

COMPREHENSIVE FINANCIAL PERFORMANCE

FINANCIAL POSITION OVERVIEW

In general, TelkomGroup had total assets of Rp221,208 billion (US\$15,934 million) at the end of 2019, increase by 7.3% from Rp206,196 billion at the end of the previous reporting period. The increase in total assets is mainly due to increase in property and equipment inline with capital expenditure.

In terms of liabilities, the total liabilities of Telkom and its subsidiaries were recorded at Rp103,958 billion (US\$7,488 million) as of December 31, 2019. The amount increase by 16.9% or Rp15,065 billion from total liabilities at the end of 2018 of Rp88,893 billion, which occurred due to increase in bank loans, current maturities of long term borrowings, pension benefits and other post-employment benefits obligations as well as taxes payables.

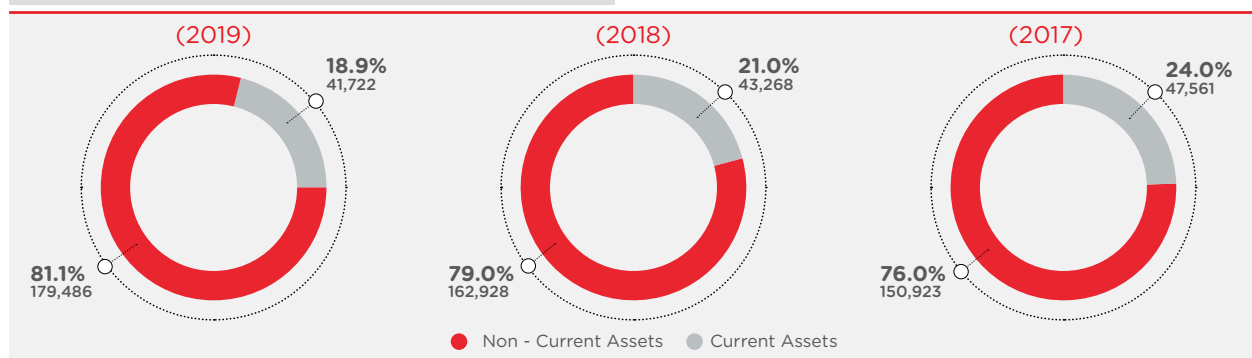
TelkomGroup's consolidated financial position for the past three years, can be seen as follows.

Consolidated statements of financial position table	Growth		Years ended December 31,		
	2019-2018	2019		2018	2017
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Total Current Assets	(3.6)	41,722	3,005	43,268	47,561
Total Non-Current Assets	10.2	179,486	12,929	162,928	150,923
Total Assets	7.3	221,208	15,934	206,196	198,484
Total Current Liabilities	26.2	58,369	4,205	46,261	45,376
Total Non-Current Liabilities	6.9	45,589	3,283	42,632	40,978
Total Liabilities	16.9	103,958	7,488	88,893	86,354
Total Equity attributable to owners of the parent company	0.7	99,561	7,172	98,910	92,713

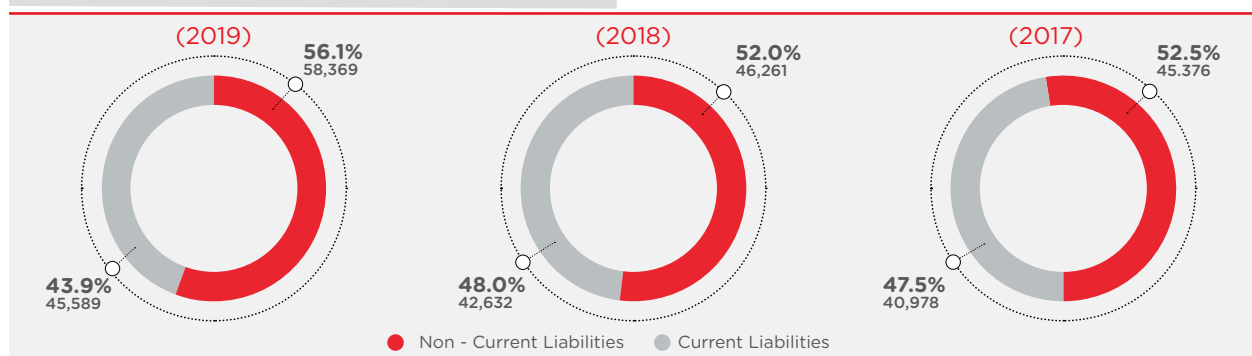
Financial Position Comparison

In terms of financial position comparisons, the following diagram illustrates the composition of TelkomGroup assets and liabilities during the reporting periods for the last three years as follows.

Assets Composition 2017-2019 (Rp billion)



Liabilities Composition 2017-2019 (Rp billion)



Comparison of Financial Position as of December 31, 2019 Compared to as of December 31, 2018

1. Assets

In the 2019 reporting year, there was an increase in total asset of TelkomGroup by 7.3%, or Rp15,012 billion, from Rp206,196 billion in 2018 to Rp221,208 billion (US\$15,934 million) in 2019. Factors causing these changes are:

a. Current Assets

Current assets as of 31 December 2019, decrease by Rp1,546 billion or 3.6%, from Rp43,268 billion in the last year to Rp41,722 billion (US\$3,005 million), which is the impact of:

- Decrease in other current assets by Rp1,330 billion or 16.7% due to decrease in advances,
- Decrease in other current financial assets by Rp750 billion or 57.5%,
- Decrease in other receivables - net of provision for impairment of receivables by Rp435 billion or 59.8%, due to increase in provision, and
- Decrease in assets held for sale by Rp301 billion or 88.5%

This decrease was compensated by:

- Increased in cash and cash equivalents of Rp803 billion or 4.6% due to increased in cash receipts from customers, proceeds from sales of fixed assets, result from other current financial assets and proceeds from divestment of subsidiary,
- Increase in claim for tax refund by Rp396 billion or 66.4% due to increase of claim for tax refund of corporate income tax, and
- Increase in trade receivables - net provision for impairment of receivables by Rp383 billion or 3.4% due to increase in trade receivables from third parties.

b. Non-Current Assets

In 2019, TelkomGroup has non-current assets was Rp179,486 billion (US\$12,929 million), increase by Rp16,558 billion or 10.2% of Rp162,928 billion in 2018. This increase is mainly due to:

- Increase in fixed asset by Rp13,725 billion or 9.6% inline with infrastructure development primarily for cable and transmission network,
- Increase in intangible assets - net of accumulated amortization by Rp1,414 billion or 28.1% due to increase in software, goodwill from acquisition of PT Persada Sokka Tama and other intangible assets,

- Increase in other non-current assets Rp1,553 billion or 16.1% due to increase in claims for tax refund by Rp1,216 billion and prepaid rental by Rp508 billion, and
- Increase in deferred tax assets - net by Rp394 billion or 15.7%.

This increase was compensated by decrease in long-term investments by Rp528 billion or 21.4% due to impairment of long term investment at Tiphone by Rp1,172 billion. On the other hand there were additional long-term investments in Finarya of Rp267 billion and other long-term investments of MDI and Jalin were Rp172 billion and Rp77 billion respectively.

