

**TICKERS:**

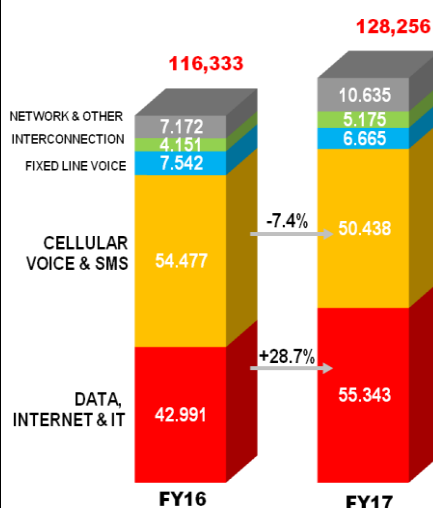
IDX : TLKM  
NYSE : TLK

**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 2017**


**Share Price (Mar 14, 2018):**  
Rp4,060 (IDX) & USD29.35 (NYSE)

**Market Capitalization (Mar 14, 2018):**  
Rp409.2 Tn (USD29.6 Bn)

**Average Daily Trading Volume 2017:**  
89.7 Mn Shares (IDX) & 302,772 DR (NYSE)

**Average Daily Trading Value 2017:**  
Rp386 Bn (IDX) & USD9.6 Mn (NYSE)

Source: Bloomberg

## Highlights

- Telkom Indonesia maintained its strong performance in FY17, recording robust growth in Revenue, EBITDA, and Net Income of 10.2%, 8.6%, and 14.4% YoY, respectively.
- Data, Internet & IT Services segment remained the growth driver and largest revenue contributor, increased by 28.7% YoY and contributed 43.2% of total revenue.
- Amidst tightening competition in mobile, Telkomsel revenue grew healthily by 7.5% YoY with improved EBITDA margin to 57.5% from 57.4%.
- Telkomsel remained focus on growing digital business, installed 31,672 new BTSs during 2017, all were 3G and 4G BTS.

**Financial Highlights**

Key Indicators (Rp. Bn)	YoY		
	FY17	FY16	Growth (%)
Revenues	128,256	116,333	10.2
Expenses	84,323	77,138	9.3
Operating Profit	43,933	39,195	12.1
EBITDA	64,609	59,498	8.6
EBITDA Margin (%)	50.4	51.1	(0.7ppt)
Net Income	22,145	19,352	14.4
Net Income Margin (%)	17.3	16.6	0.7ppt

**Operational Highlights**

Subscribers (000)	YoY		
	FY17	FY16	Growth (%)
<b>Broadband</b>			
Fixed Broadband	5,266	4,329	21.6
IndiHome	2,965	1,624	82.6
Mobile Data User	105,808	84,729	24.9
<b>Cellular</b>			
Postpaid	4,739	4,180	13.4
Prepaid	191,583	169,740	12.9
<b>Total</b>	<b>196,322</b>	<b>173,920</b>	<b>12.9</b>
<b>Fixed Line</b>			
POTS	10,957	10,663	2.8

**Investor Relations**

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**DISCLAIMER**

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## PT TELKOM INDONESIA (PERSERO) Tbk FULL YEAR OF 2017 (AUDITED)

The following analysis and discussion is based on our Indonesian GAAP financial statements for the full year ended December 31, 2017 and 2016. The reports have been submitted to Indonesia Financial Services Authority (OJK).

### Revenues

Key Indicators (Rp.Bn)	YoY		
	FY17	FY16	Growth (%)
Data, Internet & IT Service	55,343	42,991	28.7
Cellular Voice and SMS	50,438	54,477	(7.4)
Fixed Line Voice	6,665	7,542	(11.6)
Interconnection	5,175	4,151	24.7
Network and Other Telco Services	10,635	7,172	48.3
<b>Total</b>	<b>128,256</b>	<b>116,333</b>	<b>10.2</b>

Telkom recorded total revenue of Rp128.3 trillion in 2017, an increase of 10.2% YoY with Data, Internet & IT Services as the growth driver. The details are as follows:

- **Data, Internet & IT Services revenues** increased considerably by 28.7% YoY primarily attributable to strong mobile and fixed broadband services. Mobile data traffic (payload) increased more than double, while IndiHome continued to gain strong traction.
- **Cellular Voice and SMS revenues** decreased by 7.4% YoY. The decline in legacy business was a result of traffic decline in both voice and SMS due to cannibalization from instant messaging (OTT) applications.
- **Fixed Line Voice revenues** declined by 11.6% YoY due to cannibalization from mobile services that resulted in declining fixed line traffic.
- **Interconnection revenues** increased by 24.7% YoY mainly due to higher incoming voice call from other operators.
- **Network and Other Telecommunication Services revenues** grew by 48.3% YoY mainly due to higher business volume in managed services.

