

**TICKERS:**

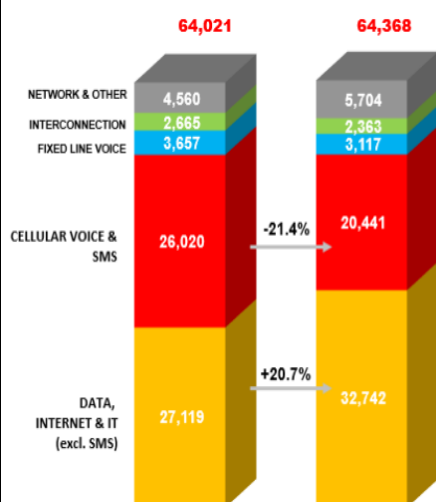
IDX : TLKM  
NYSE : TLK

**SHAREHOLDER COMPOSITION:**

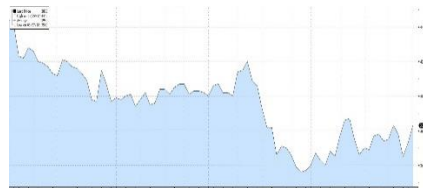
Government of Indonesia : 52.1%  
Public : 47.9%

**FINANCIAL PERFORMANCE**

Revenue  
(in Rp. Bn)



**TLKM Share Performance YTD 2018**



**Share Price (30 July, 2018):**

Rp3,910 (IDX) & USD27.15 (NYSE)

**Market Capitalization (30 July, 2018):**

Rp387.3 Tn (USD27.4 Bn)

**Average Daily Trading Volume 2018:**

110.6 Mn Shares (IDX) & 439,139 DR (NYSE)

**Average Daily Trading Value 2018:**

Rp421.4 Bn (IDX) & USD12.1 Mn (NYSE)

Source: Bloomberg

## Highlights

- In 1H18, Telkom Indonesia recorded revenue of Rp64.4 trillion with 0.5% YoY growth amidst tight competition in telco industry.
- Data, Internet & IT Services segment remained the growth driver and largest revenue contributor, increased by 20.7% YoY and representing 50.9% of total revenue.
- Telkomsel remained focus on growing its digital business and providing excellent customer experience by installing 14,978 new BTSs during 1H18, all were 4G BTS.

### Financial Highlights

Key Indicators (Rp. Bn)	YoY		
	1H18	1H17	Growth (%)
Revenues	64,368	64,021	0.5
Expenses	46,268	40,235	15.0
Operating Profit	18,100	23,786	(23.9)
EBITDA	28,343	33,235	(14.7)
EBITDA Margin (%)	44.0	51.9	(7.9ppt)
Net Income	8,698	12,104	(28.1)
Net Income Margin (%)	13.5	18.9	(5.4ppt)

### Operational Highlights

Subscribers (000)	YoY		
	1H18	1H17	Growth (%)
<b>Broadband</b>			
Fixed Broadband	6,309	4,518	39.6
IndiHome	4,137	2,015	105.3
Mobile Data User	134,671	101,675	32.5
<b>Cellular</b>			
Postpaid	5,307	4,273	24.2
Prepaid	172,580	173,728	(0.7)
<b>Total</b>	<b>177,888</b>	<b>178,001</b>	<b>(0.1)</b>

**Investor Relations**

PT Telkom Indonesia (Persero) Tbk  
Telkom Landmark Tower, 39th Floor  
Jl. Gatot Subroto Kav. 52, Jakarta 12710  
Phone : 62 21 5215109  
Fax : 62 21 5220500  
Email : investor@telkom.co.id  
Website : www.telkom.co.id

**DISCLAIMER**

This document contains financial conditions and result of operation, and may also contain certain projections, plans, strategies, and objectives of the Company, which would be treated as forward-looking statements within the meaning of applicable law. Forward looking statements, by their nature, involve risk and uncertainty that could cause actual results and development to differ materially from those expressed or implied in these statements. Telkom Indonesia does not guarantee that any action, which may have been taken in reliance on this document, will bring specific results as expected.

## PT TELKOM INDONESIA (PERSERO) Tbk FIRST HALF OF 2018 (UNAUDITED)

The following analysis and discussion is based on our Indonesian GAAP financial statements for the first half ended June 30, 2018 and 2017. The reports have been submitted to Indonesia Financial Services Authority (OJK).

### Revenues

Key Indicators (Rp.Bn)	YoY		
	1H18	1H17	Growth (%)
Data, Internet & IT Service	32,742	27,119	20.7
Cellular Voice and SMS	20,441	26,020	(21.4)
Fixed Line Voice	3,118	3,657	(14.7)
Interconnection	2,363	2,665	(11.3)
Network and Other Telco Services	5,704	4,560	25.1
<b>Total</b>	<b>64,368</b>	<b>64,021</b>	<b>0.5</b>

Telkom recorded total revenue of Rp64.4 trillion in the first half of 2018, an increase of 0.5% YoY with Data, Internet & IT Services as the growth driver. The details are as follows:

- **Data, Internet & IT Services revenues** grew strongly by 20.7% YoY primarily attributable to strong mobile and fixed broadband services. Mobile data traffic (payload) increased by 134.8%, while IndiHome customers doubled.
- **Cellular Voice and SMS revenues** decreased by 21.4% YoY. The decline in legacy businesses was a result of continued traffic decline in both voice and SMS due to cannibalization from instant messaging (OTT) applications.
- **Fixed Line Voice revenues** declined by 14.7% YoY due to cannibalization from mobile services that resulted in declining fixed line traffic.
- **Interconnection revenues** decreased by 11.3% YoY mainly due to lower domestic incoming voice and SMS, but was alleviated by increase in voice hubbing and A2P SMS services.
- **Network and Other Telecommunication Services revenues** grew by 25.1% YoY mainly due to growth in managed services business.

