

#### TICKERS:

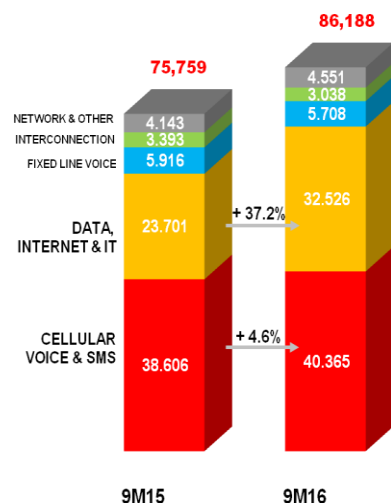
IDX : TLKM  
NYSE : TLK

#### SHAREHOLDER COMPOSITION:

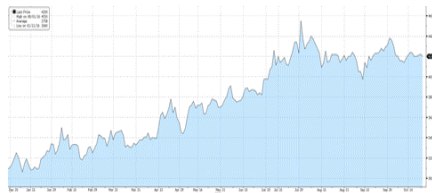
Government of Indonesia : 52.1%  
Public : 47.9%  
Excl. Treasury stock : 1,737,779,800 shares.

#### FINANCIAL PERFORMANCE

Revenue  
(in Rp. Bn)



#### TLKM Share Performance YTD 2016



**Share Price (Oct 25, 2016):**  
Rp4,200 (IDX) & USD64.84 (NYSE)

**Market Capitalization (Oct 25, 2016):**  
Rp423.4 Tn (USD32.6 Bn)

**Average Daily Trading Volume 2016:**  
92.7 Mn Shares (IDX) & 217,441 DR (NYSE)

**Average Daily Trading Value 2016:**  
Rp347.5 Bn (IDX) & USD 12.3 Mn (NYSE)

## Highlights

- Telkom Indonesia continued strong momentum in 9M16 by posting triple-digit growth in Revenue, EBITDA, and Net Income of 13.8%, 20.0%, and 27.6% YoY respectively.
- The strong growth was fueled by Data, Internet & IT Services which sharply increased by more than 37% YoY. This segment contributed 37.7% to total Revenue.
- Telkomsel installed 20,808 new BTSs during 9M16 of which around 90% were 3G/4G BTS in line with its focus on digital business.

#### Financial Highlights

Key Indicators (Rp. Bn)	YoY			QoQ				
	9M16	9M15	Growth (%)	3Q16	2Q16	1Q16	4Q15	Growth (%)
Revenues	86,188	75,759	13.8	29,734	28,912	27,542	26,751	2.8
Expenses	55,917	51,767	8.0	19,350	18,597	17,970	18,325	4.0
Operating Profit	30,271	23,992	26.2	10,384	10,315	9,572	8,426	0.7
EBITDA	44,378	36,990	20.0	15,583	14,140	14,655	14,341	10.2
EBITDA Margin (%)	51.5	48.8	2.7ppt	52.4	48.9	53.2	53.6	3.5ppt
Net Income	14,732	11,545	27.6	4,806	5,339	4,587	3,944	(10.0)
Net Income Margin (%)	17.1	15.2	1.9ppt	16.2	18.5	16.7	14.7	(2.3)ppt

#### Operational Highlights

Subscribers (000)	YoY		
	9M16	9M15	Growth (%)
<b>Broadband</b>			
Fixed Broadband	4,309	3,733	15.4
Telkomsel Flash	50,477	37,922	33.1
<b>Cellular</b>			
Postpaid	4,010	3,212	24.8
Prepaid	159,690	145,349	9.9
Total	163,700	148,561	10.2
<b>Fixed Line</b>			
POTS	10,641	10,033	6.1

#### Investor Relations

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## PT TELKOM INDONESIA (PERSERO) Tbk NINE MONTHS OF 2016 (UNAUDITED)

The following analysis and discussion is based on our Indonesian GAAP financial statements for the nine months ended September 30, 2015 and 2016. The reports have been submitted to Indonesia Financial Services Authority (OJK).

### Revenues

Key Indicators (Rp.Bn)	YoY		
	9M16	9M15	Growth (%)
Cellular Voice and SMS	40,365	38,606	4.6
Data, Internet & IT Service	32,526	23,701	37.2
Fixed Line Voice	5,708	5,916	(3.5)
Interconnection	3,038	3,393	(10.5)
Network and Other Telco Services	4,551	4,143	9.8
<b>Total</b>	<b>86,188</b>	<b>75,759</b>	<b>13.8</b>

Telkom recorded total revenue of Rp86.2 trillion in 9M16, an increase of 13.8% YoY with Data, Internet & IT Services as the growth driver with the details are as follows:

- **Cellular Voice and SMS revenues** increased by 4.6% YoY as we successfully managed the pressure from over-the-top (OTT) services by innovative product, such as voice and combo packages, as well as cluster-based pricing strategy.
- **Data, Internet & IT Services revenues** grew by 37.2% YoY mainly attributable to strong mobile data business as data payload increased by 84.7% and IndiHome broadband services.
- **Fixed Line Voice revenues**, decreased by 3.5% YoY mainly due to the decline in its traffic.
- **Interconnection revenues** declined by 10.5% YoY in line with lower incoming voice and SMS services due to the widespread use of OTT messaging services.
- **Network and Other Telecommunication Services revenues** grew by 9.8% YoY mainly due to increase in our managed service business.