## Expenses

Key Indicators (Rp.Bn)	YoY		
	FY17	FY16	Growth (%)
Operation, Maintenance & Telecommunication Services	36,603	31,263	17.1
Personnel	13,529	13,612	(0.6)
Interconnection	2,987	3,218	(7.2)
Marketing	5,268	4,132	27.5
General & Administrative	5,260	4,610	14.1
Depreciation & Amortization	20,446	18,532	10.3
(Gain)/Loss on Forex – net	(51)	52	(198.1)
Others – net	281	1,719	(83.7)
<b>Total</b>	<b>84,323</b>	<b>77,138</b>	<b>9.3</b>

Total Expenses increased by 9.3% YoY, with Operating Expenses rose by 12.0% YoY. Details of Expenses are as follows:

- **Operation & Maintenance (“O&M”) expenses** increased by 17.1% YoY as we continued to develop broadband infrastructure aggressively in an effort to grow digital business both in cellular and fixed-line services.
- **Personnel expenses** declined by 0.6% YoY partly due to early retirement program (ERP) which was done in 2016.
- **Interconnection expenses** decreased by 7.2% YoY mainly attributable to lower outgoing voice and SMS traffic.
- **Marketing expenses** increased by 27.5% YoY primarily due to intensive promotion of 4G and IndiHome as well as customer education programs for prepaid SIM card registration.
- **General & Administrative expenses** increased by 14.1% YoY in line with increasing business volume.
- **Depreciation & Amortization expenses** grew by 10.3% YoY in line with the network infrastructure development both in mobile and fixed businesses.
- We recorded **Net Forex Gain** of Rp51 billion reflecting that Telkom is less exposed to foreign currency fluctuation.
- **Others – net** recorded an expense of Rp281 billion, decreased by 83.7% as there was gain from insurance claim in 2017 as well as higher tax related charges in 2016.

## EBITDA and Net Income

As a result of good and discipline expense management, EBITDA increased by 8.6% YoY to Rp64.6 trillion although EBITDA margin slightly declined to 50.4% from 51.1% in 2016, in line with the transition from Legacy towards Data business. Nevertheless, our Net Income still increased by 14.4% YoY to Rp22.1 trillion with strong Net Income margin of 17.3%, improved from 16.6% in 2016.

## Financial Position

Key Indicators (Rp.Bn)	YoY		
	FY17	FY16	Growth (%)
Assets	198,484	179,611	10.5
Liabilities	86,354	74,067	16.6
Non-controlling Interests	19,417	21,160	(8.2)
Equity attributable to owners of the company	92,713	84,384	9.9

- Total assets as of 31 December 2017 was Rp198.5 trillion, increased by 10.5% YoY mainly due to increase in fixed assets, receivables, and advanced payments.
- Total liabilities at end of December 2017, increased 16.6% YoY to Rp86.3 trillion mainly attributed to increase in payables, accrued expenses and borrowings.
- Non-controlling interest decreased by 8.2% YoY as a result of subsidiary's dividend payment.
- Our equity increased by 9.9% YoY due to higher retained earnings as a result of strong performance during 2017.

## Cash Flows

Key Indicators (Rp. Bn)	YoY		
	FY17	FY16	Growth (%)
Cash Flow from Operating Activities	49,405	47,231	4.6
Cash Flow used in Investing Activities	(33,007)	(27,557)	19.8
Cash Flow used in Financing Activities	(21,052)	(17,905)	17.6
Net (Decrease)/Increase in Cash & Cash Equivalents	(4,654)	1,769	(363.1)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	32	(119)	(126.9)
Cash & Cash Equivalents at Beginning of Year	29,767	28,117	5.9
Cash & Cash Equivalents at End of Period	25,145	29,767	(15.5)

- Net cash provided by operating activities increased by 4.6% YoY as a result of strong cash inflow from operations.
- Net cash used in investing activities increased by 19.8% YoY from cash payment for fixed assets acquisition during the period.
- Net cash used in financing activities grew by 17.6% YoY mainly due to increase in payment of dividend to shareholders and non-controlling interest.

## Debts

Currencies (Rp.Bn)	YoY			Portion (%)	
	FY17	FY16	Growth (%)	FY17	FY16
IDR/Rupiah	29,817	26,091	14.3	94.2	93.9
USD/US Dollar	1,029	991	3.8	3.3	3.6
JPY/Japanese Yen	648	707	(8.3)	2.0	2.5
MYR/Malaysian Ringgit	174	-	100.0	0.5	-
<b>Total</b>	<b>31,668</b>	<b>27,789</b>	<b>14.0</b>	<b>100.0</b>	<b>100.0</b>

At the end of 2017, total debts amounting to Rp31.7 trillion, increased by 14.0% compared to the end of 2016. Around 94.2% of our debt was in Rupiah currency, 3.3% was in US Dollar currency and the remaining balance was in Japanese Yen and Malaysian Ringgit, consisting of short and long-term Bank Loans, Bonds and Two-Step Loans. Our debt to equity ratio ("DER") was still relatively low at 34.2%.

## Gearing Ratio

Key Indicators	YoY		
	FY17	FY16	Growth (ppt)
Net Debt to Equity (%)	7.0	(2.3)	9.3
Debt to Equity (%)	34.2	32.9	1.3
Debt to EBITDA (%)	49.0	46.7	2.3
Debt Service Ratio (Times)	6.8	7.8	(1.0)

## Financial Ratios

Ratios (%)	YoY		
	FY17	FY16	Growth (ppt)
EBIT Margin	34.3	33.7	0.6
EBITDA Margin	50.4	51.1	(0.7)
Net Income Margin	17.3	16.6	0.7
Current Ratio	104.8	120.0	(15.2)
Total Liabilities to Equity	93.1	87.8	5.3
Return on Assets	11.2	10.8	0.4
Return on Equity	23.9	22.9	1.0
Return on Invested Capital	17.8	17.3	0.5

## Capital Expenditure

For the full year of 2017, Telkom Group spent Rp33.2 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 (IGG and SEA-US) 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

