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

Consolidated financial statements as of June 30, 2014 and
for the six months period then ended (unaudited)

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

Consolidated financial statements as of June 30, 2014 and
for the six months period then ended (unaudited)
Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk and its subsidiaries

On behalf of the Board of Directors, we undersigned:

1. Name : Arief Yahya
   Business address : Jl. Japati No. 1 Bandung 40133
   Address as indicated in ID : Jl. Bongo No. 1 Turangga Lengkong, Bandung
   Phone : (022) 452 7101
   Position : President Director

2. Name : Honesti Basyir
   Business address : Jl. Japati No. 1 Bandung 40133
   Address as indicated in ID : Komplek Dai-ichi Kav. 26 Antapani, Bandung
   Phone : (022) 452 7201
   Position : Director of Finance

We hereby state as follows:

1. We are responsible for the preparation and presentation of the consolidated financial statement of Perusahaan Perseroan (Persero) 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, July 22, 2014

METERAI TEMPEL
AC0A5ABF642041114
ENAM RIBU RUPIAH
6000 DJP

Arief Yahya
President Director

Honesti Basyir
Director of Finance

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PREFACE

We are pleased to submit the Unaudited Consolidated Financial Statements of Perusahaan Perseroan (Persero) PT Telekomunikasi Indonesia Tbk ("TELKOM") as of June 30, 2014 (Unaud ited) which consists of Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Stockholders' Equity, Consolidated Statement of Cash Flows and Consolidated Notes to Financial Statements prepared in accordance with Indonesian Financial Accounting Standards.

As of June 30, 2014, TELKOM recorded total Revenue at Rp43,542 billion or increased by 8.4% as compared with the same period last year. The increase was contributed by increase in Data, Internet and Information Technology Services Revenue and Cellular Revenue by Rp2,404 billion or 15.9 % and Rp980 billion or 6.4 %, respectively.

Meanwhile TELKOM recorded total Expenses at Rp29,349 billion or increased by Rp3,035 billion or 11.5% that contributed by increase in Operation & Maintenance Expense and Depreciation & Amortization Expenses by Rp967 billion and Rp1.223 billion respectively compared with the same period last year.

As a result, TELKOM recorded Profit for the period at Rp10,641 billion, increased by 3.2% which is attributable to owners of the Parent Company amounted to Rp7,411 billion, increased by 4.0% compared with the same period last year.

Finally, on behalf of the Board of Directors of TELKOM, we would like to thank and appreciate all of TELKOM Group partners, who have supported TELKOM in achieving the result as presented in the Consolidated Financial Statements and improving better performance in the next period.

Jakarta, July 22, 2014

ARIEF YAHYA
President Director

These consolidated financial statements are originally issued in Indonesian language.

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND
FOR THE SIX MONTHS PERIOD THEN ENDED (UNAUDITED)

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**PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014 (unaudited) and December 31, 2013 (audited)
(Figures in tables are expressed in billions of rupiah, unless otherwise stated)**

	Notes	June 30, 2014	December 31, 2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,2e,2u, 4,37,44	16,828	14,696
Other current financial assets	2c,2d,2e,2u, 3,5,37,44	707	6,872
Trade receivables - net of provision for impairment of receivables	2g,2u, 6,29,44,		
Related parties	2c,37	1,054	900
Third parties		6,594	5,126
Other receivables - net of provision for impairment of receivables	2g,2u,44	320	395
Inventories - net of provision for obsolescence	2h,7,17, 21	1,043	509
Advances and prepaid expenses	2c,2i,2t,8, 31,37	3,969	3,947
Prepaid taxes	2t,31	914	525
Asset held for sale	2j,9	57	105
Total Current Assets		31,486	33,075
NON-CURRENT ASSETS			
Long-term investments	2f,2u,10,44	321	304
Property and equipment - net of accumulated depreciation	2l,2m,11 17,20,21,39	90,282	86,761
Prepaid pension benefit costs	2s,34	942	927
Advances and other non-current assets	2c,2i,2l,2n,2u 12,37,41,44	5,497	5,294
Intangible assets - net of accumulated amortization	2d,2k,2n,13	1,553	1,508
Deferred tax assets - net	2t,31	79	82
Total Non-current Assets		98,674	94,876
TOTAL ASSETS		**130,160**	**127,951**

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2014 (unaudited) and December 31, 2013 (audited)
(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

	Notes	June 30, 2014	December 31, 2013
LIABILITIES AND EQUITIES			
CURRENT LIABILITIES			
Trade payables	2o,2r,2u, 14,44		
Related parties	2c,37	720	826
Third parties		11,758	10,774
Other payables	2u,44	563	388
Taxes payable	2t,31	1,625	1,698
Accrued expenses	2c,2r,2u,15, 27,34,37,44	5,891	5,264
Unearned income	2r,16	2,799	3,490
Advances from customers and suppliers	2c,37	802	472
Short-term bank loans	2c,2p,2u, 17,37,44	2,618	432
Current maturities of long-term liabilities	2c,2m,2p,2u, 18,37,44	4,494	5,093
Total Current Liabilities		31,270	28,437
NON-CURRENT LIABILITIES			
Deferred tax liabilities - net	2t,31	2,927	3,004
Other liabilities	2r	382	472
Long service award provisions	2s,35	347	336
Post-retirement health care benefit costs provisions	2s,36	653	752
Retirement benefits obligation and other post-retirement benefits	2s,34	2,989	2,795
Long-term liabilities - net of current maturities	2u,18,44		
Obligations under finance leases	2m,11	4,169	4,321
Two-step loans	2c,2p,19,37	1,596	1,702
Bonds and notes	2c,2p,20,37	3,042	3,073
Bank loans	2c,2p,21,37	7,791	5,635
Total Non-current Liabilities		23,896	22,090
TOTAL LIABILITIES		**55,166**	**50,527**

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 FINANCIAL POSITION
As of June 30, 2014 (unaudited) and December 31, 2013 (audited)
(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

	Notes	June 30, 2014	December 31, 2013
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
Additional paid-in capital	2d,2v,24	2,899	2,323
Treasury stock	2v,25	(3,836)	(5,805)
Effect of change in equity of associated companies	2f	386	386
Unrealized holding gain on available-for-sale securities	2u	41	38
Translation adjustment	2f	345	391
Difference due to acquisition of non-controlling interests in subsidiaries	1d,2d	(508)	(508)
Other reserves	1d	49	49
Retained earnings			
Appropriated	33	15,337	15,337
Unappropriated		40,759	43,291
Net Equity Attributable to Owners of the parent company		60,512	60,542
Non-controlling Interests	2b,22	14,482	16,882
TOTAL EQUITY		**74,994**	**77,424**
TOTAL LIABILITIES AND EQUITY		**130,160**	**127,951**

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Six Months Ended June 30, 2014 and 2013 (Unaudited)
(Figures in tables are expressed in billions of rupiah, unless otherwise stated)

	Notes	2014	2013
REVENUES	2c,2r,26,37	43,542	40,160
Operations, maintenance and telecommunication service expenses	2c,2r,28,37	(10,699)	(9,732)
Depreciation and amortization	2k,2l,2m,2r, 11,12,13	(8,163)	(6,940)
Personnel expenses	2c,2r,2s,15,27, 34,35,36,37	(4,668)	(4,605)
Interconnection expenses	2c,2r,30,37	(2,545)	(2,371)
General and administrative expenses	2c,2g,2h,2r,2t, 6,7,29,37	(1,846)	(1,638)
Marketing expenses	2r	(1,455)	(1,339)
Gain (Loss) on foreign exchange - net	2q	(146)	100
Other income	2r,3,11c	406	339
Other expenses	2r,11c	(233)	(128)
OPERATING PROFIT		**14,193**	**13,846**
Finance income	2c,37	636	413
Finance costs	2c,2r,37	(863)	(696)
Share of loss of associated companies	2f,10	(13)	(6)
PROFIT BEFORE INCOME TAX		**13,953**	**13,557**
INCOME TAX (EXPENSE) BENEFIT	2t,31		
Current		(3,566)	(3,187)
Deferred		74	(237)
		(3,492)	(3,424)
PROFIT FOR THE YEAR		**10,461**	**10,133**
OTHER COMPREHENSIVE (LOSS) INCOME			
Foreign currency translation	1d,2b,2f	(46)	11
Change in fair value of available-for-sale financial assets	2u	3	1
Other Comprehensive (Loss) Income - net		(43)	12
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**10,418**	**10,145**
Profit for the year attributable to:			
Owners of the parent company	2b,22	7,411	7,125
Non-controlling interests		3,050	3,008
		10,461	10,133
Total comprehensive income for the year attributable to:			
Owners of the parent company		7,368	7,137
Non-controlling interests	2b,22	3,050	3,008
		10,418	**10,145**
BASIC AND DILUTED EARNINGS PER SHARE (in full amount)			
Net income per share	2x,32	76.24	74.42
Net income per ADS (200 Series B shares per ADS)		15,247.75	14,833.20

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 Six Months Ended June 30, 2014 and 2013 (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**
Establishment of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	35	35
Cash dividends	1d,2w,33	-	-	-	-	-	-	-	-	-	(9,943)	(9,943)	(5,485)	(15,428)
Proceeds from sales of Treasury Stock	25	-	576	1,969	-	-	-	-	-	-	-	2,545	-	2,545
Comprehensive income (loss) for the year	1d,2b,2f, 2q,2u,10	-	-	-	-	3	(46)	-	-	-	7,411	7,368	3,050	10,418
Balance, June 30, 2014		**5,040**	**2,899**	**(3,836)**	**386**	**41**	**345**	**(508)**	**49**	**15,337**	**40,759**	**60,512**	**14,482**	**74,994**

PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Six Months Ended June 30, 2014 and 2013 (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**	**Difference due to restructuring and other transactions of entities under common control**	**Effect of change in equity of associated companies**	**Unrealized holding gain (loss) 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, 2012		**5,040**	**1,073**	**(8,067)**	**478**	**386**	**42**	**271**	**(508)**	**49**	**15,337**	**37,440**	**51,541**	**15,437**	**66,978**
Adjustment in relation to implementation of Statement of Financial Accounting Standards (PSAK) No. 38 (Revised 2012)	2d, 24	-	478	-	(478)	-	-	-	-	-	-	-	-	-	-
Balance, January 1, 2013- after adjustment		**5,040**	**1,551**	**(8,067)**	**-**	**386**	**42**	**271**	**(508)**	**49**	**15,337**	**37,440**	**51,541**	**15,437**	**66,978**
Additional capital for association entities		-	-	-	-	-	-	-	-	-	-	-	-	23	23
Cash dividends	1d,2w	-	-	-	-	-	-	-	-	-	-	(8,353)	(8,353)	(4,685)	(13,038)
Treasury stock	2t,23	-	208	433	-	-	-	-	-	-	-	-	641	-	641
Comprehensive income (loss) for the year	1d,2b,2f, 2q,2u,10	-	-	-	-	-	1	11	-	-	-	7,125	7,137	3,008	10,145
Balance, June 30, 2013		**5,040**	**1,759**	**(7,634)**	**-**	**386**	**43**	**282**	**(508)**	**49**	**15,337**	**36,212**	**50,966**	**13,783**	**64,749**

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

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from:			
Customers		38,453	36,625
Other operators		2,440	2,064
Total cash receipts from revenues		40,893	38,689
Interest income received		641	426
Advance receipts from customers		319	11
Cash receipts others - net		161	-
Cash payments for expenses		(15,386)	(14,897)
Cash payments to employees		(4,961)	(5,407)
Payments for income taxes		(3,562)	(3,731)
Payments for interest costs		(810)	(703)
Net cash provided by operating activities		**17,295**	**14,388**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from settlement of time deposit		6,200	4,000
Increase (decrease) in advances and other non-current assets	12	172	(745)
Proceeds from insurance claims	11	40	-
Proceeds from sale of property and equipment	11	1	55
Acquisition of property and equipment	11	(11,077)	(5,023)
Decrease in advances for purchases of property and equipment	12	(487)	(57)
Acquisition of intangible assets	13	(329)	(337)
(Acquisition) divestment of long-term investment	10	(32)	17
Placement in time deposits and assets available for sale	5	(20)	(357)
Net cash used in investing activities		**(5,532)**	**(2,447)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans	21	4,353	2,050
Proceeds from short-term bank loans	17	2,729	265
Proceeds from treasury stock	25	2,545	-
Capital contribution of non-controlling interests in subsidiaries	33	35	-
Proceeds from promissory notes	20	21	8
Cash dividends paid to the Company's stockholder		(9,943)	(8,353)
Cash dividends paid to non-controlling interests of subsidiaries		(5,485)	(4,685)
Repayments of two-step loans and bank loans	19,21	(2,683)	(2,384)
Repayments of short-term bank loans	17	(544)	(45)
Payments of obligations under finance leases	11	(355)	(214)
Repayments of promissory notes	20	(178)	(239)
Repayments of medium-term notes		-	(8)
Net cash used in financing activities		**(9,505)**	**(13.605)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,258**	**(1,664)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(126)**	**97**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**14,696**	**13,118**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	**16,828**	**11,551**

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 and 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 May8, 2013 of Ashoya Ratam, S.H., MKn. The latestamendment 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 is 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 or selling, leasing and maintaining telecommunications and information networks in accordance with prevailing regulations.
   ii. Planning, developing, providing, marketing or selling and improving telecommunications and information services 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 telecommunications licenses by the government of the Republic of Indonesiawhich are valid for an unlimited period of time as long as the Company complies with prevailing laws and telecommunications regulations and fulfills the obligation stated in thoselicenses. For every license, an evaluation is performed annually and an overall evaluation is performed every 5 (five) years.

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

1. GENERAL (continued)

a. Establishment and general information (continued)

The Company is obliged to submit reports of services annually to the Indonesian Directorate General of Post and Informatics ("DGPI"), which replaced the previous Indonesian Directorate General of Post and Telecommunications ("DGPT"). The reports comprise information such as network development progress, service quality standard achievement, total customers, license payment and universal service contribution, while for internet telephone services for public purpose ("ITKP"), there is additional information required such as operational performance, customer segmentation, traffic, and gross revenue.

Details of these licenses are as follows:

License	License No.	Type of services	Grant date/latest renewal date
License 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	ITKP	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	Network Access Point ("NAP")	September 24, 2013

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

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 Annual General Meeting ("AGM") of Stockholders of the Company held on May 8, 2013 as covered by notarial deed No. 11 of Ashoya Ratam, S.H., MKn and the AGM of Stockholders of the Company held on April 4, 2014 as covered by notarial deed No. 4 of Ashoya Ratam, S.H., MKn., the composition of the Company's Boards of Commissioners and Directors as of June 30, 2014 and December 31, 2013, respectively, was as follows:

	June 30, 2014	December 31, 2013*
President Commissioner	Jusman Syafii Djamal	Jusman Syafii Djamal
Commissioner	Parikesit Suprapto	Parikesit Suprapto
Commissioner	Hadiyanto	Hadiyanto
Commissioner	Imam Apriyanto Putro	Gatot Trihargo
Independent Commissioner	Virano Gazi Nasution	Virano Gazi Nasution
Independent Commissioner	Johnny Swandi Sjam	Johnny Swandi Sjam
President Director	Arief Yahya	Arief Yahya
Director of Finance	Honesti Basyir	Honesti Basyir
Director of Innovation and Strategic Portfolio	Indra Utoyo	Indra Utoyo
Director of Enterprise and Business Service	Muhamad Awaluddin	Muhamad Awaluddin
Director of Wholesale and International Services	Ririek Adriansyah	Ririek Adriansyah
Director of Human Capital Management	Priyantono Rudito	Priyantono Rudito
Director of Network, Information Technology and Solution	Rizkan Chandra	Rizkan Chandra
Director of Consumer Services	Sukardi Silalahi	Sukardi Silalahi

* The change of Director's title is based on Director's Regulation No.202.11/r.00/HK.200/COP-B0400000/2013 dated June 25, 2013 and Director's Decree No. SK.2287/PS320/HCC-10/2013 dated June 28, 2013.

2. Audit Committee and Corporate Secretary

The composition of the Company's Audit Committee and the Corporate Secretary as of June 30, 2014 and December 31, 2013, were as follows:

	June 30, 2014*	December 31, 2013
Chair	Johnny Swandi Sjam	Johnny Swandi Sjam
Secretary	Tjatur Purwadi	Agus Yulianto
Member	Parikesit Suprapto	Parikesit Suprapto
Member	Agus Yulianto	Sahat Pardede
Member	Virano Gazi Nasution	Virano Gazi Nasution
Corporate Secretary	Honesti Basyir	Honesti Basyir

* The change of Audit Committee is based on Commissioner Regulation No.05/KEP/DK/2014 dated March 25, 2014.

1. GENERAL (continued)

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

3. Employees

As of June 30, 2014 and December 31, 2013, the Company and subsidiaries had 25,062 employees and 25,011 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 of the Republic of Indonesia (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") (previously the Jakarta Stock Exchange and the Surabaya Stock Exchange) 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 the Annual General Meeting ("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 expressedin billions of rupiah, unless otherwise stated)

1. GENERAL (continued)

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

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

On April 19, 2013, in the AGM held on April 19, 2013 as covered by notarial deedNo. 38 of Ashoya Ratam, S.H., MKn., dated April 19, 2013 the stockholders approved the changes to the Company's plan on the treasury stock acquired under phase III (Notes 23 and 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, dated April 19, 2013 the Company's 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 (Notes 23 and 25).

On May 16 and June 5, 2014, the company has deregistrated on Tokyo Stock Exchange and delisted on the LSE.

On June 13, 2014, the Company has resold 215,000,000 (equal to 1,075,000,000 shares after the stock split) for the repurchase of shares of treasury stock phase II (Note 25).

As of June 30, 2014, all of the Company's Series B shares are listed on the IDX and 46,890,120 ADS shares are listed on the NYSE (Note 23).

As of June 30, 2014, the Company's outstanding rupiah bonds represents the second Rupiah bonds issued on June 25, 2010 with a nominal amount of Rp1,005 billion for a five-year period and Rp1,995 billion for a ten-year period for Series A and Series B, respectively, are listed on the IDX (Note 20a).

d. Subsidiaries

As of June 30, 2014 and December 31, 2013, the Company has consolidated the following directly or indirectly owned subsidiaries (Notes 2b and 2d):

(i) Direct subsidiaries:

Subsidiary/place of incorporation	Nature of business/ date of incorporation or acquisition by the Company	Date of start of commercial operations	Percentage of ownership interest June 30 2014	Percentage of ownership interest December 31 2013	Total assets before elimination June 30 2014	Total assets before elimination December 31, 2013
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	68,533	73,336

1. GENERAL (continued)

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

d. Subsidiaries (continued)

As of June 30, 2014 and December 31, 2013, the Company has consolidated the following directly or indirectly owned subsidiaries (Notes 2b and 2d):

(i) Direct subsidiaries:

Subsidiary/place of incorporation	Nature of business/ date of incorporation or acquisition by the Company	Date of start of commercial operations	Percentage of ownership interest		Total assets before elimination	
			June 30 2014	December 31 2013	June 30 2014	December 31, 2013
PT Dayamitra Telekomunikasi (**"Dayamitra"**), *Jakarta, Indonesia*	Telecommunication/ May 17, 2001	1995	100	100	8,457	7,363
PT Multimedia Nusantara (**"Metra"**), Jakarta, Indonesia	Multimedia and line telecommunication services/May 9, 2003	1998	100	100	5,577	5,297
PT Telekomunikasi Indonesia International (**"TII"**), Jakarta, Indonesia	Telecommunication/ July 31, 2003	1995	100	100	4,057	3,804
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	1,899	1,574
PT Pramindo Ikat Nusantara (**"Pramindo"**), Jakarta, Indonesia	Telecommunication construction and services/ August 15, 2002	1995	100	100	1,520	1,365
PT Telkom Akses (**"Telkom Akses"**), Jakarta, Indonesia	Construction, service and trade in the field of telecommunication/ November 26, 2012	2013	100	100	1,227	946
PT Patra Telekomunikasi Indonesia ("**Patrakom**") Jakarta, Indonesia*	Telecomunication provides fixed line communication system/ September 28, 1995	1996	100	100	303	255
PT Infrastruktur Telekomunikasi Indonesia **("Telkom Infratel")** Jakarta, Indonesia**	Construction, service and trade in the field of telecommunication/ January 16, 2014	2014	100	-	177	-
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

*On September, 25 and November, 29, 2013, the Company acquired additional interest of 40% and 20%, respectively, of Patrakom (Note3).

**On January, 16, 2014 the Company established PT Infrastruktur Telekomunikasi Indonesia ("Telkom Infratel") with interest of 100%.