## Expenses

Key Indicators (Rp.Bn)	YoY		
	1H18	1H17	Growth (%)
Operation, Maintenance & Telecommunication Services	21,883	18,408	18.9
Personnel	7,035	6,715	4.8
Interconnection	1,855	1,410	31.6
Marketing	1,958	2,050	(4.5)
General & Administrative	3,294	2,203	49.5
Depreciation & Amortization	10,331	9,630	7.3
(Gain)/Loss on Forex – net	(16)	9	(277.8)
Others – net	(72)	(190)	(62.1)
<b>Total</b>	<b>46,268</b>	<b>40,235</b>	<b>15.0</b>

Total Expenses increased by 15.0% YoY, with Operating Expenses rose by 17.0% YoY. Details of Expenses are as follows:

- **Operation & Maintenance (“O&M”) expenses** increased by 18.9% YoY as we continued to develop broadband and IT infrastructure aggressively in an effort to grow digital business both in cellular and fixed-line services.
- **Personnel expenses** increased slightly by 4.8% YoY in line with annual salary increase and company’s performance.
- **Interconnection expenses** rose by 31.6% YoY driven by higher outgoing voice traffic, in line with increase in voice hubbing services in Wholesale business.
- **Marketing expenses** declined by 4.5% YoY primarily due to lower dealership cost and efficiency in promotional and advertising activities during the period.
- **General & Administrative expenses** increased by 49.5% YoY in line with increasing business volume.
- **Depreciation & Amortization expenses** grew by 7.3% YoY in line with the network infrastructure development both in mobile and fixed businesses.
- We recorded **Net Forex Gain** of Rp16 billion reflecting that Telkom is less exposed to foreign currency fluctuation.
- **Others – net** recorded an income of Rp72 billion, decreased by 62.1% from lower non-operating income during the period.

## EBITDA and Net Income

Our EBITDA and Net Income declined by 14.7% YoY and 28.1% YoY respectively as we continued to deploy broadband infrastructure that resulted in significant growth in O&M charges.

## Financial Position

Key Indicators (Rp.Bn)	YoY		
	Jun-18	Dec-17	Growth (%)
Assets	201,960	198,484	1.8
Liabilities	103,643	86,354	20.0
Non-controlling Interests	13,382	19,417	(31.1)
Equity attributable to owners of the company	84,935	92,713	(8.4)

- Total assets as of 30 June 2018 was Rp202.0 trillion, increased by 1.8% YoY mainly due to increase in receivables and fixed assets.
- Total liabilities was Rp103.6 trillion, grew by 20.0% mainly from increase in borrowings.
- Non-controlling interest decreased by 31.1% YTD from dividend payment to shareholder of subsidiary.
- Our equity decreased by 8.4% YTD due to payment of dividend to shareholders.

## Cash Flows

Key Indicators (Rp. Bn)	YoY		
	1H18	1H17	Growth (%)
Cash Flow from Operating Activities	15,791	22,260	(29.1)
Cash Flow used in Investing Activities	(14,200)	(14,583)	(2.6)
Cash Flow used in Financing Activities	(10,060)	(18,354)	(45.2)
Net Decrease in Cash & Cash Equivalents	(8,469)	(10,677)	(20.7)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	150	(22)	(781.8)
Cash & Cash Equivalents at Beginning of Period	25,145	29,767	(15.5)
Cash & Cash Equivalents at End of Period	16,826	19,068	(11.8)

- Net cash provided by operating activities decreased by 29.1% YoY from higher payment of expenses during the period.
- Net cash used in investing activities decreased by 2.6% YoY from lower advance payment for fixed assets acquisition during the period.
- Net cash used in financing activities declined by 45.2% YoY due to higher borrowings withdrawal.

## Debts

Currencies (Rp.Bn)	YoY			Portion (%)	
	Jun-18	Dec-17	Growth (%)	Jun-18	Dec-17
IDR/Rupiah	46,440	29,817	55.8	94.9	94.2
USD/US Dollar	1,688	1,029	64.0	3.4	3.3
JPY/Japanese Yen	647	648	(0.2)	1.3	2.0
MYR/Malaysian Ringgit	158	174	(9.2)	0.3	0.5
<b>Total</b>	<b>48,933</b>	<b>31,668</b>	<b>54.5</b>	<b>100.0</b>	<b>100.0</b>

At the end of June 2018, total debts amounted to Rp48.9 trillion, increased by 54.5% from the end of 2017 to support investment and working capital requirement in mobile business. Around 95% of our debt was in Rupiah currency, 3.4% was in US Dollar currency and the remaining balance was in Japanese Yen and Malaysian Ringgit, consisting of short and long-term Bank Loans, Bonds and Two-Step Loans. Our debt to equity ratio (“DER”) went up to 57.6%.