2. Liabilities

TelkomGroup's total liabilities as of December 31, 2019 was Rp103,958 billion (US\$7,488 million), increase by 16.9% or Rp15,065 billion in 2018. The following is a more detailed explanation of Telkom liabilities.

a. Current Liabilities

Telkom's and its subsidiaries current liability positions reach Rp58,369 billion (US\$4,205 million) at the end of 2019. The amount is increased by Rp12,108 billion or 26.2% compared to Rp46,261 billion as of December 31, 2018. The increase in TelkomGroup's current liabilities was mainly due to:

- Increase in short-term bank loans by Rp4,662 billion or 115.3% due to increase in bank loans from Mandiri, BNI, HSBC and MUFG Bank, for Telkom and subsidiaries working capital,
- Increase in current maturities of long-term borrowings by Rp3,214 billion or 51.0%. This is due to increase in bond and notes as well as bank loans which maturity date in 2020, for Rp1,966 billion and Rp962 billion respectively. Bond and notes that maturity date in 2020 are Telkom Bond 2010 Serie B of Rp1,995 billion, MTN I Telkom 2018 Serie B of Rp200 billion and MTN Syariah Ijarah I Telkom 2018 Serie B of Rp296 billion,
- Increase in taxes payable by Rp2,251 billion or 190.8%, mainly due to an increase in Telkom's withholding tax payable of Rp1,065 billion and Telkomsel's VAT payable of Rp842 billion,

- Increase in unearned income by Rp2,162 billion or 41.7% mainly related to increase in repaid pulse reload vouchers by Rp838 billion and other telecommunications services by Rp1,039 billion, and
- Increase in accrued expenses by Rp967 billion or 7.6% mainly related to operation, maintenance and telecommunication services expenses by Rp437 billion and general, administrative and marketing expenses by Rp359 billion.

This increase was compensated by:

- Decrease in trade payables by Rp869 billion or 5.9% due to decrease in trade payables from third parties, and
- Decrease in advances from customers by Rp280 billion or 17.8%.

b. Non-Current Liabilities

Outstanding non-current liabilities as of December 31, 2019 was Rp45,589 billion (US\$3,284 million), increase by 6.9% or Rp2,957 billion of total non-current liabilities at the end of the previous year which amounted to Rp42,632 billion. The increase in non-current liabilities mainly due to:

- Increase in pension benefits and other post-employment benefits obligations by Rp2,523 billion or 45.4% due to increase in Telkom defined pension benefit obligation by Rp1.281 billion, Telkomsel pension benefit by Rp668 billion and post-employment health care benefit by Rp801 billion,
- Increase in long service award provisions by Rp214 billion or 25.1%, and

- Increase long-term borrowings - net of current maturities by Rp121 billion or 0.4% due to increase in bank loans by Rp2,418 billion or 12.9% and other borrowings by Rp1,163 billion or 59.6% This increase was compensated by decrease in bonds and notes by Rp2,489 billion or 25.0% obligation under finance leases by Rp762 billion or 32.6% and two-step loans of Rp209 billion or 27.8%.

3. Equity

In line with profit and dividend payments that affect the company's equity, Telkom and its subsidiaries recorded decrease in total equity in 2019 of Rp53 billion, decrease by 0.05% of the 2018 equity of Rp 117,303 billion. Due to the decrease, the total equity as of December 31, 2019 was Rp117,250 billion (US\$8,446 million). Decrease of equity in 2019 was driven by decrease in non-controlling interests by Rp704 billion or 3.8%. The decrease was compensated by increase in total retained earning Rp494 billion or 0.5%.

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

1. Assets

As of December 31, 2018, TelkomGroup have total assets of Rp206,196 billion, an increase 3.9% from Rp198,484 billion in 2017.

a. Current Assets

Current assets position reached Rp43,268 billion as of December 31, 2018, decrease by Rp4,293 billion or 9.0% from Rp47,561 billion as at 31 December 2017. The decrease in the current assets is mainly due to:

- Decrease in cash and cash equivalent by Rp7,706 billion or 30.6% due to dividend payments, capital expenditure and bank debt payments,
- Decrease in other receivables by Rp869 billion or 40.0% due to a decrease in available financial assets for sale, and
- Decrease in prepaid tax Rp312 billion or 34.4%.

These decrease were offset by:

- increase in trade receivables amounted to Rp2,192 billion or 23.8% due to an increase in trade receivables from third parties amounting to Rp1,611 billion,
- increase in prepaid taxes by Rp802 billion or 41.2% due to an increase in prepaid value added tax,
- Increase in other current financial asset by Rp799 billion or 11.1%,
- increase in other receivables amounted to Rp385 billion or 112.6%, and
- increase in available-for-sale assets was Rp330 billion or 3,300.0%.

b. Non Current Assets

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

- increase in fixed assets of Rp13,077 billion or 10.0% was in line with the increase in infrastructure development,
- increase in intangible assets was Rp1,502 billion or 42.5% due to an increase in goodwill from the acquisition of Swadharma Sarana Informatika, Collega Inti Pratama and Telin Malaysia, and
- Increase in long-term investments amounted to Rp324 billion or 15.1% due to the acquisition of Cellum and other long-term investments.

The increase is compensated by:

- Decrease in other non-current assets was Rp2,598 billion or 21.2%, which was largely due to a decrease in advances for the purchase of fixed assets,
- Decrease in deferred tax assets by Rp300 billion or 10.7%.

2. Liabilities

Telkom and its subsidiaries have liabilities as of December 31, 2018 with a total of Rp88,893 billion, increase by 2.9% from Rp86,354 billion in 2017.

a. Current Liabilities

As of December 31, 2018, TelkomGroup's current liabilities position reached Rp46,261 billion, increase by 2.0% compared to Rp45,376 billion as of December 31, 2017. The increase in Telkom's current liabilities was mainly due to:

- Increase in short-term bank loans amounted to Rp1,754 billion or 76.6% which was partly due to an increase in short-term bank loans from third parties, namely DBS and MUFG Bank, for working capital needs for Telkom and its subsidiaries,
- Increase in current maturities of long-term borrowing by Rp1,087 billion or 20.9% due to current maturities of bonds and notes amounting to Rp525 billion, and
- Increase in advances from customers by Rp329 billion or 26.5%.

The increase is compensated by:

- Decrease in tax payable of Rp1,610 billion or 57.7% was due to a decrease in value added tax in subsidiaries,
- Decrease in trade payables by Rp808 billion or 5.2% was due to a decrease in payables to third parties by Rp905 billion, and
- Decrease in unearned incomes by Rp237 billion or 4.4%.

b. Non-Current Liabilities

Telkom and its subsidiaries non-current liabilities position as of December 31, 2018 reached Rp42,632 billion increase by Rp1,654 billion or 4.0% from Rp40,978 billion as of December 31, 2017. The increase in TelkomGroup's long-term liabilities was due by:

- Increase in long term loans and other borrowings amounted to Rp5,774 billion or 20.6% due to an increase in bank loans by Rp4,859 billion, bond and notes by Rp974 billion and other borrowing by Rp754 billion. This increase was offset by a decrease in obligation under finance lease of Rp672 billion and two step loans of Rp141 billion,
- Increase in deferred tax liabilities was Rp319 billion or 34.2%.

This increase was offset by a decrease in pension benefits and other post-employment benefits obligations of Rp4,640 billion or 45.5% due to a decrease in pension benefits by Rp2,405 and post-employment health benefits by Rp2,224.

3. Equity

TelkomGroup recorded total equity increased by Rp5,173 billion or 4.6% from Rp112,130 billion as of December 31, 2017 to Rp117,303 billion as of December 31, 2018. The increase in total equity was mainly due to retained earnings balance increasing by Rp6,099 billion or 7.2% due to an increase in total comprehensive income for the year attributable to the owners of the parent entity to Rp22,844 billion. The increase was offset by a decrease in non-controlling interests by Rp1,024 billion.

PROFIT AND LOSS OVERVIEW

Based on the Consolidated Financial Statements of Telkom and Subsidiaries in 2019, consolidated revenues was Rp135,567 billion (US\$9,765 million), or grew positive by 3.7% from the previous period consolidated revenues. Revenue growth in 2019 was contributed by digital business revenue which grew positively from an increase in internet and cellular data by 23.3% and an increase in IndiHome revenue by 28.1%. Whereas the legacy business in 2019 grew negatively, which was contributed by a decrease in telephone revenue by 16.8% and SMS revenue by 23.1%. This is in line with changes in the pattern of society communication towards the era of digital communication.

Furthermore, the total expense of Telkom and its subsidiaries in 2019, was Rp93,913 billion (US\$6,765) or an increase by 1.0% compared to the previous year. This was mainly due to an increase in depreciation and amortization expenses in 2019, grew positive by 8.3% or Rp1,772 billion, from Rp21,406 billion in 2018 to Rp23,178 billion.

