INVESTOR DOCUMENT

PT SARANA MENARA NUSANTARA TBK.

April 3, 2017

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RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements and related notes as of and for the years ended December 31, 2014, 2015 and 2016.

Significant Factors Affecting Our Results of Operations

Demand for Space on our Towers and Lease Rates

The demand for space on our towers is driven by a number of factors, including the growth of the wireless communications industry in Indonesia, telecommunication operators' strategies with respect to enhancing the quality and coverage of their wireless services, telecommunications operators' decisions with respect to operating their own towers and outsourcing the same to an independent tower provider, changes in technology and changes in regulation. The growth of the telecommunications industry is in turn dependent on general macroeconomic conditions in Indonesia.

Changes to, and the adoption of, new telecommunications technology can also affect the demand for space on our towers as telecommunications operators utilize new technologies that may change their demand for usage of space on towers. The introduction of progressively advanced mobile technologies in Indonesia, such as 4G, has led to increased demand for tower space. The initial rollout of 4G has primarily led to demand for additional space on towers where operators have existing antennas, allowing us to earn additional lease fees for such additional space. As the rollout of 4G increases, we expect that demand for space on new towers will increase as telecommunications operators better configure their networks for 4G. Telecommunication operators have also employed "asset-light" strategies in response to increased demand, by disposing of their tower portfolios to independent tower companies and/or leasing space on towers owned and operated by independent tower providers. This allows telecommunications operators to reduce their capital expenditures and expand their networks and network capacity more quickly than they would be able to if they were required to build, own and operate their own towers. It also allows telecommunications operators to monetize their tower portfolios.

In addition, demand for space on our towers is driven by changes in regulation. For example, changing in zoning laws that restrict tower operators' ability to build towers in proximity to each other could increase demand for space on existing towers and also in certain cases reduce the demand for new towers or limit our ability to build new towers in proximity to other towers.

Furthermore, our results are affected by pricing under our MLAs. The majority of our MLAs and site leases include escalation provisions that result in a periodic increase in the lease or other fees, typically on an annual basis or in certain cases, after a longer period, and are based on the rate of inflation in Indonesia as measured by the increase in the consumer price index. The Indonesia rate of inflation was 6.3% in 2015 and 3.5% in 2016 based on the consumer price index. In addition, we expect that going forward our lease rates may change as certain of our site lease agreements begin to expire in 2018, and we and our customers may negotiate renewal and pricing terms.

Size of our Tower Portfolio, Network Infrastructure and Number of Co-locations

The number of towers in our portfolio has a significant impact on our revenues and our results of operations with respect to depreciation and amortization, since depreciation of tower assets is the primary component of our depreciation and amortization expense. Consequently, we only acquire or develop a tower after we have secured a long-term lease with an anchor tenant for that tower.

Our recent acquisitions have had a significant impact on the size of our tower portfolio. In June 2016, we completed the purchase of 2,500 towers from XL, with the leaseback of space by XL on 2,433 of the towers for a period of 10 years with renewal options. In 2015, we purchased iForte, a leading microcell tower provider in Indonesia with 437 microcell towers and seven BTS hotels in operation at the time of purchase. We have also sold a smaller number of towers. In 2012, we acquired a portfolio of 261 towers from Royal KPN N.V., a leading telecommunications service provider in the Netherlands, which we subsequently sold in July 2016.

We also believe that our network infrastructure is a factor affecting our results. Our microcell towers offer us greater scalability, as they allow for faster deployment and require lower capital expenditure per tower. We believe that through our purchase of iForte, we are positioned to benefit from increased demand for microcell towers and network capacity. In addition, through iForte, we have installed approximately 2,140 kilometers of fiber optic cable as of December 31, 2016, which provides us with a fiber optic backbone for many of our towers and allows us to provide customers with fiberized towers. We also have 1,384 kilometers of fiber optic cable under construction along the Jakarta to Surabaya southern route as of December 31, 2016.

Another significant factor that affects our revenues is our number of co-locations. The size of our tower portfolio presents our customers with options to lease space on our towers to meet their network design and expansion needs. Such co-locations are advantageous as the incremental cost of adding a co-location tenant to a tower is relatively low compared with the cost of construction or acquiring a new tower. We typically construct our towers to accommodate four tenants on average per tower. Accordingly, the number of co-locations and our ability to increase such co-locations are significant factors that affect our revenues, operating income, profit margins and return on investment. Our success in attracting additional co-locations is reflected in our tenancy ratio, which had decreased slightly from 2014 to 2015, and further decreased from 2015 to 2016 primarily as a result of the XL towers acquisition in 2016 since the XL towers had lower tenancy ratios and also due to our sale of towers in the Netherlands which had higher tenancy ratios. Recently we have experienced an increase in new orders from certain of our major customers, including an increase in new colocation orders from XL and an increase in new colocation and microcell BTS orders from Telkomsel, in the first quarter of 2017.

Our maintenance expenditures for our towers, while necessary for our business, is relatively low compared to the revenue generated from leasing space on our towers.

The following table sets forth certain information with respect to our towers and tenants as of the dates indicated:

	As at December 31,		
	2014	**2015**	**2016**
Number of Operational Towers*	11,595	12,237	14,562
Number of Tenants	20,138	21,038	24,144
Tenancy Ratio**	1.74	1.72	1.66

*Includes 2,500 towers acquired from XL in 2016 and 437 microcell towers acquired through our acquisition of iForte in 2015.

**Calculated as total number of tenants (except, with respect to a tower, we consider a single operator with multiple tenancies as a single tenancy) divided by total number of operational towers. This represents our method for determining our tenancy ratio. You should note, however, that other companies in the telecommunication towers industry may calculate and present tenancy ratio in a different manner and therefore, you should use caution in comparing our data with data presented by other companies, as the data may not be directly comparable. Our tenancy ratio decreased from 2015 to 2016 primarily as a result of the XL towers acquisition in 2016 since the XL towers had lower tenancy ratios and also due to our sale of towers in the Netherlands which had higher tenancy ratios.

Our Capital Expenditures and Acquisition Costs

Our capital expenditures with respect to the construction of new tower sites and the costs associated with the acquisition of tower portfolios have historically been substantial and have had a significant effect on our cash flows and cash requirements. Our capital expenditures for building and acquiring new towers in the years ended December 31, 2014, 2015, 2016, totaled Rp.1,606.0 billion, Rp.660.1 billion and Rp.3,767.2 billion (US$280.4 million), respectively. Our average incremental capital expenditure for a new tower has trended lower in the past two years as a result of the introduction of a new tower design that allows us to only incur building expenses related to co-locations once such co-location is secured, since the initial tower design is designed to more quickly accommodate future upgrades. Although we expect to continue making capital expenditures to build new towers and upgrade towers for new leases and we may incur acquisition costs to grow our business and portfolio, the majority of our capital expenditures and acquisition costs are discretionary and we intend to only proceed to incur such capital expenditure when our expected return criteria, including having secured an anchor tenant, are met. Typically, low annual capital expenditure is required to improve and maintain a tower site. In addition, under our MLAs with our customers, we have pre-agreed pricing for new B2S towers. Other factors that we consider prior to incurring capital expenditure to construct new towers include the creditworthiness of the prospective tenants of the towers and the currency in which the capital expenditure is payable, as borrowing costs may vary depending on the currency denomination of the funds that we intend to borrow. We also incur capital expenditure as iForte expands its fiber optic network. We typically only incur capital expenditure for fiber once customer orders are in place. An exception to this is that when we commence our initial rollout of fiber in a new city, where we may typically install a certain amount of fiber as a backbone for services that we intend to provide there.

Foreign Exchange Rate Fluctuations

Exchange rate fluctuations can have a significant impact on our net profit or loss since a significant amount of our borrowings, 41.6% of our borrowings as of December 31, 2016, are denominated in U.S. dollars (or subject to swaps so that our exposure is fully in U.S. dollars), and our accounting records and financial statements expressed in Rupiah. Accordingly, at the end of each financial period, we record in our statements of comprehensive income the realized and unrealized net effect of appreciation and depreciation of the Rupiah against the U.S. dollar during that period. From December 31, 2014 to December 31, 2016 we have reduced the percentage of our indebtedness denominated in U.S. dollars (and Euros, with respect to December 31, 2014), from 70.4% to 41.6% and our current strategy is to focus on Rupiah denominated borrowings.

The significant exchange rate volatility of the Rupiah against other currencies over the past three years has had a significant impact on our financial statements. For example, in 2015, we recorded a net foreign exchange loss of Rp.427.9 billion as a result of the weakening of the Rupiah against the U.S. dollar in that year and in 2016, we recorded a foreign exchange gain of Rp.186.5 billion (US$13.9 million), primarily due to the strengthening of the Rupiah.

In 2014, 2015 and 2016, 61.9%, 62.8% and 64.6%, respectively of our revenues were denominated in Rupiah, with the remainder denominated in U.S. dollars (exclusively generated from H3i), while most of our cost of revenues and operating expenses were denominated in Rupiah, and a significant portion of our debt service obligations, including interest payments, were denominated in U.S. dollars and Singapore dollars. In addition, as of December 31, 2014, 2015 and 2016, we had U.S. dollar cash and cash equivalents balances of US$140.4 million, US$152.1 million and US$112.3 million, respectively. We believe that the balance of our Rupiah and U.S. dollar denominated revenue and payment requirements provides us with a partial natural hedge with respect to fluctuations in the exchange rate between the Rupiah and the U.S. dollar. However, we may be exposed to a significant mismatch between our U.S. dollar-denominated borrowings and payment obligations if there is a rise in interest rates and/or principal repayments. Furthermore, any significant depreciation in the value of the Rupiah against the U.S. dollar could have an adverse effect on our net income (or increase our net loss), in Rupiah terms as it would increase the cost of servicing our U.S. dollar indebtedness. In addition, the amount of such indebtedness on our balance sheet would increase. We expect that upon expiry of our leases that are currently denominated in U.S. dollars, such leases would, if renewed, likely be denominated in Rupiah.

In 2016, we earned US$131.3 million of U.S. dollar-denominated revenues, and paid US$8.2 million and US$190.0 million in U.S. dollar-denominated interest and principal repayments, respectively. If the Rupiah had depreciated against the U.S. dollar by 1.0%, our income before corporate income tax expenses would have decreased by Rp.42.3 billion, Rp.44.2 billion and Rp.27.3 billion for the years ended December 31, 2014, 2015 and 2016, respectively. We have not experienced a significant mismatch between our U.S. dollar denominated revenues and payment requirements. However, we do expect that our results of operations will continue to be affected by fluctuations in the exchange rate between the Rupiah and the U.S. dollar. See "Investment Considerations—Depreciation in the value of the Rupiah may materially and adversely affect our business, financial condition, results of operations and prospects."

We engage in certain hedging transactions with respect to certain of our indebtedness. Currently, we have three hedging contracts with respect to Protelindo's Senior Unsecured Bonds, Rp.500,000,000,000 and US$38,000,000 Term Loan Facility Agreement, on delayed U.S. dollar interest rate hedge and new call/spread hedge covering Rupiah fluctuation, made with The Bank of Tokyo-Mitsubishi UFJ, Ltd. In order to minimize the impact of exchange rate fluctuations, we may continue to enter into hedging agreements in the future.

Level of and Cost of Servicing our Indebtedness

To finance the expansion of our tower network between 2014 and 2016, we incurred a significant amount of indebtedness. As of December 31, 2014, 2015 and 2016, our total indebtedness (without deducting amortization of cost of loans) was Rp.9,597.9 billion, Rp.10,093.3 billion and Rp.10,096.3 billion (US$751.4 million), respectively.

We have historically relied on borrowings, primarily from bank loans and bonds to finance the acquisition of towers and the development of tower sites and expect to continue to do so in the future. See "Investment Considerations—Failure to obtain financing on reasonable terms may adversely affect our business and growth strategy." Our interest expenses were Rp.538.6 billion, Rp.503.5 billion and Rp.590.6 billion (US$44.0 million) for the years ended December 31, 2014, 2015 and 2016, respectively. Our weighted average interest rate increased from 5.15% to 7.28% from 2015 to 2016, primarily due to (i) our repayment of Euro and U.S. dollar-denominated debt which carried lower interest rates in line with our current strategy of focusing on Rupiah denominated borrowings and (ii) increases in LIBOR and JIBOR. In February 2017 we repaid a series of bonds, specifically our 2017 Bonds and that bore interest at a rate of 10.5%, which has lowered our average interest rate from 7.28% immediately prior to such repayment to 6.94% immediately after such repayment.

Ability to Secure and Renew Ground Space at Reasonable Rents

In general, the terms of our standard ground lease arrangements are for 20 years (divided into 5-10 year initial terms with 5-10 year extension terms at our option following the expiration of the initial term). The majority of our ground leases are leased under our standard ground lease agreements, while others, especially those ground leases related to towers we have acquired, typically have ten year terms. Our rental expenses relating to the lease of ground space were Rp.254.3 billion, Rp.274.1 billion and Rp.325.6 billion in 2014, 2015, 2016, respectively, representing 6.2%, 6.1% and 6.4% of our revenues for the corresponding periods.

Under the terms of our current leases, we plan to renew 5,007 of our ground leases (out of a total of 14,095 sites) from 2017 to 2018. We have commenced negotiations on these renewals, which generally commence 24 months prior to expiration of the lease. We have renewed approximately 97% (with the remaining ground leases still under negotiation for renewal) and 70% of the ground leases which were due for renewal in 2016 and 2017, respectively. We prepay rental expenses for an initial period of 5 or 10 years and our ground lease agreements set forth the parameters for pricing changes once such period expires. On average, ground rental rates typically increase by 39% for the renewal term. If any of the landlords of the ground space demand an unreasonable increase in rent in order to renew the ground leases, we may consider relocating the towers that are standing on the affected sites to other sites. In certain cases, we are required to pay relocation costs of customers in the event that relocation is required due to ground lease expiry. Relocation of any of our towers may also result in loss of business from our customers, as such new tower sites may not be suitable for some of our customers, and repositioning a site in a telecommunications operator's network may adversely affect its network quality and may be costly.

Principal Comprehensive Income Statement Components

The following table sets forth our results of operations for each of the periods indicated:

	For the years ended December 31,			
	2014[1]	2015	2016	
				(unaudited)
	Rp.	Rp.	Rp.	US$
	(Rp. in billions and US$ in millions, except per share amounts)			
Continuing Operations				
Revenues	4,106.2	4,469.8	5,053.1	376.1
Depreciation and Amortization	(338.2)	(389.8)	(459.3)	(34.2)
Other Costs of Revenues	(238.3)	(181.7)	(209.5)	(15.6)
Cost of Revenues	(576.5)	(571.5)	(668.8)	(49.8)
Gross Income	**3,529.7**	**3,898.3**	**4,384.3**	**326.3**
Selling and Marketing Expenses	(50.9)	(60.8)	(48.8)	(3.6)
General and Administrative Expenses	(398.5)	(451.6)	(386.8)	(28.8)
Increase/(Decrease) in Fair Value of Investment Properties	(408.2)	1,631.7	495.4	36.9
Other Operating Expenses, Net	(266.2)	(509.6)	(122.0)	(9.1)
Operating Income	**2,405.8**	**4,508.0**	**4,322.1**	**321.7**
Finance Income, Gross	8.7	15.4	70.1	5.2
Final Tax on Finance Income	(1.7)	(3.0)	(14.0)	(1.0)
Finance Income, Net	6.9	12.4	56.1	4.2
Finance Costs	(855.6)	(562.5)	(668.9)	(49.8)
Income before Corporate Income Tax Expense from Continuing Operations	**1,557.1**	**3,957.8**	**3,709.3**	**276.1**
Corporate Income Tax Expense	(458.5)	(993.1)	(1,039.2)	(77.3)
Income for the Year from Continuing Operations	**1,098.7**	**2,964.7**	**2,670.2**	**198.7**
Discontinued Operations[2]				
Profit for the Year from Discontinued Operations	-	-	7.0	0.5
Profit from the Sale of Discontinued Operations	-	-	365.9	27.2
Profit for the Year from Discontinued Operations	-	-	372.8	27.7
Income for the Year	**1,098.7**	**2,964.7**	**3,043.0**	**226.5**

Notes:

(1) With effect from 2015, we adopted PSAK13 as a result of OJK requirements, which changed the accounting treatment of our tower assets from being recorded as fixed assets under PSAK16 to investment properties. We have restated our financial statements as of and for the year ended December 31, 2014 to reflect the adoption of PSAK13. Gains or losses arising from changes in the fair value of investment properties are reflected in our statements of profit and loss in the period in which they arise. Fair value is determined based on an annual evaluation performed by an independent appraiser. In accordance with OJK requirements, we will revert back to using PSAK16 with respect to the accounting treatment of our tower assets, and will therefore recognize such assets as "fixed assets" again starting with our financial statements as of and for the year ended December 31, 2017. See "Results Of Operations—Principal Comprehensive Income Statement Components—Increase/(Decrease) in fair value of investment properties."

(2) Discontinued operations refer to our business in the Netherlands which we sold on July 1, 2016. Prior to such sale our Netherlands business had 260 towers.

