



# ***Telkomsel 2.0***

***Building the Foundation  
Towards the Digital Era***



# Preface



PT Telekomunikasi Selular (Telkomsel) is Indonesia's leading provider of mobile telecommunications and digital data services. Having pioneered the cellular industry in Indonesia, Telkomsel is now driving the transformation towards the digital era, where the power of mobile broadband technology is harnessed to foster new ways of connecting, working, learning and being entertained.

Following a period of phenomenal growth in the early 2000s, the saturation of voice and SMS services has led to a slowing of revenue growth in the cellular industry over the last five years. Advances in broadband data technology now offer a new opportunity for the cellular industry to drive the next curve of revenue growth, this time from digital services. In anticipation of this, we are pursuing a digital strategy built around 4 key portfolios comprising digital lifestyle services, mobile payment and digital money, digital advertising, and enterprise digital services.

Telkomsel 2.O represents Telkomsel's commitment to transforming our business and our people to meet the goals and challenges of this dynamic new business. Telkomsel aims to lead the market in digital services, by delivering solutions that exceed customer expectations, create value for all stakeholders, and empower the nation.

At the core of this transformation is the D-N-A (device-network-application) ecosystem, which is constantly being enhanced to provide the best end-to-end digital telecommunications experience in Indonesia. Telkomsel also continues to strengthen its core capabilities of voice and SMS services to provide an unparalleled all-round service.

Our transformation, as embodied by Telkomsel 2.O, is driven by collaborative innovation, a series of strategies focusing on service excellence, cost leadership, business expansion, innovation, synergy and partnership. To ensure its success, we are leveraging the synergy between Telkomsel and its two parent companies, Telkom and Singtel, to create sustainable competitive growth and to make Telkomsel a center of excellence for the digital era and maintain our industry leadership.

The focus of Telkomsel's transformation in 2012 was formulating a new growth strategy, ensuring that key strategy enablers are turned into a competitive advantage and defining strategic initiatives to drive the execution of the strategy. The Company has also initiated a comprehensive realignment of the organization, culture, people and business processes to build strong foundation for the digital business and continue to lead the industry in the years to come.

# Financial Highlights

REVENUES  
Rp **54.5**  
trillion

↑12%

EBITDA  
Rp **30.6**  
trillion

↑11%

NET INCOME  
Rp **15.7**  
trillion

↑23%

Description (in billion Rp)	2012	2011	2010	2009	2008
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>					
Current Assets	<b>13,582</b>	9,855	5,787	7,085	4,257
Fixed Assets	<b>46,480</b>	46,208	49,118	50,346	46,359
Other Non - Current Assets	<b>2,855</b>	2,660	2,438	1,796	1,315
Total Assets	<b>62,917</b>	58,723	57,343	59,227	51,931
Current Liabilities	<b>13,039</b>	13,975	13,493	18,990	17,761
Non-Current Liabilities	<b>6,046</b>	6,372	9,644	9,181	7,137
Equity	<b>43,832</b>	38,376	34,206	31,056	27,033
Total Liabilities & Equity	<b>62,917</b>	58,723	57,343	59,227	51,931
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>					
Revenues	<b>54,531</b>	48,733	45,567	44,443	40,291
Expenses	<b>33,538</b>	31,065	28,210	25,227	23,821
EBITDA	<b>30,564</b>	27,549	26,598	27,331	24,062
Net Income	<b>15,715</b>	12,824	12,362	13,160	11,422
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>					
Cash Flows from Operating Activity	<b>26,229</b>	22,824	19,471	21,690	18,769
Cash Flows from Investing Activity	<b>(13,528)</b>	(7,665)	(9,870)	(13,364)	(12,322)
Cash Flows from Financing Activity	<b>(2,291)</b>	(3,812)	(2,028)	1,875	2,142
Cash Dividend	<b>(9,900)</b>	(8,351)	(9,992)	(7,715)	(10,210)
Net Increase/(Decrease) in Cash and Cash Equivalents	<b>510</b>	2,996	(2,419)	2,486	(1,621)
<b>FINANCIAL RATIOS</b>					
EBITDA Margin <sup>1</sup>	<b>56%</b>	57%	58%	61%	60%
Profit Margin <sup>2</sup>	<b>29%</b>	26%	27%	30%	28%
Return on Assets <sup>3</sup>	<b>26%</b>	22%	21%	24%	24%
Return on Equity <sup>4</sup>	<b>38%</b>	35%	38%	45%	43%