The difference in the total revenue and expense transactions during 2019 resulted in a net profit of Rp18,663 billion (US\$1,344 million), grew by 3.5%, and EBITDA of Rp64,832 billion, grew by 9.5% compared to the previous year.

Telkom and its subsidiaries' comprehensive income statement for three years is presented in the following table.

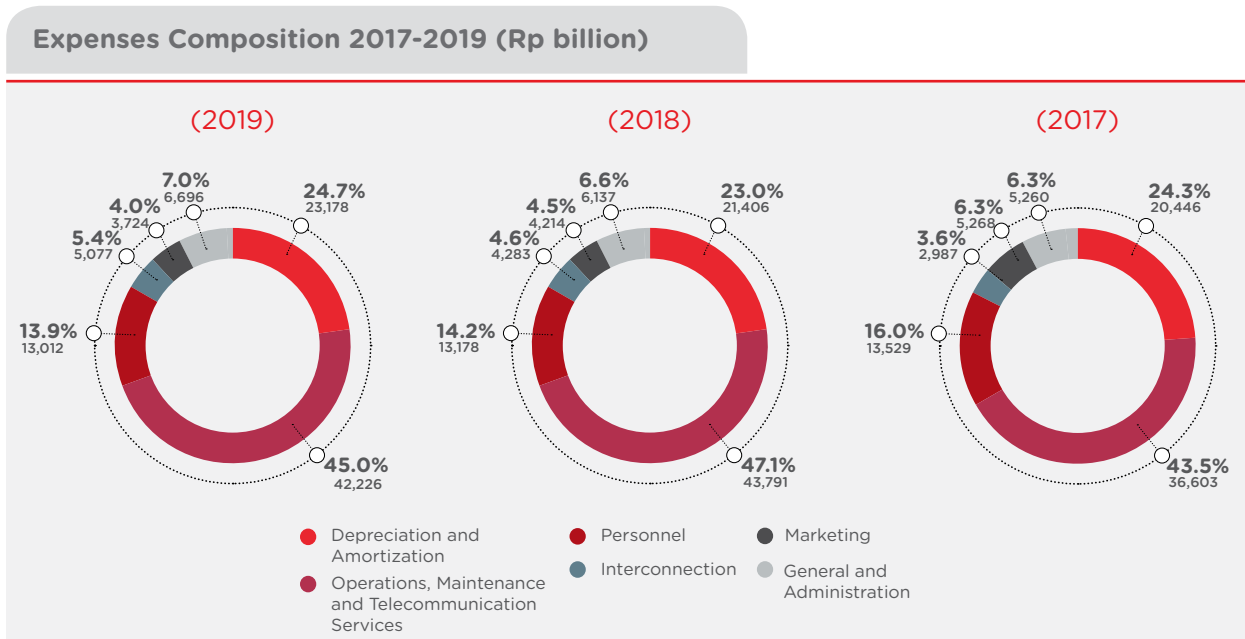
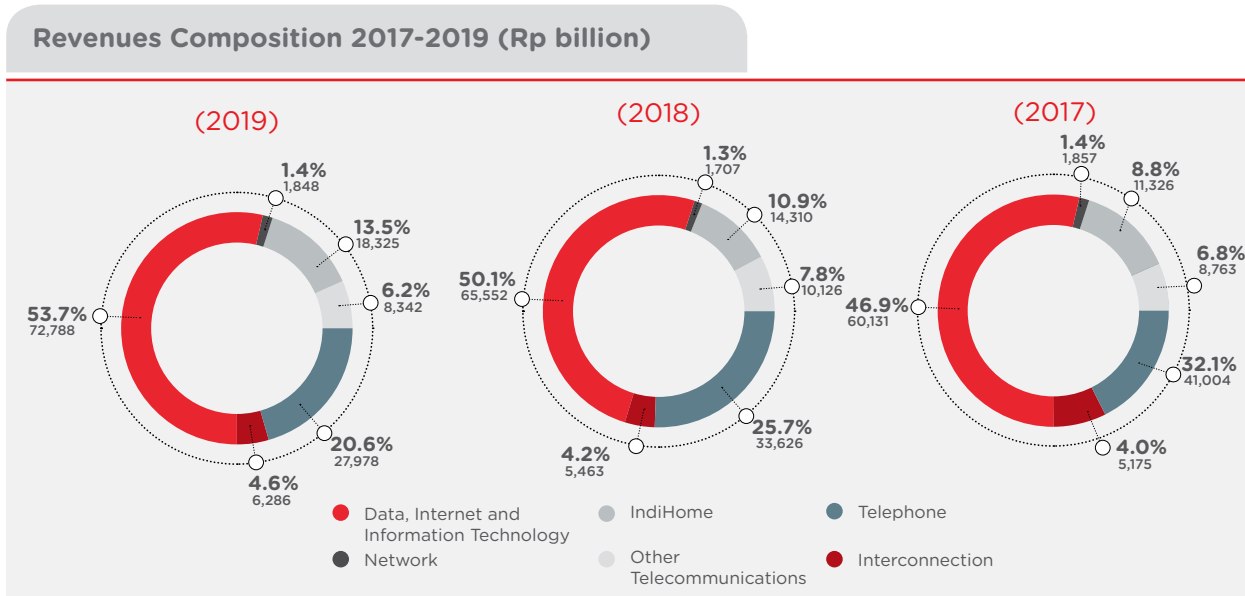
Table of Comprehensive Income	Growth		Years ended December 31,		
	2019-2018	2019		2018	2017
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Revenues	3.7	135,567	9,765	130,784	128,256
Telephone Revenues	(16.8)	27,978	2,015	33,626	41,004
Cellular	(17.6)	25,090	1,807	30,431	37,246
Fixed Line	(9.6)	2,888	208	3,195	3,758
Interconnection Revenues	15.1	6,286	453	5,463	5,175
Data, Internet and Information Technology Revenues	11.0	72,788	5,243	65,552	60,131
Cellular internet and data	23.3	55,675	4,010	45,154	37,961
Short Messaging Service (SMS)	(23.1)	7,063	509	9,185	13,192
Internet, data communication and information technology services	(13.1)	9,027	650	10,386	8,645
Others	23.7	1,023	74	827	333
Network Revenues	8.3	1,848	133	1,707	1,857
IndiHome Revenues	28.1	18,325	1,320	14,310	11,326
Other Telecommunications Revenues	(17.6)	8,342	601	10,126	8,763
Sales of peripherals	(40.1)	1,109	80	1,851	2,292
Telecommunication tower leases	36.3	1,239	89	909	796
Call center service	(24.0)	800	58	1,052	970
E-payment	26.1	566	41	449	505
E-health	(7.1)	523	38	563	470
CPE and terminal	19.4	1,732	125	1,450	536
Others	(38.4)	2,373	170	3,852	3,194

