

COMPREHENSIVE FINANCIAL PERFORMANCE

FINANCIAL POSITION OVERVIEW

At the end of 2020, TelkomGroup had total assets of Rp246,943 billion (US\$17,576 million), increased 11.6% from Rp221,208 billion at the end of the previous reporting period. The increase in total assets was due to increases in use rights assets, property and equipment, cash and cash equivalents, and long-term investments in debt and equity instruments.

In terms of liabilities, the total liabilities of TelkomGroup were Rp126,054 billion (US\$8,972 million), increased by 21.3% from total liabilities in 2019 of Rp103,958 billion. It was due to the increase in lease liability, pension benefits and other post-employment benefits obligations and trade payables.

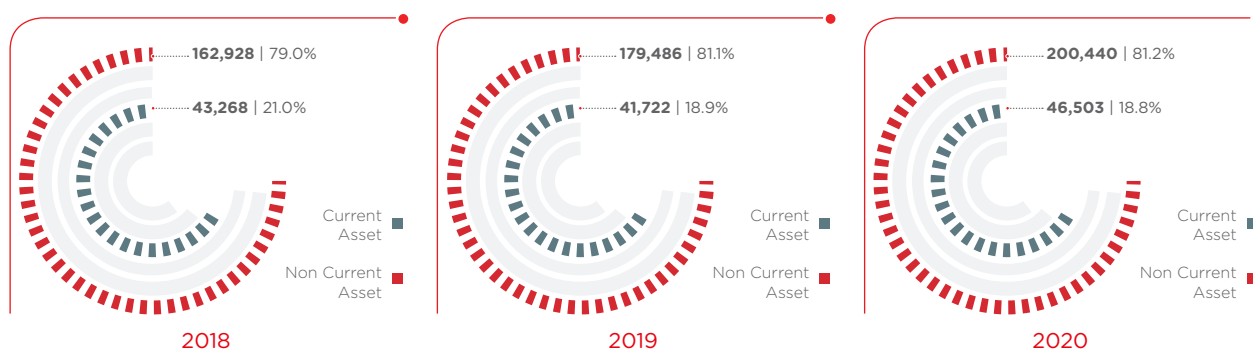
Telkom and Its Subsidiaries Financial Position 2018-2020

	Growth		Years ended December 31,		
	2020-2019	2020	2019	2018	
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Total Current Assets	11.5	46,503	3,310	41,722	43,268
Total Non-Current Assets	11.7	200,440	14,266	179,486	162,928
Total Assets	11.6	246,943	17,576	221,208	206,196
Total Current Liabilities	18.4	69,093	4,918	58,369	46,261
Total Non-Current Liabilities	24.9	56,961	4,054	45,589	42,632
Total Liabilities	21.3	126,054	8,972	103,958	88,893
Total Equity attributable to owners of the parent company	3.0	102,527	7,297	99,561	98,910

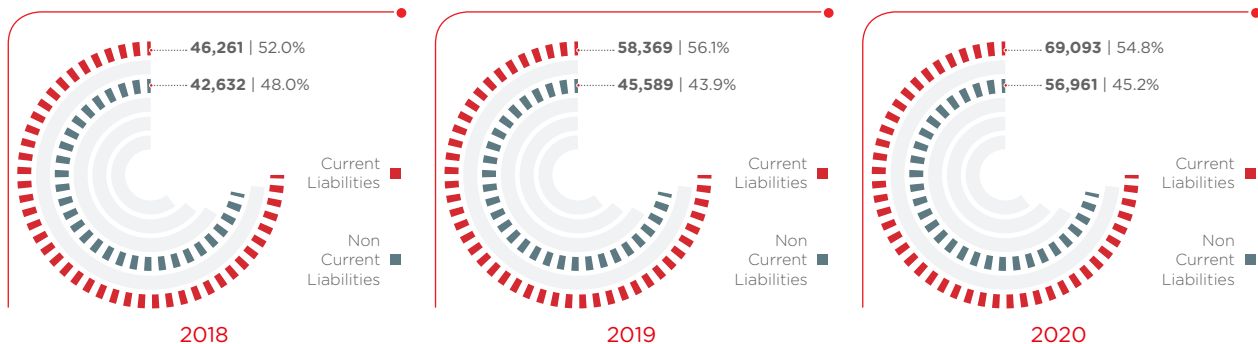
Financial Position Comparison

In terms of financial position comparisons, the percentage of current asset and non-current asset was 18.8% and 81.2%. Its composition did not have any significant difference compared to the previous year. For the liabilities, TelkomGroup had 54.8% current liabilities and 45.2% non current liabilities.

Assets Composition 2018-2020 (Rp billion)



Liabilities Composition 2018-2020 (Rp billion)



Comparison of Financial Position as of December 31, 2020 Compared to as of December 31, 2019

1. Assets

In the 2020, TelkomGroup total asset was Rp246,943 billion (US\$17,576 million), increased by 11.6%, or Rp25,735 billion compared to Rp221,208 billion in 2019. The causes of these changes are:

a. Current Assets

Current assets as of 31 December 2020 recorded at Rp46,503 billion (US\$3,310 million), increased by 11.5% or Rp4,781 billion from Rp41,722 billion in the last year. It was due to:

- An increase in cash and cash equivalents of Rp2,347 billion or 12.9% due to a decrease in cash disbursements for operating and investing activities,
- An increase in contract assets Rp1,036 billion due to the implementation of PSAK 72 related to Telkomsel postpaid customer service,
- An increase in other current financial assets by Rp749 billion or 135.2% due to the increase in time deposits by Rp1,031 billion,
- An increase in prepaid taxes of Rp601 billion or 23.4% due to an increase in prepaid taxes for Telkom and Subsidiaries' Income Tax, and
- An increase in inventories by Rp398 billion or 68.0% due to an increase in inventories for components, SIM cards and blank prepaid vouchers.