### Expenses

Key Indicators (Rp. Bn)	YoY		
	9M16	9M15	Growth (%)
Operation, Maintenance & Telecommunication Services	23,621	21,419	10.3
Personnel	10,054	9,207	9.2
Interconnection	2,014	2,700	(25.4)
Marketing	2,616	2,170	20.6
General & Administrative	3,505	3,273	7.1
Depreciation & Amortization	13,357	13,504	(1.1)
(Gain)/Loss on Forex – net & Others – net	750	(506)	248.2
<b>Total</b>	<b>55,917</b>	<b>51,767</b>	<b>8.0</b>

Total Expenses increased by 8.0% YoY, lower than revenue growth, and the Operating Expenses rose by 7.8% YoY with the details are as follows:

- **Operation & Maintenance (“O&M”) expenses** went up by 10.3% YoY in line with our continuous infrastructure development including IT, in an effort to grow digital business both in cellular and fixed-line services.
- **Personnel expenses** increased by 9.2% YoY partly due to early retirement program (ERP) of Rp562 billion.
- **Interconnection expenses** declined 25.4% YoY mainly attributable to lower outgoing SMS traffic due to popularity of instant-messaging applications.
- **Marketing expenses** increased by 20.6% YoY primarily due to active promotion of 4G LTE and aggressive marketing and sales activities in mobile business on the occasion of festive Ramadhan.
- **General & Administrative expenses** increased by 7.1% YoY in line with increasing business volume.
- **Depreciation & Amortization expenses** decreased slightly by 1.1% YoY as last year there was significant amount of fixed wireless assets depreciation.
- **(Gain)/Loss on Forex-net & Others-net** increased by 248.2% YoY. We experienced losses on foreign exchange of Rp216 billion due to currency fluctuation. Other expenses were mainly penalty for early Flexi tower termination and tax charges.

## EBITDA, EBITDA Margin, and Net Income

In 9M16, EBITDA strongly grew by 20.0% YoY to Rp44.4 trillion with EBITDA margin improved to 51.5% from 48.8% last year. While our Net Income increased by 27.6% YoY to Rp14.7 trillion with healthy Net Income margin of 17.1%, improved from 15.2% in 9M15.

## Financial Position

Key Indicators (Rp.Bn)	YTD		
	9M16	FY15	Growth (%)
Assets	177,462	166,173	6.8
Liabilities	75,111	72,745	3.3
Non-controlling Interests	18,732	18,292	2.4
Equity attributable to owners of the company	83,619	75,136	11.3

- Total assets as of September 2016 reached Rp177.5 trillion, increased 6.8% YTD as compared to December 2015 mainly due to increase in fixed assets and account receivables.
- Total liabilities at end of September 2016 increased 3.3% to Rp75.1 trillion mainly attributed to higher accrued expenses.
- Non-controlling interest increased by 2.4% YTD due to increase in our subsidiaries' performance.
- Our equity increased by 11.3% due to higher retained earnings as a result of strong performance during 9M16.

## Cash Flows

Key Indicators (Rp. Bn)	YoY		
	9M16	9M15	Growth (%)
Cash Flow from Operating Activities	39,029	31,310	24.7
Cash Flow used in Investing Activities	(22,690)	(19,218)	18.1
Cash Flow used in Financing Activities	(15,312)	(4,527)	238.2
Net (Decrease)/Increase in Cash & Cash Equivalents	1,027	7,565	(86.4)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(292)	1,027	(128.4)
Cash & Cash Equivalents at Beginning of Year	28,117	17,672	59.1
Cash & Cash Equivalents at End of Period	28,852	26,264	9.9

- Net cash provided by operating activities increased by 24.7% YoY as a result of strong cash inflow from operations.
- Net cash used in investing activities increased by 18.1% YoY in line with acquisition of fixed assets in an effort to grow our digital business in cellular and fixed services.
- Net cash used in financing activities increased by 238.2% YoY as we raised significantly higher amount of loan last year.

## Debts

Currencies (Rp.Bn)	YTD			Portion (%)	
	9M16	FY15	Growth (%)	9M16	FY15
IDR/Rupiah	26,344	26,476	(0.5)	93.0	88.2
USD/US Dollar	1,142	2,764	(58.7)	4.0	9.2
JPY/Japanese Yen	843	792	6.4	3.0	2.6
<b>Total</b>	<b>28,329</b>	<b>30,032</b>	<b>(5.7)</b>	<b>100.0</b>	<b>100.0</b>

At the end of September 2016, total debts amounting to Rp28.3trillion, decreased by 5.7% compared to end of 2015. Around 93% of our debt is in Rupiah currency, 4% is in US Dollar currency and the balance is in Japanese Yen, consisting of short and long-term Bank Loans, Bonds and Two-Step Loans (“TSL”). Our debt to equity ratio (“DER”) was still relatively low at 33.9%.

## Financial Ratios

Ratios (%)	YoY		
	9M16	9M15	Growth (ppt)
EBIT Margin	35.1	31.7	3.4
EBITDA Margin	51.5	48.8	2.7
Net Income Margin	17.1	15.2	1.9
Current Ratio	128.4	135.3	(6.9)
Total Liabilities to Equity	89.8	96.8	(7.0)
Return on Assets	11.1	9.3	1.8
Return on Equity	23.5	20.5	3.0
Return on Invested Capital	17.5	14.6	2.9

## Gearing

Key Indicators	YTD		
	9M16	FY15	Growth (ppt)
Net Debt to Equity (%)	(0.6)	2.5	(3.1)
Debt to Equity (%)	33.9	40.0	(6.1)
Debt to EBITDA (%)	47.9	58.4	(10.5)
Debt Service Ratio (Times)	8.6	8.2	0.4

## Capital Expenditure

For the nine months of 2016, Telkom Group spent Rp19.9 trillion in Capital Expenditure (Capex). Telkom's Capex was mainly utilized to develop access and backbone infrastructure to support fixed as well as mobile broadband businesses, while Telkomsel's Capex was mainly utilized for radio access network (BTS) development. Some portion of capex was also utilized for other subsidiaries' projects among others are submarine cable systems (SEA - ME - WE5 and SEA-US), tower, data center, and property.