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 June 30 2014	Percentage of ownership interest December 31 2013	Total assets before elimination June 30 2014	Total assets before elimination December 31 2013
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	2,008	1,890
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	1,230	1,223
Telekomunikasi Indonesia International Pte. Ltd., *Singapore*	Telecommunication/ December 6, 2007	2008	100	100	836	785
Telekomunikasi Indonesia International ("**TL"**) S.A., *Timor Leste*	Telecommunication/ September 11, 2012	2012	100	100	811	803
PT Metra Digital Media ("**MDM**"), *Jakarta, Indonesia*	Telecommunication information services/ January 8, 2013	2013	100	100	769	692
PT Telkom Landmark Tower ("**TLT**"), *Jakarta, Indonesia*	Service for property development and management/ February 1, 2012	2012	55	55	666	493
Telekomunikasi Indonesia International Ltd., *Hong Kong*	Telecommunication/ December 8, 2010	2010	100	100	206	90
PT Finnet Indonesia ("**Finnet**"), *Jakarta, Indonesia*	Banking data and communication/ October 31, 2005	2006	60	60	180	203
PT Administrasi Medika ("**Ad Medika**"), *Jakarta, Indonesia*	Health insurance administration services/ February 25, 2010	2010	75	75	142	127
PT Metra Plasa ("**Metra Plasa**"), *Jakarta, Indonesia*	Website services/ April 9, 2012	2012	60	60	75	86
PT Metra-Net ("**Metra-Net**"), *Jakarta, Indonesia*	Multimedia portal service/April 17, 2009	2009	100	100	37	40
PT Graha Yasa Selaras ("**GYS**") *Jakarta, Indonesia*	Tourism service/ April 27, 2012	2013	51	51	45	32
PT Pojok Celebes Mandiri ("**Pointer**") *Jakarta, Indonesia*	Tour agent/bureau services/ August 30, 2013	2008	51	51	8	14

(Figures in tables are expressedin 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		Total assets before elimination	
			June 30 2014	December 31 2013	June 30 2014	December 31 2013
PT Satelit Multimedia Indonesia ("**SMI**") *Jakarta, Indonesia*	Commerce and providing network *services,* telecommunication satellite, and multimedia services/ March 25, 2013	2013	99.99	99.99	5	6
Telekomunikasi Indonesia Internasional Pty Ltd. *Australia*	Telecomunication/ January 9, 2013	2013	100	100	4	7
PT Metra Media ("**MDI**") *Jakarta, Indonesia**	Trade service, construction leveransir/supplier, services, etc./ January 8, 2013	2013	99.83	99.83	0	0
Telekomunikasi Selular Finance Limited ("**TSFL**"), *Mauritius***	Finance - established to raise funds for the development of Telkomsel's business through the issuance of debenture stock, bonds, mortgages or any other securities/ April 22, 2002	2002	-	65	-	0
PT Metra TV ("**Metra TV**")	Pay TV services/ January 8, 2013	2013	99.83	99.83	-	-
Telekomunikasi Indonesia International (USA) Inc. *USA*	Telecommunication/ December 11, 2013	2014	100	100	-	-

* On June 5, 2014, PT Metra Media ("MM") changed its name to PT Metra Digital Investama ("MDI") (Note 1.d (a))

** Based on General Notice of Direction of Insolvency Service of Mauritius No.844 of 2014, effective March 20, 2014, TSFL was liquidated.

1. GENERAL (continued)

d. Subsidiaries (continued)

(a) Metra

On January 8, 2013, based on notarial deed No. 02 dated January 8, 2013 of Utiek R. Abdurachman, S.H., MLI., MKn., which was approved by the MoLHR through its Letter No. AHU-03276.AH.01.01/2013 dated January 29, 2013, Metra established a subsidiary, PT Metra Media ("MM"), and obtained 99.83% ownership. MM is engaged in providing trade, construction, advertising and other services.

On January 8, 2013, based on notarial deed No. 03 dated January 8, 2013 of Utiek R. Abdurachman, SH., MLI., MKn., which was approved by the MoLHR through its Letter No. AHU-03261.AH.01.01/2013 dated January 29, 2013, Metra established a subsidiary, PT Metra TV ("Metra TV"), and obtained 99.83% ownership. Metra TV is engaged in providing subscription-broadcasting services.

On January 22, 2013, based on notarial deed No. 28 dated January 22, 2013 of N.M. Dipo Nusantara Pua Upa, S.H., MKn., which was approved by the MoLHR through its Letter No. AHU-03084.AH.01.01/2013 dated January 28, 2013; Metra established a subsidiary, PT Metra Digital Media ("MDM"), and obtained 99.83% ownership. MDM is engaged in providing telecommunication information and other services.

On March 25, 2013, based on notarial deed No. 38 dated March 25, 2013 of N.M. Dipo Nusantara Pua Upa, S.H., MKn., which was approved by the MoLHR in its Letter No. AHU-20566.AH.01.01/2013 dated April 17, 2013,Metra established PT Satelit Multimedia Indonesia ("SMI") and obtained 99.99% ownership. SMI is engaged in commerce and providing network services, telecommunication, satellite, and multimedia devices.

On August 16, 2013, based on notarial deed No. 5 dated August 16, 2013 of N.M. Dipo Nusantara Pua Upa, S.H., MKn. which was approved by the MoLHR in its Letter No. AHU-0081886.AH.01.09/2013 dated August 30, 2013, Metra changed the ownership of PT Pojok Celebes Mandiri ("Pointer") after the signing of Sales and Purchase of Shares Agreement dated June 12, 2013 regarding the purchase of Pointer's shares of 2,550 shares equivalent to Rp255 million or 51% ownership.

On Mei 14, 2014, based on the Circular Resolution of the Stockholders of Indonusa as covered by notarial deed No. 57 dated April 23, 2014 of Budi Santoso Isbandi, S.H., which was approved by the MoLHR through its Letter No. AHU-02078.40.20.2014 dated April 29, 2014, Indonusa's stockholders approved an increase in its issued and paid capital by amounting to Rp80 billion. The Company do not execute its right to take the new shares issued and give it to Metra, results in Metra's ownership in indonusa increased to 2,61%.

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

On June 16, 2014, based on the Circular Resolution of the Stockholders of Metra as covered by notarial deed No. 50 dated December 11, 2013 of N.M. Dipo Nusantara, S.H., M.Kn., which has been approved by the MoLHR through its Letter No. AHU-A.01.10-04116 dated February 11, 2014, Metra's stockholders approved an increase in its paid-in capital by 201.872.348 shares, amounting to Rp2 trillion taken by each of the shareholders proportionally

1. GENERAL (continued)

d. Subsidiaries (continued)

(b) TII

On January 9, 2013, based on the Circular Resolution of the Stockholders of TII dated January 9, 2013, as covered by notarial deed No. 04 dated February 6, 2013 of Siti Safarijah, S.H., TII's stockholders agreed to establish a subsidiary, Telekomunikasi Indonesia Internasional Australia Pty. Ltd. ("Telkom Australia"). Telkom Australia is engaged in providing telecommunication services and IT-based services.

On May 13, 2013, TII through Telekomunikasi Indonesia International (Hong Kong) Ltd. established a subsidiary in Macauunder the name Telkom Macau Ltd, ("Telkom Macau").Telkom Macau is engaged in providing telecommunication services.

On June 3, 2013, TII through Telekomunikasi Indonesia International (Hong Kong) Ltd. established a subsidiary inTaiwanunder the name Telkom Macau Ltd, ("Telkom Taiwan"). Telkom Taiwan is engaged in providing telecommunication services.

On December 11, 2013, TII established a subsidiary in the United States of America, Telekomunikasi Indonesia International (USA), Inc. Ltd. ("Telkom USA"). Telkom USA will be engaged in providing telecommunication services. As of the release date of this financial statement, Telkom USA had no financial and operational activities yet.

(c) Sigma

On January 17, 2013, Sigma signed a shares sale and transfer and loan assignment agreement with Landeskreditbank Baden-Wuttemberg-Forderbank ("L-Bank"), and Step Stuttgarter Engineering Park Gmbh. ("STEP") as stockholders of PT German Center Indonesia ("GCI"). Based on the agreement, Sigma agreed to buy all the shares of GCI owned by L-Bank and STEP and take over L-Bank's stockholders' loan at a purchase price of US$17.8 million (equivalent to Rp170 billion). The closing of this transaction was held on April 30, 2013 (Note 3a).

On June 16, 2014, based on the Circular Resolution of the Stockholders of Sigma as covered by notarial deed No. 29 dated March 15, 2013 of Utiek Abdurachman, S.H., Mli, M.Kn., which was approved by the MoLHR through its Letter No. AHU-05713.40.22.2014 dated April 30, 2014, Sigma's stockholders agreed to increase in its authorized capital amounting to Rp1,1 trillion and increase in its issued capital into Rp548 billion

(d) Infomedia

Based on notarial deed No. 04 dated March 7, 2013 of Sjaaf De Carya Siregar, S.H.,Infomedia's stockholders agreed to distribute dividend which was returned as the increment of issued and fully paid capital amounting to Rp44 billion.

Based on notarial deed No. 18 dated July 24, 2013 of Zulkifli Harahap, S.H., Infomedia'sstockholders approved an increase in its paid-in capital by 88,529,790 shares, amounting to Rp44 billion.

On November 20, 2013, Infomedia had an agreement on business transfer of its Telephone Directory Management business to MD Media.

2. GENERAL (continued)

d. Subsidiaries (continued)

(e) Dayamitra

On April 5, 2013, based on notarial deed No.002 dated April 5, 2013 of Andi Fatma Hasiah, S.H.,M.Kn., Dayamitra's stockholders agreed to distribute dividend which was returned as increment of issued and fully paid capital amounting to Rp31 billion.

(f) Telkom Infratel

On January 16, 2014 the Company established a wholly owned subsidiary under the name PT Telkom Infrastruktur Telekomunikas Indonesia ("Telkom Infratel") which has been approved by the MoLHR through its Decision Letter No. AHU-03196.AH.01.01 - Year 2014 Dated on January 16, 2014, the Company established a wholly owned subsidiary. Telkom Infratel is engaged in providing construction service and trade in the field of telecommunication.

(g) Telkomsel

On June 27, 2014, the Company signed a Conditional Business Transfer Agreement with Telkomsel for transfering of Flexi target business. In order to maximize its business opportunities and group synergy, the Company intends to restructure the Flexi business unit by terminating the fixed wireless telecommunication network services and transfer it to Telkomsel. As of the issuance date of the consolidated financial statement the arrangement of the issuance of MoCI's approval pertaining to the allocation of Telkomsel New Frequency Allocation to Telkomsel still in process (Note 47.a).

(h) Pramindo

On May 19, 2014, Pramindo signed a Conditional Shares Sales and Purchase Agreement with PT Upaya Cipta Sejahtera, PT Esa Utama Inti Persada, PT Sinarmas Sekuritas and PT Tiphone Mobile Indonesia, Tbk ("Tiphone"). Pramindo plan to have the part of Tiphone Shares issued and paid-up capital after the execution of all warrant and after the capital increase without Pre-emptive Rights.

e. Authorization for the issuance of the consolidated financial statements

The consolidated financial statements were prepared and approved to be issued by the Board of Directors on July 22, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company and subsidiaries have 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 Presentationand 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 notesherein.

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.

Changes to the statements of financial accounting standards (PSAKs) and interpretations of statements of financial accounting standards ("Interpretasi Standar Akuntansi Keuangan" or "ISAKs")

On January 1, 2014, the Company and subsidiaries adopted new and revised PSAKs, which were effective in 2014. Changes to the Company and subsidiaries' accounting policies have been made as required in accordance with the transitional provisions in the respective standards and interpretations.

The adoption of these new/revised standards and interpretations had no material effect to the consolidated financial statements:

- ISAK 27, "Transfer of Assets from Customers"
- ISAK 28, "Extinguishing Financial Liabilities with Equity Instruments"

Several PSAKs and ISAKs have been issued by the Indonesian Financial Accounting Standards Board (DSAK) that are considered relevant to the financial reporting of the Company and its subsidiaries but are effective only for financial statements covering the periods beginning on or after either January 1, 2015.

Effective beginning on or after January 1, 2015

- PSAK 1 (2013), "Presentation of Financial Statements", adopted from International Accounting Standards (IAS) 1
- PSAK 4 (2013), "Separate Financial Statements", adopted from IAS 4
- PSAK 15 (2013), "Investments in Associates and Joint Ventures", adopted from IAS 28
- PSAK 24 (2013), "Employee Benefits", adopted from IAS 19
- PSAK 65, "Consolidated Financial Statements", adopted from International Financial Reporting Standards (IFRS) 10
- PSAK 66, "Joint Arrangements", adopted from IFRS 11
- PSAK 67, "Disclosure of Interest in Other Entities", adopted from IFRS 12
- PSAK 68, "Fair Value Measurement", adopted from IFRS 13

The Company is currently evaluating and has not yet determined the effects of these accounting standards and intrepretations on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Principles of consolidation

The consolidated financial statements include the assets and liabilities of the Company and subsidiaries in which the Company, directly or indirectly has ownership of more than half of the voting power and has the ability to govern the financial and operating policies of the entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control, or the Company has the ability to control the entity, even though the ownership is less than or equal to half of the voting power. Subsidiaries are consolidated from the date on which effective control is obtained and are no longer consolidated from the date control ceases.

Non-controlling interest represents the portion of the profit and loss and net assets of the subsidiaries not attributable, directly or indirectly, to the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests proportionally in accordance with their ownership in the subsidiaries. Non-controlling interests are presented under the equity section of the consolidated statement of financial position, separately from the owners of the Company's equity. In the consolidated statement of compherensive income, total profit or loss and total comprehensive income that can be attributed to the owners of the Company and to the non-controlling interests are presented separately, and not presented as income or expense.

Intercompany balances and transactions have been eliminated in the consolidated financial statements.

c. Transactions with related parties

The Company and subsidiaries have 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 Company and subsidiaries 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 Company and subsidiaries. The related-party status extends to the key management of the subsidiaries to the extent they direct the operations of subsidiaries with minimal involvement from the Company's management.

d. Business combinations

Business combination is accounted for using the acquisition method. The consideration transferred is measured at fair value, which is the aggregate of the fair value of the assets transferred, liabilities incurred or assumed and the equity instruments issued in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred. The acquiree's identifiable assets and liabilities are recognized at their fair values at the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business combinations (continued)

Goodwill arising on acquisition is recognized as an asset and measured at cost representing the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquiree's net identifiable assets acquired and liabilities assumed. 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.

The excess of the fair value of identifiable assets acquired and the liabilities assumed at the date of acquisitionover the aggregate fair value of consideration transferred and non-controlling interest in the acquireeat the acquisition date is a bargain purchase and recognized as gain in profit or loss at the acquisition date. Such gain is attributed to the acquirer.

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 case of loss of control over a subsidiary, the Company:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary at the carrying amounts when its loses of control;
- derecognizes the carrying amounts of any non-controling 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 Company.

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.

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 other current financial assets.

f. Investments in associated companies

Investments in companies where the Company and subsidiaries have 20% to 50% of the voting rights, and through which the Company and subsidiaries exert significant influence, but not control, over the financial and operating policies are accounted for using the equity method. Under this method, the Company and subsidiaries recognize their proportionate share in the income or loss of the associated companies from the date that significant influence commences until the date that significant influence ceases. When the Company and subsidiaries' share of loss exceeds the carrying amount of the investments in associated companies, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company and subsidiaries have incurred legal or constructive obligations or made payments on behalf of the associated companies.

Investment in a joint venture is accounted for using the equity method whereby the participation in a joint venture is initially recorded at cost and subsequently adjusted for changes that occur after the acquisition in the share of the venturer of the joint venture's net assets.

The Company and subsidiaries determine at each reporting date whether there is any objective evidence that the investments in the associated companies are impaired. If there is, the Company and subsidiaries calculate and recognize the amount of impairment as the difference between the recoverable amount of the investments in associated companies and their carrying value.

These assets are included in long-term investment in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Investments in associated companies (continued)

The functional currency of PT Pasifik Satelit Nusantara ("PSN") and PT Citra Sari Makmur ("CSM") is the United States dollar ("U.S. dollars") and the functional currency of 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 statement of financial position.

g. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost, less provision for impairment. This provision for impairment is made based on management's evaluation of the collectibility of outstanding amounts. Receivables are written off in the year during which they are determined to be uncollectible.

h. Inventories

Inventories consist of components, which are subsequently expensed or transferred to property and equipment 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 box, wireless broadband modems, and blank prepaid vouchers, which are expensed upon sale.

h. Inventories (continued)

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 for components, SIM cards, RUIM cards, handsets, set top box, wireless broadband modem, and blank prepaid voucher.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Intangible assets

Intangible assets consist of goodwill arising from business acquisitions, license and software.

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

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to each asset will flow to the Company or subsidiaries, 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 Company and subsidiaries estimate the recoverable value of their 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	3-20
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 comprehensive income.

l. Property and equipment - direct acquisitions

Property and equipment directly acquired are stated at costless 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Property and equipment - direct acquisitions (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 Company and subsidiaries would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The Company and subsidiaries periodically evaluate their property and equipment for impairment, whenever events and circumstances indicate that the carrying amount of the assets may not be recoverable. When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined based on the higher of its fair value less cost to sell or value-in-use.

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 stand by 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 statements 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 comprehensive income.

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

The cost of maintenance and repairs is charged to the consolidated statements of 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 specific 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.

Equipment temporarily unused is reclassified to equipment not used in operations and depreciated over its estimated useful life using the straight-line method.

m. Leases

In determining whether an arrangement is, or contains a lease, the Company and subsidiaries perform an evaluation over the substance of the arrangement. A lease is classified as a finance lease or operating lease based on the substance, not the form, of the contract. Finance lease is recognized if the lease transfers substantially all the risks and rewards incidental to the ownership of the leased asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Leases (continued)

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 Company and subsidiaries 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 Company and subsidiaries 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 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 in the ordinary course of business from suppliers. 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 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 expressedin 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 Company and subsidiaries 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. 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:

	June 30, 2014		**December 31, 2013**	
	Buy	Sell	Buy	Sell
United States dollar ("US$") 1	11,845	11,865	12,160	12,180
Euro 1	16,199	16,230	16,744	16,774
Yen 1	117.03	117.27	115.67	115.87

The resulting foreign exchange gains or losses, realized and unrealized, are credited or charged to the consolidated statement of 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 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 2014 and 2013 to be 18 years, respectively. Revenues from usage charges are recognized as customers incur the charges. Monthly subscription charges are recognized as revenues when incurred by subscribers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

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 card subscribers, which consist of the sale of starter packs (also known as SIM cards in the case of cellular and RUIM in the case of fixed wireless telephone and start-up load vouchers) and pulse reload vouchers, are recognized as follows:

- Sales of SIM and RUIM cards are recognized as revenue upon delivery of the starter packs to distributors, dealers or directly to customers.
- Sales of pulse reload vouchers (either bundled in starter packs or sold as separate items) are recognized initially as unearned income and recognized proportionately as usage 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.
- Unutilized promotional credits are netted against unearned income.

iii. Interconnection revenues

The 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 Company and subsidiaries'subscribers (incoming) and calls between subscribers of other operators through the Company and subsidiaries' 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. Revenues from network

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

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 statement 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 to design, build and finance assets for the grantor is recognized on thestage of completion basis. Revenues from operating and maintenance activities in respect of the assets under the concession are recognized when the services are rendered.

In concession contract under USO, the Company and subsidiaries have contractual rights to receive considerations from the grantor. The Company and subsidiaries recognize a financial asset in their consolidated statement of financial position, in consideration for the services they provide (designing, building, operation or maintenance of assets under concession). Such financial assets are recognized in the consolidated statement of financial position as Accounts Receivable, for the amount of fair value of the infrastructure on initial recognition and subsequently at amortized cost. The receivable is settled by means of the grantor’s payments received. The financial income calculated on the basis of the effective interest rate is recognized as finance income.

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

vii. Multiple-element arrangements

Where two or more revenue-generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of accounting is accounted for separately. The total revenue is allocated to each separately identifiable component based on the relative fair value of each component and the appropriate revenue recognition criteria are applied to each component as described above.

viii. Agency relationship

Revenues from an agency relationship are recorded based on the gross amount billed to the customers when the Company and subsidiaries act 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) because in substance, the Company and subsidiaries act as agents and earned commission from the suppliers of the goods and services sold.

ix. Customer loyalty programme

The Company and subsidiaries operate a loyalty point programme, which allows customers to accumulate points for every certain multiple of the usage of telecommunication services. The points can then be redeemed in the future for free or discounted products, provided other qualifying conditions are achieved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

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. Service concession arrangements

Revenues relating to construction or upgrade services under a service concession arrangement are recognized based on the stage of completion of the work performed. Operation or service revenue is recognized in the period in which the service is provided. When more than one service is provided in the service concession arrangements, the consideration received is allocated by reference to the relative value of the services.

Further, the developed infrastructure assets under these arrangements are not recognized as property and equipment of the operator, because the contractual arrangements do not convey the right to control the use of the public services infrastructure assets to the operator.

xi. Expenses

Expenses are recognized as they are incurred.

s. Employee benefits

i. Short-term employee benefits

All short-term employee benefits which consist of salaries and related benefits, vacation pay, incentives and other short-term benefits are recognized as expense on undiscounted basis when employees have rendered service to the Company and subsidiaries.

ii. Pension and post-retirement health care benefit plans

The net obligations in respect of the defined pension benefit and post-retirement health care benefit plans are calculated at the present value of estimated future benefits that the employees have earned in return for their service in the current and prior periods, less the fair value of plan assets and as adjusted for unrecognized actuarial gains or losses and unrecognized past service cost. The calculation is performed by an independent actuary using the projected unit credit method. 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 is no deep market 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, which is based on the securities' quoted market price information. The amount of prepaid pension costs that can be recognized is limited to the total of any unrecognized past service costs, unrecognized actuarial losses and the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Employee benefits (continued)

ii. Pension and post-retirement health care benefit plans (continued)

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions, when exceeding the greaterof 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets, are charged or credited to the consolidated statements of comprehensive income over the average remaining service lives of the relevant employees. Prior service cost is recognized immediately if vested or amortized over the vesting period.

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 staff costs when they become payable.

iii. Long Service Awards (“LSA”) and Long Service Leave (“LSL”)

Employees of Telkomsel are entitled to receive certain cash awards or certain numbers of days leave benefits based on length of service requirements. LSA are either paid at the time the employees reach certain anniversary dates during employment, or at the time of termination. LSL is either a certain number of days leave benefit or cash, subject to approval by management, provided to employees who have met the requisite number of years of service and with a certain minimum age.

Actuarial gains or losses arising from experience and changes in actuarial assumptions are charged immediately to the consolidated statements of comprehensive income.

The obligation with respect to LSA and LSL is calculated by an independent actuary using the projected unit credit method.

iv. Early retirement benefits

Early retirement benefits are accrued at the time the Company 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.

v. Pre-retirement benefits

Employees of the Company are entitled to a benefit during a pre-retirement period in which they are inactive for 6 months prior to their normal retirement age of 56 years. 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. Benefits provided to employees who enter pre-retirement period are calculated by an independent actuary using the projected unit credit method.

vi. Other post-retirement benefits

Employees are entitled to home leave passage benefits and final housing facility benefits to their retirement age of 56 years. Those benefits are calculated by an independent actuary using the projected unit credit method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Employee benefits (continued)

vii. Share-based payments

The Company operates an equity-settled, share-based compensation plan. The fair value of the employees' services rendered which compensated with the Company's shares is recognized as an expense in the consolidated statement of comprehensive income and credited to additional paid-in capital at the grant date.