The increases were compensated by the trade receivables of Rp458 billion or 3.9% due to a decrease in trade receivables from third parties.

b. Non-Current Assets

At the end of 2020, TelkomGroup recorded non-current asset of Rp200,440 billion (US\$14,266 million), increased by 11.7% or Rp20,954 billion from Rp179,486 billion in 2019. The changes were due to:

- An increase in right of use assets by Rp18,566 billion due to the implementation of PSAK 73 related to asset leases used in Company operations,
- An increase in property and equipment by Rp3,950 billion or 2.5% in line with the infrastructure development improvements, especially cable and transmission networks,
- An increase in long-term investments in financial instruments by Rp2,992 billion or 284.1% due to Telkomsel investment in PT Aplikasi Karya Anak Bangsa (Gojek) in interest-free convertible bonds of US\$150 million,
- An increase in contract costs by Rp1,254 billion due to the implementation of PSAK 72.
- An increase in deferred tax assets – net of Rp680 billion or 23.5% due to the increase of Telkom deferred tax assets, and
- An increase in intangible assets of Rp400 billion or 6.2% due to the increase of software.

The increases were compensated by:

- A decrease in other non-current assets of Rp6,073 billion or 55.7% due to a decrease in prepaid leases of Rp3,170 billion and claim for tax refund of Rp2,284 billion, and
- A decrease in long-term investments in associate of Rp1,018 billion or 84.1% due to a decrease in investment value of TiPhone and Indonusa of Rp526 billion and Rp210 billion, respectively.

2. Liabilities

TelkomGroup's total liabilities as of December 31, 2020 was Rp126,054 billion (US\$8,972 million), increased by 21.3% or Rp22,096 billion, compared to 2019 of Rp103,958 billion. Changes in liabilities in 2020 were influenced by the following.

a. Current Liabilities

Telkom's and its subsidiaries' current liabilities were Rp69,093 billion (US\$4,918 million) at the end of 2020. It increased by Rp10,724 billion or 18.4% compared to the last year of Rp58,369 billion. The TelkomGroup's current liabilities dynamic were mainly due to:

- An increase in contract liabilities by Rp7,834 billion due to the implementation of PSAK 72 related to Telkomsel prepaid customer service,
- An increase in current maturities of lease liability of Rp4,632 billion or 606.3% due to the implementation of PSAK 73,
- An increase in trade payables by Rp3,102 billion or 22.3% due to an increase in trade payables from third parties,
- An increase in short-term bank loans by Rp1,229 billion or 14.1% due to additional bank loans from MUFG Bank, HSBC, and Mandiri for working capital purposes of Telkom and its subsidiaries,
- An increase in customers deposits by Rp735 billion or 57.0% due to the down payment program for new IndiHome subscribers,
- An increase in current maturities of long-term borrowings of Rp604 billion or 6.9% due to an increase in current maturities for 2021 of Rp2,214 billion and other borrowings of Rp413 billion. It was compensated by the decrease in bonds and notes of Rp2,013 billion, and
- An increase in accrued expenses of Rp529 billion or 3.9% for the expense in salaries and related benefits.

The increases were compensated by:

- A decrease in unearned income-current of Rp7,352 billion or 100.0% due to the implementation of PSAK 72.
- A decrease in taxes payables by Rp718 billion or 20.9% mainly due to the decrease in VAT payable of Telkom and its subsidiaries.

b. Non-Current Liabilities

At the end of 2020, TelkomGroup non-current liabilities was Rp56,961 billion (US\$4,054 million), increased by 24.9% or Rp11,372 billion from total non-current liabilities in 2019 of Rp45,589 billion. The increase in non-current liabilities was due to:

- An increase in lease liability of Rp8,645 billion or 548.5% due to the implementation of PSAK 73,
- An increase in the pension benefits and other post-employment benefits obligations amounted to Rp4,898 billion or 60.6% due to an increase in Telkom's defined pension benefits of Rp3,219 billion, Telkomsel pension benefits of Rp1,643 billion, and post-employment health care benefits of Rp411 billion, and
- An increase in contract liabilities by Rp1,004 billion due to the implementation of PSAK 72.

The increase was compensated by:

- A decrease in long-term borrowings and other borrowings of Rp1,732 billion or 5.4% due to the decrease in bank loans of Rp590 billion, other borrowings of Rp508 billion, bonds and notes of Rp476 billion, and two-step loans of Rp158 billion,
- A decrease in unearned income - net off current portion of Rp803 billion due to the implementation of PSAK 72, and
- A decrease in deferred tax liabilities - net of Rp669 billion or 54.4% mainly due to the decrease in deferred tax liabilities of Telkomsel.

3. Equity

In line with profit and dividend payments that affect the Company's equity, Telkom and its subsidiaries recorded total equity 2020 of Rp120,889 billion (US\$8,604 million), increased by Rp3,639 billion or 3.1% from the 2019 equity of Rp117,250 billion.

PROFIT AND LOSS OVERVIEW

At the end of 2020, Telkom recorded consolidated revenues was Rp136,462 billion (US\$9,713 million), or positively grew by 0.7% from the last year of Rp135,567 billion in 2019. It was due to the revenue growth of IndiHome revenues, data, internet, and information technology services revenues as well as interconnection revenues.

The total expense of Telkom and its subsidiaries in 2020 was Rp93,274 billion (US\$6,639 million), decreased by 0.7% compared to the previous year of Rp93,913 billion in 2019. It was due to the expense decrease in operation, maintenance, and telecommunication services expense as well as marketing expenses.

From the performances, Telkom resulted in a net profit of Rp20,804 billion (US\$1,481 million), positively grew by 11.5%, and EBITDA of Rp72,080 billion that positively grew from the previous year. Telkom and its subsidiaries Comprehensive Profit and Loss Report in the last three years of 2018-2020 is in the following table.

