

TICKERS:

IDX : TLKM
NYSE : TLK

SHAREHOLDER COMPOSITION:

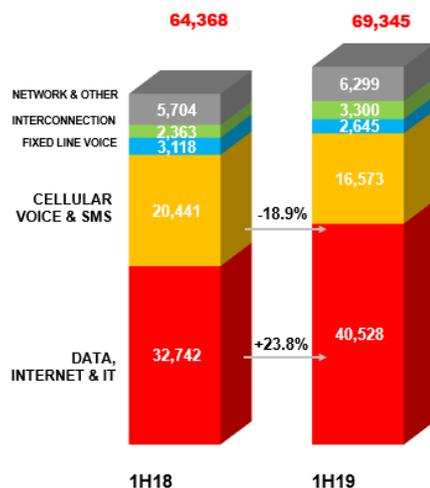
Government of Indonesia : 52.1%
Public : 47.9%

CONVERSION RATES (US\$ 1.00):

Jun 30, 2019 = Rp14,127.5
Dec 31, 2018 = Rp14,380.0
Jun 30, 2018 = Rp14,330.0

FINANCIAL PERFORMANCE

Revenue
(in Rp. Bn)


TLKM Share Performance YTD 2019

Share Price on 30 July 2019

Rp4,270 (IDX) and USD29.90 (NYSE)

Market Capitalization (July 30, 2019):

Rp423.0 Tn (USD29.6 Bn)

Average Daily Trading Volume 2019:

86.2 Mn Shares (IDX) & 269,738DR (NYSE)

Average Daily Trading Value 2019:

Rp387.6 Bn (IDX) & USD27.3 Mn (NYSE)

Source: Bloomberg

Highlights

- In 1H19, Telkom Indonesia recorded 7.7% of YoY revenue growth. Mobile business showed an encouraging upturn with 5.5% YoY revenue growth.
- Data, Internet & IT Services segment remained the growth driver and largest revenue contributor. In 1H19, the segment increased by 23.8% YoY, accounted for 58.4% of total revenue, a significant improvement from 50.9% last year.
- We continued to enhance our digital infrastructures. Telkomsel installed around 15,100 new 4G BTS in 1H19, for our total BTS to reach around 204 thousand. While Telkom built additional around 2,600 km of fiber optic backbone to support both mobile and fixed digital businesses.

Financial Highlights

Key Indicators (Rp. Bn)	YoY		
	1H19	1H18	Growth (%)
Revenues	69,345	64,368	7.7
Expenses	47,135	46,268	1.9
Operating Profit	22,210	18,100	22.7
EBITDA	33,124	28,343	16.9
EBITDA Margin (%)	47.8	44.0	3.7
Net Income	11,078	8,698	27.4
Net Income Margin (%)	16.0	13.5	2.5

Operational Highlights

Subscribers (000)	YoY		
	1H19	1H18	Growth (%)
Broadband			
Fixed Broadband	7,958	6,309	26.1
IndiHome	6,001	4,137	45.1
Mobile Data User	111,218	134,671	(17.4)
Cellular			
Postpaid	5,939	5,307	11.9
Prepaid	161,853	172,580	(6.2)
Total	167,792	177,888	(5.7)

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DISCLAIMER

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PT TELKOM INDONESIA (PERSERO) Tbk FIRST HALF OF 2019 (UNAUDITED)

The following analysis and discussion are based on our Indonesian GAAP financial statements for the first half of 2019. The reports have been submitted to Indonesia Financial Services Authority (OJK).

Revenues

Key Indicators (Rp.Bn)	YoY		
	1H19	1H18	Growth (%)
Data, Internet & IT Service	40,528	32,742	23.8
Cellular Voice and SMS	16,573	20,441	(18.9)
Fixed Line Voice	2,645	3,118	(15.2)
Interconnection	3,300	2,363	39.7
Network and Other Telco Services	6,299	5,704	10.4
Total	69,345	64,368	7.7

Telkom recorded total revenues of Rp69.3 trillion in 1H19, an increase of 7.7% YoY; with Data, Internet & IT Services the main growth driver. Details of our revenue lines are as follows:

- **Data, Internet & IT Services revenues** increased significantly by 23.8% YoY in 1H19, primarily attributable to the high increase of mobile data traffic coupled with significant addition of IndiHome subscribers. Mobile broadband traffic increased by 56.0% YoY to 2,961 petabyte, generated from 111.2 million of data users. While in fixed broadband, IndiHome customers reached 6.0 million subscribers, a 45.1% jump from 4.1 million last year.
- **Cellular Voice and SMS revenues** decreased 18.9% YoY as a result of voice and SMS traffic declining by 11.9% and 34.0% YoY respectively; due to cannibalization from instant messaging (OTT) applications as smartphone adoption increased.
- **Fixed Line Voice revenues** declined 15.2% YoY, due to cannibalization from mobile services that led to a decline fixed line traffic.
- **Interconnection revenues** increased 39.7% YoY as a result of our initiative to exploit overseas wholesale voice business opportunities.
- **Network and Other Telecommunication Services revenues** grew by 10.4% YoY in line with increasing revenue from satellite business.

In accordance with our strategic objective to be digital telco company, we classify our business into three categories i.e. Legacy, Broadband Connectivity and Digital Services. Focus is on growing Digital Business, a combination of Broadband Connectivity and Digital Services.

