

Association. Our Articles of Association do not contain any limitations on the right of any person, to own our shares or to exercise their right to vote. Indonesian capital market regulations do not contain any limitation on the right of any person, whether local or foreign, to own shares in a company listed on the IDX.

Any takeover of our Company is required to be approved by the holder of the Dwiwarna Share and a majority constituting at least three-fourths of the total number of shares at a GMS that must be attended by the holder of the Dwiwarna Share. There are no other provisions in our Articles of Association that would have the effect of delaying, deferring or preventing a change in control of our Company.

Each Director and Commissioner has an obligation to report to the OJK with regard to their ownership and any changes in their ownership of our Company, and this obligation also applies to shareholders who, directly and indirectly, have an ownership stake of 5% or more in our paid up capital. We believe that our Articles of Association are not significantly different from those generally prevailing in Indonesia in respect of companies listed on the IDX (other than with respect to provisions and rights relating to the Dwiwarna Share, which are common for SOEs listed on the IDX). We also believe that the provisions in our Articles of Association relating to changes in our capital are not more stringent than that required by Indonesian law.

C. MATERIAL CONTRACTS

In 2017 and 2016, we did not enter into any new material contracts nor did we amend any existing material contracts, other than contracts entered into or amended in the ordinary course of business as disclosed at Note 33 of our Consolidated Financial Statements.

D. EXCHANGE CONTROLS

See Item 3 “Key Information – Selected Financial Data – Exchange Controls” included elsewhere in this Form 20-F.

E. TAXATION

The following summary contains a description of the principal Indonesian and United States federal tax consequences of the purchase, ownership and disposition of ADSs or shares of common stock. This summary does not purport to be a complete description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of ADSs or shares of common stock.

Investors should consult their tax advisors about the Indonesian and United States federal, state and local tax consequences to them of the purchase, ownership and disposition of ADSs or shares of common stock.

Indonesian Taxation

The following is a summary of the principal Indonesian tax consequences of the ownership and disposition of common stock or ADSs to a non-resident individual or non-resident entity that holds common stock or ADSs (a “Non-Indonesian Holder”). A “non-resident individual” is a foreign national individual who does not reside or intend to reside in Indonesia and is not physically present in Indonesia for more than 183 days within a 12-month period, during which period such non-resident individual receives income in respect of the ownership or disposition of common stock or ADSs and a “non-resident entity” is a corporation or a non-corporate body that is established, domiciled or organized under the laws of a jurisdiction other than Indonesia and does not have a fixed place of business or otherwise conducts business or carries out activities through a permanent establishment in Indonesia during an Indonesian tax year in which such non-resident entity receives income in respect of the ownership or disposition of common stock or ADSs. In determining the residency of an individual or entity, consideration will be given to the provisions of any applicable double taxation treaty to which Indonesia is a party.

Dividends

Dividends declared by us out of retained earnings and distributed to a Non-Indonesian Holder in respect of common stock or ADSs are subject to Indonesian withholding tax, which, as of the date of this Annual Report, is at the rate of 20%, on the amount of the distribution (in the case of cash dividends) or on the shareholders' proportional share of the value of the distribution. A lower rate provided under double taxation treaties may be applicable, provided the recipient is able to comply with the following strict requirements:

1. If the provisions under the tax treaty is different from those under the Indonesian Income Tax Law.
2. The income recipient is not an Indonesian taxpayer.
3. The non tax resident income recipient is an individual or an entity that is a tax resident of the country under the tax treaty country partner.
4. The non tax resident income recipient submits a certificate of domicile that meets the administrative requirements and certain other requirements.
 - a. The administrative requirements to be fulfilled by the non tax resident income recipient in order to apply the tax treaty are as follows:
 - 1) Uses Form DGT-1 or Form DGT-2;
 - 2) The form must be filed in correctly, completely and clearly by the non-resident income recipient;
 - 3) Signed by the non-resident income recipient or equivalent mark/stamp as normally used in its country;
 - 4) Signed by the authorized official of the treaty country where the non-resident income recipient resides or equivalent mark/stamp as normally;
 - 5) Used for the period stated in the Form DGT-1 or Form DGT-2 (maximum 12 months); and
 - 6) Submitted by the Indonesian Withholder agent in the submission of its monthly tax return (MTR) at the latest by the due date of the submission (i.e. the 20th of the following month).
 - b. The certain other requirements is the certificate of domicile must explain below informations:
 - 1) There are relevant economic motives in relation to the establishment of the entity;
 - 2) The entity has its own management to conduct business and the management has independent discretion;
 - 3) The entity has sufficient assets to conduct business other than the assets generating income from Indonesia;
 - 4) The entity has sufficient and qualified personnel to conduct business; and
 - 5) The entity has business activity other than receiving dividend, interest and/or royalty from Indonesia.