Table of Comprehensive Income	Growth Years ended December 31,				
	2019-2018	2019		2018	2017
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Expenses	1.0	93,913	6,765	93,009	84,093
Depreciation and Amortization Expenses	8.3	23,178	1,670	21,406	20,446
Operations, Maintenance and Telecommunication Services Expenses	(3.6)	42,226	3,042	43,791	36,603
Operations and Maintenance	(3.2)	24,410	1,758	25,214	22,577
Radio frequency usage charges	4.8	5,736	413	5,473	4,276
Leased lines and CPE	(6.5)	4,793	345	5,125	2,607
Concession fees and USO charges	3.2	2,370	171	2,297	2,249
Cost of sales of handset	(40.4)	1,109	80	1,860	1,544
Electricity, gas and water	4.9	1,102	79	1,051	1,037
Cost of SIM cards and vouchers	(19.2)	618	45	765	914
Vehicles rental and supporting facilities	12.8	466	34	413	301
Tower leases	33.5	641	46	480	472
Insurance	27.5	246	18	193	294
Others	(20.1)	735	53	920	332
Personnel Expenses	(1.3)	13,012	937	13,178	13,529
Salaries and related benefits	(1.6)	7,945	572	8,077	7,821
Vacation pay, incentives and other benefits	7.5	3,538	255	3,292	3,339
Pension benefit cost	(25.0)	840	61	1,120	1,700
Long Service Award (LSA) Expense	80.1	290	21	161	255
Net periodic post employment health care benefits cost	(50.1)	167	12	335	276
Other employee benefit cost	20.4	136	10	113	62
Other post-employment benefit cost	3.1	33	2	32	42
Others	31.3	63	4	48	34
Interconnection Expenses	18.5	5,077	366	4,283	2,987
Marketing Expenses	(11.6)	3,724	268	4,214	5,268
General and Administrative Expenses	9.1	6,696	482	6,137	5,260
General Expenses	(7.8)	1,653	119	1,792	1,449
Provision for impairment of receivables	32.4	2,283	164	1,724	1,494

Table of Comprehensive Income	Growth				
	Years ended December 31,				
	2019-2018	2019		2018	2017
(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)	
Training, education and recruitment	(0.4)	461	33	463	531
Collection expenses	12.1	176	13	157	135
Travelling	(1.2)	410	30	415	475
Professional fees	(3.6)	793	57	823	498
Meeting	18.5	276	20	233	241
Social contribution	10.5	200	14	181	197
Others	27.2	444	32	349	240
Loss (Gain) on foreign exchange-net	(226.5)	86	6	(68)	(51)
Other Income (Expense)	(17.6)	826	59	1,002	(281)
Operating Profit	9.1	42,394	3,054	38,845	43,933
Finance Income	7.7	1,092	79	1,014	1,434
Finance Costs	20.9	(4,240)	(306)	(3,507)	(2,769)
Share of profit of associated companies	(413.2)	(166)	(12)	53	61
Impairment of associated companies	-	(1,172)	(84)	-	-
Profit Before Income Tax	4.1	37,908	2,731	36,405	42,659
Income Tax (Expense) Benefit	9.4	(10,316)	(743)	(9,426)	(9,958)
Profit for the Year	2.3	27,592	1,988	26,979	32,701
Other comprehensive income (expenses) - net	144.4	(2,192)	(158)	4,942	(2,332)
Net comprehensive income for the year	(20.4)	25,400	1,830	31,921	30,369
Profit for the year attributable to owners of the parent company		18,663	1,344	18,032	22,145
Profit for the year attributable to non-controlling interest		8,929	644	8,947	10,556
Net comprehensive income attributable to owner of the parent company		16,624	1,197	22,844	19,952
Net comprehensive income for the year attributable to non- controlling interest		8,776	633	9,077	10,417

Profit and Loss Comparison

Composition of Revenues and Expenses for the last three years can be seen in the following diagram



Comparison of Profit and Loss for The Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

1. Revenues

Telkom and its subsidiaries recorded revenues in 2019 of Rp135,567 billion (US\$9,765 million), increase by 3.7% or Rp4,783 billion, from Rp130,784 billion in 2018. The increase was mainly due to increase in data, internet, and information technology services revenues, as well as IndiHome revenues.

a. Cellular Telephone Revenues

From the total revenue of TelkomGroup in 2019, cellular voice revenue contributed revenue of 18.5%. The cellular voice revenue grew negatively from Rp30,431 billion in 2018 to Rp25,090 billion (US\$1,807 million) in 2019, or decreased by 17.6%. In recent years, revenue from cellular voice continues to experience negative growth inline with the changing behaviour of society in the use of Over The Top (OTT) services that provide communication facilities and become a substitute product for cellular services.

b. Fixed Lines Telephone Revenues

Fixed lines telephone revenues grew negative in 2019 by Rp307 billion or 9.6%, from Rp3,195 billion in 2018 to Rp2,888 billion (US\$208 million). Negative growth is inevitable as a result of increased in mobile connectivity trends.

c. Data, Internet and Information Technology Services Revenues

Data, internet and information technology services was the biggest contributed to TelkomGroup's total revenue in 2019, amounting to Rp72,788 billion (US\$5,243 million). The amount increased by 11.0% or Rp7,236 billion from Rp65,552 billion in 2018. Revenues from these business activities contributed 53.7% of the consolidated revenues for the year ended December 31, 2019.

Increase in data, internet and information technology services revenues mainly due to increase in cellular internet and data revenue by Rp10,521 billion or 23.3% due to growth in data usage by 54% with total usage 6,715,227 TB.

The increase was compensated by:

- Decrease in SMS revenue by Rp2,122 billion or 23.1% due to the changing behaviour from SMS to Over The Top (OTT) services, and
- Decrease in internet, data communication and information technology services revenue by Rp1,359 billion or 13.1% due to decrease in enterprise business due to reducing service that has lower margin.

d. Interconnection Revenues

TelkomGroup receives interconnection revenue from Telkom's fixed line telephone, including from international direct services from IDD 007 as well as Telkomsel's cellular network. In 2019, Telkom and its subsidiaries recorded interconnection revenues increase by Rp823 billion or 15.1% from Rp5,463 billion in 2018 to Rp6,286 billion (US\$453 million) in 2019. The increase was mainly due to increase in international voice service.

e. Network Revenues

In 2019, TelkomGroup recorded positive growth in network revenues by Rp141 billion or 8.3%, from Rp1,707 billion in 2018 to Rp1,848 billion (US\$133 million) in 2019. The positive growth occurred due to increase in VSAT revenues from Enterprise segment.

f. IndiHome Revenues

IndiHome revenues recorded positive growth by Rp4,015 billion or 28.1%, from Rp14,310 billion in 2018 to Rp18,325 billion (US\$1,320 million) in 2019. The positive growth was inline with increase in IndiHome subscriber by 37.2% from 5.1 million to 7.0 million.

g. Other Telecommunication Services Revenues

Other telecommunications services revenues decrease by Rp1,784 billion or 17.6% in 2019. Total revenues in 2019 were Rp8,342 billion (US\$601 million), decrease from Rp10,126 billion in 2018, due to:

- Decrease in other revenues by Rp1,479 billion or 38.4%, mainly due to decrease in device and construction revenue from TelkomInfra by Rp1,126 billion, and
- Decrease in sales of peripheral by Rp742 billion or 40.1%, inline with business strategy to reduce service that has low margin.

These decreases were compensated by the increase in tower lease by Rp330 billion or 36.3% inline with the increase in tenant number.

2. Expense

Total expenses increased from Rp93,009 billion in 2018, increase by Rp904 billion or 1,0% to Rp93.913 billion (US\$6.765) in 2019. This increase was mainly due to:

a. Operation, Maintenance and Telecommunication Service Expense

TelkomGroup recorded operating expenses, maintenance and telecommunications services at 45.0% of the total expenses in 2019, or valued at Rp42,226 billion (US\$3,042 million).. This expense decreased by Rp1,565 billion or 3.6% from the previous year. This decrease was mainly due to:

- Decrease in operating and maintenance expenses by Rp804 billion or 3.2% was in line with decrease in revenues from Telkom Sigma and Telkom Infra,
- Decreased in cost of sales of the handset by Rp751 billion or 40.4%, inline with the decrease in sales of peripheral revenues, and
- Decreased in leased line and CPE expenses by Rp332 billion or 6.5%, inline with the decrease in enterprise segment revenue in providing end-to-end IT Solutions.