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

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

t. Income tax

Current and deferred income taxes are recognized as income or an expense and included in the consolidated statement of comprehensive income, except to the extent that the tax arises from a transaction or event which is recognized directly in equity, in which case, the tax is recognized directly in equity.

Current tax assets and liabilities are measured at the amounts expected to be recovered or paid using the tax rates and tax laws that have been enacted at each reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Where appropriate, management establishes provisions based on the amounts expected to be paid to the tax authorities.

The Company and subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial and tax bases of assets and liabilities at each reporting date. The Company and subsidiaries also recognize 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, such as tax rates and tax laws which have been enacted or substantially enacted at each reporting date.

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 as income or expense 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 Company and subsidiaries classify 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 Company and subsidiaries classify their 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 Company and subsidiaries commit to purchase or sell the assets.

The Company's financial assets include cash and cash equivalents, other current financial assets, trade receivables and other receivables, long-term investments, advances and other non-current financial assets.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short-term profit taking. Gains or losses arising from changes in fair value of the trading securities are presented as other (expenses) / income in consolidated statement of 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.

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, trade receivables, other receivables, other current financial assets and other non-current financial assets.

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 Company upon initial recognition designates as assets at fair value through profit or loss;
b) those that the Company 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 June 30, 2014 and December 31, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

i. Financial assets (continued)

d. Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for indefinite 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 bonds and mutual funds which are recorded as other current financial assets.

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 comprehensive income, and are determined on the specific identification basis. A decline in the fair value of any available-for-sale securities below cost that is deemed to be other than temporary is charged to the consolidated statement of comprehensive income.

ii. Financial liabilities

The Company and subsidiaries classify their financial liabilities as (i) financial liabilities at fair value through profit or loss or (ii) financial liabilities measured at amortized cost.

The Company and subsidiaries' financial liabilities include trade payables and other payables, accrued expenses, loans and other borrowings which consist of short-term bank loans, obligations under capital lease, two step loans, bonds and notes, and bank loans.

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 June 30, 2014 and December 31, 2013.

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, bonds and notes.

iii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statementof 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Financial instruments (continued)

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 includeusing 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.

v. Impairment of financial assets

The Company and subsidiaries assess 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.

Impairment loss on financial assets carried at cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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 Company and subsidiaries derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Company and subsidiaries transfer substantially all the risks and rewards of ownership of the financial asset.

The Company and subsidiaries derecognize 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. 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 distribution to the Company's stockholders is recognized as a liability in the Company's consolidated financial statements in the year in which the dividend is approved by the Company's stockholders. The Company recognizes interim dividend as a liability based on the Board of Directors' decision with 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 Company and subsidiaries' 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 Company and subsidiaries' chief operating decision maker i.e., 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

Provisionis recognized when the Company and subsidiaries 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. 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 Company and subsidiaries 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.

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 Company and subsidiaries determine 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 Company and subsidiaries consider 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa. Critical Accounting Estimates and Judgements (continued)

i. Retirement benefits (continued)

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. Estimating useful lives of property and equipment and intangible assets

The Company and subsidiaries estimate the useful lives of their property and equipment and intangible assets 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 Company and subsidiaries' collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The Company and subsidiaries review estimates of useful lives at least each financial year end and 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 and timing 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 and intangible assets in Note 13.

iii. Provision for impairment of receivables

The Company and subsidiaries assess 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 provisionis 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.

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 Company and subsidiaries recognize 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 Company and subsidiaries annually assess 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 ("CGU") 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 estimations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa. Critical Accounting Estimates and Judgements (continued)

v. Impairment of non-financial assets (continued)

In determining value in use, the Company and subsidiaries apply management judgement in establishing forecasts of future operating performance, as well as the selection of growth rates and discount rates. These judgements are applied based on our understanding of historical information and expectations of future performance. Changing the key assumptions, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the value in use calculations.

For the years ended December 31, 2013, the Company recognized Rp596 billion of impairment loss on property and equipment pertaining to the fixed wireless services. A 1% increase in the discount rate used would result in an increase in impairment loss of approximately Rp703 billion in 2013. However, the recoverable amount of the fixed wireless CGU is most sensitive to whether management will be able to implement its plans, including the cost efficiency plan, such that it generates positive cash flows and returns to profitability as projected. If the performance of the fixed wireless CGU continues to decline or if management's initiatives are not performing as expected in the next financial year, analysis will be required to assess whether there will be further impairment next year (Note 11b).

vi. Fair value of put option and investment in PT Indonusa Telemedia

In determining the fair value, the Company uses management's judgment to determine future projected operational performance, growth rate and discount rate. These considerations are applied on the basis of management's understanding of historical information and expectation of future operational performance. Detail of the nature and recorded amount of Put Option and investment in Indonusa is disclosed in Notes 3, 5 and 10.

3. BUSINESS COMBINATIONS

a. Acquisitions

<u>Acquisition of PT German Center Indonesia</u>

On January 17, 2013, Sigma signed a sales and purchase of shares agreement and transfer of debt with Landeskreditbank Baden-Wurttemberg-Forderbank ("L-Bank") and Step Stuttgarter Engineering Park Gmbh ("STEP") as the shareholders of PT German Centre Indonesia ("GCI"). Based on the agreement, on April 30, 2013, Sigma has bought shares owned by L-Bank and STEP in GCI.Through the acquisition, Sigma enlarged its data center capacity that can be offered its customers.

<u>Acquisition of Patrakom</u>

On September 25, 2013, based on notarial deed No. 22 of Ashoya Ratam, S.H.,M.Kn, the Company entered into a Sales and Purchase Agreement (SPA) with PT ELNUSA Tbk for the Company's acquisition of the 40% ownership in PT Patra Telekomunikasi Indonesia ("Patrakom") for Rp45.6 billion. This SPA results in the Company's ownership in Patrakom to increase from 40% to 80% (Note 10).

Subsequently, on November 29, 2013, based on notarial deed No. 54 of Ashoya Ratam, S.H., M.Kn., dated November 29, 2013 the Company has signed a SPA with PT Tanjung MustikaTbk for the Company's acquisition of the remaining of 20% ownership in Patrakom for Rp24.8 billion.

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

3. BUSINESS COMBINATIONS (continued)

a. Acquisitions (continued)

Acquisition of Patrakom(continued)

Patrakom is a satellite-based closed fixed telecommunications network operator and as provider of communications solutions and network with a permit as Operator of Micro Earth StationsCommunications Systems ("SKSBM") in partnership with manufacturers of telecommunications equipment to serve various companies.Through the acquisition of Patrakom, the Company canintegrate Patrakom's business activities in accordance with the Company's business development plan.

The fair values of the assets acquired and liability transferred at the acquisition dates are as follows:

	GCI	Patrakom	Total
Cash and equivalents	3	39	42
Other current assets	18	122	140
Property and equipment (Note 11)	225	171	396
Current liabilities	(15)	(171)	(186)
Non-current liabilities	(16)	(45)	(61)
Fair value of the identifiable net assets acquired	215	116	331
Bargain purchase	(42)	-	(42)
Fair value of previously held equity interests	-	(46)	(46)
Fair value of the consideration transferred	173	70	243

The excess of fair value of the identifiable net assets acquired over the fair value of the consideration transferred, amounting Rp42 billion, was recorded as other income in the consolidated statement of comprehensive income of the current year. Cost related to the acquisition amounting to Rp4.3 billion was incurred in the current period.

Since the acquisition dates, GCI and Patrakom has generated operating revenue amounting to Rp23billion.

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

b. Disposal of Indonusa

On October 8, 2013, the Company sold 80% of its ownership in Indonusa to PT Trans Corpora and PT Trans Media Corpora for Rp926 billion. Further, on the same date, the Company, Metra and PT Trans Corpora signed a Shareholders Agreement that establishes mutual relationship among the shareholders of Indonusa, including the grant of the right to the Company and Metra to sell their 20% remaining ownership in Indonusa to PT Trans Corpora at any time in 24 months after the second year ofthe closing transaction at a certain price (Put Option).

The Company had received the full payment for the sale transaction.

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

3. BUSINESS COMBINATION (continued)

b. Disposal of Indonusa (continued)

The Company recognized the gain on sale of Indonusa shares in the consolidated statement of comprehensive income of thecurrent year as follows:

	Amount
Fair value of considerations received:	
Cash	926
Put Option	289
Fair value of interest retainedin Indonusa (Note 10)	182
Carrying amount of assets and liabilities of Indonusa	(14)
Gain on sale of shares	1,383

4. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013
Cash on hand	30	7
Cash in banks		
Related parties		
Rupiah		
PT Bank Mandiri (Persero) Tbk (“Bank Mandiri”)	878	804
PT Bank Negara Indonesia (Persero) Tbk (“BNI”)	262	409
PT Bank Rakyat Indonesia (Persero) Tbk (“BRI”)	170	70
Others	16	56
	1,326	1,339
Foreign currencies		
Bank Mandiri	545	458
BNI	143	224
BRI	36	75
	724	757
Sub-total	2,050	2,096
Third parties		
Rupiah		
Deutsche Bank AG (“DB”)	45	62
Others (each below Rp50 billion)	106	163
	151	225
Foreign currencies		
Standard Chartered Bank (“SCB”)	322	313
Hong Kong and Shanghai Banking Corporation Ltd (“HSBC”)	87	66
Others	48	36
	457	415
Sub-total	608	640
Total cash in banks	2,658	2,736

4. CASH AND CASH EQUIVALENTS (continued)

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

	June 30, 2014	**December 31, 2013**
Time deposits		
Related parties		
Rupiah		
BNI	3,948	1,975
BRI	1,973	2,445
Bank Mandiri	1,353	1,271
BTN	508	375
PT Bank Syariah Mandiri (”BSM”)	51	50
	7,833	6,116
Foreign currencies		
BRI	2,236	3,260
BNI	833	264
	3,069	3,524
Sub-total	10,902	9,640
Third parties		
Rupiah		
PT Bank CIMB Niaga Tbk (“Bank CIMB Niaga”)	935	83
SCB	450	-
PT Bank Central Asia Tbk (“BCA”)	412	599
PT Bank Mega Tbk (“Bank Mega”)	343	275
PT Bank Muamalat Indonesia Tbk (“Bank Muamalat”)	145	150
PT Bank Bukopin Tbk (“Bak Bukopin”)	75	65
DB	68	6
PT Bank Internasional Indonesia Tbk (“BII”)	60	126
Bank Pembangunan Daerah Jawa Barat	45	245
Bank Tabungan Pensiun Negara Tbk (“BTPN”)	36	136
PT Bank Panin Tbk	-	70
Bank Yudha Bhakti	-	145
Bank Ekonomi Raharja (“Bank Ekonomi”)	-	73
Others (each below Rp50 billion)	11	96
	2,580	2,069
Foreign currencies		
PT Bank OCBC NISP Tbk (“OCBC NISP”)	658	244
	658	244
Sub-total	3,238	2,313
Total time deposits	14,140	11,953
Grand Total	**16,828**	**14,696**

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

4. CASH AND CASH EQUIVALENTS (continued)

Interest rates per annum on time deposits are as follows:

	June 30, 2014	December 31, 2013
Rupiah	2.47% - 11.50%	1.60% - 10.50%
Foreign currencies	0.03% - 2.75%	1.00% - 1.10%

The related parties in which the Company and subsidiaries place their funds are state-owned banks. The Company and subsidiaries placed a majority of their 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.

5. OTHER CURRENT FINANCIAL ASSETS

	June 30, 2014	December 31, 2013
Time deposits		
Related parties		
Mandiri	104	-
BRI	-	1,000
Others	-	19
Sub-total	104	1,019
Third parties		
SCB	-	1,859
Bank CIMB Niaga	-	1,800
OCBC NISP	-	1,600
Others	18	10
Sub-total	18	5,269
Total time deposits	122	6,288
Available-for-sale financial assets		
Related parties		
Government	131	133
State-owned enterprises	74	74
Sub-total	205	207
Third parties	67	65
Total available-for-sale financial assets	272	272
Derivative asset - Put Option	297	297
Others	16	15
Total	**707**	**6,872**

As of June 30, 2014 and December 31, 2013, time deposits denominated in foreign currency amounted to Rp91 billion and Rp59 billion, respectively.

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

	June 30, 2014	December 31, 2013
Rupiah	0.78% - 11.50%	1.60% -10.50%
Foreign currency	0.53% - 1.10%	1.00%-1.10%

Refer to Note 37 for details of related party transactions.

6. TRADE RECEIVABLES

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

Trade receivables arise from services provided to both retail and non-retail customers, with details as follows:

a. By debtor

(i) Related parties

	June 30, 2014	December 31, 2013
State-owned enterprises	868	877
PT Indosat Tbk ("Indosat")	193	48
Indonusa	196	180
CSM	54	45
Others	234	241
Total	1,545	1,391
Provision for impairment of receivables	(491)	(491)
Net	**1,054**	**900**

(ii) Third parties

	June 30, 2014	December 31, 2013
Individual and business subscribers	8,724	7,010
Overseas international carriers	579	497
Total	9,303	7,507
Provision for impairment of receivables	(2,709)	(2,381)
Net	**6,594**	**5,126**

Trade receivables from certain parties are presented net of the Company and subsidiaries' liabilities to such parties due to the existence of a legal right of set-off in accordance with the agreements with those parties.

b. By age

(i) Related parties

	June 30, 2014	December 31, 2013
Up to 6 months	995	836
7 to 12 months	174	223
More than 12 months	376	332
Total	1,545	1,391
Provision for impairment of receivables	(491)	(491)
Net	**1,054**	**900**

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

6. TRADE RECEIVABLES (continued)

b. By age (continued)

(ii) Third parties

	June 30, 2014	December 31, 2013
Up to 3 months	5,019	4,526
More than 3 months	4,284	2,981
Total	9,303	7,507
Provision for impairment of receivables	(2,709)	(2,381)
Net	**6,594**	**5,126**

(iii) Aging of total trade receivables

	June 30, 2014		December 31, 2013	
	Gross	Provision for impairment of receivables	Gross	Provision for impairment of receivables
Not past due	3,218	30	3,618	10
Past due up to 3 months	3,172	110	1,525	401
Past due more than 3 to 6 months	1,108	310	703	321
Past due more than 6 months	3,350	2,750	3,052	2,140
Total	**10,848**	**3,200**	**8,898**	**2,872**

The Company and subsidiaries have made provision for impairment of trade receivables based on the collective assessment of historical impairment rates and individual assessment of their customers' credit history. The Company and subsidiaries do not apply a distinction between related party and third party receivables in assessing amounts past due. As of June 30, 2014 and December 31, 2013, the carrying amount of trade receivables of the Company and subsidiaries considered past due but not impaired amounted to Rp4,460 billion and Rp2,418 billion, respectively. Management has concluded 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

	June 30, 2014	December 31, 2013
Rupiah	1,520	1,361
U.S.dollar	25	30
Total	1,545	1,391
Provision for impairment of receivables	(491)	(491)
Net	**1,054**	**900**

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

6. TRADE RECEIVABLES (continued)

c. By currency (continued)

(ii) Third parties

	June 30, 2014	December 31, 2013
Rupiah	8,452	6,699
U.S.dollar	849	806
Euro	1	1
Hong Kong dollar	1	1
Australian dollar	1	-
Total	9,303	7,507
Provision for impairment of receivables	(2,709)	(2,381)
Net	**6,594**	**5,126**

d. Movements in the provision for impairment of receivables

	June 30, 2014	December 31, 2013
Beginning balance	2,872	2,047
Provision recognized during the year (Note 29)	329	1,589
Receivables written-off	(1)	(622)
Acquisition	-	1
Disposal (Note 3)	-	(158)
Reclassification	(0)	15
Ending balance	**3,200**	**2,872**

The receivables written off are related-party and third-party trade receivables.

Management believes that the provision for impairment of trade receivables is adequate to cover losses on uncollectible trade receivables.

Certain trade receivables of the subsidiaries amounting to Rp1,576 billion have been pledged as collateral under lending agreements (Notes 17 and 21).

Refer to Note 37 for details of related party transactions.

7. INVENTORIES

	June 30, 2014	December 31, 2013
Components	525	272
SIM cards, RUIM cards, set top box, and blank prepaid vouchers	140	102
Others	403	157
Total	1,068	531
Provision for obsolescence		
Components	(24)	(21)
SIM cards, RUIM cards, set top box, and blank prepaid vouchers	(1)	(1)
Total	(25)	(22)
Net	**1,043**	**509**

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

7. INVENTORIES (continued)

Movements in the provisionfor obsolescence are as follows:

	June 30, 2014	December 31, 2013
Beginning balance	22	148
Provision (reversal) recognized during the year	3	(29)
Divestment (Note 3)	-	(1)
Reclassification	-	(96)
Ending balance	**25**	**22**

The inventories recognized as expense and included in operations, maintenance, and telecommunication service expenses (Note 28) as of June 30, 2014 and December 31, 2013 amounted to Rp338 billion and Rp752 billion, respectively.

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 Rp35 billion have been pledged as collateral under lending agreements (Notes 17 and 21).

As of June 30, 2014 and December 31, 2013, modules and components held by the Company and subsidiaries have been insured against fire, theft, and other specific risks with book value amounting to Rp63 billion and Rp280 billion, respectively. Modules are recorded as part of property and equipment. Total sum insured as of June 30, 2014 and December 31, 2013 amounted to Rp251 billion and Rp261 billion, respectively.

Management believes that the insurance coverage is adequate to cover potential losses of certain inventories which happens to the Company and subsidiaries.

8. ADVANCES AND PREPAID EXPENSES

	June 30, 2014	December 31, 2013
Frequency license (Notes 41c.i and 41c.ii)	1,480	2,330
Prepaid rental	1,097	744
Salaries	615	209
Advances	356	297
Deferred expense	96	124
Insurance	3	84
Others (each below Rp50 billion)	322	159
Total	**3,969**	**3,947**

Refer to Note 37 for details of related party transactions.

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

9. ASSET HELD FOR SALE

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

In 2014, Telkomsel's equipment with net carrying amount of Rp57 billion is reclassified to asset held for sale (Note 11c.vi).

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

10. LONG-TERM INVESTMENTS

		June 30, 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:						
Indonusaa	20.00	189	32	0	-	221
PT Melon Indonesia ("Melon")[b]	51.00	39	-	2	-	41
ILCS[c]	49.00	37	-	(5)	-	32
Telin Malaysia[d]	49.00	18	-	(10)	(2)	6
CSM[e]	25.00	-	-	-	-	-
PSN[f]	22.38	-	-	-	-	-
Sub-total		283	32	(13)	(2)	300
Other long-term investments		21	-	-	-	21
Total long-term investments		304	32	(13)	(2)	321

	June 30, 2014			
	Assets	Liabilities	Revenue	Gain (loss)
Long-term investments in associated companies:				
Indonusa	537	706	183	(0)
Melon[b]	124	43	61	4
ILCS[c]	83	15	65	(10)
Telin Malaysia[d]	18	2	5	(20)
CSM[e]	1,273	1,387	153	(91)
PSN[f]	784	2,050	76	(11)
Total	**2,819**	**3,904**	**543**	**(128)**

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

10. LONG-TERM INVESTMENTS (continued)

	December 31, 2013						
	Percentage of ownership	**Beginning balance**	**Addition (deduction)**	**Share of net (loss) profit of associated company**	**Dividend**	**Translation adjustment**	**Ending balance**
Long-term investments in associated companies:							
Indonusa[a]	20.00	-	182	7	-	-	189
PT Melon Indonesia ("Melon")[b]	51.00	42	-	(3)	-	-	39
ILCS[c]	49.00	48	-	(11)	-	-	37
Telin Malaysia[d]	49.00	-	20	(6)	-	4	18
CSM[e]	25.00	20	-	(20)	-	-	-
PSN[f]	22.38	-	-	-	-	-	-
Patrakom[g]	40.00	46	(46)	2	(2)	-	-
Scicom[h]	29.71	98	(88)	2	(3)	(9)	-
Sub-total		254	68	(29)	(5)	(5)	283
Other long-term investments		21	-	-	-	-	21
Total long-term investments		**275**	**68**	**(29)**	**(5)**	**(5)**	**304**

	December 31, 2013			
	Assets	**Liabilities**	**Revenue**	**Loss**
Long-term investments in associated companies:				
Indonusa[a]	655	669	363	(124)
Melon[b]	90	22	73	(6)
ILCS[c]	88	13	4	(22)
Telin Malaysia[d]	37	1	0	(11)
CSM[e]	1,273	1,387	306	(181)
PSN[f]	817	2,148	462	(55)
Total	**2,960**	**4,240**	**1,208**	**(399)**

[a] Indonusa had been the Company's subsidiary until 2013 when the Company disposed 80% of its interest in Indonusa (Notes 1d and 3).

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

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

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

[e] CSM is engaged in providing Very Small Aperture Terminal ("VSAT"), network application services and consulting services on telecommunications technology and related facilities.

[f] 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 Rp nil. The unrecognized share of losses of PSN for six months period ended June 30, 2014 and 2013 are Rp300 billion and Rp920 billion, respectively.

[g] Patrakom has been engaged in providing satellite communication system services, related services and facilities to companies in the petroleum industry. Starting in 2013, Patrakom has been consolidated (Notes 1d and 3).

[h] Scicom is engaged in providing call center services in Malaysia. On September 19, 2013, the Company sold its investment in Scicom (MSC) Berhad-Malaysia (Scicom), with the proceeds of disposal and the carrying amount of the investment on the date of disposal amounting to Rp153 billion and Rp88 billion, respectively, resulting in a gain of Rp65 billion.

