engaged in telecommunication services in Malaysia.

[g] CSM is engaged in providing Very Small Aperture Terminal ("VSAT"), network application services and consulting services on telecommunications technology and related facilities. The unrecognized share of losses of CSM for the years ended December 31, 2014 and 2013 are Rp131 billion and Rp80 billion, respectively.

[h] PSN is engaged in providing satellite transponder leasing and satellite-based communication services in the Asia-Pacific Region. The Company's share in losses of PSN has exceeded the carrying amount of its investment since 2001; accordingly, the investment value has been reduced to Rpnil. The unrecognized share of losses of PSN for the year ended December 31, 2013 is Rp298 billion. In 2014, the Company's ownership interest in PSN was diluted to 14.60%. Accordingly, the Company's investment in PSN is not accounted for under the equity method.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

11. PROPERTY AND EQUIPMENT

	Januari 1, 2015	Additions	Deductions	Reclassifications/ Translations	March 31, 2015
At cost:					
Directly acquired assets					
Land rights	1,184	27	-	(7)	1,204
Buildings	4,571	29	-	151	4,751
Leasehold improvements	943	4	-	25	972
Switching equipment	19,208	29	-	177	19,414
Telegraph, telex and data communication equipment	6	-	-	(2)	4
Transmission installation and equipment	107,573	196	(18)	2,078	109,829
Satellite, earth station and equipment	7,927	15	-	32	7,974
Cable network	33,114	452	(49)	(18)	33,499
Power supply	12,776	48	(13)	167	12,978
Data processing equipment	10,242	62	-	155	10,459
Other telecommunications peripherals	602	1	-	(5)	598
Office equipment	951	36	-	(5)	982
Vehicles	346	12	-	2	360
Other equipment	99	-	-	-	99
Property under construction	3,853	3,322	(36)	(2,770)	4,369
Assets under finance lease					
Transmission installation and equipment	5,882	6	-	-	5,888
Data processing equipment	102	-	(10)	-	92
Office equipment	21	13	-	-	34
Vehicles	44	5	-	-	49
CPE assets	22	-	-	-	22
RSA assets	252	-	-	-	252
Total	209,718	4,257	(126)	(20)	213,829

	January 1, 2015	Additions	Impairments	Deductions	Reclassifications/ Translations	March 31, 2015
Accumulated depreciation and impairment losses:						
Directly acquired assets						
Buildings	1,954	41	-	-	4	1,999
Leasehold improvements	669	21	-	-	(2)	688
Switching equipment	13,861	429	-	-	4	14,294
Telegraph, telex and data communication equipment	4	-	-	-	(2)	2
Transmission installation and equipment	54,764	2,315	278	(12)	12	57,357
Satellite, earth station and equipment	6,099	154	239	-	2	6,494
Cable network	18,762	314	48	(48)	(28)	19,048
Power supply	7,978	299	-	(10)	6	8,273
Data processing equipment	7,624	218	-	-	(6)	7,836
Other telecommunications peripherals	322	17	-	-	(5)	334
Office equipment	659	24	-	-	10	693
Vehicles	113	13	-	-	-	126
Other equipment	97	-	-	-	-	97
Assets under finance lease						
Transmission installation and equipment	1,681	151	307	-	-	2,139
Data processing equipment	79	3	-	(10)	-	72
Office equipment	6	9	-	-	(2)	13
Vehicles	5	1	-	-	-	6
CPE asets	15	1	-	-	-	16
RSA assets	217	4	-	-	-	221
Total	114,909	4,014	872	(80)	(7)	119,708
Net Book Value	**94,809**					**94,121**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

11. PROPERTY AND EQUIPMENT (continued)

	Januari 1, 2014	Business acquisition	Additions	Deductions	Reclassifications/ Translations	December 31, 2014
At cost:						
Directly acquired assets						
Land rights	1,098	-	107	(21)	-	1,184
Buildings	4,224	-	131	(19)	235	4,571
Leasehold improvements	812	-	49	(52)	134	943
Switching equipment	18,705	-	331	(496)	668	19,208
Telegraph, telex and data communication equipment	6	-	-	-	-	6
Transmission installation and equipment	95,853	-	2,298	(1,235)	10,657	107,573
Satellite, earth station and equipment	7,456	-	312	(21)	180	7,927
Cable network	28,987	-	3,025	(250)	1,352	33,114
Power supply	11,755	-	225	(78)	874	12,776
Data processing equipment	9,230	-	684	(53)	381	10,242
Other telecommunications peripherals	500	-	102	-	(0)	602
Office equipment	770	4	191	(5)	(9)	951
Vehicles	332	2	18	(6)	(0)	346
Other equipment	104	-	-	-	(5)	99
Property under construction	1,971	-	16,660	(15)	(14,763)	3,853
Assets under finance lease						
Transmission installation and equipment	5,683	-	495	(296)	-	5,882
Data processing equipment	123	-	-	(21)	-	102
Office equipment	7	-	15	(1)	-	21
Vehicles	26	-	18	-	0	44
CPE assets	22	-	-	-	-	22
RSA assets	459	-	-	-	(207)	252
Total	188,123	6	24,661	(2,569)	(503)	209,718

	January 1, 2014	Additions	Impairments	Deductions	Reclassifications/ Translations	December 31, 2014
Accumulated depreciation and impairment losses:						
Directly acquired assets						
Buildings	1,840	135	-	(16)	(5)	1,954
Leasehold improvements	649	71	-	(52)	1	669
Switching equipment	12,903	1,549	-	(496)	(95)	13,861
Telegraph, telex and data communication equipment	3	1	-	-	-	4
Transmission installation and equipment	46,666	9,084	406	(1,161)	(231)	54,764
Satellite, earth station and equipment	5,190	577	332	-	(0)	6,099
Cable network	17,758	1,101	67	(249)	85	18,762
Power supply	6,794	1,246	-	(62)	(0)	7,978
Data processing equipment	6,822	869	-	(57)	(10)	7,624
Other telecommunications peripherals	267	55	-	-	0	322
Office equipment	564	109	-	(5)	(9)	659
Vehicles	68	46	-	(2)	1	113
Other equipment	100	2	-	-	(5)	97
Assets under finance lease						
Transmission installation and equipment	1,345	632	-	(296)	-	1,681
Data processing equipment	83	17	-	(21)	-	79
Office equipment	2	3	-	(1)	2	6
Vehicles	1	4	-	-	-	5
CPE asets	13	2	-	-	-	15
RSA assets	294	130	-	-	(207)	217
Total	101,362	15,633	805	(2,418)	(473)	114,909
Net Book Value	**86,761**					**94,809**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

11. PROPERTY AND EQUIPMENT (continued)

a. Gain on disposal or sale of property and equipment

	2015	2014
Proceeds from sale of property and equipment	223	1
Net book value	(36)	-
Gain on disposal or sale of property and equipment	**187**	**1**

b. Assets impairment

As of December 31, 2014, the CGUs that independently generate cash inflows were fixed wireline, fixed wireless, cellular and others.

In 2014, the Group decided to cease its fixed wireless business no later than December 14, 2015. The Company assessed the recoverable amount to be Rp549 billion as of December 31, 2014 and determined that the assets for fixed wireless CGU were further impaired by Rp805 billion. The recoverable amount has been determined based on VIU calculation using the most recent cash flows projection approved by management. The cash flows projection included cash inflows from the continuing use of the assets during the remaining service period and projected net cash flows to be received for the disposal of the assets for fixed wireless CGU at the end of service period. Projected net cash flows to be received for the disposal of the assets was determined based on cost approach, adjusted for physical, technological and economic obsolescence. Management applied a pre-tax discount rate of 13.5% derived from the Company's post-tax weighted average cost of capital and benchmarked to externally available data. In addition, management also applied technological and economic obsolescence rate of 30% based on the Company's internal data, due to the lack of comparable market data because of the nature of the assets. The determination of VIU calculation is most sensitive to technological and economic obsolescence rate assumption. An increase in technological and economic obsolescence rate to 40% would result in a further impairment of Rp70 billion.

Loss on impairment of assets was recognized within "Depreciation and Amortization" in the consolidated Statement of profit or loss and other comprehensive income.

Management believes that there is no indication of impairment in the assets of other CGUs as of December 31, 2014.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

11. PROPERTY AND EQUIPMENT (continued)

c. Others

(i) Interest capitalized to property under construction amounted to Rp106 billion and Rp127 billion for the three months period ended March 31, 2015 and for the year ended December 31, 2014, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization ranged from 11.00% to 18.31% and from 10.14% to 18.31% for the three months period ended March 31, 2015 and for the year ended December 31, 2014, respectively.

(ii) No foreign exchange loss was capitalized as part of property under construction for the three months period ended March 31, 2015 and for the year ended December 31, 2014.

(iii) As of March 31, 2015 and 2014, the Group received the proceeds from the insurance claim on the lost and broken property and equipment, with a total value of Rp24 billion and Rp4 billion, respectively. The proceeds were recorded as part of "Other Income" in the consolidated statement of profit or loss and other comprehensive income. As of March 31, 2015 and 2014, the net carrying value of those assets of Rp9 billion and Rp2 billion, respectively, were charged to the consolidated Statement of profit or loss and other comprehensive income.

(iv) In 2012, Telkomsel decided to replace certain equipment units with net carrying amount of Rp1,037 billion, as part of a modernization program. Accordingly, Telkomsel changed the estimated useful lives of such equipment. In 2015 and 2014, the effect of the change is the additional depreciation expense amounting to Rp0 billion and Rp29 billion, respectively.

(v) In 2012, the useful lives of Telkomsel's towers were changed from 10 years to 20 years to reflect their current economic useful lives. The impact is a reduction of depreciation expense by Rp117 billion for the three months period ended March 31, 2015.

The impact of the change in the estimated useful lives of the towers in future periods is to increase the profit before income tax as follows:

Years	Amount
2015 (9 months)	352
2016	301
2017	92

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, to reflect their current economic useful lives. The impact is a reduction of depreciation expense by Rp66 billion for the three months period ended March 31, 2015.

The impact of the change in the estimated useful lives of the buildings and transmissions in future periods is to increase the profit before income tax as follows:

Years	Amount
2015 (9 months)	198
2016	244
2017	198
2018	135

11. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

(vi) Exchange of property and equipment

- In 2012 and 2010, 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 2015 and 2014, the Company derecognized the copper cable network asset with net carrying value of Rp61 million and Rp1.8 billion, respectively, and recorded the fiber optic network asset from the exchange transaction of Rp31 billion and Rp203 billion.

- As of March 31, 2015 and December 31, 2014, Telkomsel's equipment with net carrying amount of Rp57 billion, respectively, are going to be exchanged with equipment from NSN Oy and PT Huawei, therefore, these equipment units were presented as assets held for sale in the consolidated statement of financial positions (Note 9).

- The cost of the acquired equipment is measured at the aggregate of the carrying amount of the equipment given up and the amount of cash paid.

(vii) The Group own several pieces of land rights located throughout Indonesia with Building Use Rights ("Hak Guna Bangunan" or "HGB") for a period of 10-45 years which will expire between 2015 and 2053. Management believes that there will be no issue in obtaining the extension of the land rights when they expire.

(viii) As of March 31, 2015, the Group's property and equipment except land rights, with net carrying amount of Rp86,614 billion were insured against fire, theft, earthquake and other specified risks, including business interruption, under blanket policies totalling Rp10,591 billion, US$90.99 million, HKD18.71 million and SGD28.92 million. Management believes that the insurance coverage is adequate to cover potential losses from the insured risks.

(ix) As of March 31, 2015, the percentage of completion of property under construction was around 44.14% of the total contract value, with estimated dates of completion between June 2015 and December 2017. 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.

(x) All assets owned by the Company have been pledged as collateral for bonds (Note 20a). Certain property and equipment of the Company's subsidiaries with gross carrying value amounting to Rp7.088 billion have been pledged as collateral under lending agreements (Notes 17 and 21).

(xi) As of March 31, 2015 the cost of fully depreciated property and equipment of the Group that are still used in operations amounted to Rp50,725 billion. The Group is currently performing modernization of network assets to replace the fully depreciated property and equipment.

(xii) In 2014, 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 Rp19,412 billion.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

11. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

(xiii) The Company and Telkomsel entered into several agreements with PT Professional Telekomunikasi Indonesia, PT Tower Bersama Infrastructure Tbk, PT Solusindo Kreasi Pratama, PT Naragita Dinamika Komunika, PT Solusindo Tunas Pratama and other tower providers to lease spaces in telecommunication towers (slot) and sites of the towers for a period of 10 years. The Company and Telkomsel may extend the lease period based on the agreement by both parties. In addition, the Group also has lease commitments for property and equipment under RSA, 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 for assets under finance lease are as follows:

Year	**March 31, 2015**	**December 31, 2014**
2015	973	975
2016	703	927
2017	913	898
2018	839	830
2019	759	758
Thereafter	2,152	2,147
Total minimum lease payments	6,339	6,535
Interest	(1,644)	(1,746)
Net present value of minimum lease payments	4,695	4,789
Current maturities (Note 18a)	(581)	(571)
Long-term portion (Note 18b)	**4,114**	**4,218**

12. ADVANCES AND OTHER NON-CURRENT ASSETS

Advances and other non-current assets as of March 31, 2015 and December 31, 2014 consist of:

	March 31, 2015	**December 31, 2014**
Advances for purchase of property and equipment	3,638	3,354
Prepaid rental - net of current portion (Note 8)	2,130	1,587
Frequency license - net of current portion (Note 8)	468	493
Deferred charges	387	484
Long-term trade receivables - net of current portion (Note 6)	328	362
Restricted cash	112	112
Others	97	87
Total	**7,160**	**6,479**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

12. ADVANCES AND OTHER NON-CURRENT ASSETS (continued)

Prepaid rental covers rent of leased line and telecommunication equipment and land and building under lease agreements of the Group with rental periods ranging from 1 to 40 years as of March 31, 2015.

As of March 31, 2015 and December 31, 2014, deferred charges represent deferred Revenue-Sharing Arrangement ("RSA") charges and deferred Indefeasible Right of Use ("IRU") Agreement charges. Total amortization of deferred charges for the years ended March 31, 2015 and December 31, 2014 amounted to Rp13 billion and Rp86 billion, respectively.

Long- term trade receivables are measured at amortized cost using the effective interest rate method payable in installments over 4 years, and arose from providing telecommunication access and services in rural areas (USO) (Note 41c.v).

Refer to Note 37 for details of related party transactions.

13. INTANGIBLE ASSETS

(i) The details of intangible assets are as follows:

	Goodwill	Software	License	Other intangible assets	Total
Gross carrying amount:					
Balance, December 31, 2014	322	4,771	67	572	5,732
Additions	-	325	-	1	326
Reclassifications/translations	(1)	(3)	-	(1)	(5)
Balance, March 31, 2015	321	5,093	67	572	6,053
Accumulated amortization and impairment losses:					
Balance, December 31, 2014	(29)	(2,862)	(43)	(335)	(3,269)
Amortization	-	(193)	(1)	(7)	(201)
Reclasification/translation	-	(3)	-	-	(3)
Balance, March 31, 2015	(29)	(3,058)	(44)	(342)	(3,473)
Net Book Value	**292**	**2,035**	**23**	**230**	**2,580**

	Goodwill	Software	License	Other intangible assets	Total
Gross carrying amount:					
Balance, December 31, 2013	270	3,432	67	401	4,170
Additions	-	1,340	0	107	1,447
Acquisition (Note 3a)	54	-	-	78	132
Deductions	-	(0)	-	(13)	(13)
Reclassifications/translations	(2)	(1)	-	(1)	(4)
Balance, December 31, 2014	322	4,771	67	572	5,732

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

13. INTANGIBLE ASSETS (continued)

	Goodwill	Software	License	Other intangible assets	Total
Accumulated amortization and impairment losses:					
Balance, December 31, 2013	(29)	(2,278)	(37)	(318)	(2,662)
Amortization	-	(583)	(6)	(30)	(619)
Deductions	-	-	-	13	13
Reclasification/translation	-	(1)	-	-	(1)
Balance, December 31, 2014	(29)	(2,862)	(43)	(335)	(3,269)
Net Book Value	**293**	**1,909**	**24**	**237**	**2,463**

(ii) Goodwill resulted from acquisition of CCA in 2014 (Notes 3a), sales-purchase transaction of Data Center Business between Sigma and BDM in 2012, and from the acquisitions of Ad Medika in 2010 and Sigma in 2008.

(iii) The remaining amortization periods of software range from 1 to 6 years.

(iv) As of March 31, 2015 the cost of fully amortized intangible assets that are still used in operations amounted to Rp1,807 billion.

14. TRADE PAYABLES

	March 31, 2015	December 31, 2014 (Restated)
Related parties		
Purchase of equipment, materials and services	870	723
Payables to other telecommunications providers	288	175
Sub-total	1,158	898
Third parties		
Purchase of equipment, materials and services	8,024	9,471
Radio frequency usage charges, concession fees and Universal Service Obligation charges	1,496	1,160
Payables to other telecommunications providers	699	833
Sub-total	10,219	11,464
Total	**11,377**	**12,362**

Trade payables by currency are as follows:

	March 31, 2015	December 31, 2014 (Restated)
Rupiah	8,482	9,479
U.S. dollar	2,855	2,837
Others	40	46
Total	**11,377**	**12,362**

Refer to Note 37 for details of related party transactions.