## Telkomsel Financial Result

Telkomsel continued to maintain its strong performance for the Nine Months of 2016 and again delivered another triple double-digit growth in Revenues, EBITDA and Net Income, which grew by 14.4%, 18.9% and 27.3% YoY respectively. Revenues grew to Rp63,649 billion with Digital Business continued to be the growth engine and posted 40.8% YoY growth, driven by Data which increased by 40.8% YoY and Digital Services which increased by 40.4% YoY. Digital Business accounted for 34.8% of total revenues, increased significantly from 28.3% a year ago. We were able to sustain our Legacy business despite Over The Top (OTT) cannibalization in SMS, which grew by 4.0% YoY (Voice +9.8% and SMS -1.5% YoY) due to successful execution of cluster-based pricing, market segmentation and superior network. EBITDA and Net Income margins were higher by 2.2ppt and 3.3ppt to 58.3% and 33.0%, respectively.

Despite saturated market, Telkomsel recorded healthy growth in subscriber base of 10.2% YoY to 163.7 million attributable to effective sales and marketing programs. Supporting our philosophy to always lead in

network supply, we deployed 20,808 new BTS during nine months of 2016 of which 90.2% were 3G/4G BTS in line with our focus on Digital Business. Our data traffic increased by 84.7% to 631,269 TB mainly fueled by high growth in 3G/4G capable device that reached 76.4 million (+37.3% YoY), or 46.7% of our customer base. In terms of infrastructure, by end of September 2016 our BTS on-air totaled 124,097 units (+23.6% YoY), 59.4% of which were 3G/4G BTS.

## Statements of Profit and Loss

Financial Performance (Rp. Bn)	YoY			QoQ		
	9M16	9M15	Growth (%)	3Q16	2Q16	Growth (%)
Revenues	63,649	55,627	14.4	22,544	20,910	7.8
Legacy	41,478	39,880	4.0	14,605	13,548	7.8
Digital Business	22,172	15,747	40.8	7,939	7,361	7.8
Expenses incl. Depreciation & others	35,808	33,677	6.3	12,404	11,729	5.8
EBITDA	37,132	31,222	18.9	13,292	12,167	9.2
EBITDA Margin (%)	58.3	56.1	2.2ppt	59.0	58.2	0.8ppt
Net Income	21,026	16,519	27.3	7,614	6,873	10.8
Net Income Margin (%)	33.0	29.7	3.3ppt	33.8	32.9	0.9ppt
Proportion of Digital Business (%)	34.8	28.3	6.5ppt	35.2	35.2	0.0ppt

Telkomsel recorded operating revenues of Rp63,649 billion for 9M16, an increase of 14.4% YoY.

- Prepaid revenue increased by 15.8% YoY to Rp54,976 billion, mainly driven by ARPU growth supported by the growth in data and legacy voice as well as growth in prepaid subscriber base which grew by 9.9% YoY to 159.7 million subscribers. Revenue from prepaid customers accounted for 86.4% of Telkomsel's total revenue.
- Postpaid revenue increased by 18.1% YoY to Rp4,989 billion mainly driven by the increase in the postpaid customer base which grew by 24.8% YoY to 4.0 million subscribers. Revenue from postpaid customers contributed 7.8% to total revenue.
- Interconnection and International Roaming revenues decreased by 5.1% YoY to Rp3,363 billion, which was expected due to the decline in SMS traffic from other local operators as we started to see cannibalization from OTT services.

In 9M16, total expenses including depreciation and amortization increased by 6.3% YoY to Rp35,808 billion, lower than revenue growth of 14.4%, indicating Telkomsel operational efficiency.

- Operation & Maintenance expenses increased by 14.4% YoY to Rp15,777 billion in line with the Company's accelerated network deployment to maintain network quality, resulted in higher transmission and network space rental costs.
- Cost of Services decreased by 12.7% YoY to Rp2,356 billion with cost savings mainly from BlackBerry access fee.
- Interconnection & International Roaming charges decreased by 6.9% YoY to Rp2,088 billion, mainly attributable to declining SMS traffic due to the popularity of substitute product instant messaging applications (OTT) and implementation of inter operator discount tariff in international roaming

settlement.

- Personnel expenses increased by 8.1% YoY to Rp2,798 billion, in line with increase in the number of employees and increase in salaries and benefits. There was also ERP of Rp156 billion in 3Q16.
- Marketing expenses increased by 17.7% YoY to Rp2,144 billion primarily due to promotion of our 4G LTE program across the country and other aggressive marketing and sales activities in line with the company's strategy to support festive Ramadhan and Lebaran season.
- General & Administration expenses increased by 7.1% YoY to Rp1,354 billion mainly attributable to higher training and development program as well as professional fees.
- Depreciation and Amortization expenses increased by 2.6 % YoY to Rp9,470 billion.

EBITDA and Net Income posted double digit growth with an increase of 18.9% YoY to Rp37,132 billion and 27.3% YoY to Rp21,026 billion, respectively, while EBITDA and Net Income margins were higher at 58% and 33%, respectively.

### Statements of Financial Position

Statements of Financial Position (Rp Bn)	Sep-16	Dec-15	Growth (%)
Current Assets	27,718	25,660	8.0
Non-Current Assets	58,423	58,426	0.0
<b>Total Assets</b>	<b>86,142</b>	<b>84,086</b>	<b>2.4</b>
Current Liabilities	23,803	20,020	18.9
Non-Current Liabilities	9,916	12,565	(21.1)
Equity	52,423	51,502	1.8
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>86,142</b>	<b>84,086</b>	<b>2.4</b>

As of 30 September 2016, Total Assets increased 2.4% to Rp86,142 billion, total liabilities increased 3.5% to Rp33,719 billion and total equity increased 1.8% to Rp52,423 billion.