**Notes:**

<sup>1</sup>EBITDA divided by Revenues

<sup>2</sup>Net Income divided by Revenues

<sup>3</sup>Net Income divided by Average Total Assets

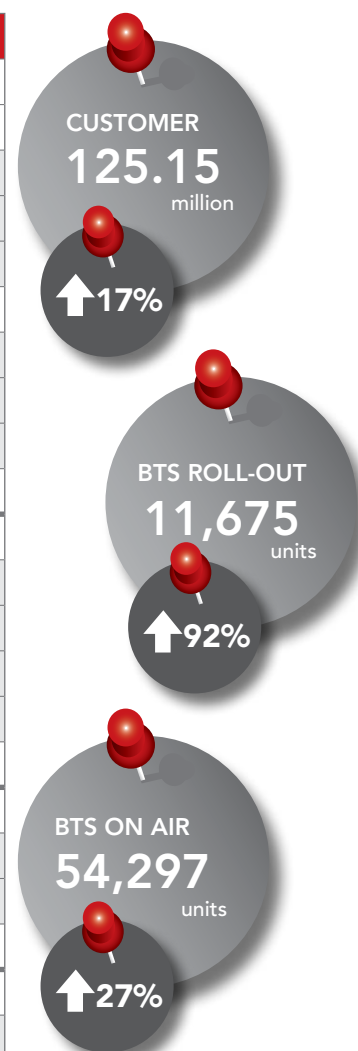
<sup>4</sup>Net Income divided by Average Total Equity

# Operational Highlights

Description	2012	2011	2010	2009	2008
<b>CUSTOMERS - in thousands</b>					
Customer Base					
Postpaid	2,149	2,188	2,126	2,035	1,940
Prepaid	122,997	104,829	91,884	79,609	63,360
Total	125,146	107,017	94,010	81,644	65,300
Net Additions					
Postpaid	(39) <sup>3</sup>	62	92	94	27
Prepaid	18,169	12,945	12,275	16,249	17,383
Total	18,130	13,007	12,367	16,344	17,410
<b>ARPU<sup>1</sup> - in thousand Rp</b>					
Postpaid	189	193	211	214	216
Prepaid	34	35	38	43	53
Blended	37	39	42	48	59
Effective ARPU <sup>2</sup>	39	40	43	50	59
<b>NETWORK DATA</b>					
Total BTS	54,297	42,622	36,557	30,992	26,872
BTS Roll Out	11,675	6,065	5,565	4,120	6,014
<b>EMPLOYEE DATA</b>					
Total Employees (exclude BOD)	4,557	4,417	4,421	4,205	4,124
Efficiency Ratio (subscriber/employee)	27,462	24,228	21,264	19,416	15,834

## Notes:

1. ARPU refers to average monthly ARPU (average revenue per user) of the year, which is calculated by taking the sum of the ARPU for each month of the year, and divided by 12. ARPU is computed by dividing total cellular revenues for either postpaid or prepaid subscribers (excluding connection fees, interconnection revenues, international roaming from visitors, dealer discounts and tax) for each month by the respective average number of months.
2. Effective ARPU is calculated from booked revenues divided by the average number of subscribers (number of subscribers at the beginning of the year added to number of subscribers at the end of year divided by 2) and then divided by 12.
3. Due to deletion of terminated subscribers in the system.



# Event Highlights

Throughout 2012, Telkomsel organized events, openings and product launches across the country. Here are some of the highlights.

## January

### Telkomsel opens the new GraPARI office in Jambi

To deliver greater convenience for customers in and around the city of Jambi, the Jambi GraPARI formally opened its new premises on January 16, 2012 in the Telkom Building on Jl. Sri Sudewi Telani Pura, Jambi. As well as functioning as a customer service center, the Jambi GraPARI is now also a Telkomsel service office, complete with a sales corner where customers can buy a range of Telkomsel products, bundling products and broadband devices.



### Transformation to Telkomsel 2.O

To be able to respond to the increasing challenges in the coming years, Telkomsel recognized the need to transform itself into a 2.O enterprise-a more competitive and more solid organization.

Telkomsel 2.O is our transformation program to capture the second opportunity for growth in the digital era.

## February

### GraPARI Dago is open 24 hours Non Stop

Telkomsel continued to provide greater convenience for customers by formally opening the GraPARI 24Hours in Bandung. GraPARI 24Hours provides a non-stop service, 24 hours a day and 7 days a week, enabling customers to get service at times that suit them.