15. ACCRUED EXPENSES

	March 31, 2015	December 31, 2014
Operations, maintenance and telecommunications services	3,113	2,640
Salaries and benefits	1,110	1,091
General, administrative and marketing expenses	1,503	1,291
Interest and bank charges	193	189
Total	**5,919**	**5,211**

Refer to Note 37 for details of related party transactions.

16. UNEARNED INCOME

	March 31, 2015	December 31, 2014
Prepaid pulse reload vouchers	2,485	3,588
Other telecommunications services	130	78
Others	288	297
Total	**2,903**	**3,963**

17. SHORT-TERM BANK LOANS

		March 31, 2015		December 31, 2014	
		Outstanding		Outstanding	
Lenders	**Currency**	**Original currency (in millions)**	**Rupiah equivalent**	**Original currency (in millions)**	**Rupiah equivalent**
Citibank N.A	US$	100	1,308	100	1,244
Bank CIMB Niaga	Rp		251	-	234
UOB	Rp		200	-	200
SCB	Rp		91	-	-
PT Bank Danamon Indonesia Tbk (“Bank Danamon”)	Rp		80	-	60
Others	Rp		72	-	72
Total			**2,002**		**1,810**

Refer to Note 37 for details of related party transactions.

Other significant information relating to short-term bank loans as of March 31, 2015 is as follows:

	Borrower	Currency	Total facility (in billions)	Maturity date	Interest payment period	Interest rate per annum	Security
Citibank N.A							
April 22, 2014	Telkomsel	US$	0.1	May 13, 2015	Quarterly	LIBOR+1.2%	None
Bank CIMB Niaga							
April 25, 2005 [a]	Balebat	Rp	12	October 18, 2015	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)

[a] Based on the latest amendment on September 22, 2014

17. SHORT-TERM BANK LOANS (continued)

Other significant information relating to short-term bank loans as at March 31, 2015 is as follows: (continued)

	Borrower	Currency	Total facility (in billions)	Maturity date	Interest payment period	Interest rate per annum	Security
Bank CIMB Niaga (continued)							
April 29, 2008 [a]	Balebat	Rp	10	October 18, 2015	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
March 21, 2013 [b]	Infomedia	Rp	38	October 18, 2015	Monthly	12.00%	Trade receivables (Note 6)
March 25, 2013 [b]	Infomedia	Rp	38	October 18, 2015	Monthly	12.00%	Trade receivables (Note 6)
March 27, 2013 [b]	Infomedia	Rp	24	October 18, 2015	Monthly	12.00%	Trade receivables (Note 6)
April 28, 2013 [c]	GSD	Rp	85	November 11, 2015	Monthly	11.50%	Property and equipment (Note 11)
September 22, 2014	Balebat	Rp	25	April 30, 2015	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
September 22, 2014	Balebat	Rp	5	October 18, 2015	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
October 29, 2014	Infomedia Solusi Humanika	Rp	50	October 29, 2015	Monthly	12.00%	Trade receivables (Note 6)
UOB							
November 22, 2013	Infomedia	Rp	200	November 22, 2015	Monthly	12.00%	Trade receivables (Note 6)
Bank Danamon [d]							
August 23, 2013	Infomedia	Rp	80	August 23, 2015	Monthly	12.00%	Trade receivable (Note 6)
SCB							
March 30, 2015	GSD	Rp	100	June 30, 2015	Quarterly	10.50%	None

The credit facilities obtained by the Company's subsidiaries are used for working capital purposes.

[a] Based on the latest amendment on September 22, 2014
[b] Based on the latest amendment on October 16, 2014
[c] Based on the latest amendment on November 11, 2014
[d] Based on the latest amandment on August 23, 2014

18. CURRENT MATURITIES OF LONG-TERM LIABILITIES

a. Current maturities

	Notes	March 31, 2015	December 31, 2014
Bank loans	21	3,970	4,052
Bonds and notes	20	1,062	1,069
Obligations under finance leases	11	581	571
Two-step loans	19	214	207
Total		**5,827**	**5,899**

Refer to Note 37 for details of related party transactions.

b. Long-term portion

Scheduled principal payments as of March 31, 2015 are as follows:

			Year				
	Notes	**Total**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Bank loans	21	7,712	2,198	2,169	1,850	665	830
Obligations under finance leases	11	4,114	443	616	600	572	1,883
Bonds and notes	20	2,352	14	3	-	220	2,115
Two-step loans	19	1,431	186	218	195	176	656
Total		**15,609**	**2,841**	**3,006**	**2,645**	**1,633**	**5,484**

19. TWO-STEP LOANS

Two-step loans are unsecured loans obtained by the Government which are then re-loaned to the Company. The 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.

		March 31, 2015		December 31, 2014	
		Outstanding		Outstanding	
Lenders	**Currency**	**Original currency (in millions)**	**Rupiah equivalent**	**Original currency (in millions)**	**Rupiah equivalent**
Overseas banks	Yen	7,679	836	7,679	796
	US$	29	373	31	381
	Rp	-	436	-	438
Total			1,645		1,615
Current maturities (Note 18a)			(214)		(207)
Long-term portion (Note 18b)			**1,431**		**1,408**

19. TWO-STEP LOANS (continued)

Lenders	Currency	Payment schedule	Interest payment period	Interest rate per annum
Overseas banks	US$	Semi-annually	Semi-annually	4.00%
	Rp	Semi-annually	Semi-annually	8.50%
	Yen	Semi-annually	Semi-annually	3.10%

The loans were intended for the development of telecommunications infrastructure and supporting telecommunications equipment. The loans are due on various dates through 2024.

The Company had used all facilities under the two-step loans program since 2008.

Under the loan covenants, the Company is required to maintain financial ratios as follows:

a. Projected net revenue to projected debt service ratio should exceed 1.2:1 for the two-step loans originating from Asian Development Bank (“ADB”).
b. Internal financing (earnings before depreciation and finance costs) should exceed 20% compared to annual average capital expenditures for loans originating from the ADB.

As of March 31, 2015, the Company has complied with the above-mentioned ratios.

Refer to Note 37 for details of related party transactions.

20. BONDS AND NOTES

		March 31, 2015		December 31, 2014	
		Outstanding		Outstanding	
Bonds and notes	Currency	Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Bonds					
Series A	Rp	-	1,005	-	1,005
Series B	Rp	-	1,995	-	1,995
Medium Term Notes (“MTN”)					
GSD					
Series A	Rp	-	220	-	220
Series B	Rp	-	120	-	-
Promissory Notes					
PT Huawei	US$	3	39	4	52
PT ZTE Indonesia (“ZTE”)	US$	3	35	3	36
Total			3,414		3,308
Current maturities (Note 18a)			(1,062)		(1,069)
Long-term portion (Note 18b)			**2,352**		**2,239**

a. Bonds

Bonds	Principal	Issuer	Listed on	Issuance date	Maturity date	Interest payment period	Interest rate per annum
Series A	1,005	The Company	IDX	June 25, 2010	July 6, 2015	Quarterly	9.60%
Series B	1,995	The Company	IDX	June 25, 2010	July 6, 2020	Quarterly	10.20%
Total	**3,000**						

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

20. BONDS AND NOTES (continued)

a. Bonds (continued)

The bonds are secured by all of the Company's assets, movable or non-movable, either existing or in the future (Note 11c.x). The underwriters of the bonds are PT Bahana Securities ("Bahana"), PT Danareksa Sekuritas and PT Mandiri Sekuritas and the trustee is PT CIMB Niaga Tbk.

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), 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 March 31, 2015, the rating of the bonds issued by PT Pemeringkat Efek Indonesia (Pefindo) is idAAA (stable outlook).

Based on the indenture trusts agreement, the Company is required to comply with all covenants or restrictions, including maintaining financial ratios as follows:
1. Debt to equity ratio should not exceed 2:1.
2. EBITDA to finance costs ratio should not be less than 5:1.
3. Debt service coverage is 125%.

As of March 31, 2015, the Company has complied with the above mentioned ratios.

b. MTN

Notes	Currency	Principal	Issuance date	Maturity date	Interest payment period	Interest rate per annum
GSD-Series A	Rp	220	November 14, 2014	November 14, 2019	Semi-annually	11%
GSD-Series B	Rp	120	March 6, 2015	March 6, 2020	Semi-annually	11%

Based on Agreement of Issuance and Appointment of Monitoring and Insurance Agents of Medium Term Notes (MTN) PT Graha Sarana Duta year 2014 dated November 13, 2014 as covered by notarial deed No. 30 of Arry Supratno, S.H., GSD will issue MTN with the principle amount up to Rp500 billion in series.

PT Mandiri Sekuritas act as the Arranger, Bank Mandiri as the Monitoring and Insurance Agent, and KSEI as Custodian. The Funds obtained from MTN are used for investment projects.

Trade receivables, inventories, land and building related with investment development funded by MTN that has owned or will be owned by GSD, have been pledged as collateral for MTN (Notes 6, 7 and 11).

Under to the agreement, GSD is required to comply with all covenants or restrictions including maintaining financial ratios as follows :
1. Debt to equity ratio should not exceed 6.5:1
2. EBITDA to interest ratio should not be less than 1.2:1
3. Minimum current ratio is 120%
4. Maximum leverage ratio is 450%

As of March 31, 2015, GSD has complied with the above mentioned ratios.

20. BONDS AND NOTES (continued)

c. Promissory Notes

Supplier	Currency	Principal (in billions)	Issuance date	Payment schedule	Interest payment period	Interest rate per annum
PT Huawei	US$	0.3 0.2	June 19, 2009 April 30, 2013	Semi-annually (April 12,2015-July 30, 2016)	Semi-annually	6 month LIBOR+2.45% 6 month LIBOR+1.5%
ZTE	US$	0.1	August 20, 2009 [a]	Semi-annually (April 22, 2015-February 4, 2017)	Semi-annually	6 month LIBOR+1.5%

[a]based on the latest amendment on August 15, 2011

Based on Agreement of Frame Supply and Deferred Payment Arrangement between the Company and ZTE and PT Huawei, the promissory notes issued by the Company to each of ZTE and PT Huawei are vendor financing facilities with no collateral covering 85% of Hand-over Report ("*Berita Acara Serah Terima*") projects with ZTE and PT Huawei.

21. BANK LOANS

		March 31, 2015		December 31, 2014	
		Outstanding		Outstanding	
Lenders	Currency	Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
BRI	Rp	-	3,309	-	3,398
	US$	0	5	1	6
BNI	Rp	-	2,256	-	2,195
Syndication of banks	Rp	-	2,200	-	2,200
Bank Mandiri	Rp	-	1,656	-	1,750
The Bank of Tokyo-Mitsubishi-UFJ, Ltd.	Rp	-	600	-	600
Bank CIMB Niaga	Rp	-	583	-	567
ABN Amro Bank N.V. Stockholm ("AAB Stockholm") and SCB	US$	34	451	38	478
Japan Bank for International Cooperation ("JBIC")	US$	31	406	34	424
BCA	Rp	-	262	-	373
Others	Rp	-	19	-	10
Total			11,747		12,001
Unamortized debt issuance cost			(65)		(71)
			11,682		11,930
Current maturities (Note 18a)			(3,970)		(4,052)
Long-term portion (Note 18b)			**7,712**		**7,878**

Refer to Note 37 for details of related party transactions.

21. BANK LOANS (continued)

Other significant information relating to bank loans as of March 31, 2015 is as follows:

	Borrower	Currency	Total facility (in billions)	Current period payment (in billions)	Payment schedule	Interest payment period	Interest rate per annum	Security
BRI								
October 13, 2010[a]	The Company	Rp	3,000	-	Semi-annually (2013-2015)	Quarterly	3 months JIBOR+1.25%	None
July 20, 2011[a]	Dayamitra	Rp	1,000	100	Semi-annually (2011-2017)	Quarterly	3 months JIBOR+1.40% and 3 months JIBOR+3.50%	Property and equipment (Note 11)
April 26, 2013	GSD	Rp	141	9	Monthly (2014-2018)	Monthly	10.00%	Property and equipment (Note 11) and lease agreement
October 30, 2013	GSD	Rp	70	0.9	Monthly (2014-2021)	Monthly	10.00%	Property and equipment (Note 11) and trade receivables (Note 6) and lease agreement
October 30, 2013	GSD	Rp	34	0.9	Monthly (2014-2021)	Monthly	10.00%	Property and equipment (Note 11) and trade receivables, (Note 6) and lease agreement
November 20, 2013	The Company	Rp	1,500	-	Semi-annually (2015-2018)	Quarterly	3 months JIBOR+2.65%	None
October 1, 2014	Patrakom	Rp	28	3	Monthly (2014-2016)	Monthly	10.95%	Property and equipment (Note 11) and trade receivables (Note 6)
October 1, 2014	Patrakom	US$	0.0007	0.0001	Monthly (2014-2015)	Monthly	6.00%	Property and equipment (Note 11) and trade receivables (Note 6)
October 1, 2014	Patrakom	Rp	93	-	Monthly (2015-2017)	Monthly	10.95%	Property and equipment (Note 11) and trade receivables (Note 6)

21. BANK LOANS (continued)

Other significant information relating to bank loans as of March 31, 2015 is as follows (continued):

	Borrower	Currency	Total facility (in billions)	Current period payment (in billions)	Payment schedule	Interest payment period	Interest rate per annum	Security
BNI								
October 13, 2010[a]	The Company	Rp	1,000	-	Semi-annually (2013-2015)	Quarterly	3 months JIBOR+1.25%	None
December 23, 2011 [a]	PINS	Rp	500	-	Semi-annually (2013-2016)	Quarterly	3 months JIBOR+1.50%	Inventories (Note 7) and trade receivables (Note 6)
November 28, 2012[a]	Metra	Rp	44	31	Annually (2013-2015)	Monthly	11.00%	Property and equipment (Note 11) and trade receivables (Note 6)
March 26, 2013[a]	Metra	Rp	60	5	Quarterly (2013-2016)	Monthly	11.00%	Property and equipment (Note 11) and trade receivables (Note 6)
November 20, 2013	The Company	Rp	1,500	-	Semi-annually (2015-2018)	Quarterly	3 months JIBOR+2.65%	None
November 25, 2013[a]	Metra	Rp	90	7.5	Quarterly (2013-2016)	Monthly	11.00%	Property and equipment (Note 11) and trade receivables (Note 6)
July 21, 2014 [a]	Metra	Rp	40	6.7	Semi-annually (2015-2017)	Monthly	11.00%	Property and equipment (Note 11) and trade receivables (Note 6)
November 3, 2014[a,i]	Telkom Infratel	Rp	200	-	Quarterly (2015-2017)	Monthly	1 month JIBOR+3.35%	Trade receivables (Note 6)
Syndication of banks								
December 19, 2012 (BNI, BRI and Bank Mandiri) [a]	Dayamitra	Rp	2,500	-	Semi-annually (2014-2020)	Quarterly	3 months JIBOR+3.00%	Property and equipment (Note 11) and trade receivables (Note 6)

21. BANK LOANS (continued)

Other significant information relating to bank loans as of March 31, 2015 is as follows (continued):

	Borrower	Currency	Total facility (in billions)	Current period payment (in billions)	Payment schedule	Interest payment period	Interest rate per annum	Security
Bank Mandiri								
July 9, 2009[b] and July 5, 2010[b]	Telkomsel	Rp	5,000	125	Semi-annually (2009-2016)	Quarterly	3 months JIBOR+1.00%	None
November 20, 2013	The Company	Rp	1,500	-	Semi-annually (2015-2018)	Quarterly	3 months JIBOR+2.65%	None
August 11, 2014	Graha Yasa Selaras	Rp	77	-	Monthly (2016-2021)	Monthly	3 months JIBOR+3.25%	Property and equipment (Note 11)
August 11, 2014	Graha Yasa Selaras	Rp	77	-	Monthly (2016-2021)	Monthly	3 months JIBOR+3.25%	Property and equipment (Note 11)
The Bank of Tokyo – Mitsubishi UFJ, Ltd.								
October 9, 2014	Dayamitra	Rp	600	-	Quarterly (2016-2019)	Quarterly	3 months JIBOR+2.4%	Property and equipment (Note 11) and trade receivables (Note 6)
Bank CIMB Niaga								
March 21, 2007[e]	GSD	Rp	21	1.2	Quarterly (2007-2015)	Monthly	9.75%	Property and equipment (Note 11)
May 24, 2010[f,h]	Balebat	Rp	2	0.1	Monthly (2010-2015)	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
March 31, 2011	GSD	Rp	24	0.7	Monthly (2011-2020)	Monthly	9.75%	Property and equipment (Note 11) and lease agreement
March 31, 2011	GSD	Rp	13	0.4	Monthly (2011-2019)	Monthly	9.75%	Property and equipment (Note 11) and lease agreement
March 31, 2011	GSD	Rp	12	0.5	Monthly (2011-2016)	Monthly	9.75%	Property and equipment (Note 11) and lease agreement
September 9, 2011	GSD	Rp	41	1	Monthly (2011-2021)	Monthly	9.75%	Property and equipment (Note 11) and lease agreement

21. BANK LOANS (continued)

Other significant information relating to bank loans as of March 31, 2015 is as follows (continued):

	Borrower	Currency	Total facility (in billions)	Current period payment (in billions)	Payment schedule	Interest payment period	Interest rate per annum	Security
Bank CIMB Niaga (continued)								
September 9, 2011	GSD	Rp	11	0.8	Monthly (2011-2015)	Monthly	9.75%	Property and equipment (Note 11) and lease agreement
August 2, 2012[f,h]	Balebat	Rp	4	0.3	Monthly (2012-2015)	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
September 20, 2012[a]	TLT	Rp	1,150	-	Monthly (2015-2030)	Monthly	3 Months JIBOR +3.45%	Property and equipment (Note 11)
September 20, 2012[a]	TLT	Rp	118	-	Monthly (2015-2030)	Monthly	9.00%	Property and equipment (Note 11)
October 10, 2012[f,h]	Balebat	Rp	1	0.1	Monthly (2012-2015)	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
August 26, 2013[f,h]	Balebat	Rp	3.5	0.2	Monthly (2013-2018)	Monthly	13.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
AAB Stockholm and SCB								
December 30, 2009[b&c]	Telkomsel	US$	0.3	0.07	Semi-annually (2011-2016)	Semi-annually	6 months LIBOR+0.82%	None
JBIC								
March 26, 2010[a&d]	The Company	US$	0.06	-	Semi-annually (2010-2015)	Semi-annually	4.56%	None
March 28, 2013[a&g]	The Company	US$	0.03	0.003	Semi-annually (2014-2019)	Semi-annually	2.18% and 6 months LIBOR+1.20%	None
BCA								
July 9, 2009[b] and July 5, 2010[b]	Telkomsel	Rp	4,000	111	Semi-annually (2009-2016)	Quarterly	3 months JIBOR+1.00%	None
December 16, 2010[a]	TII	Rp	200	-	Semi-annually (2011-2015)	Quarterly	3 months JIBOR+1.25%	None

The credit facilities obtained by the Group are used for working capital purposes.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

21. BANK LOANS (continued)

[a] As stated in the agreements, the Group is required to comply with all covenants or restrictions such as dividend distribution, obtaining new loans, including maintaining financial ratios. As of March 31, 2015, the Group has complied with all covenants as restrictions.