## Gearing Ratio

Key Indicators	YoY		
	Jun-18	Dec-17	Growth (ppt)
Net Debt to Equity (%)	37.8	7.0	30.8
Debt to Equity (%)	57.6	34.2	23.4
Debt to EBITDA (Times)	0.9	0.5	0.4
Debt Service Ratio (Times)	3.2	6.8	(3.6)

## Financial Ratios

Ratios (%)	YoY		
	1H18	1H17	Growth (ppt)
EBIT Margin	28.1	37.1	(9.0)
EBITDA Margin	44.0	51.9	(7.9)
Net Income Margin	13.5	18.9	(5.4)
Current Ratio	86.4	106.8	(20.4)
Total Liabilities to Equity	122.0	89.3	32.7
Return on Assets	8.6	13.6	(5.0)
Return on Equity	20.5	28.5	(8.0)
Return on Invested Capital	13.0	20.9	(7.9)

## Capital Expenditure

In the first half of 2018, Telkom Group spent Rp14.1 trillion in Capital Expenditure (Capex). In mobile services, Capex was mainly utilized for radio access network (BTS) development and IT system enhancement. While in fixed businesses, Capex was primarily utilized to develop access and backbone infrastructure, including satellite and submarine cable systems to support fixed as well as mobile broadband businesses. Some portion of Capex were also utilized for other projects such as towers.

## Mobile Services

### Telkomsel Financial Result

Indonesia's telecommunications industry in the first half of 2018 continued to have impact from challenging market dynamics with accelerated transition of Legacy to Data services combined with intense competition landscape and prepaid SIM Card registration exercise which led to continuous pressure in terms of pricing and margin. As per above conditions coupled with a higher base in the last couple of years, Telkomsel was able to still booked a substantial amount of Revenues, EBITDA & Net Income in 1H18 at Rp42.7 trillion, Rp22.2 trillion and Rp11.7 trillion, respectively supported by transformation initiatives in Digital Business as engine of growth. The Digital Business itself posted a significant growth of 17.5% YoY, driven by Data which increased by 13.0% YoY and Digital Services which increased by 59.1% YoY, accounted for 49.7% of total revenues, increased significantly from 39.3% a year ago. The current market dynamics has confirmed Telkomsel's belief as market leader to lead the shifting of the industry to healthier conduct thus provides better opportunities for growth of Data and Digital Services as the future of telecommunications industry.

Despite a saturated market and implementation of prepaid SIM Card registration, Telkomsel was able to maintain number of subscriber base to 177.9 million attributable to effective sales and marketing programs. In line with our philosophy to always lead in network supply, including in outside Java, to maintain and strengthen our network leadership and growing our Digital Business, we deployed 14,978 new BTS during the first half of 2018, all were 4G-based. Our data traffic increased by 134.8% YoY to 1,943,698 TB mainly fueled by high growth in 3G/4G capable device that reached 112.1 million (+24.6% YoY), or 63.0% of our customer base. In terms of infrastructure, by end of June 2018 our BTS on-air totaled 175,683 units (+19.9% YoY), 71.4% of which were 3G/4G BTS.

### Statements of Profit and Loss

Financial Performance (Rp. Bn)	YoY			QoQ		
	1H18	1H17	Growth (%)	2Q18	1Q18	Growth (%)
Revenues	42,741	45,995	(7.1)	20,867	21,874	(4.6)
Legacy	21,507	27,928	(23.0)	10,139	11,368	(10.8)
Digital Business	21,234	18,066	17.5	10,729	10,506	2.1
Expenses incl. Depreciation & others	27,051	25,578	5.8	13,605	13,446	1.2
EBITDA	22,239	27,185	(18.2)	10,252	11,986	(14.5)
EBITDA Margin (%)	52.0	59.1	(7.1ppt)	49.1	54.8	(5.7ppt)
Net Income	11,722	15,500	(24.4)	5,306	6,416	(17.3)
Net Income Margin (%)	27.4	33.7	(6.3ppt)	25.4	29.3	(3.9ppt)
Proportion of Digital Business (%)	49.7	39.3	10.4ppt	51.4	48.0	3.4ppt

Telkomsel recorded operating revenues of Rp42,741 billion for 1H18, a decrease by 7.1% YoY.

- Prepaid revenue decreased by 8.2% YoY to Rp35,892 billion mainly due to accelerated transition of Legacy to Data services combined with intense pricing competition.
- Postpaid revenue increased by 16.2% YoY to Rp4,001 billion mainly driven by the increase in postpaid customer base which grew by 24.2% YoY to 5.3 million subscribers.

- Interconnection and International Roaming revenues decreased by 18.9% YoY to Rp2,261 billion mainly due to declining Voice and SMS traffic from other local operators as an impact of substitute services from OTT applications.

In 1H18, total expenses including depreciation and amortization increased by 5.8% YoY to Rp27,051 billion. The growth itself was mainly driven by Operational & Maintenance expenses in line with our initiative to acquire new frequency of 2.3GHz to increase our capacity, strengthen 4G LTE services and maximize broadband service quality, also aligned with the consistent development of infrastructure in this consecutive quarter.

### Statements of Financial Position

Statements of Financial Position (Rp Bn)	Jun-18	Dec-17	Growth (%)
Current Assets	20,265	21,098	(3.9)
Non-Current Assets	64,629	64,650	0.0
<b>Total Assets</b>	<b>84,894</b>	<b>85,748</b>	<b>(1.0)</b>
Current Liabilities	31,619	23,031	37.3
Non-Current Liabilities	16,298	8,587	89.8
Equity	36,977	54,130	(31.7)
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>84,894</b>	<b>85,748</b>	<b>(1.0)</b>

As of 30 June 2018, Total Assets decreased 1.0% to Rp84,894 billion, Total Liabilities increased 51.5% to Rp47,917 billion and Total Equity decreased 31.7% to Rp36,977 billion.