	For the years ended December 31,			
	2014	2015	2016	
				(unaudited)
	Rp.	Rp.	Rp.	US$
	(Rp.in billions and US$ in millions, except per share amounts)			
INCOME FOR THE YEAR	1,098.7	2,964.7	3,043.0	226.5
Other comprehensive income/(loss):				
Items that will not be reclassified to profit and loss:				
Actuarial gain/(losses)	-	14.9	(7.3)	(0.5)
Related deferred income tax	-	(3.7)	1.8	0.1
Items that may be reclassified to profit and loss:				
Exchange rate difference from translation of financial statements	(41.9)	(4.7)	(39.4)	(2.9)
Net gain/(losses) on cash flow hedge	(59.6)	(12.7)	33.9	2.5
Related deferred income tax	25.4	4.4	1.4	0.1
OTHER COMPREHENSIVE LOSS, NET OF TAX	(76.1)	(1.9)	(9.7)	(0.7)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	1,022.5	2,962.8	3,033.3	225.8
Income for the year attributable to:				
Equity holders of the parent entity	1,099.9	2,958.4	3,039.7	226.2
Non-controlling interests	(1.2)	6.3	3.3	0.2
	1,098.7	2,964.7	3,043.0	226.5
Total comprehensive income/(loss) attributable to:				
Equity holders of the parent entity	1,025.5	2,956.4	3,028.2	225.4
Non-controlling interests	(3.0)	6.4	5.1	0.4
Total Comprehensive Income for the Year, Net of Tax	1,022.5	2,962.8	3,033.3	225.8
Earnings per share (full amount)	108	290	298	0.0

Revenues

Our revenues are generated primarily from leasing space on our towers. We also started earning revenue in 2015 and 2016 from M-WIFO rentals, which represent fiber optic broadband and virtual private network services provided by iForte, and through iForte's VSAT rentals. We previously earned revenue from repeater rentals, which we discontinued in 2014. The following table sets forth our revenues for the periods indicated, with a breakdown of each item expressed as a percentage of revenues:

	For the year ended December 31,						
	2014		2015		2016		
						(unaudited)	
	Rp.	%	Rp.	%	Rp.	US$	%
	(Rp. in billions and US$ in millions, except percentages)						
Tower rentals (operating leases).......	4,104.8	100.0	4,419.7	98.9	4,884.8	363.6	96.7
M-WIFO rentals (operating leases) ..	-	-	25.9	0.6	62.5	4.7	1.2
VSAT rentals (operating leases).......	-	-	24.2	0.5	105.8	7.9	2.1
Repeater rentals (finance leases)	1.4	0.0	-	-	-	-	-
Total..	4,106.2	100.0	4,469.8	100.0	5,053.1	376.1	100.0

Depreciation and Amortization Expense

Depreciation and amortization expense consist of amortization of prepaid ground lease expenses, amortization of intangible assets, consisting of customer relationship assets acquired primarily through our acquisition of iForte, depreciation of our fixed assets (other than tower assets, which are treated as investment properties) and amortization of insurance on our tower portfolio. In accordance with the more recent OJK requirements (Circular Letter SEOJK No. 36/SEOJK 04/2016), we will revert back to using PSAK16 with respect to the accounting treatment of our tower assets, and will therefore recognize such assets as "fixed assets" again starting with our financial statements as of and for the year ended December 31, 2017 and will not record gains or losses arising from changes in fair value of these assets, but instead will record depreciation and amortization expenses. The following table sets forth our depreciation and amortization for the periods indicated, with a breakdown of each item expressed as a percentage of total depreciation and amortization:

	For the year ended December 31,						
	2014		2015		2016		
	Rp.	%	Rp.	%	Rp.	US$ (unaudited)	%
	(Rp. in billions and US$ in millions, except percentages)						
Amortization of site rentals	254.6	75.3	274.3	70.4	325.6	24.2	70.9
Amortization of intangible assets	48.4	14.3	79.0	20.3	94.6	7.0	20.6
Depreciation of fixed assets	24.1	7.1	25.6	6.6	31.6	2.4	6.9
Amortization of insurance	10.8	3.2	10.3	2.6	7.2	0.5	1.6
Others	0.2	0.1	0.7	0.2	0.4	0.0	0.0
Total	338.2	100.0	389.8	100.0	459.3	34.2	100.0

Other Cost of Revenues

Other cost of revenues primarily consists of costs relating to the operation and maintenance of our towers. The following table sets forth our other cost of revenues for the periods indicated, with a breakdown of each item expressed as a percentage of total other cost of revenues:

	For the year ended December 31,						
	2014		2015		2016		
	Rp.	%	Rp.	%	Rp.	US$ (unaudited)	%
	(Rp. in billions and US$ in millions, except percentages)						
Site maintenance	190.1	79.8	150.6	82.9	135.9	10.1	64.9
Business trip[(1)]	11.2	4.7	12.7	7.0	18.4	1.4	8.8
Electricity	36.4	15.3	3.2	1.8	6.9	0.5	3.3
Others	0.6	0.2	15.2	8.3	48.3	3.6	23.0
Total	238.3	100.0	181.7	100.0	209.5	15.6	100.0

(1) *These are costs incurred in connection with travel relating to site maintenance activities.*

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of salaries and welfare expenses of sales and marketing employees, customer entertainment expenses and business-related travel that are not related to site maintenance activities.

General and Administrative Expenses

General and administrative expenses consist primarily of employee salaries, employee welfare expense and professional fees. Our general and administrative expenses also include expenses for permits and licenses, office supplies, employee benefits, bank charges and others.

Increase/(Decrease) in fair value of investment properties

Changes in the fair value of investment properties represent changes in the fair value of our tower assets. With effect from 2015, we adopted PSAK13 as a result of OJK requirements (Circular Letter SEOJK No. 27/SEOJK 04/2015), which changed the accounting treatment of our tower assets from being recorded as fixed assets under PSAK16 to investment properties under PSAK13. We have restated our financial statements as of and for the year ended December 31, 2014 to reflect the adoption of PSAK13. Gains or losses arising from changes in the fair value of investment properties are reflected in our statements of profit and loss in the period in which they arise. Fair value is determined based on an annual evaluation performed by an independent appraiser. In accordance with the more recent OJK requirements (Circular Letter SEOJK No. 36/SEOJK 04/2016), we will revert back to using PSAK16 with respect to the accounting treatment of our tower assets, and will therefore recognize such assets as "fixed assets" again starting with our financial statements as of and for the year ended December 31, 2017 and will not record gains or losses arising from changes in fair value of these assets, but instead will record depreciation and amortization expenses.. As a result, we expect that we will need to restate our financial statements as of and for the years ended December 31, 2015 and 2016. As a result of the adoption of PSAK13, we recorded a decrease in fair value of investment properties of Rp.408.2 billion in 2014 and an increase in fair value of investment properties Rp.1,631.7 billion in 2015. In 2016, we recorded an increase in fair value of investment properties of Rp.495.4 billion (US$36.9 million).

Other Operating Expenses, Net

Our other net losses consist of net foreign exchange losses, losses on the dismantling of fixed assets, impairment losses on trade receivables and others. Our foreign exchange net losses relate to realized and unrealized net losses recorded as a result of the effect of fluctuating exchange rates between the Rupiah and the U.S. dollar, Euro and Singapore dollar and on our U.S. dollar-denominated cash deposits and loans, Singapore dollar cash deposits and historically Euro-denominated loans which have been repaid in 2016. Losses on the dismantling of fixed assets consists of losses recorded when we dismantle a tower, including as a result of non-renewal of ground leases. We make provisions for 25% of trade receivable amounts overdue by six months, 50% of such amounts overdue by nine months and for the full amount if overdue by one year.

Finance Income, Net

Our net finance income consists of income from cash at banks net of taxes on finance income.

Finance Costs

Our finance charges consist of interest expense on bank loans, interest expenses on our bonds, amortization of costs of loans, which primarily consists of bank and professional fees related to facilities that have been repaid, and other finance charges.

Taxation

We make provisions in our accounts for both current and deferred tax liability. Current tax expense is based on our taxable income for the relevant year, using prevailing tax rates as of the reporting dates, which is currently 25%. Deferred tax assets or liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in our financial statements and their respective tax bases. We recognize deferred tax liabilities for all taxable temporary differences and deferred tax assets recognized for deductible temporary differences, to the extent that it is probable that such taxable income will be available in future periods against which the deductible temporary differences can be utilized. We calculate deferred tax at the tax rates substantially in effect and as of the date of our statement of financial position for the relevant year/period.

Results of Operations

Year ended December 31, 2015 compared to Year ended December 31, 2016

Revenues. Our revenues increased by Rp.583.3 billion, or 13.0%, from Rp.4,469.8 billion in 2015 to Rp.5,053.1 billion (US$376.1 million) in 2016. Our tower portfolio grew by 2,325 towers, or 19.0%, from 12,237 towers as of December 31, 2015 to 14,562 towers as of December 31, 2016, and our number of tenancies on our towers grew by 3,106 tenancies, or 14.8%, from 21,038 tenancies as of December 31, 2015 to 24,144 tenancies as of December 31, 2016, primarily due to our acquisition of 2,500 towers from XL partially offset by our disposal of 260 towers in the Netherlands in 2016. The increase in revenue was primarily due to the increase in towers and tenancies from towers purchased from XL, an increase in revenue from iForte, increased revenue from new leases and a one-time payment from a customer with respect to additional equipment on towers following a tower audit.

Depreciation and Amortization. Our depreciation and amortization increased by Rp.69.5 billion, or 17.8%, from Rp.389.8 billion in 2015 to Rp.459.3 billion (US$34.2 million) in 2016. This increase was primarily due to an increase in amortization of site rentals, which increased by Rp.51.3 billion, or 18.7%, from Rp.274.3 billion in 2015 to Rp.325.6 billion in 2016 primarily due to an increase in ground lease renewals and our purchase of towers from XL in 2016, which increased our number of ground leases. In addition, amortization of intangible assets increased by Rp.15.6 billion, or 19.7%, from Rp.79.0 billion in 2015 to Rp.94.6 billion in 2016, primarily due to the recognition of a full year of amortization of iForte's customer relationship assets in 2016 as compared to a partial year of such amortization in 2015, since we acquired iForte in 2015.

Other Cost of Revenues. Our other cost of revenues increased by Rp.27.8 billion, or 15.3%, from Rp.181.7 billion in 2015 to Rp.209.5 billion (US$15.6 million) in 2016. The increase in cost of revenues was primarily due to an increase in other costs, which increased by Rp.33.1 billion, or 217.8%, from Rp.15.2 billion in 2015 to Rp.48.3 billion in 2016, primarily due to the growth of our business generally and in particular the growth of iForte's business in connection with growing its fiber and VSAT businesses. This increase was partially offset by a decrease in site maintenance expenses, which decreased by Rp.14.7 billion, or 9.8%, from Rp.150.6 billion in 2015 to Rp.135.9 billion in 2016, primarily due to renegotiation of site maintenance on more favorable terms in late 2015.

Gross Income. As a result of the foregoing, our gross income increased by Rp.486.0 billion, or 12.5%, from Rp.3,898.3 billion in 2015 to Rp.4,384.3 billion (US$326.3 million) in 2016.

Selling and Marketing Expenses. Our selling and marketing expenses decreased by Rp.12.0 billion, or 19.7%, from Rp.60.8 billion in 2015 to Rp.48.8 billion (US$3.6 million) in 2016, primarily as a result of a decrease in entertainment and representation expenses and a decrease in travel and transportation expenses, partially offset by an increase in salaries and employee welfare expenses for sales and marketing staff driven by our acquisition of iForte which increased our headcount as well as our annual pay increases.

General and Administrative Expenses. Our general and administrative expenses decreased by Rp.64.8 billion, or 14.3%, from Rp.451.6 billion in 2015 to Rp.386.8 billion (US$28.8 million) in 2016. The decrease in general and administrative expenses was due primarily to a decrease in professional fees, partially offset by an increase in salaries and employee welfare expenses. Professional fees decreased by Rp.98.4 billion, or 51.7%, from Rp.190.3 billion in 2015 to Rp.91.9 billion in 2016, primarily as a result of higher fees paid in connection with corporate actions and transactions we undertook in 2015, specifically our purchase of iForte. Our salaries and employee welfare expenses for our management and employees in our head office increased by Rp.31.2 billion, or 18.0%, from Rp.173.7 billion in 2015 to Rp.204.9 billion in 2016, primarily due to the purchase of iForte which increased our headcount as well as our annual pay increases, and included one-time management fees paid to members of our advisory committee made in 2016.

Increase (Decrease) in Fair Value of Investment Properties. In 2016 we recorded an increase in fair value of investment properties of Rp.495.4 billion (US$36.9 million) as compared to Rp.1,631.7 billion in 2015. The increase in fair value in 2016 was primarily due to our purchase of towers from XL including the tenancies on such towers, which led to an increase in the valuation of our portfolio. The increase in 2015 was primarily due to changes in the assumptions applied to the valuation of our portfolio by our independent valuer, particularly with respect to certain cost data, exchange rates and certain market factors.

Other Operating Expenses, Net. Our other operating expenses decreased by Rp.387.6 million, or 76.1%, from Rp.509.6 billion in 2015 to Rp.122.0 billion (US$9.1 million) in 2016. This was primarily due to our having recorded a foreign exchange loss in 2015 of Rp.427.9 billion as compared to a gain in 2016 of Rp.186.5 billion (US$13.9 million) as a result of the depreciation of the Rupiah in 2015 and strengthening of the Rupiah in 2016 which affected the amount of our foreign currency debt in Rupiah terms.

Operating Income. As a result of the foregoing, our operating income decreased by Rp.185.9 billion, or 4.1%, from Rp.4,508.0 billion in 2015 to Rp.4,322.1 billion (US$321.7 million) in 2016.

Finance Income, Net. Our net finance income increased by Rp.43.7 billion, or 352.4%, from Rp.12.4 billion in 2015 to Rp.56.1 billion (US$4.2 million) in 2016 mainly due to higher interest rates on deposits and higher average cash deposit balances.

Finance Costs. Our finance costs increased by Rp.106.4 billion, or 18.9%, from Rp.562.5 billion in 2015 to Rp.668.9 billion (US$49.8 million) in 2016 primarily due to an increase in interest expense by Rp.75.8 billion, or 24.4%, from Rp.310.3 billion in 2015 to Rp.386.1 billion in 2016, primarily as a result of increased debt to support our XL tower purchase and increases in floating interest rates (JIBOR and LIBOR) and to a lesser extent, to increases in bond interest expenses, other finance charges and amortization of cost of loans.

Income Before Corporate Income Tax Expense from Continuing Operations. As a result of the foregoing, income before corporate income tax expense from continuing operations decreased by Rp.248.5 billion, or 6.3%, from Rp.3,957.8 billion in 2015 to Rp.3,709.3 billion (US$276.1 million) in 2016.

Corporate Income Tax Expense. Our corporate income tax expense increased by Rp.46.1 billion, or 4.6% from Rp.993.1 billion in 2015 to Rp.1,039.2 billion (US$77.3 million) in 2016, primarily due to taxes arising from our foreign exchange gain in 2016 and gains from the sale of our business in the Netherlands in 2016.

Income for the year from Continuing Operations. As a result of the foregoing, our income for the year from continuing operations decreased by Rp.294.5 billion, or 9.9%, from Rp.2,964.7 billion in 2015 to Rp.2,670.2 billion (US$198.7 million) in 2016.

Profit for the year from Discontinued Operations. In 2016, we recorded Rp.372.8 billion (US$27.7 million) of profit for the year from discontinued operations, which mainly consisted of profits from the sale of our towers in the Netherlands in 2016.

Other comprehensive loss, net of tax. Other comprehensive loss, net of tax increased from Rp.1.9 billion in 2015 to Rp.9.7 billion (US$0.7 million) in 2016.

Total comprehensive income for the period, net of tax. Total comprehensive income for the period, net of tax increased by Rp.70.5 billion, or 2.4%, from Rp.2,962.8 billion in 2015 to Rp.3,033.3 billion (US$225.8 million) in 2016.

Year ended December 31, 2014 compared to Year ended December 31, 2015

Revenues. Our revenues increased by Rp.363.6 billion, or 8.9%, from Rp.4,106.2 billion in 2014 to Rp.4,469.8 billion in 2015, primarily due to an increase in our tower rental revenues driven by an increase in the size of our tower portfolio, which grew by 642 towers primarily due to our acquisition of iForte, from 11,595 towers as of December 31, 2014 to 12,237 towers as of December 31, 2015, or 5.5%, and an increase in the number of tenancies on our towers, which grew by 900, from 20,138 tenancies as of December 31, 2014 to 21,038 tenancies as of December 31, 205, a 4.5% increase, primarily due to our acquisition of iForte.

Depreciation and Amortization. Our depreciation and amortization increased by Rp.51.6 billion, or 15.3%, from Rp.338.2 billion in 2014 to Rp.389.8 billion in 2015. This increase was primarily due to an increase in amortization of intangible assets, which increased by Rp.30.6 billion, or 63.2%, from Rp.48.4 billion in 2014 to Rp.79.0 billion in 2015 primarily due to amortization related to iForte's customer relationship assets. In addition, amortization of site rentals increased by Rp.19.7 billion, or 7.7%, from Rp.254.6 billion in 2014 to Rp.274.3 billion in 2015, primarily due to an increase in the number of renewals of existing ground leases.

Other Cost of Revenues. Our other cost of revenues decreased by Rp.56.6 billion, or 23.8%, from Rp.238.3 billion in 2014 to Rp.181.7 billion in 2015. The decrease in cost of revenues was primarily due to site maintenance costs, which decreased by Rp.39.5 billion, or 20.8%, from Rp.190.1 billion in 2014 to Rp.150.6 billion in 2015. The decrease in site maintenance costs was primarily due to our renegotiation of tower maintenance costs with suppliers. Our other cost of revenues also decreased due to a decrease in electricity costs, which decreased from Rp.36.4 billion in 2014 to Rp.3.2 billion in 2015, primarily due to the removal of electricity costs from Telkomsel leases with electricity to be borne directly by Telkomsel under such leases. These decreases were partially offset by an increase in other costs, which increased primarily as a result of our acquisition of iForte and its costs related to transponder rentals for its VSAT business.

Gross Income. As a result of the foregoing, our gross income increased by Rp.368.6 billion, or 10.4%, from Rp.3,529.7 billion in 2014 to Rp.3,898.3 billion in 2015.

Selling and Marketing Expenses. Our selling and marketing expenses increased by Rp.9.9 billion, or 19.4%, from Rp.50.9 billion in 2014 to Rp.60.8 billion in 2015, primarily as a result of increased spending on salaries and employee welfare expenses in relation to additional sales and marketing personnel that joined through our acquisition of iForte, which increased our number of employees as well as incremental increases in annual pay for sales and marketing personnel.

General and Administrative Expenses. Our general and administrative expenses increased by Rp.53.1 billion, or 13.3%, from Rp.398.5 billion in 2014 to Rp.451.6 billion in 2015. This increase in general and administrative expenses was due primarily to increases in professional fees, and salaries and employee welfare expenses. Professional fees increased by Rp.21.9 billion, or 13.0%, from Rp.168.4 billion in 2014 to Rp.190.3 billion in 2015, primarily as a result of fees paid in connection with our purchase of iForte. Our salaries and employee welfare expenses for our management and employees in our head office increased by Rp.18.5 billion, or 11.9%, from Rp.155.2 billion in 2014 to Rp.173.7 billion in 2015, primarily due to our acquisition of iForte which increased our management staff as well as incremental increases in annual pay.

Increase (Decrease) in Fair Value of Investment Properties. In 2015 we recorded an increase in fair value of investment properties of Rp.1,631.7 billion as compared to a decrease of Rp.408.2 billion in 2014. The change from 2014 to 2015 was primarily the result of revaluation of our tower assets by our independent valuer resulting from changes in certain assumptions, including with respect to certain cost data, exchange rates and certain market factors.

Other Operating Expenses, Net. Our other operating expenses increased by Rp.243.3 billion, or 91.4%, from Rp.266.2 billion in 2014 to Rp.509.6 billion in 2015. This was primarily due to a significant increase in foreign exchange loss to Rp.427.9 billion in 2015 compared to Rp.5.0 billion in 2014, as a result of the depreciation of the Rupiah in 2015 which affected the amount of our foreign currency debt in Rupiah terms.

Operating Income. As a result of the foregoing, our operating income increased by Rp.2,102.2 billion, or 87.4%, from Rp.2,405.8 billion in 2014 to Rp.4,508.0 billion in 2015.

Finance Income, Net. Our net finance income increased by Rp.5.5 billion, or 79.7%, from Rp.6.9 billion in 2014 to Rp.12.4 billion in 2015 mainly due to maintenance of a higher monthly average of cash deposits in 2015 as compared to our monthly positions in 2014.

Finance Costs. Our finance costs decreased by Rp.293.1 billion, or 34.3%, from Rp.855.6 billion in 2014 to Rp.562.5 billion in 2015 primarily due to decreases in amortization of cost of loans and interest expenses. Our amortization of cost of loans decreased by Rp.256.5 billion, from Rp.309.7 billion in 2014 to Rp.53.2 billion in 2015, primarily due to a one-time write-off of unamortized debt expenses following our loan refinancing in November 2014. Our interest expense decreased by Rp.133.5 billion, or 30.1%, from Rp.443.8 billion in 2014 to Rp.310.3 billion in 2015, primarily due to the repayment of loans and a reduction in our average cost of funds. These decreases were partially offset by an increase in bond interest expenses, which increased from Rp.94.8 billion in 2014 to Rp.193.2 billion in 2015, primarily due to the full year effect in 2015 of our issuance of the 2024 Bonds in November 2014.