[b] Telkomsel has no collateral for its bank loans, or other credit facilities. The terms of the various agreements with Telkomsel's lenders and financiers require compliance with a number of pledges and negative pledges 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 March 31, 2015, Telkomsel has complied with the above covenants.

[c] Pursuant to the agreements with PT Ericsson Indonesia ("Ericsson Indonesia") and Ericsson AB (Note 41a.ii), Telkomsel entered into an EKN-Backed Facility Agreement ("facility") with ABN Amro Bank N.V. Stockholm branch (as "the original lender") and Standard Chartered Bank (as "the original lender" , "the arranger", "the facility agent" and "the EKN agent"), and ABN Amro Bank N.V., Hong Kong (as "the arranger") for the purchase of Ericsson telecommunication equipment and services. The facilities consist of facility 1, 2, and 3 amounting to US$117 million, US$106 million, and US$95 million, respectively. The availability period of facility 1, 2, and 3 expired in July 2010, March 2011 and November 2011, respectively. In October 2011, EKN agreed to reduce the premium on the unused facility by US$3 million through a cash refund.

[d] In connection with the agreement with NSW-Fujitsu Consortium, the Company entered into a loan agreement with JBIC, the international arm of Japan Finance Corporation, for the purchase of NSW-Fujitsu Consortium telecommunication equipment and services. The facilities consist of facility A and B amounting to US$36 million and US$24 million, respectively.

[e] Based on the latest amendment on March 31, 2011

[f] Based on the latest amendment on September 22, 2014

[g] 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 facility A and facility B amounting to US$18.8 million and US$12.5 million, respectively

[h] MD Media's subsidiary

[i] Based on the latest amendment on March 11, 2015

22. NON-CONTROLLING INTERESTS

	March 31, 2015	**December 31, 2014**
Non-controlling interests in net assets of subsidiaries:		
Telkomsel	19,080	18,069
GSD	122	125
Metra	68	87
TII	48	42
Total	**19,318**	**18,323**

	2015	**2014**
Non-controlling interests in total comprehensive income (loss) of subsidiaries:		
Telkomsel	1,693	1,538
TII	6	-
Metra	(3)	4
GSD	(2)	(2)
Total	**1,694**	**1,540**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

22. NON-CONTROLLING INTERESTS

Material partly-owned subsidiary

As of March 31, 2013 and December 31, 2014, the non-controlling interest holds 35% ownership interest in Telkomsel (Note 1d) which is considered material to the Company.

The summarized financial information of Telkomsel is provided below. This information is based on amounts before inter-company eliminations.

Summarized statements of financial position

	March 31, 2015	December 31, 2014
Current assets	24,857	19,767
Non-current assets	58,161	58,887
Current liabilities	(25,746)	(18,573)
Non-current liabilities	(2,751)	(8,450)
Total equity	**54,521**	**51,631**
Attributable to:		
Equity holders of parent company	35,441	33,562
Non-controlling interest	19,080	18,069

Summarized statements of comprehensive income

	March 31, 2015	March 31, 2014
Revenues	17,147	15,289
Operating expenses	(10,853)	(9,568)
Other income	108	78
Profit before tax	6,402	5,799
Income tax expense - net	(1,565)	(1,405)
Profit for the year from continuing operations	**4,837**	**4,394**
Other comprehensive income - net	0	0
Net comprehensive income	**4,837**	**4,394**
Attributable to non-controlling interest	1,693	1,538
Dividend paid to non-controlling interest	6,112	5,464

Summarized statements of cash flows

	March 31, 2015	March 31, 2014
Operating	8,421	6,551
Investing	(2,784)	1,658
Financing	(2,291)	(876)
Net increase in cash and cash equivalents	**3,346**	**7,333**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

23. CAPITAL STOCK

	March 31, 2015		
Description	**Number of shares**	**Percentage of ownership**	**Total paid-up capital**
Series A Dwiwarna share			
Government	1	0	0
Series B shares			
Government	51,602,353,559	52.56	2,580
The Bank of New York Mellon Corporation*	8,876,105,780	9.04	444
Directors (Note 1b):			
Indra Utoyo	27,540	0	0
Honesti Basyir	540	0	0
Dian Rachmawan	60,540	0	0
Public (individually less than 5%)	37,697,305,640	38.40	1,855
Total	98,175,853,600	100.00	4,909
Treasury stock (Note 25)	2,624,142,800	-	131
Total	**100,799,996,400**	**100.00**	**5,040**

	December 31, 2014		
Description	**Number of shares**	**Percentage of ownership**	**Total paid-up capital**
Series A Dwiwarna share			
Government	1	0	0
Series B shares			
Government	51,602,353,559	52.56	2,580
The Bank of New York Mellon Corporation*	9,472,920,180	9.65	474
Directors (Note 1b):			
Indra Utoyo	27,540	0	0
Honesti Basyir	540	0	0
Dian Rachmawan	60,540	0	0
Public (individually less than 5%)	37,100,491,240	37.79	1,855
Total	98,175,853,600	100.00	4,909
Treasury stock (Note 25)	2,624,142,800	-	131
Total	**100,799,996,400**	**100.00**	**5,040**

* The Bank of New York Mellon Corporation serves as the Depositary of registered ADS holders for the Company's ADSs.

The Company issued only 1 Series A Dwiwarna share which is held by the Government and cannot be transferred to any party, and has a veto in the General Meeting of Stockholders of the Company with respect to election and removal from the Boards of Commissioners and Directors, issuance of new shares, and amendments of the Company's Articles of Association.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

24. ADDITIONAL PAID-IN CAPITAL

	March 31, 2015	December 31, 2014
Proceeds from sale of 933,333,000 shares in excess of par value through IPO in 1995	1,446	1,446
Excess of value over cost of selling 215,000,000 shares under the treasury stock plan phase II (Note 25)	576	576
Excess of value over cost of selling 211,290,500 shares under the treasury stock plan phase I (Note 25)	544	544
Difference in value arising from restructuring transactions and other transactions between entities under common control (Note 2d)	478	478
Excess of value over cost of treasury stock transferred to employee stock ownership program (Note 25)	228	228
Capitalization into 746,666,640 Series B shares in 1999	(373)	(373)
Net	**2,899**	**2,899**

Difference in value arising from restructuring transactions 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 March 31, 2015 and December 31, 2014, the accumulated development of the related infrastructure amounted to Rp537 billion, respectively.

25. TREASURY STOCK

			Maximum Purchase	
Phase	**Basis**	**Period**	**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:

	March 31, 2015			December 31, 2014		
	Number of shares*	**%**	**Rp**	**Number of shares***	**%**	**Rp**
Beginning balance	2,624,142,800	2.60	3,836	3,699,142,800	3.67	5,805
Proceeds from sale of treasury stock	-	-	-	(1,075,000,000)	(1.07)	(1,969)
Ending balance	**2,624,142,800**	**2,60**	**3,836**	**2,624,142,800**	**2.60**	**3,836**

* After stock split (Note 1c)

25. TREASURY STOCK (continued)

Pursuant to the AGM of Stockholders of the Company held on June 11, 2010, the stockholders approved the change in the Company's plan for treasury stock phase I, II, and III to become (i) for reissuance inside or outside stock exchange, (ii) for retirement of the stock by deducting from equity, (iii) for equity stock conversion and (iv) for funding purposes.

Pursuant to the AGM of Stockholders of the Company held on May 19, 2011, the stockholders approved to execute the repurchase plan for treasury stock phase IV.

In 2012, the Company bought back 237,270,500 shares (equal to 1,186,352,500 shares after stock split) from the public (part of stock repurchase program phase IV) for Rp 1,744 billion.

In the AGM on April 19, 2013, the Company's stockholders approved the change to the plan for the treasury stock phase III, which was decided to be used for the implementation of the Employee Stock Ownership Program ("ESOP") for the year 2013.

On July 30, 2013, the Company resold 211,290,500 shares (equal 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 24).

On June 13, 2014, the Company resold 215,000,000 shares (equal 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 cost 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 24).

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

26. REVENUES

	2015	2014
Telephone revenues		
Cellular		
Usage charges	8,185	7,718
Features	199	176
Monthly subscription charges	113	153
	8,497	8,047
Fixed lines		
Usage charges	1,199	1,491
Monthly subscription charges	727	676
Call center	238	145
Others	23	25
	2,187	2,337
Total telephone revenues	**10,684**	**10,384**
Interconnection revenues		
Domestic interconnection	674	730
International interconnection	461	459
Total interconnection revenues	**1,135**	**1,189**
Data, internet, and information technology service revenues		
Internet, data communication and information technology services	7,027	5,496
Short Messaging Services (“SMS”)	3,429	3,260
E-business	24	29
Voice over Internet Protocol (“VoIP”)	9	6
Total data, internet, and information technology service revenues	**10,489**	**8,791**
Network revenues		
Leased lines	126	203
Satellite transponder lease	104	138
Total network revenues	**230**	**341**
Other telecommunications service revenues		
Customer Premise Equipment (“CPE”) and terminal	421	117
Leases	319	185
E-payment	119	51
Others (each below Rp75 billion)	219	192
Total other telecommunications service revenues	**1,078**	**545**
Total revenues	**23,616**	**21,250**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

26. REVENUES (continued)

The details of net revenues received by the Group from agency relationships three months period ended March 31, 2015 and 2014 are as follows:

	2015	2014
Gross revenues	10,596	5,255
Compensation to value added service providers	(108)	(98)
Net revenues	**10,489**	**5,157**

Refer to Note 37 for details of related party transactions.

27. PERSONNEL EXPENSES

The breakdown of personnel expenses is as follows:

	2015	2014
Salaries and related benefits	928	878
Vacation pay, incentives and other benefits	585	820
Employees' income tax	345	254
Net periodic pension costs (Note 34)	138	125
Early retirement program	117	-
Net periodic post-retirement health care benefit costs (Note 36)	61	75
LSA expenses (Note 35)	22	16
Other employee benefit (Note 34)	12	11
Other post-retirement benefit costs (Note 34)	12	12
Others (each below Rp75 billion)	100	113
Total	**2,320**	**2,304**

Refer to Note 37 for details of related party transactions.

28. OPERATIONS, MAINTENANCE AND TELECOMMUNICATION SERVICE EXPENSES

The breakdown of operations, maintanance and telecommunication service expeses is as follows:

	2015	2014
Operations and maintenance	3,507	2,925
Radio frequency usage charges (Notes 41c.i and 41c.ii)	865	785
Concession fees and Universal Service Obligation charges	449	396
Cost of phone, set top box, SIM and RUIM cards	442	213
Leased lines and CPE	280	130
Electricity, gas and water	229	271
Vehicles rental and supporting facilities	157	135
Insurance	87	136
Cost of IT services	85	141
Others (each below Rp75 billion)	130	53
Total	**6,231**	**5,185**

Refer to Note 37 for details of related party transactions.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

29. GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of general and administrative expeses is as follows:

	2015	2014
General expenses	228	170
Provision for impairment of receivables (Note 6d)	142	304
Training, education and recruitment	76	85
Travelling	76	78
Collection expenses	42	95
Others (each below Rp75 billion)	389	188
Total	**953**	**920**

Refer to Note 37 for details of related party transactions.

30. INTERCONNECTION EXPENSES

The breakdown of interconnection expeses is as follows:

	2015	2014
Domestic interconnection and access	743	967
International interconnection	318	327
Total	**1,061**	**1,294**

Refer to Note 37 for details of related party transactions.

31. TAXATION

a. Claims for tax refund

	March 31, 2015	December 31, 2014
The Company		
Value added tax (“VAT”)	298	298
Corporate income tax	60	60
Subsidiaries		
Corporate income tax	363	363
Value tax added (“VAT”)	307	305
Income tax		
Article 23 - Withholding tax on service delivery	10	10
Total claims for tax refund	1,038	1,036
Short-term portion	(293)	(291)
Long-term portion	**745**	**745**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

31. TAXATION (continued)

b. Prepaid taxes

	March 31, 2015	December 31, 2014
Subsidiaries		
Corporate income tax	46	28
VAT	1,055	835
Income tax		
Article 23 - Withholding tax on service delivery	49	27
	1,150	**890**

c. Taxes payable

	March 31, 2015	December 31, 2014
The Company		
Income taxes		
Article 4 (2) - Final tax	7	27
Article 21 - Individual income tax	46	25
Article 22 - Withholding tax on goods delivery and imports	1	2
Article 23 - Withholding tax on service delivery	9	10
Article 25 - Installment of corporate income tax	0	61
Article 26 - Withholding tax on non-resident income	0	2
Article 29 - Corporate income tax	202	-
VAT		
VAT	323	197
VAT – Tax collector	166	257
	754	581
Subsidiaries		
Income taxes		
Article 4 (2) - Final tax	42	81
Article 21 - Individual income tax	109	97
Article 23 - Withholding tax on service delivery	50	72
Article 25 - Installment of corporate income tax	484	483
Article 26 - Withholding tax on non-resident income	86	28
Article 29 - Corporate income tax	1,152	957
VAT	186	77
	2,109	1,795
	2,863	**2,376**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

31. TAXATION (continued)

d. The components of income tax expense (benefit) are as follows:

	2015	**2014 (Restated)**
Current		
The Company	353	318
Subsidiaries	1,692	1,578
	2,045	1,896
Deferred		
The Company	(166)	(84)
Subsidiaries	(69)	(84)
	(235)	(168)
	1,810	**1,728**

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 Statement of profit or loss and other comprehensive income is as follows:

	2015	**2014 (Restated)**
Profit before income tax	7,318	6,853
Less income subject to final tax	(660)	(549)
	6,658	6,304
Tax calculated at the Company's applicable statutory tax rate of 20%	1.332	1,261
Difference in applicable statutory tax rate for subsidiaries	306	290
Non-deductible expenses	118	162
Final income tax expenses	30	15
Others	24	-
Net income tax expense	**1,810**	**1,728**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

31. TAXATION (continued)

d. The components of income tax expense (benefit) are as follows: (continued)

The reconciliation between the profit before income tax and the estimated taxable income of the Company for the year ended March 31, 2015 and 2014 is as follows:

	2015	**2014 (Restated)**
Profit before income tax	7,318	6,853
Add back consolidation eliminations	3,392	2,963
Consolidated profit before income tax and eliminations	10,710	9,816
Less: profit before income tax of the subsidiaries	(6,755)	(5,948)
Profit before income tax attributable to the Company	3,955	3,868
Less: income subject to final tax	(94)	(127)
	3,861	**3,741**
Temporary differences:		
Provision for impairment of assets	872	30
Provision for impairment and trade receivables written-off	59	223
Net periodic pension and other post-retirement benefits costs	46	67
Finance lease	(2)	(3)
Deferred installation fee	6	2
Depreciation and gain on sale of property and equipment	44	(31)
Provision for personnel expenses	85	111
Other provisions	(41)	26
Net temporary differences	**1,069**	**425**
Permanent differences:		
Employee benefits	51	51
Donations	42	65
Net periodic post-retirement health care benefit costs	61	75
Equity in net income of associates and subsidiaries	(3,396)	(2,965)
Others	25	121
Net permanent differences	**(3,217)**	**(2,653)**
Taxable income of the Company	**1,713**	**1,513**
Current corporate income tax expense	343	303
Final income tax expense	10	15
Total current income tax expense of the Company	353	318
Current income tax expense of the subsidiaries	1,692	1,578
Total current income tax expense	**2,045**	**1,896**

31. TAXATION (continued)

d. The components of income tax expense (benefit) are as follows: (continued)

Tax Law No. 36/2008 which is futher regulated in Government Regulation No. 77/2013 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 periods ended March 31, 2015 and 2014, the Company has reduced the applicable tax rate by 5%.