In line with our continuous effort to strengthen our digital capabilities, we saw encouraging results from our Digital Business with 22.6% YoY growth to Rp48.3 trillion, this contributed to 69.6% of total revenue or went up from 61.2% last year. Broadband Connectivity significantly increased by 24.4% YoY to Rp38.7 trillion, contributed to 55.8% of total revenue, rose from 48.3% of total revenue in 1H18. It was supported by

growth in Mobile and Fixed Broadband segments. Digital Service increased by 15.6% YoY to Rp9.6 trillion, and contributed to 13.8% of total revenue from 12.9% in 1H18. Increasing Digital Service revenues were driven by various digital services both in mobile and fixed business such as application and smart-enablers platforms. Our Digital Service in Mobile Segment include video, games, music and payment; whilst in Fixed Segment include data center and cloud as well as IPTV. Strong growth in the Digital Business successfully compensated for the decline in Legacy Business, and led to positive growth in 1H19.

On the contrary, Legacy Business, which mainly comprises of cellular voice, SMS, fixed line voice, declined 15.6% YoY to Rp21.1 trillion due to the presence of various OTT services. Several efforts were made to manage the rate of decline including promoting voice and SMS packages, as well as personalized offerings of voice and SMS services.

Expenses

Key Indicators (Rp.Bn)	YoY		
	1H19	1H18	Growth (%)
Operating Expense			
Operation, Maintenance & Telecommunication Services	21,790	21,883	(0.4)
Personnel	6,488	7,035	(7.8)
Interconnection	2,737	1,855	47.5
Marketing	1,992	1,958	1.7
General & Administrative	3,214	3,294	(2.4)
Total Operating Expenses	36,221	36,025	0.5
Depreciation & Amortization	11,467	10,331	11.0
Forex (Gain) / Loss	56	(16)	(450.0)
Others (Income) / Expense	(609)	(72)	745.8
Total Expenses	47,135	46,268	1.9

Total Expenses went up by 1.9% YoY with Operating Expenses increased slightly by 0.5%. Details of expenses are as follows:

- **Operation & Maintenance (“O&M”) expenses** declined slightly by 0.4% YoY mainly due to lower IT service costs related to Enterprise segment business.
- **Personnel expenses** decreased by 7.8% YoY, in line with large number of natural retirements, lower actuarial expense calculation during the period, and higher incentives booked in 1H18.
- **Interconnection expenses** rose significantly by 47.5% in line with higher growth in our international wholesale voice business.
- **Marketing expenses** only increased by 1.7% YoY primarily in support of IndiHome marketing activities, combined with effective sales and marketing program in mobile business post the prepaid SIM card registration period.

- **General & Administrative expenses** decreased by 2.4% YoY as we successfully managed overhead expenses.
- **Depreciation & Amortization** increased by 11.0% YoY due to additional fixed asset in line with mobile and fixed-line business infrastructure development such as fiber-based access and backbone, including submarine cable, 4G BTS, as well as the new satellite launched in 3Q18.
- We recorded a **Net Forex Loss** of Rp56 billion.
- **Others – net** recorded an income of Rp609 billion from higher non-operating income and lower non-operating expense during the period.

EBITDA and Net Income

Our EBITDA and Net Income grew by 16.9% and 27.4% YoY respectively, supported by our effort to boost digital business both in mobile and fixed line businesses. Our margins also improved, with an EBITDA margin of 47.8%, compared to 44.0% in 1H18; while our Net Income margin was 16.0% in 1H19, up from 13.5% in 1H18.

Financial Position

Key Indicators (Rp. Bn)	End of		
	Jun-19	Dec-18	Growth (%)
Total Assets	215,699	206,196	4.6
Total Liabilities	107,354	88,893	20.8
Non-controlling Interests	14,396	18,393	(21.7)
Total Equity	108,345	117,303	(7.6)

- Total assets at end of June 2019 stood at Rp215.7 trillion, a 4.6% increase YTD mainly due to an increase in fixed assets in line with our continuous network development.
- Total liabilities on 30 June 2019 were Rp107.4 trillion, a 20.8% increase YTD due to an increase in long-term loan to support our investments.
- Non-controlling interests decreased by 21.7% YTD, despite our healthy subsidiary's performance during 1H19, as we paid dividend payment to shareholder of subsidiary.
- Our equity also declined by 7.6% YTD due to dividend payment.

Cash Flows

Key Indicators (Rp. Bn)	YoY		
	1H19	1H18	Growth (%)
Cash Flows by Operating Activities	27,702	15,791	75.4
Cash Flows from/(used in) Investing Activities	(16,340)	(14,200)	15.1
Cash Flow from/(used in) Financing Activities	(11,673)	(10,060)	16.0
Net Increase in Cash & Cash Equivalents	(311)	(8,469)	96.3
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(53)	150	(135.3)
Cash and Cash Equivalents at Beginning of Period	17,439	25,145	(30.6)
Cash and Cash Equivalents at End of Period	17,075	16,826	1.5

- Net cash provided by operating activities in the first six months of 2019 increased by 75.4% YoY in line with the increasing number of IndiHome subscribers and improving mobile business.
- Net cash used in investing activities increased by 15.1% YoY mainly attributed to capex utilization for network enhancement and acquisition of a tower company.
- Net cash used in financing activities went up by 16.0% YoY due to higher bank loan withdrawals.

