

TICKERS:

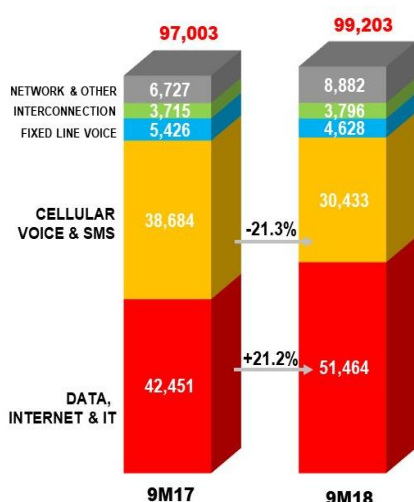
IDX : TLKM
NYSE : TLK

SHAREHOLDER COMPOSITION:

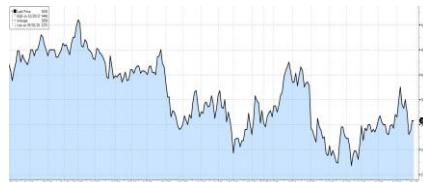
Government of Indonesia : 52.1%
Public : 47.9%

FINANCIAL PERFORMANCE

Revenue
(in Rp. Bn)



TLKM Share Performance YTD 2018



Share Price (October 26, 2018):

Rp3,630 (IDX) & USD24.0 (NYSE)

Market Capitalization (October 26, 2018):

Rp359.6 Tn (USD23.8 Bn)

Average Daily Trading Volume 2018:

104.6 Mn Shares (IDX) & 409,331DR (NYSE)

Average Daily Trading Value 2018:

Rp391.1 Bn (IDX) & USD10.9 Mn (NYSE)

Source: Bloomberg

Highlights

- Telkom Indonesia recorded solid revenue growth of 8.8% QoQ in the third quarter 2018, supported by strong performance in both mobile and fixed line businesses.
- Telkomsel bounced back by recording 10.1% QoQ growth in revenue, supported by its Digital business which grew by 16.2% QoQ during the quarter.
- Telkomsel remained focus on growing its digital business and providing excellent customer experience by installing 22,578 new BTSs during 9M18, all were 4G BTS.

Financial Highlights

| Key Indicators (Rp. Bn) | YoY | | | QoQ | | |
|----------------------------|--------|--------|------------|--------|--------|------------|
| | 9M18 | 9M17 | Growth (%) | 3Q18 | 2Q18 | Growth (%) |
| Revenues | 99,203 | 97,003 | 2.3 | 34,835 | 32,025 | 8.8 |
| Expenses | 69,761 | 61,412 | 13.6 | 23,493 | 24,803 | (5.3) |
| Operating Profit | 29,442 | 35,591 | (17.3) | 11,342 | 7,222 | 57.0 |
| EBITDA | 44,912 | 50,049 | (10.3) | 16,569 | 12,227 | 35.5 |
| EBITDA Margin (%) | 45.3 | 51.6 | (6.3ppt) | 47.6 | 38.2 | 9.4ppt |
| Net Income | 14,232 | 17,922 | (20.6) | 5,534 | 2,964 | 86.7 |
| Net Income Margin (%) | 14.3 | 18.5 | (4.2ppt) | 15.9 | 9.3 | 6.6ppt |

Operational Highlights

| Subscribers (000) | YoY | | |
|-------------------|----------------|----------------|---------------|
| | 9M18 | 9M17 | Growth (%) |
| Broadband | | | |
| Fixed Broadband | 6,892 | 4,746 | 45.2 |
| IndiHome | 4,707 | 2,339 | 101.2 |
| Mobile Data User | 112,633 | 97,969 | 15.0 |
| Cellular | | | |
| Postpaid | 5,469 | 4,496 | 21.6 |
| Prepaid | 162,340 | 185,866 | (12.7) |
| Total | 167,809 | 190,362 | (11.8) |

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PT TELKOM INDONESIA (PERSERO) Tbk NINE MONTHS OF 2018 (UNAUDITED)

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

Revenues

| Key Indicators (Rp.Bn) | YoY | | | QoQ | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 9M18 | 9M17 | Growth (%) | 3Q18 | 2Q18 | Growth (%) |
| Data, Internet & IT Service | 51,464 | 42,451 | 21.2 | 18,722 | 16,821 | 11.3 |
| Cellular Voice and SMS | 30,433 | 38,684 | (21.3) | 9,992 | 9,732 | 2.7 |
| Fixed Line Voice | 4,628 | 5,426 | (14.7) | 1,510 | 1,572 | (3.9) |
| Interconnection | 3,796 | 3,715 | 2.2 | 1,433 | 1,190 | 20.4 |
| Network and Other Telco Services | 8,882 | 6,727 | 32.0 | 3,178 | 2,710 | 17.3 |
| Total | 99,203 | 97,003 | 2.3 | 34,835 | 32,025 | 8.8 |

Telkom recorded total revenue of Rp34.8 trillion in the third quarter of 2018, an increase of 8.8% QoQ. While on year on year basis, revenue increased by 2.3%.