5. There is no tax treaty abuse. To meet this condition, the non tax resident is required to:
 - a. have economic substance in the establishment of the entity or the execution of the transaction;
 - b. have legal form that is same as the economic substance in the establishment of the entity or the execution of the transaction;
 - c. have a business activities which are managed by its own management and the management has sufficient authority to carry out the transactions;
 - d. have fixed assets and non-fixed assets (other than the assets generating income from Indonesia), which are sufficient to conduct business activities in that treaty partner country;
 - e. have sufficient employees with the expertise and certain skills in accordance with its line of business; and
 - f. have activities or an active business other than only receiving income in the form of dividend, interest, royalty from Indonesia.
6. The non tax resident income recipient is the beneficial owner of the income as required by the concerned tax treaty. The requirements for a beneficial owner are as follows:
 - a. If the non tax resident is an individual, he or she does not act as an agent or nominee; **or**
 - b. If the non tax resident is an entity, it should fulfil the following requirements:
 - 1) It does not act as an agent, nominee, or conduit;
 - 2) It has to have control in using or enjoying funds, assets, or rights that can generate income from Indonesia;
 - 3) There is no more than 50% of the total non-consolidated income is used to fulfill obligations to other parties;
 - 4) It bears the risks of assets, capital, and / or liabilities; and
 - 5) It does not have written or unwritten obligation to provide part or all of the income derived from Indonesia to another party.

Capital Gains

The sale or transfer of common stock through the IDX is subject to a final withholding tax at the rate of 0.1% of the value of the transaction. The broker executing the transaction is obligated to withhold such tax. The sale or transfer of founder shares through the IDX under current Indonesian tax regulations, be subject to additional income tax if the 0.5% final income tax has not been settled after the initial public offering.

Subject to the promulgation of implementing regulations, the estimated net income received or accrued from the sale of movable assets in Indonesia, which may include common stock not listed on the IDX or ADSs, by a Non-Indonesian Holder (with the exception of the sale of assets under Article 4 paragraph (2) of the Indonesian income tax law) may be subject to Indonesian withholding tax at the rate of 20%.

There is no specific tax regulation on the sale of listed shares outside the IDX. If the transfer of listed shares outside the IDX by a non-resident taxpayer is considered as the transfer of unlisted shares by a non-resident taxpayer, then

general tax regulation will be applied, which is, withholding tax of 5% of the sales price (or may be subject to the double taxation treaty) will be applicable.

Under Indonesian tax laws, a purchaser or Indonesian broker is required to withhold tax on payment of the purchase price for common stock or ADSs through the IDX, theoretically, that payment may be exempt from Indonesian withholding or other Indonesian income tax under applicable double taxation treaty to which Indonesia as a party (including the United States-Indonesia double taxation treaty). However, except for the sale or transfer of shares in a non-public company, the current Indonesian tax regulations do not provide specific procedures for the application of the tax treaty from the proceeds of such sale. To take advantage of the double taxation treaty relief, Non-Indonesian Holders may need to fulfill certain requirements including making a specific application accompanied with a specific form which set by the Indonesian Tax Office as a Certificate of Residency and filled by the recipient of the income and validated by the competent authority of the country where the recipients are resident. The original Certificate of Residency that has been validated by the competent authority must be provided to the custodian that will forward it to the withholding tax agent.