This decrease was compensated by an increase in radio frequency usage charges expenses by Rp263 billion or 4.8% related to annual payment of performance bonds for the 2.1 GHz frequency band and 2.3 GHz by Telkomsel.

b. Depreciation and Amortization Expense

In 2019, depreciation and amortization expenses increase by Rp1,772 billion or 8.3%, from Rp21,406 billion in 2018 to Rp23,178 billion (US\$1,670 million). This increase mainly due to increase in the total property and equipment as well as intangible asset in 2019.

c. Personnel Expense

Personnel expenses decrease by Rp166 billion or 1.3% from Rp13,178 billion in 2018 to Rp13,012 billion (US\$937 million) in 2019. This decrease mainly due to decrease in pension benefit cost expense by Rp280 billion or 25.0%, mainly as a result of decrease in net periodic pension benefit cost having been incurred in 2019. The decrease was compensated by an increase in Vacation pay, incentives and other benefits by Rp246 billion or 7.5%.

d. Interconnection Expense

Interconnection expenses increase by Rp794 billion or 18.5%, from Rp4,283 billion in 2018 to Rp5,077 billion (US\$366 million) in 2019. This increase inline with an increase in interconnection revenues.

e. Marketing Expense

Marketing expenses in 2019, decrease by Rp490 billion or 11.6%, from Rp4,214 billion in 2018 to Rp3,724 billion (US\$268 million) in 2019. The decrease in marketing expenses mainly occurred at Telkomsel in line with an effective marketing strategy.

f. General and Administrative Expense

General and administrative expenses increase by Rp559 billion or 9.1%, from Rp6,137 billion in 2018 to Rp6,696 billion (US\$482 million) in 2019. The increase was mainly due to increase in provision for impairment of receivables by Rp559 billion or 32.4% from Telkom Metra and PINS.

3. Gain (Loss) on Foreign Exchange-net

The impact of exchange rate fluctuations in 2019 is a foreign exchange loss of Rp86 billion (US\$6 million) in 2019, compared to a foreign exchange gain of Rp68 billion in 2018.

4. Other Income (Expense)

Other Income decrease by Rp176 billion or 17.6% from Rp1,002 billion in 2018 to Rp826 miliar in 2019.

5. Operating Profit and Operating Profit Margin

From the various transactions in 2019, it drive the positive growth in operating profit by Rp3,549 billion, or 9.1% compared to the previous year. Operating profit in 2019 amounted of Rp42,394 billion (US\$3,054 million), with operating profit margin of 31.3% compare to 29.7% in 2018.

6. Profit Before Income Tax and Pre-Tax Margin

Telkom and its subsidiaries recorded increase in profit before tax by Rp1,503 billion or 4.1%, from Rp36,405 billion in 2018 to Rp37,908 billion (US\$2,371 million) in 2019. Pre-tax margin increased from 27.8% in 2018 to 28.0% in 2019.

7. Income Tax Expense

Income tax expense in 2019 increased by Rp890 billion, or 9.4%, from Rp9,426 billion in 2018 to Rp10,316 billion (US\$743 million) in 2019. This increase in line with the increase in profit before income tax.

8. Other Comprehensive Income (Expense)

In 2019, Telkom had other comprehensive expense of Rp2,192 billion (US\$158 million), while other comprehensive income of Rp4,942 in previous year. This expense came from defined benefit actuarial loss of Rp2,109 billion.

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

Profit for the year attributable to owners of the parent entity increased by Rp631 billion or 3.5%, from Rp18,032 billion in 2018 to Rp18,663 billion (US\$1,344 million) in 2019.

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

Profit for the year attributable to non-controlling interests grew negative by Rp18 billion or 0.2%, from Rp8,947 billion in 2018 to Rp8,929 billion (US\$644 million) in 2019.

11. Total Comprehensive Income for The Year

Total comprehensive income for the year amounted of Rp25,400 billion (US\$1,830 million), decrease by Rp6,521 billion or 20.4%, from Rp31,921 billion in 2018.

12. Net Income per Share

In 2019, net income per share amounted of Rp188.40, increase by Rp6.37 or 3.5%, from Rp182.03 in 2018.

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

1. Revenues

TelkomGroup recorded an increase in revenue of Rp2,528 billion, or 2.0%, from Rp128,256 billion in 2017 to Rp130,784 billion in 2018. The increase was mainly due to data, internet and information technology services revenues.

a. Cellular Telephone Revenues

Cellular voice revenues accounted for 23.3% of the 2018 consolidated revenues. Cellular telephone revenues decreased by Rp6,815 billion, or 18.3%, from Rp37,246 billion in 2017 to Rp30,431 billion in 2018. This decline is caused by the fact that customers prefer to use Over the Top service, which is a substitute for cellular services.

b. Fixed Lines Telephone Revenues

Fixed lines telephone revenues increased by Rp563 billion, or 15.0%, from Rp3,758 billion in 2017 to Rp3,195 billion in 2018 due to decreased use of voice services due to cannibalization of cellular services.

c. Data, Internet and Information Technology Services Revenues

Telkom and its subsidiaries obtained data, internet and information technology services revenues of Rp65,552 billion in 2018, increase by Rp5,421 billion or 9.0% from Rp60,131 billion in 2017. Revenues from these business activities accounted for 50.1% of the consolidated revenue for the year ended December 31, 2018. The increase in data, internet and information technology services revenues was mainly contributed by:

- An increase in cellular internet and data revenue by Rp7,193 billion or 18.9% triggered by 101.7% growth in data usage to 4,373,077 TB,
- An Increased internet, data communications and information technology services revenue by Rp1,741 billion or 20.1% due to increase in IT services revenues from Enterprise segment, and
- Increase in other revenue by Rp494 billion or 148.3%.

This increase is compensated by:

- A decrease in SMS revenues of Rp4,007 billion or 30.4% due to Over The Top (OTT) services.

d. Interconnection Revenue

Telkom and its subsidiaries interconnection revenues consist of interconnection revenues from TelkomGroup fixed line telephone and interconnection revenues from Telkomsel's cellular network. Interconnection revenues include international incoming international direct lines from IDD 007 services. Interconnection revenues in 2018 increased by Rp288 billion or 5.6% from Rp5,175 billion in 2017 to Rp5,463 billion in 2018, due to an increase in revenue from voice traffic services that target and take up the niche of the global transit market by flowing traffic between countries.

e. Network Revenues

The network revenues decreased by Rp150 billion or 8.1%, from Rp1,857 billion in 2017 to Rp1,707 billion in 2018.

f. IndiHome Revenues

IndiHome revenues recorded positive growth by Rp2,984 billion or 26.3%, from Rp11,326 billion in 2017 to Rp14,310 billion in 2018. Positive growth inline with increase in IndiHome subscriber by 72.1% from 2.9 million to 5.1 million.

g. Other Telecommunication Services Revenues

Other telecommunications services revenues increased by Rp1,363 billion or 15.6%, from Rp8,763 billion in 2017 to Rp10,126 billion in 2018. The increase was mainly due to:

- Increase in CPE and terminal revenues by Rp914 billion or 170.5% came from ICT solutions for enterprise customers, and
- Increase in other revenue was Rp658 billion or 20.6%.

Increase was offset by a decrease in sales of peripheral by Rp441 billion or 19.2%

2. Expense

Total expenses increased by Rp8,916 billion or 10.6%, increase from Rp84,093 billion in 2017 to Rp93,009 billion in 2018.

a. Operations, Maintenance Telecommunication Service Expense

Operations, maintenance and telecommunication service expenses contributed 47.1% from the total of Company's expenses. Operations, maintenance and telecommunication service expenses increased by Rp7,188 billion, or 19.6%, from Rp36,603 billion in 2017 to Rp43,791 billion in 2018. This increase was primarily attributable to the following:

- An increase in operations and maintenance expenses by Rp2,637 billion, or 11.7%, due to an increase in expenses related to network maintenance to improve broadband services, both cellular and fixed,
- An increase in leased lines and CPE expenses was Rp2,518 billion or 96.6%, in line with the increase in enterprise segment revenue in providing end-to-end IT Solutions,
- An increase radio frequency usage charges expenses by Rp1,197 billion or 28.0% related to performance bond payments annually by Rp20 billion and Rp1,030 billion, respectively for the 2.1 GHz and 2.3 GHz frequency bands by Telkomsel,
- An increase in others expense by Rp588 billion or 177.1%, and
- An increase in cost of handset sales by Rp316 billion or 20.5%.