- Current Assets decreased 3.9% to Rp20,265 billion, mainly due to decrease in cash and cash equivalents.
- Non-current Assets was flat at Rp64,629 billion.
- Current Liabilities increased 37.3% to Rp31,619 billion, mainly due to the increase in short-term loans & current maturities of medium-term loans.
- Non-current Liabilities increased 89.8% to Rp16,298 billion, mainly due to increase in medium-term loans net of current maturities.
- Total Equity decreased by 31.7% to Rp36,977 billion mainly due to decrease in retained earnings as the company distributed dividend in the current period.

### Cash Flow

Net cash generated from operations in 1H18 decreased 18.5% YoY to Rp18,235 billion due to out payment activities for operating expenses. Cash flow used in investment activities was Rp7,342 billion mainly for the payment of infrastructure spending. Net cash generated from financing activities (exclude Dividend) increased to Rp15,629 billion as the company has drawn the facility of medium-term loans.

## Statements of Cash Flows

Statements of Cash Flows (Rp Bn)	1H18	1H17	Growth (%)
Cash Flow from Operating Activities	18,235	22,372	(18.5)
Cash Flow for Investing Activities	(7,342)	(6,392)	14.9
Cash Flow from Financing Activities	15,629	653	N/A
Dividend Payment	(27,865)	(25,848)	7.8
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	<b>(1,344)</b>	<b>(9,215)</b>	<b>(85.4)</b>
Cash and Cash Equivalents at Beginning of Periods	10,548	19,681	(46.4)
Cash and Cash Equivalents at End of Periods	9,204	10,466	(12.1)

## Debt Profile

As of 30 June 2018, Telkomsel's total outstanding loans amounted to Rp17,000 billion, of which approximately 4% or Rp750 billion will mature in 2018, while the remaining will mature in 2019 and 2023. As of 30 June 2018, Telkomsel Debt to Equity Ratio (DER) was 57.6%.

Several financial covenants related to loans/debts as follows:

Covenants to be Maintained	Required	Actual
EBITDA to Debt Service	$\geq 1.25$	43.34
Debt to Tangible Net Worth	$\leq 2.00$	0.53

## RESULTS BY SERVICE

### Celullar Services

#### Legacy Business - Voice and SMS

Along transition phase of Legacy towards Data & impact of OTT services cannibalization, Telkomsel's Legacy business was slowing down with Voice revenue decreased by 15.8% YoY to Rp17,046 billion with declining Voice traffic by 0.9% YoY and SMS revenue declined by 36.3% YoY to Rp3,622 billion with declining SMS traffic by 41.5% YoY. Initiatives in personalized marketing approach to offer better value package and attractive Voice & SMS package were introduced in order to manage the downtrend of Legacy business.

#### Digital Business

Digital Business remained the engine of growth with focus to continue in leading of network supply in 3G and 4G infrastructure. This segment recorded strong performance with 17.5% YoY growth to Rp21,234 billion and increased its contribution to total revenue substantially to 49.7% from 39.3% last year.

Revenue from Data grew by 13.0% YoY to Rp18,431 billion, driven by healthy growth in 3G/4G capable device adoption (+24.6% YoY to 112.1 million users), successful migration of PAYU to Flash packages, as well as continued strong growth in Data payload, which increased by 134.8% YoY to 1,943,698 TB. As of 30 June 2018, 57.6 million of our customers that have LTE devices have swapped to USIM to utilize 4G services.



Digital Services also grew strongly by 59.1% YoY to Rp2,804 billion and has become the main driver of Telkomsel's transformation from a Telco Company to a Digital Company. A number of investments and key initiatives have been established to accelerate the growth of Digital Services, in line with Telkomsel's mission to build a digital Indonesia with key products and services within this segment included Digital Lifestyle, Mobile Financial Services, Digital Advertising, Digital Banking and Internet of Things (IoT):

- Digital Lifestyle continued to focus on providing excellent mobile entertainment experience for customers. By targeting different segments through various services, Telkomsel aims to become the leading mobile entertainment provider in the country through VAS, Music, Video, Games & Market Place, etc.
- In Mobile Financial Services, Telkomsel's flagship product TCASH made strides towards fulfilling its vision to realize financial inclusion and the creation of a cashless society in Indonesia which had expanded its user base to around 27 million registered users as of June 2018. Telkomsel has also built a strong foundation to support scalable growth by adding its TCASH servicing channels consisting of traditional outlets, modern retail outlets and agents (Bang TCASH), and by introducing new use cases for both the banked segment and unbanked segments. TCASH provides wide range of use cases across payments and financial services consist of top-ups, retails, mobility, bill pay, fuel, entertainment, etc.
- Through Digital Advertising business, Telkomsel aim to become a dominant media owner in Indonesia's Mobile Advertising industry by leveraging more than 177 million subscribers and offering an extensive range of Digital Advertising services, ranging from conventional text messaging to timely advertising for mobile coupons, display advertising in mobile applications, and much more.
- Digital Banking business continued to grow, enabling more financial institutions to provide mobile banking services and helping Indonesian citizens to enjoy broader access to financial transactions in general, towards achieving the government's target creation of a cashless society.
- Telkomsel IoT (Internet of Things) is a service for Enterprise Customers that connects devices, machines and objects containing embedded technology to the Internet. Telkomsel's IoT aims to help enterprises grow their business by leveraging the latest IoT technology.