Stamp Duty

Stock transactions in Indonesia are subject to stamp duty. Pursuant to Government Regulation No.24/2000, the nominal amount of the Indonesian stamp duty is Rp6,000 for transactions having a value greater than Rp1 million and Rp3,000 for transactions having a value of up to Rp1 million.

Considerations Regarding Certain U.S. Federal Income Tax

The following is a summary of certain U.S. federal income tax considerations for ADSs or common stock as "capital assets" (generally, property held for investment) under section 1221 of the U.S. Internal Revenue Code of 1986, as amended, (the "Code"). This summary is based upon the Code, its legislative history, final, temporary and proposed U.S. Treasury regulations promulgated thereunder, published rulings and court decisions, as well as the Convention between the Government of the United States and the Government of the Republic of Indonesia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "Treaty"), as in effect on the date hereof, all of which are subject to change, or changes in interpretation, possibly with retroactive effect. In addition, this discussion is based in part upon representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreements will be performed according to its terms.

This summary does not discuss all aspects of U.S. federal income taxation which may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, financial institutions, insurance companies, broker-dealers, partnerships and their partners, and tax-exempt organizations (including private foundations)), holders who are not U.S. Holders, investors that will hold ADSs or common stock as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, investors subject to special tax accounting rules as a result of any item of gross income with respect to the ADSs or common stock being taken into account in an applicable financial statement, or investors that have a functional currency other than the U.S. Dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address U.S. federal estate, gift or alternative minimum taxes, the U.S. federal Medicare tax on net investment income, or state, local, or non-U.S. tax considerations. Each holder is urged to consult its tax advisor regarding the U.S. federal, state, local and non-U.S. income, and other tax considerations of their investment in the ADSs or common stock.

For purposes of this summary, a "U.S. Holder" is a beneficial owner of ADSs or common stock that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation, created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has made a valid election to be treated as a U.S. person under the Code.

If a partnership (or other entity treated as a “tax transparent” entity for U.S. tax purposes) is the beneficial owner of ADSs or common stock, the tax treatment of a partner in the partnership (or interest holder in the “tax transparent” entity) will generally depend on the status of the partner (or interest holder) and the activities of the partnership (or “tax transparent” entity). For U.S. federal income tax purposes, U.S. Holders of ADSs will be treated as the beneficial owners of the underlying common stock represented by the ADSs.

Distributions on the Common Shares or ADSs

Subject to the discussion below under “Passive Foreign Investment Company”, the gross amount of any distribution (without reduction for any Indonesian tax withheld) we make on the common shares or ADSs out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will be includible in your gross income as ordinary dividend income when the distribution is actually or constructively received by you, or by the depository in the case of ADSs. Distributions that exceed our current and accumulated earnings and profits will be treated as a return of capital to you, to the extent of your basis in the ADSs or common shares and thereafter as capital gain. We, however, do not calculate earnings and profits in accordance with U.S. tax principles. Accordingly, all distributions by us to U.S. Holders will generally be treated as dividends. Any dividend will not be eligible for the dividends-received deduction generally granted to U.S. corporations in respect of dividends received from U.S. corporations. The amount of any distribution of property other than cash will be the fair market value of such property on the date of such distribution.

Subject to certain exceptions for short-term and hedged positions, the U.S. Dollar amount of dividends received by certain non-corporate holders will be taxable at favorable rates as opposed to being taxable at ordinary income rates if the dividends are “qualified dividends”. Dividends paid on ADSs or common shares will be treated as qualified dividends if either (i) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service, or IRS, has approved for the purposes of the qualified dividend rules, or (ii) the dividends are with respect to ADSs readily tradable on a U.S. securities market, provided, in each case, that we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company, or PFIC. The Treaty has been approved for the purposes of the qualified dividend rules, and we expect to qualify for benefits under the Treaty so long as there is substantial and regular trading in our common shares on the IDX. We are considered a qualified foreign corporation with respect to the ADSs because our ADSs are listed on the New York Stock Exchange. Finally, based on our audited Consolidated Financial Statements and relevant market data, we believe that we did not satisfy the definition for PFIC status for U.S. federal income tax purposes with respect to our 2017 taxable year. In addition, based on our audited Consolidated Financial Statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market data, we do not believe we were a PFIC for our 2017 taxable year, and we do not anticipate we will be a PFIC for the current taxable year or any future taxable year. However, our status in the current year and future years will depend on our income and assets (which for this purpose depends in part on the market value of the ADSs or common shares) in those years. See the discussion below under “Passive Foreign Investment Company”.