Income Before Corporate Income Tax Expense from Continuing Operations. As a result of the foregoing, income before corporate income tax expense from continuing operations increased by Rp.2,400.7 billion from Rp.1,557.1 billion in 2014 to Rp.3,957.8 billion in 2015.

Corporate Income Tax Expense. Our corporate income tax expense increased by Rp.534.6 billion from Rp.458.5 billion in 2014 to Rp.993.1 billion in 2015, primarily due to an increase in deferred tax expenses from Rp.34.9 billion in 2014 to Rp.585.8 billion in 2015, primarily due to the adoption of PSAK13, which changed the accounting treatment of our tower assets from fixed asset to investment properties, although such increase in deferred tax expenses did not impact the actual taxes paid in cash.

Income for the year from Continuing Operations. As a result of the foregoing, our income for the year from continuing operations increased by Rp.1,866.0 billion, or 169.8%, from Rp.1,098.7 billion in 2014 to Rp.2,964.7 billion in 2015.

Other comprehensive loss, net of tax. Other comprehensive loss, net of tax decreased from Rp.76.1 billion in 2014 to Rp.1.9 billion in 2015, primarily due to decreases in net losses on cash flow hedges due to the depreciation of the Rupiah and exchange rate differences from translation of financial statements.

Total comprehensive income for the period, net of tax. Total comprehensive income for the period, net of tax increased by Rp.1,940.3 billion from Rp.1,022.5 billion in 2014 to Rp.2,962.8 billion in 2015.

Liquidity and Capital Resources

Our primary source of liquidity is cash generated from operations, bank and other debt financing and our existing cash and cash equivalents. As of December 31, 2016, we had cash and cash equivalents of Rp.2,905.3 billion (US$216.2 million) and available and unutilized lines of credit, banking facilities and other debt facilities amounting to an aggregate of US$100.0 million. Our liquidity needs arise primarily from servicing our outstanding debts, our working capital needs and capital expenditures for the acquisition of towers and construction of new towers.

Cash Flows

The following table sets out a condensed summary of our cash flows.

	For the year ended December 31,			
	2014	**2015**	**2016**	
				(unaudited)
	Rp.	**Rp.**	**Rp.**	**US$**
	(Rp. in billions and US$ in millions)			
CONSOLIDATED STATEMENTS OF CASH FLOWS				
Net Cash Provided by Operating Activities	3,336.7	3,417.2	3,832.9	285.3
Net Cash Used In Investing Activities	(2,147.5)	(1,961.0)	(3,725.2)	(277.3)
Net Cash Used In Financing Activities	(792.2)	(706.8)	(125.7)	(9.4)
Net Increase (Decrease) in Cash and Cash Equivalents	397.0	749.4	(18.0)	(1.3)
Effects from Changes in Foreign Exchange Rates on Cash and Cash Equivalents	106.9	227.8	(63.5)	(4.7)
Cash and Cash Equivalents at the Beginning of Year	1,505.7	2,009.6	2,986.8	222.3
Cash and Cash Equivalents at the End of Year	2,009.6	2,986.8	2,905.3	216.2

Net cash provided by operating activities

Our net cash provided by operating activities was Rp.3,832.9 billion (US$285.3 million) in 2016 compared with Rp.3,417.2 billion in 2015. This increase was primarily due to increased cash received from customers, which increased from Rp.5,126.0 billion in 2015 to Rp.5,498.4 billion (US$409.2 million) in 2016, primarily due to increased payments from customers in line with the expansion of our business.

Our net cash provided by operating activities was Rp.3,417.2 billion in 2015 compared with Rp.3,336.7 billion in 2014. This increase was primarily due to increased cash received from customers, which increased from Rp.4,614.8 billion in 2014 to Rp.5,126.0 billion in 2015, primarily due to increased payments from customers in line with the expansion of our business, and to a decrease in cash paid to suppliers from Rp.795.0 billion in 2014 to Rp.661.2 billion in 2016, primarily due to lower payments for maintenance costs as a result of our renegotiation of maintenance fees with suppliers. These were partially offset by an increase in income taxes and other taxes paid from Rp.366.1 billion in 2014 to Rp.938.6 billion in 2015, primarily due to lower income tax paid in 2014, resulting from foreign exchange losses in 2013.

Net cash used in investing activities

Our net cash used in investing activities was Rp.3,725.2 billion (US$277.3 million) in 2016 as compared to Rp.1,961.0 billion in 2015. This increase was primarily due to an increase in spending on acquisition of investment properties from Rp.660.1 billion in 2015 to Rp.3,767.2 billion (US$280.4 million), primarily due to cash paid in connection with our purchase of towers from XL and an increase in payments for long-term site rentals from Rp.286.2 billion in 2015 to Rp.944.6 billion (US$70.3 million) in 2016, as a result of an increase in renewals of ground leases. The increase from 2015 to 2016 was partially offset by proceeds from the sale of subsidiaries' shares of Rp.1,105.8 billion (US$82.3 million) in 2016, relating to our sales of our towers in the Netherlands in 2016, and payment for business acquisition, net of cash and cash equivalents of Rp.848.7 billion in 2015 related to our purchase of iForte in 2015.

Our net cash used in investing activities was Rp.1,961.0 billion in 2015 as compared to Rp.2,147.5 billion in 2014. This decrease was primarily due to a decrease in spending on acquisition of investment properties from Rp.1,606.0 billion in 2014 to Rp.660.1 billion in 2015, due to a significant number of B2S towers built in 2014 and to a decrease in payments for long-term site rentals, which decreased from Rp.519.5 billion in 2014 to Rp.286.2 billion in 2015, primarily due to fewer ground leases expiring in 2015. These were partially offset by payment for business acquisition, net of cash and cash equivalents of Rp.848.7 billion in 2015 related to our purchase of iForte in 2015 and to other receivables from a related party in 2015 of Rp.136.0 billion, related to shares in our Company that were used in the acquisition of iForte.

Net cash provided used in financing activities

Our net cash used in financing activities was Rp.125.7 billion (US$9.4 million) in 2016, compared to Rp.706.8 billion in 2015. This decrease was primarily due to net proceeds from long-term loans of Rp.3,617.3 billion (US$269.2 million) in 2016, being the proceeds from bank loans primarily used to finance our acquisition of 2,500 towers from XL in 2016, and the proceeds from bond issuance of Rp.800 billion (US$59.5 million) in 2016, being net proceeds from our issuance of Rupiah bonds in 2016, which were partially offset by payments of long-term loans to third parties of Rp.3,916.3 billion (US$291.5 million) in 2016, being our repayment of loans. In 2015 our net cash used in financing activities primarily consisted of Rp.379.3 billion in payments of long-term loans to third parties, Rp.318.1 billion in interest paid and Rp.187.8 billion in payments of interest on bonds.

Our net cash used in financing activities was Rp.706.8 billion in 2015, compared to Rp.792.2 billion in 2014. This decrease was primarily due to net proceeds from long-term loans of Rp.4,754.5 billion in 2014, being the proceeds from bank loans and the proceeds from bond issuance of Rp.2,687.4 billion in 2014, being net proceeds from our issuance of the 2024 Bonds, which were partially offset by payments of long-term loans to third parties of Rp.7,580.7 billion in 2014, being our repayment of loans. In 2015 our net cash used in financing activities primarily consisted of Rp.379.3 billion in payments of long-term loans to third parties, Rp.318.1 billion in interest paid and Rp.187.8 billion in payments of interest on bonds.

Indebtedness

As of December 31, 2016, our indebtedness amounted to Rp.10,096.3 billion (US$751.4 million). The following table sets forth the amounts that we had outstanding under our loan facilities at the times indicated, without deducting amortization of cost of loans.

	As of December 31,			
	2014	2015	2016	
				(unaudited)
	Rp.	Rp.	Rp.	(US$)
		(Rp.in billions and US$ in millions)		
Loans				
Current Portion of Long-Term Loans	206.0	449.4	519.5	38.7
Third Parties, Non-Current	6,695.6	6,884.4	5,603.0	417.0
Related Parties, Non-Current	-	-	500.0	37.2
Bonds Payable, Current	-	-	1,000.0	74.4
Bonds Payable, Non-Current	2,696.3	2,759.5	2,473.8	184.1
Total Indebtedness...	9,597.9	10,093.3	10,096.3	751.4

Set forth below are descriptions of our loan facilities and bonds as of December 31, 2016.

(A) Protelindo Loans

2017

The Bank of Tokyo-Mitsubishi UFJ LTD., Jakarta Branch Revolving Loan Facility Agreement

On February 28, 2017, Protelindo entered into a revolving loan facility agreement with The Bank of Tokyo-Mitsubishi UFJ LTD., Jakarta Branch ("BTMU") for a Rp.250 billion revolving loan facility (the "2017 BTMU Facility"). Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA. Subject to the financial covenants, the 2017 BTMU Facility imposes certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or indemnity in respect of another's obligations. The purpose of the 2017 BTMU Facility is for the working capital of Protelindo.

The 2017 BTMU Facility bears interest at a rate equal to (i) JIBOR plus an Rupiah margin of 1.65% per annum if facility is drawn in Rupiah and (ii) ICE LIBOR plus USD margin of 1.10% per annum if facility is drawn in USD.

The final maturity date of the 2017 BTMU Facility is February 28, 2018. The 2017 BTMU Facility has not been drawn down.

PT Bank Sumitomo Mitsui Indonesia Revolving Loan Facility Agreement

On February 28, 2017, Protelindo entered into a revolving loan facility agreement with PT Bank Sumitomo Mitsui Indonesia ("SMBI") for a Rp.150 billion revolving loan facility (the "2017 SMBI Facility"). Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA. iForte provided a corporate guarantee to secure the fulfillment of Protelindo's liabilities under the 2017 SMBI Facility. Subject to the financial covenants, the 2017 SMBI Facility imposes certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or indemnity in respect of another's obligations. The purpose of the 2017 SMBI Facility is for the working capital of Protelindo.

The 2017 SMBI Facility bears interest at a rate equal to (i) JIBOR plus an applicable margin of 2.30% per annum or on other interest rate as agreed by the parties or (ii) a rate as agreed by the parties.

The final maturity date of the SMBI Facility is March 28, 2018. The SMBI Facility has not been drawn down.

2016

PT Bank Central Asia Tbk Revolving Loan Facility Agreement

On December 21, 2016, Protelindo entered into a revolving loan facility agreement with BCA for Rp.500 billion (the "BCA Facilities"), consisting of a term loan revolving facility in the amount of Rp.500 billion (the "BCA Loan

A Facility") and an uncommitted money market line facility in the amount of Rp.5 billion (the "BCA Loan B Facility"). The BCA Facilities impose certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or indemnity in respect of another's obligations. The purpose of the BCA Facilities is for general corporate purposes and bridging of Protelindo's cashflow needs.

The BCA Loan A Facility bears interest at a rate equal to JIBOR plus an applicable margin of 1.50% per annum. The BCA Loan B Facility bears interest at a rate determined in the applicable confirmation letter negotiated and entered into by and between Protelindo and BCA in relation to any utilization of the BCA Loan B Facility. The effective interest rates of the Loan A Facility is 8.59% per annum.

The final maturity date of the BCA Loan A Facility is December 21, 2019, and the final maturity date of the BCA Loan B Facility is December 21, 2017. The BCA Loan A Facility was fully drawn as of December 22, 2016. As of December 31, 2016, Rp.500.0 billion of the BCA Facilities remained outstanding.

Bank of Tokyo – Mitsubishi, UFJ, Ltd., Jakarta Branch Term Loan Facilities Agreement

On June 24, 2016, Protelindo entered into a term loan facilities agreement with the Bank of Tokyo – Mitsubishi, UFJ, Ltd., Jakarta Branch ("BTMU") for Rp.500 billion (the "BTMU Loan A Facility") and US$38 million (the "BTMU Loan B Facility", and, together with the BTMU Loan A Facility, the "BTMU Facilities"). Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA ratio. iForte provided a corporate guarantee to secure the fulfillment of Protelindo's liabilities under the BTMU Facilities. The BTMU Facilities impose certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or providing indemnities in respect of another's obligations. The purposes of the BTMU Facilities are for payments for the acquisition of certain telecommunication tower assets from PT XL Axiata Tbk and for general corporate purposes.

The BTMU Loan A Facility bears interest at a rate equal to JIBOR plus an applicable margin of 2.50% per annum. The BTMU Loan B Facility bears interest at a rate determined in the applicable confirmation agreement negotiated and entered into by and between Protelindo and BTMU in relation to the BTMU Loan B Facility. In 2016, the effective interest rate of the BTMU Loan A Facility ranges from 8.54% to 10.38% while the effective interest rate of the BTMU Loan B Facility ranges from 2.68% to 3.05% per annum.

The final maturity date of the BTMU Facilities is June 24, 2021. The BTMU Facilities were fully drawn on June 29, 2016. As of December 31, 2016, Rp.500.0 billion of the BTMU Loan A Facility and US$38.0 million of the BTMU Loan B Facility remained outstanding.

PT Bank Negara Indonesia (Persero) Tbk. 2016 Term Loan Facility Agreement

On June 24, 2016, Protelindo entered into a term loan facility agreement with PT Bank Negara Indonesia (Persero) Tbk. ("BNI") for Rp.1 trillion (the "2016 BNI Facility"). Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA ratio. iForte provided a corporate guarantee to secure the fulfillment of Protelindo's liabilities under the 2016 BNI Facility. The 2016 BNI Facility imposes certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or providing indemnities in respect of another's obligations. The purpose of the 2016 BNI Facility was for payments for the acquisition of certain telecommunication tower assets from PT XL Axiata Tbk.

The 2016 BNI Facility bears interest at a rate equal to JIBOR plus an applicable margin of 2.50% per annum. In 2016, the effective interest rate of the 2016 BNI Facility ranges from 8.54% to 10.38% per annum.

The final maturity date of the 2016 BNI Facility is June 24, 2023. The 2016 BNI Facility was fully drawn on June 29, 2016. As of December 31, 2016, Rp.990 billion of the 2016 BNI Facility remained outstanding.

PT Bank Sumitomo Mitsui Indonesia Term Loan Facility Agreement

On June 24, 2016, Protelindo entered into a term loan facility agreement with PT Bank Sumitomo Mitsui Indonesia ("SMBI") for Rp.1 trillion (the "SMBI Facility"). Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA ratio. iForte provided a corporate guarantee to secure the fulfillment of Protelindo's liabilities under the SMBI Facility. The SMBI Facility imposes certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or providing indemnities in respect of another's obligations. The purpose of the SMBI Facility was for payments for the acquisition of certain telecommunication tower assets from PT XL Axiata Tbk.

The 2016 SMBI Facility bears interest at a rate equal to JIBOR plus an applicable margin of 2.50% per annum. In 2016, the effective interest rate of the loan ranges from 8.54% to 10.38% per annum.

The final maturity date of the 2016 SMBI Facility is June 24, 2021. The SMBI Facility was fully drawn on June 29, 2016. As of December 31, 2016, Rp.1 trillion of the 2016 SMBI Facility remained outstanding.

2014

Oversea-Chinese Banking Corporation Limited Term Loan and Revolving Credit Facilities Agreement

On November 19, 2014, Protelindo and Protelindo Finance B.V. entered into a term loan and revolving credit facilities agreement with Oversea-Chinese Banking Corporation Limited ("OCBC") for a Euro 20 million term loan (the "OCBC Loan A Facility") and a US$100 million revolving credit facility (the "OCBC Loan B Facility" and, together with the OCBC Loan A Facility, the "OCBC Facilities"). On July 1, 2016, Protelindo Finance B.V. assigned its rights and obligations under the OCBC Facilities to the Company under a novation and amendment agreement. Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA. The OCBC Facilities impose certain restrictions on the Company and Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or providing indemnities in respect of another's obligations. The purposes of the OCBC Facilities were for the prepayment of certain of Protelindo's outstanding 2013 loans, the payment of certain fees in relation to those 2013 loans and for working capital and general corporate purposes.

The OCBC Loan A Facility bears interest at a rate equal to EURIBOR plus an applicable margin of 1.95% per annum. The OCBC Loan B Facility bears interest at a rate equal to LIBOR plus an applicable margin of 1.95% per annum. In 2016, the effective interest rates of the OCBC Loan B Facility ranges from 2.36% to 2.72% per annum.

The final maturity date of the OCBC Facilities is November 19, 2019. The OCBC Facilities were fully drawn on November 28, 2014. As of December 31, 2016, the OCBC Loan A Facility was fully repaid and US$60 million of the OCBC Loan B Facility remained outstanding.

Sumitomo Mitsui Banking Corporation, Singapore Branch Revolving Loan Facility Agreement

On November 20, 2014, Protelindo and Protelindo Finance B.V. entered into a revolving loan facility agreement with Sumitomo Mitsui Banking Corporation, Singapore Branch ("SMBC") for a US$100 million revolving loan facility (the "SMBC Facility"). On June 30, 2016, Protelindo Finance B.V. assigned its rights and obligations under the SMBC Facility to Protelindo. Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA. The SMBC Facility imposes certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or providing indemnities in respect of another's obligations. The purpose of the SMBC Facility was for the prepayment of certain of Protelindo's outstanding 2013 loans and for the payment of certain fees in relation to those 2013 loans.

The SMBC Facility bears interest at a rate equal to LIBOR plus an applicable margin of 1.95% per annum. In 2016, the effective interest rate of the SMBC Loan ranges from 2.36% to 2.72% per annum.

The final maturity date of the SMBC Facility is November 19, 2019. The SMBC Facility was fully drawn on November 28, 2014. As of December 31, 2016, US$60 million of the SMBC Facility remained outstanding.

DBS Bank Ltd. Revolving Loan Facility Agreement

On November 19, 2014, Protelindo and Protelindo Finance B.V. entered into a revolving loan facility agreement with DBS Bank Ltd. ("DBS") for US$50 million (the "DBS Facility"). On June 30, 2016, Protelindo Finance B.V. assigned its rights and obligations under the DBS Facility to Protelindo. Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA ratio. The DBS Facility imposes certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or providing indemnities in respect of another's obligations. The purposes of the DBS Facility was for the prepayment of certain of Protelindo's outstanding 2013 loans and for the payment of certain fees in relation to those 2013 loans.

The DBS Facility bears interest at a rate equal to LIBOR plus an applicable margin of 1.95% per annum. In 2016, the effective interest rate of the DBS Facility ranges from 2.36% to 2.71% per annum.

The final maturity date of the DBS Facility is November 19, 2019. The DBS Facility was fully drawn on November 28, 2014. As of December 31, 2016, US$30 million of the DBS Facility remained outstanding.

2012

PT Bank Negara Indonesia (Persero) Tbk. 2012 Facility Agreement

On December 20, 2012, Protelindo entered into a facility agreement with PT Bank Negara Indonesia (Persero) Tbk. ("BNI"), as amended May 20, 2013, February 25, 2014, June 30, 2015 and June 30, 2016, for up to Rp.1.1 trillion (the "2012 BNI Facility"). Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA ratio. iForte provided a corporate guarantee to secure the fulfillment of Protelindo's liabilities under the 2012 BNI Facility. The 2012 BNI Facility imposes certain restrictions on Protelindo including, among other things, limitations on the declaration of dividends, limitations on the disposal of assets and limitations on incurring or creating guarantees or providing indemnities in respect of another's obligations. The purposes of the 2012 BNI Facility were to repay Protelindo's 2012 bridge loan facility or to fund (i) any acquisition of any telecommunications sites, (ii) the acquisition of an ownership interest in a telecommunications site company or (iii) the build to suit construction of new telecommunications sites.