The Company applied the tax rate of 20% for the three months period ended March 31, 2015 and 2014. The subsidiaries applied a tax rate of 25% for the three months period ended March 31, 2015 and 2014.

e. Tax assessment

(i) The Company

In November 2013, the Company received tax assesment letters ("SKPKBs") No. 00056/207/07/093/13 to No. 00065/207/07/093/13 dated November 15, 2013, for the underpayment of VAT for the period January - September and November 2007 amounting to Rp142 billion. On January 20, 2014, the Company filed its objection to the SKPKBs with the Tax Authorities. The Company has received the rejection of its objection through the decrees of the Directorate General of Tax ("DGT") No. 2498 to 2504 and 2541 to 2543/WPJ.19/2014 dated December 16 and 18, 2014, respectively. The Company accepted the assessment on the underpayment of VAT amounting to Rp22 billion (including penalty Rp10 billion). The accepted portion was charged to the 2014 consolidated Statement of profit or loss and other comprehensive income. The Company plans to file an appeal for the rejection on the objection of underpayment of VAT interconnections. As of the date issuance of these consolidated financial statements, the Company is still in the process of filing the appeal.

In November 2014, the Company received SKPKBs as the result of tax audit for fiscal year 2011 by the Tax Authorities. Based on the letters, the Company underpaid VAT for the tax period January until December 2011 amounting to Rp182.5 billion (include penalty Rp60 billion) and corporate income tax for 2011 amounting to Rp2.8 billion (include penalty Rp929 million). The Company has paid the assessment. The accepted portion on the underpayment VAT. amounting to Rp4.7 billion (including penalty Rp2 billion) was charged to the 2014 consolidated Statement of profit or loss and other comprehensive income and the portion of VAT Interconnection amounting to Rp178 billion (include penalty Rp58 billion) is recognized as claim for tax refund. The Company has submitted to the Tax Authorities the objection to the tax assessment result in regard to the underpayment of VAT related to interconnections transactions for 2011. As of the date of approval and authorization for the issuance of these consolidated financial statements, the objection is still in process.

31. TAXATION (continued)

e. Tax assessment (continued)

(ii) Telkomsel

On April 21, 2010, the Tax Authorities filed a judicial review request to the Indonesian Supreme Court ("SC") for the Tax Court's acceptance of Telkomsel's request to cancel the Tax Collection Letter (STP) for the underpayment of December 2008 Income Tax Article 25 amounting to Rp429 billion (including a penalty of Rp8 billion). In May 2010, Telkomsel filed a contra-appeal to the SC. As of the date of approval and authorization for issuance of these consolidated financial statements, the judicial review is still in process.

On August 10, 2010, the Tax Authorities filed a judicial review request to the SC for the Tax Court's acceptance of Telkomsel's appeal on 2004 and 2005 assesment for VAT totaling Rp215 billion. In September 2010, Telkomsel filed a contra-appeal to the SC. Based on its verdict which was received in June 2014, the SC decided to reject the request from the Tax Authorities. The SC verdict is legally binding in favour of Telkomsel.

In May and June 2012, Telkomsel received the refund of penalty of 2010 Income Tax Article 25 underpayment amounting to Rp15.7 billion based on the Tax Court's verdict. On July 17, 2012, the Tax Authorities filed a judicial review request to the SC on the Tax Court's verdict. On September 14, 2012, Telkomsel filed a contra-appeal to the SC. As of the date of approval and authorization for issuance of these consolidated financial statements, the judicial review is still in process.

On March 12, 2012, Telkomsel received assessment letters as a result of a tax audit for the fiscal year 2010 by the Tax Authorities. Based on the letters, Telkomsel overpaid corporate income tax and underpaid VAT amounting to Rp597.4 billion and Rp302.7 billion (including penalty of Rp73.3 billion), respectively. Telkomsel accepted the assessment on the overpayment of corporate income tax and Rp12.1 billion of the underpayment of the VAT (including penalty of Rp6.3 billion). The accepted portion was charged to the 2012 consolidated Statement of profit or loss and other comprehensive income. On April 5, 2012, Telkomsel received a refund for the overpayment of corporate income tax for fiscal year 2010 amounting to Rp294.7 billion, net of underpayment of VAT. On May 24, 2012, Telkomsel filed an objection to the Tax Authorities for the underpayment of VAT of Rp290.6 billion (including penalty of Rp67 billion) and recorded it as a claim for tax refund. On May 1, 2013, the Tax Authorities rejected Telkomsel's objection. Subsequently, on July 29, 2013, Telkomsel filed an appeal to the Tax Court. On March 16, 2015, the Tax court received the appeal of 2010 VAT totaling Rp290.6 billion.

In December 2013, the Tax Court accepted Telkomsel's appeal on 2006 VAT and withholding taxes totaling Rp116 billion. In February 2014, Telkomsel received the refund.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

31. TAXATION (continued)

e. Tax assessment (continued)

(i) Telkomsel

On January 22, 2014, Telkomsel received a formal verdict from the Tax Court concerning the former's claim for tax refund for import duties. Based on its verdict, Tax Court accepted the portion of Telkomsel's claim. In February 2014, Telkomsel submitted a request to refund the accepted portion of the claim amounting to Rp8.5 billion. On September 30, 2014, Telkomsel received a partial refund of the claim for import duties amounting to Rp587 million (including penalty Rp579 million). Subsequently, on October 2, 2014, Telkomsel received a refund for value added tax and income tax article 22 amounting to Rp7.92 billion.

On November 7, 2014, Telkomsel received assessment letters as a result of a tax audit for the fiscal year 2011 by the Tax Authorities. Based on the letters, Telkomsel underpaid the corporate income tax, VAT and withholding tax amounting to Rp257.8 billion, Rp2.9 billion and Rp2.2 billion (including penalty of Rp85.3 billion), respectively. Telkomsel accepted the assessment of Rp7.8 billion of the underpayment of corporate income tax, Rp1 billion of the underpayment of the VAT and Rp2.2 billion of the underpayment of the withholding tax (including penalty of Rp3.5 billion). The accepted portion was charged to the 2014 consolidated statement of profit or loss and other comprehensive income.

In December 2014, Telkomsel paid the assessment and filed an objection to the Tax Authorities for the assessment for the underpayment of corporate income tax of Rp250 billion (including penalty of Rp81.1 billion), which Telkomsel recorded as a claim for tax refund. As of the date of approval and authorization for issuance of the consolidated financial statements, the objection on the corporate income tax and VAT assessment is still in process.

f. Deferred tax assets and liabilities

The details of the Group's deferred tax assets and liabilities are as follows:

	December 31, 2014 (Restated)	(Charged) credited to the consolidated statements of comprehensive income	March 31, 2015
The Company			
Deferred tax assets:			
Provision for impairment of receivables	470	12	482
Net periodic pension and other post-retirement benefits costs	330	9	339
Accrued expenses and provision for inventory obsolescence	76	(8)	68
Employee benefit provisions	72	17	89
Deferred installation fee	72	1	73
Finance leases	22	0	22
Total deferred tax assets	1,042	31	1,073

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

31. TAXATION (continued)

f. Deferred tax assets and liabilities (continued)

	December 31, 2014	(Charged) credited to the consolidated statements of comprehensive income	March 31, 2015
Deferred tax liabilities:			
Difference between accounting and tax bases of property and equipment	(1.458)	192	(1.266)
Valuation of long-term investment	(69)	0	(69)
Land rights, intangible assets, and others	(14)	0	(14)
Total deferred tax liabilities	(1,541)	192	(1,349)
Deferred tax liabilities of the Company - net	(499)	223	(276)
Telkomsel			
Deferred tax assets:			
Provisions for employee benefits	274	12	286
Provision for impairment of receivables	129	18	147
Recognition of interest under USO arrangements	0	-	0
Total deferred tax assets	403	30	433
Deferred tax liabilities:			
Difference between accounting and tax bases of property and equipment	(2,044)	34	(2.011)
Finance leases	(254)	(40)	(294)
Intangible assets	(61)	3	(58)
Total deferred tax liabilities	(2,359)	(3)	(2,364)
Deferred tax liabilities of Telkomsel - net	(1,956)	27	(1,929)
Deferred tax liabilities of other subsidiaries - net	(248)	(24)	(272)
Deferred tax liabilities - net	**(2,703)**	**226**	**(2,477)**
Deferred tax assets - net	**95**	**18**	**113**

	Desember 31, 2013 (Restated)	(Charged) Credit to the consolidated statement of comprehensive Income	(Charged) credit to the statement of other comprehensive income	December 31, 2014
The Company				
Deferred tax assets:				
Provision for impairment of receivables	446	24	-	470
Net periodic pension and other post-retirement benefits costs	341	74	(85)	330
Accrued expenses and provision for inventory obsolescence	27	49	-	76
Employee benefit provisions	143	(71)	-	72
Deferred installation fee	70	2	-	72
Finance leases	9	13	-	22
Total deferred tax assets	1,036	91	(85)	1,042

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

31. TAXATION (continued)

f. Deferred tax assets and liabilities (continued)

	Desember 31, 2013 (Restated)	(Charged) Credit to the consolidated statement of comprehensive Income	(Charged) credit to the statement of other comprehensive income	December 31, 2014
Deferred tax liabilities:				
Difference between accounting and tax bases of property and equipment	(1.543)	85	-	(1.458)
Valuation of long-term investment	(70)	1	-	(69)
Land rights, intangible assets, and others	(11)	(3)	-	(14)
Total deferred tax liabilities	(1.624)	83	-	(1.541)
Deferred tax liabilities of the Company - net	(588)	174	(85)	(499)
Telkomsel				
Deferred tax assets:				
Provisions for employee benefits	207	27	40	274
Provision for impairment of receivables	121	8	-	129
Recognition of interest under USO arrangements	0	(0)	0	0
Total deferred tax assets	328	35	40	403
Deferred tax liabilities:				
Difference between accounting and tax bases of property and equipment	(2,268)	224	-	(2,044)
Finance leases	(121)	(133)	-	(254)
Intangible assets	(62)	1	-	(61)
Total deferred tax liabilities	(2,451)	92	-	(2,359)
Deferred tax liabilities of Telkomsel - net	(2,123)	127	40	(1,956)
Deferred tax liabilities of other subsidiaries - net	(197)	(51)	-	(248)
Deferred tax liabilities - net	**(2,908)**	**250**	**(45)**	**(2,703)**
Deferred tax assets - net	**67**	**25**	**3**	**95**

As of March 31, 2015 and December 31, 2014, the aggregate amounts of temporary differences associated with investments in subsidiaries and associated companies, for which deferred tax liabilities have not been recognized were Rp28,432 billion and Rp27,112 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 could reduce if actual future taxable income is lower than estimates.

g. Administration

From 2008 to 2014, 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 in conjunction with the Ministry of Finance Regulation No. 238/PMK.03/2008. On the basis of historical data, for the three months period ended March 31, 2015, the Company calculates the deferred tax using the tax rate of 20%.

The taxation laws of Indonesia require that the Company and its local subsidiaries submit individual tax returns on the basis of self-assessment. Under prevailing regulations, the DGT may assess or amend taxes within a certain period. For fiscal years 2007 and earlier, this period is within ten years of the time the tax became due, but not later than 2013, while for fiscal years 2008 and onwards, the period is within five years of the time the tax became due.

31. TAXATION (continued)

g. Administration (continued)

The Ministry of Finance of the Republic of Indonesia has issued Regulation No.85/PMK.03/2012 dated June 6, 2012 concerning the appointment of State-Owned Enterprises ("SOEs") to withhold, deposit and report VAT and Sales Tax on Luxury Goods ("PPnBM") according to the procedures outlined in the Regulation which is effective from July 1, 2012. The Ministry of Finance of the Republic Indonesia also has issued Regulation No.224/PMK.011/2012 dated December 26, 2012 concerning the appointment of SOEs to withhold income tax article 22 which is effective from February 23, 2013. The Company has withheld, deposited, and reported the VAT and PPnBM or VAT and also income tax article 22 in accordance with the Regulation.

No tax audit has been conducted for fiscal years 2010, 2012 and 2013 on the Company.

The Company received a certificate of tax audit exemption from the DGT for fiscal years 2010 and 2012 which is valid unless the Company files for corporate income tax overpayment, in which case a tax audit will be performed.

32. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is computed by dividing profit for the year attributable to owners of the parent company amounting to Rp3,814 billion and Rp3,585 billion by the weighted average number of shares outstanding during the period totaling 98,175,853,600 and 97,100,853,600 (after stock split) for the three months period ended March 31, 2015 and for the year ended 2014, 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 amounted to Rp38.85 and Rp36.92 (in full amount) for the three months period ended March 31, 2015 and 2014, respectively. The Company does not have potentially dilutive financial investments as of March 31, 2015 and 2014.

33. CASH DIVIDENDS AND GENERAL RESERVE

Pursuant to the AGM of Stockholders of the Company as stated in notarial deed No. 4 dated April 4, 2014 of Ashoya Ratam, S.H., MKn., the Company's stockholders approved the distribution of cash dividend and special cash dividend for 2013 amounting to Rp7,813 billion (Rp80.46 per share) and Rp2,130 billion (Rp21.94 per share), respectively. On May 16, 2014, the Company paid the cash dividend and special cash dividend totalling Rp9,943 billion.

Appropriation of Retained Earnings

Under the Limited Liability Company Law, the Company is required to establish a statutory reserve amounting to at least 20% of its issued and paid-up capital.

The balance of the appropriated retained earnings of the Company as of March 31, 2015 and December 31, 2014 amounted to Rp15,337 billion, respectively.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

	March 31, 2015	March 31, 2014 (Restated)
Prepaid pension benefit cost	1,133	1,170
Pension benefit and other post-employment benefit obligations		
Pension		
The Company		
Unfunded	2,334	2,326
Telkomsel	682	644
Infomedia	0	-
Total pension	3,016	2,970
Other post-employment benefit	490	488
Obligation under the Labor Law	228	220
Total	**3,734**	**3,678**

The breakdown of the benefit expense recognized in the consolidated statements of comprehensive income is as follows:

	March 31, 2015	December 31, 2014 (Restated)
Net periodic pension costs		
The Company	100	96
Telkomsel	38	29
Infomedia	-	-
Net periodic pension costs (Note 27)	**138**	**125**
Other post-retirement benefit costs (Note 27)	**12**	**12**
Employee benefit costs under the Labor Law	**12**	**11**

Amounts recognized in OCI amounted to Rpnil as of March 31, 2015 and 2014, respectively.

a. Prepaid pension benefit costs

The Company sponsors a defined benefit pension plan for employees with permanent status prior to July 1, 2002. The pension benefits are paid based on the participating employees' latest basic salary at retirement and the number of years of their service. The plan is managed by Telkom Pension Fund ("Dana Pensiun Telkom" or "Dapen"). The participating employees contribute 18% (before March 2003: 8.4%) of their basic salaries to the pension fund. The Company's contributions to the pension fund for the three months period ended March 31, 2015 and for the year ended December 31, 2014 Rpnil billion, respectively.

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 for the three months period ended March 31, 2015 and for the year ended December 31, 2014, on the defined benefit pension plan:

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Prepaid pension benefit costs (continued)

	March 31, 2015	December 31, 2014 (Restated)
Changes in projected pension benefit obligations		
Projected pension benefit obligations at beginning of year	17,402	14,883
Charged to profit or loss		
Service costs	55	188
Past service cost - plan amendment	-	204
Interest costs	361	1,348
Pension plan participants' contributions	12	45
Actuarial losses recognized in OCI	496	1,471
Expected pension benefits paid	(202)	(737)
Projected pension benefit obligations at end of year	18,124	17,402
Changes in pension benefit plan assets		
Fair value of pension plan assets at beginning of year	18,929	16,803
Interest income	394	1,534
Return on plan assets (excluding amount included in net interest expense)	496	1,340
Employer's contributions	-	-
Pension plan participants' contributions	12	45
Expected pension benefits paid	(202)	(737)
Administrative expenses paid	(15)	(56)
Fair value of pension plan assets at end of year	19.614	18,929
Funded status	1,490	1,527
Unrecoverable surplus (effect of asset ceiling)	(357)	(357)
Prepaid pension benefit cost	**1,133**	**1,170**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Prepaid pension benefit costs (continued)

As of March 31, 2015 and December 31, 2014, pension plan assets mainly consisted of :

	March 31, 2015		December 31, 2014	
	Quoted in active market	Unquoted	Quoted in active market	Unquoted
Cash and cash equivalent	2,626	-	2,476	-
Equity instruments				
Finance	1,352	-	1,137	-
Consumer goods	900	-	796	-
Infrastructure, utilities and transportation	660	-	724	-
Construction, property and real estate	550	-	508	-
Basic industry and chemical	276	-	409	-
Trading, service and investment	261	-	269	-
Mining	113	-	142	-
Agriculture	62	-	62	-
Miscellaneous industries	372	-	325	-
Equity-based mutual fund	1,217	-	1,172	-
Fixed income instruments				
Corporate bonds	-	3,444	-	3,351
Government bonds	6,758	499	6,526	451
Non-public equity - direct placement	-	153	-	153
Property	-	154	-	153
Others	-	217	-	275
Total	**15,147**	**4,467**	**14,546**	**4,383**

Pension plan assets also include Series B shares issued by the Company with fair values totalling Rp335 billion and Rp348 billion, representing 1.71% and 1.84% of total plan assets as of March 31, 2015 and December 31, 2014, respectively, and bonds issued by the Company with fair value totalling Rp151 billion and Rp151 billion representing 0.77% and 0.80% of total assets as of March 31, 2015 and December 31, 2014, 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 Rp875 billion and Rp2,817 billion for the years ended December 31, 2013 and 2014, 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%. Therefore, the Company does not expect to contribute to the defined benefit pension plan in 2015.