Debts

Currencies (Rp. Bn)	End of		Portion (%)	
	Jun-19	Dec-18	Jun-19	Dec-18
IDR/Rupiah	55,410	41,722	96.4	94.6
USD/US Dollar	1,443	1,636	2.5	3.7
JPY/Japanese Yen	555	602	1.0	1.4
MYR/Malaysian Ringgit	95	127	0.2	0.3
Total	57,503	44,087	100.0	100.0

At the end of June 2019, total debts (including financial lease) amounted to Rp57.5 trillion, a 30.4% increase compared to 2018 year end, as we withdrew long-term loan to support our investment plan. Some 96.4% of our debts were in Rupiah currency, 2.5% in US Dollars and the remaining 1.2% in Japanese Yen and Malaysian Ringgit; and consist of short and long-term bank loans, bonds, medium term notes, two-step loans, loans from non-bank financial institution, as well as financial leases.

Total financial lease was Rp2.7 trillion as of 30 June 2019; of which 90% were tower lease and the remaining 10% were other financial leases such as vehicles and equipment. The ratio has remained stable in 1H19 as in FY18.

Despite higher debts at end of 1H19, our debt to equity ratio ("DER") remains relatively low at 53.1%. Our strong balance sheet profile was appreciated by credit rating agencies with Moody's and Fitch assigning Baa1 (one notch above the sovereign rating) and BBB respectively, both with stable outlook. Whilst the Indonesian rating agency Pefindo assigned _{id}AAA with stable outlook.

Gearing Ratio

Ratios (%)	End of		
	Jun-19	Dec-18	Growth (ppt)
Net Debt to Equity	35.4	21.6	13.8
Debt to Equity	53.1	37.6	15.5
Net Debt to EBITDA (times)	0.6	0.4	0.2
Debt to EBITDA (times)	0.9	0.7	0.1
Debt Service Ratio (times)	4.1	4.3	(0.1)

Notes:

- Net Debt to Equity is calculated as Total Debt deducted by Cash & Cash Equivalent and Other Current Financial Assets, then divided by Total Equity
- Debt to Equity is Total Debt to Total Equity
- Net Debt to EBITDA is calculated as Total Debt deducted by Cash & Cash Equivalent and Other Current Financial Assets, then divided by Annualized EBITDA
- Debt to EBITDA represented by Total Debt to Annualized EBITDA
- Debt Service Ratio is calculated as Annualized EBITDA divided by the sum of Annualized Finance Cost and Short-term Debt

Financial Ratios

Ratios (%)	YoY		
	1H19	1H18	Growth (ppt)
EBIT Margin	32.0	28.1	3.9
EBITDA Margin	47.8	44.0	3.7
Net Income Margin	16.0	13.5	2.5
Current Ratio	92.7	86.4	6.3
Total Liabilities to Equity	99.1	105.4	(6.3)
Return on Assets	14.4	12.7	1.7
Return on Equity	28.6	26.1	2.6
Return on Invested Capital	18.7	18.0	0.7

Notes:

- EBIT Margin is EBIT to Revenue
- EBITDA Margin is EBITDA to Revenue
- Net Income Margin is calculated as Profit Attributable to Owners of the Company divided by Revenue
- Current Ratio represented by Current Assets divided by Current Liabilities
- Total Liabilities to Equity is Total Liabilities to Total Equity
- Return on Assets represented by Total Profit divided by Total Assets
- Return on Equity represented by Total Profit divided by Total Equity
- Return on Invested Capital is calculated as Annualized Total Profit divided by sum of Total Debt and Total Equity

Capital Expenditure

In the first half of 2019, Telkom Group spent Rp15.1 trillion in capital expenditure (capex) or 21.8% of revenue. Capex absorption was primarily utilized to enhance our network infrastructures both in mobile and fixed line business. In mobile services, capex was used to further improve 4G network quality and capacity, and IT system enhancement. While in fixed line businesses, capex was primarily utilized to develop fiber-based access and backbone infrastructure, to support fixed as well as mobile broadband businesses. Some portion of capex were also utilized for other projects such as towers.

RESULTS BY SEGMENT

Mobile Segment

Telkomsel Financial Result

2019 started with a new shape of competition era, including Legacy toward Data services transition coupled with behavior shifting of customer, in which it is going toward a healthier and more rational condition for the

overall telecommunications industry in Indonesia. Telkomsel recorded positive performance in 1H19 with Revenues, EBITDA & Net Income at Rp45.1 trillion (+5.5% YoY), Rp24.2 trillion (+9.0% YoY) and Rp12.7 trillion (+8.4% YoY), respectively; supported by its transformation towards Digital Business, together with Cost Leadership initiatives to effectively manage operational expenses. As of June 2019, operating expenses (excluding depreciation & others) were Rp20,875 trillion (+1.8% YoY), mainly allocated to network development. Digital Business posted significant growth of 32.2% YoY, driven by Data (+32.4% YoY) and Digital Services (+31.1% YoY), accounted for 62.2% of total revenues, up from 49.7% a year ago. The current market dynamics has confirmed Telkomsel's belief as the market leader, in leading the shifting of industry to healthier manner, to provide better opportunities for growth of Data & Digital Services as the future of telecommunications industry.

Telkomsel recorded to have 167.8 million subscribers at the end of 1H19 as the SIM card registration policy, which limiting the number of SIM card per subscriber, has led to natural cleansing effect for the whole industry. Telkomsel will continue to comply with regulation and expect to still see further ongoing natural cleansing. However, prepaid SIM card registration has resulted in a better quality of customer base, with higher number of active and loyal subscribers, improved ARPU, as well as more efficient SIM card production costs. It will also have positive long term impact and support the emergence of healthier competition in the industry.