Telkom and Its Subsidiaries Consolidated Profit and Loss in 2018-2020

	Growth		Years ended December 31,		
	2020-2019	2020	2019	2018	
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Revenues	0,7	136,462	9,713	135,567	130,784
Telephone revenues	(22.8)	21,610	1,538	27,978	33,626
Cellular	(22.2)	19,427	1,383	24,978	30,431
Fixed Line	(27.2)	2,183	155	3,000	3,195
Interconnection revenues	22.3	7,686	547	6,286	5,463
Data, internet, and information technology service revenues	4.2	75,816	5,396	72,788	65,552
Cellular internet and data	6.9	59,502	4,235	55,675	45,154
Internet, data communication and information technology services	7.9	9,744	694	9,027	10,386
Short Messaging Service (SMS)	(31.8)	4,817	343	7,063	9,185
Others	71.4	1,753	125	1,023	827
Network revenues	(8.6)	1,689	120	1,848	1,707
IndiHome revenues	21.2	22,214	1,581	18,325	14,310
Other services revenues	(38.0)	5,170	368	8,342	10,126
Manage service and terminal	(25.4)	1,292	92	1,732	1,851
Call center service	5.6	845	60	800	1,052
E-health	5.0	549	39	523	563
E-payment	(11.8)	499	36	566	449
Telecommunication tower leases	(100)	-	-	1,239	909
Sales of peripherals	(100)	0	0	1,109	1,450
Others	(16.4)	1,985	141	2,373	3,852
Revenues from lessor transaction	100	2,277	162	-	-
Expenses	(0.7)	93,274	6,639	93,913	93,009
Depreciation and amortization expenses	24.7	28,892	2,056	23,178	21,406
Operations, maintenance, and telecommunication services expenses	(18.1)	34,593	2,462	42,226	43,791
Operations and maintenance	(18.4)	19,930	1,419	24,410	25,214
Radio frequency usage charges	3.4	5,930	422	5,736	5,473
Leased lines and CPE	(29.7)	3,371	240	4,793	5,125
Concession fees and USO charges	1.7	2,411	172	2,370	2,297
Electricity, gas, and water	(14.2)	946	67	1,102	1,051
Project management	16.2	538	38	463	-
Cost of SIM cards and vouchers	(21.2)	487	35	618	765

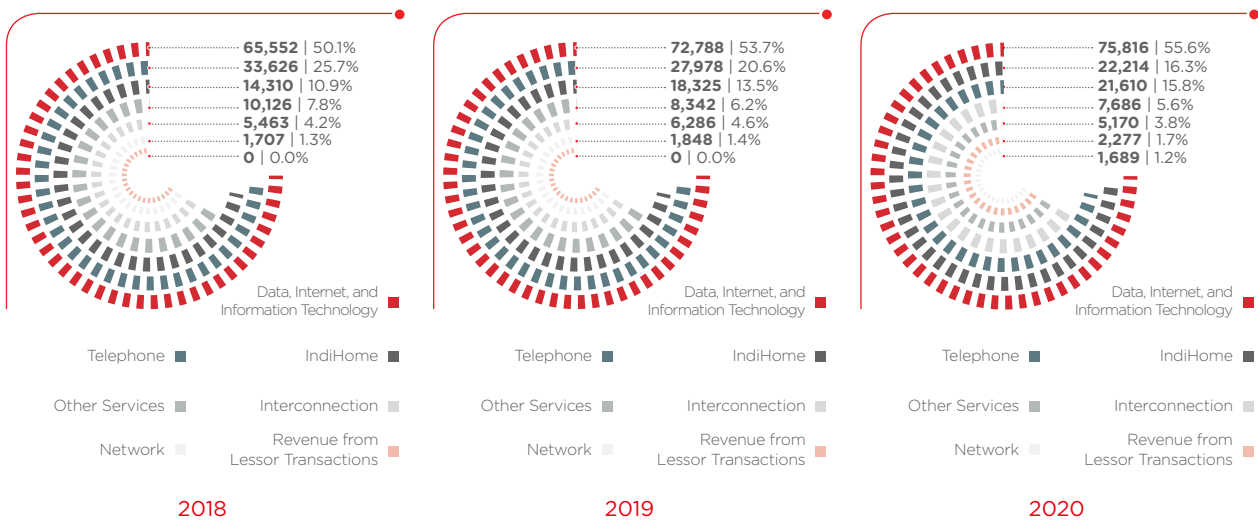
	Growth		Years ended December 31,		
	2020-2019	2020	2019	2018	
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Insurance	53.7	378	27	246	193
Vehicles rental and supporting facilities	(26.4)	343	24	466	413
Cost of sales of peripheral	(94.9)	57	4	1,109	1,860
Tower leases	(97.3)	17	1	641	480
Others	(32.0)	185	13	272	920
Personnel expenses	10.6	14,390	1,024	13,012	13,178
Salaries and related benefits	4.1	8,272	589	7,945	8,077
Vacation pay, incentives and other benefits	22.1	4,321	308	3,538	3,292
Pension benefit cost	(4.3)	804	57	840	1,120
Long Service Award (LSA) expense	0	290	21	290	161
Obligation under the Labor Law	89.7	258	18	136	113
Net periodic post-employment health care benefits cost	51.5	253	18	167	335
Other post-employment benefit cost	145.5	81	6	33	32
Long service employee benefit	100	53	4	-	-
Others	(7.9)	58	4	63	48
Interconnection expenses	6.5	5,406	385	5,077	4,283
Marketing expenses	(6.5)	3,482	248	3,724	4,214
General and administrative expenses	(2.8)	6,511	463	6,696	6,137
Allowance for expected credit losses	0.7	2,267	161	2,283	1,724
General Expenses	9.2	1,805	128	1,653	1,792
Professional fees	23.7	981	70	793	823
Training, education, and recruitment	(33.2)	308	22	461	463
Travelling	(32.9)	275	20	410	415
Social contribution	11.5	223	16	200	181
Collection expenses	9.7	193	14	176	157
Meeting	(33.3)	184	13	276	233
Others	(38.1)	275	20	444	349
Gain (loss) on foreign exchange - net	0	(86)	(6)	(86)	68
Other Income - net	(51.2)	403	29	826	1,002
Operating Profit	2.6	43,505	3,096	42,394	38,845
Finance income	(26.8)	799	57	1,092	1,014
Finance costs	6.6	(4,520)	(323)	(4,240)	(3,507)
Share of profit (loss) of associated companies	48.2	(246)	(18)	(166)	53
Impairment of long-term investment in associated companies	(34.9)	(763)	(54)	(1,172)	-
Profit Before Income Tax	2.3	38,775	2,760	37,908	36,405
Income Tax (Expense) Benefit	(10.7)	(9,212)	(656)	(10,316)	(9,426)
Profit for the Year	7.1	29,563	2,104	27,592	26,979
Other comprehensive income (loss)	(63.2)	(3,577)	(255)	(2,192)	4,942
Net comprehensive income for the year	2.3	25,986	1,850	25,400	31,921
Profit for the year attributable to owners of the parent company		20,804	1,481	18,663	18,032
Profit for the year attributable to non-controlling interest		8,759	624	8,929	8,947
Net comprehensive income attributable to owner of the parent company		17,595	1,252	16,624	22,844
Net comprehensive income for the year attributable to non-controlling interest		8,391	598	8,776	9,077