Based on the Company policy issued on July 1, 2014, regarding Pension Regulation by Dana Pensiun Telkom, there is an increase in monthly benefits given to the pensioners, widow/widower or the children of participants who stopped working before the end of June 2002.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Prepaid pension benefit costs (continued)

The movements of the prepaid pension benefit cost during the three months period ended March 31, 2015 and for the year ended December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014 (Restated)
Prepaid (provision for) pension benefit cost at beginning of year	1,170	949
Net periodic pension benefit cost	(37)	(262)
Actuarial (losses) recognized via the OCI	(496)	(1,471)
Asset ceiling recognized via the OCI	-	614
Return on plan assets (excluding amount included in net interest expense)	496	1,340
Prepaid pension benefit cost at end of year	**1,133**	**1,170**

The components of net periodic pension benefit cost are as follows:

	March 31, 2015	March 31, 2014 (Restated)
Service costs	55	48
Plan administration cost	15	23
Net interest cost	(33)	(44)
Net periodic pension benefit cost	**37**	**27**

Amounts recognized in OCI are as follows:

	March 31, 2015	December 31, 2014 (Restated)
Actuarial losses recognized during the year	496	849
Return on plan assets (excluding amount included in net interest expense)	(496)	(849)
Net	**-**	**-**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

a. Prepaid pension benefit costs (continued)

The actuarial valuation for the defined benefit pension plan and the other post-employment benefits (Notes 34b and 34c) was performed based on the measurement date as of December 31, 2014 and 2013, with reports dated February 24, 2015, and February 28, 2014, respectively, by PT Towers Watson Purbajaga ("TWP"), an independent actuary in association with Towers Watson ("TW") (formerly Watson Wyatt Worldwide). The principal actuarial assumptions used by the independent actuary as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Discount rate	8.50%	9.00%
Rate of compensation increases	8.00%	8.00%
Indonesian mortality table	2011	2011

b. Pension benefit costs provisions

(i) The Company

The Company sponsors unfunded defined benefit pension plans and a defined contribution pension plan for its employees.

The defined contribution pension plan is provided to employees hired with permanent status on or after July 1, 2002. The plan is managed by Financial Institutions Pension Fund ("*Dana Pensiun Lembaga Keuangan*" or "DPLK"). The Company's contribution to DPLK is determined based on a certain percentage of the participants' salaries and amounted to Rp2 billion and Rp6 billion as of March 31, 2015 and December 31, 2014, respectively.

Since 2007, the Company has provided pension benefit based on uniformulation for both participants prior to and from April 20, 1992 effective for employees retiring beginning February 1, 2009. The change in benefit has increased the Company's obligations by Rp699 billion, which is amortized over 9.9 years until 2016. In 2010, the Company replaced the uniformulation with *Manfaat Pensiun Sekaligus* ("MPS"). MPS is given to those employees reaching retirement age, upon death or upon becoming disabled starting from February 1, 2009. The change in benefit has increased the Company's obligations by Rp435 billion, which is amortized over 8.63 years until 2018.

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 beginning April 1, 2012, whereby the employee is required to file a request for MPP and if the employee does not file the request, he or she is required to work until the retirement date.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Pension benefit costs provisions (continued)

(i) The Company (continued)

The following table presents the change in projected pension benefits obligation of MPS and MPP for for the three months period ended March 31, 2015 and for the year ended December 31, 2014:

	March 31, 2015	December 31, 2014 (Restated)
Changes in projected pension benefit obligations		
Unfunded projected pension benefit obligations at beginning of year	2,326	2,201
Charged to profit or loss		
Service costs	15	80
Interest costs	48	194
Actuarial losses recognized in OCI	-	31
Benefits paid by employer	(55)	(180)
Unfunded projected pension benefit obligations at end of year	**2,334**	**2,326**

The components of total periodic pension benefit cost are as follows:

	March 31, 2015	March 31, 2014 (Restated)
Service costs	15	20
Net interest cost	48	49
Total periodic pension benefit cost	**63**	**69**

Amounts recognized in OCI amounted to Rpnil as of March 31, 2015 and 2014, respectively.

The principal actuarial assumptions used by the independent actuary as of December 31, 2014 and 2013 are as follows:

	2014	2013
Discount rate	8.50%	9.00%
Rate of compensation increases	8.00%	8.00%
Indonesian mortality table	2011	2011

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Pension benefit costs provisions (continued)

(ii) Telkomsel

Telkomsel provides a defined benefit pension plan to its employees. Under this plan, employees are entitled to pension benefits based on their latest basic salary or take-home pay and the number of years of their service. PT Asuransi Jiwasraya ("Jiwasraya"), a state-owned life insurance company, manages the plan under an annuity insurance contract. Until 2004, the employees contributed 5% of their monthly salaries to the plan and Telkomsel contributed any remaining amount required to fund the plan. Starting 2005, the entire contributions have been fully made by Telkomsel.

Telkomsel's contributions to Jiwasraya amounted to Rpnil and Rp98 billion for the three months period ended March 31, 2015 and for the year ended December 31, 2014, respectively.

The following table presents the change in projected pension benefits obligation, change in pension plan assets, funded status of the pension plan and net amount recognized in the Company's consolidated statement of financial position for the three months period ended March 31, 2015 and for the year ended 2014 of its defined benefit pension plan:

	March 31, 2015	December 31, 2014 (Restated)
Changes in projected pension benefit obligation		
Projected pension benefit obligation at beginning of year	1.281	899
Charged to profit or loss		
Service costs	25	74
Net interest cost	13	81
Actuarial losses recognized in OCI	-	234
Expected benefits paid	-	(7)
Projected pension benefit obligation at end of year	1,319	1,281
Changes in pension benefit plan assets		
Fair value of plan assets at beginning of year	637	439
Interest income in profit or loss	-	40
Return on plan assets (excluding amount included in net interest expense) in OCI	-	67
Employer's contributions	-	98
Expected benefits paid	-	(7)
Fair value of plan assets at end of year	637	637
Funded status	(682)	(644)
Provision for pension benefit cost	**(682)**	**(644)**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

b. Pension benefit costs provisions (continued)

(i) Telkomsel (continued)

Movements of the provision for pension benefit cost during the three months period ended March 31, 2015 and for the year ended December 31, 2014:

	March 31, 2015	December 31, 2014 (Restated)
Provision for pension benefit cost at beginning of year	(644)	(460)
Periodic pension benefit cost	(38)	(115)
Actuarial (losses) recognized via the OCI	-	(234)
Return on plan assets (excluding amount included in net interest expense)	-	67
Employer contributions	-	98
Provision for pension benefit cost at end of year	**(682)**	**(644)**

The components of the periodic pension benefit cost are as follows:

	March 31, 2015	March 31, 2014 (Restated)
Service costs	25	19
Net interest cost	13	10
Total periodic pension benefit cost	**38**	**29**

Amounts recognized in OCI amounted to Rpnil as of March 31, 2015 and December 31, 2014, respectively.

The net periodic pension costs for the pension plan was calculated based on the measurement date as of December 31, 2014 and 2013, with reports dated February 5, 2015 and February 20, 2014, respectively, by TWP, an independent actuary in association with TW. The principal actuarial assumptions used by the independent actuary based on the measurement date as of December 31, 2014 and 2013, are as follows:

	December 31, 2014	December 31, 2013
Discount rate	8.25%	9.00%
Rate of compensation increases	6.50%	6.50%
Indonesian mortality table	2011	2011

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

c. Other post-employment benefits provisions

The Company provides other post-retirement 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").

The changes of the projected other post-employment benefit obligations for the three months period ended March 31, 2015 and for the year ended December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014 (Restated)
Changes in projected other post-employment benefits provision		
Unfunded projected benefit obligations at beginning of year	488	450
Charged to profit or loss		
Service costs	2	9
Net interest cost	10	39
Actuarial losses recognized in OCI	-	24
Benefits paid by employer	(10)	(34)
Provision for other post-employment benefits	**490**	**488**

The components of the projected other post-employment benefit cost as of March 31, 2015 and 2014 are as follows:

	March 31, 2015	March 31, 2014 (Restated)
Service costs	2	2
Net interest cost	10	10
Total	**12**	**12**

Amounts recognized in OCI amounted to Rpnil as of March 31, 2015 and 2014, respectively.

The principal actuarial assumptions used by the independent actuary based on the measurement date as of March 31, 2015, December 31, 2014 and December 31, 2013, are as follows:

	December 31, 2014	December 31, 2013
Discount rate	8.50%	9.00%
Rate of compensation increases	8.00%	8.00%
Indonesian mortality table	2011	2011

d. Obligation under the Labor Law provisions

Under Law No. 13 Year 2003, the Group is required to provide minimum pension benefits, if not covered yet by the sponsored pension plans, to its employees upon retirement age. The total related obligation recognized for the three months period ended March 31, 2015 and for the year ended December 31, 2014 amounted to Rp228 billion and Rp220 billion, respectively. The related employee benefits cost charged to expense amounted to Rp12 billion and Rp11 as of March 31, 2015 and 2014, respectively.

34. PENSION AND OTHER POST-EMPLOYMENT BENEFITS (continued)

e. Maturity Profile of Defined Benefit Obligation ("DBO")

Weighted Average duration of DBO for the Company and Telkomsel are 18.93 years and 15.14 years, respectively. The timing of benefits payments for 2015 is as follows (in millions of rupiah):

	Expected Benefits Payment			
Time Period	**Funded**	**Unfunded**	**Telkomsel**	**Other post-employment benefits**
Within next 10 years	14,353	3,097	282	685
Within 10-20 years	20,361	204	2,848	184
Within 20-30 years	17,979	12	6,902	54
Within 30-40 years	10,418	0	7,434	1
Within 40-50 years	3,347	-	4,917	-
Within 50-60 years	477	-	2,024	-
Within 60-70 years	23	-	407	-
Within 70-80 years	0	-	29	-

f. Sensitivity Analysis

0.5% change in discount rate and rate of salary would have effect on DBO, as follows:

	Discount Rate		Rate of Compensation	
Sensitivity	**0.5% Increase**	**0.5% Decrease**	**0.5% Increase**	**0.5% Decrease**
Funded	(892)	972	220	(228)
Unfunded	(40)	41	34	(34)
Telkomsel	(124)	139	78	(73)
Other post-employment benefits	(10)	10	-	-

The sensitivity analyses have been determined based on a method that extrapolates the impact on DBO as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The sensitivity results above determine the individual impact on the Plan's end of the year DBO. In reality, the Plan is subject to multiple external experience items which may move the DBO in similar or opposite directions, and the Plan's sensitivity to such changes can vary over time.

There are no changes in the methods and assumptions used in preparing the sensitivity analyses from the previous period.

35. LONG SERVICE AWARDS ("LSA")

Telkomsel and Patrakom provides certain cash awards or certain number of days leave benefits to its 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 during employment, or at the time of termination. LSL are either certain number of days leave benefit or cash, subject to approval by management, provided to employees who meet the requisite number of years of service and with a certain minimum age.

The obligation with respect to these awards was determined based on an actuarial valuation using the Projected Unit Credit method, and amounted to Rp419 billion and Rp410 billion as of March 31, 2015 and December 31, 2014, respectively. The related benefit costs charged to expense amounted to Rp22 billion and Rp16 billion for the three months period ended March 31, 2015 and 2014, respectively (Note 27).

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

36. POST-EMPLOYMENT HEALTH CARE BENEFITS PROVISIONS

The Company provides post-employment health care benefits to all of its employees hired before November 1, 1995 who have worked for the Company for 20 years or more when they retire, and to their eligible dependents. The requirement to work for 20 years does not apply to employees who retired prior to June 3, 1995. The employees hired by the Company starting from November 1, 1995 are no longer entitled to this plan. The plan is managed by Yakes.

The defined contribution post-employment health care benefit plan is provided to employees hired with permanent status on or after November 1, 1995 or employees with terms of service less than 20 years at the time of retirement. The Company's contribution to the plan amounted to Rp14 billion and Rp15 billion for the three months period ended March 31, 2015 and for the year ended December 31, 2014, respectively.

The following table presents the change in the projected post-employment health care benefits obligation, change in post-employment health care benefits plan assets, funded status of the post-employment health care benefits plan and net amount recognized in the Company's consolidated statement of financial position as of March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014 (Restated)
Changes in projected post-employment health care benefit provision		
Projected post-employment health care benefit obligation at beginning of year	11,505	10,653
Service costs	12	45
Interest costs	240	942
Actuarial losses	238	238
Expected post-employment health care benefits paid	(97)	(373)
Projected post-employment health care benefit provision at end of year	**11,898**	**11,505**
Changes in post-employment health care plan assets		
Fair value of plan assets at beginning of year	11,064	9,660
Interest income	231	863
Return on plan assets (excluding amount included in net interest expense)	238	814
Employer's contributions	-	226
Expected post-employment health care benefits paid	(97)	(373)
Administrative expenses paid	(40)	(126)
Fair value of plan assets at end of year	11,396	11,064
Funded status	(502)	(441)
Provision for post-employment health care benefit	**(502)**	**(441)**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

36. POST-EMPLOYMENT HEALTH CARE BENEFITS PROVISIONS (continued)

As of March 31, 2015 and December 31, 2014, plan assets consisted of:

	March 31, 2015		December 31, 2014	
	Quoted in active market	**Unquoted**	**Quoted in active market**	**Unquoted**
Cash and cash equivalent	1,345	-	794	-
Listed shares:				
Manufacturing and consumer	614	-	516	-
Finance industry	589	-	369	-
Construction	301	-	271	-
Infrastructure and telecommunication	220	-	202	-
Wholesale	184	-	145	-
Mining	59	-	69	-
Other industries:				
Services	53	-	65	-
Agriculture	32	-	23	-
Biotech and Pharma Industry	10	-	9	-
Others	24	-	38	-
Equity-based mutual funds	1,438	-	1,767	-
Fixed income-based securities:				
Fixed income mutual funds	6,323	-	6,589	-
Unlisted shares:				
Private placement	-	177	-	177
Others	-	27	-	30
Total	**11,192**	**204**	**10,857**	**207**

Yakes plan assets also include Series B shares issued by the Company with fair value totalling Rp159 billion and Rp140 billion representing 1.40% and 1.27% of total assets as of March 31, 2015 and December 31, 2014, 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 Rp429 billion and Rp1,550 billion for the three months period ended March 31, 2015 and for the year ended December 31, 2014, respectively.