- Current Assets increased 8.0% to Rp27,718 billion, mainly due to increase in cash and cash equivalents.
- Non-current Assets remain relatively stable at Rp58,423 billion.
- Current Liabilities increased 18.9% to Rp23,803 billion mainly due to the increase in accrued liabilities and unearned revenue.
- Non-current Liabilities decreased 21.1% to Rp9,916 billion, mainly due to lower outstanding medium-term loans
- Total Equity increased by 1.8% to Rp52,423 billion due to additional retained earnings as a result of the higher net income in this period.

### Cash Flow

Net cash generated from operations in 9M16 increased 23.4% YoY to Rp35,215 billion. Cash flow used in investment activities was Rp9,604 billion mainly for the payment of infrastructure spending. Net cash used in financing activities (exclude Dividend) were Rp2,908 billion, compared to Rp2,572 billion generated last year due to proceed from short & medium-term loans.

## Statements of Cash Flows For Nine Months Ended September 30, 2016 and 2015

Statements of Cash Flows (Rp Bn)	9M16	9M15	Growth (%)
Cash Flow from Operating Activities	35,215	28,548	23.4
Cash Flow for Investing Activities	(9,604)	(9,643)	(0.4)
Cash Flow from (for) Financing Activities	(2,908)	2,572	(213.0)
Dividend Payment	(19,401)	(16,852)	15.1
Net Increase in Cash & Cash Equivalents	3,303	4,625	(28.6)
Cash and Cash Equivalents at Beginning of Years	13,802	9,851	40.1
Cash and Cash Equivalents at End of Years	17,105	14,477	18.2

## Debt Profile

As of 30 September 2016, Telkomsel's total outstanding loans amounted to Rp2,650 billion which will mature in 2018. Around 24.5% (USD50.0 million) of the total loans were denominated in US Dollar mostly to cover our capex payment requirement. As of 30 September 2016, Telkomsel Debt to Equity Ratio (DER) was 15.5%.

Telkomsel has to maintain several financial covenants related to its loans/debts. As of 30 September 2016 the covenants were as follows:

Covenants to be Maintained	Required	Actual
EBITDA to Debt Service	$\geq 1.25$	12.27
Debt to Tangible Net Worth	$\leq 2.00$	0.05

## RESULTS BY SERVICE

### Celular Services

As of 30 September 2016, Telkomsel served 163.7 million subscribers nationwide, an increase of 10.2% YoY. Out of the total base, 46.7% or 76.4 million were using 3G/4G capable device which has been growing strongly by 37.3% YoY.

#### Voice and SMS

We were able to sustain healthy revenue growth from voice, which increased by 9.8% YoY to Rp29,306 billion. The healthy growth in voice revenue mainly attributable to higher voice traffic (MoU) which increased by 9.0% YoY to 176.3 billion minutes. The higher traffic is mainly due to improvement in network quality, high proportion of base still using 2G handset devices, aggressive promotion to migrate from Pay As You Use (PAYU) to voice packages as well as growth in our customer base.

On the other hand, revenue from SMS declined by 1.5% YoY to Rp9,994 billion due to the decline in SMS traffic (-15.7% YoY to 141.2 billion units) as we have seen trend of OTT services cannibalization such as instant messaging applications.



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## Digital Business

Digital business remained our engine of growth with our focus continue to be in leading network supply in 3G and 4G infrastructure. This segment recorded strong performance with 40.8% YoY growth to Rp22,172 billion and increased its contribution to total revenue substantially to 34.8% from 28.3% last year.

Revenue from Data grew by 40.8% YoY to Rp20,075 billion, driven by healthy growth in 3G/4G capable device adoption (+37.3% YoY to 76.4 million users), successful migration of PAYU to Flash packages, as well as continued strong growth in data payload, which increased by 84.7% YoY to 631,269 TB. As of 30 September 2016, 11.9 million of our customers that have LTE devices have swapped to USIM to utilize 4G services.

Digital Services also grew strongly by 40.4% YoY to Rp2,096 billion. Key products and services within this segment included Digital Lifestyle (music, games, video contents, etc.), Digital Advertising, Digital Payment (mobile banking, T-Cash, T-Wallet) and M2M Business (T-Drive, T-Bike etc).

Our focus on Digital Business was reflected from our network deployment. We continued to accelerate our network development with aggressive 3G/4G BTS deployment to support Digital Business as data traffic jumped 84.7% YoY. During 9M16, Telkomsel built 20,808 new BTS, an increase of 39.1% 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 5,015 4G BTS to date. The network roll out brought total BTS on air to 124,097 units at end of September 2016, or increased by 23.6% YoY, of which 73,666 units were 3G/4G BTS (+41.0% YoY).

Blended ARPU increased 7.4% YoY due to successful implementation of cluster-based pricing, market segmentation, higher quality customer base, increase in 3G/4G capable device penetration as well as strong growth in data payload resulted in overall higher ARPU contribution. We see the trend of higher ARPU contribution when customers migrate from 2G to 3G and also from 3G to 4G device. While data ARPU are still growing strongly, we started to see voice ARPU stabilizing, and SMS ARPU continue to decline due to cannibalization of OTT services.