Profit and Loss Comparison

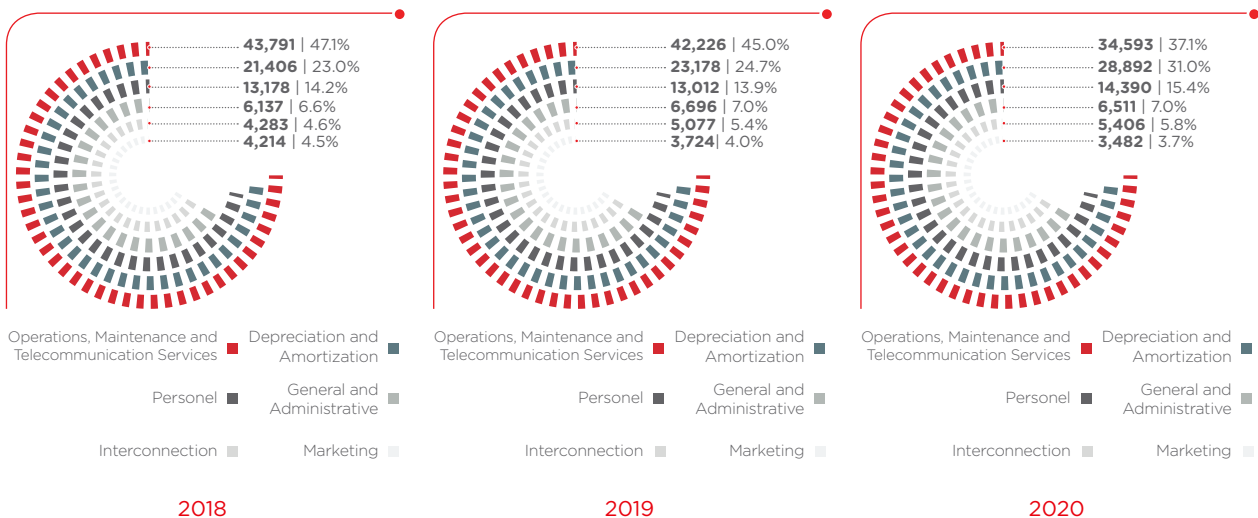
In 2020, TelkomGroup recorded the highest composition revenue was from data, internet, and information technology service revenues of 55.6%, followed by IndiHome revenue by 16.3% and telephone revenue by 15.8%.

For the recorded expense in 2020, TelkomGroup's highest composition expense was the operation, maintenance and telecommunication services expense of 37.1% and depreciation and amortization expenses of 31.0% of the total Company's expense due to property and equipment, software, hardware, and technology infrastructure use. The lowest expense was the marketing expense with a percentage of 3.7%.

Revenues Composition 2018-2020 (Rp billion)



Expenses Composition 2018-2020 (Rp billion)



Comparison of Profit and Loss for The Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

1. Revenues

Telkom and its subsidiaries recorded revenues in 2020 of Rp136,462 billion (US\$9,713 million), increased by 0.7% or Rp895 billion, from Rp135,567 billion in 2019. The increase was mainly due to the higher data, internet, and information technology services revenues, as well as IndiHome revenues.

a. Cellular Telephone Revenues

The cellular voice revenue decreased in 2020 by 22.2% to Rp19,427 billion (US\$1,383 million) compared to the last year of Rp24,978 billion. The decrease was in line with the people transformation behavior to use Over The Top (OTT) services for communication.

b. Fixed Lines Telephone Revenues

Fixed lines telephone revenues negatively grew by 27.2% in 2020 to Rp2,183 billion (US\$155 million), compared to the 2019 of Rp3,000 billion. It was impacted by the more mobile people behavior.

c. Data, Internet, and Information Technology Services Revenues

At the end of 2020, TelkomGroup recorded data, internet, and information technology services revenue of Rp75,816 billion (US\$5,396 million), increased by 4.2% or Rp3,028 billion compared to the 2019 revenue of Rp72,788 billion.

The increase revenue of data, internet, and data cellular was due to:

- An increase revenue in cellular internet and data, that positively grow by Rp3,827 billion or 6.9% due to growth in mobile data usage from 6.7 million terabytes to 9.7 million terabytes,
- An increase in others revenue of Rp730 billion or 71.4%, which was due to the growth of data center and cloud, and
- An increase revenue in Internet, data communication, and information technology services of Rp717 billion or 7.9% by IT service growth.