The movements of the provision for projected post-employment health care benefit for the three months period ended March 31, 2015 and for the year ended December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014 (Restated)
Changes in projected post-employment health care benefit provision		
Defined benefit liability at beginning of year	441	993
Net periodic pension cost	61	250
Employer contributions	-	(226)
Actuarial losses recognized via the OCI	237	238
Return on plan assets (excluding amount included in net interest expense)	(237)	(814)
Provision for post-employment health care benefit	**502**	**441**

36. POST-EMPLOYMENT HEALTH CARE BENEFITS PROVISIONS (continued)

The components of net periodic post-employment health care benefit cost for the years ended March 31, 2015 and 2014 are as follows:

	March 31, 2015	March 31, 2014 (Restated)
Service costs	12	11
Plan administration cost	40	44
Net interest cost	9	20
Net periodic post-employment health care benefit cost	**61**	**75**

Amounts recognized in OCI are as follows:

	March 31, 2015	March 31, 2014 (Restated)
Actuarial losses recognized during the year	237	605
Return on plan assets (excluding amount included in net interest expense)	(237)	(605)
Net	-	-

The actuarial valuation for the post-employment health care benefits was performed based on the measurement date as of December 31, 2014 and 2013, with reports dated February 24, 2013 and February 28, respectively, by TWP, an independent actuary in association with TW. The principal actuarial assumptions used by the independent actuary as of December 31, 2014 and 2013 are as follows:

	December 31, 2014	December 31, 2013
Discount rate	8.50%	9.00%
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	2015	2014
Indonesian mortality table	2011	2011

The timing of benefits payments for 2015 is as follows (in millions of rupiah):

Time Period	Post-Employment Health Care Benefits
Within next 10 years	4,912
Within 10-20 years	7,035
Within 20-30 years	7,519
Within 30-40 years	6,174
Within 40-50 years	3,210
Within 50-60 years	400
Within 60-70 years	2
Within 70-80 years	0

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

36. POST-EMPLOYMENT HEALTH CARE BENEFITS PROVISIONS (continued)

0.5% change in discount rate and rate of salary would have effect on DBO, as follows:

	Discount Rate		Rate of Compensation	
Sensitivity	**0.5% Increase**	**0.5% Decrease**	**0.5% Increase**	**0.5% Decrease**
	Increase (decrease) in amounts		**Increase (decrease) in amounts**	
Post-employment health care	(1,455)	1,789	1,926	(1,583)

37. RELATED PARTY TRANSACTIONS

In the normal course of its business, the Group entered into transactions with related parties. It is the Company's policy that the pricings of these transactions be the same as those of arm's length 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:

Related parties	Nature of relationships with related parties	Nature of accounts/transactions
The Government Ministry of Finance	Majority stockholder	Internet and data revenues, other telecommunication service revenues, finance costs and investment in financial instruments
State-owned enterprises	Entity under common control	Internet and data service revenue, other telecommunication services revenue, operating expenses, purchase of property and equipment, construction and installation services, insurance expenses, finance income, finance costs, investment in financial instruments, insurance for property equipment, insurance for employees, electricity expenses and cost of SIM cards
Indosat	Entity under common control	Interconnection revenue, interconnection expenses, telecommunication facilities usage, operating & maintenance costs, leased line revenue, satellite transponder usage revenue, usage of data communication, network system expenses and lease revenue
PT Aplikanusa Lintasarta (“Lintasarta”)	Entity under common control	Interconnection revenue, network revenue, usage of data communication network system expenses and leased lines expenses
Indosat Mega Media	Entity under common control	Network revenues
CSM	Associated company	Satelite transponder usage revenue, leasedline revenue and transmission lease expenses
Indonusa	Associated company	Network revenue and data communication expense
INTI	Entity under common control	Purchase of property and equipment
LEN`	Entity under common control	Purchase of property and equipment

37. RELATED PARTY TRANSACTIONS (continued)

a. Nature of relationships and accounts/transactions with related parties (continued)

Details of the nature of relationships and accounts/transactions with significant related parties are as follows (continued):

Related parties	Nature of relationships with related parties	Nature of accounts/transactions
State-owned banks	Entity under common control	Finance income and finance costs
BNI	Entity under common control	Internet and data revenue, other telecommunication service revenue, finance income and finance costs
Bank Mandiri	Entity under common control	Internet and data revenue, other telecommunication service revenue, finance income and finance costs
BRI	Entity under common control	Internet and data revenue, other telecommunication service revenue, finance income and finance costs
BTN	Entity under common control	Internet and data revenue, other telecommunication service revenue, finance income and finance costs
PT Bank Syariah Mandiri ("BSM")	Entity under common control	Internet and data revenue, other telecommunication service revenue, and finance costs
PT Bank BRI Syariah ("BRI Syariah")	Entity under common control	Internet and data revenue, other telecommunication service revenue, and finance costs
Bahana	Entity under common control	Available-for-sale financial assets, bonds and notes
Yakes	Entity under significant influence	Medical expenses
Koperasi Pegawai Telkom ("Kopegtel")	Entity under significant influence	Purchase of property and equipment, construction and installation services, leases of buildings, leases of vehicles, purchases of vehicles, purchases of materials and construction services, utilities and cleaning service maintenance and RSA revenues
PT Sandhy Putra Makmur ("SPM")	Entity under significant influence	Leases of buildings, leases of vehicles, purchase of materials and construction services, utilities maintenance and cleaning services
Koperasi Pegawai Telkomsel ("Kisel")	Entity under significant influence	Leases of vehicles, printing and distribution of customer bills expenses, collection fee, and other services fee, distribution of SIM cards and pulse reload voucher
PT Graha Informatika Nusantara ("Gratika")	Entity under significant influence	Interconnection revenue, purchase of property and equipment, installation expense, and maintenance expense
PT Pasifik Satelit Nusantara ("PSN")	Entity under significant influence	Interconnection revenue, network revenue, leased line revenue, transmission leases expenses and interconnection expenses
Directors and commissioners	Key management personnel	Honorarium and facilities

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties

The following are significant transactions with related parties:

	2015		2014	
	Amount	**% of total revenues**	**Amount**	**% of total revenues**
REVENUES				
Entities under common control				
Indosat	237	1.00	258	1.21
State-owned enterprises	220	0.93	153	0.72
Government	54	0.23	32	0.15
BRI	42	0.18	14	0.07
Bank Mandiri	40	0.17	29	0.14
BNI	25	0.11	16	0.08
Lintasarta	21	0.09	21	0.10
BSM	7	0.03	7	0.03
BTN	3	0.01	2	0.01
BRI Syariah	1	0.00	4	0.02
Sub-total	650	2.75	536	2.53
Entity under significant influence				
Kisel	788	3.34	648	3.05
Gratika	92	0.39	84	0.40
Sub-total	880	3.73	732	3.45
Associated companies				
Indonusa	14	0.06	19	0.09
Others	40	0.17	31	0.15
Total	**1,584**	**6.71**	**1,318**	**6.22**

	2015		2014	
	Amount	**% of total expenses**	**Amount**	**% of total expenses**
EXPENSES				
Entities under common control				
State-owned enterprises	284	1.74	246	1.71
Indosat	259	1.58	236	1.64
Sub-total	543	3.32	482	3.35
Entity under significant influence				
Kisel	193	1.18	241	1.68
Kopegtel	89	0.54	157	1.09
PSN	58	0.35	55	0.38
Yakes	42	0.26	36	0.25
SPM	1	0.01	7	0.05
Sub-total	383	2.34	496	3.45
Associated company				
CSM	13	0.08	13	0.09
Others	7	0.04	23	0.16
Total	**946**	**5.78**	**1,014**	**7.05**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

	2015		2014	
	Amount	% of total finance income	Amount	% of total finance income
FINANCE INCOME				
Entity under common control				
State-owned banks	182	56.91	162	48.65

	2015		2014	
	Amount	% of total finance costs	Amount	% of total finance costs
FINANCE COSTS				
Majority stockholder				
The Government	20	4.57	21	5.37
Entity under common control				
State-owned banks	233	53.18	166	42.46
Total	**253**	**57.75**	**187**	**47.83**

	2015		2014	
	Amount	% of total property and equipment purchased	Amount	% of total property and equipment purchased
PURCHASE OF PROPERTY AND EQUIPMENT (Note 11)				
Entities under common control				
INTI	6	0.14	-	-
LEN	1	0.02	-	-
State-owned enterprises	-	-	24	0.56
Sub-total	7	0.16	24	0.56
Entity under significant influence				
Kopegtel	13	0.31	12	0.28
Gratika	28	0.66	-	-
Sub-total	41	0.97	12	0.28
Others	1	0.02	1	0.02
Total	49	1.15	37	0.86

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

Presented below are balances of accounts with related parties:

	March 31, 2015		December 31, 2014	
	Amount	**% of total assets**	**Amount**	**% of total assets**
a. Cash and cash equivalents (Note 4)	**12,101**	**8.25**	**10,464**	**7.43**
b. Other current financial assets (Note 5)	**2,492**	**1.70**	**2,406**	**1.71**
c. Trade receivables - net (Note 6)	**1,107**	**0.75**	**873**	**0.62**
d. Advances and prepaid expenses (Note 8)	21	0.01	24	0.02
e. Advances and other non-current assets (Note 12)				
Entity under common control				
BNI	12	0.01	12	0.02
Others	27	0.02	6	0.01
Total	**39**	**0.03**	**18**	**0.03**

	March 31, 2015		December 31, 2014	
	Amount	**% of total liabilities**	**Amount**	**% of total liabilities**
f. Trade payables (Note 14)				
Entities under common control				
INTI	281	0.50	323	0.58
Indosat	259	0.46	146	0.26
State-owned enterprises	1	0.00	-	-
Sub-total	541	0.96	469	0.84
Entity under significant influence				
Yakes	26	0.05	46	0.08
Kopegtel	43	0.08	55	0.10
Sub-total	69	0.13	101	0.18
Others	548	0.98	328	0.59
Total	**1,158**	**2.07**	**898**	**1.61**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

	March 31, 2015		December 31, 2014	
	Amount	**% of total liabilities**	**Amount**	**% of total liabilities**
g. Accrued expenses (Note 15)				
Majority stockholder				
The Government	27	0.05	16	0.03
Entity under common control				
State-owned banks	74	0.13	84	0.15
Total	**101**	**0.18**	**100**	**0.18**
h. Advances from customers and suppliers				
Majority stockholder				
The Government	19	0.03	19	0.03
i. Short-term bank loans (Note 17)				
Entities under common control				
BRI	57	0.10	57	0.10
BSM	15	0.03	15	0.03
Total	**72**	**0.13**	**72**	**0.13**
j. Two-step loans (Note 19)				
Majority stockholder				
The Government	1,645	2.95	1,615	2.95
k. Long-term bank loans (Note 21)				
Entities under common control				
BRI	4,268	7.66	4,357	7.96
BNI	3,037	5.45	2,975	5.43
Bank Mandiri	2,087	3.74	2,181	3.98
Total	**9,392**	**16.85**	**9,513**	**17.37**

c. Significant agreements with related parties

i. The Government

The Company obtained two-step loans from the Government (Note 19).

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”.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (continued)

c. Significant agreements with related parties (continued)

ii. Indosat (continued)

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 receives compensation from Indosat computed at 1% of the collections made by the Company starting from January 1, 1995, as well as the billing process expenses which are fixed at a certain amount per record. On December 11, 2008, the Company and Indosat agreed to implement IDD service charge tariff which already took into account the compensation for billing and collection. The agreement is valid and effective starting from January to December 2012, and can be applied until a new agreement becomes available.

On December 28, 2006, the Company and Indosat signed amendments on the interconnection agreements for the fixed line networks (local, SLJJ and international) and mobile network for the implementation of the cost-based tariff obligations under the MoCI Regulations No. 8/Year 2006 (Note 40). These amendments took effect on January 1, 2007.

Telkomsel also entered into an agreement with Indosat for the provision of international telecommunications services to its GSM mobile cellular customers.

The Company provides leased lines to Indosat and subsidiaries, namely PT Indosat Mega Media and Lintasarta. The leased lines can be used by these companies for telephone, telegraph, data, telex, facsimile or other telecommunication services.

iii. Others

The Company has entered into agreements with associated companies, namely CSM and Gratika for the utilization of the Company's satellite transponders or frequency channels of communication satellite and leased lines.

Kisel is a co-operative that was established by Telkomsel’s employees to engage in car rental services, printing and distribution of customer bills, collection and other services principally for the benefit of Telkomsel. Telkomsel also has dealership agreements with Kisel for distribution of SIM cards and pulse reload vouchers.

d. Key management personnel remuneration

Key management personnels consists of the Boards of Commissioners and Directors of the Company and its subsidiaries.

The Group provides remuneration in the form of honorarium and facilities to support the operational duties of the Board of Commissioners and short-term employment benefits in the form of salaries and facilities to support the operational duties of the Board of Directors. The total of such benefits is as follows:

	2015		2014	
	Amount	**% of total expenses**	**Amount**	**% of total expenses**
Board of Directors	133	0.81%	94	0.66%
Board of Commissioners	43	0.26%	30	0.21%

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

38. SEGMENT INFORMATION

The Group has four main operating segments, namely personal, home, corporate and others. The personal segment provides mobile cellular and fixed wireless telecommunications services to individual customers. The home segment provides fixed wireline telecommunications services, pay TV, data and internet services to home customers. The corporate segment provides telecommunications services, including interconnection, leased lines, satellite, VSAT, contact center, broadband access, information technology services, data and internet services to companies and institutions. Operating segments that are not monitored separately by the Chief Operation Decision Maker are presented as "Others", which provides building management services.

No operating segments have been aggregated to form the operating segments of personal, home and others, while corporate operating segment is aggregated from business, enterprise, wholesale and international operating segments since they have the similar economic characteristics and similar in other qualitative criteria such as providing similar network services and serving corporate customers.

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

However, the financing activities and income taxes are not separately monitored and are not allocated to operating segments.

Segment revenues and expenses include transactions between operating segments and are accounted at market prices.

	2015						
	Corporate	**Home**	**Personal**	**Others**	**Total before elimination**	**Elimination**	**Total consolidated**
Segment results							
Revenues							
External revenues	5,214	1,826	16,514	62	23,616	-	23,616
Inter-segment revenues	2,957	894	708	423	4,982	(4,982)	-
Total segment revenues	8,171	2,720	17,222	485	28,598	(4,982)	23,616
Expenses							
External expenses	(4,150)	(1,209)	(10,376)	(433)	(16,168)	-	(16,168)
Inter-segment expenses	(1,700)	(998)	(2,271)	(13)	(4,982)	4,982	-
Total segment expenses	(5,850)	(2,207)	(12,647)	(446)	(21,150)	4,982	(16,168)
Segment results	2,321	513	4,575	39	7,448	-	7,448
Capital expenditures	(1,159)	(506)	(2,389)	(203)	(4,257)	-	(4,257)
Depreciation and amortization	(608)	(382)	(3,218)	(18)	(4,226)	-	(4,226)
Impairment of assets	-	-	(872)	-	(872)	-	(872)
Provision for impairment of receivables	(6)	(58)	(77)	(1)	(142)	-	(142)

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

38. SEGMENT INFORMATION (continued)

	2014						
	Corporate	Home	Personal	Others	Total before elimination	Elimination	Total consolidated
Segment results							
Revenues							
External revenues	4,604	1,684	14,913	49	21,250	-	21,250
Inter-segment revenues	2,619	648	658	330	4,255	(4,255)	-
Total segment revenues	7,223	2,332	15,571	379	25,505	(4,255)	21,250
Expenses							
External expenses	(4,046)	(1,227)	(8,721)	(338)	(14,332)	-	(14,332)
Inter-segment expenses	(1,556)	(774)	(1,912)	(13)	(4,255)	4,255	-
Total segment expenses	(5,602)	(2,001)	(10,633)	(351)	(18,587)	4,255	(14,332)
Segment results	1,621	331	4,938	28	6,918	-	6,918
Capital expenditures	(892)	(376)	(3,033)	-	(4,301)	-	(4,301)
Depreciation and amortization	(613)	(339)	(2,952)	(14)	(3,918)	-	(3,918)
Impairment of assets	-	-	(30)	-	(30)	-	(30)
Provision for impairment of receivables	(164)	(68)	(72)	-	(304)	-	(304)

Geographic information:

	2015	2014
External revenues		
Indonesia	23,155	20,791
Foreign countries	461	459
Sub-total	23,616	21,250

The revenue information above is based on the location of the customers.

	March 31, 2015	December 31, 2014
Non-current operating assets		
Indonesia	95,079	96,127
Foreign countries	1,104	1,145
Total	**96,183**	**97,272**

Non-current operating assets for this purpose consist of property and equipment and intangible assets.

39. REVENUE-SHARING ARRANGEMENTS ("RSA")

The Company has entered into separate agreements with several investors under RSA to develop fixed lines, public card-phone booths, data and internet network and related supporting telecommunications facilities.

As of March 31, 2015, the Company has only one remaining RSA with an investor. The RSA is located in Denpasar, Mataram and Kupang, with concession periods of 148 months. RSAs with other investors have expired.

Under the RSA, the investors finance the costs incurred in developing the telecommunications facilities and the Company manages and operates the telecommunications facilities upon the completion of the construction. Repairs and maintenance costs during RSA period are borne jointly by the Company and investors. The investors legally retain the rights to the property and equipment constructed by them during the RSA periods. At the end of the RSA period, the investors transfer the ownership of the telecommunications facilities to the Company at a nominal price.

Generally, the revenues earned in the form of line installation charges, outgoing telephone pulses and monthly subscription charges are shared between the Company and investors based on certain agreed amount and/or ratio.

40. 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 Ministry of Communication and Information ("MoCI") concerning "Mechanism to Determine Tariff of Basic Telephony Services Connected through Fixed Line Network".

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.

40. 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.

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.