Going forward, Telkomsel will continue to scale up the business and develop its digital ecosystem in order to expand its reach and to support an increasing variety of Digital Services. Establishment of this digital ecosystem is a key foundation for Telkomsel to become a successful digital company and building a digital Indonesia.

### **Customer Base**

As of 30 June 2018, Telkomsel served 177.9 million subscribers nationwide, decreased by 0.1% YoY. Out of the total base, 134.7 million were data users which has been growing strongly by 32.5% YoY.

### **ARPU**

As we are shifting from Legacy business to Digital Business, our Digital ARPU grew double digit due to increase in 3G/4G capable device penetration along with strong growth in Data traffic.

## Network Deployment

Our focus on Digital Business was reflected from our network deployment. This year, we continued to accelerate our network development with aggressive 4G BTS deployment to support Digital Business as Data traffic jumped 134.8% YoY. Our 4G LTE deployment is on-demand basis, take into account 4G handset penetration and level of demand in Broadband cities. We have deployed 43,149 4G BTS to date. The network roll out brought total BTS on air to 175,683 units at end of June 2018, or increased by 19.9% YoY, of which 125,368 units were 3G/4G BTS (+30.3% YoY).

The following table presents performance of our cellular business:

Operational Indicators	YoY			QoQ		
	1H18	1H17	Growth (%)	2Q18	1Q18	Growth (%)
Customer Base (000)	177,888	178,001	(0.1)	177,888	192,752	(7.7)
Net Adds (000)	(18,434)	4,081	(551.7)	(14,864)	(3,570)	316.4
3G/4G Capable Device (000)	112,088	89,936	24.6	112,088	113,286	(1.1)
ARPU (000)	36	44	(19.1)	36	35	4.7
BTS on Air (units)	175,683	146,571	19.9	175,683	167,649	4.8
Total Employees	5,512	5,329	3.4	5,512	5,453	1.1
MoU (In billion minutes)	103.9	104.8	(0.9)	52.1	51.7	0.8
SMS (In billion units)	43.5	74.3	(41.5)	20.4	23.2	(12.2)
Data Payload (TB)	1,943,698	827,800	134.8	1,044,098	899,600	16.1

## Fixed Line Services

### Fixed Broadband IndiHome

IndiHome continued to show strong result. During the first half of 2018, we successfully added around 1.1 million new subscribers. Total IndiHome subscribers has reached 4.1 million, grew by 105.3% YoY, with IndiHome Triple Play representing 55% of total customers. While IndiHome Dual Play continued to show strong traction. Out of total new customers in 1H18, 70% were on Dual Play.

In terms of revenue, IndiHome business recorded Rp5.3 trillion of revenue, strongly increased by 46.8% YoY while the margin improved healthily to 25% as a result of continuous improvement in sales and technician productivity as well as IT system. ARPU of IndiHome in 2Q18 was Rp251 thousand, similar to the previous quarter. We will keep accelerating IndiHome customer growth and encouraging customers to purchase various add-ons and mini pack, upgrade to Triple Play or higher speed services.

### Enterprise Business

In Enterprise market, Telkom remains focused on provision of ICT solutions with various smart enabler platforms. There is an increasing trend for Indonesian corporations to focus on their core businesses and outsource their ICT solution needs to reliable third-party providers. This represents huge opportunity for Telkom to expand its Enterprise business in the future. In 1H18, Telkom Enterprise business recorded Rp12.3 trillion in revenue, grew by 19.5% YoY.

We serve three customers segments under our Enterprise business:

- **Corporate.** We serve 1,453 corporate clients from various industries such as consumer goods, insurance, pharmaceutical, and banking, which contributed around 62% to Enterprise segment revenue. Corporate customers now demand more integrated ICT solutions on top of connectivity such as smart enablers, data center and cloud, platforms and applications, as well as business process outsourcing. With low penetration of integrated ICT services among Indonesian corporate, coupled with the rising trend of business process digitization, Telkom is in the leading position to grow its Corporate segment.
- **Government.** We provide connectivity and ICT solutions for around 940 Government institutions including Central Government, Local Government, and Government Agencies. By our estimate, Indonesia government IT-related spending is around Rp15 trillion annually, which provides a sizeable business opportunity for Telkom. Government segment contributed around 24% to Enterprise segment revenue.
- **Small and Medium-sized Enterprise (SME).** We serve around 300 thousand SME clients for which we provide various services from connectivity to various solutions. With 3.7 million identified SMEs in our database and very low ICT adoption rate among Indonesia SMEs, Telkom still has large potential upside to grow in SME segment.

## Wholesale and International Business

Our wholesale services portfolio includes domestic and international traffic carrier, wholesale connectivity, towers, satellite, as well as telecommunication and infrastructure managed services. In the first half of 2018, our Wholesale and International Business revenue was Rp4.3 trillion, grew by 21.7% YoY.