In line with our philosophy to always lead in network supply, including outside Java, to maintain and strengthen our network leadership and growing our Digital Business, we deployed 15,117 new BTS during 1H 2019, all of which were 4G-based. Our data traffic increased by 56.0% YoY to 3,032,142 TB mainly fueled by high growth in Data User that reached 111.2 million, or 66.3% of our customer base and from promising consumption at 4,892 MB, increased +52.6% compare to previous year. By the end of 1H 2019, Telkomsel's on-air BTS totaled 204,198 units (+16.2% YoY), 75.4% of which were 3G/4G BTS.

Legacy Business: Voice and SMS

Along with our natural transition from Legacy toward Data combined with the impact from OTT services cannibalization, Telkomsel's Legacy business continued to slow. Voice revenue declined 19.3% YoY to Rp13,762 billion with a 11.9% YoY decline in Voice traffic; while SMS revenue declined by 37.8% YoY to Rp2,254 billion with SMS traffic declining by 34.0% YoY. Personalized marketing approach initiatives to offer better value packages and attractive Voice & SMS packages were introduced to better manage the downtrend of Legacy business.

Digital Business: Data Connectivity and Digital Services

Digital Business remained the growth engine, with focus on leading network supply in 3G and 4G infrastructure. This segment recorded strong performance with 32.2% YoY growth to Rp28,072 billion and increased its contribution to total revenue substantially to 62.2% from 49.7% last year.

Revenue from Data grew by 32.4% YoY to Rp24,396 billion, driven by 111.2 million Data users with successful migration of PAYU (pay-as-you-use) to Flash packages, as well as healthy growth in Data payload, which increased by 56.0% YoY to 3,032,142 TB.

Digital Services also grew strongly by 31.1% YoY to Rp3,676 billion and has become the main driver of Telkomsel's transformation from a Telco Company to a leading Digital Telco Company.

The following table summarizes Telkomsel's financial results for the period ended 30 June 2019:

Statements of Profit and Loss

Financial Performance (Rp. Bn)	YoY			QoQ		
	1H19	1H18	Growth (%)	2Q19	1Q19	Growth (%)
Revenues	45,106	42,741	5.5	22,926	22,180	3.4
Legacy	17,034	21,507	(20.8)	8,463	8,571	(1.3)
Digital Business	28,072	21,234	32.2	14,463	13,609	6.3
Expenses incl. Depreciation and Others	27,953	27,051	3.3	14,416	13,538	6.5
EBITDA	24,231	22,239	9.0	12,095	12,136	(0.3)
EBITDA Margin (%)	53.7	52.0	1.7ppt	52.8	54.7	(2.0ppt)
Net Income	12,705	11,722	8.4	6,232	6,473	(3.7)
Net Income Margin (%)	28.2	27.4	0.7ppt	27.2	29.2	(2.0ppt)
Proportion of Digital Business (%)	62.2	49.7	12.6ppt	63.1	61.4	1.7ppt

Telkomsel recorded operating revenues of Rp45,106 billion for 1H19, an increase by 5.5% YoY.

Postpaid revenue decreased by 0.4% YoY to Rp4.0 trillion, while Prepaid revenues increased by 7.3% YoY to Rp38,521 billion. The continuing program of post the SIM card registration is reflected in more productive active customers, which is supported by behavior shift from starter pack toward renewal consumption. Interconnection and International Roaming revenues decreased by 17.7% YoY to Rp1,860 billion mainly due to declining Voice and SMS traffic from other local operators due to the impact of substitute services from OTT applications.

As of June 2019, total expenses including depreciation and amortization increased 3.3% YoY to Rp27,953 billion. The growth was mainly driven by Operational & Maintenance expenses through the company's initiative to strengthen 4G LTE services and maximize Broadband service quality, which was aligned with the consistent development of infrastructure in this consecutive quarter, which increased by 16.2% YoY in terms of BTS numbers. However, for all other expense components have been effectively managed, reflected through flattish growth of General Administrative and Depreciation & Amortization as well as significant decrease in Marketing Expenses on a YoY basis.

Statements of Financial Position

Statements of Financial Position (Rp Bn)	Jun-19	Dec-18	Growth (%)
Current Assets	17,044	16,834	1.2
Non-Current Assets	64,279	65,816	(2.3)
Total Assets	81,323	82,650	(1.6)
Current Liabilities	22,175	20,737	6.9
Non-Current Liabilities	19,556	10,767	81.6
Equity	39,592	51,147	(22.6)
Total Liabilities and Stockholders' Equity	81,323	82,650	(1.6)

As of 30 June 2019, Total Assets decreased 1.6% to Rp81,323 billion, Total Liabilities increased 32.5% to Rp41,731 billion and Total Equity decreased 22.6% to Rp39,592 billion.

- Current Assets increased 1.2% to Rp17,044 billion, mainly due to an increase in non-current assets held for sale.
- Non-current Assets decreased 2.3% to Rp64,279 billion, mainly due to decrease in fixed assets.
- Current Liabilities increased 6.9% to Rp22,175 billion, mainly due to increase in taxes payable and accrued liabilities.
- Non-current Liabilities increased 81.6% to Rp19,556 billion, mainly due to an increase in medium-term loans net of current maturities.
- Total Equity decreased by 22.6% to Rp39,592 billion, mainly due to a decrease in retained earnings as the company distributed dividend in the current period.

Cash Flow

- Net cash generated from operations in June 2019 increased 19.9% YoY to Rp21,856 billion mainly contributed by higher cash receipts from operational activities
- Cash flow used in investment activities decreased 10.8% YoY to Rp6,547 billion mainly due to lower payment of infrastructure spending as our initiatives in capex efficiency.
- Net cash used in financing activities (exclude dividend) decreased 49.8% YoY to Rp7,853 billion as the company has made repayments for medium and short-term loans.