The 2012 BNI Facility bears interest at a rate equal to JIBOR plus an applicable margin of 2.95% per annum. In 2016, the effective interest rate of the 2012 BNI Facility ranges from 8.53% to 10.85% per annum.

As of December 31, 2016, Rp.808.5 billion of the 2012 BNI Facility remained outstanding.

(B) iForte Loans

PT Bank DBS Indonesia Revolving Loan Facility Agreement

On August 11, 2015, Protelindo and iForte entered into a revolving loan facility agreement, as amended on July 1, 2016 and October 1, 2016, with PT Bank DBS Indonesia ("DBSI") for Rp.350 billion (the "DBSI Facility"). Protelindo is required to comply with certain financial covenants such as a debt service coverage ratio and net debt to running EBITDA ratio. Protelindo provided a corporate guarantee to secure the fulfillment of iForte's liabilities under the DBSI Facility. The purpose of the DBSI Facility was for the repayment of certain of iForte's existing bank loans and for general corporate purposes of iForte.

The DBSI Facility bears interest at a rate equal to JIBOR plus an applicable margin of 2.15% per annum. In 2016, the effective interest rate of the DBSI loan ranges from 8.19% to 10.70% per annum.

The final maturity date of the DBSI Facility is October 1, 2017. The DBSI Facility was partially drawn in 2015 in the amount of Rp.181 billion and in 2016 in the amount of Rp.117 billion. As of December 31, 2016, Rp.298.0 billion of the DBSI Facility remained outstanding.

(C) Bonds

Senior Unsecured Guaranteed Bonds due 2024

On November 27, 2014, Protelindo Finance B.V. issued S$180 million 3.25% Senior Unsecured Guaranteed Bonds due 2024 (the "2024 Bonds"). The 2024 Bonds are guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank. DB Trustees (Hong Kong) Limited acted as trustee in respect to the issuance of the 2024 Bonds. The 2024 Bonds were listed on the SGX on November 28, 2014.

On August 3, 2016, Protelindo Finance B.V. and Protelindo entered into an amended and restated trust deed, amended and restated agency agreement and a deed of amendment to have Protelindo replace Protelindo Finance B.V. as the issuer of the 2024 Bonds.

Protelindo Bonds I Year 2014

In February 2014, Protelindo issued Rupiah denominated bonds through a public offering under applicable Indonesian Capital Market laws and regulations (the "2017 Bonds"). The 2017 Bonds were offered in the amount of Rp.1 trillion and were listed on the Indonesia Stock Exchange. The 2017 Bonds bore interest at a fixed rate of 10.5% per annum and matured on February 28, 2017 and have been repaid.

Sustainable Bonds I of Protelindo Stage I Year 2016

In November 2016, Protelindo issued Rupiah Bonds through a public offering under applicable Indonesian Capital Market laws and regulations (the "Sustainable Bonds"). The Sustainable Bonds obtained an effectiveness statement from OJK pursuant to letter No. S-375/D.01/2016 dated November 17, 2016. The Sustainable Bonds were offered in the amount of Rp.800 billion constituting of: (i) Series A bonds with a fixed interest rate of 7.90% per annum and a three year maturity period, due on November 23, 2019; (ii) Series B bonds with a fixed interest rate of 8.25% per annum and five year maturity period, due on November 23, 2021; and (iii) Series C bonds with a fixed interest rate of 8.75% per annum and seven year maturity period, due on November 23, 2023. The Sustainable Bonds were listed on the Indonesia Stock Exchange.

PT Bank Permata Tbk. is the trustee. At the time of the offering, the Sustainable Bonds were rated AAA(idn) by PT Fitch Ratings Indonesia.

The proceeds derived from the issuance of the Sustainable Bonds are intended to be used for the working capital of Protelindo, including, but not limited to the payment of extension of Protelindo's tower land leases, experts fees, tower maintenance and tower operations.

Interest on the Sustainable Bonds is payable on a quarterly basis, with the first payment due on February 23, 2017 and with the last payment made along with the repayment of the principal of the Sustainable Bonds. The trust deed provides for several covenants and/or restrictions on Protelindo, such as prohibition on providing loans to other parties and maintaining debt and running EBITDA to cash interest expense ratios.

Protelindo may buy back the Bonds in part or in whole at any time after the first anniversary of the allotment date, subject to the fulfilment of the conditions set out under the trust deed.

Loan Covenants

In addition to the covenants discussed above, our loan agreements generally contain change of control provisions, which require our major shareholder together with certain of our other shareholders to maintain a certain shareholding percentage.

Capital Expenditures

Our capital expenditure includes expenditure on land, building, equipment related towers, ground lease renewal, subsidiaries acquisition and sale of subsidiaries. Our historical capital expenditures for the periods indicated are summarized in the following table:

	Year ended December 31,			
	2014	2015	2016	
				(unaudited)
	Rp.	Rp.	Rp.	(US$)
	(Rp. in billions and US$ in millions)			
Historical capital expenditures				
Tower related assets	1,606.0	660.1	3,767.2	280.4
Other assets	519.5	1,134.9	(141.4)	(10.5)
Total	2,125.5	1,795.0	3,625.8	269.9

Our negative capital expenditure for our other assets in 2016 relates to our sale of our business in the Netherlands in July 2016.

Contractual Obligations

As of December 31, 2016 we had total contractual obligations in the amount of Rp.10,096.3 billion (US$751.4 million). The following table sets forth information regarding our contractual obligations as of December 31, 2016. We expect to meet these obligations and liabilities through cash generated from our operations and cash available.

	Payment due by period in billions of Rupiah as of December 31, 2016 (Unaudited)				
Contractual obligations	Total	Less than 1 year	From 1 year and up to less than 3 years	From 3 years and up to less than 5 years	5 years and above
Capital expenditures	-	-	-	-	-
Long-term indebtedness	10,096.3	1,519.5	3,973.4	2,431.6	2,171.8
Capital leases	-	-	-	-	-
Other contractual obligations	-	-	-	-	-
Total	10,096.3	1,519.5	3,973.4	2,431.6	2,171.8

Contingent Liabilities

As of the date of this Document, we do not have any contingent liabilities.

Off-Balance Sheet Arrangements

As of the date of this Document, we do not have any off balance sheet arrangements.

Quantitative and Qualitative Disclosure about Market Risk

Our principal exposures to market risks are with respect to foreign exchange and interest rates.

Foreign Currency Risk

Foreign exchange rate fluctuations between the Rupiah and the U.S. dollar and the Rupiah may materially and adversely affect our business, prospects, results of operations and financial condition. The extreme volatility of foreign exchange rates over the past three years has had a significant impact, both positive and negative, on our statements of comprehensive income. See "Investment Considerations—Depreciation in the value of the Rupiah may materially and adversely affect our financial condition, results of operations and prospects", "—Significant Factors Affecting Our Results of Operations—Fluctuations in Foreign Exchange Rates" and "Exchange Rates and Exchange Controls." If the Rupiah depreciates against the U.S. dollar by 1.0%, our income before corporate income tax expenses would have decreased by Rp.42.3 billion, Rp.44.2 billion and Rp.27.3 billion for the years ended December 31, 2014, 2015 and 2016, respectively.

To manage our foreign currency risk, we have a partial natural hedge in the balance of our Rupiah and U.S. dollar denominated revenue and payment requirements. We have not experienced a significant mismatch between our U.S. dollar denominated revenues and payment requirements. Nevertheless, we may become exposed to a significant mismatch between our U.S. dollar denominated revenues and our payment requirements if there is a rise in interest rates and/or our principal repayments or lease fees paid by our customers that are denominated in U.S. dollars are renewed in Rupiah terms. In this case, any depreciation of the Rupiah against the U.S. dollar would increase the cost of servicing and repaying our U.S. dollar denominated indebtedness, and could have an adverse effect on our net income (or increase our net loss), in Rupiah terms. See "Investment Considerations—Depreciation in the value of the Rupiah may materially and adversely affect our business, financial condition, results of operations and prospects." In order to minimize the impact of such fluctuations, we may enter into hedging currency contracts in the future.

Interest Rate Risk

As of December 31, 2016, 65.6% of our indebtedness is subject to floating interest rates. Therefore, an increase in market interest rates would increase our interest expense and interest income, while a decrease would decrease our interest expense and interest income.

BUSINESS DESCRIPTION

We are the largest independent owner and operator of towers for telecommunications operators in Indonesia in terms of the number of owned towers as of September 30, 2016 according to Analysys Mason Pte Ltd ("Analysys Mason"). Our primary business is leasing space at our tower sites to telecommunications operators. As of December 31, 2016, we owned and operated 14,562 towers in Indonesia, including 7,853 towers in Java, Indonesia's most densely populated island. We have a diversified customer base that includes all four major telecommunications operators in Indonesia: Telkomsel, XL, Indosat and H3i. We currently have MLAs with all of our customers which cover an aggregate of 24,144 site leases in Indonesia as of December 31, 2016.

We primarily operate through our subsidiaries, including Protelindo, which was established in 2003 in Bandung with an initial build-to-suit contract to construct and own 232 towers between establishment and March 2007. We have grown significantly since our current major shareholders assumed control over our Company in 2008 and have increased our tower portfolio from 232 towers in March 31, 2007 to 14,562 towers as of December 31, 2016 through a combination of acquisitions and the construction of new towers. In June 2016, we completed the purchase of 2,500 towers from XL, with the leaseback of space by XL on 2,433 of the towers for a period of 10 years. In July 2015, we purchased iForte, a leading microcell tower and fiber services provider in Indonesia with 437 microcell towers and seven BTS hotels in operation at the time of purchase, which also provides business-to-business fiber broadband services and VSAT services in Indonesia. In addition, primarily through iForte we provide broadband and VPN services for the corporate and business segment in Jakarta and have an extensive fiber optic network in Jakarta with our network also expanding into Surabaya, Bekasi and Semarang. Between May 2008 and December 31, 2013, we acquired a total of 5,085 towers from H3i, with H3i as the anchor tenant for an initial term of 10 or 12 years. We have also acquired towers from small tower operators. In addition to acquisitions, we have constructed 6,087 new towers (net of dismantled towers) for customers to enhance our tower portfolio and meet our customers' network requirements.

Our leased space consists of both vertical space on towers, on which our customers can install radio frequency antennas and microwave antennas, as well as ground space at each site for our customers' shelters and cabinets that house electronic equipment and power supplies. Our customers require such equipment to be installed at numerous geographic locations across their targeted service area and area of existing coverage in order to provide wireless communications services to their subscribers. Our customers generally lease additional space from us in order to expand and improve their wireless network coverage and service capabilities. Due to the long-term nature of tenant leases and strong relationships with our customers, we receive stable recurring cash flows under our long-term site leases. Given the essential nature of the services we provide to our customers, coupled with the scale of our relationships with customers in terms of the numbers of towers they lease from us, the potential difficulties they face in finding suitable alternative sites, the potentially high costs our customers would incur in switching to other towers, and our strong customer relationships, we believe that our customers are likely to renew their site leases with us. With the acquisition of iForte, we provide critical infrastructure for telecommunication operators as they build out 3G and 4G networks to meet Indonesia's growing demand for wireless data services. We believe that we provide critically important services to our customers that enable them to meet their current and future network requirements and service the needs and expectations of their subscribers.

Our young tower portfolio is the largest in Indonesia among independent tower operators and geographically expansive. Furthermore, the majority of our towers are not located near competing towers. Our wide network of tower sites enables us to address the needs of national, regional, local and emerging telecommunications operators. This network, together with our relatively diversified customer base among the major Indonesian telecommunication operators, provides us with a diverse source of new business opportunities. Our tower portfolio also provides us with growth potential because we have the ability to add new co-location tenants and add new equipment for existing tenants on our towers. We have significant incremental capacity on our existing tower portfolio to grow with additional co-locations.

Our revenues were Rp.4,106.2 billion, Rp.4,469.8 billion and Rp.5,053.1 billion (US$376.1 million) and our EBITDA was Rp.3,418.5 billion, Rp.3,775.7 billion and Rp.4,408.0 billion (US$328.1 million) in 2014, 2015 and 2016, respectively. Our Shares were listed on March 8, 2010 on the Indonesia Stock Exchange under the symbol "TOWR". In addition, Protelindo was rated "Baa3" by Moody's on October 5, 2016, "BBB-" by Standard & Poor's on May 12, 2016, "BBB-" by Fitch Ratings on May 13, 2016 and "AAA" by Fitch Ratings Indonesia on May 13, 2016.

Key Differentiators

Largest independent tower provider in one of the most attractive telecommunications tower markets globally

We are the largest independent owner and operator of telecommunications towers in Indonesia by number of owned towers as of September 30, 2016 according to Analysys Mason. As of December 31, 2016, we owned and operated 14,562 towers in Indonesia, including 7,853 towers in Java, Indonesia's most populous island and where its capital, Jakarta, is located. We also have the largest tower portfolio among independent tower operators outside of Java according to Analysys Mason, with 6,708 towers outside of Java.

The majority of our towers are not located near competing towers, and we believe our towers have less overlap of coverage with tower portfolios owned by other tower operators. Accordingly, we believe we have greater co-location potential compared to other Indonesian tower operators. These factors and our market leading position as the largest independent tower provider in Indonesia enables us to take advantage of opportunities in the Indonesian tower business.

We have a diversified customer base and our key customers include the major telecommunications operators in Indonesia: Telkomsel, XL, Indosat and H3i. We enter into MLAs with our major customers and our site leases under these MLAs generally have initial terms of ten or 12 years with typical renewal terms of ten years, which we believe provides us with long term recurring revenues and limited default risk given the credit worthiness of our key customers. Given the essential nature of the services we provide to our customers, coupled with the scale of our relationships with customers in terms of the numbers of towers they lease from us, the potential difficulties they face in finding suitable alternative sites, the potentially high costs our customers would incur in switching to other towers, and our strong customer relationships, we believe that our customers are likely to renew their site leases with us.

Our existing tower portfolio has significant incremental capacity to address additional co-location and equipment demands. Expanding our business by adding co-locations allows us to realize economies of scale inherent in our tower portfolio, particularly with respect to tower maintenance, the cost of which can be spread over multiple tenants. Importantly, we also maintain a disciplined approach to expansion by only acquiring and building towers when we have a tenancy under contract. Given the size of our portfolio and our disciplined approach to expansion, we believe we are well-positioned to continue to realize these economies of scale. As we add co-locations in the future, we expect to improve our operating margins and return on invested capital.

As an early mover in the Indonesian tower industry, we believe that we benefit from the barriers to entry in the Indonesian tower industry, which are significant due to:

- regulatory restrictions, including restrictions on foreign investment and the process required to obtain relevant permits and licenses;
- the significant amount of initial capital required to build or acquire towers;
- the high financial cost and operational risks and disruptions telecommunications operators may face when moving their equipment to different towers;
- the necessity of building a portfolio of towers with substantial scale and geographic diversity in order to attract telecommunications operators; and
- the significant amount of time required to build relationships and trust, and negotiate MLAs, with telecommunications operators.

In addition, we believe that the Indonesian market is one of the most attractive telecommunications tower markets globally. According to Analysys Mason, compared to the independent tower providers in peer markets, Indonesian independent tower providers have favorable operating and financial performance, with market leaders generating among the highest return on invested capital in the world.

Given these factors as well as long-term contracts and strong barriers to entry, we believe we continue to have a significant growth opportunity in the Indonesian market.

Growth drivers

Although Indonesia's wireless market has a number of competitors, the market outside of Java is currently dominated in many areas by Telkomsel, the mobile subsidiary of partially state-owned PT Telekomunikasi Indonesia. According to Analysys Mason, coverage expansion by other operators in areas outside of Java will create future demand for new towers or co-locations. Given that we have the largest tower base among independent tower operators outside of Java, we believe we are well-positioned to take advantage of this potential increase in coverage demand. This expansion is also encouraged under the Indonesian Broadband Plan, which is a five-year government initiative covering 2014 to 2019 that aims to expand internet access and improve network quality, especially in regions outside of Java, for fixed, broadband and mobile services through collaboration among private and public entities. These initiatives include government connectivity development, promotion of e-services and infrastructure development, including the deployment of the "Palapa Ring", which aims to create an undersea fiber-optic cable network to enable faster broadband connectivity across the entire Indonesian archipelago and which Analysys Mason believes will drive growth in demand for tower tenancies.

From a capacity perspective, strong growth in data traffic, coupled with limited 4G spectrum holdings of telecommunications operators, are expected to create higher demand for capacity in-fill sites, as operators need to split sites to increase network capacity, according to Analysys Mason. On a per-operator basis, Indonesia's telecommunications operators' spectrum holdings are low compared with leading operators in neighboring countries. Spectrum is fragmented across many players in Indonesia, resulting in lack of access to large blocks of sub-1GHz spectrum. 3G and 4G BTSs are mostly deployed on 2100MHz and 1800/2300MHz, meaning operators will need more BTSs to cover the same area. Planned spectrum supply in the next five years does not contain sufficient low-frequency spectrum to allow all operators to acquire one or more blocks of low-frequency spectrum. Given the lack of future spectrum supply in sub-1GHz frequencies, most of Indonesia's telecommunications operators are expected to continue deploying 3G and 4G in higher frequencies throughout 2017 according to Analysys Mason. In addition, some operators are also adding equipment to existing sites to support 3G/4G demand, generating additional revenues for tower operators through additional equipment revenue. We believe we are well positioned to take advantage of the need for growth in tenancies, including on microcell sites, and additional and changing equipment needs by telecommunications operators, as they work through these capacity issues.

The Indonesian tower market is highly fragmented with significant consolidation potential. We believe the competitive dynamics are in favor of the large independent tower operators with the smaller operators lacking similar financial strength or backing and being unlikely to invest further in expanding their tower portfolios, according to Analysys Mason. Rather, Analysys Mason expects that smaller operators may instead monetize their assets.

The majority of the telecommunications operators, with the exception of Telkom/Telkomsel, have pursued an "asset-light" strategy, divesting their tower assets to independent tower providers on a sale-and-leaseback basis. Telecommunications operators, even after such divestments, still own approximately 14,000 towers (excluding Telkom/Telkomsel) and the divestment trend is expected continue, according to Analysys Mason.

We believe that our strong balance sheet and cash flows along with experience in making synergistic acquisitions, position us well to capitalize on these inorganic growth opportunities.

Track record of strong growth across industry cycles positions us to capture opportunities going forward

We believe that we have been able to deliver strong growth across different industry cycles. We have been able to build strong relationships with our telecommunications operator customers through strong execution and service, which has helped us win contracts with all major telecommunications operators in Indonesia. Our tower portfolio increased 17.6 times between 2007 and 2016, representing a CAGR of 38.4%. In 2015 and 2016, when demand for new B2S towers was low, our strong leadership and capital position allowed us to pursue an inorganic strategy to complement our organic growth. We completed our purchase of iForte in 2015 and purchased 2,500 towers from XL in 2016. We believe that our economies of scale have led to swift integration and strong synergies from these acquisitions. As of December 31, 2016, acquired towers comprised approximately 60% of our tower portfolio.