Holders of ADSs or common shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in light of their own particular circumstances.

The amount of the dividend distribution that a U.S. holder must include in its income will be the U.S. Dollar value of the Rupiah payments made, determined at the spot Rupiah/U.S. Dollar rate on the date the dividend distribution is actually or constructively received, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the U.S. holder includes the dividend payment in income to the date it converts the payment into U.S. Dollars will be treated as ordinary income or loss from U.S. sources.

Subject to various limitations, any Indonesian tax withheld from distributions in accordance with the Treaty will be deductible or creditable against your U.S. federal income tax liability. Dividends paid by us generally will constitute income from sources outside the United States for U.S. foreign tax credit limitation purposes and will be categorized as “passive category income” or, in the case of certain U.S. Holders, as “general category income” for U.S. foreign tax credit purposes.

In the event we are required to withhold Indonesian income tax on dividends paid to U.S. Holders on the ADSs or common shares (see discussion under “Indonesian Taxation”), you may be able to claim a reduced 15% rate of Indonesian withholding tax if you are eligible for benefits under the Treaty. You should consult your own tax advisor about the eligibility for reduction of Indonesian withholding tax.

You may not be able to claim a foreign tax credit (and instead may claim a deduction) for non-U.S. taxes imposed on dividends paid on the ADSs or common shares if you (i) have held the ADSs or common shares for less than a specified minimum period during which you are not protected from risk of loss with respect to such shares, or (ii) are obligated to make payments related to the dividends (for example, pursuant to a short sale). The rules relating to the U.S. foreign tax credit are complex and U.S. Holders may be subject to various limitations on the amount of foreign tax credits that are available. In addition, if the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating a U.S. Holder's foreign tax credit limitation will generally be limited to the gross amount of the taxable dividend, multiplied by the reduced tax rate applicable to qualified dividend income and divided by the highest tax rate normally applicable to dividends. U.S. Holders should consult their own tax advisors regarding the effect of these rules in their particular circumstance.

Sale or Other Disposition of ADSs or Common Stock

Subject to the discussion below under “Passive Foreign Investment Company”, upon a sale, exchange or other disposition of the ADSs or common shares, you will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. Dollar value of the amount realized and your tax basis, determined in U.S. Dollars, in such ADSs or common shares. Generally, gain or loss recognized upon the sale or other disposition of ADSs or common shares will be capital gain or loss, will be long-term capital gain or loss if the U.S. Holder's holding period for such ADSs or common shares exceeds one year, and will be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to significant limitations.

A U.S. Holder that receives foreign currency from a sale or disposition of ADSs or common shares generally will realize an amount equal to the U.S. Dollar value of the foreign currency determined on (i) the date of receipt of payment in the case of a cash basis U.S. Holder and (ii) the date of disposition in the case of an accrual basis U.S. Holder. If ADSs or common shares are treated as traded on an “established securities market”, a cash basis taxpayer or, if it so elects, an accrual basis taxpayer, will determine the U.S. Dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A U.S. Holder will have a tax basis in the foreign currency received equal to the U.S. Dollar amount realized. Any currency exchange gain or loss realized on a subsequent conversion of the foreign currency into U.S. Dollars for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into U.S. Dollars on the date received by the U.S. Holder, a cash-basis or electing accrual basis U.S. Holder should not recognize any gain or loss on such conversion.

Any gain or loss will generally be U.S. source gain or loss for foreign tax credit limitation purposes and as a result of the U.S. foreign tax credit limitation, foreign taxes, if any, imposed upon capital gains in respect of the ADSs or common shares may not be currently creditable. U.S. Holders should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Passive Foreign Investment Company

In general, a foreign corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries:

- 75% or more of its gross income consists of passive income, such as dividends, interest, rents, royalties, and gains from the sale of assets that give rise to such income; or
- 50% or more of the average quarterly value of its gross assets consists of assets that produce, or are held for the production of, passive income.