This increase was offset by a decrease in the cost of SIM card and voucher sales by Rp149 billion or 16.3% due to a decrease in card production and distribution costs because the application of the SIM Card registration that changed the sales business model would be more oriented to the sale of pulse reload packages rather than SIM Card.

b. Depreciation and Amortization Expense

Depreciation and amortization expenses increased by Rp960 billion or 4.7%, from Rp20,446 billion in 2017 to Rp21,406 billion in 2018 in line with the increase in the value of fixed assets.

c. Personnel Expense

Personnel expenses contributed 14.2% from the total expenses. This expense decreased by Rp351 billion or 2.6%, from Rp13,529 billion in 2017 to Rp13,178 billion in 2018. The decrease came from a decrease in pension expenses by Rp580 billion or 34.1% because this year there were no past service costs such as 2017. The decrease was offset by an increase in salaries and related benefits by Rp256 billion or 3.3%.

d. Interconnection Expense

Interconnection expense increased by Rp1,296 billion, or 43.3%, from Rp2,987 billion in 2017 to Rp4,283 billion in 2018 in line with increased in usage charges revenues.

e. Marketing Expense

Marketing expenses decreased by Rp1,054 billion, or 20.0%, from Rp5,268 billion in 2017 to Rp4,214 billion in 2018 because the marketing program strategy is effective and efficient, especially in cellular services as the sales business model will be more oriented towards selling top-up credit packages rather than selling starter packs.

f. General and Administration Expense

General and administrative expenses increased by Rp877 billion, or 16.7%, from Rp5,260 billion in 2017 to Rp6,137 billion in 2018. This increase primarily due to:

- Increase in general expenses by Rp343 billion or 23.7%,
- Increased professional services expenses by Rp325 billion or 65.3%, and
- Increase in the provision for impairment of receivables by Rp230 billion or 15.4%.

3. Gain (Loss) on Foreign Exchange-net

Gain on foreign exchange - net amounted to Rp68 billion in 2018 compared to Rp 51 billion in 2017.

4. Other Income (Expense)

In 2018, TelkomGroup other income was Rp1.002 billion. While in 2017, It had other expenses of Rp281 billion.

5. Operating Profit and Operating Profit Margin

With the various increases and decreases in the transactions mentioned above, TelkomGroup recorded a decrease in operating profit of Rp5,088 billion, or 11.6%, from Rp43,933 billion in 2017 to Rp38,845 billion in 2018. Operating profit margins decreased from 34,3% in 2017 to 29.7% in 2018.

6. Profit Before Income Tax and Pre-Tax Margin

Telkom and its subsidiaries recorded profit before income tax decreased by Rp6,254 billion or 14.7%, from Rp42,659 billion in 2017 to Rp36,405 billion in 2018. Profit before income tax margin decreased from 33.3% in the year 2017 will be 27.8% in 2018.

7. Income Tax Expense

Income tax expense decreased by Rp532 billion, or 5.3%, from Rp9,958 billion in 2017 to Rp9,426 billion in 2018, inline with the increase in profit before income tax.

8. Other Comprehensive Income (Expense)

In 2018, other comprehensive income amounted to Rp4,942 billion while in the previous year, Telkom's recorded other comprehensive expense amounted to Rp2,332 billion.

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

Profit for the year attributable to owners of the parent Company decreased by Rp4,113 billion, or 18.6%, from Rp22,145 billion in 2017 to Rp18,032 billion in 2018.

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

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

11. Net Comprehensive Income of The Year

Net Comprehensive income for the year increased by Rp1,552 billion, or 5.1%, from Rp30,369 billion in 2017 to Rp31,921 billion in 2018

12. Net Income per Share

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

CASHFLOW OVERVIEW

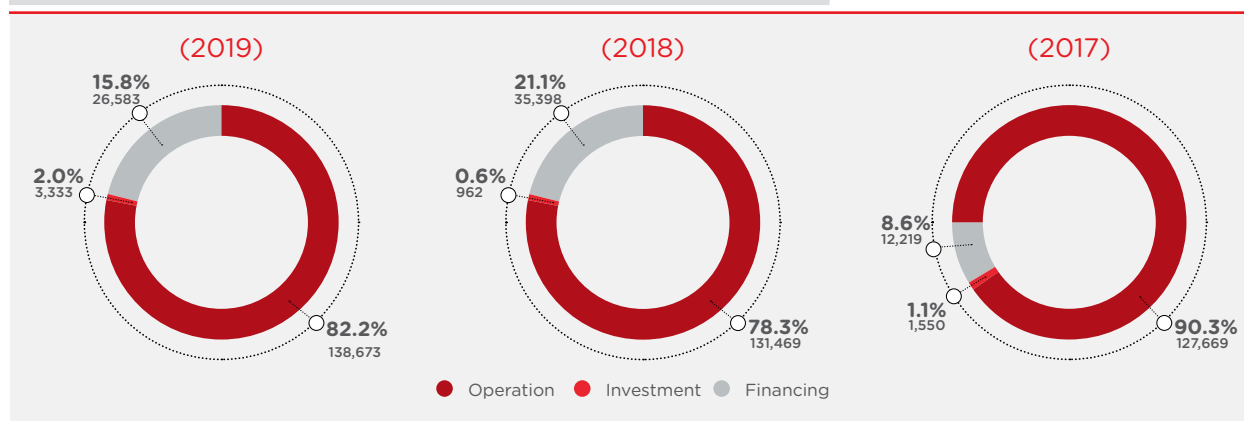
The following tables presents the information about the consolidated cash flow, in accordance with the Consolidated Financial Report from 2017 to 2019.

Cash Flow Table	Growth		Years ended December 31,		
	2019-2018	2019		2018	2017
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Net Cash					
provided by operating activities	20.3	54,949	3,958	45,671	49,405
used in investing activities	2	(35,791)	(2,578)	(35,090)	(33,007)
used in financing activities	(1.1)	(18,247)	(1,314)	(18,458)	(21,052)
Net increase in cash and cash equivalents	(111.6)	911	66	(7,877)	(4,654)
Effect of exchange rate changes on cash and cash equivalents	(163.2)	(108)	(8)	171	32
Cash and cash equivalents at beginning of year	(30.6)	17,439	1,256	25,145	29,767
Cash and cash equivalents at end of year	4.6	18,242	1,314	17,439	25,145

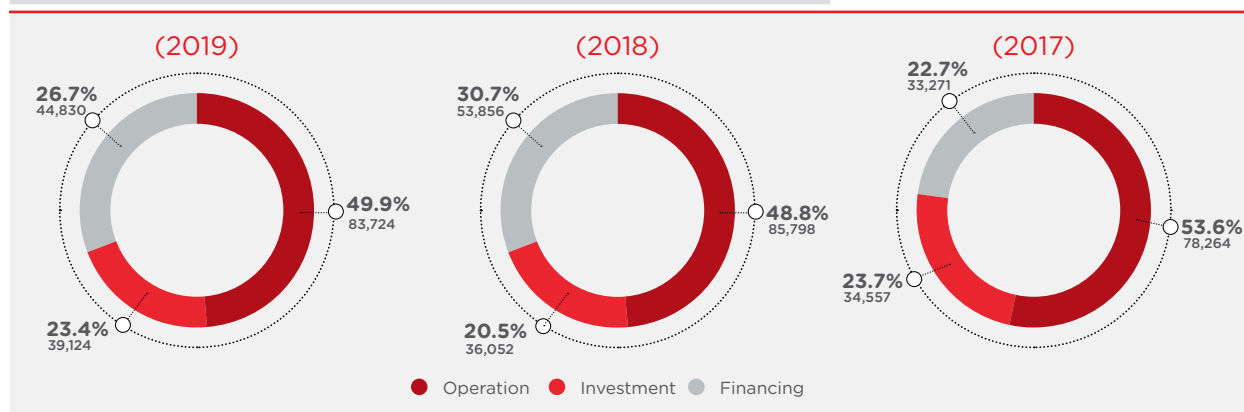
Cashflow Comparison

The composition of cash inflow and outflow for the last three years is shown in the following diagram.