Statements of Cash Flows

In Rp. Billion	1H19	1H18	Growth (%)
Cash Flow from Operating Activities	21,856	18,235	19.9
Cash Flow for Investing Activities	(6,547)	(7,342)	(10.8)
Cash Flow from Financing Activities	7,853	15,629	(49.8)
Dividend Payment	(23,410)	(27,865)	(16.0)
Net Decrease in Cash & Cash Equivalents	(248)	(1,344)	(81.5)
Cash and Cash Equivalents at Beginning of Periods	6,497	10,548	(38.4)
Cash and Cash Equivalents at End of Periods	6,248	9,204	(32.1)

Debt Profile

As of 30 June 2019, Telkomsel's total outstanding loans amounted to Rp13,000 billion, of which 31% will mature in 2021, while the remaining 69% will mature in 2023. As of 30 June 2019, Telkomsel Debt to Equity Ratio (DER) was 41.7%.

Key Indicators	1H19	FY18	Growth
Net Debt to Equity (%)	25.9	42.4	(16.5)ppt
Debt to Equity (%)	41.7	16.9	24.8ppt
Net Debt to EBITDA (times)	0.21	0.05	0.16ppt
Debt to EBITDA (times)	0.23	0.25	(0.02)ppt

Mobile Digital Services

A number of investments and key initiatives have been established to accelerate the growth of Digital Services, in line with Telkomsel 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):

- Telkomsel aims to become Indonesia's leading mobile lifestyle provider pushing a digital ecosystem through several platforms such as video, games, music and various mobile VAS services. In June 2019, Telkomsel continues to expand its positioning within the video ecosystem by providing content and platform for mass market video. MAXstream has been launched to serve as a one stop video portal, by aggregating OTT video apps, linear channel and VOD content with 17 million downloads. Telkomsel also maintains its position as the leading operator within almost all elements of the gaming ecosystem value chain including media and distribution, payment, e-sport, as well as stepping into Game Publishing by releasing its first game "Shellfire" under Dunia Games brand. This e-sport game includes in-app purchase has reached 3.4 million downloads. Moreover, Telkomsel has focused on improving user experience of Langit Musik, partnering with OTT music apps and maximizing revenue from RBT.
- In Mobile Financial Services, Telkomsel's flagship product TCASH has changed to LinkAja in February 2019 as a joint e-money service from the State-owned Enterprise (SOE) based on TCASH platform. The unified e-money service platform is expected to realize financial inclusion and to create a cashless society in Indonesia. As of June 2019, LinkAja has acquired more than 26 million registered users with 204,000 merchant outlets, 290,000 Cash-in Cash-out points, 246,000 Mitra LinkAja (MiLa) outlets, and partnerships with major players in transportation and financial use cases.
- Through Digital Advertising business, Telkomsel aims to become a dominant media owner in Indonesia's digital Advertising industry. Enhanced by Big Data Analytics engine, Telkomsel Digital Advertising provides more accurate analysis of its 168 million subscribers, resulting in higher ROI while simultaneously delivering better advertising value and relevancy to advertisers. Telkomsel offers an extensive range of Digital Advertising services including conventional text messaging; timely advertising for mobile coupons; and display advertising in mobile applications.
- Mobile Banking business also continued to grow solidly, enabling financial institutions to provide mobile banking services and the recently launched Mobile App. Through Mobile Banking business, Indonesian citizens can enjoy broader access to financial transactions through their mobile phones.
- Telkomsel extended its Internet of Things footprint to go beyond broadband connectivity to capture a substantial share of IoT business opportunities with services including Smart Connectivity, Fleet Sight and InTank. In addition, Telkomsel rolled out Narrow-Band IOT (NB-IoT) technology, which currently covers Greater Jakarta region and enhanced with IoT Lab and Telkomsel Incubation (TINC) to explore both business and technology opportunities for massive NB-IoT implementation in Indonesia.

Going forward, Telkomsel will continue to scale-up Digital Services business more rapidly through innovations and partnership along with developing the digital ecosystem - a key foundation for Telkomsel to become a leading digital telco company and building a digital Indonesia.

Customer Base

As of June 2019, Telkomsel served 167.8 million subscribers nationwide, a 5.7% decrease YoY with 111.2 million Data users due to an ongoing process of natural cleansing. However, Data consumption reached 4.8GB/user (+52.6% YoY) align with Telkomsel strategy to increase Data penetration.

ARPU

As we are shifting from Legacy business to Digital Business, our Digital ARPU grew by double digits due to increase in Data user productivity resulting strong growth in Data traffic.

Network Deployment

Our focus on Digital Business is reflected on 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 56.0% YoY. Our 4G LTE deployment is on-demand basis that take into account 4G handset penetration and level of demand in Broadband cities. To date, we have deployed 71,789 4G BTS to bring our total BTS on air to 204,198 units at end of June 2019, a 16.2% YoY increase; of which 153,893 units were 3G/4G BTS (+22.8% YoY).