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS

a. Capital expenditures

As of March 31, 2015, capital expenditures committed under the contractual arrangements, principally relating to procurement and installation of switching equipment, transmission equipment and cable network are as follows:

Currencies	Amounts in foreign currencies (in millions)	Equivalent in rupiah
Rupiah	-	8,881
U.S. dollar	455	5,948
Euro	0.3	4
SGD	0.4	4
Total		**14,837**

The above balance includes the following significant agreements:

(i) The Company

Contracting parties	Initial date of agreement	Significant provisions of the agreement
The Company and PT Industri Telekomunikasi Indonesia	December 30, 2010	Procurement and installation agreement for cooper wire access modernization through Trade In/Trade Off method
The Company and PT Len Industri (Persero)	March 29, 2012	Procurement and installation agreement for cooper wire access modernization through Trade In/Trade Off method
The Company and PT Ketrosden Triasmitra-PT Nautic Maritime Salvage Consortium	August 30, 2012	Procurement and installation agreement for “Sistem Komunikasi Kabel Laut” (SKKL) Luwuk-Tutuyan Cable System (LTCS)
The Company and JF DJAFA Consortium	November 14, 2012	Procurement and installation agreement of OSP FTTH DIVA Regional II
The Company and ASN-PT Lintas Consortium	May 6, 2013	Procurement and installation agreement of Sulawesi Maluku Papua Cable System (SMPCS) project
The Company and NEC Corp-PT NEC Indonesia Consortium	May 28, 2013	Procurement and installation of SMPCS package-2

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

a. Capital expenditures (continued)

(i) The Company (continued)

Contracting parties	Initial date of agreement	Significant provisions of the agreement
The Company and PT Cisco Technologies Indonesia	November 14, 2013	The partnership for procurement and installation agreement of WIFI CISCO
The Company and PT Huawei Tech Investment	December 6, 2013	Procurement and installation agreement for IP Radio Equipment for Backhaul Node-B Telkomsel Package-2 Platform Huawei
The Company and Thales Alenia Space France	July 14, 2014	Telkom-3 Substitution (T3S) Satellite System
The Company and QNet Indonesia	July 22, 2014	Procurement and installation of SKKL Broadband Network Division

(ii) Telkomsel

Contracting parties	Initial date of agreement	Significant provisions of the agreement
Telkomsel, PT Ericsson Indonesia, Ericsson AB, PT Nokia Siemens Networks, NSN Oy and Nokia Siemens Network GmbH & Co. KG	April 17, 2008	The combined 2G and 3G CS Core Network Rollout Agreements
Telkomsel, PT Ericsson Indonesia and PT Nokia Siemens Networks	April 17, 2008	Technical Service Agreement (TSA) for combined 2G and 3G CS Core Network
Telkomsel, PT Ericsson Indonesia, Ericsson AB, PT Nokia Siemens Networks, NSN Oy, Huawei International Pte. Ltd., PT Huawei and PT ZTE Indonesia	March and June 2009	2G BSS and 3G UTRAN Rollout agreement for the provision of 2G GSM BSS and 3G UMTS Radio Access Network
Telkomsel, PT Packet Systems Indonesia and PT Huawei	February 3, 2010	Maintenance and procurement of equipment and related service agreement for Next Generation Convergence IP RAN Rollout and Technical Support
Telkomsel, PT Dimension Data Indonesia and PT Huawei	February 3, 2010	Maintenance and procurement of equipment and related service agreement for Next Generation Convergence Core Transport Rollout and Technical Support
Telkomsel, Amdocs Software Solutions Limited Liability Company and PT Application Solutions	February 8, 2010	Online Charging System (“OCS”) and Service Control Points (“SCP”) System Solution Development Agreement
Telkomsel and PT Application Solutions	February 8, 2010	Technical Support Agreement to provide technical support services for the OCS and SCP
Telkomsel, Amdocs Software Solutions Limited Liability Company and PT Application Solutions	July 5, 2011	Development and Rollout agreement for Customer Relationship Management and Contact Center solutions
Telkomsel and PT Ericsson Indonesia	December 21, 2011	Development and Rollout Operating Support System (“OSS”) agreement
Telkomsel and Huawei International Pte. Ltd. and PT Huawei	July 17, 2012	CS Core System Rollout and CS Core System Technical Support agreement

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

a. Capital expenditures (continued)

(ii) Telkomsel (continued)

Contracting parties	Initial date of agreement	Significant provisions of the agreement
Telkomsel and PT Ericsson Indonesia	March 25, 2013	Technical Support Agreement (TSA) for the procurement of Gateway GPRS Support Node ("GGSN") Service Complex agreement
Telkomsel and Wipro Limited, Wipro Singapore Pte. Ltd. and PT WT Indonesia	April 23, 2013	Development and procurement of OSDSS Solution agreement
Telkomsel and PT Ericsson Indonesia	October 22, 2013	Procurement of GGSN Service Complex Rollout agreement

(iii) GSD

Contracting parties	Initial date of agreement	Significant provisions of the agreement
TLT (Subsidiary of GSD) and PT Adhi Karya	November 6, 2012	Service arrangement structure and main contractor architecture for Telkom Landmark Tower Building development project
GSD and PT Waskita Karya	June 25, 2014	Development of Infomedia's building agreement

b. Borrowings and other credit facilities

(i) As of March 31, 2015, 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:

				Facility utilized	
Lenders	**Total facility**	**Maturity**	**Currency**	**Original currency (in millions)**	**Rupiah equivalent**
BRI	350	March 14, 2016	Rp	-	64
			US$	0	4
BNI	250	March 30, 2016	Rp	-	82
			US$	0	4
Bank Mandiri	150	December 24, 2015	Rp	-	3
Total	**750**				**157**

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

b. Borrowings and other credit facilities (continued)

(ii) Telkomsel has a US$3 million bond and bank guarantee and standby letter of credit facilities with SCB, Jakarta. The facilities will expire on July 31, 2015. Under these facilities, as of March 31, 2015, Telkomsel has issued a bank guarantee of Rp20 billion (equivalent to US$1.5 million) for a 3G performance bond (Note 41c.i). The bank guarantee is valid until March 24, 2016.

Telkomsel has a Rp500 billion bank guarantee facilitiy with BRI. The facility will expire on March 25, 2016. Under this facility, as of March 31, 2015, Telkomsel has issued a bank guarantee of Rp177 billion (equivalent to US$13.5 million) as payment commitment guarantee for annual right of usage fee valid until March 31, 2015.

Telkomsel has a Rp150 billion bank guarantee facility with BCA. The facility will expire on April 15, 2015. Under this facility, as of March 31, 2015, Telkomsel has issued a bank guarantee of Rp20 billion (equivalent to US$1.5 million) as a 3G performance bond (Note 41c.i).

Telkomsel has also a Rp100 billion bank guarantee facility with BNI. The facility will expire on December 11, 2015. Telkomsel uses this facility to replace the time deposit required as guaranty for the USO program amounting to Rp53 billion (Note 41c.v).

(iii) TII has a US$15 million bank guarantee from Bank Mandiri. The facility expires on December 18, 2015. The outstanding bank guarantee facility as of March 31, 2015 amounting to US$10 million.

(iv) The Company, GSD, Metra and Infomedia signed several credit facilities agreements with PT Bank Sumitomo Mitsui Indonesia, The Bank of Tokyo-Mitsubishi UFJ, Ltd., PT Bank ANZ Indonesia and a syndication of banks (BCA and BNI) amounting to Rp750 billion, Rp750 billion, Rp500 billion, and Rp3,000 billion, respectively. Until March 31, 2015, there is no facilities draw down yet.

c. Others

(i) <u>3G license</u>

With reference to the Decision Letters No. 07/PER/M.KOMINFO/2/2006, No. 268/KEP/M.KOMINFO/9/2009 and No. 191 year 2013 of the MoCI (Note 2i), Telkomsel is required, among other things, to:

1. Pay an annual BHP fee which is calculated based on a certain formula over the license term (10 years) as set forth in the Decision Letters. The BHP is payable upon receipt of the notification letter ("Surat Pemberitahuan Pembayaran") from the DGPI. The BHP fee is payable annually up to the expiry date of the license.

2. Provide roaming access for the existing other 3G operators.

3. Contribute to USO development.

4. Construct a 3G network which covers at least 14 provinces by the sixth year of holding the 3G license.

5. Issue a performance bond each year amounting to Rp20 billion or 5% of the annual fee to be paid for the subsequent year, whichever is higher.

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(ii) Radio Frequency Usage

Based on the Decree No. 76 dated December 15, 2010 of the Government of the Republic of Indonesia, which amended Decree No. 7 dated January 16, 2009, the annual frequency usage fees for bandwidths of 800 Megahertz ("MHz"), 900 MHz and 1800 MHz are determined using a formula set forth in the Decree. The Decree is applicable for 5 years unless further amended.

As an implementation of the above Decree, the Company and Telkomsel paid the first, second, third and forth year annual frequency usage fees in 2010, 2011, 2012 and 2013, respectively.

In order to maximize its business opportunities from the group synergy, the Company restructured its fixed wireless business unit by terminating the respective fixed wireless telecommunication network services and transferring the fixed wireless business and subscribers to Telkomsel. On June 27, 2014, the Company signed a Conditional Business Transfer Agreement with Telkomsel to transfer such business and subscribers to Telkomsel (Notes 5 and 37).

Based on Decision Letter No. 934 dated September 26, 2014, the MoCI approved the transfer of the Company's frequency usage license on radio frequency spectrum of 800 MHz, specifically on spectrum of 880-887.5 MHz paired with 925-932.5 MHz, to Telkomsel, Telkomsel can use the radio frequency spectrum from the time the decision letter was issued.

During the transition period, the Company is still able to use the radio frequency spectrum of 880-887.5 MHz paired with 925-932.5 MHz until December 14, 2015.

Based on Decision Letters No. 940 dated September 26, 2014, MoCI determined that the fifth year (Y5), 2014, annual frequency usage fee of Telkomsel was Rp2,198 billion. The fee includes frequency usage fee transferred from Company to Telkomsel and was paid in December 2014.

In 2014, the Company recorded a restructuring provision of Rp208 billion. The provision relates to the benefits provided in "Upgrade Telkomflexi" program that was introduced to encourage Telkom Flexi subscribers to migrate to Telkomsel services. The program was publicly announced on October 3, 2014. The restructuring is expected to be completed not later than December 14, 2015.

(iii) Apple, Inc

On July 16, 2012, Telkomsel entered into an agreement with Apple South Asia Pte Ltd ("Apple") for the purchase of iPhone products and provision of cellular network services in Indonesia. Based on the agreement:

- Telkomsel may authorize Authorized Purchaser ("AP") to place PO under the agreement provided that a contract of Adherence is signed between Apple, Telkomsel and AP binding such AP to the terms and conditions of the agreement. If any of the AP fails to pay an invoice from Apple or Apple's affiliate as required by the agreement, after receipt of Apple's notice, Telkomsel should pay the sums due and the unpaid amount.
- Telkomsel shall order and take delivery or cause its AP to order and take delivery of at least 500,000 iPhone units up to June 2015.

Effective on August 17, 2012, Telkomsel appointed PT Mitra Telekomunikasi Selular ("MTS"), third party, as the AP. In accordance with the agreement with MTS, issuance of PO by MTS is subject to Telkomsel's approval and required to be covered by a bank guarantee".

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(iv) Future minimum lease payments of 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 2015 and 2024. Periods maybe extended based on the agreement by both parties.

Future minimum lease payments under the operating lease agreements as of March 31, 2015 are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
As lessee	30,379	3,079	13,562	13,738
As lessor	4,890	1,099	2,514	1,277

(v) USO

The MoCI issued Regulation No. 15/PER/M.KOMINFO/9/2005 dated September 30, 2005, which sets forth the basic policies underlying the USO program and requires telecommunications operators in Indonesia to contribute 0.75% of their gross revenues (with due consideration for bad debts and interconnection charges) for USO development. Based on the Government's Decree No. 7/2009 dated January 16, 2009 and Decree No.05/PER/M.KOMINFO/2/2007 dated February 28, 2007, the contribution was changed to 1.25% of gross revenues, net of bad debts and/or interconnection charges and/or connection charges. Subsequently, in December 2012, Decree No. 05/PER/M.KOMINFO/2/2007 was replaced by Decree No. 45 year 2012 of the MoCi which was effective from January 22, 2013. The latest Decree stipulates, among other things, the exclusion of certain revenues that are not considered as part of gross revenues as a basis to calculate the USO charged, and changed the payment period which was previously on a quarterly basis to become quarterly or semi-annually.

Based on MoCI Decree No. 32/PER/M.KOMINFO/10/2008 dated October 10, 2008 (as amended by Decree No.03/PER/M.KOMINFO/2/2010 dated February 1, 2010) which replaced MoCI Decree No. 11/PER/M.KOMINFO/04/2007 dated April 13, 2007 and MoCI Decree No. 38/PER/M.KOMINFO/9/2007 dated September 20, 2007, it is stipulated that, among others, in providing telecommunication access and services in rural areas (USO Program), the provider is determined through a selection process by *Balai Telekomunikasi dan Informatika Pedesaan* ("BTIP") which was established based on MoCI Decree No. 35/PER/M.KOMINFO/11/2006 dated
November 30, 2006. Subsequently, based on Decree No. 18/PER/M.KOMINFO/11/2010 dated November 19, 2010 of MoCI, BTIP was changed to *Balai Penyedia dan Pengelola Pembiayaan Telekomunikasi dan Informatika* ("BPPPTI").

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

a. Others (continued)

(v) USO (continued)

a. Company

On March 12, 2010, the Company was selected in a tender by the Government through BTIP to provide internet access service centers for USO sub-districts for a total amount of Rp322 billion, covering Nanggroe Aceh Darussalam, North Sumatera, North Sulawesi, Gorontalo, Central Sulawesi, South Sulawesi and South East Sulawesi.

On December 23, 2010, the Company was selected in a tender by the Government through BTIP to provide mobile internet access service centers for USO sub-districts for a total amount of Rp528 billion, covering Jambi, Riau, Kepulauan Riau, North Sulawesi, Central Sulawesi, Gorontalo, West Sulawesi, South East Sulawesi, Central Kalimantan, South Sulawesi, Papua and West Irian Jaya.

b. Telkomsel

On January 16 and 23, 2009, Telkomsel was selected in a tender by the Government through BTIP to provide telecommunication access and services in rural areas (USO Program) for a total amount of Rp1.66 trillion, covering all Indonesian territories except Sulawesi, Maluku and Papua. Accordingly, Telkomsel obtain local fixed-line licenses and the right to use radio frequency in the 2390 MHz - 2400 MHz bandwith.

Subsequently, in 2010 and 2011, the agreements with BTIP were amended, which amendments cover, among other things, changing the price to Rp1.76 trillion and changing the term of payment from quarterly to monthly or quarterly.

In January 2010, the MoCI granted Telkomsel operating licenses to provide local fixed-line services under the USO program.

On December 27, 2011, Telkomsel (on behalf of Konsorsium Telkomsel, a consortium which was established with Dayamitra on December 9, 2011) was selected by BPPPTI as a provider of the USO Program in the border areas for all packages (package 1 to package 13) with a total price of Rp830 billion. On such date, Telkomsel was also selected by BPPPTI as a provider of the USO Program (upgrading) of “Desa Pinter” or “Desa Punya Internet” for 1, 2 and 3 packages with a total price of Rp261 billion.

On March 31, 2015, the USO program for packages 1, 2, 3, 6 and 7 ceased. On September 18, 2014, Telkomsel filed an arbitration claim with the Indonesia National Board of Arbitration for the settlement of the outstanding receivable from BPPPTI. As of March 31, 2015, the outstanding accounts receivable balance from those USO program amounted to Rp107.8 billion. As of the issuance date of approval and authorization for the issuance of the consolidated financial statements, the arbitration claim is still in process.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(v) USO (continued)

For the years ended March 31, 2015 and 2014, the Company and Telkomsel recognized the following amounts:

	2015	2014
Revenues		
Construction	0	0
Operation of telecommunication service centre	0	0
Profits		
Construction	20	35
Operation of telecommunication service centre	(5)	(57)

As of March 31, 2015 and December 31, 2014, the Company's and Telkomsel's trade receivables from the USO programs which are measured at amortized cost using the effective interest rate method amount to Rp776 billion and Rp655 billion, respectively (Notes 6 and 12).

(vi) Trademark License Agreement

On June 23, 2014, TII signed an agreement with Mobile Telecommunication Company (Zain Saudi Arabia) for the telecommunications product and service trademark license agreement over a 5-year term has elapsed from the effective date. Subsequently, on November 7, 2014, TII signed an agreement with Al Lama Group for distributions and sales of SIM Card and exploration of other business opportunities in Saudi Arabia.

42. CONTINGENCIES

In the ordinary course of business, the Group has been named as defendants in various legal actions in relation with land disputes, monopolistic practice and unfair business competition and SMS cartel practices. Based on management's estimate of the probable outcomes of these matters, the Group has recognized provision for losses amounting to Rp25 billion as of March 31, 2015.

a. The Company, Telkomsel and seven other local operators are being investigated by The Commission for the Supervision of Business Competition ("*Komisi Pengawasan Persaingan Usaha*" or "KPPU") for allegations of SMS cartel practices. As a result of the investigations on June 17, 2008, KPPU found that the Company, Telkomsel and certain other local operators had violated Law No. 5 year 1999 article 5 and charged the Company and Telkomsel penalty in the amounts of Rp18 billion and Rp25 billion, respectively.

   Management believes that there are no such cartel practices that led to a breach of prevailing regulations. Accordingly, the Company and Telkomsel filed an appeal with the Bandung District Court and South Jakarta District Court on July 14, 2008 and July 11, 2008, respectively.

   Due to the filing of case by operators in various courts, the KPPU subsequently requested the Supreme Court (SC) to consolidate the cases into the Central Jakarta District Court. Based on the SC's decision letter dated April 12, 2011, the SC appointed the Central Jakarta District Court to investigate and resolve the case.

   As of the issuance date of the consolidated financial statements, there has not been any notification on the case from the court.

b. The Company is a defendant in a case filed in Makassar District Court by Andi Jindar Pakki and his affiliates over a land property at Jl. A.P. Pettarani. On May 8, 2013, the court pronounced its verdict and ordered the Company to pay fair compensation or to vacate and surrender the disputed land to the plaintiffs.