Despite the challenges in Legacy business (Voice & SMS), Telkomsel managed to deliver a strong set of results for 2017 with Revenues, EBITDA and Net Income grew by 7.5%, 7.7% and 7.8% YoY, respectively which contributed from transformation initiatives in Digital Business as engine of growth. Revenues grew to Rp93,217 billion supported by Digital Business which posted 28.7% YoY growth, driven by Data which increased by 28.2% YoY and Digital Services which increased by 33.6% YoY. Digital Business accounted for 42.3% of total revenues, increased significantly from 35.4% a year ago. EBITDA and Net Income margins were higher by 0.1ppt to 57.5% and 32.6%, respectively. Telkomsel strongly believes that Data and Digital service businesses are the future of telecommunication industry. Therefore, Telkomsel is focusing on building digital ecosystem by establishing digital services portfolio which consists of Digital Lifestyle, Mobile Financial Services, Digital Banking and Digital Advertising services.

Telkomsel's subscriber base grew by 12.9% YoY to 196.3 million attributable to effective sales and marketing programs. In line with our philosophy to always lead in network supply including in outside Java to maintain our network superiority and growing our Digital Business, we deployed 31,672 new BTS during 2017, all were 3G and 4G BTS. Our data traffic increased by 126.2% to 2,168,245 TB mainly fueled by high growth in 3G/4G capable device that reached 108.2 million (+30.9% YoY), or 55.1% of our customer base. In terms of infrastructure, by end of December 2017 our BTS on-air totaled 160,705 units (+24.5% YoY), around 70% of which were 3G/4G BTS.

### Statements of Profit and Loss

Financial Performance (Rp. Bn)	YoY			QoQ		
	FY17	FY16	Growth (%)	4Q17	3Q17	Growth (%)
Revenues	93,217	86,725	7.5	23,691	23,531	0.7
Legacy	53,750	56,066	(4.1)	12,364	13,458	(8.1)
Digital Business	39,466	30,659	28.7	11,327	10,073	12.4
Expenses incl. Depreciation & others	53,164	49,502	7.4	14,369	13,216	8.7
EBITDA	53,592	49,781	7.7	12,741	13,666	(6.8)
EBITDA Margin (%)	57.5	57.4	0.1ppt	53.8	58.1	(4.3ppt)
Net Income	30,395	28,195	7.8	7,097	7,798	(9.0)
Net Income Margin (%)	32.6	32.5	0.1ppt	30.0	33.1	(3.2ppt)
Proportion of Digital Business (%)	42.3	35.4	7.0ppt	47.8	42.8	5.0ppt

Telkomsel recorded operating revenues of Rp93,217 billion for FY17, an increase of 7.5% YoY.

- Prepaid revenue increased by 6.1% YoY to Rp79,484 billion, mainly driven by growth in Digital Business ARPU supported by the growth in Data as well as growth in prepaid subscriber base which grew by 12.9% YoY to 191.6 million subscribers.
- Postpaid revenue increased by 11.1% YoY to Rp7,118 billion mainly driven by the increase in the postpaid customer base which grew by 13.4% YoY to 4.7 million subscribers.
- Interconnection and International Roaming revenues increased by 17.9% YoY to Rp5,398 billion, due to

seasonal increase in traffic from other local operators.

In FY17, total expenses including depreciation and amortization increased by 7.4% YoY to Rp53,164 billion, mainly driven by: (1) Operational & Maintenance expenses as the company accelerated network deployment to maintain network quality, resulted in higher transmission and network space rental costs, (2) Marketing expenses due to promotion & events related to 4G penetration program, youth engagement events across the country and other marketing and sales activities in response to competition dynamics.

### Statements of Financial Position

Statements of Financial Position (Rp Bn)	Dec-17	Dec-16	Growth (%)
Current Assets	21,098	28,818	(26.8)
Non-Current Assets	64,650	60,963	6.0
<b>Total Assets</b>	<b>85,748</b>	<b>89,781</b>	<b>(4.5)</b>
Current Liabilities	23,031	21,891	5.2
Non-Current Liabilities	8,587	8,520	0.8
Equity	54,130	59,370	(8.8)
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>85,748</b>	<b>89,781</b>	<b>(4.5)</b>

As of 31 December 2017, Total Assets decreased 4.5% to Rp85,748 billion, total liabilities increased 4.0% to Rp31,618 billion and total equity decreased 8.8% to Rp54,130 billion.

- Current Assets decreased 26.8% to Rp21,098 billion, mainly due to decrease in cash and cash equivalents.
- Non-current Assets increased 6.0% to Rp64,650 billion, mainly due to the increase in fixed assets.
- Current Liabilities increased 5.2% to Rp23,031 billion, mainly due to the increase in accrued liabilities.
- Non-current Liabilities increased 0.8% to Rp8,587 billion, due to the increase in provision for long-term employee benefits.
- Total Equity decreased by 8.8% to Rp54,130 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 FY17 decreased 7.6% YoY to Rp39,571 billion. Cash flow used in investment activities was Rp13,984 billion mainly for the payment of infrastructure spending. Net cash used in financing activities (exclude Dividend) decreased by 85.0% YoY to Rp710 billion.