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

11. PROPERTY AND EQUIPMENT

	January 1, 2014	Additions	Deductions	Reclassifications/ translations	June 30, 2014
At cost:					
Directly acquired assets					
Land rights	1,098	16	-	-	1,114
Buildings	4,224	20	(16)	127	4,355
Leasehold improvements	812	17	(29)	64	864
Switching equipment	18,705	119	(42)	416	19,198
Telegraph, telex and data communication equipment	6	-	-	-	6
Transmission installation and equipment	95,853	1,103	(35)	6,262	103,083
Satellite, earth station and equipment	7,456	61	-	484	8,001
Cable network	28,987	1,459	-	17	30,463
Power supply	11,755	53	(26)	407	12,189
Data processing equipment	9,230	210	(46)	297	9,691
Other telecommunications peripherals	500	123	-	-	623
Office equipment	770	32	-	16	818
Vehicles	332	-	(1)	31	362
Other equipment	104	-	-	-	104
Property under construction	1,971	8,379	-	(8,305)	2,045
Assets under finance lease					
Transmission installation and equipment	5,683	222	(9)	-	5,896
Data processing equipment	123	-	-	1	124
Office equipment	7	52	-	(5)	54
Vehicles	26	-	-	(26)	-
CPE assets	22	-	-	-	22
RSA assets	459	-	-	-	459
Total	188,123	11,866	(304)	(214)	199,471

	January 1, 2014	Additions	Impairment	Deductions	Reclassifications/ translations	June 30, 2014
Accumulated depreciation and impairment losses:						
Directly acquired assets						
Buildings	1,840	100	-	16	55	1,979
Leasehold improvements	649	34	-	29	8	662
Switching equipment	12,903	789	-	42	3	13,653
Telegraph, telex and datacommunication equipment	3	-	-	-	-	3
Transmission installation and equipment	46,665	4,420	99	88	(96)	51,000
Satellite, earth station and equipment	5,190	290	75	-	197	5,752
Cable network	17,758	519	16	-	(11)	18,282
Power supply	6,794	615	-	20	19	7,408
Data processing equipment	6,823	425	-	46	57	7,259
Other telecommunications peripherals	267	25	-	-	-	292
Office equipment	564	47	-	-	8	619
Vehicles	68	25	-	1	2	94
Other equipment	100	2	-	-	3	105
Assets under finance lease						
Transmission installation and equipment	1,345	320	-	9	-	1,656
Data processing equipment	83	12	-	-	(1)	-
Office equipment	2	-	-	-	-	2
Vehicles	1	-	-	-	(1)	-
CPE asets	13	1	-	-	-	14
RSA assets	294	20	-	-	1	315
Total	101,362	7,644	190	251	244	**109,189**
Net Book Value	**86,761**					**90,282**

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

11. PROPERTY AND EQUIPMENT (continued)

	January 1, 2013	Business acquisition	Divestment	Additions	Deductions	Reclassifications/ translations	December 31, 2013
At cost:							
Directly acquired assets							
Land rights	977	110	-	13	-	(2)	1,098
Buildings	3,787	120	-	98	(1)	220	4,224
Leasehold improvements	783	-	-	24	(27)	32	812
Switching equipment	23,750	-	-	428	(2,896)	(2,577)	18,705
Telegraph, telex and data communication equipment	19	-	-	-	-	(13)	6
Transmission installation and equipment	85,289	-	-	1,777	(1,311)	10,098	95,853
Satellite, earth station and equipment	7,267	158	(110)	56	(2)	87	7,456
Cable network	27,658	-	(601)	2,084	(117)	(37)	28,987
Power supply	10,434	3	(0)	253	(71)	1,136	11,755
Data processing equipment	8,196	-	(1)	968	(62)	129	9,230
Other telecommunications peripherals	280	-	-	230	-	(10)	500
Office equipment	680	5	(11)	138	(1)	(41)	770
Vehicles	71	0	(1)	279	(1)	(16)	332
Other equipment	111	-	(2)	-	-	(5)	104
Property under construction	1,312	-	-	15,349	-	(14,690)	1,971
Assets under finance lease							
Transmission installation and equipment	2,873	-	(30)	3,170	(330)	-	5,683
Data processing equipment	339	-	-	5	(221)	-	123
Office equipment	15	-	-	-	(8)	-	7
Vehicles	-	-	-	26	(0)	-	26
CPE assets	22	-	-	-	-	-	22
RSA assets	459	-	-	-	-	-	459
Total	174,322	396	(756)	24,898	(5,048)	(5,689)	188,123

	January 1, 2013	Business acquisition	Divestment	Additions	Impairment	Deductions	Reclassifications/ translations	December 31, 2013
Accumulated depreciation and impairment losses:								
Directly acquired assets								
Buildings	1,739	-	-	163	-	(0)	(62)	1,840
Leasehold improvements	609	-	-	67	-	(27)	-	649
Switching equipment	17,105	-	-	1,982	-	(2,718)	(3,466)	12,903
Telegraph, telex and datacommunication equipment	16	-	-	-	-	-	(13)	3
Transmission installation and equipment	41,210	-	-	7,609	321	(1,205)	(1,269)	46,666
Satellite, earth station and equipment	4,684	-	(142)	663	226	(2)	(239)	5,190
Cable network	17,291	-	(181)	1,022	49	(106)	(317)	17,758
Power supply	5,982	-	(0)	1,171	-	(67)	(292)	6,794
Data processing equipment	6,355	-	(1)	738	-	(49)	(221)	6,822
Other telecommunications peripherals	259	-	-	18	-	-	(10)	267
Office equipment	548	-	(6)	72	-	(1)	(49)	564
Vehicles	61	-	(1)	25	-	(1)	(16)	68
Other equipment	102	-	(1)	4	-	-	(5)	100
Assets under finance lease								
Transmission installation and equipment	782	-	(3)	896	-	(330)	-	1,345
Data processing equipment	261	-	-	37	-	(215)	-	83
Office equipment	7	-	-	1	-	(6)	-	2
Vehicles	-	-	-	1	-	(0)	-	1
CPE asets	11	-	-	2	-	-	-	13
RSA assets	253	-	-	41	-	-	-	294
Total	97,275	-	(335)	14,512	596	(4,727)	(5,959)	101,362
Net Book Value	**77,047**							**86,761**

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

11. PROPERTY AND EQUIPMENT (continued)

a. Gain on disposal or sale of property and equipment

	2014	2013
Proceeds from sale of property and equipment	1	55
Net book value	(0)	(12)
Exchange of property and equipment – net		0
Gain on disposal or sale of property and equipment	**1**	**43**

b. Assets impairment

(i) As of December 31, 2013, the CGUs that independently generate cash inflows were fixed wireline, fixed wireless, cellular and others. As of December 31, 2013, there were indications of impairment in the fixed wireless CGU (presented as part of personal segment), which were mainly due to increased competition in the fixed wireless market that resulted in lower average tariffs, declining active customers and declining Average Revenue Per User ("ARPU"). The Company assessed the recoverable value of the assets in the CGU and determined that assets for the fixed wireless CGU were impaired by Rp596 billion as at December 31, 2013, and additional impairment by Rp190 billion as add June 30, 2014 which is recognized in the consolidated statement of comprehensive income under "Depreciation and amortization". The recoverable amount has been determined based on value-in-use (VIU) calculations. These calculations used pre-tax cash flow projections approved by management covering a five-year period and with cash flows beyond the five-year period extrapolated using a perpetuity growth rate. The cash flow projections reflect management's expectations of revenue, Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") growth and operating cash flows on the basis that the fixed wireless CGU generates positive net cash flows starting from 2014. Management's cash flow projection also incorporates management's reasonable expectations for developments in macro economic conditions and market expectations for the Indonesian telecommunications industry. As of December 31, 2013, 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. As of December 31, 2013, the perpetuity growth rate used of 0%, assumes that subscriber numbers and average revenue per user may continue to decrease after five years.

If the performance of the fixed wireless CGU continues to decline or if management's initiatives are not performing as expected in the next financial year, analysis will be required to assess whether there will be further impairment next year.

(ii) Management believes that there is no indication of impairment in the value of other CGUs as of December 31, 2013.

c. Others

(i) Interest capitalized to property under construction amounted Rp34 billion and Rp100 billion for six months period ended June 30, 2014 and for the year ended December 31, 2013, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization ranges from 9.75% to 13.07% and from 9.75% to 13.07% for six months period ended June 30, 2014 and for the year ended December 31, 2013, respectively.

(ii) No foreign exchange loss was capitalized as part of property under construction for six months period ended June 30, 2014 and for the year ended December 31, 2013.

11. PROPERTY AND EQUIPMENT (continued)

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

c. Others (continued)

(iii) 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 2014, the effect of additional depreciation expense amounted to Rp54 billion.

The impact of the change in the estimated useful lives of the equipment for the year ended June 30, 2014 is to decrease the profit before income tax by Rp54 billion.

(iv) In 2012, the useful lives of Telkomsel's towers were changed from 10 years to 20 years to reflect their current economic lives. The impact is a reduction of depreciation expense for the six months period ended June 30, 2014 is Rp290 billion.

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
2014 (6 months)	275
2015	469
2016	301
2017	92

(v) Exchange of property and equipment

- In 2011, the Company and PT Industri Telekomunikasi Indonesia ("INTI") signed Purchase Orders of Procurement and Installation Agreement for the Modernization of the Copper Cable Network through Optimization of Asset Copper Cable Network with Trade In/Trade Off with total procurement value amounting to Rp1,499 billion up to December 31, 2013.

  In 2013, the Company derecognized the copper cable network asset with net carrying value of Rp1.6 billion, respectively, and recorded the fiber optic network asset from the exchange transaction of Rp203 billion.

- In 2014 and 2013, certain equipment units of Telkomsel with net carrying amount of Rp32 million and Rp173 million were exchanged with equipment from NSN Oy and PT Huawei. As of June 30, 2014, Telkomsel's equipment with net carrying amount of Rp31 billion and Rp131 billion are going to be exchanged with equipment from NSN Oy and PT Huawei; therefore,Telkomsel's equipment units were reclassified as assets held for sale (Note 9).

11. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

(vi) The Company and subsidiaries 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 2014 and 2053. Management believes that there will be no issue in obtaining the extension of the land rights when they expire.

(vii) As of June 30, 2014, the Company and subsidiaries’ property and equipment except land rights, with net carrying amount of Rp78,121 billion were insured against fire, theft, earthquake and other specified risks, with a maximum loss claim of Rp6,139 billion, US$7,469 million, EUROnil million, SGD21.55 million and HKD18.61 million, and on a first loss basis of Rp6,815 billion including business recovery of Rp324 billion with the Automatic Reinstatement of Loss Clause. In addition, Telkom-1 and Telkom-2 were insured separately for US$3.41 million and US$28.55 million, respectively. Management believes that the insurance coverage is adequate to cover potential losses from the insured risks.

(viii) As of June 30, 2014, the percentage of completion of property under construction was around 44.42% of the total contract value, with estimated dates of completion between July 2014 and December 2015. The balance of property under construction mainly consists of buildings, transmission installation and equipment, cable network and power supply. Management believes that there is no impediment to the completion of the construction in progress.

(ix) All assets owned by the Company have been pledged as collateral for bonds (Note 20a). Certain property and equipment of the Company’s subsidiaries with gross carrying value amounting to Rp6,205 billion have been pledged as collateral under lending agreements (Notes 17 and 21).

(x) As of June 30, 2014 and December 31, 2013 the cost of fully depreciated property and equipment of the Company and subsidiaries that are still used in operations amounted to Rp38,963 billion and Rp40,791 billion. The Company and subsidiaries are currently performing modernization of network assets to replace the fully depreciated property and equipment.

(xi) The Company and Telkomsel entered into several agreements with PT Profesional Telekomunikasi Indonesia, PT Tower Bersama Infrastructure Tbk, PT Solusindo Kreasi Pratama, PT Prima Media Selaras, PT Naragita Dinamika Komunika 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 Company and subsidiaries also have 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.

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

11. PROPERTY AND EQUIPMENT (continued)

c. Others (continued)

(xi) (continued)

Future minimum lease payments for assets under finance lease are as follows:

Year	June 30, 2014	December 31, 2013
2014	1,009	1,070
2015	446	885
2016	865	847
2017	834	813
2018	767	754
Thereafter	2,613	2,535
Total minimum lease payments	6,534	6,904
Interest	(1,758)	(1,935)
Net present value of minimum lease payments	4,776	4,969
Current maturities (Note 18a)	(607)	(648)
Long-term portion (Note 18b)	**4,169**	**4,321**

12. ADVANCES AND OTHER NON-CURRENT ASSETS

Advances and other non-current assets as of June 30, 2014 and December 31, 2013 consist of:

	June 30, 2014	December 31, 2013
Advances for purchase of property and equipment	2,037	1,550
Prepaid rental - net of current portion (Note 8)	1,428	1,403
Frequency license - net of current portion (Note 8)	557	619
Long-term trade receivables - net of current portion (Note 6)	463	558
Deferred charges	460	529
Claim for tax refund - net of current portion (Note 31)	457	499
Security deposits	92	73
Restricted cash	2	54
Others (each below Rp10 billion)	1	9
Total	**5,497**	**5,294**

Prepaid rental covers rent of leased line and telecommunication equipment and land and building under lease agreements of the Company and subsidiaries with rental periods ranging from 1 to 39 years.

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

As of June 30, 2014 and December 31, 2013, deferred charges represent deferred Revenue-Sharing Arrangement ("RSA") charges and deferred Indefeasible Right of Use ("IRU") Agreement charges. Total amortization of deferred charges for six months period ended June 30, 2014 and 2013 amounted to Rp48 billion and Rp91 billion, respectively.

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

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

As of June 30, 2014 and December 31, 2013, restricted cash represents time deposits with original maturities of more than one year and cash pledged as collateral for bank guarantees for the USO contract (Note 41c.v) and other contracts.

As of June 30, 2014 and December 31, 2013, the carrying amount of the Company and subsidiaries' temporarily idle property and equipment amounted to Rp0 billion, respectively.

Refer to Note 37 for details of related party transactions.

13. INTANGIBLE ASSETS

(i) The changes in the carrying amount of goodwill, software, license and other intangible assets for six months period ended June 30, 2014 and for the year ended December 31, 2013 are as follows:

	Goodwill	**Software**	**License**	**Other intangible assets**	**Total**
Gross carrying amount:					
Balance, December 31, 2013	270	3,432	67	401	4,170
Additions		323		6	328
Reclassifications/ translations				(3)	(3)
Balance, June 30, 2014	270	3,755	67	404	4,496
Accumulated amortization:					
Balance, December 31, 2013	(29)	(2,278)	(37)	(318)	(2,662)
Amortization expense during the year		(267)	(3)	(11)	(281)
Balance, June 30, 2014	(29)	(2,545)	(40)	(329)	(2,943)
Net Book Value	**241**	**1,210**	**27**	**75**	**1,553**
Weighted-average amortization period		7.14 years	11.59 years	18.12 years	

	Goodwill	**Software**	**License**	**Other intangible assets**	**Total**
Gross carrying amount:					
Balance, December 31, 2012	269	2,909	66	400	3,644
Additions	1	521	1	114	637
Deductions	-	(8)	-	(112)	(120)
Reclassifications/ translations	-	10	-	(1)	9
Balance, December 31, 2013	270	3,432	67	401	4,170

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

13. INTANGIBLE ASSETS (continued)

	Goodwill	Software	License	Other intangible assets	Total
Accumulated amortization:					
Balance, December 31, 2012	(29)	(1,825)	(31)	(316)	(2,201)
Amortization expense during the year	-	(458)	(6)	(114)	(578)
Deductions	-	8	-	112	120
Reclassifications/ translations	-	(3)	-	-	(3)
Balance, December 31, 2013	(29)	(2,278)	(37)	(318)	(2,662)
Net Book Value	**241**	**1,154**	**30**	**83**	**1,508**
Weighted-average amortization period		7.51 years	11.30 years	3.63 years	

(ii) Goodwill resulted from sales-purchase transaction of Data Center Business between Sigma and BDM in 2012 (Note 1d), acquisitions of Ad Medika in 2010 and Sigma in 2008.

(iii) The estimated annual amortization expense of intangible assets from July 1, 2014 is approximately Rp513 billion. The remaining amortization periods of intangible assets, excluding land rights, range from 0 to 20 years.

(iv) The aggregate amounts of goodwill allocated to each CGU are as follows:

	December 31, 2013
Sigma	88
Ad Medika	82
Total	**170**

Metra performed its annual impairment tests on those CGUs based on fair value less cost to sell using discounted cash flow projections. The impairment tests used management-approved cash flow projections covering a five-year period. Key assumptions used in the impairment tests are as follows:

	December 31, 2013	
	Sigma	**Ad Medika**
Discount rate	11.0%	14.0%
Perpetuity growth rate	4.5%	4.5%

As of December 31, 2013, no impairment charge was required for goodwill on acquisition of subsidiaries, with any reasonably possible changes to the key assumptions applied not likely to cause the carrying amounts of the CGUs to exceed their recoverable amounts.

(v) As of June 30, 2014 the cost of fully amortized intangible assets that are still used in operations amounted to Rp517 billion.

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

14. TRADE PAYABLES

	June 30, 2014	December 31, 2013
Related parties		
Purchase of equipment, materials and services	669	805
Payables to other telecommunications providers	51	21
Sub-total	720	826
Third parties		
Purchase of equipment, materials and services	10,540	9,758
Radio frequency usage charges, concession fees and Universal Service Obligation charges	970	960
Payables to other telecommunications providers	248	56
Sub-total	11,758	10,774
Total	**12,478**	**11,600**

Trade payables by currency are as follows:

	June 30, 2014	December 31, 2013
Rupiah	8,520	8,174
U.S. dollar	3,929	3,373
Others	29	53
Total	**12,478**	**11,600**

Refer to Note 37 for details of related party transactions.

15. ACCRUED EXPENSES

	June 30, 2014	December 31, 2013
Operations, maintenance and telecommunications services	3,227	2,504
Salaries and benefits	1,069	1,453
General, administrative and marketing expenses	1,351	1,126
Interest and bank charges	244	181
Total	**5,891**	**5,264**

Refer to Note 37 for details of related party transactions.

16. UNEARNED INCOME

	June 30, 2014	December 31, 2013
Prepaid pulse reload vouchers	2,453	3,117
Other telecommunications services	91	46
Others	255	327
Total	**2,799**	**3,490**

17. SHORT-TERM BANK LOANS

		June 30, 2014		December 31, 2013	
		Outstanding		Outstanding	
Lenders	Currency	Original currency (in millions)	Rupiah equivalent	Original currency (in millions)	Rupiah equivalent
Citibank N.A	USD	100	1,197	-	-
BCA	Rp	-	1,000	-	-
Bank CIMB Niaga	Rp	-	199	-	155
PT Bank UOB Indonesia (“Bank UOB”)	Rp	-	80	-	130
PT Bank Danamon Indonesia Tbk (“Bank Danamon”)	Rp	-	70	-	80
BRI	Rp	-	50	-	50
Others	Rp	-	22	-	17
Total			**2,618**		**432**

Refer to Note 37 for details of related party transactions.

Other significant information relating to short-term bank loans as at June 30, 2014 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	USD	0.1	August 14, 2014	Quarterly	LIBOR + 1.2%	None
BCA							
April 15,2014	Telkomsel	Rp	1,000	July 23, 2014	Quarterly	3 months JIBOR+2%	None
Bank CIMB Niaga							
April 25, 2005 [a]	Balebat	Rp	12	October 18, 2014	Monthly	11.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
April 29, 2008 [a]	Balebat	Rp	10	October 18,2014	Monthly	11.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
March 21, 2013	Infomedia	Rp	38	October 18, 2014	Monthly	10.00%	Trade receivables (Note 6)
March 25, 2013	Infomedia	Rp	38	October 18,2014	Monthly	10.00%	Trade receivables (Note 6)
March 27, 2013	Infomedia	Rp	24	October 18,2014	Monthly	11.00%	Trade receivables (Note 6)
April 28, 2013	GSD	Rp	85	August 18, 2014	Monthly	9.75%	Property and equipment (Note 11)
September 30, 2013	GSD	Rp	50	August 18,2014	Monthly	9.75%	Property and equipment
Bank UOB							
November 22, 2013	Infomedia	Rp	200	November 22,2014	Monthly	10.60%	Trade receivables (Note 6) (Note 11)
Bank Danamon							
August 23, 2013	Infomedia	Rp	80	August 23,2014	Monthly	10.25%	Trade receivables (Note 6)

17. SHORT-TERM BANK LOANS (continued)

	Borrower	Currency	Total facility (in billions)	Maturity date	Interest payment period	Interest rate per annum	Security
BRI							
March 14, 2013	Infomedia	Rp	50	March 8, 2014	Monthly	10.00%	Trade receivables (Note 6)

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

[a] based on the latest amendment on October 10, 2012

18. CURRENT MATURITIES OF LONG-TERM LIABILITIES

a. Current maturities

	Notes	June 30, 2014	December 31, 2013
Bank loans	21	3,526	3,956
Obligations under finance leases	11	607	648
Two-step loans	19	214	213
Bonds and notes	20	147	276
Total		**4,494**	**5,093**

Refer to Note 37 for details of related party transactions.

b. Long-term portion

Scheduled principal payments as of June 30, 2014 are as follows:

			Year				
	Notes	Total	2015	2016	2017	2018	Thereafter
Bank loans	21	7,791	2,191	2,204	1,518	574	1,304
Obligations under finance leases	11	4,169	265	548	570	556	2,230
Bonds and notes	20	3,042	1,027	20	-	-	1,995
Two-step loans	19	1,596	108	218	219	196	855
Total		**16,598**	**3,591**	**2,990**	**2,307**	**1,326**	**6,384**

19. TWO-STEP LOANS

Two-step loans are unsecured loans obtained by the Government which are then re-loaned to the Company. The loans entered into up to July 1994 were recorded and payable in rupiah based on the exchange rate at the date of drawdown. Loans entered into after July 1994 are payable in their original currencies and any resulting foreign exchange gain or loss is borne by the Company.