Our Wholesale and International Business arm aims to create sustainable value for Telkom Group and its customers by becoming a global digital hub. To do so, we continue to expand our network infrastructure. In addition to the completed SEA-ME-WE5 & SEA-US submarine cable system, Indonesia Global Gateway project or IGG that will connect SEA-ME-WE-5 and SEA-US has reached 96% progress and is expected to commence operation in 3Q18. We are also in the process of launching our new Telkom-4 (“Merah Putih”) Satellite which has reached 100% progress and is planned to launch in August 7, 2018.

## Recent Activities

### Treasury Stock Cancellation

Telkom’s Annual General Meeting of Shareholders for the fiscal year of 2017 held on April 27, 2018, has decided to withdraw the remaining 1,737,779,800 treasury shares by reduction of the Company’s issued and paid up capital. On July 2, 2018, the Company’s amended Articles of Association has obtained the approval from the Ministry of Law and Human Rights of the Republic of Indonesia. As such, the total number of Telkom’s issued and paid up shares is now reduced from 100,799,996,400 shares to 99,062,216,600 shares.

## Product and Marketing Activities

### Fixed Line & Enterprise

- **IndiHome *Piala Dunia* Channels**

To continue providing the best experience for its subscribers, IndiHome as licensed IPTV broadcaster for 2018 FIFA World Cup Russia released *Piala Dunia* (World Cup) Channels. Subscribers could enjoy all 2018 World Cup matches broadcasted live in both SD and HD channels, and could replay the matches through IndiHome's TV on Demand service. IndiHome subscribers can subscribe to the *Piala Dunia* Minipack for Rp90K for 1 month subscription or Rp150K for 2 months subscription.

- **IndiHome *Paket Penuh Berkah***

IndiHome released IndiHome *Paket Penuh Berkah* (Ramadhan Festive) Package promotion discounted from normal price with 100 minutes free call to fixed line, high speed internet, and UseeTV Entry package, plus contents with price starting from Rp330K for 10Mbps internet speed. This promotion applies until July 31, 2018.

### Mobile

- **Legacy business and Data penetration program**

In order to increase more Data and voice usage, #SURPRISE DEAL and #OBRALOBROL program were launched to attract customer: (1) #SURPRISE DEAL as Data package for prepaid customers consist of 20GB Data quota for all networks priced at Rp100K and only available in myTelkomsel; (2) #OBRALOBROL which offers attractive voice package consist of 300 hours of voice at Rp40K.

## ADDITIONAL INFORMATION

### Awards & Recognition

During 2Q18, we have been awarded by several institutions for our achievements, among others:

- *Infobank 7<sup>th</sup> Digital Brand Awards* for Telkom as 3<sup>rd</sup> Place in SOE Category from Infobank Magazine.
- *Selular Award 2018* for Telkom in Best Social Contribution Program and Best Home Internet categories from Selular.id.
- *HR Asia Award* for Telkom as Best Company to Work For in Asia 2018 from HR Asia Magazine.
- *Indonesia Top 100 Most Valuable Award* for Telkom as 1<sup>st</sup> in Most Valuable Indonesian Brands 2018 from Brand Finance and SWA Magazine.
- *Asia Pacific Stevie Award 2018* for Telkom as Organization of the Year with 56 awards from Stevie International.
- *Asia Excellence Award* for Telkom in Asia Best CEO, Asia Best CFO, and Best IR categories from Corporate Governance Asia.
- *Digital Innovation Award 2018* for Telkomsel as Innovative Company in Digital Services and Campaign and TCASH as Innovative Company in Digital Payment Services from Warta Ekonomi.
- *Young Woman Future Business Leader 2018* for Telkomsel Indonesia Young Woman Future Business Leader 2018 from SWA Network.

- *HR Excellence Award 2018* for Telkomsel as Best Recruitment Strategy Rating A from SWA Network.
- *Selular Awards 2018* for Telkomsel as Operator of The Year, Most Innovative IoT Solution, and Most Innovative Use of Big Data, for Ririek Adriansyah as CEO of The Year, for Adita Irawati as Excellence in Media, for MyTelkomsel as Best Customer Self Service App, for TCASH as Best Electronic Money, and for ROLi as Best Advertising App from Selular Media Group.
- *Indonesia Content Marketing Awards 2018* for Telkomsel as 1st Winner the Best Content Marketing Implementation in Office Equipment/ IT/ Telecommunication Category from Kompas Gramedia.
- *BUMN Marketeers Award 2018* for Telkomsel as “Gold” Winner The Most Promising Company in Branding Campaign, as “Bronze” Winner The Most Promising Company in Strategic Marketing, “Bronze” Winner The Most Promising Company in Tactical Marketing from BUMN Marketeers.
- *Asia Communications Awards 2018* for Telkomsel as Top 5 Most Innovative IoT Solution, as Top 5 Innovation – Operator, as Top 5 Best Customer Care, as Digital Life Style Winner from Total Telecom.
- *Telecom Asia Awards* for Telkomsel as The Most Innovative Voice or Solution from Questex Asia.
- *7<sup>th</sup> Infobank Digital Brand of the Year 2018* for TCASH as 1<sup>st</sup> Winner Digital Brand Institusi Keuangan - E Money Non-Bank from Info Bank.
- *Indonesia Most Creative Company Award 2018* for TCASH as the Most Creative Company from SWA Network.
- *Pertama di Indonesia Awards 2018* for TCASH as 1<sup>st</sup> application in Indonesia with Electronic Feature – Know Your Customer (e-KYC) to Interface Validation through Video Call from Trash N CO Research.