- **Data, Internet & IT Services revenues** increased significantly by 11.3% QoQ mainly due to improved pricing in both mobile and IndiHome business. On YoY basis, it grew strongly by 21.2% YoY.
- **Cellular Voice and SMS revenues** increased slightly by 2.7% QoQ from successful voice packages and personalized offerings, resulting in higher voice traffic. While on year on year basis, it decreased by 21.3% YoY as a result of traffic decline in both voice and SMS services due to cannibalization from instant messaging (OTT) applications and higher smartphone adoption.
- **Fixed Line Voice revenues** declined by 3.9% QoQ and 14.7% YoY due to cannibalization from mobile services that resulted in declining fixed line traffic.
- **Interconnection revenues** increased by 20.4% QoQ and 2.2% YoY mainly due to growth in voice wholesale business.
- **Network and Other Telecommunication Services revenues** grew by 17.3% QoQ and 32.0% YoY due to continued growth in managed service and satellite business. We also benefited from new entities we acquired i.e. TS Global Network Sdn Bhd in satellite business and PT Swadharma Sarana Informatika in financial managed service.

Expenses

| Key Indicators (Rp.Bn) | YoY | | | QoQ | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| | 9M18 | 9M17 | Growth (%) | 3Q18 | 2Q18 | Growth (%) |
| Operation, Maintenance & Telecommunication Services | 33,432 | 27,110 | 23.3 | 11,549 | 11,639 | (0.8) |
| Personnel | 10,299 | 10,595 | (2.8) | 3,264 | 4,000 | (18.4) |
| Interconnection | 3,074 | 2,145 | 43.3 | 1,219 | 1,027 | 18.7 |
| Marketing | 2,983 | 3,402 | (12.3) | 1,025 | 1,088 | (5.8) |
| General & Administrative | 4,503 | 3,702 | 21.6 | 1,209 | 2,044 | (40.9) |
| Depreciation & Amortization | 15,873 | 14,681 | 8.1 | 5,542 | 4,958 | 11.8 |
| (Gain) Loss on Forex – net | (76) | 66 | (215.2) | (60) | (21) | 185.7 |
| Others – net | (327) | (289) | 13.1 | (255) | 68 | (475.0) |
| Total | 69,761 | 61,412 | 13.6 | 23,493 | 24,803 | (5.3) |

Total Expenses increased by 13.6% YoY, with Operating Expenses rose by 15.6% YoY. Details of Expenses are as follows:

- **Operation & Maintenance (“O&M”) expenses** declined slightly by 0.8% QoQ which was mainly attributable to more efficient network maintenance. On year on year basis, O&M increased by 23.3% 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** decreased by 18.4% QoQ as there was performance incentive in the second quarter. While on year on year basis it declined slightly by 2.8% YoY partly due to significant natural retirement at parent level.
- **Interconnection expenses** rose by 18.7% QoQ and 43.3% YoY mainly attributable to higher outgoing voice traffic in wholesale business.
- **Marketing expenses** declined by 5.8% QoQ primarily due to higher promotion activities during Lebaran festive in the previous quarter and more efficient promotional and advertising activities during the third quarter. Marketing expenses also declined by 12.3% YoY mainly from lower dealership cost post SIM card registration.
- **General & Administrative expenses** sharply decreased by 40.9% QoQ, mainly from lower provision for accounts receivable during the quarter. While on year on year basis, General & Administrative expenses increased by 21.6% YoY.
- **Depreciation & Amortization expenses** grew by 11.8% QoQ and 8.1% YoY due to fixed asset addition in line with infrastructure development in mobile and fixed-line business, including new satellite that was launched in 3Q18.
- We recorded **Net Forex Gain** of Rp76 billion during the nine months of 2018 reflecting our capabilities in managing foreign currency risk exposure.
- **Others – net** recorded an income of Rp327 billion during the nine months of 2018, increased by 13.1% YoY from higher non-operating income during the period.

EBITDA and Net Income

In the third quarter this year, EBITDA and Net Income margin showed healthy rebound, growing by 35.5% and 86.7% QoQ respectively. This was mainly due to improved profitability as a result of successful price increase and cost leadership initiatives both in mobile and fixed line business. On year on year basis, EBITDA and Net Income declined by 10.3% and 20.6% YoY respectively in line with the shifting of business from legacy to data services. The high demand in data business requires us to continue deploying broadband infrastructure to maintain superior network quality, hence resulting in significant growth in O&M charges.

Financial Position

| Key Indicators (Rp.Bn) | YoY | | |
|--|---------|---------|------------|
| | Sep-18 | Dec-17 | Growth (%) |
| Assets | 204,893 | 198,484 | 3.2 |
| Liabilities | 98,606 | 86,354 | 14.2 |
| Non-controlling Interests | 15,757 | 19,417 | (18.8) |
| Equity attributable to owners of the company | 90,530 | 92,713 | (2.4) |

- Total assets as of 30 September 2018 was Rp204.9 trillion, increased by 3.2% YoY mainly due to increase in fixed assets and receivables.
- Total liabilities at end of September 2018 was Rp98.6 trillion, increased by 14.2% YoY as a result of higher borrowings.
- Non-controlling interest decreased by 18.8% YoY from dividend payment to shareholders of subsidiaries.
- Our equity decreased by 2.4% YoY due to payment of dividend to shareholders.

Cash Flows

| Key Indicators (Rp. Bn) | YoY | | |
|--|----------|----------|------------|
| | 9M18 | 9M17 | Growth (%) |
| Cash Flow from Operating Activities | 28,292 | 36,789 | (23.1) |
| Cash Flow used in Investing Activities | (24,102) | (20,790) | 15.9 |
| Cash Flow used in Financing Activities | (15,954) | (18,681) | (14.6) |
| Net Increase in Cash & Cash Equivalents | (11,764) | (2,682) | 338.6 |
| Effect of Exchange Rate Changes on Cash & Cash Equivalents | 285 | 8 | 3,462.5 |
| Cash & Cash Equivalents at Beginning of Year | 25,145 | 29,767 | (15.5) |
| Cash & Cash Equivalents at End of Period | 13,666 | 27,093 | (49.6) |

- Net cash provided by operating activities decreased by 23.1% YoY from higher payment for expenses during the period.
- Net cash used in investing activities increased by 15.9% YoY from higher payment for fixed assets acquisition during the period.
- Net cash used in financing activities declined by 14.6% YoY due to higher loan repayment during the period.