19. TWO-STEP LOANS (continued)

		June 30, 2014		December 31, 2013	
		Outstanding		Outstanding	
Lenders	**Currency**	**Original currency (in millions)**	**Rupiah equivalent**	**Original currency (in millions)**	**Rupiah equivalent**
Overseas banks	Yen	8,063	946	8,447	979
	US$	33	391	35	429
	Rp	-	473	-	507
Total			1,810		1,915
Current maturities (Note 18a)			(214)		(213)
Long-term portion (Note 18b)			**1,596)**		**1,702**

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	6.79%
	Yen	Semi-annually	Semi-annually	3.10%

The loans are intended for the development of telecommunications infrastructure and supporting telecommunication equipment. The loans are payable in semi-annual installments and are due on various dates through 2024.

Since 2008, the Company has used all facilities under the two-step loans program and the drawdown period for the two-step loans has expired.

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 the Asian Development Bank (“ADB”).
b. Internal financing (earnings before depreciation and finance costs) should exceed 20% compared to annual average capital expenditures for loans originating from the ADB.

As of December 31, 2014, the Company complied with the above-mentioned ratios.

Refer to Note 37 for details of related party transactions.

20. BONDS AND NOTES

		June 30, 2014		December 31, 2013	
		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
Promissory Notes					
PT ZTE Indonesia ("ZTE")	US$	9	106	11	136
PT Huawei	US$	7	83	18	213
Total			3,189		3,349
Current maturities (Note 18a)			(147)		(276)
Long-term portion (Note 18b)			**3,042**		**3,073**

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**						

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 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, are to be used for increasing capital expenditure 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 optimizing legacy and supporting facilities (fixed wireline and wireless).

As of December 31, 2013, 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 June 30, 2014, the Company has complied with the above mentioned ratios.

20. BONDS AND NOTES (continued)

b. Promissory Notes

Supplier	Currency	Principal	Issuance date	Payment schedule	Interest payment period	Interest rate per annum
PT ZTE Indonesia ("ZTE")	US$	0.1	August 20, 2009	Semi-annually (February 11, 2014 - June 15, 2016)	Semi-annually	6 month LIBOR+1.5%
PT Huawei	US$	0.3	June 19, 2009	Semi-annually (January 11, 2014 - June 23, 2016)	Semi-annually	6 month LIBOR+1.5%

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 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

		June 30, 2014		December 31, 2013	
		Outstanding		Outstanding	
Lenders	**Currency**	**Original currency (in millions)**	**Rupiah equivalent**	**Original currency (in millions)**	**Rupiah equivalent**
BRI	Rp	-	3,474	-	3,035
Syndication of banks	Rp	-	2,350	-	2,426
BNI	Rp	-	2,111	-	1,305
Bank Mandiri	Rp	-	1,375	-	722
ABN Amro Bank N.V. Stockholm ("AAB Stockholm") and SCB	US$	47	560	55	673
BCA	Rp	-	504	-	858
Japan Bank for International Cooperation ("JBIC")	US$	42	502	18	219
Bank CIMB Niaga	Rp	-	483	-	365
Bank Bukopin	Rp	-	35	-	31
	US$	1	9	1	12
Others	Rp	-	0	-	1
Total			11,403		9,647
Unamortized debt issuance cost			(86)		(56)
			11,317		9,591
Current maturities (Note 18a)			(3,526)		(3,956)
Long-term portion (Note 18b)			**7,791**		**5,635**

Refer to Note 37 for details of related party transactions.

21. BANK LOANS (continued)

Other significant information relating to bank loans as of June 30, 2014 is as follows:

	Borrower	Currency	Total facility (in billions)	Current period payment	Payment schedule	Interest payment period	Interest rate per annum	Security
BRI								
October 13, 2010[a]	The Company	Rp	3,000	500	Semi-annually (2013-2015)	Quarterly	3 months	None
November 20, 2013	The Company	Rp	1,500	188	Semi-annually (2013-2015)	Quarterly	3 months JIBOR+2.65%	None
July 20, 2011[a]	Dayamitra	Rp	1,000	80	Semi-annually (2011-2017)	Quarterly	3 months JIBOR+1.40%	Property and Equipment
April 26, 2013	GSD	Rp	141	9	Monthly (2014-2018)	Monthly	11.00%	Property and equipment (Note 11) and lease agreement
October 30, 2013	GSD	Rp	70	-	Monthly (2014-2021)	Monthly	11.00%	Property and equipment (Note 11) and trade receivables, (Note 6) and lease agreement
October 30, 2013	GSD	Rp	34	-	Monthly (2014-2021)	Monthly	11.00%	Property and equipment (Note 11) and trade receivables, (Note 6) and lease agreement
Syndication of banks								
June 16, 2009[a] (BNI and BRI)	The Company	Rp	2,700	675	Semi-annually (2011-2014)	Quarterly	3 months JIBOR+2.45%	None
December 19, 2012 (BNI, BRI and Bank Mandiri)[k]	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)

	Borrower	Currency	Total facility (in billions)	Current period payment	Payment schedule	Interest payment period	Interest rate per annum	Security
BNI								
November 20, 2013	The Company	Rp	1,500	188	Semi-annually (2015-2017)	Quarterly	3 months JIBOR+2.65%	None
October 13, 2010[a]	The Company	Rp	1,000	143	Semi-annually (2013-2015)	Quarterly	3 months JIBOR+1.25%	None
December 23, 2011[a]	PIN	Rp	500	43	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	9	Annually (2013-2015)	Monthly	10.25%	Property and equipment (Note 11) and trade receivables (Note 6)
March 13, 2013[a&h]	Sigma	Rp	300	20	Monthly (2013-2015)	Monthly	1 month JIBOR+3.35%	Property and equpment (Note 11) and trade receivables (Note 6)
March 26, 2013[a]	Metra	Rp	60	10	Quarterly (2013-2016)	Quarterly	10.25%	Property and equpment (Note 11) and trade receivables (Note 6)
May 2, 2013[a]	Sigma	Rp	312	-	Monthly (2015-2021)	Monthly	1 month JIBOR+3.35%	Property and equpment (Note 11) and trade receivables (Note 6)
November 25, 2013[a]	Metra	Rp	90	15	Quarterly (2013-2016)	Monthly	10.25%	Property and equpment (Note 11) and trade receivables (Note 6)
Bank Mandiri								
July 9, 2009[b&c] and July 5, 2010[b&c]	Telkomsel	Rp	5,000	347	Semi-annually (2009-2016)	Quarterly	3 months JIBOR+1.00%	None
November 20, 2013	The Company	Rp	1,500	188	Semi-annually (2015-2017) (2011-2016)	Quarterly	3 months JIBOR+2.65% LIBOR+0.82%	None
ABN Amro Bank N.V. Stockholm Branch (“AAB Stockholm”) and SCB								
December 30, 2009[b&d]	Telkomsel	US$	0.3	0.01	Semi-annually	Semi-annually	6 months	None
BCA								
July 9, 2009[b&c] and July 5, 2010[b&c]	Telkomsel	Rp	4,000	333	Semi-annually (2009-2016)	Quarterly	3 months JIBOR+1.00%	None
December 16, 2010[a]	TII	Rp	200	20	Semi-annually (2011-2015)	Quarterly	3 months JIBOR+1.25%	None

21. BANK LOANS (continued)

	Borrower	Currency	Total facility (in billions)	Current period payment	Payment schedule	Interest payment period	Interest rate per annum	Security
Japan Bank for International Cooperation ("JBIC")								
March 26, 2010[a&e]	The Company	US$	0.06	0.006	Semi-annually (2010-2015)	Semi-annually	4.56%	None
March 28, 2013[a&h]	The Company	US$	0.03	-	Semi-annually	Semi-annually	2.18% and 6 months LIBOR+1.20%	None
Bank CIMB Niaga								
March 21, 2007[f]	GSD	Rp	21	2	Quarterly (2007-2015)	Monthly	9.75%	Property and equipment (Note 11)
July 28, 2009[g]	Balebat	Rp	2	0.3	Monthly (2010-2015)	Monthly	11.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
May 24, 2010 [g]	Balebat	Rp	1	0.3	Monthly (2010-2015)	Monthly	11.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
March 31, 2011	GSD	Rp	24	1	Monthly (2011-2020)	Monthly	11.00%	Property and equipment (Note 11) and lease agreement
March 31, 2011	GSD	Rp	13	0.8	Monthly (2011-2019)	Monthly	11.00%	Property and equipment (Note 11) and lease agreement
March 31, 2011	GSD	Rp	12	0.9	Monthly (2011-2016)	Monthly	11.00%	Property and equipment (Note 11) and lease agreement
September 9, 2011	GSD	Rp	41	2	Monthly (2011-2021)	Monthly	11.00%	Property and equipment (Note 11) and lease

21. BANK LOANS (continued)

	Borrower	Currency	Total facility (in billions)	Current period payment	Payment schedule	Interest payment period	Interest rate per annum	Security
Bank CIMB Niaga (continued)								
September 9, 2011	GSD	Rp	11	1.6	Monthly (2011-2015)	Monthly	11.00%	Property and (Note 11) and lease equipment agreement
August 2, 2012[g]	Balebat	Rp	4	0.7	Monthly (2012-2015)	Monthly	11.00%	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 Month JIBOR +3.45%	Property and equipment (Note 11)
September 20, 2012[a]	TLT	Rp	118	-	Monthly (2015-2030)	Monthly	11.00%	Property and equipment (Note 11)
October 10, 2012[g]	Balebat	Rp	1	0.2	Monthly (2012-2015)	Monthly	11.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
August 26, 2013	Balebat	Rp	3.5	0.2	Monthly (2013-2018)	Monthly	11.00%	Property and equipment (Note 11), inventories (Note 7), and trade receivables (Note 6)
Bank Bukopin								
August 4, 2011 [h]	Patrakom	Rp	9	0	Monthly (2012-2015)	Monthly	11.00%	Property and equipment (Note 11) and trade receivables (Note 6)
June 28, 2013	Patrakom	Rp	35	5	Monthly (2013-2016)	Monthly	11.00%	Property and equipment (Note 11)
December 18, 2012	Patrakom	US$	0.013	0.0002	Monthly (2013-2016)	Monthly	6.50%	Property and equipment (Note 11)

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

[a] As stated in the agreements, the Company and subsidiaries are required to comply with all covenants or restrictions such as on dividend distribution, obtaining new loans, including maintaining financial ratios. As of June 30, 2014, the Company and subsidiaries have complied with the ratios.

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

21. BANK LOANS (continued)

[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 June 30, 2014, Telkomsel has complied with the above covenants.

[c] In January 2012, the availability periods of the facilities from BCA and Bank Mandiri expired.

[d] 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.

[e] 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.

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

[g] Based on the latest amendment in 2013

[h] In August 2013, the bank loan was rescheduled up to February 2015

[i] 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

22. NON-CONTROLLING INTERESTS

	June 30, 2014	**December 31, 2013**
Non-controlling interests in net assets of subsidiaries:		
Telkomsel	14,314	16,735
Metra	78	87
GSD	90	58
Patrakom	-	2
Napsindo	-	-
Total	**14,482**	**16,882**

	2014	**2013**
Non-controlling interests in total comprehensive income (loss) of subsidiaries:		
Telkomsel	3,042	3,002
Metra	11	8
Patrakom	-	-
Napsindo	-	-
GSD	(3)	(2)
Total	**3,050**	**3,008**

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

23. CAPITAL STOCK

	June 30, 2014		
Description	**Number of shares**	**Percentage of ownership**	**Total paid-up capital**
Series A Dwiwarna share			
Government	1	-	0
Series B shares			
Government	51,602,353,559	52.56	2,580
The Bank of New York Mellon Corporation*	9,378,023,980	9.55	469
Directors (Note 1b):			
Indra Utoyo	27,540	-	0
Honesti Basyir	540	-	0
Priyantono Rudito	540	-	0
Sukardi Silalahi	540	-	0
Public (individually less than 5%)	37,195,446,900	37.89	1,860
Total	98,175,853,600	100	4,909
Treasury stock (Note 25)	2,624,142,800	-	131
Total	100,799,996,400	100	5,040

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

	December 31, 2013		
Description	**Number of shares**	**Percentage of ownership**	**Total paid-up capital**
Series A Dwiwarna share			
Government	1	-	0
Series B shares			
Government	51,602,353,559	53.14	2,580
The Bank of New York Mellon Corporation*	10,031,129,780	10.33	502
Directors (Note 1b):			
Indra Utoyo	27,540	-	0
Honesti Basyir	540	-	0
Priyantono Rudito	540	-	0
Sukardi Silalahi	540	-	0
Public (individually less than 5%)	35,467,341,100	36.53	1,773
Total	97,100,853,600	100.00	4,855
Treasury stock (Note 25)	3,699,142,800	-	185
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 expressedin billions of rupiah, unless otherwise stated)

24. ADDITIONAL PAID-IN CAPITAL

	June 30, 2014	December 31, 2013
Proceeds from sale of 933,333,000 shares in excess of par value through IPO in 1995	1,446	1,446
Excess of value over cost of selling 211,290,500 shares treasury stock phase I (Note 25)	544	544
Difference in value arising from restructuring transactions and other transactions between entities under common control	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)
Excess of value over cost of selling 215,000,000 shares treasury stock phase II (Note 25)	576	-
Net	**2,899**	**2,323**

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 June 30, 2014 and December 31, 2013, the accumulated development of the related infrastructure amounted to Rp537 billion.

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:

	June 30, 2014			December 31, 2013		
	Number of shares	**%**	**Rp**	**Number of shares**	**%**	**Rp**
Beginning balance	3,699,142,800	3.67	5,805	5,054,652,300	5.01	8,067
Transfer to employees ownership programme	-	-	-	(299,057,000)	(0.29)	(433)
Proceeds from sale of treasury stock	(1,075,000,000)	(1.07)	(1,969)	(1,056,452,500)	(1.05)	(1,829)
Ending balance	**2,624,142,800**	**2.60**	**3,836**	**3,699,142,800**	**3.67**	**5,805**

25. TREASURY STOCK (continued)

Pursuant to the AGM of Stockholders of the Company held on June 11, 2010, the stockholders approved the changes to the Company's plan for the treasury stock as a result of the Share Buyback I, II and III, as follows: (i) sold, through or outside stock exchange; (ii) cancellation by deduct its equity; (iii) implementation of equity stock conversion and (iv) funding.

Based on the Annual General Meeting of the Company 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 May 31, 2013, the Company offered all its eligible employees and those of its subsidiaries (collectively referred to as the "participants"), the right to purchase a fixed number of its shares at a certain price. The shares have become an entitlement of the employees on the transaction dates and are no longer conditional on the satisfaction of any vesting conditions. Shares which are held by employees through the ESOP have a lock-up period that varies from 0 up to 12 months, depending on the position of the employee.

In the lock-up period, participants may not transfer shares or have shares transactions either through or outside the stock exchange.

Price per share offered was Rp10,714 and each participant received allowance (discount) of Rp5,575 per share. At the closing of this program, the Company had transferred a part of the treasury stock phase III to employees totaling 59,811,400 shares (equivalent to 299,057,000 shares after the stock split) with fair value amounting to Rp661 billion. The excess in value of treasury stock recovered over acquisition cost of the stock amounting to Rp228 billion was recorded as additional paid-in capital (Note 24).

The difference between the fair value of treasury stock and amount paid by the participants amounting to Rp353 billion is recorded in the consolidated statement of comprehensive income (Note 27).

On July 30, 2013, the Company resold 211,290,500 shares (equal to 1,056,452,500 shares after the stock split) for the repurchase of shares of treasury stock phase I with fair value amounting to Rp2,409 billion. The excess in value of the treasury stock sold over their acquisition cost amounting to Rp544 billion was recorded as additional paid-in capital (net of related costs to sell the shares) (Note 24).

On June 13, 2014, the Company resold 215,000,000 shares shares (equal to 1,075,000,000 shares after the stock split) for the repurchase of shares of treasury stock phase II with fair value amounting to Rp2,585 billion (including costs related to sell the shares). The excess in value of the treasury stock sold over their acquisition cost amounting to Rp576 billion was recorded as additional paid-in capital (net of costs related to sell the shares) (Note 24).

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

26. REVENUES

	2014	2013
Telephone Revenues		
Cellular		
Usage charges	15,708	14,694
Features	369	325
Monthly subscription charges	302	379
	16,379	15,398
Fixed lines		
Usage charges	2,856	3,324
Monthly subscription charges	1,328	1,358
Call center	221	151
Others	165	180
	4,570	5,013
Total Telephone Revenues	**20,949**	**20,411**
Interconnection Revenues		
Domestic interconnection and transit	1,534	1,475
International interconnection	958	880
Total Interconnection Revenues	**2,492**	**2,355**
Data, Internet, and Information Technology Service Revenues		
Internet, data communication and information technology services	10,814	8,576
Short Messaging Services (“SMS”)	6,457	6,363
Voice over Internet Protocol (“VoIP”)	90	53
E-business	82	47
Total Data, Internet, and Information Technology Service Revenues	**17,443**	**15,039**
Network Revenues		
Leased lines	456	419
Satellite transponder lease	250	236
Total Network Revenues	**706**	**655**
Other Telecommunications Service Revenues		
Customer Premise Equipment (“CPE”) and terminal	925	637
Leases	415	307
E-Payment revenue	127	-
Directory assistance	113	144
USO compensation	53	190
Pay TV	45	179
Sales of modem	-	136
Others	274	116
Total Other Telecommunications Service Revenues	**1,952**	**1,709**
TOTAL REVENUES	**43,542**	**40,160**

26. REVENUES (continued)

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

The details of net revenues received by the Company and subsidiaries from agency relationships for six months period ended June 30, 2014 and 2013 are as follows:

	2014	2013
Gross revenues	11,011	8,689
Compensation to value added service providers	(196)	(112)
Net revenues	**10,815**	**8,577**

Refer to Note 37 for details of related party transactions.

27. PERSONNEL EXPENSES

	2014	2013
Salaries and related benefits	1,815	1,659
Vacation pay, incentives and other benefits	1,583	1,441
Employees' income tax	711	612
Net periodic pension costs (Note 34)	235	439
Housing	112	109
Insurance	54	52
Net periodic post-retirement health care benefit costs (Note 36)	37	187
Others	121	105
Total	**4,668**	**4,604**

Refer to Note 37 for details of related party transactions.

28. OPERATIONS, MAINTENANCE AND TELECOMMUNICATION SERVICE EXPENSES

	2014	2013
Operations and maintenance	6.259	5,535
Radio frequency usage charges (Notes 41c.i and 41c.ii)	1,576	1,511
Concession fees and Universal Service Obligation charges	814	765
Electricity, gas and water	526	492
Cost of phone, set top box, SIM and RUIM cards	338	435
Vehicles rental and supporting facilities	336	197
Leased lines and CPE	284	283
Insurance	225	195
Cost of IT services	188	190
Others	153	129
Total	**10,699**	**9,732**

Refer to Note 37 for details of related party transactions.

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

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
General expenses	440	345
Provision for impairment of receivables (Notes 6d)	329	419
Training, education and recruitment	222	151
Collection expenses	196	187
Travelling	163	149
Professional fees	138	87
Social contribution	51	51
Others	307	249
Total	**1,846**	**1,638**

Refer to Note 37 for details of related party transactions.

30. INTERCONNECTION EXPENSES

	2014	2013
Domestic interconnection and transit	1,903	1,760
International interconnection	642	610
Total	**2,545**	**2,370**

Refer to Note 37 for details of related party transactions.

31. TAXATION

a. Claims for tax refund

	June 30, 2014	December 31, 2013
The Company		
Value added tax (“VAT”)	142	142
Subsidiaries		
Value added tax (“VAT”)	299	306
Import duties	18	10
Corporate income tax	6	38
Income tax		
Article 23 - Withholding tax on service delivery	0	13
Total claims for tax refund	465	509
Short-term portion	(8)	(10)
Long-termportion	**457**	**499**

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

31. TAXATION

b. Prepaid taxes

	June 30, 2014	December 31, 2013
Subsidiaries		
Corporate income tax	49	58
VAT	793	445
Income tax		
Article 23 - Withholding tax on service delivery	72	22
	914	**525**

c. Taxes payable

	June 30, 2014	December 31, 2013
The Company		
Income taxes		
Article 4 (2) - Final tax	8	11
Article 21 - Individual income tax	114	34
Article 22 - Withholding tax on goods delivery and imports	3	5
Article 23 - Withholding tax on service delivery	12	12
Aricle 24 – Foreign tax credit limitation	0	-
Article 25 - Installment of corporate income tax	-	53
Article 26 - Withholding tax on non-resident income	5	1
Article 29 - Corporate income tax	84	165
VAT	468	441
	694	722
Subsidiaries		
Income taxes		
Article 4 (2) - Final tax	40	48
Article 21 - Individual income tax	31	82
Article 23 - Withholding tax on service delivery	45	34
Article 25 - Installment of corporate income tax	488	440
Article 26 - Withholding tax on non-resident income	7	16
Article 29 - Corporate income tax	320	284
VAT		72
	931	976
	1,625	**1,698**

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

31. TAXATION (continued)

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

	2014	**2013**
Current		
The Company	442	259
Subsidiaries	3,124	2,928
	3,566	3,187
Deferred		
The Company	16	208
Subsidiaries	(90)	29
	(74)	237
	3,492	**3,424**

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 comprehensive income is as follows:

	2014	**2013**
Profit before income tax	13,953	13,557
Less income subject to final tax	(799)	(512)
	13,154	13,045
Tax calculated at the Company's applicable	2,631	2,609
statutory tax rate of 20%	581	580
Difference in applicable statutory tax rate for subsidiaries		
Non-deductible expenses	230	208
Final income tax expenses	51	27
Others	(1)	(0)
Net income tax expense	**3,492**	**3,424**

(Figures in tables are expressedin 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 six months period ended June 30, 2014 and 2013 is as follows:

	2014	**2013**
Profit before income tax	13,953	13,557
Add back consolidation eliminations	5,977	5,852
Consolidated profit before income tax and eliminations	19,930	19,409
Less profit before income tax of the subsidiaries	(11,927)	(11,853)
Profit before income tax attributable to the Company	8,003	7,556
Less income subject to final tax	(340)	(204)
	7,663	**7,352**
Temporary differences:		
Provision for impairment and trade receivables written-off	317	(159)
Net periodic pension and other post-retirement	(617)	(641)
Provision for personnel expenses benefits costs	120	206
Provision for impairment of assets	190	-
Deferred installation fee	(4)	(20)
Payment of provision for early retirement program	-	(699)
Depreciation and gain on sale of property and equipment	(82)	271
Finance lease	(9)	(22)
Other provisions	1	(25)
Net temporary differences	**(84)**	**(1,039)**
Permanent differences:		
Donations	102	103
Employee benefits	115	90
Net periodic post-retirement health care benefit costs	37	187
Equity in net income of associates and subsidiaries	(5,985)	(5,865)
Others	104	338
Net permanent differences	**(5,627)**	**(5,147)**
Taxable income of the Company	**1,952**	**1,166**
Current corporate income tax expense	391	233
Final income tax expense	51	26
Total current income tax expense of the Company	442	259
Current income tax expense of the subsidiaries	3,124	
Total current income tax expense	**3,566**	**259**

31. TAXATION (continued)

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

Tax Law No. 36/2008 which 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 purposes of calculating income tax expense and liabilities for the financial reporting periods of June 30, 2014 and December 31, 2013, the Company has reduced the applicable tax rate by 5%.