### Statements of Cash Flows

Statements of Cash Flows (Rp Bn)	FY17	FY16	Growth (%)
Cash Flow from Operating Activities	39,571	42,805	(7.6)
Cash Flow for Investing Activities	(13,984)	(12,794)	9.3
Cash Flow for Financing Activities	(710)	(4,731)	(85.0)
Dividend Payment	(34,010)	(19,401)	75.3
Net Increase (Decrease) in Cash & Cash Equivalents	(9,133)	5,879	(255.4)
Cash and Cash Equivalents at Beginning of Years	19,681	13,802	42.6
Cash and Cash Equivalents at End of Years	10,548	19,681	(46.4)

## Debt Profile

As of 31 December 2017, Telkomsel's outstanding loans amounted to Rp1,000 billion, and obligations under finance lease of Rp3,916 billion. Telkomsel's Debt to Equity Ratio (DER) was 10.5%.

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

Covenants to be Maintained	Required	Actual
EBITDA to Debt Service	≥1.25	28.80
Debt to Tangible Net Worth	≤2.00	0.02

## RESULTS BY SERVICE

### Cellular Services

#### Voice and SMS

Telkomsel had successfully maintain healthy revenue growth from Voice over the past few years mainly attributed to its initiative in dynamic cluster based pricing and successfully migrating customer from Pay As You Use (PAYU) to package. And along the transition phase from legacy towards digital, Legacy business was slowing down with Voice revenue growth of 0.2% YoY to Rp40,113 billion and Voice traffic decline of -8.6% YoY.

SMS revenue declined by -17.8% YoY to Rp10,841 billion as the impact of OTT services cannibalization and traffic declined by -25.9% YoY.

#### Digital Business

Digital business remained the engine of growth, increased by 28.7% YoY to Rp39,466 billion and rose its contribution to total revenue substantially to 42.3% from 35.4% last year.

Revenue from Data grew by 28.2% YoY to Rp35,524 billion, driven by healthy growth in 3G/4G capable device adoption (+30.9% YoY to 108.2 million users), successful migration of PAYU to Flash packages, as well as continued strong growth in data payload, which increased by 126.2% YoY to 2,168,245 TB. As of 31 December 2017, 49.6 million of our customers that have LTE devices have swapped to USIM to utilize 4G services.

Digital Services also grew strongly by 33.6% YoY to Rp3,942 billion and has become the main driver of Telkomsel's digital transformation. A number of investments and key initiatives have been established to accelerate the growth of digital services, in line with Telkomsel's mission to build a digital Indonesia with key products and services including Digital Lifestyle, Mobile Financial Services, Digital Banking and Digital Advertising:

- Digital Lifestyle continued to focus on providing excellent mobile entertainment experience for customers. By targeting different segments through various services, Telkomsel aims to become the leading mobile entertainment provider in the country through VAS, Music, Video, Games & Market Place, etc.



- In Mobile Financial Services, Telkomsel's flagship product TCASH made strides towards fulfilling its vision to realize financial inclusion and the creation of a cashless society in Indonesia which had expanded its user base to around 13 million registered users as of the end of 2017. Telkomsel has also built a strong foundation to support scalable growth by adding its TCASH servicing channels consisting of 40 thousand traditional outlets, 30 thousand modern retail outlets and 60 thousand agents (Bang TCASH), and by introducing new use cases for both the banked segment and unbanked segments.
- 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, to help develop a cashless society.
- Through Digital Advertising business, Telkomsel aims to become a dominant media owner in Indonesia's Mobile Advertising industry by leveraging its more than 196 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 many more.

Going forward, Telkomsel will continue to develop its digital ecosystem to expand its reach and to support more variety of digital services as the key foundation for Telkomsel's digital transformation.

### **Customer Base**

As of 31 December 2017, Telkomsel served 196.3 million subscribers nationwide, an increase of 12.9% YoY. Out of the total base, 105.8 million were data users which grew strongly by 24.9% YoY.

### **ARPU**

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

### **Network Deployment**

Our focus on Digital Business was reflected from our network deployment. We continued to accelerate our network development with aggressive 3G/4G BTS deployment to support Digital Business as data traffic jumped 126.2% 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 28,153 4G BTS to date. The network roll out brought total BTS on air to 160,705 units at end of December 2017, or increased by 24.5% YoY, of which 110,381 units were 3G/4G BTS (+40.3% YoY).

The following table presents performance of our cellular business:

Operational Indicators	YoY			QoQ		
	FY17	FY16	Growth (%)	4Q17	3Q17	Growth (%)
Customer Base (000)	196,322	173,920	12.9	196,322	190,362	3.1
Net Adds (000)	22,402	21,279	5.3	5,960	12,361	(51.8)
3G/4G Capable Device (000)	108,196	82,647	30.9	108,196	97,467	11.0
ARPU (000)	43	45	(4.9)	41	42	(3.7)
BTS on Air (units)	160,705	129,033	24.5	160,705	152,191	5.6
Total Employees	5,461	5,191	5.2	5,461	5,409	1.0
MoU (In billion minutes)	211.8	231.7	(8.6)	54.6	52.4	4.1
SMS (In billion units)	135.4	182.8	(25.9)	28.4	32.7	(13.1)
Data Payload (TB)	2,168,245	958,733	126.2	743,218	597,227	24.4

## Fixed Line Services

### Fixed Broadband IndiHome

IndiHome continued to show encouraging result, as in 2017 we successfully added 1.3 million new subscribers. Total IndiHome subscribers reached 2.96 million, grew by 82.6% YoY, with IndiHome Triple Play represented 66% of total customers. While IndiHome Dual Play that we launched at end of 2016, has shown strong traction. Around 70% of the new customers in 2017 were Dual Play.