The following table presents a comparison of our cellular business performance:

Key Indicators	Unit	YoY			QoQ		
		9M16	9M15	Growth (%)	3Q16	2Q16	Growth (%)
<b>Customer Base</b>							
Postpaid (kartuHalo)	Subs (000)	4,010	3,212	24.8	4,010	3,919	2.3
Prepaid ( <i>simPATI</i> + Kartu As)	Subs (000)	159,690	145,349	9.9	159,690	153,468	4.1
Total	Subs (000)	163,700	148,561	10.2	163,700	157,388	4.0
<b>Net Add</b>							
Postpaid (kartuHalo)	Subs (000)	501	361	38.8	91	235	(61.2)
Prepaid ( <i>simPATI</i> + Kartu As)	Subs (000)	10,558	7,614	38.7	6,221	3,539	75.8
Total	Subs (000)	11,059	7,975	38.7	6,312	3,774	67.2
<b>TRAFFIC</b>							
MoU (Total)	Bn Minutes	176.3	161.6	9.0	57.2	56.5	1.3
MoU (Chargeable)	Bn Minutes	155.0	137.6	12.7	52.0	49.9	4.1
SMS (Total)	Bn Units	141.2	167.5	(15.7)	44.6	48.3	(7.6)
SMS (Chargeable)	Bn Units	89.9	91.2	(1.5)	29.2	30.6	(4.6)
<b>ARPU</b>							
Postpaid (kartuHalo)	Rp.'000/month	151	165	(8.2)	152	152	(0.3)
Prepaid ( <i>simPATI</i> + Kartu As)	Rp.'000/month	42	39	7.8	44	42	5.8
Blended	Rp.'000/month	45	42	7.4	47	45	5.4
<b>NETWORK DATA</b>							
BTS	Unit	124,097	100,382	23.6	124,097	118,673	4.6
<b>DATA/BROADBAND</b>							
3G/4G Capable Device	Unit (000)	76,374	55,614	37.3	76,374	70,117	8.9
Data Payload	TB	631,269	341,708	84.7	252,686	208,738	21.1
<b>EMPLOYEE DATA</b>							
Total employees	Person	5,014	4,850	3.4	5,014	5,046	(0.6)
Efficiency ratio	subs/employee	32,649	30,631	6.6	32,649	31,191	4.7

## Fixed Line Services

### Consumer Services - IndiHome Triple Play

IndiHome Triple Play, a bundling package consists of fixed phone, high speed internet, and IPTV is our flagship product. As of September 2016, total IndiHome subscribers reached 1.524 million.

To improve IndiHome ARPU level, starting 3Q16 Telkom deliberately selects higher quality customers to retain and grow. After performing a comprehensive review, we discouraged less productive customers by reducing or stopping promotional prices for some, and promotional contents for others, so we expect to have more profitable and loyal customers. After certain periods of time, those low quality customers will no longer be included into IndiHome customer database. Coupled with subscribers' churn, it resulted in limited customers growth for IndiHome in the third quarter. ARPU for 3Q16 was Rp313 thousand.

### Enterprise and Wholesale Services

Telkom also delivers fixed line services to enterprise and wholesale business segments. Enterprise division provides access and connectivity as well as managed solution for 1,339 corporate customers, 190,850 SME customers and 636 government institutions. In terms of enterprise broadband service, our internal research estimated that Telkom has around 64% of traffic market share in the enterprise market with 2,349Gbps total bandwidth in service, part of which is in the form of integrated IT solution.

While in the wholesale business segment Telkom serves other licensed telco players in Indonesia. Services vary from leased channel, data communication, connectivity, traffic transit, satellite to managed services as

Telkom has the widest network coverage supported by almost 84,000 km fiber-based backbone as of September 2016.

### **Data Center**

We have more than 75,000 sqm facility space of data center. Currently, we are in the process of finalizing the Jurong data center of 20,000 sqm that will commence operation in November 2016.

### **Smart Government Initiative**

Telkom Group supports smart government initiative especially local government: cities and counties, in the efforts to modernize the city management by implementation of IT-based public services system. Telkom provides broadband infrastructure and cloud-based solution to help government improve their services to public. Telkom has already implemented smart city system in 211 cities including Surabaya, Bandung and Bogor.

### **Backbone Networks**

Nationwide backbone network has always been our group's competitive advantage. We continuously expand our terrestrial and submarine backbone to support both our mobile and fixed business branch. During 9M16 we deployed 1,985 km fiber-based backbone to make total length of Telkom backbone reach 83,878 km by September 2016.

To support international connectivity, currently we are developing two major submarine cable systems namely SEA-ME-WE-5 (South East Asia – Middle East – Western Europe 5) and SEA-US (South East Asia–United States) in consortium with international telco operators.

The SEA-ME-WE-5 cable system is developed by a consortium of 22 operators and spans 17,800 km from Marseille, France to Dumai, Indonesia, with expected completion of Q4 2016. While the SEA-US cable system is developed by a consortium of 7 operators, stretches 14,400 km long connecting North Sulawesi in Indonesia to California, USA across the Pacific Ocean, and is scheduled for operation around Q3 of 2017. As of September 2016 SEA-ME-WE-5 progress was around 94% and SEA-US was 66%.

To connect SEA-ME-WE-5 and SEA-US, we are in the progress of deploying IGG (Indonesia Global Gateway) to connect with our domestic network. The completion of SEA-ME-WE-5, SEA-US, and IGG will make an unparalleled network infrastructure.

Through those and some other projects we hope to expand 48,800 km more backbone cable system during 2016-2018. This expansion will significantly increase our network capacity and quality and help enhance our presence among international operators.

### **Satellites**

We are in the preparation of launching Telkom-3S and Telkom-4 satellites. Telkom-3S Satellite is assigned to replace Telkom-2 Satellite. We expect Telkom-3S to be launched in quarter-1 2017. It will carry in total 42 active transponders, consist of 24 Standard C-band transponders, 8 Extended C-band transponders and 10 Ku-band transponders. As of September 2016 the progress of this project was around 80%.