Debts

| Currencies (Rp.Bn) | YoY | | | Portion (%) | |
|-----------------------|---------------|---------------|-------------|--------------|--------------|
| | Sep-18 | Dec-17 | Growth (%) | Sep-18 | Dec-17 |
| IDR/Rupiah | 40,835 | 29,817 | 37.0 | 94.3 | 94.2 |
| USD/US Dollar | 1,692 | 1,029 | 64.4 | 3.9 | 3.3 |
| JPY/Japanese Yen | 656 | 648 | 1.2 | 1.5 | 2.0 |
| MYR/Malaysian Ringgit | 143 | 174 | (17.8) | 0.3 | 0.5 |
| Total | 43,326 | 31,668 | 36.8 | 100.0 | 100.0 |

At the end of September 2018, total debts amounting to Rp43.3 trillion, increased by 36.8% compared to the end of 2017. Around 94.3% of our debt was in Rupiah currency, 3.9% 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, Medium Term Notes, and Two-Step Loans. Our debt to equity ratio ("DER") was still relatively low at 47.9%.

Gearing Ratio

| Key Indicators | YTD | | |
|----------------------------|--------|--------|--------------|
| | Sep-18 | Dec-17 | Growth (ppt) |
| Net Debt to Equity (%) | 32.8 | 7.0 | 25.8 |
| Debt to Equity (%) | 47.9 | 34.2 | 13.7 |
| Debt to EBITDA (Times) | 0.7 | 0.5 | 0.2 |
| Debt Service Ratio (Times) | 4.2 | 6.8 | (2.6) |

Financial Ratios

| Ratios (%) | YoY | | |
|-----------------------------|-------|-------|--------------|
| | 9M18 | 9M17 | Growth (ppt) |
| EBIT Margin | 29.7 | 36.7 | (7.0) |
| EBITDA Margin | 45.3 | 51.6 | (6.3) |
| Net Income Margin | 14.3 | 18.5 | (4.2) |
| Current Ratio | 92.9 | 119.1 | (26.2) |
| Total Liabilities to Equity | 108.9 | 88.1 | 20.8 |
| Return on Assets | 9.3 | 12.5 | (3.2) |
| Return on Equity | 21.0 | 26.3 | (5.3) |
| Return on Invested Capital | 14.2 | 19.7 | (5.5) |

Capital Expenditure

In the nine months of 2018, Telkom Group spent Rp24.9 trillion in Capital Expenditure (Capex). In mobile services, Capex was mainly utilized for radio access network (BTS) development. 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 tower.

Mobile Services

Telkomsel Financial Result

Accelerated transition of Legacy to Data services combined with intense competition and prepaid SIM Card registration have made Indonesian telecommunications industry more dynamic with pressure in pricing and margin. As a result of Data monetization in order to improve profitability, Telkomsel recorded a strong performance in 3Q18 by delivering triple-double-digit growth in Revenues, EBITDA & Net Income of 10.1%, 20.7%, and 24.0% QoQ respectively. In addition, with higher customer productivity, Telkomsel was able to book Revenues, EBITDA & Net Income of Rp65.7 trillion, Rp34.6 trillion, and Rp18.3 trillion respectively in the nine months of 2018, supported by transformation initiatives in Digital Business as the engine of growth as well as cost leadership initiatives to effectively manage operational expenses. In 9M18, operating expenses (excluding depreciation & others) was Rp31.1 trillion, showing improvement in YoY growth trend compared to 1H18 by 0.5ppt.

Digital Business posted a significant growth of 19.8% YoY, driven by Data which increased by 15.6% YoY and Digital Services which increased by 58.1% YoY, accounting for 51.3% of total revenues, increased progressively from 40.5% a year ago.

Despite a saturated market and implementation of prepaid SIM Card registration, Telkomsel was able to maintain number of active subscriber base of 167.8 million, attributable to effective sales and marketing programs. In line with our philosophy to lead in network supply, including in outside Java, to strengthen our network leadership and grow our Digital Business, we deployed 22,578 new BTS during the nine months of 2018, all were 4G-based. By end of September 2018 our BTS on-air totaled 183,283 units (20.4% YoY), 72.5% of which were 3G/4G BTS. Our data traffic increased by 116.3% YoY to 3,082,922 TB mainly fueled by high growth in Data users that reached 112.6 million (15.0% YoY), or 67.1% of our customer base. As a result, Data consumption soared by 73.4% YoY to 3,056 MB.