"Passive income" for this purpose includes, for example, dividends, interest, royalties, rents and gains from commodities and securities transactions and the excess of gains over losses from the disposition of assets which produce passive income. Passive income does not include rents and royalties derived from the active conduct of a trade or business. If the stock of a non-U.S. corporation is publicly traded for the taxable year, the asset test is applied using the fair market value of the assets for purposes of measuring such corporation's assets. If we own, directly or indirectly, at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income for purposes of the PFIC income and asset tests.

We do not believe we were a PFIC for prior taxable years, and based on the current and anticipated composition of our assets and income and the current expectations regarding the price of the ADSs and common shares, we do not believe that we are a PFIC for the current taxable year and we do not expect to become a PFIC for future taxable years. This is a factual determination, however, that must be made annually at the end of the taxable year. Therefore, there can be no assurance that we will not be classified as a PFIC for the current taxable year or for any future taxable year. However, the determination of PFIC status is a factual determination that must be made annually at the close of each taxable year, and therefore, there can be no certainty as to our status in this regard until the close of the 2017 taxable year. Changes in the nature of our income or assets or a decrease in the trading price of the ADSs or common shares may cause us to be considered a PFIC in the current or any subsequent year.

If we were a PFIC in any taxable year that you held the ADSs or common shares, you generally would be subject to special rules with respect to "excess distributions" made by us on the ADSs or common shares and with respect to gain from your disposition of the ADSs or common shares. An "excess distribution" generally is defined as the excess of the distributions you receive with respect to the ADSs or common shares in any taxable year over 125% of the average annual distributions you have received from us during the shorter of the three preceding years, or your holding period for the ADSs or common shares. Generally, you would be required to allocate any excess distribution or gain from the disposition of the ADSs or common shares ratably over your holding period for the ADSs or common shares. The portion of the excess distribution or gain allocated to a prior taxable year, other than a year prior to the first year in which we became a PFIC, would be taxed at the highest U.S. federal income tax rate on ordinary income in effect for such taxable year, and you would be subject to an interest charge (at the rate generally applicable to an underpayment of tax) on the resulting tax liability, determined as if the tax liability had been due with respect to such particular taxable year. The portion of the excess distribution or gain that is not allocated to prior taxable years, together with the portion allocated to the years prior to the first year in which we became a PFIC, would be included in your gross income for the taxable years of the excess distribution or disposition and taxed as ordinary income.

If we were a PFIC in any year during a U.S. Holder's holding period, we would generally continue to be treated as a PFIC with respect to such U.S. Holder's investment unless the U.S. Holder has made certain elections under the PFIC rules, such as a mark-to-market election or a "qualified electing fund" ("QEF") election. Prospective investors should assume, however, that a QEF election will not be available because we do not expect to provide U.S. Holders with the information needed to make such an election. U.S. Holders should consult with their own tax advisors concerning the consequences to them if we are or become a PFIC, including but not limited to any reporting requirements and the availability and applicability of any election that may be available to mitigate adverse consequences, in light of such U.S. Holders' particular circumstances.

If we were regarded as a PFIC, a U.S. Holder of ADSs or common shares generally would be required to file an information return on IRS Form 8621 for any year in which the U.S. Holder received a direct or indirect distribution with respect to the ADSs or common shares, recognized gain on a direct or indirect disposition of the ADSs or common shares, or made an election with respect to the ADSs or common shares, reporting distributions received and gains realized with respect to the ADSs or common shares. In addition, if we were regarded as a PFIC, a U.S. Holder would be required to file an annual information return (also on IRS Form 8621) relating to the U.S. Holder's ownership of the ADSs or common shares. This requirement would be in addition to other reporting requirements applicable to ownership in a PFIC.

The rules applicable to owning shares of a PFIC are complex. We encourage you to consult your own tax advisor concerning the U.S. federal income tax consequences of holding the ADSs or common shares that would arise if we were considered a PFIC.