While Telkom-4 Satellite which will replace Telkom-1 Satellite, is planned to be launched in quarter-3 2018. It will carry 48 Standard C band transponders and 12 Extended C band transponders. As of September 2016 the progress of this project was around 38%.

## Recent Development

- **Change in Board of Directors** – As of September 9, 2016, Telkom's Director of Enterprise & Business Service, Mr. Muhammad Awaluddin, was appointed as President Director of PT Angkasa Pura II (Persero). In accordance, Telkom has assigned Mr. Honesti Basyir as the Acting Director of Enterprise & Business Service in addition to his current position as Director of Wholesale & International Service.
- **Application Service License for Telin Myanmar** - Telin Myanmar, established in August 2013 as one of our international footprints, has been awarded Application Service license from Myanmar telecommunication authority. With this license it can deliver internet service, provide private line voice and/or data services as well as value added services. Previously, Telin Myanmar has also won the IP transit service license in 2013 and currently serves Myanmar's state owned enterprise MPT, which operates the country's postal and telecommunication system.
- **blanja.com synergy with State-owned Enterprises** - Blanja.com, Telkom's e-commerce platform developed in partnership with eBay, has embraced around 4,000 small and medium enterprises (SME). These SMEs are part of fellow State Owned Enterprises' CSR partners with more than 2,600 product variety to choose from. In addition to digital trading platform, blanja.com also provided these SMEs with continuous twinning efforts to increase their product's quality and digital literacy. Blanja.com also provides space for SOEs to sell their products online. As of August 2016, blanja.com reached more than 7,300 sellers participating in its web site.

## Product and Marketing Activities

### Fixed Line & Enterprise

- **Hybrid Box (IPTV & OTT)** is a set top box that delivers interactive TV program, video streaming of favourite movies and other value added Over The Top (OTT) services. Using hybrid box, customers will be able to browse and stream video such as Youtube on TV including to watch OTT content from partners such as CATCHPLAY, VIU and iflix.
- **Interactive TV channel enrichment.** New TV channels are added to the interactive TV services of IndiHome, such as Galaxy, Dreamworks, RED, Pelangi, Galaxy, Zee Hiburan, Baby First, Hi Indo, Prambors and many others. New interactive TV minipacks are also available. These channels enrich the content options for customers, following previous favourite channels, e.g. BeIN Sports that present Premier League big matches special for IndiHome customer.
- **Movin' is a triple play on the move** is an Android-based Mobile Apps designed specifically for IndiHome customers, where they can enjoy TV shows, calls and internet access both inside and outside the home using smartphone but the will be counted into home phone usage. Using Movin', customers can watch their favorite shows and movies directly, surf the vast network connection and can receive home phone anytime and anywhere through smartphone.
- **My IndiHome** is a customer experience hub. This mobile application provides customer support functions, such as IndiHome registration, add-on services registration, complaint handling, order tracking, usage information. Some free valuable contents are also available. My IndiHome is available in Play Store & App Store.

- **New Zapa Application** is a mobile-based customer relationship management services designed for SMEs in Indonesia to facilitate SMEs in finding Telkom's product information, billing information, order process tracking, or nearest SME partners through the "Near Me" feature.

## Mobile

- **simPATI GIGAMAX** was launched in July 2016 as *simPATI* Entertainment Package with higher internet quota and entertainment service consisting of regular quota, 4G quota and content quota (HOOQ & VIU video streaming access for 30 days) priced starting from Rp49,000 (2.1 GB) to Rp299,000 (50 GB). The package also comes with bonus on voice & SMS (on-network) for 7 days worth at price of the package.
- **"Tukar Kartu 4G"** program was introduced to facilitate customer in getting 4G upgrade card through online delivery mechanism with 10 GB bonus quota. The bonus quota is valid for prepaid customer with 4G SIM Card and 4G handset connected to Telkomsel 4G network for 30 days. Customers can also have 4G upgrade at various points of migration such as Grapari, My Grapari, Samsung Experience Stores, Telkomsel Distribution Center and selected device outlets.
- **Telkomsel – OPPO Collaboration Program** was launched to encourage mass adoption of 4G smartphone device and 4G network utilization with 4G data user, consisting of OPPO F1s smartphone device bundled with TAU (Telkomsel Android United) 4G data package of 14 GB (2 GB for all network & 12 GB for 4G network only) priced at Rp3,799,000. Customers can get the package at various Telkomsel's channels such as Grapari, OPPO stores and online channel.

## ADDITIONAL INFORMATION

### Awards & Recognition

During 3Q16, we have been awarded by several institutions for our achievements, among others:

- *Vision Awards Annual Report Competition 2016* for Telkom as *First Place in Regional Top 80 Rank in Asia-Pacific, Sixth Place in Worldwide Top 100 Rank, and Platinum Award for Technology-IT Services Industry* from League of American Communications Professionals (LACP).
- *Indonesia's Top 100 Most Valuable Brands 2016 Award* for Telkom as the first place from Brand Finance in cooperation with SWA Magazine.
- *Forbes Global 2000 Awards* for Telkom from Forbes Magazine.
- *Alpha Southeast Asia Award* for Telkom as Most Organized Investor Relations, Most Consistent Dividend Policy, Best Annual Report in Indonesia, and Strongest Adherence to Corporate Governance from Alpha Southeast Asia.
- *AON Best Employer 2016* for Telkom as Best Employer dan Best of The Best Employers from AON.
- *Indonesian Human Capital Study (IHCS) Awards 2016* for Telkom as Best Employee Net Promoter Score, Best Career Management Initiatives, Best Talent Management Initiative, Best Employee Self Service Initiatives, Best of CEO Commitment of Human Capital Development, and Best of All Human Capital Criteria (Best of the Best) from IHCS.
- *Indonesia Best Brand Award 2016* for IndiHome as The Best Brand from SWA, Metro TV, and MARS Research Specialist.