Statements of Profit and Loss

| Financial Performance (Rp. Bn) | YoY | | | QoQ | | |
|--------------------------------------|--------|--------|------------|--------|--------|------------|
| | 9M18 | 9M17 | Growth (%) | 3Q18 | 2Q18 | Growth (%) |
| Revenues | 65,721 | 69,526 | (5.5) | 22,980 | 20,867 | 10.1 |
| Legacy | 32,021 | 41,386 | (22.6) | 10,514 | 10,139 | 3.7 |
| Digital Business | 33,700 | 28,139 | 19.8 | 12,466 | 10,729 | 16.2 |
| Expenses incl. Depreciation & others | 40,935 | 38,795 | 5.5 | 13,884 | 13,605 | 2.1 |
| EBITDA | 34,617 | 40,851 | (15.3) | 12,379 | 10,252 | 20.7 |
| EBITDA Margin (%) | 52.7 | 58.8 | (6.1ppt) | 53.9 | 49.1 | 4.7ppt |
| Net Income | 18,299 | 23,298 | (21.5) | 6,577 | 5,306 | 24.0 |
| Net Income Margin (%) | 27.8 | 33.5 | (5.7ppt) | 28.6 | 25.4 | 3.2ppt |
| Proportion of Digital Business (%) | 51.3 | 40.5 | 10.8ppt | 54.2 | 51.4 | 2.8ppt |

Telkomsel recorded operating revenues of Rp65,721 billion for 9M18, decreased by 5.5% YoY.

- Prepaid revenue decreased by 6.5% YoY to Rp55,387 billion mainly due to shifting of Legacy to Data services combined with ongoing natural cleansing of subscribers yet more productive, as the market behavior shifts from starter pack towards renewal consumption.

- Postpaid revenue increased by 14.1% YoY to Rp5,991 billion mainly driven by the increase in postpaid customer base which grew by 21.6% YoY to 5.5 million subscribers.
- Interconnection and International Roaming revenues decreased by 16.4% YoY to Rp3,440 billion mainly due to declining Voice and SMS traffic from other local operators as an impact of substitute services from OTT applications.

In 9M18, total expenses increased by 5.5% YoY to Rp40,935 billion. The growth was mainly driven by Operational & Maintenance expenses in line with the company's initiative to acquire new frequency of 2.3GHz to increase our capacity, strengthen 4G LTE services and maximize broadband service quality. The growth was also aligned with the consistent development of infrastructure, which increase by 20.4% YoY in terms of BTS numbers. On the other hand, all other expense components have been effectively managed reflected from the flattish growth of General Administrative and Depreciation & Amortization as well as declining Marketing Expenses on YoY basis.

Statements of Financial Position

| Statements of Financial Position (Rp Bn) | Sep-18 | Dec-17 | Growth (%) |
|---|---------------|---------------|--------------|
| Current Assets | 18,097 | 21,098 | (14.2) |
| Non-Current Assets | 65,805 | 64,650 | 1.8 |
| Total Assets | 83,903 | 85,748 | (2.2) |
| Current Liabilities | 26,052 | 23,031 | 13.1 |
| Non-Current Liabilities | 14,296 | 8,587 | 66.5 |
| Equity | 43,554 | 54,130 | (19.5) |
| Total Liabilities & Stockholders' Equity | 83,903 | 85,748 | (2.2) |

As of 30 September 2018, Total Assets decreased 2.2% to Rp83,903 billion, Total Liabilities increased 27.6% to Rp40,349 billion and Total Equity decreased 19.5% to Rp43,554 billion.

- Current Assets decreased 14.2% to Rp18,097 billion, mainly due to decrease in cash and cash equivalents.
- Non-current Assets increased 1.8% to Rp65,805 billion, mainly due to increase in fixed assets.
- Current Liabilities increased 13.1% to Rp26,052 billion, mainly due to the increase in short-term loans & current maturities of medium-term loans.
- Non-current Liabilities increased 66.5% to Rp14,296 billion, mainly due to increase in medium-term loans net of current maturities.
- Total Equity decreased by 19.5% to Rp43,554 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 9M18 decreased by 21.9% YoY to Rp27,179 billion due to higher payment for operating expenses. Cash flow used in investment activities was Rp11,851 billion mainly for the payment of infrastructure spending. Net cash generated from financing activities (excluding Dividend) increased to Rp8,290 billion as the company has drawn medium-term loans facility.

Statements of Cash Flows

| Statements of Cash Flows (Rp Bn) | 9M18 | 9M17 | Growth (%) |
|--|----------------|----------------|--------------|
| Cash Flow from Operating Activities | 27,179 | 34,797 | (21.9) |
| Cash Flow for Investing Activities | (11,851) | (10,137) | 16.9 |
| Cash Flow from (for) Financing Activities | 8,290 | (519) | N/A |
| Dividend Payment | (27,865) | (25,848) | 7.8% |
| Net Decrease in Cash & Cash Equivalents | (4,246) | (1,707) | 148.8 |
| Cash and Cash Equivalents at Beginning of Periods | 10,548 | 19,681 | (46.4) |
| Cash and Cash Equivalents at End of Periods | 6,302 | 17,975 | (64.9) |

Debt Profile

As of 30 September 2018, Telkomsel's total outstanding loans amounted to Rp9,850 billion. As of 30 September 2018, Telkomsel's Debt to Equity Ratio (DER) was 32.0% decreased significantly from 57.6% in previous quarter.

Several financial covenants related to its loans/debts as follows:

| Covenants to be Maintained | Required | Actual |
|----------------------------|-------------|--------|
| EBITDA to Debt Service | ≥ 1.25 | 6.31 |
| Debt to Tangible Net Worth | ≤ 2.00 | 0.25 |

Revenue by Service

Legacy Business - Voice and SMS

Along the transition phase of Legacy towards Data and the cannibalization of OTT services, Telkomsel's Legacy business was slowing down with Voice revenue decreased by 16.7% YoY to Rp25,244 billion with declining Voice traffic by 0.4% YoY. SMS revenue declined by 38.3% YoY to Rp5,177 billion with declining SMS traffic by 42.7% 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 leading in network supply both in 3G and 4G infrastructure. This segment recorded strong performance with 19.8% YoY growth in revenue to Rp33,700 billion and increased its contribution to total revenue substantially to 51.3% from 40.5% last year.