## February

### The people of Natuna experience the benefits of Telkomsel

As part of its commitment to support local governments to develop their regions, Telkomsel provided services for the people of Natuna and supported the demand for a tower in the Bunguran Selatan area. With Telkomsel's presence, Natuna, which is part of the Riau Islands province and has great potential for marine tourism, now has stronger economic potential.



## March



### T-Cash cooperates with BNI

Telkomsel and PT Bank Negara Indonesia (BNI) collaborated to launch a new T-Cash (e-money) service. Now T-Cash customers can top up their T-Cash balance at any BNI ATM in Indonesia. The synergy between Telkomsel and BNI is a good example of how industries can collaborate to enhance convenience and value for customers.



### LTE (Long Term Evolution) Trial with PT Telkom

Telkomsel and PT Telkom held a direct LTE Video Conference trial, connecting Jakarta, RDC Telkom Bandung and the University of Indonesia in Depok for 15 minutes as part of the "Think Convergence" campaign in Jakarta. LTE is an internet protocol-based network architecture with low latency and a Quality of Service (QoS) guarantee that delivers a high quality experience for Telkomsel's data service customers.

## April

### Opening of new branch office in Timika

Telkomsel's Sulmalirja Region opened its new Timika Branch building on Jalan Hasanuddin in Timika, Papua. Telkomsel's Timika Branch currently has one TTC (Telkomsel Telecommunication Center) building, one branch office (GraPARI), one GraPARI Kios in Nabire, and one service office in Tembagapura to guarantee reliable cellular communications for customers in eastern Indonesia.



## May

### Purwakarta, a Broadband City powered by Telkomsel

Purwakarta officially became one of Telkomsel's Broadband Cities at a ceremony attended by Indonesia's Minister of State-Owned Enterprises, Dahlan Iskan. The event was also marked by the launch of the first Purwakarta Kartu As, with a special localized design and bonus SMS and talk time.



### Telkomsel signal on Komodo Island

Komodo island in East Nusa Tenggara (NTT) welcomed the new Base Transceiver Station (BTS) operated by Telkomsel. The development of this telecommunications infrastructure is part of a commitment to support the development of tourism in the Komodo Island National Park.



### Telkomsel's 17<sup>th</sup> Anniversary

To celebrate Telkomsel's 17<sup>th</sup> Anniversary, thanksgiving and appreciation events were held for employees and our partners. At the thanksgiving event, the President Director of Telkomsel delivered a speech about Telkomsel 2.0 to employees and the former Board of Directors of Telkomsel.



## June

### Gowes Ria with the Directors and Customers

Telkomsel held a 'fun bike' event for Telkomsel customers and employees at Senayan's West Plaza. The event was held to show our appreciation to stakeholders for their support of Telkomsel.



### kartuHalo relaunched with new and exclusive services

Telkomsel launched the revamped kartuHalo, with a more dynamic image and an array of new features and benefits, including a stronger network, broader coverage, priority access to faster data services, more affordable international roaming and Groovialite for films and videos on demand.

### Seamless WiFi

Telkomsel, in collaboration with its parent company PT Telkom, launched Seamless Mobile WiFi, a solution that enables customers to switch seamlessly from a 2G/3G network connection to a WiFi network.

This solution connects 2G or 3G-based networks with WiFi, making it an additional cellular network to enable access to high-speed data services. WiFi is another way of accessing data on Telkomsel's mobile network through Node-b or BTS (Base Transceiver Stations), allowing customers to experience high-speed data services through a WiFi network just as they can using 2G/3G networks.



## July



### The Best Idea Awards create Great People to build a Great Company

Telkomsel presented awards to three of its employees who have produced creative ideas for the development of the business at the Best Idea Award event. It is hoped that these awards will encourage more innovative ideas and initiatives from all Telkomsel's employees.

## August



### Telkomsel shows appreciation for its partners by sending off 1,250 homeward-bound travelers

Through the Mudik Asyik program, Telkomsel sent off 1,250 sales force partners, front liners, authorized dealers, plasa Telkom and warnet (internet kiosk) staff who were traveling home for the Lebaran holiday to destinations in West Java, Central Java, East Java and beyond.

### Workshop and Training PIC Cluster 2012

Telkomsel held the 2012 Workshop & Training for Persons in Charge (PIC) for Clusters from all over Indonesia. The event was attended by 305 people from PIC Clusters from 4 Areas, and this was the first time it had been held on a national scale.