Expansion of service offerings and revenue diversification potential from iForte, a leading provider of microcell services in Indonesia

In 2015, we purchased iForte, a leading microcell tower and fiber provider in Indonesia with 437 microcell towers, seven BTS hotels and 750 kilometers of fiber in operation at the time of purchase, in anticipation of increasing demand for microcell towers. Microcell towers are used to fill coverage gaps between sites and to increase network capacity in densely populated areas. We also believe that microcell towers offer us greater scalability, as they allow for faster deployment and require lower capital expenditure per tower. We believe that through our purchase of iForte, we are positioned to benefit from increased demand for network capacity. Analysys Mason expects that in dense urban areas, where networks are typically most congested, capacity demand will increasingly be met by a combination of rooftop sites and microcell/BTS hotel solutions given their lighter tower infrastructure and the ability to increase capacity in very specific hotspots. In addition, there are strong barriers to entry for the microcell tower business, including access to a fiber optic backbone and the requirement for permits and licenses from relevant Indonesian government authorities, including MOCI and the relevant regional government authority. For example, our iForte business benefits from a first mover advantage with respect to the placement of microcell sites along the trans-Jakarta busways.

Through iForte, we also provide fiber broadband and VPN services to corporate customers, primarily in Jakarta. We have installed approximately 1,041 kilometers of fiber optic cable, underneath main streets and business districts in the Jakarta metropolitan area, and to a lesser extent in Surabaya, Bekasi and Semarang, and we have also installed 1,099 kilometers of fiber optic cable along the Jakarta to Surabaya northern route. We also have 1,384 kilometers of fiber optic cable under construction along the Jakarta to Surabaya southern route as of December 31, 2016. iForte's extensive fiber optic network, including its high capacity backbone, is installed along the trans Jakarta busway corridors primarily located in strategic areas including some of the busiest main streets in Jakarta. Key barriers to entry include the capital intensive nature of the infrastructure, and the difficulties in construction and in obtaining the necessary permits.

Although VSAT is a legacy business, iForte also offers such services, which continue to enjoy high demand in Indonesia due to Indonesia's unique island topography. VSAT services offer a multi-service platform that can be suited for data, telephone and video communication and are mostly set up in remote areas with less ground-based coverage or to provide network redundancy for clients in urban areas. Key clients include government, mining, maritime, farming and plantation sector companies as well as banking industry customers for communications applications. Key barriers to entry include the need to obtain key licenses (Network Operating License and the VSAT Frequency License) and the need to deploy in remote areas.

Our iForte business has been expanding rapidly since our acquisition and has been growing as a percentage of our overall revenue. iForte's microcell tower portfolio has grown from 437 towers prior to our acquisition, to 465 towers as of December 31, 2015, and to 521 towers as of December 31, 2016, while tenancies have grown from 472 to 530 and to 609 as of those respective dates. iForte's revenue (before elimination of revenue earned from services provided to our other subsidiaries) grew from Rp.92.3 billion for the six months ended December 31, 2015, to Rp.125.6 billion for the six months ended June 30, 2016 and further to Rp.138.6 billion for the six months ended December 31, 2016. iForte has also been able to leverage off of Protelindo's strong customer relationships to add tenancies on microcell towers. Separately, within two years after our acquisition of iForte, its fiber optic network has expanded to cover the Jakarta to Surabaya northern and southern route as well as expanded in Jakarta, Semarang, Bekasi and Surabaya. iForte's fiber broadband and VPN services have benefited from strong synergies with our affiliated Djarum Group companies, such as at BCA bank and ATM branches. We started by providing fiber broadband and VPN services for Djarum Group companies, and iForte has been able to leverage that success to expand its client base to include a number of multi-national companies, including BT Group and DHL.

Industry leading balance sheet and free cash flow generation capability

We believe that the strength of our balance sheet is a key differentiator and competitive advantage for us in our industry. Our business model, which allows us to generate significant free cash flow, along with our prudent capital structure management over the years, has led to a very strong balance sheet and cash flow position. Due to the nature of our business model, we receive stable recurring cash flows under our long-term site leases with high expected renewal rates. We have also focused on being prudent when it comes to managing our operating expenditure by, among other things, reducing maintenance costs through renegotiations with third party providers. Due to these and other factors inherent in our business model, our EBITDA margins were 83.3%, 84.5% and 87.2% (our margin was slightly higher in 2016 due to certain one-off items) in 2014, 2015 and 2016, respectively.

Given that growth in our industry requires access to and deployment of capital, we believe we are very well positioned to take advantage of future opportunities. Among other things, we believe our strong balance sheet puts us in a position where we could be a leading industry consolidator if other independent tower operators or their shareholders exit due to lack of scale or for monetization. Our disciplined approach to acquisitions and balance sheet and cash flow strength is evidenced by our track record of rapidly deleveraging after our prior acquisitions.

Strong Indonesian sponsor in the Djarum Group and experienced management team

We are supported by a longstanding, reliable and experienced shareholder, the Djarum Group and Hartono family, which are known for the establishment of high standards of corporate governance and shareholder satisfaction across their group companies. The Djarum Group has companies spanning financial services, towers (through us), tobacco, as well as other investments. BCA, Indonesia's largest bank by market capitalization, with a market capitalization of Rp.382.2 trillion as of March 1, 2017 has grown its market capitalization significantly by more than 20 times since the Djarum Group became a controlling shareholder in 2002. In addition, Djarum, which is a leading cigarette manufacturer in Indonesia, has been controlled by the Hartono family since 1952. Other investments of the Djarum Group include investments in the retail, property, and technology sectors.

We are led by an experienced senior management and advisory team which includes experts in the tower industry. Our Company was initially founded and managed by former employees and management of American Tower Corporation, including Michael Gearon. As our business has developed and grown over the years, our management has seasoned and today consists of a team with in-depth knowledge of the Indonesian tower industry. The experience and success of our management team is evidenced by, among other things, our success in identifying and executing on inorganic opportunities, such as our purchase of towers from XL in 2016, our identification of new tower sector opportunities, such as our move into the microcell space with the acquisition of iForte, and making other strategic investments and divestments, such as our sale of our Netherlands business in 2016.

Strategies

We intend to create shareholder value through the pursuit of our "Build, Buy and Return" strategies along with further reductions in our cost of capital. At the core of these strategies are effective utilization of our balance sheet position and cash flows while maintaining our international investment grade rating, including by targeting to maintain leverage in the range of 2.5 – 3.0 times EBITDA. These strategies are discussed below.

Build

We intend to capture new areas of organic growth in our industry by focusing, among other things, on zones that require additional capacity and areas that require additional coverage. We believe that the following factors will drive our organic growth strategy:

- We have the largest tower portfolio among independent tower providers in Indonesia, which puts us in a position to capitalize on the need for new towers in both urban and rural areas across the nation. As of December 31, 2016, 53.9% of our towers were located in Java, which is strategically important and where we expect telecommunications operators will be likely to add incremental capacity to support demand on their networks through new builds or colocations. As of December 31, 2016, the remaining 46.1% of our towers were located outside of Java, which we believe makes us an attractive partner for expansion outside of Java as telecommunications operators look to expand coverage. Our existing 521 microcell towers as of December 31, 2016, and our ability to deploy microcell sites and BTS hotel solutions, in Jakarta and expansion to other large cities allows us to serve the needs of telecommunications operators to fill gaps in coverage and increase capacity with fast deployment and lower capital expenditure per tower;

- We have a track record of high quality execution, evidenced by our having successfully built 6,087 B2S towers (net of dismantled towers) since March 31, 2007. We believe that our experienced team of network planning engineers and strong relationships with suppliers and contractors allow us to swiftly fulfill B2S orders and co-locations; and

- We have strong relationships with all major Indonesian telecommunications operators, with a deep understanding of their requirements and coverage expansion plans, which means we are well positioned to serve their needs in the future.

We also believe that synergies with the Djarum Group, which have become new customers for iForte's fiber and VSAT businesses, will continue to provide opportunities to grow our business.

Buy

Except for the two largest independent tower providers, the competitive landscape of the tower industry in Indonesia is fragmented, with several smaller players, the shareholders of which may consider monetizing their investments as lack of scale and capital challenges growth. Telecommunications operators, notwithstanding past sales, continue to own significant numbers of towers, and these operators may continue to monetize their tower portfolios either through tower or equity sales. We believe that we are well-positioned to participate in the consolidation of the tower sector, due to, among others, our:

- strong capital position, which means that we have balance sheet capacity to execute future acquisitions without raising new equity. We seek to maintain this position through, among other things, maintaining our investment grade rating;

- healthy cash flow position, which should allow us to quickly deleverage following acquisitions;

- experienced management team, which has demonstrated its ability to pursue accretive transactions and extract synergies;

- strong relationships with telecommunications operators and other stakeholders allowing us to source potential portfolio acquisition opportunities; and

- supportive sponsor with a long-term view of the industry.

Return

The Company's Board of Directors currently intends to seek Shareholder approval to pay a dividend of Rp.700.0 billion with respect to profits generated in 2016. Pursuant to our dividend policy, we aim to maintain this amount as an annual baseline for our dividends going forward, provided that the recommendation, amount and payment of dividends by the Company will ultimately be at the discretion of the Board of Directors (and subject to approval from our Shareholders) based on factors at the relevant time, including the Company's revenues, cash flows, liabilities, financial condition, investment plan and growth opportunities.

Although we plan to continue to prioritize growth through our "Build" and "Buy" strategies, we will actively monitor our industry landscape and in light of our target leverage ratio of approximately 2.5 – 3.0 times EBITDA, consider shareholder return strategies, such as paying special dividends or effecting share buybacks. We believe that our industry leading position and strong capital structure provide compelling opportunities for growth to our shareholders going forward.

Further reduce the Company's cost of capital

We seek to maintain our investment grade status, which we believe, along with our corporate reputation and strong shareholder support, will help us to further reduce our cost of borrowing. We also plan to increase liquidity in our shares. We also believe that increased liquidity can provide us with an attractive acquisition currency that could prove useful and support our strategy of considering inorganic opportunities, including as a result of any potential industry consolidation.

Tower Portfolio

Telecommunications Towers

Our tower site portfolio consists principally of four-legged ground-based towers typically ranging in height from 30 to 72 meters, as well as rooftop towers and monopoles.

A tower can be either self-supporting or supported by guy wires. There are two types of self-supporting towers: lattice and monopole. A lattice tower is generally tapered from the base upwards and has three or four legs. A monopole is a tubular structure that is generally used in places where there are space constraints or aesthetic concerns. Generally, a tower site consists of a compound located on the ground or rooftop surrounding the tower and an equipment shelter that houses a variety of transmitting, receiving and switching equipment used by telecommunications operators. Rooftop towers are more common in urban areas where tall buildings are more common and high traffic density generally requires multiple towers. One advantage of a rooftop tower is that it can typically be installed without undergoing an extensive permitting and approval processes. In addition, the installation of free-standing tower structures in urban areas is often undesirable or difficult due to zoning restrictions, land availability and relatively higher site acquisition costs.

A tower's location, height and loading capacity in terms of the number of antennas that can be supported by the tower at certain wind speeds, determine its desirability to telecommunications operators. An antenna's height on a tower and the tower's location determine the line-of-sight of such an antenna with the horizon. The technology and type of transmitting equipment used by the telecommunications operator determine the transmitted signal distance. The specific equipment used by telecommunications operators is also an important factor in determining the requisite height for a tower. In light of the above factors, the tower's location is the most important factor in determining its desirability and functionality for a telecommunications operator.

In addition, through iForte, we operate microcell sites primarily in Jakarta and other high density urban areas. Our microcell sites are pole sites typically less than 30 meters in height and are used in order fill coverage gaps between other towers (towers taller than 30 meters) and to increase network capacity in dense areas. Our microcell sites currently are comprised of free-standing towers, though in the future we plan to potentially add sites on existing infrastructure such as traffic lights. We also provide BTS hotels, which are BTS aggregator sites connected by fiber optic fronthaul from multiple remote radio units on microcell sites, which are connected to a fiber optic backhaul transmission network. A single BTS hotel can serve towers within 20 kilometers of fiber length. We offer our customers a number of options with respect to our microcell sites. These range from pole space only to a full BTS hotel solution. In a full BTS hotel solution we provide pole space, fiber, antennas and other equipment including remote radio units, and the operator simply places its BTS at the BTS hotel and is able to gain coverage for the area covered by the towers connected to the BTS hotel.

As of December 31, 2016, our tower site portfolio and related assets in Indonesia consisted of 12,116 free-standing ground based towers (including both micro and macro towers), 2,446 rooftop towers and seven BTS hotels.

Locations of Towers

The most important factor that affects the demand for space on a tower is the location of the tower. Our young tower portfolio is the largest in Indonesia among independent tower operators. The majority of our tower sites are not located near competing tower sites. Competition between sites is affected, in part, by whether the towers are located in dense urban, urban, suburban or rural areas. As of December 31, 2016, we owned and operated 14,562 towers in Indonesia, including 7,853 towers in Java, Indonesia's most populous island and where its capital, Jakarta, is located. Below is a table setting out the number of tower sites that we have in each of the major regions in Indonesia as of December 31, 2016:

Region	Number of Tower Sites	Percentage of Total Tower Sites (%)
Java	7,853	53.9
Sumatra	3,006	20.6
Kalimantan	1,409	9.7
Sulawesi	1,212	8.3

Bali	453	3.1
Riau Islands	173	1.2
Nusa Tenggara	217	1.5
Bangka Belitung Islands	108	0.7
Other	131	1.0
Total	14,562	100.0

Age of Tower Portfolio

We believe that we have a young tower portfolio. The industry accepted depreciable life of a tower is 20 years, but we believe the actual life of a tower can be longer if properly maintained, and we generally expect that our towers will not need to be replaced in the near future. In addition, we believe that we have greater co-location potential compared to other Indonesian tower operators because there is less overlap of coverage with tower portfolios owned by other tower operators. The vast majority of our towers were designed for multiple tenants and medium to heavy equipment loading and are therefore capable of accommodating four or more tenants and are generally easier to upgrade to accommodate additional tenants at minimal expense.

Size of Tower Portfolio

We have grown significantly since our current major shareholders assumed control over our company in 2008 and have increased our tower portfolio from 232 towers in March 31, 2007 to 14,562 towers as of December 31, 2016 through a combination of acquisitions and the construction of new towers.

Acquisitions

Our significant acquisitions have included:

- *Acquisition of towers from PT XL Axiata Tbk*: In June 2016, we completed the purchase of 2,500 towers from XL pursuant to an asset purchase agreement entered into on March 28, 2016 ("Asset Purchase Agreement"). Concurrently with the execution of the Asset Purchase Agreement, we entered into an MLA with XL for the leaseback of space by XL on 2,433 of the towers for an initial period of 10 years. The consideration for the purchase of the XL towers was Rp.3,568 billion.

- *Acquisition of PT iForte Solusi Infotek*: In 2015, we purchased iForte, a leading microcell tower and fiber services provider in Indonesia with 437 microcell towers and 7 BTS hotels in operation at the time of purchase.

- *Acquisition of towers from H3i*: We also purchased a total of 5,060 towers (net of towers we have dismantled) from H3i since March 2008 pursuant to two tower transfer agreements. The first tower transfer agreement was entered into in March 2008 to acquire up to 3,692 towers over a two year period, under which we acquired 3,603 towers. The second tower transfer agreement was entered into in December 2010 whereby we agreed to acquire 1,482 tower sites in Indonesia from H3i. In December 2013, we entered into a closing agreement pursuant to which the number of tower sites to be acquired by us from H3i was increased to 1,500. The acquisition of all such towers was completed by December 2013.

In addition, since 2007, we have acquired several small tower portfolios from small-scale independent tower providers and made other smaller scale purchases. We acquired 189 tower sites from PT Central Investindo and PT Mitra Karya Propertindo, pursuant to an asset purchase agreement entered into in 2012. In 2012, we acquired a portfolio of 261 towers from Royal KPN N.V., a leading telecommunications service provider in The Netherlands, which we subsequently sold in 2016.

New Towers Constructed by Us

In addition to towers that we have acquired, as of December 31, 2016, we have also built 6,087 towers. The table below summarizes the number of towers we built and acquired through December 31, 2016, excluding the towers purchased from Royal KPN N.V. in the Netherlands which we sold in 2016 and towers we have dismantled.

	Number of Towers
Acquisition of towers from small tower providers	915
Acquisition of towers from XL..	2,500
Acquisition of towers from H3i..	5,060
Towers built for telecommunications operators, such as Telkomsel, Smartfren, XL, Indosat and H3i..	6,087
As of December 31, 2016	**14,562**

Our Services

Our experience in the tower industry has helped us tailor our services to the needs of telecommunications operators.

Build-to-Suit ("B2S") Program

We actively develop our portofolio through the construction of new tower sites through our B2S program. Based on pre-negotiation of B2S agreements with major telecommunications operators, we receive construction orders to build new towers. Once built we lease space on the tower to the operator that ordered the tower as the anchor tenant. Although the tower location and its parameters are generally determined by the anchor tenant, we have the right to co-locate additional tenants on the tower.

The B2S process begins when the customer provides a purchase order or other similar order which includes the proposed location, antenna height, coverage, and details on the type of antennas and other equipment that will be installed on the tower. After we receive a purchase order, we and our customer determine a completion schedule which varies depending on the geographical location of the tower, customer priority, site acquisition and development complexities, and time required to obtain the approval of the building permit. Once agreed, we identify potential sites and share these with the customer through a report. The customer evaluates the report and formally approves the candidate site and completes the antenna configuration. We then evaluate the site, perform a technical survey, and conduct further diligence as appropriate on the site before starting the B2S process.

We continue the B2S process by acquiring the land, processing community permits, and IMB. After the anchor tenant signs the site lease, we confirm the ownership documentation of the landlord and sign aground lease for the site. We are responsible for obtaining the necessary permits from the local community and all building permits. We complete the compound construction, tower foundations, fences, electric meter, access roads, tower construction, and equipment pad construction. Once construction is completed, we issue a Ready For Installation ("RFI") certificate stating that the anchor tenant may install its equipment on the tower and land at the site. The lease commences upon the issuance of the RFI certificate after which the anchor tenant installs and activates its equipment on the tower.

Site Rental

We rent space on our towers to, and have entered into MLAs with, all major telecommunications operators in Indonesia. Our towers are rented with accompanying ground space at each tower site for shelters and cabinets that house electronic equipment and power supplies. As of December 31, 2016, we had 24,144 site leases with customers.

We receive lease fees for the rental of space on our towers for the equipment and antennas of telecommunications operators. Since we only build or acquire towers for which we have secured an anchor tenant, all of our operational towers currently have one or more tenants, and thus all of our operational towers have at least one tenant that is generating revenue.

These MLAs govern each underlying site lease with our customers with respect to the installation of equipment at a tower site. Our site leases generally have initial terms of 10 or 12 years with typical renewal terms of 10 years at the option of the telecommunications operator. Leases can only be cancelled for cause, and lease fees from customers are paid in advance either annually, quarterly or monthly depending on the terms of the relevant MLA. We generally expect our customers to renew their site leases with us because suitable alternative towers may not be available and relocating their equipment is expensive and often requires reconfiguring several other towers within their network.