Revenue from Data grew by 15.6% YoY to Rp29,370 billion, driven by healthy growth in Data User (15.0% YoY to 112.6 million users), successful migration of PAYU to Flash packages, as well as continued strong growth in Data payload, which increased by 116.3% YoY to 3,082,922 TB.

Digital Services also grew strongly by 58.1% YoY to Rp4,330 billion and has become the main driver of Telkomsel's transformation from a Telco Company to a Digital Telco 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. The key products and services within this segment include 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 and push the digital ecosystem through MAXStream, Telkomsel's online video platform. The World Cup and Asian Games event have been the key catalysts for MAXstream, resulting around 6 million downloads as of September 2018. In addition, MAXstream is also filled with some features consisting of free channel, basic channel, and premium channel as well as accessibility to other video on demand platform. Recently, MAXstream collaborated with HOOQ to launch original TV series called "Brata".
- In Mobile Financial Services, Telkomsel's flagship product TCASH strides towards fulfilling its vision to realize financial inclusion and the creation of a cashless society in Indonesia. TCASH has expanded its user base to around 27 million registered users as of September 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 consisting of top-ups, retails, mobility, bill payment, fuel, entertainment, etc.
- Through Digital Advertising business, Telkomsel aims to become a dominant media owner in Indonesia's Mobile Advertising industry by leveraging more than 168 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 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, making its way towards achieving the government's target of creating 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 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 September 2018, Telkomsel served 167.8 million subscribers nationwide, decreased by 11.8% YoY. Out of the total customer base, 112.6 million were data users, grew strongly by 15.0% YoY.

ARPU

As we are shifting from Legacy business to Digital Business, our Digital ARPU grew double digit due to increase in Data user productivity resulting 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 116.3% YoY. Our 4G LTE deployment is on on-demand basis, taking into account 4G

handset penetration and level of demand in broadband cities. We have deployed 50,755 4G BTS to date. The network roll-out brought total BTS on air to 183,283 units at end of September 2018, increased by 20.4% YoY, of which 132,968 units were 3G/4G BTS (30.5% YoY).

The following table presents performance of our cellular business:

| Operational Indicators | YoY | | | QoQ | | |
|--------------------------|-----------|-----------|------------|-----------|-----------|------------|
| | 9M18 | 9M17 | Growth (%) | 3Q18 | 2Q18 | Growth (%) |
| Customer Base (000) | 167,809 | 190,362 | (11.8) | 167,809 | 177,888 | (5.7) |
| Net Adds (000) | (28,513) | 16,442 | (273.4) | (10,079) | (14,864) | (32.2) |
| Data User (000) | 112,633 | 97,969 | 15.0 | 112,633 | 134,671 | (16.4) |
| ARPU (000) | 39 | 43 | (10.8) | 46 | 36 | 27.5 |
| BTS on Air (units) | 183,283 | 152,191 | 20.4 | 183,283 | 175,683 | 4.3 |
| Total Employees | 5,562 | 5,409 | 2.8 | 5,562 | 5,512 | 0.9 |
| MoU (In billion minutes) | 156.6 | 157.2 | (0.4) | 52.7 | 52.1 | 1.1 |
| SMS (In billion units) | 61.4 | 107.0 | (42.7) | 17.9 | 20.4 | (12.2) |
| Data Payload (TB) | 3,082,922 | 1,425,027 | 116.3 | 1,139,224 | 1,044,098 | 9.1 |

Fixed Line Services

Fixed Broadband IndiHome

IndiHome continued to show strong result. During the nine months of 2018, we successfully added around 1.7 million new subscribers. Total IndiHome subscribers has reached 4.7 million, grew by 101.2% YoY, with IndiHome Triple Play representing 52% of total customers. While IndiHome Dual Play continued its strong traction where 70% of the new customers in 9M18 were on Dual Play.

On revenue side, IndiHome business recorded Rp9.0 trillion of revenue, strongly increased by 57.7% YoY supported by higher productivity of sales and technician, product diversification, better network quality, and more enhanced IT system. We have also successfully improved IndiHome's EBITDA margin to around 26%, in line with bigger economic of scale.

We expect improvement in margin will continue, as in stages we started to monetize IndiHome. In August and September 2018, we raised price by Rp5.000 to Rp15.000 for 700 thousand customers with certain criteria and in return provide them with upgraded service. We also continue pushing sales of minipacks, speed upgrade, and advertisement. As a result, ARPU of IndiHome in 3Q18 improved to Rp258 thousand, increase from Rp251 thousand in the previous quarter.

Enterprise Business

In Enterprise market, Telkom remains focused on provision of ICT solutions. In 9M18, Telkom Enterprise business recorded Rp18.8 trillion in revenue, grew by 18.9% YoY supported by various projects from corporations and healthy growth in government sector. The trend of business process digitalization among Indonesian corporates is still growing, and Telkom is in the leading position to serve the needs as we have end to end services from connectivity, data centers as well as various platforms and enablers blended into high quality solutions.

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 nine months of 2018, our Wholesale and International Business revenue was Rp7.0 trillion, grew by 32.6% YoY.