Composition of Cash Inflow 2017-2019 (Rp billion)



Composition of Cash Outflow 2017-2019 (Rp billion)



Comparison of Cash Flow for Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

As of December 31, 2019, TelkomGroup recorded total cash and cash equivalents of Rp18,242 billion or US\$1,314 million. When compared to the previous year's total cash and cash equivalents of Rp17,439 billion, the amount increased by Rp803 billion or 4.6%.

Then, the biggest cash receipts in 2019 came from operating activities of Rp138,673 billion, which is 82.2% of the total cash receipts of Telkom and its subsidiaries. The other cash receipts, was Rp26,583 billion, came from financing activity which contributed 15.8% of total cash receipts. While cash receipts from investments have the smallest contribution of 2.0% with the amount of Rp3,333 billion.

In terms of cash disbursements, 49.9% of the total cash disbursements or Rp83,724 billion is used for operational activities. Other cash expenditures for financing and investment activities were Rp44,830 billion and Rp39,124 billion, or 26.7% and 23.4% of total cash disbursements.

The following is a more detailed description of the cash flow performance of Telkom and its subsidiaries for the 2019 reporting period.

1. Cash Flow from Operating Activities

Net cash flow from operating activities recorded in 2019 was Rp54,949 billion (US\$3,958 million), compared to the previous year of Rp45,671 billion.

Cash receipts from operating activities in 2019 were recorded at Rp138,673 billion, increase by 5.5% or Rp7,204 billion from Rp131,469 billion received in 2018. The cash receipts were obtained from:

- Total cash receipts from customers and other operators of Rp135,372 billion,
- Interest income received of Rp1,093 billion,
- Tax refund receipts of Rp1,446 billion, and
- Other cash receipts - net of Rp762 billion.

On the other hand, cash disbursements for operating activities in 2019 were recorded of Rp83,724 billion. Compared to cash disbursements of Rp85,798 billion in 2018, cash disbursements in 2019 decreased by 2.4% or Rp2,074 billion. The cash disbursement is used for activities:

- Cash payment for expenses of Rp56,787 billion,
- Cash payments to employees of Rp11,370 billion,
- Payment of corporate and final income taxes of Rp10,348 billion,
- Payment of interest costs of Rp4,358 billion, and
- Cash payment for value-added tax of Rp861 billion.

2. Cash Flow from Investing Activities

Telkom and its subsidiaries booked net cash flow for investment activities of minus Rp35,791 billion (US\$2,578 million) in 2019, compared to net cash flow for investment activities in the previous year which was recorded at minus Rp35,090 billion.

Cash receipts from investment activities in 2019 were recorded increase by 246.5% or Rp2,371 billion, from Rp962 billion in 2018 to Rp3,350 billion in 2019. Cash receipts came from:

- Proceeds from the sale of property and equipment of Rp1,496 billion,
- Placement in other financial assets of Rp1,147 billion,
- Proceeds from divestment of subsidiaries of Rp395 billion,
- Proceeds from insurance claims of Rp197 billion,
- Increase in advance and other assets of Rp87 billion, and
- Dividend received from associated company of Rp11 billion.

Telkom and its subsidiaries booked investment activity cash disbursements in 2019 of Rp39,124 billion, increase by 8.5% or Rp3,072 billion from cash disbursements of investment activities in the previous year of Rp36,052 billion. The cash disbursement is used for activities:

- Purchase of property and equipment of Rp35,218 billion,
- The purchase of intangible assets of Rp2,008 billion,
- Acquisition of businesses - net of acquired cash of Rp1,166 billion, and
- The additional contribution on long-term investments of Rp732 billion.

3. Cash Flows from Financing Activities

As of December 31, 2019, TelkomGroup's net cash flow recorded related to financing activities was minus Rp18,247 billion (US\$1,314 million), compared to the previous reporting period of minus Rp 18,458 billion.

Cash receipts from financing activities in 2019 were recorded at Rp26,583 billion, decrease by 24.9% or Rp8,815 billion than Rp35,398 billion received in 2018. The cash receipts came from:

- Proceeds from loans and other borrowings of Rp26,524 billion, and
- Proceeds from issuance of new shares of subsidiaries of Rp59 billion.

Then, in 2019, Telkom and its subsidiaries recorded cash expenditures for financing activities amounting of Rp44,830 billion, which decreased by 16.8% or Rp9,026 billion from Rp53,856 billion in the previous year. Cash disbursement is used for activities:

- Cash dividends paid to the Company's stockholder and non-controlling interest subsidiaries of Rp16,229 billion and Rp9,618 billion respectively, and
- Repayment of loan and other borrowings of Rp18,983 billion.

Comparison of Cash Flows for the Years Ended 31 December, 2018 Compared to the Years Ended 31 December, 2017

Telkom and its subsidiaries have total cash and cash equivalents as of December 31, 2018 of Rp17,439 billion, decrease Rp7,706 billion or 30.6% compared to 2017 which was recorded at Rp25,145 billion. The largest cash receipts worth Rp131,469 billion or 78.3% came from operating activities, followed by receipts from funding activities amounting to Rp35,398 billion or 21.1% and receipts from investment activities amounting to Rp962 billion or 0.6%.

The cash received by the majority of TelkomGroup was used for operating activities of Rp85,798 billion or 48.8%, funding activities amounting to Rp53,856 billion or 30.7% and investment activities amounting to Rp36,052 billion or 20.5%.

1. Cash Flows from Operating Activities

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

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

Cash disbursements from operating activities amounted to Rp85,798 billion in 2018, increased by Rp7,534 billion or 9.6% compared to 2017. The cash disbursements were used for:

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

2. Cash Flows from Investing Activities

In 2018, net cash flows used in investing activities was minus Rp35,090 billion compare to minus Rp33,007 billion in 2017. Cash receipts from investing activities amounted to Rp962 billion in 2018 compared to Rp1,550 billion in 2017. It was decreased by Rp588 billion or 37.9%.

The cash receipts came from:

- Proceeds from sale of property and equipment of Rp629 billion,
- Proceeds from other current financial assets of Rp171 billion,
- Proceeds from insurance claims of Rp153 billion, and
- Dividen received from associated companies of Rp9 billion.

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

- Purchases of property and equipment of Rp31,562 billion,
- Purchases of intangible assets of Rp2,972 billion,
- Increase in for purchase of property and equipment of Rp761 billion,
- Acquisition of businesses - net of acquired cash of Rp420 billion, and
- Acquisition of long-term investments of Rp337 billion.

3. Cash Flows from Financing Activities

Net cash flows used in financing activities in 2018 was minus Rp18,458 billion compared to minus Rp21,052 billion in 2017. Cash receipts from financing activities amounted to Rp35,398 billion, which increased by Rp23,179 billion or 189.7% from Rp12,219 billion in 2017. The cash receipts came from:

- Proceeds from bank loans and other borrowings of Rp35,364 billion, and
- Proceeds from issuance of new shares of subsidiaries of Rp34 billion.

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

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

SOLVENCY

Telkom's audited 2019 consolidated financial statements indicate Telkom has sufficient financial liquidity and the ability to pay debts. Throughout 2019, TelkomGroup can maintain the flow of funds to manage short-term and long-term debt as expected. To maintain liquidity, Telkom utilizes cash flow from various sources, including the availability of internal funds, operating profit for the year, debt instruments, bank loan facilities, or other sources that are legal by Indonesian law.

SHORT-TERM DEBT

The ability of TelkomGroup to pay short-term debt can be seen from the current ratio, quick ratio and cash ratio in 2019. These ratios are always closely monitored to ensure liquidity and availability of funds for payment of maturities short-term debt can be fulfilled. On the other hand, Telkom and its subsidiaries also need to maintain optimal liquidity and can be used productively.