The Company applied a tax rate of 20% for the six months period ended June 30, 2014 and for the year ended December 31, 2013. The subsidiaries applied a tax rate of 25% for the six months period ended June 30, 2014 and for the year ended December 31, 2013.

e. Tax assessment

(i) The Company

The Directorate General of Tax (“DGT”) assessed the Company forValue Added Tax, withholding income taxes and corporate income tax for fiscal year 2011. Tax assessment for the fiscal year 2008 has been completed with the issuance ofTax Assessment Letter (SKP) No. SPHP-2/WPJ.19/KP.03/2014 regarding notice of workup with no correction for Income Tax Article 21/22/23/26 and 4 (2).

In November 2013, the Company received SKPKBs No. 00056/207/07/093/13 to No. 00065/207/07/093/13 dated November 15, 2013, for the underpayment of Value Added Tax (VAT) for the fiscal year January - September and November 2007 of Rp142 billion. On January 2014, the Company filed an objection to the Tax Authorities regarding the underpayment of VAT. As of the issuance date of the consolidated financial statements, the Tax Authorities have not yet issued their decision on the objection.

As of January 20, 2014, the Company submitted the objection letter for SKPKB of underpayment of VAT year 2007 which was received by the Company on November 2013.

(ii) Telkomsel

On February 25, 2009, the Tax Authorities filed a judicial review request to the Indonesian Supreme Court (“SC”) for the Tax Court’s acceptance of Telkomsel’s appeal on 2002 withholding tax amounting to Rp 115 billion. On April 3, 2009, Telkomsel filed a contra-appeal to the SC. In November 2012 Telkomsel received a favorable verdict from the SC which accepted Telkomsel’s contra-appeal.

On April 21, 2010, the Tax Authorities filed a judicial review request to the 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 field 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 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.

31. TAXATION (continued)

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

e. Tax assessment (continued)

(ii) 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.

In August 2012, the Tax Authorities accepted Telkomsel's objection and refunded the whole claim for 2008 underpayment of VAT amounting to Rp232 billion (including penalty of Rp81.9 billion).

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 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. As of the date of approval and authorization for the issuance of these consolidated financial statements, the appeal is still in process.

In December 2013, the Tax Court accepted Telkomsel's appeal on 2006 VAT and withholding taxes totaling Rp116 billion. The amount which was previously presented as part of claims for tax refund is reclassified to advances and other non-current assets.

On January 22, 2014, Telkomsel received appeal from Tax Court related to tax claim for Import VAT. Based on the decision, Tax Court accepted the tax claim of Telkomsel partially. As of the date of the release of this consolidated financial statement, Telkomsel has planned to disburse the portion that was received from the claim amounted to Rp8.5 billion.

f. Deferred tax assets and liabilities

The details of the Company and subsidiaries' deferred tax assets and liabilities are as follows:

	December 31, 2013	(Charged) credited to the consolidated comprehensive income	June 30, 2014
The Company			
Deferred tax assets:			
Provision for impairment of receivables	446	63	509
Net periodic pension and other post-retirement benefits costs	213	24	237
Employee benefit provisions	143	(123)	20
Deferred connection fee	70	(1)	69
Accrued expenses and provision for inventory obsolescence	27	(3)	24
Total deferred tax assets	899	(40)	859

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

f. Deferred tax assets and liabilities (continued)

	December 31, 2013	(Charged) credited to the consolidated statements of comprehensive income	June 30, 2014
Deferred tax liabilities:			
Finance leases	9	(1)	8
Land rights, intangible assets, and others	(11)	3	(8)
Valuation of long-term investment	(70)	-	(70)
Difference between accounting and tax bases of property and equipment	(1,543)	22	(1,521)
Total deferred tax liabilities	(1,615)	24	(1,591)
Deferred tax liabilities of the Company - net	(716)	(16)	(691)
Telkomsel			
Deferred tax assets:			
Employee benefit provisions	254	17	271
Provision for impairment of receivables	122	1	123
Recognition of interest based on agreement	0	(4)	(4)
Total deferred tax assets	376	14	390
Deferred tax liabilities:			
Recognition of interest under USO arrangements			
Intangible assets	(62)	-	(62)
Finance leases	(121)	(65)	(186)
Difference between accounting and tax bases of property and equipment	(2,268)	182	(2,086)
Total deferred tax liabilities	(2,451)	117	(2,334)
Deferred tax liabilities of Telkomsel - net	(2,075)	131	(1,944)
Deferred tax liabilities of other subsidiaries - net	(213)	(38)	(251)
Deferred tax liabilities - net	**(3,004)**	**77**	**(2,927)**
Deferred tax assets - net	**82**	**(3)**	**79**

	December 31, 2012	(Charged) credited to the consolidated statements of comprehensive income	Acquisition/ divestment of subsidiaries	December 31, 2013
The Company				
Deferred tax assets:				
Provision for impairment of receivables	276	170	-	446
Net periodic pension and other post-retirement benefits costs	129	84	-	213
Employee benefit provisions	173	(30)	-	143
Deferred connection fee	54	16	-	70
Accrued expenses and provision for inventory obsolescence	22	5	-	27
Provision for early retirement expense	140	(140)	-	-
Total deferred tax assets	794	105	-	899

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

31. TAXATION (continued)

f. Deferred tax assets and liabilities (continued)

	December 31, 2012	(Charged) credited to the consolidated statements of comprehensive income	Acquisition/ divestment of subsidiaries	December 31, 2013
Deferred tax liabilities:				
Finance leases	(64)	73	-	9
Land rights, intangible assets, and others	(14)	3	-	(11)
Valuation of long-term investment	0	(70)	-	(70)
Difference between accounting and tax bases of property and equipment	(1,581)	38	-	(1,543)
Total deferred tax liabilities	(1,659)	44	-	(1,615)
Deferred tax liabilities of the Company - net	(865)	149	-	(716)
Telkomsel				
Deferred tax assets:				
Employee benefit provisions	206	48	-	254
Provision for impairment of receivables	118	4	-	122
Recognition of interest under USO arrangements	6	(6)	-	0
Total deferred tax assets	330	46	-	376
Deferred tax liabilities:				
Intangible assets	(44)	(18)	-	(62)
Finance leases	(22)	(99)	-	(121)
Difference between accounting and tax bases of property and equipment	(2,363)	95	-	(2,268)
Total deferred tax liabilities	(2,429)	(22)	-	(2,451)
Deferred tax liabilities of Telkomsel - net	(2,099)	24	-	(2,075)
Deferred tax liabilities of other subsidiaries - net	(95)	(109)	(9)	(213)
Deferred tax liabilities - net	**(3,059)**	**64**	**(9)**	**(3,004)**
Deferred tax assets - net	**89**	**71**	**(78)**	**82**

As of June 30, 2014 and December 31, 2013, the aggregate amounts of temporary differences associated with investments in subsidiaries and associated companies, for which deferred tax liabilities have not been recognized were Rp19,334 billion and Rp24,252 billion, respectively.

Realization of the deferred tax assets is dependent upon the Company and subsidiary's capability in generating future profitable operations. Although realization is not assured, the Company and subsidiaries believe 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 be reduced if actual future taxable income is lower than estimates.

g. Administration

Since 2008 to 2012, 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 year 2013, the Company calculates the deferred tax using the tax rate of 20%.

The taxation laws of Indonesia require that the Company and 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 Minister 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 Minister 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 2003, 2005, 2006, 2007, 2009, and 2010 on the Company. Tax audits have been completed for all other fiscal years, except for fiscal year 2011.

The Company received a certificate of tax audit exemption from the DGT for fiscal years 2007, 2008, 2009 and 2010, 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 Rp7,411 billion and Rp7,125 billion by the weighted average number of shares outstanding during the period totaling 97,207,759,677 and 95,773,432,325 (after stock split) for six months period ended June 30, 2014 and for the year ended 2013, respectively.

Basic earnings per share amounted to Rp76.24 and Rp74.42 (in full amount) for six months period ended June 30, 2014 and for the year ended 2013, respectively.

The calculation of basic earning per share for six months period ended June 30, 2014 has been retrospectively adjusted in connection with the Company's stock split (Note 1c).

No diluted earnings per share is computed because the Company does not have potentially dilutive financial investments for six months period ended June 30, 2014 and for the year ended December 31, 2013.

33. CASH DIVIDENDS AND GENERAL RESERVE

In the AGM of Stockholders of the Company as stated in notarial deed No. 38 dated April 19, 2013 of Ashoya Ratam,S.H.,MKn., the Company's stockholders agreed on the distribution of cash dividend and special cash dividend for 2012 amounting to Rp7,068 billion and Rp1,285 billion, respectively. On June 18, 2013, the Company paid the cash dividend and special cash dividend totalling Rp8,353 billion.

In 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 agreed on the distribution of cash dividend and special cash dividend for 2013 amounting to Rp7,813 billion and Rp2,131 billion, respectively. On May 19, 2014, the Company paid the cash dividend and special cash dividend totalling Rp9,943 billion.

33. CASH DIVIDENDS AND GENERAL RESERVE (continued)

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

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 June 30, 2014 and December 31, 2013 amounted to Rp15,337 billion.

34. RETIREMENT BENEFIT AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS

	June 30, 2014	December 31, 2013
Prepaid pension benefit costs		
The Company	942	927
Infomedia	0	-
Prepaid pension benefit costs	**942**	**927**
Pension benefit costs provision and other post-employment benefit		
Pension		
The Company	1,762	1,644
Telkomsel	668	613
Pension benefit costs provisions	2,430	2,257
Other post-retirement benefits	366	349
Obligation under the Labor Law	193	189
Pension benefit costs provision and other post-employment benefits	**2,989**	**2,795**
Net periodic pension costs		
The Company	178	678
Telkomsel	55	194
Infomedia	-	1
Net periodic pension costs (Note 27)	**233**	**873**
Other post-retirement benefit costs (Note 27)	**31**	**66**
Employee benefit costs under the Labor Law	**14**	**17**

a. Prepaid pension benefit costs

The Company sponsors a defined benefit pension plan to 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 six months period ended June 30, 2014 and for the year ended December 31, 2013 amounted to RpNil billion and Rp182 billion, 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 six months period ended June 30, 2014 and for the year ended December 31, 2013 for its defined benefit pension plan:

34. RETIREMENT BENEFIT AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS (continued)

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

a. Prepaid pension benefit costs (continued)

	June 30, 2014	December 31, 2013
Change in projected pension benefits obligation		
Projected pension benefits obligation at beginning of period	14,883	19,249
Service costs	95	450
Interest costs	654	1,183
Pension plan participants' contributions	23	44
Actuarial (gains) losses	691	(5,387)
Expected pension benefits paid	(352)	(656)
Projected pension benefits obligation at end of period	15,994	14,883
Change in pension plan assets		
Fair value of pension plan assets at beginning of period	16,803	18,222
Expected return on pension plan assets	803	1,485
Employer’s contributions	-	182
Pension plan participants' contributions	23	44
Actuarial gains (losses)	691	(2,474)
Expected pension benefits paid	(352)	(656)
Fair value of pension plan assets at end of period	17,968	16,803
Funded status	1,974	1,920
Unrecognized prior service costs	39	78
Unrecognized net actuarial (gains) losses	(1,071)	(1,071)
Prepaid pension benefit costs	**942**	**927**

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 Rp1,494 billion and (Rp989) billion for six months period ended June 30, 2014 and for the year ended December 31, 2013, respectively. Based on the Company’s regulation issued on January 14, 2014 regarding Dapen’s Funding Policy, the Company will not give contribution to Dapen when Dapen’s Funding Sufficiency Ratio (FSR) is above 105%. Therefore, the Company expects no contribution to defined benefit pension plan in 2014.

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

34. RETIREMENT BENEFIT AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS (continued)

a. Prepaid pension benefit costs (continued)

The movements of the prepaid pension benefit costs during six months period ended June 30, 2014 and for the year ended December 31, 2013 are as follows:

	June 30, 2014	December 31, 2013
Prepaid pension benefit costs at beginning of period	(927)	(1,031)
Net periodic pension costs less amounts charged to subsidiaries	(15)	265
Amounts charged to subsidiaries under contractual agreement	-	21
Employer's contributions	-	(182)
Prepaid pension benefit costs at end of period	**(942)**	**(927)**

As of June 30, 2014 and December 31, 2013, pension plan assets mainly consisted of :

	June 30, 2014	December 31, 2013
Government bonds	37.81%	40.30%
Indonesian equity securities	22.84%	21.97%
Corporate bonds	19.18%	21.19%
Others	20.17%	16.54%
Total	**100.00%**	**100.00%**

Pension plan assets also include Series B shares issued by the Company with fair values totaling Rp334 billion and Rp336 billion, representing 1.86% and 2.00% of total plan assets as of June 30, 2014 and December 31, 2013, respectively, and bonds issued by the Company with fair values totaling Rp151 billion representing 0.84% and 0.90% of total plan assets as of June 30, 2014 and December 31, 2013, respectively.

The actuarial valuation for the defined benefit pension plan and the other post-retirement benefits (Notes 34b and 34c) was performed based on the measurement date as of December 31, 2013 and 2012, with reports dated February 28, 2014 and February 28, 2013, 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, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Discount rate	9.00%	6.25%
Expected long-term return on pension plan assets	9.75%	8.25%
Rate of compensation increases	8.00%	8.00%

The components of net periodic pension costs are as follows:

34. RETIREMENT BENEFIT AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS

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

(continued)

a. Prepaid pension benefit costs (continued)

	June 30, 2014	December 31, 2013
Service costs	95	450
Interest costs	654	1,183
Expected return on pension plan assets	(803)	(1,485)
Amortization of prior service costs	39	139
Net periodic pension costs	(15)	287
Amount charged to subsidiaries under contractual agreements	-	(21)
Net periodic pension costs less amounts charged to subsidiaries (Note 27)	**(15)**	**266**

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 Rp3 billion and Rp6 billion for six months period ended June 30, 2014 and for the year ended December 31, 2013, 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 had 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 being disabled starting from February 1, 2009. The change in benefit had 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 expressedin billions of rupiah, unless otherwise stated)

(continued)

b. Pension benefit costs provisions (continued)

(i) The Company (continued)

The following table presents the change in projected benefits obligation of MPS and MPP for for six months period ended June 30, 2014 and for the year ended December 31, 2013:

	June 30, 2014	December 31, 2013
Change in projected benefits obligation		
Unfunded projected benefits obligation at beginning of year	2,200	2,436
Service costs	40	97
Interest costs	97	150
Actuarial gains	(30)	(342)
Benefits paid by employer	(44)	(141)
Unfunded projected benefits obligation at end of year	2,263	2,200
Unrecognized prior service costs	(440)	(506)
Unrecognized net actuarial losses	(61)	(50)
Pension benefit costs provisions at end of period	**1,762**	**1,644**

Movements of the pension benefit costs provisions during six months period ended June 30, 2014 and for the year ended December 31, 2013:

	June 30, 2014	December 31, 2013
Pension benefit costs provisions at beginning of year	1,644	1,373
Total periodic pension costs	193	412
Employer's contributions	(75)	(141)
Pension benefit costs provisions at end of period	**1,762**	**1,644**

The principal actuarial assumptions used by the independent actuary based on the measurement date as of December 31, 2013 and 2012 are as follow:

	December 31, 2013	December 31, 2012
Discount rate	9.00%	6.25%
Rate of compensation	8.00%	8.00%

34. RETIREMENT BENEFIT AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS (continued)

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

b. Pension benefit costs provisions (continued)

(i) The Company (continued)

The components of total periodic pension costs are as follows:

	June 30, 2014	December 31, 2013
Service costs	40	97
Interest costs	97	150
Amortization of prior service costs	66	132
Recognized actuarial (gains) losses	(10)	33
Total periodic pension costs (Note 27)	**193**	**412**

(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 are fully made by Telkomsel.

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 six month period ended June 30, 2014 and for the year ended December 31, 2013 of its defined benefit pension plan:

	June 30, 2014	December 31, 2013
Change in projected pension benefits obligation		
Projected pension benefits obligation at beginning of year	899	1,472
Service cost	37	130
Interest cost	40	88
Actuarial gains	-	(789)
Expected pension benefits paid	-	(2)
Projected pension benefits obligation at end of year	976	899

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

34. RETIREMENT BENEFIT AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS (continued)

b. Pension benefit costs provisions (continued)

(ii) Telkomsel (continued)

Changes in pension plan asset		
Fair value of pension plan assets at beginning of year	439	666
Expected return on pension plan assets		40
Actuarial losses	-	(265)
Expected pension benefits paid	-	(2)
Fair value of pension plan assets at end of year	439	439
Funded status	(537)	(460)
Unrecognized items in the consolidated statement of financial position:		
Prior service costs	(0)	0
Net actuarial loss	(131)	(153)
Pension benefit costs provisions	**(668)**	**(613)**

The components of the net periodic pension costs are as follows:

	June 30, 2014	December 31, 2013
Service costs	37	130
Interest costs	40	88
Expected return on pension plan assets	(20)	(40)
Amortization of past service costs	0	1
Recognized actuarial (gain) losses	(2)	15
Net periodic pension costs (Note 27)	**55**	**194**

The net periodic pension costs for the pension plan was calculated based on actuary measurement date as of December 31, 2013 and 2012, with reports dated February 20, 2014 and February 12, 2013, 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, 2013 and 2012, are as follows:

	December 31, 2013	December 31, 2012
Discount rate	9.00%	6.00%
Expected long-term return on plan assets	9.00%	6.00%
Rate of compensation increases	6.50%	6.50%

34. RETIREMENT BENEFIT AND OTHER POST RETIREMENT BENEFIT OBLIGATIONS

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

(continued)

c. Other post-retirement benefits

The Company provides other post-retirement benefits in the form of cash paid to employees on their retirement or termination. These benefits consist of last housing allowance (“Biaya Fasilitas Perumahan Terakhir” or “BFPT”) and home passage leave (“Biaya Perjalanan Pensiun dan Purnabhakti” or “BPP”).

Movements of the other post-retirement benefit costs provisions for six months period ended June 30, 2014 and for the year ended December 31, 2013:

	June 30, 2014	Desember 31, 2013
Other post-retirement benefit costs provisions at beginning of year	349	310
Other post-retirement benefit costs	31	66
Other post-retirement benefits paid by the Company	(14)	(27)
Net other post-retirement benefit costs provisions at end of period	**366**	**349**

The principal actuarial assumptions used by the independent actuary as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Discount rate	9.00%	6.25%
Rate of compensation	8.00%	8.00%

Components of the total periodic other post-retirement benefit costs for six months period ended June 30, 2014 and for the year ended December 31, 2013:

	June 30, 2014	December 31, 2013
Service costs	5	11
Interest costs	19	30
Amortization of past service costs	4	7
Recognized actuarial losses	3	18
Other post-retirement benefit costs (Note 27)	**31**	**66**

d. Obligation under the Labor Law

Under Law No. 13 Year 2003, the Company and subsidiaries are required to provide minimum pension benefit, if not covered yet by the sponsored pension plans, to their employees upon retirement age. The total related obligation recognized as of June 30, 2014 and December 31, 2013 amounted to Rp193 billion and Rp189 billion, respectively. The related employee benefit costs charged to expense amounted to Rp14 billion and Rp17 billion for six months period ended June 30, 2014 and for the year ended December 31, 2013, respectively.

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

35. LONG SERVICE AWARDS ("LSA")

Telkomsel 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 Rp347 billion and Rp336 billion as of June 30, 2014 and December 31, 2013, respectively. The related benefit costs charged to expense amounted to Rp31 billion and Rp19 billion for six months ended June 30, 2014 and for the year ended December 31, 2013, respectively (Note 27).

36. POST-RETIREMENT HEALTH CARE BENEFITS

The Company provides a post-retirement health care plan 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-retirement health care 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 amounted to Rp15 billion and Rp17 billion for six months period ended June 30, 2014 and for the year ended December 31, 2013, respectively.