In an effort to strengthen our network, we are currently in the process of finishing the Indonesia Global Gateway (IGG) submarine cable system. Together with SEA-ME-WE-5 and SEA-US submarine cable systems which were already in operation, the completion of IGG is an important milestone for Telkom in becoming global digital hub. We expect IGG to be ready for service in 4Q18.

On August 7, we successfully launched Merah Putih satellite that carries 60 transponders to cater the high demand for satellite in Indonesia. With the new satellite, we will be less dependent on foreign satellite operator and at the same time can provide ICT services to remote areas.

Recent Activities

Medium Term Notes Issuance

To anticipate the potential risk from increasing trend in interest rate, Telkom decided to reprofile its debt composition to increase fixed rate portion of debts. Therefore, on September 4, 2018, Telkom issued Medium Term Notes of Rp1.5 trillion in the form of conventional and sharia notes. The Notes were issued each in three series with maturity of one, two, and three years period at the fixed rate of 7.25%, 8.0%, and 8.35% respectively.

Change in Trustee for “Obligasi II Telkom Tahun 2010”

On September 26, 2018, we held a General Meeting of Bond Holders for the holders of “Obligasi II PT Telkom Indonesia (Persero) Tbk Tahun 2010, in which the Meeting resolved to change the bond’s trustee from PT Bank CIMB Niaga Tbk to PT Bank Tabungan Negara (Persero) Tbk. The change was done in order to comply with Bapepam-LK regulation regarding Credit and Guaranty Relations between Trustee and Issuer.

Dolfie Othniel Palit No Longer Serves as Telkom’s Commissioner

On September 20, 2018, one of our Independent Commissioner Dolfie Othniel Fredric Palit has been named in the list of General Elections Commission of Republic of Indonesia as one of the candidates for house of representative of Republic of Indonesia. Hence, due to his dual position, his term as an Independent Commissioner of Telkom was then ended.

Product and Marketing Activities

Fixed Line

- **IndiHome Paket Merdeka**

To boost fixed broadband adoption with higher speed, IndiHome released IndiHome Paket Merdeka consisting of IndiHome Triple Play products bundled with various types of USeeTV or OTT minipacks. The packages start from a minimum speed of 20 Mbps to 40 Mbps for Rp400 thousand up to Rp590 thousand per month.

- **IndiHome Paket Gamer**

IndiHome released promotion package in cooperation with several game publishers for Indonesian gamers. Subscribers can enjoy IndiHome Triple Play products and also get various games benefits. The package starts from 10 Mbps internet speed at Rp380 thousand per month.

Mobile

- **Legacy business and Data penetration program**

In order to increase more Data and Voice usage, Telkomsel launched several programs to attract customer: (1) #SURPRISE DEAL kartuHalo as Data seasonal package for postpaid customers consist of 25GB Data quota for all networks priced at Rp100K; (2) #OBRALOBROL Unlimited which offers attractive voice package consist of 40 minutes off-net and unlimited on-net of Voice at Rp20K for 3 days; (3) simPATI Tourist Wonderful Indonesia launched as special edition starter pack for tourist consist of 10GB Data quota, 300 minutes of Voice and 300 SMS at Rp100K.

- **Acceleration on Digital Service Penetration**

In order to accelerate Digital Service penetration, Telkomsel launched several program to attract customer: (1) ASIAN Games & beIN Sport that available in MAXstream consist of 12 channels of ASIAN Games and 3 channels of beIN Sports. Telkomsel also provides bundling premium package for beIN Sports consist of 12 GB Video Quota at Rp100K (2) BRATA is MAXstream first original series collaborated with HOOQ and supported by videoMAX Weekend deal package which consist of 30GB Video Quota at Rp30K.

Awards & Recognition

During 3Q18, we have been awarded by several institutions for our achievements, among others:

- *SRI KEHATI Appreciation* for Telkom as a Constituent of Sustainable Responsible Investment (SRI) KEHATI Index from SWA and Kehati.
- *Special Achievement in SAG Award* for Telkom for the creative use of Geographic Information System to improve society.
- *Tempo Country Contributor Awards 2018* for Telkom in the Infrastructure, Utilities, and Transportation category from TEMPO Magazine.
- *Asia Pacific ICT Award* for Telkom as Telecom Service Provider of the Year and Telecom CEO of the Year from Frost and Sullivan.
- *Indonesia Original Brand Award 2018* for IndiHome as the 1st Champion in Fixed Broadband Category and for 007 as the 1st Champion in SLI Category from Business Digest and SWA.
- *Asia Pacific HRM Congress Awards 2018* for Abdus Somad Arief as Exemplary Leader and from TIMES Ascent.
- *9th BUMN Awards* for Telkom as Highest Taxpayer and as BUMN with “Excellent” Predicate for the last 5 Years from Infobank Magazine.
- *CIPS Supply Management Awards Asia* for Telkomsel as Best Supplier Relationship Management Category from Chartered Institute of Procurement & Supply (CIPS) and ProcureCon.
- *Digital Literacy Award 2018* for IndonesiaNEXT as Best Digital Literacy from Microsoft.