In 2017, revenue from IndiHome business reached Rp8.2 trillion, sharply increased by 48.1% YoY. ARPU of IndiHome in 4Q17 was Rp285 thousand, declined from Rp308 thousand in the previous quarter as a result of higher contribution from Dual Play customers and promotional package. We will keep accelerating IndiHome customer growth, while at the same time improving IndiHome ARPU level. We encourage customers to purchase various add-ons and mini pack, upgrade to Triple Play and higher speed services.

### Enterprise Business

In Enterprise market, Telkom remains focused on provision of ICT solutions with various smart enabler platforms. There is increasing trend for Indonesian corporations to focus on their core businesses and outsource their ICT solution needs to reliable third-party providers. It is estimated that Indonesia enterprise ICT market is growing at around 13% annually. This represents huge opportunity for Telkom to expand its Enterprise business in the future. In 2017, Telkom Enterprise business recorded Rp19.1 trillion in revenue, significantly grew by 21.0% YoY.

We serve three customers segments under our Enterprise business:

- Corporate.** We serve around 1,450 corporate clients from various industries such as consumer goods, insurance, pharmaceutical, and banking, which contributed around 58% to Enterprise segment revenue. Corporate customers now demand more integrated ICT solutions on top of connectivity such as smart enablers, data center and cloud, platforms and applications, as well as business process outsourcing. With low penetration of integrated ICT services among Indonesian corporate, coupled with the rising trend of business process digitization, Telkom is in the leading position to grow its Corporate segment.

- **Government.** We provide connectivity and ICT solutions for around 940 Government institutions including Central Government, Local Government, and Government Agencies. By our estimate, Indonesia government IT-related spending is around Rp15 trillion annually, which provides a sizeable business opportunity for Telkom. Government segment contributed around 23% to Enterprise segment revenue.
- **Small and Medium-sized Enterprise (SME).** We serve around 300,000 SME clients for which we provide various services from connectivity to various solutions. With 3.7 million identified SMEs in our database and very low ICT adoption rate among Indonesia SMEs, Telkom still has large potential upside to grow in SME segment.

## Wholesale and International Business

Our wholesale services portfolio includes domestic and international traffic carrier, wholesale connectivity, towers, satellite, as well as telecommunication and infrastructure managed services. For the year 2017, our Wholesale and International Business revenue was Rp7.4 trillion, grew by 26.8% YoY.

Our Wholesale and International Business arm aims to create sustainable value for Telkom Group and its customers by becoming a global digital hub. To do so, we continue to expand our network infrastructure. In addition to the completed SEA-ME-WE5 & SEA-US submarine cable system, Indonesia Global Gateway project or IGG that will connect SEA-ME-WE-5 and SEA-US has reached 62% progress and is expected to commence operation in 3Q18. We are also in the process of developing our new Telkom-4 (“Merah Putih”) Satellite which has reached 75% progress and is expected to launch in mid-2018.

## Network Modernization

In line with our transformation program, we continued our effort to modernize our switching centers from copper-based to IP-based. In 2017, we shut down 282 copper-based switching centers, so that cumulatively we have already shut down 472 out of around 1,250 switching centers across Indonesia. By the time the modernization is completed, in 2020 we will have 14 IP-based switching centers.

## Recent Activities

### ■ Acquisitions

To strengthen our digital capabilities, in 4Q17 and 1Q18 Telkom acquired several companies i.e. PT Bosnet Distribution Indonesia, an e-logistics company; PT Nutech Integrasi, an e-transportation services; and Cellum, a mobile payment and commerce solutions provider. We also acquired TS Global Network Sdn Bhd, a satellite communication service company, to strengthen our backbone network. These acquisitions were made in an effort to realize our vision to become a digital telco company.

### ■ Prepaid SIM Card Registration

In supporting the Government’s prepaid SIM card registration program, based on data from Ministry of Communication and Informatics, Telkomsel has around 140 million subscribers registered by February 28, 2018 or more than 70% of Telkomsel’s total subscribers. The remaining unregistered customers still have time to register their SIM card until end of April 2018. We believe the prepaid SIM card registration will have positive impact to the industry as we expect churn rate will reduce and competition should be better.

## Product and Marketing Activities

### Fixed Line & Enterprise

IndiHome released IndiHome Natal & Tahun Baru (Christmas & New Year) Package discounted from normal price with 300 minutes free call to fixed line, UseeTV Entry package, and contents from HOOQ and iflix with price starting from Rp310 thousand for 10Mbps internet speed. This promotion applies until January 31, 2018.

### Mobile

#### Acceleration on 3G/4G Device Adoption

To encourage mass adoption of smartphone device in efficient and effective way, Telkomsel Android United (TAU) and Halo Kick! Program were launched with variety of device bundling: (1) Vivo V7+, LG Q6 & Xiaomi Mi A1 bundled with TAU program consist of Data quota up to 60GB starting from Rp45 thousand; (2) Samsung Digital Experience Zone event to offer cash back or discount in bundling program by redeeming Telkomsel Poin. Customer will get TAU or Halo Kick! package consisting of Data quota up to 60GB for 1 month; (3) Telkomsel Vaganza which offers various promo for smartphone, MiFi, and services. There are some activities such as prepaid registration, smartphone bazaar & trade-in, Telkomsel Poin redemption, etc.