Repositioning a tower site may adversely impact the telecommunications operator's network quality and coverage due to the resulting gaps in network coverage and network disruptions and may also require the telecommunications operator to obtain additional governmental permits. The amount and currency denomination of the lease fees are set forth in the respective MLA for each customer. Payments under are MLAs are generally in Indonesian Rupiah except under our MLA with H3i where payments for lease fees are denominated in U.S. dollars. The majority of our MLAs and site leases include escalation provisions that result in a periodic increase in the lease fee, typically on an annual basis, and are based on the rate of inflation in Indonesia as measured by the increase in the consumer price index published by Statistics Indonesia (*Badan Pusat Statistik*).

We aim to add co-locations at each of our towers in order to earn additional revenues.

The co-location process begins with an analysis which identifies space available on existing towers in the location required by the customer based on a co-location application submitted by the customer to us. The co-location application contains details regarding the customer's technical requirements for each leased location. Once we review the application, a joint site visit with the customer is arranged, during which our technical team will evaluate the site in order to confirm it will meet the customer's requirements, including with respect to permits, any required tower strengthening or upgrades, ground development, or adding additional height. If the tower requires strengthening or upgrades, we generally hire third-party contractors to perform such services. Once the site is ready for co-location, an RFI certificate is issued by us, and the customer is immediately allowed to begin the installation and activation of its telecommunication equipment. The lease commences with the issuance of an RFI certificate.

Network Design and Site Development

We design, build (with the assistance of contractors), own and operate our towers. We have developed in-house expertise with respect to value-added services that we offer to the wireless communications industry. Such services include network design and site selection, site acquisition, site development and site construction. Because we provide total infrastructure systems with "end-to-end" design, construction and operating expertise, we offer our customers the flexibility of choosing between the provision of a complete ready-to-operate network infrastructure that we own, or any of the value-added component services involved therein.

Our senior management team has extensive experience in assisting telecommunications operators to design and engineer their networks to ensure compatibility with our tower portfolio. We maintain sophisticated network design services that are primarily aimed at supporting the site selection and construction of towers.

Site Acquisition

We engage in site acquisition activities for our own tower development purposes. Based on data generated in the network design and site selection process, a "search ring" is issued to the site acquisition department for verification of land acquisition candidates within the search ring. Most of the land upon which our towers are built is acquired through long-term ground leases with the land owner. Within each search ring, geographic information systems specialists select the most suitable sites based on available space, demographics, traffic patterns and signal characteristics of the technology used. Once a site is selected and the terms of a ground lease for the site have been negotiated and agreed upon, a survey is prepared and a site plan is created. Applications are then submitted to the local authorities for the necessary permits and approvals and, upon receipt of such permits and approvals, a pre-approved contractor commences construction of the tower.

Site Development and Construction

We have extensive experience in the development and construction of tower sites. Our site development and construction services include clearing sites, laying foundations and electrical and telecommunications lines, and constructing equipment shelters and towers through third-party contractors. We are well-equipped to provide cost-effective and timely completion of construction projects in part because our site development personnel have experience in all areas of site development, construction and engineering, and we rely on pre-approved contractors in Indonesia with whom it has conducted thorough technical, financial and legal due diligence screening and whom we periodically evaluate and review. Generally, we require 30 to 60 days to install a co-location and 60 to 180 days to construct a B2S tower.

M-WIFO (Metropolitan Wireless Fiber Optic) services

Through iForte, we provide fiber broadband and VPN services to corporate customers, primarily in Jakarta. We have installed approximately 1,041 kilometers of fiber optic cable, installed underneath main streets and business districts in Jakarta metropolitan area and to a lesser extent in Surabaya, Bekasi and Semarang and have also installed 1,099 kilometers of fiber optic cable along the Jakarta to Surabaya northern route. We also have 1,384 kilometers of fiber optic cable under construction along the Jakarta to Surabaya southern route as of December 31, 2016.

VSAT services

Through iForte, we provide VSAT services to more than 90 VSAT clients at more than 500 sites. VSAT services offer a multi-service platform that can be suited for data, telephone and video communication and are mostly set up in remote areas with less ground-based coverage or to provide network redundancy for clients in urban areas.

Tower Capacity and Co-Locations

A substantial portion of our existing and future revenues depends on the increased demand for space on our towers from co-location tenants other than the anchor tenants on such towers. We actively market available space on our towers to telecommunications operators, the demand for which is influenced by several factors, including:

- existing network coverage and expansion plans;
- the speed at which telecommunications operators expand coverage and increase capacity in a particular location, as co-location on an existing tower owned by an independent tower operator is much faster than building a new tower;
- increasing consumer demand for wireless services resulting in demands on, and need to expand, network capacity;
- desire by telecommunication operators to improve network quality;
- the financial condition of the telecommunications operator and their preference for leasing compared to owning tower space, as less capital expenditure is required for co-locating on an existing tower compared to constructing, owning and operating new towers;
- applicable regulations;
- economic conditions in Indonesia and the wireless communications industry, including the growth of the wireless communications industry, industry consolidation and availability of financing;
- the willingness of telecommunications operators that own their own towers to share their towers or active equipment with other telecommunications operators; and
- the willingness of telecommunications operators to co-locate equipment on towers owned by competing telecommunications operator as opposed to with independent tower operators such as Protelindo.

The number of tenants that our towers can accommodate varies depending on their location, height, and structural capacity at certain wind speeds.

A significant number of our towers have capacity for the installation of additional equipment and would not likely require investments in structural improvements to accommodate an additional tenancy. Due to the expertise and experience of our engineering team, nearly all of our towers can be upgraded to accommodate additional tenants or equipment. As the costs to upgrade a tower are minimal, the payback period for our net additional capital investment is generally short.

Customers

Our customers include all major telecommunications operators in Indonesia: Telkomsel, XL, Indosat, and H3i.

The following table shows the revenue derived from, and percentage revenue contribution of, our top three customers during the years ended December 31, 2014, 2015 and 2016:

	For the year ended December 31,						
	2014		2015		2016		
	Rp.	%	Rp.	%	Rp.	US$ (unaudited)	%
	(Rp. in billions and US$ in millions, except percentages)						
H3i	1,593.6	38.8	1,714.1	38.3	1,968.8	146.5	39.0
XL	825.6	20.1	889.8	19.9	1,066.8	79.4	21.1
Telkomsel	770.2	18.8	899.4	20.1	983.6	73.2	19.5
Total	3,189.5	77.7	3,503.3	78.3	4,019.2	299.1	79.5

79.5% of our total revenues for 2016 were derived from three customers. Historically, H3i had contributed the largest proportion of our total revenues. We expect the proportion of our revenues from H3i to decrease in the future as our tenancy profile becomes more diversified, especially on the 6,660 towers on which H3i is currently the anchor tenant and also as a result of increased revenue from XL as a result of our acquisition of 2,500 towers from XL in 2016. For a discussion of certain risks associated with the concentration of the Company's customer base, see "*Investment Considerations — A substantial portion of our revenue is derived from a small number of customers and we are exposed to risks related to the creditworthiness of our customers.*"

Our customers for iForte's fiber broadband business include Djarum Group companies, as well as a number of multi-national companies and other businesses primarily in Jakarta. For iForte's VSAT business, key clients include government, mining, maritime, farming and plantation sector companies as well as banking industry customers for communications applications.

Sales and Marketing

We market available co-locations on our towers to existing and potential customers in order to maximize the number of customers installed on each tower and earn additional revenues.

We gather data for each telecommunications operator's network expansion plans and, using our proprietary software, determine which of our existing towers are located in areas that meet our customers' network expansion plans and subsequently providing these operators with the relevant information. We believe our proprietary database and ability to perform mapping and network design services provides key strategic advantages when seeking to increase co-locations on our towers.

We develop marketing strategies that are specific to each telecommunications operator and regularly meet with each telecommunications operator's network design teams to understand their requirements and market available space on our towers.

We present each telecommunications operator with timelines for implementing their co-locations and the installation of their equipment and strive to meet such timelines and outperform our competitors. We aim to provide suitable tower space in response to every request for installation we receive from a telecommunications operator.

We have 94 marketing sales and leasing staff as of December 31, 2016, to whom we provide ongoing training in sales and mapping to maximize the co-location opportunities on our towers.

Competition

We face substantial competition and pricing pressure in the tower leasing industry. Our customers have numerous alternatives for leasing tower space, including from major Indonesian telecommunications operators that own and lease space on their towers, such as Telkomsel Dayamitra (a subsidiary of Telkom), Indosat, and XL, and independent tower providers such as PT Tower Bersama Infrastructure Tbk., and PT Solusi Tunas Pratama Tbk. as well as small independent tower providers.

As the tower industry is capital intensive, requires strong operational capabilities and strong relationships with telecommunications operators, there are significant barriers to entry to our industry. See "Business — Competitive Strengths — Largest independent tower provider in one of the most attractive telecommunications tower markets globally". As a result, we do not expect significant competition from potential new entrants to the tower industry.

In order to maintain our position in our industry, we aim to maintain the customer satisfaction by providing a high level of service, build long-term relationships with telecommunication operators and consistently meet the needs of our customers. Given the size of our tower portfolio as well and the locations of our towers, we are able to provide our customers with the ability to enter into new areas quickly and expand their network coverage.

We believe competition in the Indonesian tower leasing industry is driven by, among others, tower location, relationships with telecommunications operators, tower quality, pricing, size of tower portfolio and speed to market of new towers. Therefore, our strategy is to understand the telecommunications operator's coverage and capacity needs and offer available space on our towers that meets their requirements.

Contractors

We hire a large number of contractors who perform construction, consultancy, electrical connection, site acquisition, engineering, tower reinforcement, shelter, maintenance and security services. These contractors are based throughout Indonesia, and we believe our relationships with them gives us access to some of the most qualified workers in Indonesia. Each of our contractors undergoes a strict screening process that involves technical, financial and legal evaluations before they are hired in addition to periodical reviews. Based on our extensive experience in the tower business, we have established a proprietary scope of work and a set of quality control procedures for each of our contractors to follow. All contractors sign our standard form contract under which specific assignments and prices are agreed to in individual purchase orders.

Maintenance and Security

Maintenance of our towers is performed under a proprietary scope of work that we have developed and is supervised by our management personnel. The day-to-day maintenance of our towers, which encompasses both preventive and corrective maintenance, is outsourced under monthly, fixed-fee contracts. We conduct individual site audits on a periodic basis for quality control purposes and to ensure that our towers are functioning properly and being maintained to our standards.

Our security team implements a crisis management protocol in conjunction with external security partners, which provide us with corporate risk management as well as field security services. As of December 31, 2016, we had contracts with approximately 2,774 site keepers who monitor and manage our tower sites, as well as other partners to whom we had outsourced field security on a site by site basis.

In order to ensure that our operations, maintenance and customer service are conducted in the most efficient manner possible, we groups our towers into regional clusters.

Properties and Licenses

We are responsible for obtaining ground leases for each of our towers. The initial term of our standard ground leases is generally up to 20 years (divided into 5-10 year initial terms with 5-10 year extension terms at our option following the expiration of the initial term), and we generally prepay for a period of five to 10 years in advance, with the option to renew. As of December 31, 2016, we had 14,095 ground leases and the average remaining term of those leases (including the renewal terms at our option) was approximately 11.21 years. The average ground space covered by our ground leases is approximately 139 square meters. We typically begin negotiations for ground lease renewals two years prior to expiry. In certain cases where we have been unable to renew prior to expiry of the ground lease, we continue negotiating with the lessor after the term expires while we continue operations at the site, and if we are unable to agree on renewal terms, we dismantle and relocate the tower.

We are also responsible for securing licenses for each of our towers. In general, most telecommunications towers in Indonesia require a construction permit, and we have a team dedicated to obtaining and maintaining these permits. See " Investment Considerations — The Company does not have, and may have difficulty obtaining, the required licenses and permits for some of its towers, and its existing licenses and permits may be amended or revoked or may not be renewed."

All tower providers are required to possess, for each ground-based tower, a license to build and operate the tower in the form of a building permit, or IMB. The construction and operation of a rooftop tower generally does not require an IMB. An IMB is issued by the relevant Regent/Major or, in the case of Jakarta, by the Governor, in line with the zoning regulations for the relevant areas. The Joint Regulation also states that an IMB for a ground-based tower does not expire in so far as there are no changes to the construction of the tower. However, the tower provider is required to assess annually the "construction worthiness" of the tower and report the findings to the authorities.

The construction of a telecommunications tower requires the prior approval of each household in the surrounding community that is entirely or partially located within a radius from the tower equal to the height of the tower. Once all requisite household approvals have been obtained, an application is made to the local authorities for separate licenses and approvals for the towers. The tower provider company is required to seek and obtain the requisite consent from the households prior to the commencement of tower construction. If such consent is not obtained, the local authorities may issue notices for the towers to be dismantled and removed.

Corporate Social Responsibility ("CSR")

Our corporate social responsibility, or CSR, initiatives include activities conducted in order to have a positive impact on the environment, our employees and the communities we serve. We set up a CSR committee in 2013 in order to implement our CSR initiatives.

Our CSR programs focus on three main areas: education, disaster relief and social and natural conservation. Through these programs, we provide financial support to students and schools, contribute directly to communities impacted by flooding, volcanoes and haze and build infrastructure such as clean water facilities, roads and parks. We also engage in forest protection programs and donate to a sun bear reserve in Kalimantan. We also conduct programs to encourage employees to engage in corporate social responsibility programs.

The table below sets forth certain of our CSR activities.

CSR Program	City / Organization
Donations for flood disaster relief	Medan
Distributed around 16,500 masks for haze relief	South Sumatera, Central Kalimantan and East Kalimantan
Donations to support firefighting effort	East Kalimantan
Provision of scholarship programs in corporation with two foundations to support high school students totalling 84 schools and 868 students	Jepara, Semarang, Tangerang, Makasar, Solo, Malang, Pati, Semarang, Banjarmasin, Deli Serdang, Garut, Sukabumi, Toraja , Banda Aceh, Bandung, Boyolali, Cirebon, Surabaya, Jambi, Banjar, Bogor, Garut, Bandar Lampung and Sukabumi.
Donated computers for eight schools and nine other educational institutions.	Garut, Makasar, Sukabumi, Tana Toraja, Lampung, Malang, Pati, Tangerang, Communities in Bekasi, Banyumas, Kudus, Samarinda, Pangandaran, Garut and The Indonesia Mengajar Foundation

Granted scholarships to 76 university students	University of Indonesia, Academy of Telkom in Jakarta, Bandung Technology University, Sepuluh November Institute of Technology, Telkom University, University Malikussaleh in Aceh, University Khairun in Maluku, UKI in Toraja, University Science & Technology Jayapura in Papua, University Musamus in Merauke and University Victory in Sorong.
Granted donations to 49 students to attend English courses as a preparation for further education	Java and Bali.

Legal Proceedings

We are periodically involved in legal proceedings that arise in the ordinary course of business. While the outcome of such proceedings cannot be predicted with certainty, we do not expect an adverse decision with respect to any pending matters to have a material adverse effect on our financial condition or results of operations.

Employees

As of December 31, 2016, we had 770 permanent employees, of which 253 were in administrative positions, 66 were in marketing, sales and leasing positions, and 451 were in technical positions. Our employees are non-unionized.

Insurance

We maintain industry specific risk insurance policies for our towers and related assets. We also carry terrorism and sabotage insurance and public liability insurance**.** We consider such insurance coverage to be adequate and in accordance with customary industry practices.

Intellectual Property

We have registered our trademarks and service marks that we believe are necessary to operate our business.

INVESTMENT CONSIDERATIONS

Our business, financial condition and results of operations could be materially and adversely affected by any of the risks set forth below.

We face substantial competition and pricing pressure in the tower leasing industry.

We face substantial competition and pricing pressure in the tower leasing industry. Our customers have numerous alternatives for leasing tower space, including from major Indonesian telecommunications operators, such as Telkomsel, Dayamitra Telekomunikasi (a subsidiary of Telkom), Indosat and XL, independent tower providers such as PT Tower Bersama Infrastructure Tbk and PT Solusi Tunas Pratama Tbk, and a significant number of independent tower companies that operate smaller site portfolios. We believe competition in the Indonesian tower leasing industry is driven by, among others, tower location, relationships with telecommunications operators, tower and service quality, pricing, size of tower portfolio and speed to market of new towers.

In addition, the major telecommunications operators in Indonesia may have greater financial resources and also operate large tower portfolios. Indonesian telecommunications operators also share towers of other Indonesian telecommunications operators or their respective affiliates rather than leasing tower space from independent tower operators like us, and therefore compete with us. For example, Telkomsel, Indosat and XL lease space on their towers to other telecommunications operators. In addition, major telecommunications operators could discontinue pursuing their "asset light" strategies which have led them to dispose of significant portions of their tower portfolios to independent tower providers such as us, and instead choose to retain or expand their own tower portfolios. Any adverse change in the demand for tower space from independent tower operators could adversely affect our business, prospects, results of operations and financial condition.

Pricing pressures in the tower leasing industry could adversely affect our business, prospects, results of operations and financial condition and could result in new and existing customers demanding lower prices, our existing customers not renewing their leases, or new customers leasing towers from competitors and not from us. Failure to retain or attract new customers due to pricing or other factors could adversely affect our business and prospects, and increased competition could make the acquisition of high quality tower assets more costly. We cannot assure you that these competitive pressures in our industry will not adversely affect our business.

In addition, in recent years a number of major telecommunications operators have sold significant portions of their tower portfolios to independent tower providers in sale and leaseback transactions, including our purchase of 2,500 towers from XL in 2016. To the extent major telecommunications operators engage in such sales in the future, and if we are unsuccessful in being selected as the buyer in such transactions, our competitive position and growth prospects could be adversely affected.

A substantial portion of our revenue is derived from a small number of customers and we are exposed to risks related to the creditworthiness of our customers.

As a business-to-business telecommunications infrastructure provider we derive a substantial portion of our revenues from a small number of customers. For the year ended December 31, 2016, our three largest customers contributed 79.5% of our revenues, with H3i contributing 39.0% of our revenue for that period. If H3i or any of our major customers is unwilling or unable to perform their obligations under our agreements with them, our business, prospects, results of operations and financial condition could be materially and adversely affected. In the ordinary course of business, we may occasionally experience disputes with our customers generally regarding the interpretation of terms in our leases and other agreements with customers. If we are forced to litigate or otherwise are unable to amicably resolve such disputes, our relationship with the customers involved could be adversely affected, which could lead to a decrease in our revenues and a material and adverse effect on our business, prospects, results of operations and financial condition.

Further, due to the long-term nature of our tenant leases (usually ten to 12 years), we, like others in the tower industry, also depend on the continued operational and financial strength of our customers. If one or more of our major customers experiences financial difficulties, we may experience significant deferred or uncollectible accounts receivable. In particular, because we receive a significant portion of our revenues from a limited number of customers, any events adversely affecting such customers' creditworthiness and their ability to meet their financial obligations to us would adversely affect our business, prospects, results of operations and financial condition. In the past, certain telecommunications operators in Indonesia have experienced financial difficulties. In addition, we have, in the past, experienced payment delays from certain customers and there can be no assurance that this will not occur again in the future.

We do not have, and may have difficulty obtaining the required licenses and permits for some of our towers, fiber optic cable network and VSATs and our existing licenses and permits may be inadequate, amended, revoked or not renewed.