The increase was compensated by the decrease in SMS revenue by Rp2,246 billion or 31.8% due to the transformation usage from SMS to over the top (OTT) services.

d. Interconnection Revenues

TelkomGroup interconnection revenue from Telkom fixed line telephone, including from international direct services from IDD 007, and Telkomsel cellular network. In 2020, Telkom reported interconnection revenues of Rp7,686 billion (US\$547 million), increased from the last year by Rp1,400 billion or 22.3% from Rp6,286 billion in 2019. The growth was due to the traffic increase across countries, significantly for A2P (application to person) SMS service.

e. Network Revenues

In 2020, TelkomGroup recorded a negative growth in network revenues by 8.6% or Rp159 billion, from Rp1,848 billion in 2019 to Rp1,689 billion (US\$120 million). The decrease was due to a decrease in leased line and satellite revenues.

f. IndiHome Revenues

IndiHome revenues positively increased in 2020 by 21.2% to Rp22,214 billion (US\$1,581 million), compared to 2019 of Rp18,325 billion. It was due to the higher IndiHome subscribers by 14.5% to 8.0 million subscribers, with the higher data traffic from 13.7 million terabytes to 24.5 million terabytes. Besides, there were 3 million add-on minipack transactions by IndiHome subscribers in 2020.

g. Other Services Revenues

In the other services revenues, Telkom recorded 2020 revenue of Rp5,170 billion (US\$368 million), decreased by 38.0% or Rp3,172 billion compared to the 2019 revenues of Rp8,342 billion. The decrease was due to:

- A decrease in tower lease revenue of Rp1,239 in line with the implementation of PSAK 72, it is transferred to revenues from lessor transactions,
- A decrease in sales of peripherals by Rp1,109 billion or 100%, mainly due to the revenue decrease in sales of peripherals of PT PIN,
- A decrease in manage service and terminal revenue by Rp440 billion or 25.4%, in line with enterprise business strategy to reduce low margin services, and
- A decrease in others revenue by Rp388 billion or 16.4%, mainly due to decrease revenue from Telkom Infra construction.

h. Revenues from Lessor Transactions

Revenues from lessor transactions was Rp2,277 billion in 2020 that resulted from the adoption of PSAK 72. Under PSAK 72, we require to disclose revenues from lessor transactions, such as leases, separately from contracts with customers revenues. Revenues from lessor transactions previously classified as data, internet and information technology revenue, and other revenue.

2. Expense

In the 2020 reporting period, Telkom recorded total expenses decreased by 0.7% or Rp639 billion from Rp93,913 billion in 2019 to Rp93,274 billion (US\$6,639 million) in 2020. These changes were due to:

a. Operation, Maintenance and Telecommunication Service Expense

TelkomGroup recorded operating, maintenance, and telecommunications services expenses in 2020 of Rp34,593 billion (US\$2,462 million), decreased by 18.1% or Rp7,633 billion compared to the last year of Rp42,226 billion. The decrease of the operating, maintenance, and telecommunications services expenses were due to:

- A decrease in operation and maintenance expenses by Rp4,480 billion or 18.4%. It was mainly due to the implementation impact of PSAK 73 related to the Amortization of Use Rights Assets,
- A decrease in leased line and CPE expenses by Rp1,422 billion or 29.7%, in line with the decrease in Enterprise segment revenue in providing end-to-end IT Solutions,
- A decrease in cost of sales of peripherals by Rp1,052 billion or 94.9%, in line with the decrease in sales of peripherals, and
- A decrease tower leases expense of Rp624 billion or 97.3% due to Telkomsel tower lease expense efficiency after selling part of its towers to Mitratel.

b. Depreciation and Amortization Expense

At the end of 2020, TelkomGroup recorded depreciation and amortization expenses of Rp28,892 billion (US\$2,056 million), increased by 24.7% or Rp5,714 billion compared to the last year of Rp23,178 billion. This increase was due to the implementation impact of PSAK 73 related to the Amortization of Use Rights Assets.

c. Personnel Expense

Personnel expenses in 2020 increased by 10.6% or Rp1,378 billion to Rp14,390 billion (US\$1,024 million) if compared to the last year expense of Rp13,012 billion. This increase was due to the expense increase in vacations pay, incentives and other benefits of Rp783 billion and expense increase in salaries and related benefits of Rp 327 billion. It is in line with the increase of TelkomGroup employees.

d. Interconnection Expense

TelkomGroup recorded interconnection expenses in 2020 increased by Rp329 billion or 6.5%. Therefore, interconnection expenses increased from Rp5,077 billion in 2019 to Rp5,406 billion (US\$385 million) in 2020 in line with the increase of interconnection revenue.

e. Marketing Expense

TelkomGroup marketing expenses in 2020 was Rp3,482 billion (US\$248 million), decreased by 6.5% or Rp242 billion, if compared to the last year of Rp3,724 billion. The decrease was in line with more selective marketing programs implementation.

f. General and Administrative Expense

General and administrative expenses was Rp6,511 billion (US\$463 million) in 2020, decreased by 2.8% or Rp185 billion if compared to the 2019 reporting period of Rp6,696 billion. The decrease was due to a decrease in training, education, and recruitment costs by Rp153 billion.

3. Gain (Losses) on Foreign Exchange - net

TelkomGroup's business includes various transactions, including transactions in foreign currencies. Therefore, fluctuations in exchange rates that occur throughout the year may have a positive or negative impact on the Company's financial transactions.

In the reporting period, TelkomGroup recorded losses on foreign exchange - net of Rp86 billion (US\$6 million), which is the same as 2019.

4. Other Income - net

In the other income - net, TelkomGroup recorded other income of Rp403 billion (US\$29 million) in 2020. It indicated a decrease by 51.2% or Rp423 billion if compared to the last year Rp826 billion.

5. Operating Profit and Operating Profit Margin

Amid the COVID-19 pandemic, TelkomGroup recorded operating profit in 2020 of Rp43,505 billion (US\$3,096 million). If compared to the operating profit in 2019 of Rp42,394 billion, it increased by 2.6%. Operating profit margin in 2020 increased by 31.9% from the previous year of 31.3%.