- *Brand Asia Award 2018* for Telkomsel as Top 10 Strongest Brand in Indonesia from Markplus Inc.
- *Indonesia Champion for ASEAN 2018* for Telkomsel as Acknowledgment of Significant Progress and Stellar Performance in Their Business Sector in Asean Market from Markplus Inc.
- *Superbrands Indonesia 2018* for Telkomsel as Best Provider Telco and TCASH as Best Electronic Money Service from Grandindo.
- *Service Quality Award 2018* for Telkomsel as Best GraPARI Telkomsel in Cellular Telecommunication and for corporate customer from Majalah Service.
- *Corporate Social Initiatives Award 2018* for Telkomsel – Internet Baik as Best Social Campaign 2018 from MIX Marketing (SWA Group).
- *Green CEO Award 2018* for Telkomsel as Green CEO award in Telco Company from Warta Ekonomi.
- *Social Business Innovation Award 2018* for Telkomsel as Social Business Innovation Award in Telco Company from Warta Ekonomi.
- *Mobile Application Choice Award 2018* for myTelkomsel as Best Mobile application Choice Award 2018 from Trash N CO Research.
- *Marketing Award 2018* for LOOP as The Best Marketing Campaign from Majalah Marketing.

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

| | September 30, 2018 | December 31, 2017 | Growth (%) |
|--|-----------------------|----------------------|--------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 13,666 | 25,145 | (45.7) |
| Other current financial assets | 1,282 | 2,173 | (41.0) |
| Trade receivables – net of provision for impairment of receivables | | | |
| Related parties | 2,535 | 1,545 | 64.1 |
| Third parties | 14,984 | 7,677 | 95.2 |
| Other receivables – net of provision for impairment of receivables | 500 | 342 | 46.2 |
| Inventories – net of provision for obsolescence | 785 | 631 | 24.4 |
| Assets held for sale | 63 | 10 | 530.0 |
| Prepaid taxes | 3,678 | 1,947 | 88.9 |
| Claim for tax refund | 352 | 908 | (61.2) |
| Other current assets | 8,655 | 7,183 | 20.5 |
| Total current assets | 46,500 | 47,561 | (2.2) |
| NON-CURRENT ASSETS | | | |
| Long-term investments | 2,438 | 2,148 | 13.5 |
| Property and equipment – net of accumulated depreciation | 139,336 | 130,171 | 7.0 |
| Intangible assets – net of accumulated amortization | 4,342 | 3,530 | 23.0 |
| Deferred tax assets – net | 2,647 | 2,804 | (5.6) |
| Other non-current assets | 9,630 | 12,270 | (21.5) |
| Total non-current assets | 158,393 | 150,923 | 4.9 |
| TOTAL ASSETS | 204,893 | 198,484 | 3.2 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Trade payables | | | |
| Related parties | 862 | 896 | (3.8) |
| Third parties | 13,516 | 14,678 | (7.9) |
| Other payables | 423 | 217 | 94.9 |
| Taxes payable | 2,729 | 2,790 | (2.2) |
| Accrued expenses | 14,172 | 12,630 | 12.2 |
| Unearned income | 5,408 | 5,427 | (0.4) |
| Advances from customers | 1,309 | 1,240 | 5.6 |
| Short-term bank loans | 4,397 | 2,289 | 92.1 |
| Current maturities of long-term borrowings | 7,237 | 5,209 | 38.9 |
| Total current liabilities | 50,053 | 45,376 | 10.3 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities – net | 912 | 933 | (2.3) |
| Unearned income | 721 | 524 | 37.6 |
| Long service award provisions | 812 | 758 | 7.1 |
| Pension benefits and other post-employment benefits obligations | 10,774 | 10,195 | 5.7 |
| Long-term borrowings – net of current maturities | 35,041 | 27,974 | 25.3 |
| Other liabilities | 293 | 594 | (50.7) |
| Total non-current liabilities | 48,553 | 40,978 | 18.5 |
| TOTAL LIABILITIES | 98,606 | 86,354 | 14.2 |
| EQUITY | | | |
| Capital stock | 4,953 | 5,040 | (1.7) |
| Additional paid-in capital | 2,477 | 4,931 | (49.8) |
| Treasury stock | - | (2,541) | (100.0) |
| Other equity | 601 | 387 | 55.3 |
| Retained earnings | | | |
| Appropriated | 15,337 | 15,337 | - |
| Unappropriated | 67,162 | 69,559 | (3.4) |
| Net equity attributable to: | | | |
| Owners of the parent company | 90,530 | 92,713 | (2.4) |
| Non-controlling interests | 15,757 | 19,417 | (18.8) |
| TOTAL EQUITY | 106,287 | 112,130 | (5.2) |
| TOTAL LIABILITIES AND EQUITY | 204,893 | 198,484 | 3.2 |