The following table presents the change in the projected post-retirement health care benefits obligation, change in post-retirement health care benefits plan assets, funded status of the post-retirements health care benefits plan and net amount recognized in the Company's consolidated statement of financial position as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Change in projected post-retirement health care benefits obligation		
Projected post-retirement health care benefits obligation at beginning of year	10,653	13,162
Service costs	22	70
Interest costs	471	813
Actuarial losses (gains)	382	(3,099)
Expected post-retirement health care benefits paid	(186)	(293)
Projected post-retirement health care benefits obligation at end of period	11,342	10,653

36. POST-RETIREMENT HEALTH CARE BENEFITS (continued)

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

Change in post-retirement health care benefits plan assets

Fair value of plan assets at beginning of year	9,661	9,913
Expected return on plan assets	455	744
Employer's contributions	137	302
Actuarial gains (losses)	382	(1,005)
Expected post-retirement health care paid	(186)	(293)
Fair value of plan assets at end of period	10,449	9,661
Funded status	(893)	(992)
Unrecognized net actuarial losses	240	240
Post-retirement health care benefit costs provisions	**(653)**	**(752)**

As of June 30, 2014 and December 31, 2013, plan assets mainly consisted of:

	June 30, 2014	**December 31, 2013**
Mutual funds	78.09%	81.80%
Equity securities	14.30%	13.14%
Time deposits	5.93%	3.68%
Others	1.68%	1.38%
Total assets	**100.00%**	**100.00%**

Yakes plan assets also include Series B shares issued by the Company with fair values totaling Rp117 billion and Rp120 billion representing 1.12% and 1.25% of total plan assets as of June 30, 2014 and December 31, 2013, 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 Rp838 billion and (Rp261 billion) for six months period ended June 30, 2014 and for the year ended December 31, 2013, respectively.

The components of net periodic post-retirement health care benefit costs are as follows:

	June 30, 2014	**December 31, 2013**
Service costs	22	70
Interest costs	471	813
Expected return on plan assets	(455)	(744)
Recognized actuarial losses	-	236
Net periodic post-retirement benefit costs	38	375
Amounts charged to subsidiaries under contractual agreements	(1)	(1)
Net periodic post-retirement health care benefit costs less amounts charged to subsidiaries (Note 27)	**37**	**374**

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

36. POST-RETIREMENT HEALTH CARE BENEFITS (continued)

The movements of the projected post-retirement health care benefit costs provisions for six months period ended June 30, 2014 and for the year ended December 31, 2013, are as follows:

	June 30, 2014	December 31, 2013
Projected post-retirement health care benefit costs provisions at beginning of year	752	679
Net periodic post-retirement health care benefits costs less amounts charged to subsidiaries (Note 27)	37	374
Amounts charged to subsidiaries under contractual agreements	1	1
Employer's contributions	(137)	(302)
Projected post-retirement health care benefit costs provisions at end of period	**653**	**752**

The actuarial valuation for the post-retirement health care benefits was performed based on the measurement date as of December 31, 2013 and 2012, with reports dated February 28, 2014 and February 28, 2013, respectively, by TWP, an independent actuary in association with TW. The principal actuarial assumptions used by the independent actuary as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Discount rate	9.00%	6.25%
Expected long-term return on plan assets	9.50%	7.50%
Health care costs trend rate assumed for next year	7.00%	7.00%

37. RELATED PARTY TRANSACTIONS

In the normal course of its business, the Company and subsidiaries entered into transactions with related parties. It is the Company's policy that the pricing 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 transactions/accounts with significant related parties are as follows:

Related parties	Nature of relationships with related parties	Nature of transactions/accounts
The Government Ministry of Finance	Majority stockholder	Finance costs and investment in financial instruments
State-owned enterprises	Entity under common control	Operation expenses, purchase of property and equipment, construction and installation services, insurance expense, finance income, finance costs, investment in financial instruments
Indosat	Entity under common control	Interconnection revenues, interconnection expenses, telecommunications facilities usage, operating and maintenance cost, leased lines revenue, satellite transponders

37. RELATED PARTY TRANSACTIONS (continued)

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

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

Related parties	Nature of relationships with related parties	Nature of transactions/accounts
		usage revenues, usage of data communication network system expenses and lease revenues
PT Aplikanusa Lintasarta ("Lintasarta")	Entity under common control	Network revenues, usage of data communication network system expenses and leased lines expenses
Indosat Mega Media	Entity under common control	Network revenues
CSM	Associated company	Satellite transponders usage revenues, leased lines revenues, transmission lease expenses
Patrakom*	Associated company	Satellite transponders usage revenues, leased lines revenues, transmission lease expenses
PSN	Associated company	Satellite transponders usage revenues, leased lines revenues, transmission lease expenses, interconnection revenues and interconnection expense
Indonusa**	Associated company	Leased line revenues, telecommunication services revenue, data telecommunication expense
PT Industri Telekomunikasi Indonesia ("INTI")	Entity under common control	Purchase of property and equipment
PT Asuransi Jasa Indonesia ("Jasindo")	Entity under common control	Insurance of property and equipment
PT Jaminan Sosial Tenaga Kerja ("Jamsostek")	Entity under common control	Insurance for employees
PT Perusahaan Listrik Negara (Persero) ("PLN")	Entity under common control	Electricity expenses
PT Pos Indonesia	Entity under common control	Cost of SIM cards
State-owned banks	Entity under common control	Finance income and finance costs
BNI	Entity under common control	Finance income and finance costs
Bank Mandiri	Entity under common control	Finance income and finance costs
BRI	Entity under common control	Finance income and finance costs
BTN	Entity under common control	Finance income and finance costs
BSM	Entity under common control	Finance costs
PT Bank BRI Syariah ("BRI Syariah")	Entity under common control	Finance costs
Bahana	Entity under common control	Available-for-sale financial assets, bonds and notes
Koperasi Pegawai Telkom ("Kopegtel")	Entity under common control	Purchase of property and equipment, construction and installation services, leases of buildings, leases of vehicles, purchases of materials and construction services, utilities maintenance and cleaning services and RSA revenues
PT Sandhy Putra Makmur ("SPM")	Entity under common control	Leases of buildings, leases of vehicles, purchase of materials and construction services, utilities maintenance and cleaning services

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

37. RELATED PARTY TRANSACTIONS (continued)

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

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

Related parties	Nature of relationships with related parties	Nature of transactions/accounts
Koperasi Pegawai Telkomsel (“Kisel”)	Entity under common control	Leases of vehicles, printing and distribution of customer bills, collection fee, and other services fee, distribution of SIM cards and pulse reload vouchers
PT Graha Informatika Nusantara (“Gratika”)	Entity under common control	Leased lines revenues, purchase of property and equipment, installation expense, and maintenance expense
Directors and commissioners	Key management personnel	Honorarium and facilities
Yakes	Entity under significant influence	Medical expenses

* Patrakom became a subsidiary on September 25, 2013 (Note 3).
** On October 8, 2013, the Company sold its 80% ownership in Indonusa (Notes 3 and 10).

b. Transactions with related parties

The following are significant transactions with related parties:

	2014		2013	
	Amount	% of total revenues	Amount	% of total revenues
REVENUES				
Entity under common control				
Kisel	1,370	3.15	1,258	3.13
Indosat	482	1.11	530	1.32
Gratika	157	0.36	-	-
Lintasarta	29	0.07	34	0.08
Sub-total	2,038	4,68	1,822	4.53
Associated companies				
Indonusa**	22	0.05	-	-
CSM	13	0.03	17	0.04
Patrakom*			45	0.11
Sub total	35	0.08	62	0.15
Other (each below Rp30 billion)	39	0.09	165	0.41
Jumlah	**2,112**	**4.85**	**2,049**	**5.09**

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

37. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

The following are significant transactions with related parties:

	2014		2013	
	Amount	**% of total expenses**	**Amount**	**% of total expenses**
EXPENSES				
Entity under common control				
PLN	481	1,64	280	1.05
Indosat	475	1.62	513	1.93
Kisel	467	1.59	301	1.13
Kopegtel	300	1.02	321	1.21
Jasindo	159	0.54	176	0.66
PT Pos Indonesia	27	0.09	34	0.13
Jamsostek	21	0.07	21	0.08
SPM	21	0.07	7	0.03
Sub-total	1,951	6.64	1,653	6.22
Entity under significant influence				
Yakes	36	0.12	63	0.24
Associated companies				
PSN	111	0.38	83	0.31
CSM	25	0.09	36	0.14
Patrakom*	-	-	41	0.15
Sub-total	136	0.47	160	0.60
Others (each below Rp 30 billion)	32	0.10	19	0.07
Total	**2,155**	**7.33**	**1,796**	**7.13**

* Patrakom became a subsidiary on September 25, 2013 (Note 3).
** On October 8, 2013, the Company sold its 80% ownership in Indonusa (Notes 3 and 10).

	2014		2013	
	Amount	**% of total finance income**	**Amount**	**% of total finance income**
FINANCE INCOME				
Entity under common control				
State-owned banks	309	48.58	242	58.60

	2014		2013	
	Amount	**% of total finance costs**	**Amount**	**% of total finance costs**
FINANCE COSTS				
Majority stockholder				
The Government	46	5.33	43	6.18
Entity under common control				
State-owned banks	332	38.47	236	33.91
Total	**378**	**43.80**	**279**	**40.09**

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

37. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

	2014		2013	
	Amount	**% of total fixed assets purchased**	**Amount**	**% of total fixed assets purchased**
PURCHASE OF PROPERTY AND EQUIPMENT (Note 11)				
Entity under common control				
State-owned enterprises	252	2.12	74	0.70
Kopegtel	29	0.24	110	1.04
Sub-total	281	2.36	184	1.74
Others	26	0.22	21	0.20
Total	**307**	**2.58**	**205**	**1.94**

Presented below are balances of accounts with related parties:

	June 30, 2014		December 31, 2013	
	Amount	**% of total assets**	**Amount**	**% of total assets**
a. Cash and cash equivalents (Note 4)	**12,952**	**9.95**	**11,736**	**9.17**
b. Other current financial assets (Note 5)	**309**	**0.24**	**1,226**	**0.95**
c. Trade receivables - net (Note 6)	**1,054**	**0.81**	**900**	**0.70**
d. Advances and prepaid expenses (Note 8)				
Others	9	0.01	82	0.06
e. Advances and other non-current assets (Note 12)				
Entity under common control				
BNI	-	-	52	0.04
Others	3	0.00	3	0.00
Total	**3**	**0.00**	**55**	**0.04**

	June 30, 2014		December 31, 2013	
	Amount	**% of total liabilities**	**Amount**	**% of total liabilities**
f. Trade payables (Note 14)				
Entity under common control				
INTI	306	0.55	115	0.23
Kopegtel	56	0.10	82	0.16
Indosat	19	0.03	17	0.03
State-owned enterprises	7	0.01	1	0.00
Sub-total	387	0.69	215	0.42
Entity under significant influence				
Yakes	26	0.05	43	0.09
Others	306	0.55	568	1.12
Total	**720**	**1.30**	**826**	**1.63**

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

37. RELATED PARTY TRANSACTIONS (continued)

b. Transactions with related parties (continued)

	June 30, 2014		December 31, 2013	
	Amount	% of total liabilities	Amount	% of total liabilities
g. Accrued expenses (Note 15)				
Majority stockholder				
The Government	17	0.03	17	0.04
Entity under common control				
State-owned banks	45	0.08	53	0.10
Total	62	0.11	**70**	**0.14**
h. Advances from customers and suppliers				
Majority stockholder				
The Government	**20**	**0.04**	**19**	**0.04**
i. Short-term bank loans (Note 17)				
Entity under common control				
BRI	50	0.09	50	0.09
BSM	15	0.03	14	0.03
BRI Syariah	4	0.01	3	0.01
Mandiri	2	0.00	-	-
Total	71	0.13	**67**	**0.13**
j. Two-step loans (Note 19)				
Majority stockholder				
The Government	**1,810**	**3.28**	**1,915**	**3.79**
k. Long-term bank loans (Note 21)				
Entity under common control				
BRI	5,798	10.51	4,043	8.00
BNI	2,111	3.80	2,351	4.65
Bank Mandiri	1,375	2.48	1,069	2.12
Total	**9,284**	**16.79**	**7,643**	**14.77**

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 for the provision of 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 the Indosat Multimedia Mobile services and the settlement of the 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, enabling each party’s customers to make domestic calls between Indosat’s GSM mobile network and the Company’s fixed line network and allowing Indosat’s mobile customers to access the Company’s IDD service by dialing “007”.

37. RELATED PARTY TRANSACTIONS (continued)

c. Significant agreements with related parties (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 beginning January 1, 1995, plus 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 takes into account the compensation for billing and collection. The agreement is valid and effective starting on January to December 2012, and can be applied until a new agreement becomes available.

On December 28, 2006, the Company and Indosat signed amendments to the interconnection agreements for the fixed line networks (local, SLJJ and international) and mobile network for the implementation of the cost-based tariff obligations under the MoCI 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, PSN and Gratika for the utilization of the Company's satellite transponders or frequency channels and leased lines.

Telkomsel has an agreement with PSN for the lease of PSN’s transmission link. Based on the agreement, which was made on March 14, 2001, the minimum lease period is 2 years since the operation of the transmission link and is extendable subject to agreement by both parties. As of the issuance date of the consolidated financial statements, the extension is still in process.

Koperasi Pegawai Telkomsel (“Kisel”) is a cooperative 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.

37. RELATED PARTY TRANSACTIONS (continued)

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

d. Key management personnel remuneration

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

The Company and subsidiaries provide honorarium and facilities to support the operational duties of the Board of Commissionersand 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:

	2014		2013	
	Amount	% of total expenses	Amount	% of total expenses
Board of Directors	271	0.92%	201	0.75%
Board of Commissioners	76	0.26%	64	0.24%

38. SEGMENT INFORMATION

Management manages the Company's business portfolios using the customer-centric approach, as part of the Company’s strategy to provide one-stop solution to customers.

The Company and subsidiaries have 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.

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.

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

38. SEGMENT INFORMATION (continued)

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

	2014						
	Corporate	**Home**	**Personal**	**Others**	**Total before elimination**	**Elimination**	**Total consolidated**
Segment results							
Revenues							
External revenues	9,656	3,276	30,444	166	43,542	-	43,542
Inter-segment revenues	4,928	1,217	1,384	654	8,183	(8,183)	-
Total segment revenues	14,584	4,493	31,828	820	51,725	(8,183)	43,542
Expenses							
External expenses	(7,934)	(2,509)	(18,151)	(755)	(29,349)	-	(29,349)
Inter-segment expenses	(3,038)	(1,483)	(3,656)	(6)	(8,183)	8,183	-
Total segment expenses	(10,972)	(3,992)	(21,807)	(761)	(37,532)	8,183	(29,349)
Segment results	3,612	501	10,021	59	14,193	-	14,193
Other information							
Segment assets	45,663	21,796	70,583	1,820	139,862	(10,080)	129,782
Asset held-for-sale	-	-	57	-	57	-	57
Long-term investments	79	221	21	-	321	-	321
Total consolidated assets							130,160
Capital expenditures	(3,383)	(1,285)	(6,952)	(246)	(11,866)	-	(11,866)
Depreciation and amortization	(1,251)	(704)	(5,991)	(27)	(7,973)	-	(7,973)
Impairment of assets	-	-	(190)	-	(190)	-	(190)
Provision for impairment of receivables and inventory obsolescence	(197)	(124)	(8)	-	(329)	-	(329)

	2013						
	Corporate	**Home**	**Personal**	**Others**	**Total before elimination**	**Elimination**	**Total consolidated**
Segment results							
Revenues							
External revenues	8,268	3,712	28,101	79	40,160	-	40,160
Inter-segment revenues	3,653	1,097	1,069	359	6,178	(6,178)	-
Total segment revenues	11,921	4,809	29,170	438	46,338	(6,178)	40,160
Expenses							
External expenses	(7,338)	(3,246)	(15,330)	(400)	(26,314)	-	(26,314)
Inter-segment expenses	(2,210)	(1,199)	(2,768)	(1)	(6,178)	6,178	-
Total segment expenses	(9,548)	(4,445)	(18,098)	(401)	(32,492)	6,178	(26,314)
Segment results	2,373	364	11,072	37	13,846	-	13,846
Other information							
Segment assets	34,530	17,689	64,115	1,038	117,372	(6,295)	111,077
Asset available for sale	-	-	131	-	131	-	131
Long-term investments	244	-	20	-	264	-	264
Total consolidated assets	34,774	17,689	64,266	1,038	117,767	(6,295)	111,472
Capital expenditures	(2,560)	(650)	(7,008)	(344)	(10,562)	-	(10,562)
Depreciation and amortization	(1,083)	(755)	(5,087)	(15)	(6,940)	-	(6,940)
Impairment of assets	-	-	-	-	-	-	-
Provision for impairment of receivables and inventory obsolescence	(130)	(176)	(112)	(1)	(419)	-	(419)

The Company predominantly generates revenue and profit within Indonesia. Revenue with respect to international interconnections and assets held by geographical location are disclosed in Note 26 and Note 1, respectively.

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 June 30, 2014, the Company has 4 RSA's with 4 investors. The RSA's are located in East Java, Makassar, Pare-pare, Manado, Denpasar, Mataram and Kupang, with concession periods ranging from 129 to 148 months.

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 "Procedure for Tariff Determination for 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. 227/BRTI/XII/2010 dated December 31, 2010, decided to implement new interconnection tariffs effective from January 1, 2011 for cellular mobile network, satellite mobile network and fixed local network, and effective from July 1, 2011 for fixed wireless local network with a limited mobility.

Based on Decree No. 201/KEP/DJPPI/KOMINFO/7/2011 dated July 29, 2011 of the Director General of Post and Informatics, ITRB approved the Company’s revision of Reference Interconnection Offer (“RIO”) regarding the interconnection tariff.

ITRB, in its letter No. 262/BRTI/XII/2011 dated December 12, 2011, decided to change the basis for interconnection SMS tariff to cost basis with a maximum tariff of Rp23 per SMS effective from June 1, 2012, for all telecommunication provider operators.

ITRB, in its letter No. 118/KOMINFO/DJPPI/PI.02.04/2014 dated January 30, 2014, decided to change the basis for new interconnection tariff effective from February 2014 to December 2016 that will be evaluated each year.

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 June 30, 2014, 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	-	12,663
U.S. dollar	919	10,949
Euro	0.3	4
Total		**23,616**

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 Sansaine Huawei Consortium	August 3, 2009	Procurement and installation agreement for softswitch and modernization of MSAN Divre I, Divre II, Divre III and Divre IV
The Company and PT ZTE Indonesia	September 4, 2009	Procurement and installation agreement for modernization of MSAN softswitch Divre VI and Divre VII
The Company and PT Industri Telekomunikasi Indonesia	December 30, 2010	Procurement and installation agreement for copper wire access modernization through Trade In/Trade Off method
The Company and PT Lintas Teknologi Indonesia	June 8, 2011	Procurement and installation agreement for DWDM Alcatel Lucent (ALU)
The Company and G-Pas Consortium	June 14, 2011	Procurement and installation agreement for Outside Plant Fiber Optic (OSP-FO) Access and RMJ GPAS
The Company and Mandiri Maju Consortium	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and PT QDC Technologies	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and TEKKEN-DMT Consortium	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and DJAFa Consortium	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and PT Telekomindo Primakarya	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and PT Nasio Karya Pratama	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and Jembo Kabel-Tridayasa Consortium	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and Pancamas Consortium	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ

(Figures in tables are expressedin 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 Ardhinusa Mitratel	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and PT Karya Mitra Nugraha	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and PT Merbau Prima Sakti	June 14, 2011	Procurement and installation agreement for OSP-FO Access and RMJ
The Company and PT Huawei Tech Investment	October 11, 2011	Procurement and installation agreement for IMS (IP-Multimedia System)
The Company and PT Huawei Tech Investment	January 5, 2012	Procurement and installation agreement for ISP WDM SBCS JASUKA
The Company and PT Ericsson Indonesia-PT Infracell Nusatama	February 8, 2012	Procurement and installation agreement for IMS
The Company and PT Len Industri (Persero)	March 29, 2012	Procurement and installation agreement for copper wire access modernization through Trade In/Trade Off method
The Company and PT Sisindokom Lintasbuana	July 4, 2012	Procurement and installation agreement for managed WIFI for Program of Indonesia WIFI Package-1
The Company and PT Ketrosden Triasmitra - PT Nautic Maritime Salvage Consortium	August 30, 2012	Procurement and installation agreement for SKKL Luwuk-Tutuyan Cable System (LTCS)
The Company and Furukawa and Partners Consortium	November 14, 2012	Procurement and installation of Outside Plant Fiber To The Home (OSP FTTH) DIVA Regional V and VII
The Company and INTI-Huawei Consortium	November 14, 2012	Procurement and installation of OSP FTTH DIVA Regional III, IV and VI
The Company and JF DJAFA Consortium	November 14, 2012	Procurement and installation agreement of OSP FTTH DIVA Regional II
The Company and PT Mastersystem Infotama	December 5, 2012	Procurement and installation agreement for IP Backbone (IPBB) System
The Company and PT Huawei Tech Investment	December 20, 2012	Procurement and installation agreement for WAG, PCEF and PCRF Huawei
The Company and PT Infra Karya Pratama	December 28, 2012	Procurement and installation agreement for managed WIFI for Program of Indonesia WIFI Package-2
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 PT Sisindokom Lintasbuana	May 8, 2013	Procurement and installation agreement for expansion of PE-VPN CISCO
The Company and NEC Corp-PT NEC Indonesia Consortium	May 28, 2013	Procurement and installation of SMPCS package-2

(Figures in tables are expressedin 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 Datacomm Diangraha	June 26, 2013	Procurement and installation agreement for expansion of Maintenance Support (MS) Service for Metro Ethernet Platform ALU
The Company and PT Lintas Teknologi Indonesia	July 22, 2013	Procurement and installation agreement for expansion of DWDN platform ALU
The Company and PT Wahana Ciptasinatria	November 7, 2013	Procurement and installation agreement for Policy Control Equipment and Enforcement Function (PCEF)
The Company and PT Cisco Technologies Indonesia	November 14, 2013	The partnership for procurement and installation agreement of WIFI CISCO
The Company and PT NEC Indonesia	November 29, 2013	Procurement and installation agreement for IP Radio Equipment for Backhaul Node-B Telkomsel Package-3 Platform NEC
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 PT Huawei Tech Investment	December 6, 2013	Procurement and installation agreement for 10 Gigabyte of Capable Passive Optical Network (XGPON) Platform Huawei
The Company and PT ASB-PT ALU Indonesia-PT GBN-PT Lintas Consortium	December 6, 2013	Procurement and installation agreement for XGPON Platform ALU