In the 2019 performance period, Telkom's strategy to maintain the ability to pay short-term debt, among others, is to maintain the current ratio above the industry average current ratio and maintain the availability of loan facilities that can be withdrawn if needed.

The short-term liquidity ratio of Telkom and its subsidiaries is shown in the following table:

Ratio	2019	2018	2017
Current Ratio	71.5%	93.5%	104.8%
Quick Ratio	52.9%	66.8%	81.3%
Cash Ratio	32.2%	40.5%	60.2%

LONG-TERM DEBT

In measuring the ability to pay long-term debt, Telkom and its subsidiaries monitor the debt to equity ratio, debt to EBITDA ratio and EBITDA to interest expense ratio. Telkom and its subsidiaries' consolidated financial statements as of the end of 2019 show a debt to equity ratio of 0.44 times, debt to EBITDA ratio of 0.80 times and a ratio of EBITDA to interest expense of 15.3 times. The performance of these ratios shows the ability to pay long-term debt is good with a relatively low risk of default.

Currently, financial condition indicators are quite strong and to maintain the company's financial stability and improve the effectiveness of financing and working capital management, Telkom need to carry out a debt reprofiling strategy, which is to improve the debt profile by shifting a portion of floating interest debt to fixed interest. The main objective of this debt reprofiling effort is to reduce interest expense and exposure to interest rate fluctuations in the future. Some of the strategies that have been carried out are as follows:

- Optimizing the use of internal funding sources to fulfill the corporate funding requirement.
- Balance the proportion of interest rates between floating rates and fixed rates.

The following table presents data on debt to equity ratio, debt to EBITDA ratio, and EBITDA to interest expense ratio.

Ratio	2019	2018	2017
Debt To Equity Ratio	0.44X	0.38X	0.32X
Debt To EBITDA	0.80X	0.74X	0.55X
EBITDA to interest expense	15.3X	16.9X	23.3X

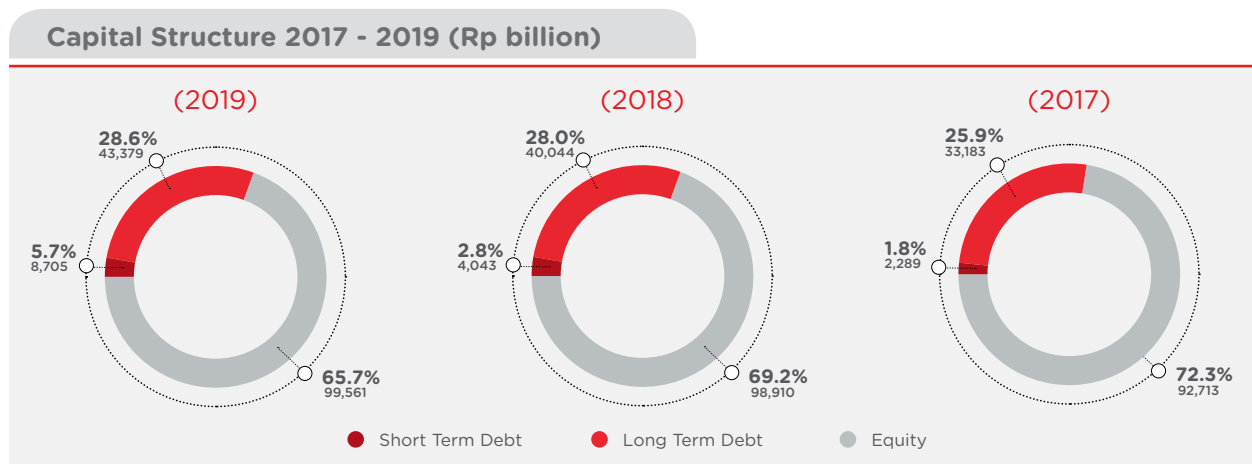
For more detail, data and information regarding "Liquidity" related to discussions about Telkom and subsidiaries' debts are can be seen in notes 15 and 16 in TelkomGroup's consolidated financial statements in 2019.

CAPITAL STRUCTURE AND THE MANAGEMENT POLICIES FOR CAPITAL STRUCTURE

CAPITAL STRUCTURE

Same with the previous year, TelkomGroup has a policy to utilize funding sources from short-term debt, long-term debt, and equity. Compared to its debt, the largest composition of TelkomGroup's capital structure is equity.

The following tables and diagrams illustrate the composition and structure of Telkom's capital over the past three years.



Capital Structure	2019		2018	2017
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Short Term	8,705	627	4,043	2,289
Long Term	43,379	3,125	40,044	33,183
Debt	52,084	3,752	44,087	35,472
Equity	99,561	7,172	98,910	92,713
Total Invested Capital	151,645	10,924	142,997	128,185

MANAGEMENT POLICY FOR CAPITAL STRUCTURE

As a public company, TelkomGroup has an interest in maintaining creditworthiness which is reflected in credit ratings and capital structure. In general, TelkomGroup's capital structure in 2019 is maintained at a debt level below the industry average reflected in the Debt to Equity ratio and the Debt to EBITDA ratio.

The policy objective of capital structure is to determine the optimal composition of funding from equity and debt as well as the basis for decision making on the addition or payment of debt, for both short and long term. In line with that, throughout 2019, TelkomGroup has continued to optimize the cost of capital (weighted average cost of capital), tax benefits, and also maintain the balance of capital structure by using financial ratios as a monitoring mechanism. TelkomGroup can renew the funding scheme if it is considered more efficient and profitable.

In 2019, TelkomGroup has a debt to capital ratio (DER) of 0.44 times, compared to 0.38 times from the previous year. Then, Telkom's debt service coverage ratio as of the end of 2019 was 2.8 times, compared to 1.9 times from 2018.

Information on management policies regarding capital management can be seen in Note 36 of TelkomGroup's 2019 Consolidated Financial Statements.

REALIZATION OF CAPITAL EXPENDITURE

Throughout 2019, TelkomGroup realize capital expenditure following the needs and strategies of the company, and to anticipate dynamic technological changes. The denomination of investment in capital expenditure is in Rupiah and US Dollar.

STRATEGY AND OBJECTIVES OF INVESTMENT IN CAPITAL EXPENDITURE

The strategy and objectives of capital expenditure investment by Telkom and its subsidiaries in 2019 refer to the company's business strategy to build infrastructure and expand business portfolios in the digital era to maintain business growth based on connectivity and digital products both in the short and long term. Besides, the sustainability of investment in capital expenditure is also important given the rapid technological changes currently in the digital era.

TYPES OF INVESTMENT IN CAPITAL EXPENDITURE

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

- Broadband services, comprising of mobile (4G) and fixed broadband access.
- Network infrastructure, comprising of the transmission network, metro ethernet and Regional Metro Junction (RMJ), and IP backbone.
- Data Center, IT, applications and content, as well as service node and
- Other supporting capital expenditures, for example tower.

AMOUNT OF INVESTMENT IN CAPITAL EXPENDITURE

The total investment realization of Telkom and its subsidiaries' capital expenditure in 2019 was Rp36,585 billion or US\$2,636 million, increase by 8,8% from the previous year, which was Rp 33,620 billion.

The following are some of Telkom's capital expenditure and its subsidiaries during 2019:

- Built 23,162 unit BTS.
- Constructing submarine cable projects including SLM submarine cable (Sabang-Lhokseumawe-Medan), PATARA (North Papua) which will connect Sentani and Sarmi, and MATANUSA (Mangkajang-Takisung-Nunukan-Sangatta).
- Purchase of 95% shares of PT Persada Sokka Tama.
- Purchase 2,100 towers from PT Indosat Tbk.

The following table present data and information regarding the investment value of Telkom and its subsidiaries' capital expenditure in the last three years.

	Years ended December 31,			
	2019		2018	2017
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Total for TelkomGroup	36,585	2,636	33,620	33,156