## ADDITIONAL INFORMATION

### Awards & Recognition

During 4Q17, we have been awarded by several institutions for our achievements, among others:

- *The Indonesian Best Brand Award* for IndiHome from SWA, Mars, and Metro TV.
- *Forbes Global 2000 List 2017* for Telkom in World's Best Employers and Top Regarded list from Forbes Magazine.
- *8<sup>th</sup> BUMN Awards* for Telkom with Excellent title in the category of Telecommunication & Media from Infobank Magazine.
- *IPRA Golden World Awards for Excellence 2017* for Telkom Corporate Communications from International Public Relations Association.
- *International Business Award 2017* for Telkom winning Grand Stevie Award 2017 from Stevie International.
- *Indonesia PR of the Year* for Telkom CEO Alex J. Sinaga as Spoke Person of the Year from Mix Magazine.
- *Top IT & Telco 2017* for IndiHome as Top Fixed Internet Provider from TI Telco.
- *Social Media Award* for IndiHome with 1<sup>st</sup> rank in ISP Fixed category from Media Wave and Marketing Magazine.
- *Indonesia Best Employed Brand Awards 2017* for Telkom's Director of Wholesale & International Service Abdus Somad Arief as Leadership Excellence in Technology Innovation from World HRD Congress, Employer Branding Institute – India.

- *BUMN Performance Excellence Award (KPKU)* for Telkom as Industry Leader with score of 730.50 from Forum Ekselen BUMN.
- *ICSB Indonesia Presidential Award* for Telkom's Community Development Center in Business Practitioner category from International Council for Small Business and ACSB.
- *Top Capital Market 2017* for Telkom as Top Stock 2017, Top Corporate Reputation 2017 in Telecommunication Sector, and Top Issuer 2017 in Telecommunication Sector from Business News Indonesia with InfoVesta, IPEI Institute, Investment and Financial Learning Center, and Asia Business Research Center.
- *Economic Challenges Award 2017* for Telkom as Winner in Telecommunication category from Metro TV.
- *Rapat Koordinasi BUMN* for Telkom's Digital Globalization & Synergy from the Ministry of SOEs.
- *The 9<sup>th</sup> IICD Corporate Governance Awards* for Telkom as Top 50 in Big Cap Public Listed Companies and the Best in Non-financial Sector from IICD and Kontan.
- *Indonesia Excellence Award* for Telkom as Indonesia Telecom Service Provider of the Year and Indonesia Fixed Broadband Service Provider of the Year from Frost and Sullivan.
- *Apresiasi Indonesia untuk BUMN* for Telkom as the Most Popular SOE in Telecommunication Sector and Top 5 in Corporate Social Responsibility, and for Telkom CEO Alex J. Sinaga as Top 5 Best CEO in 2017 from Warta Ekonomi.
- *Corporate Secretary Award* for Telkom as Top 5 in GCG issues in Telco Sector from Warta Ekonomi.
- *Indonesia Most Admired CEO Award 2017* for Telkom CEO Alex J. Sinaga as Top 5 Most Admired CEO in Telco Sector from Warta Ekonomi.
- *Indonesia Corporate Reputation Award 2017* for Telkom as Top 5 Corporate Reputation in Telco Sector.
- *Tokoh Finansial Indonesia Award* for Telkom as Best SOE 2017 in Non-financial, Telecommunication and Broadcasting Category from Investor Magazine.
- *Mastel Award 2017* for Telkom Infrastructure Development Contribution from Mastel.
- *Corporate Governance Perception Index (CGPI)* for Telkom as Most Trusted Company based on CGPI from Indonesia Institute for Corporate Governance and SWA Magazine.
- *Indonesia Employers of Choice Award 2017* for Telkom from SWA Magazine.
- *Marketeer of The Year Award 2017* for Ririek Adriansyah as The Best Industry Marketing Champion 2017 in Telecom & Marketeer of the Year Indonesia 2017 from MarkPlus, Inc.
- *Indonesia Most Admired CEO 2017* for Ririek Adriansyah as Top 5 Most Admired CEO in Telecommunication Sector from Warta Ekonomi Magazine.
- *2017 Frost & Sullivan Indonesia Excellence Awards* for Telkomsel as Indonesia Digital Services Provider of the Year & TCASH as Indonesia M-Money Service Provider of the Year from Frost & Sullivan.

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- *World Branding Awards 2017* for Telkomsel as Brand of the Year in Telecommunication Mobile Category from World Branding Forum.
  - *Indonesia 2017 MMA Smarties Award* for Telkomsel in category of Brand Awareness, Innovation, Mobile Video, Digital Banking & Best in Industry from Mobile Marketing Association.
  - *Indonesia Best Employer Brand Awards 2017* for Telkomsel as Indonesia Best Employer Branding from HRD Congress - STARS Group.
  - *Asia's Best Brand Awards 2017* for Telkomsel as Top Brand Telecommunication from Brand Alliance.
  - *World Communications Awards 2017* for Telkomsel as Top 5 Best Operator in Emerging Market from Total Telecom.
  - *Indonesia Best Brand Award 2017* for simPATI as Best Brand Platinum 2017 for 7 consecutive years in GSM SIM Card category from SWA Magazine & Mars Research.
  - *Indonesia PR of the Year 2017* for Telkomsel Popcorn as Outstanding Owned Media 2017 from MIX-Marketing Communication & SWA Magazine.
  - *TOP IT & TELCO Award 2017* for kartuHalo as Top Postpaid GSM Card 2017 & simPATI as Top Prepaid GSM Card 2017 from itech Magazine.
  - *Indonesian Customer Satisfaction Award (ICSA) 2017* for kartuHalo as The Best in Achieving Total Customer Satisfaction for Postpaid Cellular SIM Card Category & simPATI as The Best in Achieving Total Customer Satisfaction for Prepaid Cellular SIM Card Category from Frontier Consulting Group & SWA Magazine.
  - *Indonesia Most Experiential Brand Activation Award 2017* for Telkomsel Ekspedisi Langit Nusantara Program as Best of the Best Brand Image & Engagement Activation 2017 from MIX-Marketing Communication & SWA Magazine.
  - *Indonesia Best Corporate Reputation Award 2017* for Telkomsel as Top 5 Corporate Reputation in Telecommunication Sector from Warta Ekonomi Magazine.
  - *Indonesia Good Corporate Governance Award 2017* for Telkomsel as Trusted Company Based on CGPI from SWA Magazine.