- *Indonesia Best CFO 2016* for CFO Telkomsel as The 3rd Winner of Indonesia Best Chief Financial Officer 2016 from SWA Magazine.
- *7th Asia Best Employer Brand Awards 2016* for Telkomsel as Asia's Best Employer Brand from Employer Branding Institute.
- *World Branding Awards 2016* for Telkomsel as Best Corporate Brand in Telecommunications-Mobile Category from World Branding Forum.
- *Indonesia Best Brand Award 2016* for *simPATI* with Best Brand Platinum in GSM SIM Card Category from SWA Magazine & Mars Research Specialist.
- *Indonesia's Best Corporate Social Initiatives (IBCSI) 2016* for NextDev program (Corporate Social Marketing), for TERRA program (Social Responsible Business Practice) and for SMS Donasi BazNas (Cause-Related Marketing) from Mix Marketing Communications.

**Table 1**  
**PERUSAHAAN PERSEROAN (PERSERO)**  
**PT. TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As of September 30, 2016 (unaudited) and December 31, 2015 (audited)**  
**(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)**

	2016	2015	Growth (%)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	28,852	28,117	2.6
Other current financial assets	3,429	2,818	21.7
Trade receivables and others receivables	10,790	7,872	37.1
Inventories – net of provision for obsolescence	867	528	64.2
Advances and prepaid expenses	5,099	5,839	(12.7)
Claim for tax refund	89	66	34.8
Prepaid taxes	3,181	2,672	19.0
Assets held for sale	64	-	100.0
<b>Total Current Assets</b>	<b>52,371</b>	<b>47,912</b>	<b>9.3</b>
<b>NON-CURRENT ASSETS</b>			
Long-term investments	1,866	1,807	3.3
Property and equipment – net of accumulated depreciation	109,985	103,700	6.1
Prepaid pension benefit cost	807	1,331	(39.4)
Advances and other non-current assets	8,279	7,153	15.7
Claims for tax refund – net of current portion	934	1,013	(7.8)
Intangible assets – net of accumulated amortization	2,990	3,056	(2.2)
Deferred tax assets – net	230	201	14.4
<b>Total Non-current Assets</b>	<b>125,091</b>	<b>118,261</b>	<b>5.8</b>
<b>TOTAL ASSETS</b>	<b>177,462</b>	<b>166,173</b>	<b>6.8</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14,894	14,284	4.3
Taxes payable	3,928	3,273	20.0
Accrued expenses	10,765	8,247	30.5
Unearned income	5,736	4,360	31.6
Advances from customers and suppliers	523	805	(35.0)
Short-term bank loans and current maturities of long-term liabilities	4,946	4,444	11.3
<b>Total Current Liabilities</b>	<b>40,792</b>	<b>35,413</b>	<b>15.2</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities – net	1,510	2,110	(28.4)
Other liabilities	316	382	(17.3)
Long service award provisions	477	501	(4.8)
Pension benefits and other post-employment benefits	4,319	4,171	3.5
Long-term borrowings	27,697	30,168	(8.2)
<b>Total Non-current Liabilities</b>	<b>34,319</b>	<b>37,332</b>	<b>(8.1)</b>
<b>TOTAL LIABILITIES</b>	<b>75,111</b>	<b>72,745</b>	<b>3.3</b>
<b>EQUITY</b>			
Capital stock	5,040	5,040	-
Additional paid-in capital	4,931	2,935	68.0
Treasury stock	(2,541)	(3,804)	(33.2)
Other equity	296	508	(41.7)
Retained earnings			
Appropriated	15,337	15,337	-
Unappropriated	60,556	55,120	9.9
<b>Net Equity Attributable to:</b>			
Owners of the parent company	83,619	75,136	11.3
Non-controlling interests	18,732	18,292	2.4
<b>TOTAL EQUITY</b>	<b>102,351</b>	<b>93,428</b>	<b>9.6</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>177,462</b>	<b>166,173</b>	<b>6.8</b>

**Table 2**  
**PERUSAHAAN PERSEROAN (PERSERO)**  
**PT TELEKOMUNIKASI INDONESIA Tbk AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the Nine-Month Period Ended September 30, 2016 and 2015 (unaudited)**  
**(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)**

	2016	2015	Growth (%)
<b>REVENUES</b>	<b>86,188</b>	<b>75,759</b>	<b>13.8</b>
Operations, maintenance and telecommunication service expenses	(23,621)	(21,419)	10.3
Depreciation and amortization expenses	(13,357)	(13,504)	(1.1)
Personnel expenses	(10,054)	(9,207)	9.2
Interconnection expenses	(2,014)	(2,700)	(25.4)
General and administrative expenses	(3,505)	(3,273)	7.1
Marketing expenses	(2,616)	(2,170)	20.6
(Loss) gain on foreign exchange – net	(216)	77	(380.5)
Other income	905	648	39.6
Other expenses	(1,439)	(219)	557.1
<b>OPERATING PROFIT</b>	<b>30,271</b>	<b>23,992</b>	<b>26.2</b>
Finance income	1,267	980	29.3
Finance costs	(1,971)	(1,658)	18.9
Share of profit of associated companies	50	6	733.3
<b>PROFIT BEFORE INCOME TAX</b>	<b>29,617</b>	<b>23,320</b>	<b>27.0</b>
<b>INCOME TAX (EXPENSE) BENEFIT</b>			
Current	(8,080)	(6,157)	31.2
Deferred	632	174	263.2
	(7,448)	(5,983)	24.5
<b>PROFIT FOR THE YEAR</b>	<b>22,169</b>	<b>17,337</b>	<b>27.9</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation	(96)	217	(144.2)
Change in fair value of available-for-sale financial assets	13	(4)	(425.0)
Share of other comprehensive income of associated companies	(3)	-	100.0
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit plan actuarial gain, net of tax	-	-	-
Other comprehensive income – net	(86)	213	(140.4)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>22,083</b>	<b>17,550</b>	<b>25.8</b>
Profit for the year attributable to:			
Owners of the parent company	14,732	11,545	27.6
Non-controlling interests	7,437	5,792	28.4
	22,169	17,337	27.9
Total comprehensive income for the year attributable to:			
Owners of the parent company	14,646	11,758	24.6
Non-controlling interests	7,437	5,792	28.4
	22,083	17,550	25.8
<b>BASIC AND DILUTED EARNINGS PER SHARE (in full amount)</b>			
Net Income per share	149.57	117.60	27.2
Net Income per ADS (200 Series B shares per ADS)	29,913.36	23,518.21	27.2