   On May 20, 2013, the Company filed an appeal to the Makassar High Court, objecting to the District Court's ruling. In December 2013, the Makassar High Court pronounced its verdict that was favorable to the plaintiffs and the Company filed an appeal to the Supreme Court. On January 9, 2015, the Company received the SC Notice regarding the case in which rejected the Company's appeal. On February 5, 2015, the Company requested for a judicial review of the case by the SC (Note 47a).

   As of the date of approval and authorization for the issuance of the consolidated financial statements, there has not been any notification on the case from the SC.

43. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are as follows:

	March 31, 2015			
	U.S. dollar (in millions)	Japanese yen (in millions)	Others* (in millions)	Rupiah equivalent (in billions)
Assets				
Cash and cash equivalents	445.20	8.42	14.46	5,987
Other current financial assets	20.79	-	-	272
Trade receivables				
Related parties	2.86	-	-	37
Third parties	82.87	-	1.88	1,109
Other receivables	0.43	-	0.11	7
Advances and other non-current assets	4.00	-	0.05	53
Total assets	556.15	8.42	16.50	7,465
Liabilities				
Trade payables				
Related parties	(0.40)	-	(0.18)	(7)
Third parties	(217.85)	(17.16)	(2.74)	(2,888)
Other payables	(5.45)	-	(0.07)	(71)
Accrued expenses	(45.84)	(86.09)	(0.02)	(609)
Short-term bank loan	(100.00)	-	-	(1,308)
Advances from customers and suppliers	(1.03)	-	(0.05)	(16)
Current maturities of long-term liabilities	(34.67)	(767.90)	-	(538)
Promissory notes	(5.66)	-	-	(74)
Long-term liabilities - net of current maturities	(61.51)	(6,911.08)	-	(1,557)
Total liabilities	(472.41)	(7,782.23)	(3.02)	(7,068)
Assets (Liabilities) - net	**83.74**	**(7,773.81)**	**13.48**	**397**

	December 31, 2014			
	U.S. dollar (in millions)	Japanese yen (in millions)	Others* (in millions)	Rupiah equivalent (in billions)
Assets				
Cash and cash equivalents	364.47	8.45	15.59	4,721
Other current financial assets	15.50	-	-	193
Trade receivables				
Related parties	2.05	-	-	26
Third parties	72.88	-	2.83	938
Other receivables	0.39	-	0.11	6
Advances and other non-current assets	4.06	-	0.05	52
Total assets	459.35	8.45	18.58	5,936
Liabilities				
Trade payables				
Related parties	(0.21)	-	(0.16)	(5)
Third parties	(215.68)	(19.36)	(3.41)	(2,725)
Other payables	(3.42)	-	(1.15)	(57)
Accrued expenses	(65.91)	(27.39)	(1.02)	(836)
Short-term bank loan	(100.00)	-	-	(1,244)
Advances from customers and suppliers	(2.41)	-	(0.07)	(31)
Current maturities of long-term liabilities	(34.60)	(767.90)	-	(510)
Promissory notes	(7.16)	-	-	(88)
Long-term liabilities - net of current maturities	(71.00)	(6,911.08)	-	(1,597)
Total liabilities	(500.39)	(7,725.73)	(5.81)	(7,093)
Assets (Liabilities) - net	**(41.04)**	**(7,717.28)**	**12.77**	**(1,157)**

* 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.

43. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (continued)

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 March 31, 2015 using the exchange rates on April 27, 2015, the unrealized foreign exchange loss will increase by Rp12 billion.

44. FINANCIAL RISK MANAGEMENT

1. Financial risk management

The Group's activities expose it to a variety of financial risks such as market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Overall, the Group's financial risk management program is intended to minimize losses on the financial assets and financial liabilities arising from fluctuation of foreign currency exchange rates and the fluctuation of interest rates. Management has a written policy for foreign currency risk management mainly on time deposit placements and hedging to cover foreign currency risk exposures for periods ranging from 3 up to 12 months.

Financial risk management is carried out by the Corporate Finance unit under policies approved by the Board of Directors. The Corporate Finance unit identifies, evaluates and hedges financial risks.

a. Foreign exchange risk

The Group is exposed to foreign exchange risk on sales, purchases and borrowings that are denominated in foreign currencies. The foreign currency denominated transactions are primarily in U.S. dollars and Japanese yen. The Group's exposures to other foreign exchange rates are not material.

Increasing risks of foreign currency exchange rates on the obligations of the Group are expected to be offset by the effects of the exchange rates on time deposits and receivables in foreign currencies that are equal to at least 25% of the outstanding current foreign currency liabilities.

The following table presents the Group's financial assets and financial liabilities exposure to foreign currency risk:

	March 31, 2015		December 31, 2014	
	U.S. dollar (in billions)	Japanese yen (in billions)	U.S. dollar (in billions)	Japanese yen (in billions)
Financial assets	0.56	0.01	0.46	0.01
Financial liabilities	(0.47)	(7.78)	(0.50)	(7.73)
Net exposure	**0.09**	**(7.77)**	**(0.04)**	**(7.72)**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (continued)

1. 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 March 31, 2015 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/loss
March 31, 2015	
U.S. dollar (1% strengthening)	12
Japanese yen (5% strengthening)	(42)

A weakening of the U.S.dollar and Japanese yen against the rupiah at March 31, 2015 would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

   b. Market price risk

The Group is exposed to changes in debt and equity market prices related to available-for-sale investments carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale investments are recognized in equity.

The performance of the Group’s available-for-sale investments is monitored periodically, together with a regular assessment of their relevance to the Group’s long-term strategic plans.

As of March 31, 2015, 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 17, 18, 19, 20 and 21). 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:

	March 31, 2015	December 31, 2014
Fixed rate borrowings	(10.280)	(10,113)
Variable rate borrowings	(13,158)	(13,339)

Sensitivity analysis for variable rate borrowings

As of March 31, 2015, a decrease (increase) by 25 basis points in interest rates of variable rate borrowings would have increased (decreased) equity and profit or loss by Rp33 billion, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (continued)

1. Financial risk management (continued)

   d. Credit risk

   The following table presents the maximum exposure to credit risk of the Group's financial assets:

	March 31, 2015	December 31, 2014 (Restated)
Cash and cash equivalents	20,282	17,672
Other current financial assets	3,043	2,797
Trade and other receivables, net	8,475	7,380
Advances and other non-current assets	523	546
Total	**32,323**	**27,863**

   The Group is exposed to credit risk primarily from trade and other receivables. The credit risk is managed by continuous monitoring of outstanding balances and collection.

   Trade and other receivables do not have any major concentration risk whereas no customer receivable balances exceed 4% of trade receivables of March 31, 2015.

   Management is confident in its ability to continue to control and sustain minimal exposure to credit risk given that the Group has recognized sufficient provision for impairment of receivables to cover incurred loss arising from uncollectible receivables based on existing historical data on credit losses.

   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.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (continued)

1. Financial risk management (continued)

   e. Liquidity risk (continued)

   The following is the maturity profile of the Group's financial liabilities:

	Carrying amount	Contractual cash flows	2015	2016	2017	2018	2019 and thereafter
March 31, 2015							
Trade and other payables	11,530	(11,530)	(11,530)	-	-	-	-
Accrued expenses	5,919	(5,919)	(5,919)	-	-	-	-
Loans and other borrowings							
Bank loans	13,684	(14,279)	(4,965)	(2,701)	(2,627)	(2,124)	(1,862)
Obligations under finance leases	4,695	(6,338)	(973)	(703)	(913)	(839)	(2,910)
Bonds and notes	3,414	(4,772)	(1,353)	(206)	(243)	(241)	(2,729)
Two-step loans	1,645	(1,976)	(290)	(244)	(273)	(238)	(931)
Total	**40,887**	**(44,814)**	**(25,030)**	**(3,854)**	**(4,056)**	**(3,442)**	**(8,432)**

	Carrying amount	Contractual cash flows	2014	2015	2016	2017	2018 and thereafter
December 31, 2014							
Trade and other payables	12,476	(12,476)	(12,476)	-	-	-	-
Accrued expenses	5,211	(5,211)	(5,211)	-	-	-	-
Loans and other borrowings							
Bank loans	13,740	(16,468)	(6,830)	(3,172)	(2,552)	(2,099)	(1,815)
Obligations under finance leases	4,789	(6,535)	(975)	(927)	(898)	(830)	(2,905)
Bonds and notes	3,308	(4,673)	(1,370)	(251)	(229)	(228)	(2,595)
Two-step loans	1,615	(1,944)	(282)	(274)	(264)	(230)	(894)
Total	**41,139**	**(47,307)**	**(27,144)**	**(4,624)**	**(3,943)**	**(3,387)**	**(8,209)**

   The difference between the carrying amount and the contractual cash flows is interest value.

2. Fair value of financial assets and financial liabilities

   a. Fair value measurement

   Fair value is the amount for which an asset could be exchanged, or liability settled, in an arm's length transaction.

   The Group determined the fair value measurement for disclosure purposes of each class of financial assets and financial liabilities based on the following methods and assumptions:

   (i) The fair values of short-term financial assets and financial liabilities with maturities of one year or less (cash and cash equivalents, trade receivables, other receivables, other current assets, trade payables, other payables, accrued expenses, and short-term bank loans), long-term investments, advances and other non-current assets are considered to approximate their carrying amounts as the impact of discounting is not significant.

   (ii) The fair values of long-term financial asssets and financial liabilities (other non-current assets (long-term receivables and restricted cash) and liabilities) approximate their carrying amounts as they were measured based on the discounted future contractual cash flows.

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (continued)

2. Fair value of financial assets and financial liabilities (continued)

a. Fair value measurement (continued)

(iii) Available-for-sale financial assets primarily consist of shares, mutual funds and Corporate and Government bonds. Shares 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. Corporate and Government bonds are stated at fair value by reference to prices of similar securities at the reporting date.

(iv) The fair values of long-term financial liabilities are estimated by discounting the future contractual cash flows of each liability at rates offered to the Group for similar liabilities of comparable maturities by the bankers of the Group, except for bonds which are based on market prices.

The fair value estimates are inherently judgmental and involve various limitations, including:

a. Fair values presented do not take into consideration the effect of future currency fluctuations.
b. Estimated fair values are not necessarily indicative of the amounts that the Group would record upon disposal/termination of the financial assets and liabilities.

b. Classification and fair value

The following table presents the carrying value and estimated fair values of the Group's financial assets and liabilities based on their classifications, other than those with carrying amounts that are reasonable approximation of fair values:

	March 31, 2015					
	Trading	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	20,282	-	-	20,282	20,282
Other current financial assets	-	2,783	260	-	3,043	3,043
Trade and other receivables, net	-	8,475	-	-	8,475	8,475
Advances and other non-current assets	-	523	-	-	523	523
Total financial assets	**-**	**32,063**	**260**	**-**	**32,323**	**32,323**
Trade and other payables	-	-	-	(11,530)	(11,530)	(11,530)
Accrued expenses	-	-	-	(5,919)	(5,919)	(5,919)
Loans and other borrowings						
Short-term bank loans	-	-	-	(2,002)	(2,002)	(2,002)
Long-term bank loans	-	-	-	(11,682)	(11,682)	(11,488)
Obligation under finance lease	-	-	-	(4,695)	(4,695)	(4,695)
Bonds and notes	-	-	-	(3,414)	(3,414)	(3,462)
Two-step loans	-	-	-	(1,645)	(1,645)	(1,689)
Total financial liabilities	**-**	**-**	**-**	**(40,887)**	**(40,887)**	**(40,785)**

	December 31, 2014					
	Trading	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	-	17,672	-	-	17,672	17,672
Other current financial assets	-	2,543	254	-	2,797	2,797
Trade and other receivables, net	-	7,380	-	-	7,380	7,380
Advances and other non-current assets	-	546	-	-	546	546
Total financial assets	**-**	**28,141**	**254**	**-**	**28,395**	**28,395**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (continued)

2. Fair value of financial assets and financial liabilities (continued)

   b. Classification and fair value (continued)

	December 31, 2014					
	Trading	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other payables	-	-	-	(12,476)	(12,476)	(12,476)
Accrued expenses	-	-	-	(5,211)	(5,211)	(5,211)
Loans and other borrowings						
Short-term bank loans	-	-	-	(1,810)	(1,810)	(1,810)
Long-term bank loans	-	-	-	(11,930)	(11,930)	(11,787)
Obligation under finance lease	-	-	-	(4,789)	(4,789)	(4,789)
Bonds and notes	-	-	-	(3,308)	(3,308)	(3,355)
Two-step loans	-	-	-	(1,615)	(1,615)	(1,650)
Total financial liabilities	**-**	**-**	**-**	**(41,139)**	**(41,139)**	**(41,078)**

   c. Fair value hierarchy

   The table below presents the recorded amount of financial assets measured at fair value and limited mutual funds participation unit for debt-based securities where the Net Asset Value ("NAV") per share of the investments information is not published as explained below:

	March 31, 2015			
		Fair value measurement at reporting date using		
	Balance	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				
Available-for-sale securities	260	55	205	-
Fair value to profit or loss securities (Note 3b)	290	-	-	290
Total	**550**	**55**	**205**	**290**

	December 31, 2014			
		Fair value measurement at reporting date using		
	Balance	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				
Available-for-sale securities	254	52	202	-
Fair value to profit or loss securities (Note 3b)	290	-	-	290
Total	**544**	**52**	**202**	**290**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

44. FINANCIAL RISK MANAGEMENT (continued)

2. Fair value of financial assets and financial liabilities (continued)

c. Fair value hierarchy (continued)

Available-for-sale financial assets primarily consist of mutual funds and Corporate and Government bonds. Corporate and Government bonds are stated at fair value by reference to prices of similar securities at the reporting date. As they are not actively traded in an established market, these securities are classified as level 2.

Financial asset at fair value through profit or loss represens the Put Option on the 20% remaining ownership in Indonusa which was received as part of the divestment considerations. Since the fair value is not observable and valuation technique is used to determine the fair value, this financial asset is classified as level 3.

Mutual funds actively traded in an established market are stated at fair value using quoted market price and classified within level 1. The valuation of the mutual funds invested in Corporate and Government bonds and put option require significant management judgment due to the absence of quoted market prices, the inherent lack of liquidity and the long-term nature of such assets. As these investments are subject to restrictions on redemption (such as transfer restrictions and initial lock-up periods) and observable activity for the investments is limited, these investments are therefore classified within level 3 of the fair value hierarchy. Management considers among other assumptions, the valuation and quoted price of the arrangement of the mutual funds.

Reconciliations of the beginning and ending balances for items measured at fair value using significant unobservable inputs (level 3) as of March 31, 2015 and 2014 are as follows:

	2015	2014
Balance at January 1	290	297
Purchases	-	-
Included in consolidated statement of comprehensive Income	-	-
Realized loss - recognized in profit or loss	-	-
Unrealized loss - recognized in other comprehensive income	-	-
Redemption	-	-
Balance at March 31	**290**	**297**

45. CAPITAL MANAGEMENT

The capital structure of the Group is as follows:

	March 31, 2015		December 31, 2014 (Restated)	
	Amount	Portion	Amount	Portion
Short-term debts	2,002	2.11%	1,810	1.98%
Long-term debts	21,436	22.56%	21,642	23.72%
Total debts	23.438	24.66%	23,452	25.70%
Equity attributable to owners	71.604	75.34%	67,812	74.30%
Total	**95.042**	**100.00%**	**91,264**	**100.00%**

(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

45. CAPITAL MANAGEMENT (continued)

The Group objectives when managing capital are to safeguard the Group 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 capital structure and review the effectiveness of the Company'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 and that such ratio is comparable or better than that of regional area entities in the telecommunications industry.

The Company's debt-to-equity ratio as of March 31, 2015 and December 31, 2014 is as follows:

	March 31, 2015	December 31, 2014 (Restated)
Total interest-bearing debts	23,438	23,452
Less: cash and cash equivalents	(20,282)	(17,672)
Net debts	3,156	5,780
Total equity attributable to owners	71,604	67,812
Net debt-to-equity ratio	**4.41%**	**8.52%**

As stated in Note 19, 20 and 21, the Group is required to maintain a certain debt-to-equity ratio and debt service coverage ratio by the lenders. During the three months period ended March 31, 2015 and for the year ended December 31, 2014, the Company has complied with the externally imposed capital requirements.

46. SUPPLEMENTAL CASH FLOWS INFORMATION

The non-cash investing activities for the years ended March 31, 2015 and 2014 are as follows:

	March 31, 2015	March 31, 2014
Acquisition of property and equipment credited to:		
Trade payables	4,640	6,277
Obligations under finance leases	24	106

47. SUBSEQUENT EVENTS

On April 17, 2015, pursuant to the AGM of stockholders of the Company as stated in notarial deed No. 160 dated April 17, 2015 of Ashoya Ratam, S.H., Mkn., the Company's stockholders resolved amongst other things to:

(i) Distribute cash dividend for 2014 amounting to Rp7,319 billion (Rp74.55 per share) and special cash dividend for 2014 amounting to Rp1,464 billion (Rp14.91 per share).

(ii) Few changes in the Company's Article of Association.

(iii) Elect Rinaldi Firmansyah and Pamiyati Pamela Johanna Waluyo as Independent Commissioners and Margiyono Darsasumarja as Commissioner.