6. Profit Before Income Tax and Pre-Tax Margin

TelkomGroup profit before income tax in 2020 grew by 2.3% or Rp867 billion, from Rp37,908 billion in 2019 to Rp38,775 billion (US\$2,760 million). Pre-tax margin increased from 28.0% in 2019 to 28.4%.

7. Income Tax (Expense) Benefit

Income tax expense decreased by Rp1,104 billion or 10.7%, from Rp10,316 billion in 2019 to Rp9,212 billion (US\$656 million) in 2020. The decrease was the result of the provision of tax stimulus from the Government during the COVID-19 pandemic.

8. Other Comprehensive Income (Losses)

In 2020, Telkom recorded other comprehensive losses of Rp3,577 billion (US\$255 million), compared to other comprehensive losses of Rp2,192 billion in 2019. The other comprehensive losses were caused by defined benefit actuarial losses - net of Rp3,596 billion.

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

Profit for the year attributable to owners of the parent company increased by Rp2,141 billion or 11.5%, from Rp18,663 billion in 2019 to Rp20,804 billion (US\$1,481 million) in 2020.

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

Profit for the year attributable to non-controlling interests decreased to Rp8,759 billion (US\$624 million) with the decline of 1.9%, if compared to Rp8,929 billion in 2019.

11. Total Comprehensive Income for The Year

In 2020, total comprehensive income for the year was Rp25,986 billion (US\$1,850 million), increased by 2.3% or Rp586 billion from Rp25,400 billion in 2019.

12. Net Income per Share

TelkomGroup recorded net income per share in 2020 of Rp210.01, increased by 11.5% or Rp21.61, compared to the last year of Rp188.40 per share.

CASHFLOW OVERVIEW

In general, TelkomGroup cash and cash equivalent was decent valued at Rp20,589 billion (US\$1,466 million). The highest net cash provided by operating activities of Rp65,317 billion, while net cash used in investing activities was minus Rp35,256 billion that mostly used for investment in property and equipment, infrastructure, and other investment. Net cash used in financing activities was minus Rp27,753 billion, that used for dividend and loan payment during 2020.

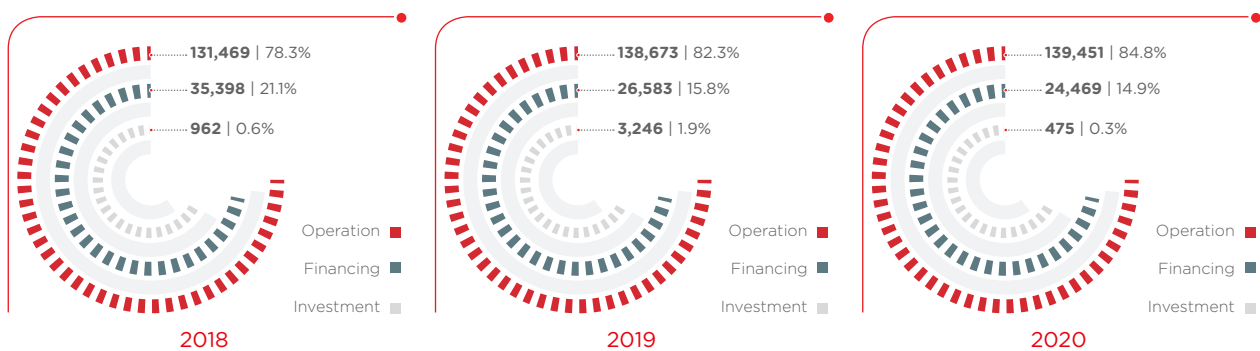
TelkomGroup Cashflow 2018-2020

	Growth		Years ended December 31,		
	2020-2019	2020	2019	2018	
	(%)	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Net Cash					
provided by operating activities	18.9	65,317	4,649	54,949	45,671
used in investing activities	(1.5)	(35,256)	(2,509)	(35,791)	(35,090)
used in financing activities	52.1	(27,753)	(1,975)	(18,247)	(18,458)
Net increase in cash and cash equivalents	153.3	2,308	165	911	(7,877)
Effect of exchange rate changes on cash and cash equivalents	(136.1)	39	3	(108)	171
Cash and cash equivalents at beginning of year	4.6	18,242	1,298	17,439	25,145
Cash and cash equivalents at end of year	12.9	20,589	1,466	18,242	17,439

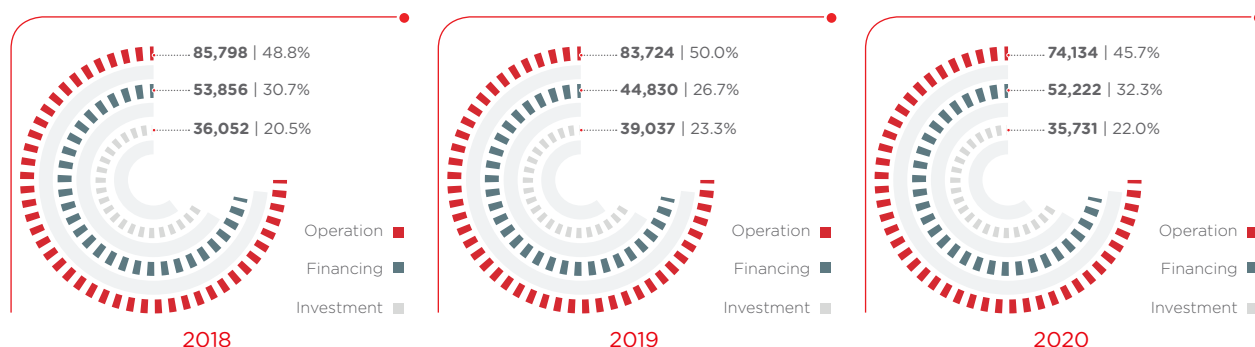
Cashflow Comparison

The composition of TelkomGroup cash receipt in 2020 indicated that the highest cash receipt was of operating activities of 84.8%, followed by the cash receipt of financing activities of 14.9%. This composition indicated that TelkomGroup operational activities was supported by the Company's internal and external funds.