Telkomsel's sustainable financial performance was supported by solid operational performance. The following table shows key operational performance as of 30 June 2019:

Operational Indicators	YoY			QoQ		
	1H19	1H18	Growth (%)	2Q19	1Q19	Growth (%)
Customer Base (000)	167,792	177,888	(5.7)	167,792	168,642	(0.5)
Net Adds (000)	4,804	(18,434)	126.1	(850)	5,655	(115.0)
Data User (000)	111,218	134,671	(17.4)	111,218	111,082	0.1
ARPU (000)	46	36	29.2	47	45	3.8
BTS on Air (units)	204,198	175,683	16.2	204,198	197,486	3.4
Total Employees	5,500	5,512	(0.2)	5,500	5,527	(0.5)
MoU (In billion minutes)	91.5	103.9	(11.9)	43.7	47.7	(8.3)
SMS (In billion units)	28.7	43.5	(34.0)	14.1	14.6	(3.9)
Data Payload (TB)	3,032,142	1,943,698	56.0	1,623,270	1,408,872	15.2

Fixed Line Services

Fixed Broadband IndiHome

IndiHome continued its strong performance both operationally and financially. During 2Q19 IndiHome added 479 thousand new subscribers to reach 6.0 million by end of June 2019, a 45.1% growth YoY. IndiHome dual-play represents around 52% of total subscribers as of 1H19, with triple-play customers making up the remainder. Residential customers represents around 87% of IndiHome customer base in 1H19.

IndiHome recorded Rp8.8 trillion of revenue in 1H19, grew significantly by 61.5% YoY. IndiHome ARPU in 2Q19 was Rp260 thousand, slightly lower from Rp265 thousand in the previous quarter due to larger portion of dual-play customers compared to triple-play customers. In an effort to increase IndiHome ARPU, we continue to encourage our customers to purchase various add-ons services, and to upgrade to higher speed or triple-play services.

Enterprise Business

In 1H19, Telkom Enterprise business recorded Rp11.9 trillion in revenue, a decline of 3.0 % YoY, which was mainly related to lower IT services revenue. The lower IT Service revenue was a consequence of our new strategy to focus on more profitable products and services, such as connectivity, data center, and cloud. We believe that in the long run our new strategy will provide more profitable Enterprise Business.

We serve three customers segments under our Enterprise business:

- **Corporate.** We serve corporate clients from various industries such as consumer goods, insurance, pharmaceutical, and banking. This segment contributed around 57% to Enterprise Segment revenue.
- **Government.** We provide connectivity and ICT solutions for government institutions including central government, local government, and government agencies. Government Segment contributed around 30% of Enterprise Segment revenue in 1H19.
- **Small and Medium-sized Business (SMB).** We provide various services from broadband connectivity to various solutions. In 1H19, SMB Segment contributed around 13% to Enterprise Segment revenue.

Wholesale and International Business

In the first half of 2019, our Wholesale and International Business revenue was Rp6.0 trillion, grew by 37.6% compared to the same period last year. The growth was attributable to strong volume growth in international wholesale voice business, that is done under our wholly-owned subsidiary Telkom International.

Our wholesale services portfolio includes domestic and international traffic carrier, wholesale broadband connectivity, towers, satellite, as well as telecommunication and infrastructure managed services.

Recent Activities

■ The Sale of Jalin shares owned by the Company to Danareksa

In June 2019, Telkom sold 67% of its total shares in Jalin—our subsidiary in switching platform, to PT Danareksa—the planned future holding company of the state owned banks. This transaction is expected to create added value both for Jalin and other state-owned enterprises in the banking sector by way of cooperation among entities and improvement of operational efficiency and effectiveness.

■ The Signed of CSSA by Telkomsel and Investors with Finarya & Grand Launching of LinkAja

At the end of June 2019, Telkomsel along with several co-investors, signed a Conditional Share Subscription Agreement (“CSSA”) with Finarya. The aim of the agreement is to expand the Finarya Business.

Telkomsel, through subsidiary Finarya, has officially launched LinkAja on 30 June 2019 as e-wallet and digital payment transaction tools with 26 million users. Along with the grand launching, Finarya also announced a planned shareholder structure under CSSA; with Telkomsel as the dominant shareholder with 25% shares, together with other state-owned enterprises including BRI, Mandiri, BNI, BTN, Pertamina, and other state-owned enterprises.

■ Telkomsel Mitra Inovasi

Telkomsel has launched “Telkomsel Mitra Inovasi (TMI)”, as a bridge between TSEL and its strategic investment partners – to pursue business expansion by partnering with startups. The initial plan is to provide new investment fund and collaborate with start-ups in early-growth stage with initial fund of around US\$40 million, collaborated with MDI ventures Telkom and Singtel Innov8.

Product and Marketing Activities

Fixed Line and Enterprise

■ IndiHome Promo Semarak Kebahagiaan

This promo is valid for new IndiHome premium packages customers with additional benefit of OTT services as Iflix, HOOQ, and Catchplay. Promo period was started from April 2019.

Mobile

■ Legacy Business and Data Penetration Program

In order to increase more Data and Voice usage, Telkomsel launched several programs and products to attract customer: (1) **#WeekendDeal** as Voice seasonal package to customers which offers unlimited voice call to Telkomsel user and 40 minutes voice call to other operator for Rp20,000 valid for 3 days; (2) **Pesta Kuota** which giving extra quota up to 10GB for customer if buy balance with minimal Rp20,000; (3) **#SurpriseDeal** a Data seasonal package which offers Data quota starting from 20GB for Rp100,000 which valid for 30 days.

■ Acceleration on 4G Adoption

To encourage mass adoption of 4G users in effective and efficient way, Telkomsel is giving up to 30GB Data quota bonus for customer who shift their SIM card to 4G SIM card. Telkomsel also giving flexibility to its customers by delivering the 4G SIM card to the customers.