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

	2017	2016	Growth (%)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	25,145	29,767	(15.5)
Other current financial assets	2,173	1,471	47.7
Trade receivables – net of provision for impairment of receivables			
Related parties	1,545	894	72.8
Third parties	7,677	6,469	18.7
Other receivables – net of provision for impairment of receivables	342	537	(36.3)
Inventories – net of provision for obsolescence	631	584	8.0
Assets held for sale	10	3	233.3
Prepaid taxes	1,947	2,138	(8.9)
Claim for tax refund	908	592	53.4
Other current assets	7,183	5,246	36.9
<b>Total current assets</b>	<b>47,561</b>	<b>47,701</b>	<b>(0.3)</b>
<b>NON-CURRENT ASSETS</b>			
Long-term investments	2,148	1,847	16.3
Property and equipment – net of accumulated depreciation	130,171	114,498	13.7
Prepaid pension benefit cost	-	199	(100.0)
Intangible assets – net of accumulated amortization	3,530	3,089	14.3
Deferred tax assets – net	2,804	769	264.6
Other non-current assets	12,270	11,508	6.6
<b>Total non-current assets</b>	<b>150,923</b>	<b>131,910</b>	<b>14.4</b>
<b>TOTAL ASSETS</b>	<b>198,484</b>	<b>179,611</b>	<b>10.5</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade payables			
Related parties	896	1,547	(42.1)
Third parties	14,678	11,971	22.6
Other payables	217	172	26.2
Taxes payable	2,790	2,954	(5.6)
Accrued expenses	12,630	11,283	11.9
Unearned income	5,427	5,563	(2.4)
Advances from customers and suppliers	1,240	840	47.6
Short-term bank loans	2,289	911	151.3
Current maturities of long-term borrowings	5,209	4,521	15.2
<b>Total current liabilities</b>	<b>45,376</b>	<b>39,762</b>	<b>14.1</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities – net	933	745	25.2
Unearned income	524	425	23.3
Long service award provisions	758	613	23.7
Pension benefits and other post-employment benefits obligations	10,195	6,126	66.4
Long-term borrowings – net of current maturities	27,974	26,367	6.1
Other liabilities	594	29	1948.3
<b>Total non-current liabilities</b>	<b>40,978</b>	<b>34,305</b>	<b>19.5</b>
<b>TOTAL LIABILITIES</b>	<b>86,354</b>	<b>74,067</b>	<b>16.6</b>
<b>EQUITY</b>			
Capital stock	5,040	5,040	-
Additional paid-in capital	4,931	4,931	-
Treasury stock	(2,541)	(2,541)	-
Other equity	387	339	14.2
Retained earnings			
Appropriated	15,337	15,337	-
Unappropriated	69,559	61,278	13.5
Net equity attributable to:			
Owners of the parent company	92,713	84,384	9.9
Non-controlling interests	19,417	21,160	(8.2)
<b>TOTAL EQUITY</b>	<b>112,130</b>	<b>105,544</b>	<b>6.2</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>198,484</b>	<b>179,611</b>	<b>10.5</b>



**Table 2**  
**PERUSAHAAN PERSEROAN (PERSERO)**  
**PT TELEKOMUNIKASI INDONESIA Tbk AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the Year Ended December 31, 2017**  
**(Figures in tables are expressed in billions of Rupiah, unless otherwise stated)**

	2017	2016	Growth (%)
<b>REVENUES</b>	<b>128,256</b>	<b>116,333</b>	10.2
Operations, maintenance and telecommunication service expenses	(36,603)	(31,263)	17.1
Depreciation and amortization expenses	(20,446)	(18,532)	10.3
Personnel expenses	(13,529)	(13,612)	(0.6)
Interconnection expenses	(2,987)	(3,218)	(7.2)
General and administrative expenses	(5,260)	(4,610)	14.1
Marketing expenses	(5,268)	(4,132)	27.5
Gain (loss) on foreign exchange – net	51	(52)	(198.1)
Other income	1,039	750	38.5
Other expenses	(1,320)	(2,469)	(46.5)
<b>OPERATING PROFIT</b>	<b>43,933</b>	<b>39,195</b>	<b>12.1</b>
Finance income	1,434	1,716	(16.4)
Finance costs	(2,769)	(2,810)	(1.5)
Share of profit of associated companies	61	88	(30.7)
<b>PROFIT BEFORE INCOME TAX</b>	<b>42,659</b>	<b>38,189</b>	11.7
<b>INCOME TAX (EXPENSE) BENEFIT</b>			
Current	(11,357)	(10,738)	5.8
Deferred	1,399	1,721	(18.7)
	(9,958)	(9,017)	10.4
<b>PROFIT FOR THE YEAR</b>	<b>32,701</b>	<b>29,172</b>	12.1
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation	24	(40)	(160.0)
Change in fair value of available-for-sale financial assets	20	0	100.0
Share of other comprehensive income of associated companies	(1)	(1)	0.0
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Defined benefit plan actuarial loss – net of tax	(2,375)	(2,058)	15.4
Other comprehensive income – net	(2,332)	(2,099)	11.1
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>30,369</b>	<b>27,073</b>	<b>12.2</b>
Profit for the year attributable to:			
Owners of the parent company	22,145	19,352	14.4
Non-controlling interests	10,556	9,820	7.5
	<b>32,701</b>	<b>29,172</b>	<b>12.1</b>
Total comprehensive income for the year attributable to:			
Owners of the parent company	19,952	17,331	15.1
Non-controlling interests	10,417	9,742	6.9
	<b>30,369</b>	<b>27,073</b>	<b>12.2</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b> (in full amount)			
Net income per share	223.55	196.19	13.9
Net income per ADS (100 Series B shares per ADS)	22,354.64	19,619.11	13.9