**Table 1**  
**PERUSAHAAN PERSEROAN (PERSERO)**  
**PT TELEKOMUNIKASI INDONESIA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2018 (unaudited) and December 31, 2017 (audited)**  
**(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)**

	June 30, 2018	December 31, 2017	Growth (%)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	16,826	25,145	(33.1)
Other current financial assets	1,471	2,173	(32.3)
Trade receivables – net of provision for impairment of receivables			
Related parties	2,353	1,545	52.3
Third parties	12,687	7,677	65.3
Other receivables – net of provision for impairment of receivables	405	342	18.4
Inventories – net of provision for obsolescence	876	631	38.8
Assets held for sale	540	10	5300.0
Prepaid taxes	3,253	1,947	67.1
Claim for tax refund	370	908	(59.3)
Other current assets	7,652	7,183	6.5
<b>Total current assets</b>	<b>46,433</b>	<b>47,561</b>	<b>(2.4)</b>
<b>NON-CURRENT ASSETS</b>			
Long-term investments	2,334	2,148	8.7
Property and equipment – net of accumulated depreciation	133,621	130,171	2.7
Intangible assets – net of accumulated amortization	4,064	3,530	15.1
Deferred tax assets – net	2,736	2,804	(2.4)
Other non-current assets	12,772	12,270	4.1
<b>Total non-current assets</b>	<b>155,527</b>	<b>150,923</b>	<b>3.1</b>
<b>TOTAL ASSETS</b>	<b>201,960</b>	<b>198,484</b>	<b>1.8</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables			
Related parties	745	896	(16.9)
Third parties	13,706	14,678	(6.6)
Other payables	461	217	112.4
Taxes payable	2,681	2,790	(3.9)
Accrued expenses	13,713	12,630	8.6
Unearned income	5,775	5,427	6.4
Advances from customers	1,068	1,240	(13.9)
Short-term bank loans	8,293	2,289	262.3
Current maturities of long-term borrowings	7,275	5,209	39.7
<b>Total current liabilities</b>	<b>53,717</b>	<b>45,376</b>	<b>18.4</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities – net	734	933	(21.3)
Unearned income	676	524	29.0
Long service award provisions	792	758	4.5
Pension benefits and other post-employment benefits obligations	10,538	10,195	3.4
Long-term borrowings – net of current maturities	36,911	27,974	31.9
Other liabilities	275	594	(53.7)
<b>Total non-current liabilities</b>	<b>49,926</b>	<b>40,978</b>	<b>21.8</b>
<b>TOTAL LIABILITIES</b>	<b>103,643</b>	<b>86,354</b>	<b>20.0</b>
<b>EQUITY</b>			
Capital stock	5,040	5,040	-
Additional paid-in capital	4,931	4,931	-
Treasury stock	(2,541)	(2,541)	-
Other equity	520	387	34.4
Retained earnings			
Appropriated	15,337	15,337	-
Unappropriated	61,648	69,559	(11.4)
Net equity attributable to:			
Owners of the parent company	84,935	92,713	(8.4)
Non-controlling interests	13,382	19,417	(31.1)
<b>TOTAL EQUITY</b>	<b>98,317</b>	<b>112,130</b>	<b>(12.3)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>201,960</b>	<b>198,484</b>	<b>1.8</b>

**Table 2**  
**PERUSAHAAN PERSEROAN (PERSERO)**  
**PT TELEKOMUNIKASI INDONESIA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the Six Months Period Ended June 30, 2018 and 2017 (unaudited)**  
**(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)**

	2018	2017	Growth (%)
<b>REVENUES</b>	<b>64,368</b>	<b>64,021</b>	0.5
Operations, maintenance and telecommunication service expenses	(21,883)	(18,408)	18.9
Depreciation and amortization expenses	(10,331)	(9,630)	7.3
Personnel expenses	(7,035)	(6,715)	4.8
Interconnection expenses	(1,855)	(1,410)	31.6
General and administrative expenses	(3,294)	(2,203)	49.5
Marketing expenses	(1,958)	(2,050)	(4.5)
Gain (loss) on foreign exchange – net	16	(9)	(277.8)
Other income	483	602	(19.8)
Other expenses	(411)	(412)	(0.2)
<b>OPERATING PROFIT</b>	<b>18,100</b>	<b>23,786</b>	<b>(23.9)</b>
Finance income	619	784	(21.0)
Finance costs	(1,559)	(1,350)	15.5
Share of profit of associated companies	29	35	(17.1)
<b>PROFIT BEFORE INCOME TAX</b>	<b>17,189</b>	<b>23,255</b>	<b>(26.1)</b>
<b>INCOME TAX (EXPENSE) BENEFIT</b>			
Current	(4,433)	(5,531)	(19.9)
Deferred	51	(229)	(122.3)
	(4,382)	(5,760)	(23.9)
<b>PROFIT FOR THE PERIOD</b>	<b>12,807</b>	<b>17,495</b>	<b>(26.8)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation	144	(11)	(1,409.1)
Change in fair value of available-for-sale financial assets	(11)	18	(161.1)
Share of other comprehensive income of associated companies	-	(2)	N/A
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit plan actuarial loss – net	-	-	-
Other comprehensive income – net	133	5	2,560.0
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>12,940</b>	<b>17,500</b>	<b>(26.1)</b>
Profit for the year attributable to:			
Owners of the parent company	8,698	12,104	(28.1)
Non-controlling interests	4,109	5,391	(23.8)
	<b>12,807</b>	<b>17,495</b>	<b>(26.8)</b>
Total comprehensive income for the year attributable to:			
Owners of the parent company	8,831	12,109	(27.1)
Non-controlling interests	4,109	5,391	(23.8)
	<b>12,940</b>	<b>17,500</b>	<b>(26.1)</b>
<b>BASIC EARNINGS PER SHARE</b> (in full amount)			
Net income per share	87.80	122.19	(28.1)
Net income per ADS (100 Series B shares per ADS)	8,780.34	12,218.58	(28.1)