(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

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

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, PT Datacraft 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, PT Nokia Siemens Networks and NSN Oy	January 27, 2011	Soft HLR Rollout Agreement
Telkomsel and PT Nokia Siemens Networks	January 27, 2011	Soft HLR Technical Support Agreement
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, Apple South Asia Pte. Ltd. and PT Mitra Telekomunikasi Selular ("MTS")	July 16, 2012	Purchasing of iPhone products and provision of cellular network service
Telkomsel and Huawei International Pte. Ltd. and PT Huawei	July 17, 2012	CS Core System Rollout and CS Core System Technical Support 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 and PT Adhi Karya	November 6, 2012	Service arrangement structure and main contractor architecture for Telkom Landmark Tower Building development project
TLT and PT Indalex	February 11, 2013	Procurement agreement for the Façade construction phase I unitized system Tower I and Tower II of Telkom Landmark Tower Building
GSD and PT Pembangunan Perumahan (Persero)	March 5, 2013	Development of Telkomsel's building agreement
TLT and PT Jaya Kencana	May 14, 2013	Procurement and installation agreement for electrical construction of Telkom Landmark Tower Building
GSD and PT Hutama Karya	April 15, 2014	Telkomsel building development agreement
GYS and PT Hutama Karya	April 21,2014	Service arrangement structure, architecture, Landscape, and Plumbing for developing Hotel GYS Bandung

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

a. Capital expenditures (continued)

(iv) DMT

Contracting parties	Initial date of agreement	Significant provisions of the agreement
DMT and PT M Jusuf & Sons	December 20, 2012	Telecommunication tower development agreement

(v) TII

Contracting parties	Initial date of agreement	Significant provisions of the agreement
TL, Ericsson AB and PT Ericsson Indonesia	November 2, 2012	Operational Supporting System (OSS), Base Sub Station (BSS) and Value Added System (VAS) System Rollout and Radio Access Network (RAN) and Core System Rollout agreement
TL, Ericsson AB and PT Ericsson Indonesia	February 1, 2013	Management service agreement for end-to-end mobile network
TL and PT Cascadiant Indonesia	December 31, 2012	Installation and maintenance service agreement
	Desember 31, 2012	Purchase of equipment phase I agreement
	November 20, 2013	Purchase of equipment phase II agreement

b. Borrowings and other credit facilities

(i) As of June 30, 2014, 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	-	173
			US$	0	3
			SAR	0	0
BNI	250	March 31, 2014	Rp	-	62
			US$	0	1
Bank Mandiri	150	December 23, 2014	Rp	-	58
			US$	-	-
Total	**750**				**297**

(ii) Telkomsel has a US$3 million bond and bank guarantee and standby letter of credit facilities with SCB, Jakarta. The facilities expire on July 31, 2014. Under these facilities, as of June 30, 2014, Telkomsel has issued a bank guarantee of Rp20 billion (equivalent to US$1.7 million) for a 3G performance bond (Note 41c.i). The bank guarantee is valid until March 24, 2015.

Telkomsel has a Rp200 billion bank guarantee facilitiy with BRI. The facility will expire on September 25, 2014. Under the facility, as of June 30, 2014, Telkomsel has issued a bank guarantee of Rp177 billion (equivalent to USD14.8 million) as payment commitment guarantee for annual right of usage fee valid until March 31, 2015.

Telkomsel has a Rp100 billion bank guarantee with BNI. The bank guarantee is valid until December 11, 2014. Telkomsel was using this facility to replace the time deposit used guaranty for the USO program amounting to Rp56.4 billion.

Telkomsel also has a Rp150 billion bank guarantee with BCA. The bank guarantee is valid until April 15, 2015. Under these facilities, as of June 30, 2014, Telkomsel has issued a bank guarantee of Rp20 billion (equivalent to US$1.7 million) for a 3G performance bond (Note 41c.i).

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

b. Borrowings and other credit facilities (continued)

(iii) TII has a US$15 million bank guarantee from Bank Mandiri. The facility expires on December 19, 2014. As of June 30, 2014, TII has not issued a bank guarantee.

c. Others

(i) 3G license

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

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

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

3. Contribute to USO development.

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

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

(ii) Radio Frequency Usage

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

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

Based on Decision Letters No. 495 dated August 29, 2012 and No. 491 dated August 29, 2012, the MoCI determined that the third year (Y_3), 2012, annual frequency usage fees of the Company and Telkomsel were Rp174 billion and Rp1,718 billion, respectively. The fees were paid in December 2012.

Based on Decision Letters No. 881 dated September 10, 2013 and No. 884 dated September 10, 2013, the MoCI determined that the fourth year (Y_4), 2013, annual frequency usage fees of the Company and Telkomsel were Rp213 billion and Rp1,649 billion, respectively. The fees were paid in December 2013 (Note 2i).

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

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(iii) Apple, Inc

On January 9 and July 16, 2009, Telkomsel entered into agreements with Apple, Inc for the purchase of iPhone products, marketing it to customers using third parties (PT Trikomsel OKE and PT Mitra Telekomunikasi Selular) and providing cellular network services over a 3-year term. Subsequently, on July 16, 2012, Telkomsel replaced the agreements with a new agreement. Cumulative minimum iPhone units to be purchased up to June 2015 are at least 500,000 units.

(iv) Future Minimum Lease Payments of Operating Lease

The Company and subsidiaries 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 2014 and 2023.

Future minimum lease payments under the operating lease agreements as of June 30, 2014 are as follows:

	Total	Less than 1 year	1-5 years	More than 5 years
As lessee	22,510	3,018	18,685	807
As lessor	6,043	1,413	3,523	1,107

(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, 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 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 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 changedto *Balai Penyedia dan Pengelola Pembiayaan Telekomunikasi dan Informatika* (“BPPPTI”).

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. 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, Sumatera Utara, Sulawesi Utara, Gorontalo, Sulawesi Tengah, Sulawesi Barat, Sulawesi Selatan and Sulawesi Tenggara.

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, Sulawesi Utara, Sulawesi Tengah, Gorontalo, Sulawesi Barat, Sulawesi Tenggara, Kalimantan Tengah, Sulawesi Selatan, Papua and Irian Jaya Barat.

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. Telkomsel will 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 March 31, 2014, USO Program for 1,2,3,6 and 7 packages are ceased.

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 Rp261billion.

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

41. SIGNIFICANT COMMITMENTS AND AGREEMENTS (continued)

c. Others (continued)

(v) USO (continued)

For six months period ended June 30, 2014 and 2013, the Company and Telkomsel recognized the following amounts:

	2014	2013
Revenues		
Construction	-	40
service centre	86	183
Profits		
Construction	-	(3)
Operation of telecommunication		
service centre	(68)	8

As of June 30, 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 Rp797 billion (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

42. CONTINGENCIES

In the ordinary course of business, the Company and subsidiaries have 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 Company and subsidiaries have recognized provision for losses amounting to Rp47 billion as of June 30, 2014.

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.

42. CONTINGENCIES (continued)

b. The Company is a defendant in a case filed in Makassar District Court by Andi Jindar Pakki and his affiliates over a landproperty on 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 is favorable to the plaintiffs and the Company filed an appeal to the Supreme Court. As of the issuance date of the consolidated financial statements, no decision has been reached on the appeal.

43. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are as follows:

	June 30, 2014			
	U.S. dollar (in millions)	**Japanese yen (in millions)**	**Others* (in millions)**	**Rupiah equivalent (in billions)**
Assets				
Cash and cash equivalents	401.63	7.38	10.16	4,908
Other current financial assets	14.54	-	0.04	173
Trade receivables				
Related parties	2.11	-	0.00	25
Third parties	71.49	-	0.19	852
Other receivables	3.61	-	0.13	45
Advances and other non-current assets	7.23	-	0.01	87
Total assets	500.61	7.38	10.53	6,090
Liabilities				
Trade payables				
Related parties	(5.14)	-	-	(61)
Third parties	(307.99)	(29.28)	(2.24)	(3,897)
Other payables	(4.64)	-	(0.37)	(60)
Accrued expenses	(55.60)	(28.76)	(0.42)	(674)
Short term bank loan	(100)	-	-	(1,197)
Advances from customers and suppliers	(2.81)	-	(11)	(35)
Current maturities of long-term liabilities	(40.82)	(767.90)	-	(576)
Promissory notes	(15.95)	-	-	(189)
Long-term liabilities - net of current maturities	(85.47)	(7,295.03)	-	(1,872)
Total liabilities	(618.42)	(8,120.97)	(3.14)	(8,561)
Liabilities - net	**(117.81)**	**(8,113.59)**	**7.39**	**(2,471)**

	December 31, 2013			
	U.S. dollar (in millions)	**Japanese yen (in millions)**	**Others* (in millions)**	**Rupiah equivalent (in billions)**
Assets				
Cash and cash equivalents	394.30	1.23	11.42	4,940
Other current financial assets	10.78	-	-	131
Trade receivables				
Related parties	2.44	-	-	30
Third parties	66.27	-	0.17	808
Other receivables	0.68	-	0.13	10
Advances and other non-current assets	5.76	-	-	70
Total assets	480.23	1.23	11.72	5,989

* 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)

	December 31, 2013			
	U.S. dollar (in millions)	Japanese yen (in millions)	Others* (in millions)	Rupiah equivalent (in billions)
Liabilities				
Trade payables				
Related parties	(1.40)	-	-	(17)
Third parties	(275.35)	-	(4.33)	(3,409)
Other payables	(7.62)	-	(0.09)	(94)
Accrued expenses	(51.41)	(18.63)	(0.01)	(629)
Short-term bank loan	-	-	-	-
Advances from customers and suppliers	(1.60)	-	(0.01)	(20)
Current maturities of long-term liabilities	(34.85)	(767.90)	-	(514)
Promissory notes	(28.67)	-	-	(349)
Long-term liabilities - net of current maturities	(78.82)	(7,678.98)	-	(1,850)
Total liabilities	(479.72)	(8,465.51)	(4.44)	(6,882)
Liabilities - net	**0.51**	**(8,464.28)**	**7.28**	**(893)**

* Assets and liabilities denominated in other foreign currencies are presented as U.S. dollar equivalents using the buy and sell rates quoted by Reuters prevailing at the end of the reporting period.

The Company and subsidiaries' 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 Company and subsidiaries report monetary assets and liabilities in foreign currencies as of June 30, 2014 using the exchange rates on July 22, 2014, the unrealized foreign exchange gain will increase by Rp272 billion.

44. FINANCIAL RISK MANAGEMENT

1. Financial risk management

   The Company and subsidiaries activities expose them 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 Company and subsidiaries' 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 Company and subsidiaries are 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. dollar and Japanese yen. The Company and subsidiaries' exposures to other foreign exchange rates are not material.

      Increasing risks of foreign currency exchange rates on the obligations of the Company and subsidiaries 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 liabilities.

1. Financial risk management (continued)

a. Foreign exchange risk (continued)

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

	June 30, 2014		**December 31, 2013**	
	U.S. dollar (in billions)	**Japanese yen (in billions)**	**U.S. dollar (in billions)**	**Japanese yen (in billions)**
Financial assets	0.50	0.01	0.48	0.00
Financial liabilities	(0.61)	(8.12)	(0.48)	(8.47)
Net exposure	**(0.11)**	**(8.11)**	**0.00**	**(8.47)**

Sensitivity analysis

A strengthening of the U.S.dollar and Japanese yen, as indicated below, against the rupiah at June 30, 2014 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 Company and subsidiaries considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity/loss
June 30, 2014	
U.S. dollar (1% strengthening)	(13)
Japanese yen (5% strengthening)	(46)

A weakening of the U.S.dollar and Japanese yen against the rupiah at June 30, 2014 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 Company and subsidiaries are 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 Company andsubsidiaries' available-for-sale investments is monitored periodically, together with a regular assessment of their relevance to the Company and subsidiaries' long-term strategic plans.

As of June 30, 2014, management considered the price risk for the Company'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 position. Borrowings at variable interest rates expose the Company and subsidiaries to interest rate risk (Notes 17, 18, 19, 20 and 21). To measure market risk pertaining to fluctuations in interest rates, the Company and subsidiaries primarily use interest margin and maturity profile of the financial assets and liabilities based on changing schedule of the interest rate.

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

44. FINANCIAL RISK MANAGEMENT (continued)

1. Financial risk management (continued)

c. Interest rate risk (continued)

At reporting date, the interest rate profile of the Company and subsidiaries' interest-bearing borrowings was as follows:

	June 30, 2014	December 31, 2013
Fixed rate borrowings	(9,457)	(9,591)
Variable rate borrowings	(14,253)	(10,665)

Sensitivity analysis for variable rate borrowings

At June 30, 2014, a decrease (increase) by 25 basis points in interest rates of variable rate borrowings would have increased (decreased) equity and profit or loss by Rp35 billion, respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

d. Credit risk

The following table presents the maximum exposure to credit risk of the Company and subsidiaries' financial assets:

	June 30, 2014	December 31, 2013
Cash and cash equivalents	16,828	14,696
Other current financial assets	707	6,872
Trade and other receivables, net	7,968	6,421
Long-term investments	21	21
Advances and other non-current assets	557	685
Total	**26,081**	**28,695**

The Company and subsidiaries are exposed to credit risk primarily from trade receivables 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 customers' receivables balance exceeds 1% of trade receivables at June 30, 2014.

Management is confident in its ability to continue to control and sustain minimal exposure to credit risk given that the Company and subsidiaries have provided 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 Company and subsidiaries have difficulties in fulfilling financial liabilities when they become due.

Prudent liquidity risk management implies maintaining sufficient cash in order to meet the Company and subsidiaries' financial obligations. The Company andsubsidiaries continuously perform an analysis to monitor financial position ratios, such as liquidity ratios, and debt equity ratios, against debt covenant requirements.

44. FINANCIAL RISK MANAGEMENT (continued)

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

1. Financial risk management (continued)

e. Liquidity risk (continued)

The following is the maturity profile of the Company and subsidiaries' financial liabilities:

	Carrying amount	Contractual cash flows	2014	2015	2016	2017	2018 and thereafter
June 30, 2014							
Trade and other payables	13,041	(13,041)	(13,041)	-	-	-	-
Accrued expenses	5,891	(5,891)	(5,891)	-	-	-	-
Loans and other borrowings							
Bank loans	13,935	(16,475)	(7,092)	(2,342)	(2,731)	(1,955)	(2,355)
Obligations under finance leases	4,776	(6,534)	(1,009)	(446)	(865)	(834)	(3,380)
Bonds and notes	3,189	(4,514)	(450)	(1,131)	(223)	(203)	(2,507)
Two-step loans	1,810	(2,189)	(295)	(145)	(283)	(273)	(1,193)
Total	**42,642**	**(48,644)**	**(27,778)**	**(4,064)**	**(4,102)**	**(3,265)**	**(9,435)**

	Carrying amount	Contractual cash flows	2014	2015	2016	2017	2018 and thereafter
December 31, 2013							
Trade and other payables	11,988	(11,988)	(11,988)	-	-	-	-
Accrued expenses	5,264	(5,264)	(5,264)	-	-	-	-
Loans and other borrowings							
Bank loans	10,023	(11,618)	(5,028)	(3,264)	(1,248)	(980)	(1,098)
Obligations under finance leases	4,969	(6,904)	(1,070)	(885)	(847)	(813)	(3,289)
Two-step loans	1,915	(2,308)	(292)	(285)	(278)	(271)	(1,182)
Bonds and notes	3,349	(4,817)	(582)	(1,311)	(215)	(203)	(2,506)
Total	**37,508**	**(42,899)**	**(24,224)**	**(5,745)**	**(2,588)**	**(2,267)**	**(8,075)**

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, between in an arm's length transaction.

The Company and subsidiaries 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, dividend payable, accrued expenses, advances from customers and suppliers and short-term bank loans) are considered to approximate their carrying amounts as the impact of discounting is not significant .

(Figures in tables are expressedin 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)

(ii) 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.

(iii) 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 Company and subsidiaries for similar liabilities of comparable maturities by the bankers of the Company and subsidiaries, 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 Company and subsidiaries 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 Company and subsidiaries' financial assets and liabilities based on their classifications:

	June 30, 2014					
	Trading	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	-	16,828	-	-	16,828	16,828
Other current financial assets	-	435	272	-	707	707
Trade and other receivables, net	-	7,968	-	-	7,968	7,968
Long-term investments	-	-	21	-	21	21
Advances and other non-current assets	-	557	-	-	557	557
Total financial assets	**-**	**25,788**	**293**	**-**	**26,081**	**26,081**
Trade and other payables	-	-	-	(13,041)	(13,041)	(13,041)
Accrued expenses	-	-	-	(5,891)	(5,891)	(5,891)
Loans and other borrowings						
Long-term bank loans	-	-	-	(11.317)	(11,317)	(10,992)
Obligations under finance leases	-	-	-	(4,776)	(4,776)	(4,776)
Bonds and notes	-	-	-	(3,189)	(3,189)	(3,198)
Short-term bank loans	-	-	-	(2,618)	(2,618)	(2,618)
Two-step loans	-	-	-	(1,810)	(1,810)	(1,949)
Total financial liabilities				**(42,642)**	**(42,642)**	**(42,465)**

	December 31, 2013					
	Trading	**Loans and receivables**	**Available for sale**	**Other financial liabilities**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	-	14,696	-	-	14,696	14,696
Other current financial assets	-	6,600	272	-	6,872	6,872
Trade and other receivables, net	-	6,421	-	-	6,421	6,421
Long-term investments	-	-	21	-	21	21
Advances and other non-current assets	-	685	-	-	685	685
Total financial assets	**-**	**28,402**	**293**	**-**	**28,695**	**28,695**

(Figures in tables are expressedin 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, 2013					
	Trading	Loans and receivables	Available for sale	Other financial liabilities	Total carrying amount	Fair value
Trade and other payables	-	-	-	(11,988)	(11,988)	(11,988)
Accrued expenses	-	-	-	(5,264)	(5,264)	(5,264)
Loans and other borrowings						
Short-term bank loans	-	-	-	(432)	(432)	(432)
Obligations under finance leases	-	-	-	(4,969)	(4,969)	(4,969)
Two-step loans	-	-	-	(1,915)	(1,915)	(1,921)
Bonds and notes	-	-	-	(3,349)	(3,349)	(3,490)
Long-term bank loans	-	-	-	(9,591)	(9,591)	(9,474)
Total financial liabilities	**-**	**-**	**-**	**(37,508)**	**(37,508)**	**(37,538)**

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:

	June 30, 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	270	50	222	-
Fair value to profit or loss securities (Note 3)	297	-	-	297
Total	**567**	**50**	**222**	**297**

	December 31, 2013			
		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	272	48	224	0
Fair value to profit or loss securities (Note 3)	297	-	-	297
Total	**569**	**48**	**224**	**297**

(Figures in tables are expressedin 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 shares, 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.

Shares and 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 requires 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 balance for investment measured at fair value using significant unobservable inputs (level 3) as of June 30, 2014 and 2013 are as follows:

	2014	**2013**
Balance at January 1	297	48
Included in consolidated statement of comprehensive income		
Unrealized loss - recognized in other comprehensive income	-	(0)
Balance at June 30	**297**	**48**

45. CAPITAL MANAGEMENT

The capital structure of the Company and subsidiaries is as follows:

	June 30, 2014		**December 31, 2013**	
	Amount	**Portion**	**Amount**	**Portion**
Short-term debts	2,618	3.11%	432	0.53%
Long-term debts	21,092	25.04%	19,824	24.54%
Total debts	23,710	28.15%	20,256	25.07%
Equity attributable to owners	60,512	71.85%	60,542	74.93%
Total	**84,222**	**100%**	**80,798**	**100.00%**

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

45. CAPITAL MANAGEMENT (continued)

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for stockholders and benefits to other stakeholders and to maintain an optimum capital structure to minimize the cost of capital.

Periodically, the Company 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 Company will consider buying back its shares of stock or paying dividend to its stockholders.

In addition to complying with loan covenants, the Company also maintains its capital structure at the level it believes will not risk its credit rating and 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 Company's capital structure and review the effectiveness of the Company's debts. The Company 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 ratios are comparable or better than those of regional area entities in the telecommunications industry.

The Company's debt to equity ratio as of June 30, 2014 and December 31, 2013 is as follows:

	June 30, 2014	December 31, 2013
Total interest-bearing debts	23,710	20,256
Less cash and cash equivalents	(16,828)	(14,696)
Net debts	6,882	5,560
Total equity attributable to owners	60,512	60,542
Net debt to equity ratio	11.37%	9.18%

As stated in Note 19, 20 and 21, the Company is required to maintain a certain debt to equity ratio and debt service coverage ratio by the lenders. During six months period ended June 30, 2014 and for the year ended December 31, 2013, the Company has complied with the externally imposed capital requirements.

46. SUPPLEMENTAL CASH FLOWS INFORMATION

The non-cash investing activities for six months period ended June 30, 2014 and 2013 are as follows:

	2014	2013
Acquisition of property and equipment credited to:		
Trade payables	6,929	4,106
Obligations under finance leases	273	1,188
Non-monetary exchange	-	120
Reclassification of fix asset to asset available for sale	57	131

47. SUBSEQUENT EVENTS

a) Related to Conditional Business Transfer Agreement to transfer Flexi target business (Note 1.d.g), on July 8 2014, Telkomsel and BNI signed an agreement opening escrow account amounting to Rp897 billion.

b) On July 14, 2014, The Company and Thales Alenia Space France signed a contract on procurement of Telkom - 3 Substitution (T3S) Satellite System amounting to US$199.7 million.