Development and operation of a vast majority of our towers, including the construction of towers, requires licenses and permits issued by regional and local authorities, including but not limited to, IMB or IMBM, environmental permits, community permits (*Izin Warga*), nuisance permits and permits from the relevant public utilities and various other licenses and permits. These required licenses and permits are subject to review, interpretation, modification and termination by the relevant authorities and we may experience difficulties in obtaining and/or maintaining certain of these licenses and permits, which may require us to seek alternative sites and/or incur considerable effort and expense if a suitable alternative tower site is not available. We also require licenses to lay our fiber optic cable and to provide VSATs, and there can be no assurance that we will be successful in obtaining such licenses as needed for our expansion.

Although we generally seek and obtain the required licenses and permits prior to the commencement of tower construction, due to the long lead time between submission of an application and obtaining licenses and permits (including the license to construct or build (*Izin Mendirikan Bangunan* or IMB) or the license to construct and operate telecommunications towers (*Izin Mendirikan Bangunan Menara* or IMBM) as the case may be, and other permits) we, consistent with what we believe to be the common practice in our industry, sometimes proceed with, and sometimes complete, tower construction or acquisition, before all required licenses and permits have been formally obtained from the relevant authorities. We do this in order to meet specific goals for customer delivery or in certain cases have acquired towers which did not have the required permits at the time of acquisition. In general, IMBs or IMBMs which have been obtained for our ground-based tower would be applicable for an indefinite period to the extent that there are no changes to the construction of the towers - see "*Business Properties and Licenses*". Another difficulty that we have experienced while applying for an IMB or IMBM is that in certain areas, even though we have submitted our application for obtaining an IMB or IMBM, the relevant local authority has temporarily suspended the issuance of all IMBs or IMBMs and therefore does not give any consideration to our application for the relevant permit during the period of such suspension. Towers lacking a valid IMB or IMBM risk receiving notices requiring the tower to be dismantled or relocated from government agencies or local authorities.

In addition, approximately 10% of our tower sites that require an IMB or IMBM do not have the required IMB or IMBM. These tower sites include, among others, tower sites which we have acquired from telecommunication operators or other tower providers. With respect to tower sites that we have acquired, although the original obligation to obtain these permits was with the previous owner of the tower sites, we are now required to obtain these permits, and have established a specifically dedicated department which is responsible for monitoring, obtaining and maintaining the IMB or IMBM for our tower sites, including these sites.

Authorities in DKI Jakarta, Bali, Bandung, Yogyakarta and other regions have recently taken enforcement action against other tower providers by forcing such tower providers to dismantle non-compliant towers. We cannot assure you that government agencies or local authorities will not require us to dismantle, remove or relocate towers and/or impose other penalties or sanctions on us, such as reprimands, warnings and fines, for lacking the required licenses or permits, or for any actual or alleged non-compliance with local regulations.

Further, under the Joint Regulation (as described below), a nuisance permit is a prerequisite document when applying for an IMB or IMBM for towers which have a backup power generator and such nuisance permit remains valid indefinitely so long as we continue to conduct our business of operating towers in the ordinary course – see "*Business Properties and Licenses*". Therefore, certain of our tower sites have IMBs or IMBMs and do not have nuisance permits since those tower sites do not provide backup power generators. To the extent that in the future we are found to have sites with backup power generators that do not have a nuisance permit then we would be unable to use our backup generator at the relevant site which could adversely affect our customer's operations at the site and our ability to perform our obligations under the site lease agreement for the site.

Our business activities do not produce any hazardous waste and there is no specific provision under Indonesian law which requires that a tower company (either a tower provider, tower manager or tower contractor) must obtain an environmental permit. However, in practice, certain regulatory or local authorities have required a valid environmental permit as one of the supporting documents required in order to obtain an IMB or IMBM. In addition, given that we own towers at numerous sites, in the event that we are held responsible for contamination by hazardous materials at our sites, we could be liable for substantial costs of remediating soil and groundwater contaminated by hazardous materials, without regard to whether we knew of or were actually responsible for the contamination. Environmental requirements in Indonesia vary from region to region and may be subject to change and uncertainty, and as such, we cannot assure you that we are, and at all times have been, in complete compliance with all environmental requirements. As a result, if we are not in compliance with such requirements, we could be subject to significant fines or penalties.

Also, a failure to obtain or maintain required approvals, licenses and permits may constitute a breach of our obligations under a certain number of our tenant lease agreements which, in turn, gives the tenant of such site a right to terminate the lease if such breach is not remedied within a specified period. Further, the requirements of the laws and regulations that we are subject to are complex, change frequently and could become more stringent in the future. Although we have established a department which is responsible for obtaining, monitoring and maintaining the IMB or IMBM for our tower sites , it is possible that the requirements we are subject to will change or that liabilities will arise in the future in a manner that could have a material adverse effect on our business, results of operations or financial condition.

Any of the foregoing could have material adverse effects on our business, financial condition, results of operations and prospects. If we lose any of our licenses or permits, our business, prospects, results of operations and financial condition could be materially and adversely affected. See "*Business Properties and Licenses.*"

Our business activities may be negatively affected by any adverse changes in the interpretation and implementation of regional regulations and uncertain legislation.

Indonesia's tower leasing industry is subject to various laws and regulations that regulate the development and use of towers. On March 17, 2008 the Minister of Communication and Information Technology (currently named Minister of Communication and Informatics) ("MOCI") promulgated MOCI Regulation No. 2/PER/M.KOMINFO/3/2008 regarding Guidelines on the Construction and Utilization of Shared Telecommunications Towers (the "MOCI Regulation"), and on March 30, 2009 the Ministry of Domestic Affairs, the Ministry of Public Works, the Ministry of Informatics and Communication and the Head of the Capital Investment Board passed regulations No. 07/PRT/M/2009, No. 19/PER/M.KOMINFO/03/2009, and No.3/P/2009 regarding Guidelines for the Construction and Shared Utilization of Telecommunication Towers (the "Joint Regulation"). Such regulations have caused, and will continue to cause, uncertainty in our industry because limited precedent or guidance exists regarding their interpretation and implementation. New regulations or the adverse implementation and interpretation of existing regulations, could have a material adverse effect on our business, prospects, results of operations and financial condition.

We endeavor to apply for and obtain all IMBs and other required permits for the construction of our towers in DKI Jakarta and elsewhere in Indonesia. However, as is common among tower operators, we have not been able to obtain all required permits (such as IMB, *Izin Gangguan* or Nuisance Permit, *Izin Warga* or Community Permit). On February 2014, the Governor of DKI Jakarta promulgated Governor Regulation No. 14 of 2014 regarding Implementation of Telecommunication Towers Activity in the province of DKI Jakarta ("Regulation No. 14/2014"). Regulation No. 14/2014 is intended to be a guideline for carrying out the operations of telecommunication towers and is aimed at achieving, among others, legal certainty in connection with the needs of the telecommunication operators to construct telecommunication towers within the location and form as determined by the relevant regional government authority. Regulation No. 14/2014 stipulates that any construction of towers in the province of DKI Jakarta must be within the "Master Plan" for the city's zoning. A telecommunication tower that is located outside the city's zoning Master Plan and which is yet to obtain an IMB, will be granted a transition period of one year of operation, following the lapse of which, the relevant authority will enforce and dismantle such telecommunication towers. Regulation No 14/2014 also regulates the Reference Map for the Distribution of Shared Telecommunications Towers for the Placement of Macro Cellular Antennas (*macrocell*) in DKI Jakarta. Certain of our telecomunnication towers are located outside the Master Plan, and we may need to remove such affected towers or otherwise relocate such towers to another area covered under the Master Plan. Removing or relocating towers may cause us to incur additional costs, including but not limited to amounts payable to our tenants and costs for ground leases. These additional costs may be higher given that the towers would be situated in an area within the Master Plan. In addition, other cities in Indonesia may implement similar plans in the future, which could adversely affect our business.

We have attempted and will continue to attempt to comply with the requirements of Regulation No. 14/2014; however, there is no guarantee that our towers will conform to the regulation or be included in the Master Plan or that we will not need to relocate or dismantle towers. If we are required to relocate or dismantle either (i) 10% or more of our towers based on a final, non-appealable order or judgment; or (ii) 15% or more of our towers based on any form of order or judgment by a competent authority; within the period of six consecutive months, this could give rise to an event of default under certain of our indebtedness, which potentially may cause an acceleration of repayment of such loans. In addition, certain of our site lease agreements require that we obtain and maintain the validity of the necessary licenses, permits, consents or permissions required by law in relation to the operation of our towers, such that failure to do so could, in certain circumstances, result in a termination of the relevant site lease.

Additionally, on September 15, 2009, the Government passed Law No. 28/2009 regarding Regional Taxes and Regional Retribution ("Law No. 28/2009") which on a later date, certain provisions of Law No. 28/2009 were revoked and declared null and void, namely (i) Article 157, Article 158 paragraph (2) - (9), and Article 159 pursuant to Law No. 23 of 2014 regarding Regional Government ("Law No. 23/2014"), which was later amended by Law No. 2 of 2015 regarding the Enactment of Government Regulation in lieu of Law No. 2 of 2014 regarding Amendment of Law No. 23/2014; (ii) Article 124 pursuant to Constitutional Court Decision No. 46/PUU-XII/2014 dated 26 May 2015; and (iii) Article 42 paragraph (2) point (g), pursuant to Constitutional Court Decision No. 52/PUU-IX/2011 dated 18 July 2011 with implementing regulations introduced on October 18, 2010 under Government Regulation No. 69 of 2010 on Procedures to Grant and Utilize Incentives for Regional Tax and Levy Collection ("GR 69/2010"). Under Law No. 28/2009, local governments can collect retribution payments as a service payment for both IMB and nuisance permits issued to a private entity. Local governments calculate retribution payments for IMBs and nuisance permits based on local regulated laws. The formula for calculating retribution payments for IMBs and nuisance permits varies from one local government to another. Further, we cannot assure you that the implementation of Law No. 28/2009, or local retribution collection regulations which might be issued, amended, modified, supplemented or revoked by local governments, will not further increase costs. These regulations and associated costs could have a material adverse effect on our business, prospects, results of operations and financial condition.

A decrease in demand for wireless communications or a decrease in demand for tower space or the failure to renew tower lease agreements could materially and adversely affect our business, prospects, results of operations and financial condition.

Our business and growth strategy is based on the expectation that the number of wireless communications services subscribers and wireless data usage in Indonesia will continue to increase. If the Indonesian wireless communications services industry does not continue to grow or grows at a slower than expected rate, our business, prospects, results of operations and financial condition will be adversely affected. Factors which may cause a decrease in demand for our services include:

- a decrease in telecommunication operators' capital expenditure;
- decreased growth in data usage or in the wireless communications industry generally;
- adverse developments with respect to governmental licensing of spectrum and telecommunications and other regulations or changes in government policies such as changes to the Indonesian National Broadband Plan;
- mergers or consolidations among telecommunications operators;
- increased use of network sharing, roaming or resale arrangements among telecommunications operators;
- delays or changes in the deployment of 3G, 4G or other communications technologies;

- new technologies such as wifi offloading or changes in technology which require less passive infrastructure for telecommunications operators;
- adverse shifting in the strategies of telecommunications operators with respect to owning or sharing space on towers;
- adverse developments in regard to zoning, environmental, health and other government regulations;
- decreased consumer demand for wireless communications services; and
- deterioration in the general financial condition of telecommunications operators as a result of declining tariffs or other factors.

Mergers or consolidation among our customers could have a material adverse effect on our business, prospects, results of operations and financial condition.

Indonesia's wireless communication industry has experienced consolidation and may continue to do so in the future. Significant consolidation among our existing or potential customers may result in reduced aggregate capital expenditures because the existing networks and expansion plans of many telecommunications operators overlap. If any such consolidation occurs, certain segments of our existing or potential customers' merged networks may be deemed to be redundant and these customers may attempt to eliminate such redundancies. See section 2.4 of the Analysys Mason Report for further details. Our results of operations and our growth prospects could be negatively impacted if a significant number of our existing leases are not renewed due to telecommunications operator consolidation. Similar consequences may occur if telecommunications operators begin to engage in extensive sharing, roaming or resale arrangements instead of leasing towers from independent tower providers.

We cannot assure you that Indonesian telecommunications operators will not experience further consolidation, which could result in a decline in growth and would adversely affect our business, prospects, results of operations and financial condition.

We may be unable to retain and attract key management and skilled personnel.

Our success depends, to a large extent, on our ability to retain the services of our key management and operational personnel. Attracting and retaining top-quality managerial talent is a significant challenge facing companies in Indonesia and in our industry in particular. Any failure to attract or retain high-quality management and operational personnel in key positions and functions could have a material adverse effect on our business, prospects, results of operations and financial condition. In addition, to the extent we expand our business through acquisitions, we may need to retain and integrate skilled employees from acquired companies. Our inability to successfully integrate, recruit, train, retain and motivate key skilled employees could have a material adverse effect on our business, prospects, results of operations and financial condition.

Failure to obtain financing on reasonable terms may adversely affect our business and growth strategy.

We require substantial amounts of capital to acquire, build and expand our tower portfolio. The amount and timing of future capital requirements may differ from our estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, or engineering/technical and regulatory changes.

We have in the past utilized debt financing and intend to continue to utilize debt financing to implement some of our expansion plans, which may include additional acquisitions. Our ability to obtain such financing on favorable commercial terms or at all will depend on a number of factors, including our financial condition, results of operations and cash flows, general market conditions in the tower leasing industry and economic, political and other conditions in Indonesia. To the extent we are unable to obtain such financing, our expansion plans, including potential acquisition opportunities, may not develop as planned, and our prospects could be adversely affected.

A certain number of our financing agreements contain certain covenants and other restrictions which may limit our ability to borrow additional funds, make capital expenditures and investments, declare dividends or repurchase our shares, engage in mergers or consolidations or incur liens, among other restrictions. We may also need the consent of some or all of our lenders to undertake some or all of these activities. We are subject to a number of risks associated with debt financing, including the risk that our cash flow from operations will be insufficient to meet required payments of principal and interest, foreign exchange risks with respect to our foreign currency-denominated debt, interest rate risk, and the risk that we may not be able to secure our indebtedness on favorable terms. We cannot assure you that we will be successful in negotiating with banks to roll-over or refinance existing debt or obtain sufficient credit, which may result in liquidity problems for us and a need to find alternate sources of funding. Our inability to obtain financing on reasonable terms could have a material adverse effect on our business, prospects, results of operations and financial condition.

Our ability to construct new towers depends on a number of factors beyond our control, such as the availability of, and our ability to lease ground or rooftop space.

Our ability to construct new tower sites depends on a number of factors, including our ability to successfully locate and lease ground space or acquire at commercially reasonable prices suitable locations for such towers, the availability of capital, customer network planning and our ability to obtain necessary licenses and permits. Identifying a location to establish a site requires expertise in communications infrastructure engineering, tower management and network consultancy. We cannot assure you that we will be successful in obtaining the right site location and constructing and acquiring new tower sites at the rate required to meet our and our customers' expansion plans. These factors could have a material adverse effect on our business, prospects, results of operations and financial condition.

We may be unable to effectively manage our growth, including through increasing the number of tenancies and the construction and acquisition of towers.

Our strategy for the growth of our business involves several components, including increasing our number of co-locations, constructing new tower sites and acquiring tower sites from independent tower providers and telecommunications operators. The execution of this strategy will depend on a number of factors, including our ability to identify and meet the network expansion requirements of telecommunications operators, our ability to construct towers in a timely and cost-effective manner, our ability to identify and reach agreement for suitable acquisitions on commercially reasonable terms, and our ability to secure financing to complete larger acquisitions and investments. We cannot assure you that our search for and examination of acquisition opportunities, and any related discussions with third parties, will lead to future acquisitions.

Our ability to grow through further acquisitions will also depend on a number of factors, including factors beyond our control, such as the willingness of large Indonesian telecommunications operators to engage with us in sale and leaseback transactions for their tower portfolios on terms that meet our return on investment criteria and our ability to maintain our relationships with the regulatory authorities to obtain any governmental approvals required for the expansion of our tower portfolio. In addition, an acquisition or investment transaction may expose us to unknown liabilities or risks without sufficient indemnities or other legal protections.

The execution of our growth strategy will be subject to risks and uncertainties, including our ability to:

- identify and meet the network expansion requirements of the telecommunications operators;
- identify new communication technologies and adapt to changes in customer demand;
- deploy B2S towers in a timely and cost-effective manner;
- deploy our fiber optic network into new areas or cities in accordance with our expansion plans, including obtaining the requisite permits and obtaining new business to provide sufficient return on our investment;
- identify and reach agreements for suitable acquisitions on commercially reasonable terms, including in the event of consolidation in our industry;
- secure financing to complete larger acquisitions on commercially reasonable terms or at all;
- generate sufficient cash to service our debt and control and finance our capital expenditures and operations;

- retain and acquire customers and accurately assess and meet their needs and market demands;
- competitively price our products and services;
- respond to changes in the regulatory environment in the tower-leasing industry; and
- attract, retain and train qualified personnel.

The success of our growth strategy depends on a number of external factors that are beyond our control. If we are unsuccessful in addressing any of the above risks and uncertainties, our business, prospects, results of operations and financial condition would be materially and adversely affected.

In addition, we expect our growth will place significant demands on our management and operational resources. In order to manage growth effectively, we may be required to implement and improve operational systems, procedures and internal controls on a timely basis. If we fail to do so, or if there are any present or future weaknesses in our internal control and monitoring systems that could result in inconsistent internal standard operating procedures, we may not be able to service our customers' needs, hire and retain new employees, pursue new business or operate our business effectively.

Any inability to protect our real property rights could adversely affect our business and operating results.

We lease nearly all of the parcels of land and property on which our towers are located. In general, the terms of our standard ground lease arrangements are for 20 years (divided into 5-10 year initial terms with 5-10 year extension terms at our option following the expiration of the initial term) and grant us the right to use the leased premises for our business. We prepay lease fees for periods of between five to ten years under our standard ground leases. The majority of our ground leases are leased under our standard lease agreements, while others, especially ground leases related to towers we have acquired, typically have ten year terms.

Any termination of our ground lease agreements, including, as a result of our actual or alleged non-compliance with their terms or any inability to renew such lease agreements on commercially reasonable terms, would interfere with our ability to operate our business and to generate revenues. The cost of dismantling and relocating our towers is significant and we may not be able to pass these costs on to our customers or prevent the disruption of our or their operations. If we are unable to secure, renew or protect our leasehold interest on which our tower sites are located on commercially acceptable terms for these or other reasons, our business, prospects, results of operations and financial condition would be adversely affected.

For various reasons, such as lack of or delays in obtaining necessary documentation, we may not always have the ability to access, analyze and verify all information regarding land title and related matters prior to entering into ground lease agreements for our tower sites. In the event of disputes relating to land title or other related matters, our ability to access and operate tower sites may be adversely affected. Any termination of our ground lease agreements may interfere with our ability to operate and generate revenues. If this were to happen at a material number of sites, our business, prospects, results of operations and financial condition would be adversely affected.