**Table 3**  
**PT TELEKOMUNIKASI SELULAR (TELKOMSEL)**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2018 (UNAUDITED) WITH COMPARATIVE FIGURES AS OF DECEMBER 31, 2017 (AUDITED)**  
 (figures are presented in billions of Rupiah)

	JUN 2018	DEC 2017	Growth (%)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	9,204	10,548	(12.7)
Accounts receivables	2,324	2,199	5.7
Accrued income	1,700	1,341	26.7
Current portion of long-term prepayments	5,900	6,368	(7.4)
Others	1,137	641	77.4
<b>Total Current Assets</b>	<b>20,265</b>	<b>21,098</b>	<b>(3.9)</b>
<b>NON-CURRENT ASSETS</b>			
Long-term investment	7	7	0.0
Fixed assets-net	56,182	56,074	0.2
Advances for fixed assets	24	24	(0.9)
Intangible assets-net	4,612	4,588	0.5
Prepayments – Non-current portion	3,698	3,855	(4.1)
Others	105	102	3.6
<b>Total Non-current Assets</b>	<b>64,629</b>	<b>64,650</b>	<b>0.0</b>
<b>TOTAL ASSETS</b>	<b>84,894</b>	<b>85,748</b>	<b>(1.0)</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term loan	5,246	-	N/A
Accounts payable & accrued liabilities	15,895	15,193	4.6
Taxes payable	1,669	1,932	(13.6)
Unearned revenue	5,431	5,146	5.5
Current maturities of medium-term loans	2,600	-	N/A
Current maturities of oblig. under finance leases	777	759	2.4
Other current liabilities	0	1	N/A
<b>Total Current Liabilities</b>	<b>31,619</b>	<b>23,031</b>	<b>37.3</b>
<b>NON-CURRENT LIABILITIES</b>			
Medium-term loans - net of current maturities	9,147	1,000	814.7
Obligations under finance lease - net of current maturities	3,519	3,916	(10.1)
Deferred tax liabilities	947	1,142	(17.1)
Others	2,685	2,529	6.2
<b>Total Non-current Liabilities</b>	<b>16,298</b>	<b>8,587</b>	<b>89.8</b>
<b>EQUITY</b>			
Capital Stock - Rp1,000,000 par value			
Authorized - 650,000 shares			
Issued and fully paid - 182,570 shares	183	183	-
Additional paid-in capital	1,505	1,505	-
Retained earnings	35,289	52,443	(32.7)
<b>Total Equity</b>	<b>36,977</b>	<b>54,130</b>	<b>(31.7)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>84,894</b>	<b>85,748</b>	<b>(1.0)</b>



**Table 4**  
**PT TELEKOMUNIKASI SELULAR (TELKOMSEL)**  
**STATEMENTS OF PROFIT AND LOSS**  
**FOR SIX MONTHS ENDED JUNE 30, 2018 AND 2017 (UNAUDITED)**  
 (figures in tables are presented in billions of Rupiah)

	<u>1H18</u>	<u>1H17</u>	<u>Growth (%)</u>
<b>REVENUES</b>			
Postpaid	4,001	3,444	16.2
Prepaid	35,892	39,095	(8.2)
Interconnection & international roaming	2,261	2,788	(18.9)
Others	588	668	(12.1)
<b>Total Revenues</b>	<b><u>42,741</u></b>	<b><u>45,995</u></b>	<b>(7.1)</b>
<b>EXPENSES</b>			
Operation & maintenance	12,354	11,412	8.2
Personnel	1,907	1,839	3.7
Marketing	1,604	1,681	(4.6)
General & administration	1,001	990	1.1
Cost of services	2,080	1,560	33.3
Interconnection & international roaming	1,556	1,327	17.3
Depreciation & amortization	6,689	6,642	0.7
Others - net	(141)	127	(210.9)
<b>Total Expenses</b>	<b><u>27,051</u></b>	<b><u>25,578</u></b>	<b>5.8</b>
Finance (charges)/income - net	(92)	219	(142.0)
<b>INCOME BEFORE TAX</b>	<b>15,599</b>	<b>20,635</b>	<b>(24.4)</b>
INCOME TAX EXPENSE	(3,877)	(5,135)	(24.5)
<b>NET INCOME</b>	<b><u>11,722</u></b>	<b><u>15,500</u></b>	<b>(24.4)</b>
<b>EBITDA</b>	<b>22,239</b>	<b>27,185</b>	<b>(18.2)</b>
<b>EBITDA Margin- over revenues</b>	<b>52.0%</b>	<b>59.1%</b>	<b>(7.1ppt)</b>
<b>ROA</b>	<b>32.1%</b>	<b>37.9%</b>	<b>(5.8ppt)</b>
<b>ROE</b>	<b>62.6%</b>	<b>65.2%</b>	<b>(2.6ppt)</b>