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

| | 2018 | 2017 | Growth (%) |
|---|---------------|---------------|---------------|
| REVENUES | 99,203 | 97,003 | 2.3 |
| Operations, maintenance and telecommunication service expenses | (33,432) | (27,110) | 23.3 |
| Depreciation and amortization expenses | (15,873) | (14,681) | 8.1 |
| Personnel expenses | (10,299) | (10,595) | (2.8) |
| Interconnection expenses | (3,074) | (2,145) | 43.3 |
| General and administrative expenses | (4,503) | (3,702) | 21.6 |
| Marketing expenses | (2,983) | (3,402) | (12.3) |
| Gain (loss) on foreign exchange – net | 76 | (66) | (215.2) |
| Other income | 848 | 789 | 7.5 |
| Other expenses | (521) | (500) | 4.2 |
| OPERATING PROFIT | 29,442 | 35,591 | (17.3) |
| Finance income | 804 | 1,099 | (26.8) |
| Finance costs | (2,619) | (2,108) | 24.2 |
| Share of profit of associated companies | 45 | 59 | (23.7) |
| PROFIT BEFORE INCOME TAX | 27,672 | 34,641 | (20.1) |
| INCOME TAX (EXPENSE) BENEFIT | | | |
| Current | (6,789) | (8,486) | (20.0) |
| Deferred | (196) | (142) | 38.0 |
| | (6,985) | (8,628) | (19.0) |
| PROFIT FOR THE PERIOD | 20,687 | 26,013 | (20.5) |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Foreign currency translation | 226 | 17 | 1,229.4 |
| Change in fair value of available-for-sale financial assets | (12) | 19 | (163.2) |
| Share of other comprehensive income of associated companies | (20) | (2) | 900.0 |
| <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 | 194 | 34 | 470.6 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 20,881 | 26,047 | (19.8) |
| Profit for the year attributable to: | | | |
| Owners of the parent company | 14,232 | 17,922 | (20.6) |
| Non-controlling interests | 6,455 | 8,091 | (20.2) |
| | 20,687 | 26,013 | (20.5) |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the parent company | 14,426 | 17,956 | (19.7) |
| Non-controlling interests | 6,455 | 8,091 | (20.2) |
| | 20,881 | 26,047 | (19.8) |
| BASIC EARNINGS PER SHARE (in full amount) | | | |
| Net income per share | 143.67 | 180.92 | (20.6) |
| Net income per ADS (100 Series B shares per ADS) | 14,366.73 | 18,091.66 | (20.6) |

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

| | <u>SEP 2018</u> | <u>DEC 2017</u> | <u>Growth (%)</u> |
|---|-----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash & cash equivalents | 6,302 | 10,548 | (40.3) |
| Accounts receivables | 2,414 | 2,199 | 9.8 |
| Accrued income | 1,642 | 1,341 | 22.4 |
| Current portion of long-term prepayments | 6,974 | 6,368 | 9.5 |
| Others | 765 | 641 | 19.4 |
| Total Current Assets | <u>18,097</u> | <u>21,098</u> | (14.2) |
| NON-CURRENT ASSETS | | | |
| Long-term investment | 7 | 7 | 0.0 |
| Fixed assets-net | 57,255 | 56,074 | 2.1 |
| Advances for fixed assets | 22 | 24 | (6.6) |
| Intangible assets-net | 4,812 | 4,588 | 4.9 |
| Prepayments – Non-current portion | 3,601 | 3,855 | (6.6) |
| Others | 107 | 102 | 5.6 |
| Total Non-current Assets | <u>65,805</u> | <u>64,650</u> | 1.8 |
| TOTAL ASSETS | <u><u>83,903</u></u> | <u><u>85,748</u></u> | (2.2) |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Short-term loan | 1,250 | - | N/A |
| Accounts payable & accrued liabilities | 15,758 | 15,193 | 3.7 |
| Taxes payable | 1,691 | 1,932 | (12.5) |
| Unearned revenue | 4,959 | 5,146 | (3.6) |
| Current maturities of medium-term loans | 1,600 | - | N/A |
| Current maturities of obligation under finance leases | 794 | 759 | 4.6 |
| Other current liabilities | - | 1 | N/A |
| Total Current Liabilities | <u>26,052</u> | <u>23,031</u> | 13.1 |
| NON-CURRENT LIABILITIES | | | |
| Medium-term loans - net of current maturities | 7,000 | 1,000 | N/A |
| Obligations under finance lease - net of current maturities | 3,314 | 3,916 | (15.4) |
| Deferred tax liabilities | 1,170 | 1,142 | 2.5 |
| Others | 2,812 | 2,529 | 11.2 |
| Total Non-current Liabilities | <u>14,296</u> | <u>8,587</u> | 66.5 |
| 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 | 41,867 | 52,443 | (20.2) |
| Total Equity | <u>43,554</u> | <u>54,130</u> | (19.5) |
| TOTAL LIABILITIES AND EQUITY | <u><u>83,903</u></u> | <u><u>85,748</u></u> | (2.2) |

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

| | SEP 2018 | SEP 2017 | Growth (%) |
|---|---------------|---------------|-----------------|
| REVENUES | | | |
| Postpaid | 5,991 | 5,251 | 14.1 |
| Prepaid | 55,387 | 59,228 | (6.5) |
| Interconnection & international roaming | 3,440 | 4,115 | (16.4) |
| Others | 904 | 932 | (3.0) |
| Total Revenues | 65,721 | 69,526 | (5.5) |
| EXPENSES | | | |
| Operation & maintenance | 18,777 | 17,346 | 8.2 |
| Personnel | 2,992 | 2,753 | 8.7 |
| Marketing | 2,495 | 2,645 | (5.6) |
| General & administration | 1,458 | 1,449 | 0.6 |
| Cost of services | 3,016 | 2,464 | 22.4 |
| Interconnection & international roaming | 2,365 | 2,017 | 17.2 |
| Depreciation & amortization | 10,065 | 10,055 | 0.1 |
| Others - net | (234) | 65 | N/A |
| Total Expenses | 40,935 | 38,795 | 5.5 |
| Finance (charges) / income - net | (317) | 273 | N/A |
| INCOME BEFORE TAX | 24,469 | 31,003 | (21.1) |
| INCOME TAX EXPENSE | (6,170) | (7,705) | (19.9) |
| NET INCOME | 18,299 | 23,298 | (21.5) |
| EBITDA | 34,617 | 40,851 | (15.3) |
| EBITDA Margin- over revenues | 52.7% | 58.8% | (6.1ppt) |
| ROA | 29.8% | 35.2% | (5.4ppt) |
| ROE | 51.1% | 56.3% | (5.2ppt) |