■ Acceleration on Digital Service Penetration

In order to accelerate Digital Service penetration, Telkomsel enrich MAXstream content by offer original series and partnership with other content provider. In Q2-19, MAXstream collaborate with HOOQ and IFLIX to provide series & Ramadan program. We also partnership with beIN SPORTS channel to launch Women World Cup 2019 and African Cup channels.

ADDITIONAL INFORMATION

Awards and Recognition

During 2Q19, we have been awarded by several institutions for our achievements, among others:

- "8th Infobank Digital Brand Awards 2019" with Telkom won the awards for best overall in BUMN corporate brand, BUMN assets for IDR 100 trillion and above, as well as Non-bank category for E-Money (T-Money) categories.
- *Indonesia Most Admired Companies Award 2019* from Warta Ekonomi magazine.
- Top 100 Most Valuable Indonesian Brands Awards 2019 for Telkom from SWA magazine & Brand Finance.
- *Best Company to Work for Asia 2019* was awarded to Telkom for the third year by International Media Business
- *2019 Indonesia Most Creative Companies* awarded Telkom won first place with assessment in three categories of innovation and creativity in products and services and business strategies, original and unique company innovation and good corporate performance from SWA Magazine and PPM Manajemen.
- *9th Asian Excellence Award 2019* awarded Telkom in the category of Asia's Best CEO, Asia's Best IR Company, and Asia's Best IR Professional by Corporate Governance Asia.
- *Telecom Asia Awards 2019* awarded Telkomsel for the Most Innovative Approach to Mobile Security; the Most Innovative IoT Project (INTANK), and the Most Innovative Customer Service Technology for MyTelkomsel from Questex Asia
- *Infobank Awards* awarded Telkomsel 1st place for E-money Non-Bank and Best Overall E-money Non-Bank from Infobank
- *Infobank-MRI Better Brands Awards 2019* awarded to Telkomsel's *simPATI* and Kartu As as a Better Brand in SIM card Category from Info Bank
- *Frost Sullivan Award* for Digital Service Provider of 2019 awarded to Telkomsel.
- *World Summit on the Information Society Prize 2019* awarded to Telkomsel in the ICT Applications in e-Business and e-Agriculture category from WSIS.

Table 1
PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2019 (unaudited) and December 31, 2018 (audited)
(Figures in tables are expressed in billions of Indonesian Rupiah, unless otherwise stated)

	June 30, 2019	December 31, 2018	Growth (%)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	17,075	17,439	(2.1)
Other current financial assets	2,068	1,304	58.6
Trade Receivables - net of provision for impairment of receivables			
Related parties	2,687	2,126	26.4
Third parties	12,544	9,288	35.1
Other receivables - net of provision for impairment of receivables	1,088	727	49.7
Inventories – net of provision for obsolescence	770	717	7.4
Assets held for sale	996	340	192.9
Prepaid taxes	2,435	2,749	(11.4)
Claim for tax refund	798	596	33.9
Other current assets	8,287	7,982	3.8
Total Current Assets	48,748	43,268	12.7
NON-CURRENT ASSETS			
Long-term investments	2,690	2,472	8.8
Property and equipment – net of accumulated depreciation	146,743	143,248	2.4
Intangible assets – net of accumulated amortization	5,470	5,032	8.7
Deferred tax assets – net	2,439	2,504	(2.6)
Other non-current assets	9,609	9,672	(0.7)
Total Non-current Assets	166,951	162,928	2.5
TOTAL ASSETS	215,699	206,196	4.6
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade Payables			
Related parties	978	993	(1.5)
Third parties	14,669	13,773	6.5
Other payables	296	448	(33.9)
Taxes payable	4,787	1,180	305.7
Accrued expenses	13,095	12,769	2.6
Unearned income	5,516	5,190	6.3
Advances from customers	1,359	1,569	(13.4)
Short-term bank loans	4,517	4,043	11.7
Current maturities of long-term borrowings	7,370	6,296	17.1
Total Current Liabilities	52,587	46,261	13.7
NON-CURRENT LIABILITIES			
Deferred tax liabilities – net	1,261	1,252	0.7
Unearned Income	767	652	17.6
Long service award provisions	895	852	5.0
Pension benefits and other post-employment benefits obligations	5,717	5,555	2.9
Long-term borrowings - net of current maturities	45,616	33,748	35.2
Other liabilities	511	573	(10.8)
Total Non-current Liabilities	54,767	42,632	28.5
TOTAL LIABILITIES	107,354	88,893	20.8
EQUITY			
Capital stock	4,953	4,953	-
Additional paid-in capital	2,694	2,455	9.7
Other equity	465	507	(8.3)
Retained earnings			
Appropriated	15,337	15,337	-
Unappropriated	70,500	75,658	(6.8)
Net Equity Attributable to:			
Owners of the Parent Company	93,949	98,910	(5.0)
Non-Controlling Interests	14,396	18,393	(21.7)
TOTAL EQUITY	108,345	117,303	(7.6)
TOTAL LIABILITIES AND EQUITY	215,699	206,196	4.6

Table 2
PERUSAHAAN PERSEROAN (PERSERO)
PT TELEKOMUNIKASI INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Six Months Period Ended June 31, 2019 and 2018 (unaudited)
 (Figures in tables are expressed in billions of Rupiah, unless otherwise stated)