Composition of cash receipt 2018-2020 (Rp billion)



Composition of cash disbursement 2018-2020 (Rp billion)



Comparison of Cash Flow for Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

As of December 31, 2020, TelkomGroup recorded total cash and cash equivalents of Rp20,589 billion (US\$1,466 million). When compared to the previous year's total cash and cash equivalents of Rp18,242 billion, it increased by Rp2,347 billion or 12.9%.

The highest cash receipts in 2020 was operating activities of Rp139,451 billion or 84.8%, followed by financing activities of Rp24,469 billion which contributed 14.9% to the total cash receipts. The least cash receipts were investing activities of Rp475 billion or 0.3%.

In terms of cash disbursements, Rp74,134 billion or 45.7% of the total cash disbursements was used for operational activities. Other cash disbursements were for financing activities of Rp52,222 billion or 32.3% and investment activities of Rp35,731 billion or 22.0% of total cash disbursements.

1. Cash Flow from Operating Activities

Net cash provided by operating activities recorded of Rp65,317 billion (US\$4,649 million) in 2020, it increased if compared to 2019 of Rp54,949 billion.

In cash receipts from operating activities, TelkomGroup recorded of Rp139,451 billion in 2020, it increased if compared to the last year of Rp138,673 billion, with the inclining rate of 0.6% or Rp778 billion. The cash receipts were obtained from:

- Cash receipts from customers and other operators of Rp133,610 billion,
- Cash receipts from tax refund of Rp4,687 billion,
- Cash receipt from finance income of Rp806 billion, and
- Cash receipts from (payments for) others - net of Rp348 billion.

On the other hand, cash disbursements for operating activities in 2020 recorded of Rp74,134 billion, it decreased if compared to cash disbursements in 2019 of Rp83,724 billion. The cash disbursement was used for:

- Cash payment for expenses of Rp40,533 billion,
- Cash payment for corporate and final income taxes of Rp11,452 billion,
- Cash payments to employees of Rp11,057 billion,
- Cash payments for finance costs of Rp4,768 billion,
- Cash payments for short-term and low-value lease assets of Rp3,731 billion, and
- Cash payments for value added taxes - net of Rp2,593 billion.

2. Cash Flow from Investing Activities

Net cash used in investment activities in 2020 was minus Rp35,256 billion (US\$2,509 million), compared to the previous year of minus Rp35,791 billion in 2019.

Cash receipts from investment activities were Rp475 billion, decreased by 85.4% or Rp2,771 billion compared to 2019 of Rp3,246 billion. Cash receipts were from:

- Proceeds from the sale of property and equipment of Rp236 billion,
- Proceeds from insurance claims of Rp234 billion, and
- Dividend received from associated Company of Rp5 billion.

For investment activity cash disbursements in 2020, Telkom recorded of Rp35,731 billion, decreased by 8.5% or Rp3,306 billion from Rp39,037 billion in 2019. The cash disbursement was used for:

- Purchase of property and equipment of Rp29,560 billion,
- Purchase of long-term investment in financial instrument of Rp2,809 billion,
- Purchase of intangible assets of Rp2,538 billion,
- Placement in proceeds from other current financial assets - net of Rp769 billion, and
- Additional contribution on long-term investments in associates of Rp28 billion.

3. Cash Flows from Financing Activities

At the end of 2020, TelkomGroup's net cash used in financing activities was minus Rp27,753 billion (US\$1,975 million), compared to minus Rp18,247 billion in 2019.

Cash receipts from financing activities in 2020 were recorded at Rp24,469 billion, decreased by 8.0% compared to the last year of Rp26,583 billion. The cash receipts came from the proceeds from loans and other borrowings of Rp24,469 billion.

TelkomGroup cash disbursement for financing activities were of Rp52,222 billion, increased by 16.5% or Rp7,392 billion from Rp44,830 billion in 2019. Cash disbursement was used for:

- Cash dividends paid to the Company's stockholder and non-controlling interest of subsidiaries of Rp15,262 billion and Rp7,778 billion respectively,
- Repayments of loan and other borrowings of Rp24,380 billion, and
- Payment of principal portion of lease liabilities of Rp4,802 billion.

SOLVENCY

TelkomGroup's 2020 consolidated financial statements show the Company's decent liquidity and solvency, with the ability to pay the positive short and long-term liabilities. In general, TelkomGroup's debt repayment efforts originate from cash inflows from operational activities. Telkom's management can manage its operations in maintaining liquidity without relying on non-operating cash flow funds.

SHORT-TERM LIABILITY

TelkomGroup monitors the current ratio, quick ratio, and cash ratio as a basis for measuring the Company's ability to pay its short-term liabilities. TelkomGroup always monitors these three ratios to maintain liquidity and ensure the availability of funds to pay for short-term liabilities that are due. Supervision of liquidity levels is necessary so that TelkomGroup can utilize assets optimally and productively.

In the 2020 period, Telkom has a strategy to maintain its ability to pay the short-term liabilities by keeping the current ratio percentage above the industry average current ratio. Other than that, TelkomGroup maintains the availability of loan facilities that can be withdrawn if needed.

TelkomGroup Liquidity Ratio 2018-2020

Ratio	2020	2019	2018
Current Ratio	67.3 %	71.5 %	93.5 %
Quick Ratio	48.4 %	52.9 %	66.8 %
Cash Ratio	31.7 %	32.2 %	40.5 %

LONG-TERM LIABILITY

TelkomGroup closely monitors the Debt to Equity Ratio, the debt to EBITDA ratio, and the EBITDA to interest expense ratio to measure the ability to pay the long-term liabilities. Telkom's consolidated financial statements as of December 31, 2020, show a Debt to Equity Ratio of 0.54 times and the debt to EBITDA ratio of 0.91 times. The EBITDA to interest expense ratio is 15.9 times. It demonstrates the ability of Telkom and its subsidiaries to pay long-term liabilities with a low risk defaulted.