**Table 3**  
**PT TELEKOMUNIKASI SELULAR (TELKOMSEL)**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 (AUDITED) WITH COMPARATIVE FIGURES AS OF DECEMBER 31, 2016 (AUDITED)**  
 (figures are presented in billions of Rupiah)

	DEC 2017	DEC 2016	Growth (%)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	10,548	19,681	(46.4)
Accounts receivables	2,199	2,297	(4.2)
Accrued income	1,341	894	50.0
Current portion of long-term prepayments	6,368	5,344	19.2
Others	641	602	6.4
<b>Total Current Assets</b>	<b>21,098</b>	<b>28,818</b>	<b>(26.8)</b>
<b>NON-CURRENT ASSETS</b>			
Long-term investment	7	7	0.0
Fixed assets-net	56,074	54,259	3.3
Advances for fixed assets	24	72	(66.8)
Intangible assets-net	4,588	4,609	(0.5)
Prepayments – Non-current portion	3,855	1,917	101.1
Others	102	98	3.6
<b>Total Non-current Assets</b>	<b>64,650</b>	<b>60,963</b>	<b>6.0</b>
<b>TOTAL ASSETS</b>	<b>85,748</b>	<b>89,781</b>	<b>(4.5)</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable & accrued liabilities	15,193	13,973	8.7
Taxes payable	1,932	2,011	(3.9)
Unearned revenue	5,146	5,192	(0.9)
Current maturities of oblig. under finance leases	759	715	6.2
Other current liabilities	1	1	(9.1)
<b>Total Current Liabilities</b>	<b>23,031</b>	<b>21,891</b>	<b>5.2</b>
<b>NON-CURRENT LIABILITIES</b>			
Medium-term & long-term loans - net of current maturities	1,000	999	0.1
Obligations under finance lease - net of current maturities	3,916	4,603	(14.9)
Deferred tax liabilities	1,142	1,201	(4.9)
Others	2,529	1,717	47.2
<b>Total Non-current Liabilities</b>	<b>8,587</b>	<b>8,520</b>	<b>0.8</b>
<b>EQUITY</b>			
Capital Stock - Rp1,000,000 par value			
Authorized - 650,000 shares			
Issued and fully paid - 182,570 shares	183	183	0.0
Additional paid-in capital	1,505	1,505	0.0
Retained earnings	52,443	57,683	(9.1)
<b>Total Equity</b>	<b>54,130</b>	<b>59,370</b>	<b>(8.8)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>85,748</b>	<b>89,781</b>	<b>(4.5)</b>

**Table 4**  
**PT TELEKOMUNIKASI SELULAR (TELKOMSEL)**  
**STATEMENTS OF PROFIT AND LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (AUDITED)**  
 (figures in tables are presented in billions of Rupiah)

	2017	2016	Growth (%)
<b>REVENUES</b>			
Postpaid	7,118	6,406	11.1
Prepaid	79,484	74,904	6.1
Interconnection & international roaming	5,398	4,577	17.9
Others	1,217	838	45.1
<b>Total Revenues</b>	<b>93,217</b>	<b>86,725</b>	<b>7.5</b>
<b>EXPENSES</b>			
Operation & maintenance	23,239	21,096	10.2
Depreciation & amortization	13,558	12,807	5.9
Cost of services	3,510	3,488	0.6
Interconnection & international roaming	2,785	2,780	0.2
Personnel	3,950	4,265	(7.4)
General & administration	1,821	1,860	(2.1)
Marketing	4,320	3,455	25.0
Others - net	(19)	(249)	(92.2)
<b>Total Expenses</b>	<b>53,164</b>	<b>49,502</b>	<b>7.4</b>
Finance income - net	360	234	53.8
<b>INCOME BEFORE TAX</b>	<b>40,413</b>	<b>37,458</b>	<b>7.9</b>
INCOME TAX EXPENSE	(10,018)	(9,263)	8.2
<b>NET INCOME</b>	<b>30,395</b>	<b>28,195</b>	<b>7.8</b>
<b>EBITDA</b>	<b>53,592</b>	<b>49,781</b>	<b>7.7</b>
<b>EBITDA Margin- over revenues</b>	<b>57.5%</b>	<b>57.4%</b>	<b>0.1ppt</b>
<b>ROA</b>	<b>34.6%</b>	<b>32.4%</b>	<b>2.2ppt</b>
<b>ROE</b>	<b>53.6%</b>	<b>50.9%</b>	<b>2.7ppt</b>