The expiration of a ground lease for a site could give rise to a termination right with respect to the relevant site lease agreement. Further, failure to renew of any ground lease in respect of a site with a current and valid site lease may result in costs associated with relocating the tenants under the site leases. From time to time we may also experience disputes with the lessors regarding the terms of the ground lease for our tower sites, which could affect our rights to access and operate the tower sites. The tenant will also generally have a right to cancel the site lease under such circumstances which would require us to remove and relocate our tower and/or reimburse our customers for relocation costs. Such consequences or sanctions could have a material adverse effect on our business, prospects, results of operation, and financial condition.

Our business is subject to government regulations and any changes in current or future laws or regulations could restrict our ability to carry on our business as we currently do.

Our business, and that of our customers, is subject to national, provincial and local regulation governing telecommunications as well as the construction and operation of towers. These regulations and opposition from local authorities and community organizations against construction in their communities can delay, prevent or increase the cost of new tower construction, modifications, additions of new antennas to a site, or site upgrades, thereby limiting our ability to respond to customer demands and requirements. In addition, certain licenses for the operation of our towers may be subjected to additional terms and conditions with which we cannot comply. As a result of general public concern over tower proliferation, some communities try to restrict tower construction or delay granting permits. Existing regulatory policies and changes in such policies may materially and adversely affect the associated timing or cost of such projects and additional regulations may be adopted which increase delays, or result in additional costs to us, or that prevent completion of our projects in certain locations. Any failure to complete new tower construction, modifications, additions of new antennas to a site, or site upgrades could harm our ability to add additional site space and maintain existing tenants, which could have an adverse effect on our business, prospects, results of operation, and financial condition.

The growth of our industry and business may be affected by certain government policies.

According to Analysys Mason, certain government projects and policies are expected to drive demand for additional tenancies in coming years. These include, the deployment of the "Palapa Ring", which aims to create an undersea fiber-optic cable network that will enable faster broadband connectivity across the entire Indonesian archipelago. However, the completion of this project is outside of our control and there can be no assurance that it will be completed on schedule or at all. The future of such projects and policies to be implemented could affect our growth prospects. In addition, Analysys Mason expects that active network sharing will, to some extent, be a driver of demand for additional tenancies as it reduces expansion costs for individual operators. Although the Ministry of Communications and Informatics has proposed amendments to existing telecommunications regulations to allow operators to share RAN infrastructure, there can be no assurance that such changes will be implemented or that if implemented, such changes would increase demand for our tenancies.

We may experience local community opposition to some of our tower sites.

We have experienced, and may in the future experience, local community opposition to our existing sites or the construction of new tower sites for various reasons, including aesthetic and alleged health concerns. As a result of such opposition we could in the future be required by the local authorities to dismantle and relocate certain towers, and even if we do not need to ultimately dismantle or relocate such towers, we could experience disruptions or incur costs during the course of, or in resolving, such opposition. In the past, we have experienced disruptions at towers due to local community opposition, and on a limited number of occassions, had customers relocate from the affected tower. If we are required to dismantle or relocate a material number of our towers and cannot locate replacement sites that are acceptable to our customers, this could materially and adversely affect our business, prospects, results of operations and financial condition.

We are exposed to interest rate risk.

As of December 31, 2016, 65.6% of our indebtedness is subject to floating interest rates. Changes in interest rates would cause our interest expense to fluctuate. If the interest rates on our indebtedness subject to floating rates increases, our interest expenses could increase, which in turn would affect our results of operations and margins. Our interest expenses were Rp.538.6 billion, Rp.503.5 billion and Rp.590.6 billion (US$44.0 million) for the years ended December 31, 2014, 2015 and 2016, respectively. In addition, our hedging policy may not adequately cover our exposure to interest rate fluctuations.

We may experience delays in construction or development of our fiber optic cable network or disruptions in our fiber optic cable network or downtime at our tower sites.

Through our subsidiary, iForte, we are planning to expand our construction and development of fiber optic cable networks to increase our capability of providing our services to a greater number of customers. However, excavation for fiber optic cable network construction in certain locations, particularly in Jakarta, has faced some obstacles such as local prohibitions on laying fiber optic cable in certain densely populated areas or overlapping underground cables. As such, the construction of such fiber optic cable networks may be delayed and such a delay could adversely affect our ability to attract new customers or retain existing customers, which, in turn, could have a material adverse effect on our business, prospects, results of operations and financial condition.

In addition, our fiber optic cable networks are laid out in public areas. As such, there is a risk that such cable networks may be damaged or otherwise disrupted by third parties. Such risks may decrease the service quality of our business, and have a negative impact on our ability to maintain existing customers, which, in turn, could have a material and adverse effect on our business, results of operations and financial condition.

Furthermore, a key factor in maintaining strong relationships with our customers is providing high quality service. To the extent our customers experience downtime as a result of our non-performance, our reputation could be adversely affect and we may be required to provide compensation, such as rental waivers, to our customers for such downtime under our MLAs.

Allegations of health risks from or related to radio emissions, and any lawsuits and publicity relating to them, regardless of merit, could adversely affect our operations.

There has been public speculation about potential health risks to individuals from exposure to electromagnetic fields from towers and wireless communications equipment. We cannot assure you that future studies of these health risks will not suggest a link between electromagnetic fields and health problems. This may subject us to legal action from individuals or otherwise adversely affect our business. Any negative public perception could slow the general growth of telecommunications operators and the tower industry. The potential connection between radio emissions and certain negative health effects has been the subject of substantial study by the scientific community in recent years, and numerous health-related lawsuits have been filed around the world against wireless carriers and wireless device manufacturers. These factors could have a material adverse effect on our business, prospects, results of operations and financial condition because it may lead to increased legal fees and reduced profits, or a disruption of our operations. We do not maintain any insurance with respect to these risks.

New technologies could make our tower leasing business less desirable to potential tenants and result in slower growth.

The development and implementation of new technologies designed to enhance wireless network efficiency could reduce the demand for tower-based wireless services and decrease telecommunications operators' demand for tower space. The emergence of alternative technologies could reduce the need for tower-based wireless services transmission and reception. As a result, the development and implementation of new or alternative technologies to a significant degree could have a material and adverse effect on our business, prospects, results of operations and financial condition.

Our business operations depend on the availability of an adequate and uninterrupted supply of electrical power.

The telecommunications operators' equipment on our towers requires an adequate and uninterrupted supply of electrical power to properly function. Our customers primarily depend on power supplied by PT Perusahaan Listrik Negara (Persero) ("PLN"). However, there are several areas in Indonesia where the electricity supply provided by PLN is inadequate. Although we are not generally required to supply electricity to our customers, in certain events, we agree to provide batteries and generators as the power supply to certain sites and the customer reimburses us for all associated payments related to such electricity. In such cases, if there are interruptions of supply of backup electrical power as agreed in our MLAs or site lease agreements our, and our customers' services at the relevant site, could be disrupted.

Our indebtedness could adversely affect our business, prospects, results of operations and financial condition.

As of December 31, 2016, our total indebtedness was Rp.10,096.3 billion (US$751.4 million). Our financing agreements permit us to incur additional debt, subject to certain limitations. Our current and future financing arrangements may subject our business to various restrictions and risks, including the following:

- we may be required to dedicate a substantial portion of our cash flow from operations to required payments of indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate activities;

- covenants relating to our indebtedness may limit our ability to obtain additional financing for working capital, capital expenditures and other general corporate activities;

- covenants relating to our indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and the tower leasing industry;
- we may be unable to obtain funding for acquisitions of new businesses and projects;
- we may be more vulnerable than our competitors to the impact of economic downturns and adverse developments in our business;
- we may be placed at a competitive disadvantage against any less leveraged competitors;
- we may be subject to restrictions on paying dividends; and
- our business may not generate sufficient cash to meet our debt or other financial obligations, resulting in defaults and cross defaults under our financing agreements.

The occurrence of any of these events could have a material adverse effect on our business, prospects, results of operations and financial condition.

Depreciation or volatility in the value of the Rupiah may adversely affect our business, prospects, results of operations and financial condition.

One of the most important immediate causes of the Asian economic crisis which began in Indonesia in mid-1997 was the depreciation and volatility of the value of the Rupiah against other currencies, such as the U.S. dollar. Although the Rupiah has appreciated considerably from its low of approximately Rp.17,000 per U.S. dollar in January 1998, the Rupiah continues to experience significant volatility. For example, the middle Rupiah-U.S. dollar exchange rate has fluctuated from a high of Rp.9,634 = US$1.00 in 2013 to a low of Rp.14,728 = US$1.00 in the year ended December 31, 2015.

The Rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Rupiah to accounts held by a bank within or outside of Indonesia by non-Indonesians who lack a bona fide trade or investment purpose). However, from time to time, Bank Indonesia has intervened in the currency exchange markets by buying or selling Rupiah or by using its foreign currency. We cannot assure you that the Rupiah will not be subject to depreciation and continued volatility, that the current floating exchange rate policy of Bank Indonesia will not be modified, that the Rupiah will not depreciate against other currencies, including the U.S. dollar, or that the Government will not take additional action to stabilize, maintain or increase the value of the Rupiah, or that any of these actions, if taken, will be successful.

A change in Indonesia's floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, the imposition of capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, a failure of Indonesia companies to meet their financial obligations and an economic recession, loan defaults or declining interest by our customers, and as a result, we may also face difficulties in funding our capital expenditure and in implementing our business strategy. The occurrence of any of the foregoing events could materially and adversely affect our and our customers, business, prospects, results of operations and financial conditions.

Exchange rate fluctuations can have a significant impact on our results of operations and financial condition since a significant amount of our borrowings are denominated in U.S. dollars (or subject to swaps so that our exposure is fully in U.S. dollars) while our accounting records and financial statements are carried and expressed in Rupiah. In 2016, we earned US$131.3 million of U.S. dollar-denominated revenues, and paid US$8.2 million and US$190.0 million in U.S. dollar-denominated interest and principal repayments, respectively. If the Rupiah experiences significant or prolonged depreciation against the U.S. dollar, our foreign currency indebtedness would become more expensive to service and repay, in Rupiah terms. As a result, our business, prospects, results of operations and financial condition could be adversely affected. In addition, we expect that upon expiry of our leases that are currently denominated in U.S. dollars, such leases would, if renewed, likely be denominated in Rupiah, which, depending on our debt profile at the time, could reduce the natural partial hedge we have from such revenues against the depreciation of the Rupiah against the U.S. dollar.

We are exposed to risks related to the non-performance of third-party contractors, who provide us with various services.

We engage third-party contractors to provide it with various services in connection with the construction, access management, maintenance and security of our towers. We are exposed to risks that the services rendered by our third-party contractors will not always be satisfactory with respect to our and our customers' expectations. As a result, our customers may be unsatisfied with our services and may terminate or not renew their contracts with it, which could adversely affect our business, prospects, results of operations and financial condition.

Our revaluation of investment properties could fluctuate and adversely affect our net profit.

Changes in the fair value of investment properties represent changes in the fair value of our tower assets. With effect from 2015, we adopted PSAK13 as a result of changes in OJK requirements (Circular Letter SEOJK No. 27/SEOJK 04/2015), which changed the accounting treatment of our tower assets from being recorded as fixed assets under PSAK16 to investment properties under PSAK13. We have restated our financial statements as of and for the year ended December 31, 2014 to reflect the adoption of PSAK13. Gains or losses arising from changes in the fair value of investment properties are reflected in our statements of profit and loss in the period in which they arise. Previously, when we recorded our tower assets as fixed assets, we did not record gains or losses arising from changes in fair value of these assets, but instead recorded depreciation and amortization expenses. Fair value is determined by an annual evaluation performed by an independent appraiser. Although revaluation of investment properties is a non-cash item and does not adversely affect our cash flow from operations, changes in the fair value of our investment properties could significantly impact our results of operations and financial condition.

In accordance with the more recent OJK requirements (Circular Letter SEOJK No. 36/SEOJK 04/2016), we will revert back to using PSAK16 with respect to the accounting treatment of our tower assets, and will therefore recognize such assets as "fixed assets" again starting with our financial statements as of and for the year ended December 31, 2017 and will not record gains or losses arising from changes in fair value of these assets, but instead will record depreciation and amortization expenses. As a result, we expect that we will need to restate our financial statements as of and for the years ended December 31, 2015 and 2016. Due to the adoption of PSAK13 we recorded a decrease in fair value of investment properties of Rp.408.2 billion in 2014 and an increase in fair value of investment properties Rp.1,631.7 billion in 2015. In 2016, we recorded an increase in fair value of investment properties of Rp.495.4 billion (US$36.9 million).

Our towers, database, operations center or computer systems may be affected by natural disasters and other unforeseen events for which our insurance may not provide adequate coverage.

Our towers and related infrastructure are subject to damage from natural disasters, such as earthquakes, windstorms, floods, typhoons, mudslides and lightning strikes, as well as other unforeseen events. Any damage to or destruction of our towers, other infrastructure such as fiber or other assets as a result of the occurrence of these or other events could adversely impact our business, prospects, results of operation and financial condition.

As part of our normal business activities, we rely on information technology and other computer resources to carry out important operational activities and to maintain our business records. Our computer systems could fail on their own accord and are subject to interruption or damage from power outages, computer and telecommunications failures, computer viruses, security breaches (including through cyber attack and data theft), usage errors, catastrophic events and other events beyond our control. Although we have disaster recovery programs and security measures in place, if our computer systems and our backup systems are compromised, degraded, damaged, breached, or otherwise cease to function properly, we could suffer interruptions in our operations or unintentionally allow misappropriation of proprietary or confidential information (including information about our tenants or landlords), which could damage our reputation and require us to incur significant costs to remediate or otherwise resolve these issues.

While we maintain insurance to reduce the potential impact of certain of these risks, we may not have adequate insurance coverage to meet the associated repair, reconstruction and general liability costs. Any inability to provide our services to our customers as a result of any damage to, or destruction of, our towers and related infrastructure, could have a material and adverse effect on our business, prospects, results of operations and financial condition.

Downgrades of the credit ratings of Indonesia and Indonesian companies, including Protelindo, could materially and adversely affect us and the market price of the Shares.

Currently, Indonesia's sovereign foreign currency long-term debt is rated "Baa3 (stable)" by Moody's, "BB+ (positive)" by Standard & Poor's, and "BBB- (stable)" by Fitch. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. While the recent trend in Indonesian sovereign ratings has been positive, no assurance can be given that Moody's, Standard & Poor's, Fitch or any other rating agencies will not downgrade the credit ratings of Indonesia or Indonesian companies in general in the future. These rating agencies have in the past downgraded Indonesia's sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. In addition, Protelindo is has been rated "Baa3" by Moody's on October 5, 2016, "BBB-" by Standard & Poor's on May 12, 2016, "BBB-" by Fitch Ratings on May 13, 2016 and "AAA" by Fitch Ratings Indonesia on May 13, 2016. There can be no assurance that Protelindo will be able to maintain such ratings and not be downgraded. Any of the foregoing could have a material adverse effect on our cost of debt funding, our ability to incur debt for expansion and the market price of the Shares.

Future sales of our shares by us and our current shareholders could adversely affect the market price of our shares.

Future sales of substantial amounts of our shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our shares or our ability to raise capital through a public offering or rights issue of additional equity or equity-linked securities. Approximately 32.72% of our total outstanding shares are held collectively by our major shareholders, being members of the Hartono family. In addition, on May 20, 2016, subject to certain conditions, our shareholders authorized us to conduct a share issuance without preemptive rights of up to 1,020,292,500 shares, or 10% of our paid-up capital. Such approval is valid for two years and we have not yet engaged in such a share issuance. Future sales or issuances of large blocks of our shares, or the perception that such sales could occur, could cause the price of our shares to decrease and make it more difficult for us to raise capital through equity offerings.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to the "Company" are references to PT Sarana Menara Nusantara Tbk and all references to "we," "us," or "our" or refer to the Company and its consolidated subsidiaries. All references to "Protelindo" are to PT Profesional Telekomunikasi Indonesia, references to "iForte" are to PT iForte Solusi Infotek and references to "IGI" are to PT iForte Global Internet, subsidiaries of the Company.

All references to "Indonesia" are to the Republic of Indonesia. All references to "Government" are to the Government of the Republic of Indonesia. All references to the "United States," "US" or "U.S." are to the United States of America.

We use certain terms in this Document that are used in the telecommunications industry in Indonesia and in general to analyze companies, although they may be defined in different ways. In this Document, the following key terms have the following meanings:

- "3G" means International Mobile Telecommunications-2000 standards for mobile telecommunications including UMTS and W-CDMA that allow simultaneous use of voice and data services.
- "4G" means enhancements to 3G, including the implementation of LTE for 3G Universal Mobile Telecommunications System and WiMax (Worldwide Interoperability for Microwave Access), to create a mobile broadband system with enhanced multimedia services.
- "BTS" means base transceiver station used for wireless voice and data transmission to and from mobile phones within a particular area.
- "BTS hotel" means a BTS aggregator connected by fiber optic fronthaul from multiple RRU on microcell sites and connected to a fiber optic backhaul transmission network.
- "build-to-suit" or "B2S" means tower sites constructed by us pursuant to an order issued by a telecommunications operator.
- "H3i" means PT. Hutchison 3 Indonesia.
- "IMB" or "IMBM" means respectively *Izin Mendirikan Bangunan or Izin Mendirikan Bangunan Menara (*licenses to construct or build a telecommunications tower) or other license or certificate having the same effect issued by any local authority in Indonesia.
- "independent tower provider" means a tower provider that owns and operates towers and is not affiliated with a telecommunications operator.
- "Indosat" means PT Indosat Tbk.
- "LTE" means Long Term Evolution, a high performance air interface standard for cellular mobile communication systems designed to increase the capacity and speed of mobile telephone network for the development of 4G.
- "M-WIFO" refers to iForte's Metropolitan Wireless Fiber Optic business line, being its fiber broadband and VPN services business.
- "major shareholder" or "Hartono family" refers to members of the family of Robert Budi Hartono and Michael Bambang Hartono including their children.
- "MLA" means Master Lease Agreement or Master Tower Lease Agreement.
- "RRU" means a Radio Remote Unit configured to communicate with a BTS via a physical communication link and wireless mobile devices via an air interface.

- "telecommunications operator" means a company licensed by the Government to provide voice and data communications services in Indonesia.

- "Telkomsel" means PT Telekomunikasi Selular and "Telkom" means PT Telekomunikasi Indonesia Tbk.

- "tenancy" means tower space leased to a telecommunications operator for installation of its Base Transceiver Station and related transmission equipment (antennas and microwave dishes). For the purposes of recording our number of tenancies, we consider each operator who leases space on a tower to have a single tenancy, regardless of how much equipment such operator has on the tower or how many bands of space or antenna slots are occupied by such operator on the tower.

- "tenancy ratio" means the total number of our tenants (except, with respect to a tower, we consider a single operator with multiple leases as a single tenancy) divided by the total number of towers. This represents our method for determining our tenancy ratio. You should note, however, that other companies in the telecommunication towers industry may calculate and present tenancy ratio in a different manner and therefore, you should use caution in comparing our data with data presented by other companies, as the data may not be directly comparable.

- "tower sites" means ground-based towers and rooftop towers and installations constructed and owned by us on real property (including a rooftop) which is owned or leased by us.

- "VPN" means virtual private network.

- "VSAT" means very small aperture terminal, which is a two-way satellite ground station with a dish antenna that is smaller than 3 meters.

- "XL" means PT XL Axiata Tbk.