TelkomGroup optimizes the internal funds to meet the Company's funding to maintain financial quality and stability. TelkomGroup also implements a debt reprofiling strategy. The reprofiling effort is an improvement to the debt profile by changing several of the debt with floating interest to fixed interest. The main objective of this process is to reduce interest expense and exposure to future interest rate fluctuations.

The following data table shows the Debt to Equity Ratio, debt to EBITDA ratio, and the EBITDA to interest expense ratio for the last three years.

Ratio	2020	2019	2018
Debt To Equity Ratio	0.54 X	0.44 X	0.38 X
Debt To EBITDA	0.91 X	0.80 X	0.74 X
EBITDA to interest expense	15.9 X	15.3 X	16.9 X

For further information regarding liquidity related to the discussion of Telkom and its subsidiaries liabilities, see Notes 19 and 20 in TelkomGroup's 2020 Consolidated Financial Statements.

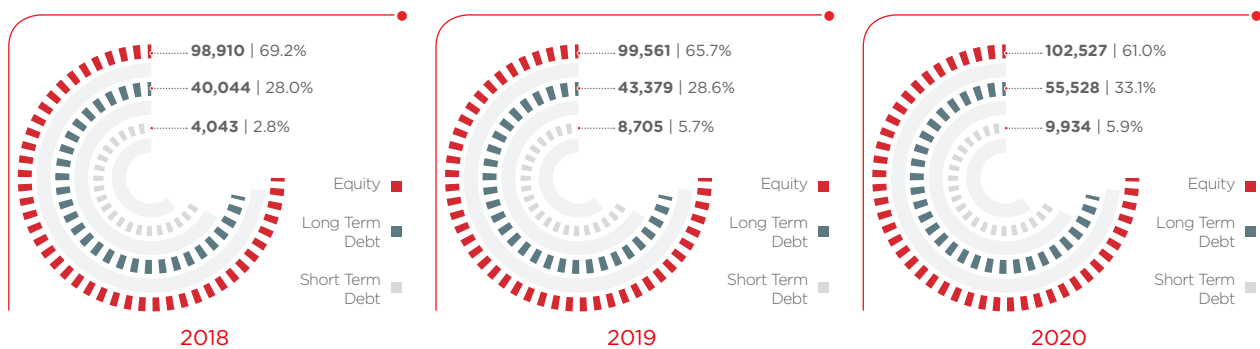
CAPITAL STRUCTURE AND THE MANAGEMENT POLICIES FOR CAPITAL STRUCTURE

CAPITAL STRUCTURE

Currently, TelkomGroup has a capital structure policy, which emphasize the funding sources use from short-term debt, long-term debt, and equity. The largest composition of TelkomGroup's capital structure was equity and then followed by long-term debt as of December 31, 2020. There was no significant change in the equity and capital composition in 2020 compared to the previous reporting year.

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

Capital Structure 2018-2020 (Rp billion)



Capital Structure	2020		2019	2018
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Debt	65,462	4,659	52,084	44,087
Short Term Debt	9,934	707	8,705	4,043
Long Term Debt	55,528	3,952	43,379	40,044
Equity	102,527	7,297	99,561	98,910
Total	167,989	11,956	151,645	142,997

MANAGEMENT POLICY FOR CAPITAL STRUCTURE

TelkomGroup must maintain creditworthiness as a public company, which reflect in its credit rating and capital structure. The TelkomGroup capital structure in 2020 was maintained by referring to the debt level below the industry average. It shows in the Debt to Equity Ratio and the Debt to EBITDA Ratio.

In 2020, TelkomGroup optimized the capital cost (weighted average cost of capital), tax benefits and maintained a balance of capital structure by monitoring financial ratios. It supported the Company's policy on the capital structure to determine the optimal funding composition from capital and debt. This policy was also the basis for making decisions to add or pay for short and long-term debt. TelkomGroup can renew the financing scheme if it is considered more efficient and profitable.

In 2020, TelkomGroup recorded the Debt to Equity ratio (DER) of 0.54 times, while in 2019, it was 0.44 times. Telkom's debt service coverage ratio as of the end of 2020 was 2.5 times, while in 2019, it was 2.8 times. More detailed information regarding management policies on the capital structure can be seen in Note 39 of Capital Management in TelkomGroup's 2020 Consolidated Financial Statements.

REALIZATION OF CAPITAL EXPENDITURE

In 2020, TelkomGroup has realized investment in capital expenditure based on the Company's needs and strategies. Investments also aim to anticipate changes in technology that occur dynamically. The denomination of investment in capital expenditure used by TelkomGroup presents in two currencies, namely Rupiah and US Dollars.

STRATEGY AND OBJECTIVES OF INVESTMENT IN CAPITAL EXPENDITURE

The Company's business strategy in building infrastructure and enhancing business portfolios was the basis for Telkom's investment strategy and objectives for capital expenditure in 2020. Telkom focused on increasing business in the current digital era to maintain business growth based on digital connectivity, digital platform, and digital services.

TYPES OF INVESTMENT IN CAPITAL EXPENDITURE

Capital expenditure carried out by Telkom and its subsidiaries 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

In 2020, the total investment realization of Telkom and its subsidiaries capital expenditure was Rp29,436 billion or US\$2,096 million. It decreased by 19.5% from the previous year of Rp36,585 billion. The following are some of Telkom and its subsidiaries capital expenditure in 2020:

- Constructed Telkomsel BTS.
- Constructed submarine cable projects of Luwuk-Morowali-Kendari, Sarmi-Wasai-Manokwari-Supiori, Gili Lombok and Labuan Bajo submarine cable.
- Building neuCentrix and hyperscale data center.

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

TelkomGroup's Capital Expenditure Investment 2018-2020

	Years ended December 31,			
	2020		2019	
	2018			
	(Rp billion)	(US\$ million)	(Rp billion)	(Rp billion)
Total Investment in Capital Expenditure	29,436	2,096	36,585	33,620