**Table 3**  
**PT TELEKOMUNIKASI SELULAR (TELKOMSEL)**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2016 (UNAUDITED) WITH COMPARATIVE FIGURES AS OF DECEMBER 31, 2015 (AUDITED)**  
 (figures are presented in billions of Rupiah)

	<u>SEP 2016</u>	<u>DEC 2015</u>	<u>Growth (%)</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	17,105	13,802	23.9
Accounts receivables	2,652	2,706	(2.0)
Accrued income	867	461	87.9
Current portion of long-term prepayments	3,584	5,458	(34.3)
Others	3,511	3,233	8.6
<b>Total Current Assets</b>	<b><u>27,718</u></b>	<b><u>25,660</u></b>	<b>8.0</b>
<b>NON-CURRENT ASSETS</b>			
Long-term investment	7	7	0.0
Fixed assets-net	54,412	54,112	0.6
Advances for fixed assets	72	134	(46.7)
Intangible assets-net	1,862	1,877	(0.8%)
Prepayments – Non-current portion	1,974	2,096	(5.8%)
Others	97	199	(51.5%)
<b>Total Non-current Assets</b>	<b><u>58,423</u></b>	<b><u>58,426</u></b>	<b>0.0%</b>
<b>TOTAL ASSETS</b>	<b><u>86,142</u></b>	<b><u>84,086</u></b>	<b>2.4%</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable & accrued liabilities	14,719	12,730	15.6
Taxes payable	3,281	2,487	31.9
Unearned revenue	5,107	4,092	24.8
Current maturities of medium-term & long-term loans	-	111	N/A
Current maturities of oblig. under finance leases	695	599	16.0
<b>Total Current Liabilities</b>	<b><u>23,803</u></b>	<b><u>20,020</u></b>	<b>18.9</b>
<b>NON-CURRENT LIABILITIES</b>			
Medium-term & long-term loans - net of current maturities	2,646	5,061	(47.7)
Obligations under finance lease - net of current maturities	4,767	4,899	(2.7)
Deferred tax liabilities	1,151	1,392	(17.3)
Others	1,352	1,213	11.5
<b>Total Non-current Liabilities</b>	<b><u>9,916</u></b>	<b><u>12,565</u></b>	<b>(21.1)</b>
<b>EQUITY</b>			
Capital Stock - Rp1,000,000 par value			
Authorized - 650,000 shares			
Issued and fully paid - 182,570 shares	183	183	0.0
Additional paid-in capital	1,505	1,505	0.0
Retained earnings	50,736	49,815	1.8
<b>Total Equity</b>	<b><u>52,423</u></b>	<b><u>51,502</u></b>	<b>1.8</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>86,142</u></b>	<b><u>84,086</u></b>	<b>2.4</b>

**Table 4**  
**PT TELEKOMUNIKASI SELULAR (TELKOMSEL)**  
**STATEMENTS OF PROFIT AND LOSS**  
**FOR NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (UNAUDITED)**  
 (figures in tables are presented in billions of Rupiah)

	<u>2016</u>	<u>2015</u>	<u>Growth (%)</u>
<b>REVENUES</b>			
Postpaid	4,989	4,224	18.1
Prepaid	54,976	47,469	15.8
Interconnection & international roaming	3,363	3,545	(5.1)
Others	321	389	(17.4)
<b>Total Revenues</b>	<b>63,649</b>	<b>55,627</b>	<b>14.4</b>
<b>EXPENSES</b>			
Operation & maintenance	15,777	13,791	14.4
Depreciation & amortization	9,470	9,234	2.6
Cost of services	2,356	2,698	(12.7)
Interconnection & international roaming	2,088	2,243	(6.9)
Personnel	2,798	2,588	8.1
General & administration	1,354	1,263	7.1
Marketing	2,144	1,822	17.7
Others - net	(179)	38	(566.4)
<b>Total Expenses</b>	<b>35,808</b>	<b>33,677</b>	<b>6.3</b>
Finance income (charges) - net	101	17	482.9
<b>INCOME BEFORE TAX</b>	<b>27,942</b>	<b>21,967</b>	<b>27.2</b>
INCOME TAX EXPENSE	(6,916)	(5,447)	27.0
<b>NET INCOME</b>	<b>21,026</b>	<b>16,519</b>	<b>27.3</b>
<b>EBITDA</b>	<b>37,132</b>	<b>31,222</b>	<b>18.9</b>
<b>EBITDA Margin- over revenues</b>	<b>58.3%</b>	<b>56.1%</b>	<b>2.2ppt</b>
<b>ROA</b>	<b>31.8%</b>	<b>28.1%</b>	<b>3.8ppt</b>
<b>ROE</b>	<b>54.7%</b>	<b>48.0%</b>	<b>6.7ppt</b>