	2019	2018	Growth (%)
REVENUES	69,345	64,368	7.7
Operation, maintenance and telecommunication service expenses	(21,790)	(21,883)	(0.4)
Depreciation and amortization expenses	(11,467)	(10,331)	11.0
Personnel expenses	(6,488)	(7,035)	(7.8)
Interconnection expenses	(2,737)	(1,855)	47.5
General and administrative expenses	(3,214)	(3,294)	(2.4)
Marketing expenses	(1,992)	(1,958)	1.7
Gain/(loss) on foreign exchange – net	(56)	16	(450.0)
Other income	976	483	102.1
Other expenses	(367)	(411)	(10.7)
OPERATING PROFIT	22,210	18,100	22.7
Finance income	637	619	2.9
Finance cost	(2,050)	(1,559)	31.5
Share of profit of associated companies	41	29	41.4
PROFIT BEFORE INCOME TAX	20,838	17,189	21.2
INCOME TAX (EXPENSE) BENEFIT			
Current	(5,358)	(4,433)	20.9
Deferred	18	51	(64.7)
	(5,340)	(4,382)	21.9
PROFIT FOR THE YEAR	15,498	12,807	21.0
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation	(46)	144	(131.9)
Change in fair value of available-for-sale financial assets	4	(11)	(136.4)
Share of other comprehensive income of associated companies	(7)	-	100
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit actuarial gain (loss) – net	-	-	-
Other comprehensive income – net	(49)	133	(136.8)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,449	12,940	19.4
Profit for the year attributable to:			
Owners of the parent company	11,078	8,698	27.4
Non-controlling interests	4,420	4,109	7.6
	15,498	12,807	21.0
Total comprehensive income for the year attributable to:			
Owners of the parent company	11,029	8,831	24.9
Non-controlling interests	4,420	4,109	7.6
	15,449	12,940	19.4
BASIC EARNING PER SHARE (in full amount)			
Net Income per share	111.83	87.80	27.4
Net Income per ADS (100 Series B shares per ADS)	11,182.87	8,780.34	27.4

Table 3
PT TELEKOMUNIKASI SELULAR (TELKOMSEL)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 (UNAUDITED) WITH COMPARATIVE FIGURES AS OF DECEMBER 31, 2018 (AUDITED)
 (figures are presented in billions of Rupiah)

	<u>JUN 2019</u>	<u>DEC 2018</u>	<u>Growth (%)</u>
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents	6,248	6,497	(3.8)
Accounts receivables	1,927	2,116	(8.9)
Unbilled revenue	1,502	1,602	(6.2)
Current portion of long-term prepayments	5,123	5,250	(2.4)
Others	2,243	1,370	63.7
Total Current Assets	<u>17,044</u>	<u>16,836</u>	1.2
NON-CURRENT ASSETS			
Long-term investment	41	7	458.0
Fixed assets-net	55,543	56,899	(2.4)
Advances for fixed assets	1	20	(93.8)
Intangible assets-net	5,042	5,157	(2.2)
Prepayments – Non-current portion	3,440	3,519	(2.2)
Others	212	212	(0.2)
Total Non-current Assets	<u>64,279</u>	<u>65,814</u>	(2.3)
TOTAL ASSETS	<u>81,323</u>	<u>82,650</u>	(1.6)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short term loan	-	750	N/A
Accounts payable & accrued liabilities	14,391	13,913	3.4
Taxes payable	2,383	490	386.1
Unearned revenue	4,557	4,773	(4.5)
Current maturities of obligation under finance leases	844	811	4.1
Total Current Liabilities	<u>22,175</u>	<u>20,737</u>	6.9
NON-CURRENT LIABILITIES			
Medium-term loans	13,000	4,000	225.0
Obligations under finance lease	2,675	3,105	(13.9)
Deferred tax liabilities	1,287	1,324	(2.8)
Others	2,594	2,337	11.0
Total Non-current Liabilities	<u>19,556</u>	<u>10,767</u>	81.6
EQUITY			
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	37,905	49,459	(23.4)
Total Equity	<u>39,592</u>	<u>51,147</u>	(22.6)
TOTAL LIABILITIES AND EQUITY	<u>81,323</u>	<u>82,650</u>	(1.6)

Table 4
PT TELEKOMUNIKASI SELULAR (TELKOMSEL)
CONSOLIDATED STATEMENTS OF PROFIT AND LOSS
FOR SIX MONTHS ENDED JUNE 30, 2019 AND 2018
 (figures in tables are presented in billions of Rupiah)

	<u>JUN 2019</u>	<u>JUN 2018</u>	<u>Growth (%)</u>
REVENUES			
Postpaid	3,985	4,001	(0.4)
Prepaid	38,521	35,892	7.3
Interconnection & international roaming	1,860	2,261	(17.7)
Others	741	588	26.0
Total Revenues	<u>45,106</u>	<u>42,741</u>	5.5
EXPENSES			
Operation & maintenance	12,745	12,354	3.2
Personnel	2,300	1,907	20.6
Marketing	1,364	1,604	(14.9)
General & administration	995	1,001	(0.6)
Cost of services	2,227	2,080	7.0
Interconnection & international roaming	1,243	1,556	(20.1)
Depreciation & amortization	7,083	6,689	5.9
Others – net	(5)	(141)	(96.4)
Total Expenses	<u>27,953</u>	<u>27,051</u>	3.3
Finance charges– net	(90)	(92)	(1.9)
INCOME BEFORE TAX	17,063	15,599	9.4
INCOME TAX EXPENSE	(4,358)	(3,877)	(12.4)
NET INCOME	<u>12,705</u>	<u>11,722</u>	8.4
EBITDA	24,231	22,239	9.0
EBITDA Margin- over revenues	53.7%	52.0%	1.7ppt
ROA	31.9%	32.1%	(0.2ppt)
ROE	69.3%	62.6%	6.7ppt