## September

### Telkomsel launches the Mobile BPL application

Telkomsel, as the official mobile partner of the English Barclays Premier League (BPL), launched BPL mobile applications including ringtones, Ring Back Tones, news, statistics and photos of BPL clubs. Telkomsel will continue to enhance the volume and variety of free content on this one-stop information service, which is available to Android users through Google Play or Play Store.



### Telkomsel launches the first 2GB Internet Package in Indonesia

To meet the demand for high quality internet access, Telkomsel launched a new *simPATI* data package with a 2GB quota and connection speeds of up to 7.2 Mbps. The new package is available at Rp60,000 for a duration of 45 days. To support this promotion, Telkomsel held the Dance Like Agnes competition, which was open to talented dancers from all over Indonesia.



## September



### Bringing Broadband to Sail Morotai

Telkomsel is bringing broadband infrastructure to many of Indonesia's outer islands, including the province of North Maluku, which hosted the international Sail Morotai 2012 event. Telkomsel provided essential support for the event, which was attended by President Susilo Bambang Yudhoyono, by supplying voice and internet communications in Morotai, Jailolo, Ternate, Tidore, Pulau Gura Ici and Bacan through the deployment of 104 2G BTS as well as 12 node Bs (3G BTS).

### Cooperation between Inkoptan and Telkomsel

Telkomsel's commitment to being the 'Most Indonesian' cellular operator and its concern for building the nation and the people of Indonesia was demonstrated by signing a cooperation agreement with Inkoptan (the Indonesian Farmers' and Fishermen's Cooperative). Telkomsel provides facilities for Inkoptan's information and communication needs by offering a free 24-hour telephone service for 30 days between Inkoptan members all over Indonesia.



## October



### Maximizing customer satisfaction with C4

Telkomsel officially opened the Customer Care Control Center (C4), which provides a 24-hour service to customers. The opening took place in the C4 Room in Wisma Mulia, Jakarta.



### Telkomsel holds a workshop for the Corporate Long - Term Plan

A workshop on the Corporate Long-Term Plan (*Rencana Jangka Panjang Perusahaan*) and the Corporate Budget Plan (*Rencana Kerja dan Anggaran Perusahaan*) meeting were held in Jakarta. As in previous years, these events included a presentation of the targets Telkomsel aims to reach in 2013.



## November

### Telkomsel opens the GPDC and the GPDP

Telkomsel's President Commissioner Arief Yahya and President Director of Telkomsel Alex J. Sinaga formally opened the 'GPDC' (Great People Development Center), a new training center for all Telkomsel employees in Bandung. The center is equipped with free seamless WiFi FLASH Zone and has three classrooms.

After opening the GPDC, Telkomsel held a Great People Development Program (GPDP) Boot Camp for the first batch of leaders. The GPDP Boot Camp is a special program designed to create Great People for a Great Company in order to safeguard the sustainability of the company.



### Telkomsel-Samsung Synergy, Accelerating Penetration of the Smartphone Market in Indonesia

Telkomsel partnered with PT Samsung Electronics Indonesia to accelerate smartphone penetration in Indonesia by synergizing sales and marketing efforts. The collaboration was kicked off with the launch of the Galaxy Plan data package, provided exclusively for Samsung devices. Samsung and Telkomsel will also collaborate on upgrading, training and education programs to drive the shift to smartphones.



### Joint Research Partnership Between Telkomsel and BPPT

In support of the development of communications technology, Telkomsel has entered into a research cooperation with BPPT (the Agency for the Assessment and Application of Technology). Within the scope of this cooperation is the assessment of trials and the standardization of photovoltaic systems and research into the development of renewable energy systems for telecommunications system power supplies.

## December



### iPhone 5 Launch

Telkomsel launched the iPhone 5 bundled with the Greatest Thing data package, which is supported by an HSPA data connection with speeds of up to 14.4 Mbps and high definition voice quality through the 3G network in Jakarta, Medan, Bandung, Surabaya, Bali, Balikpapan and Makassar, as well as the UseeTV application.



### Opening GraPARI in WTC Surabaya and Pematang Siantar

To provide the best services and convenience for customers in the Surabaya and Pematang Siantar areas, or for those visiting these cities, Telkomsel opened GraPARI at WTC Surabaya and in the city of Pematang Siantar. The launches in both cities were attended by the President Director of Telkomsel.

### Broadband Cities

Telkomsel fulfilled its commitment to expand Broadband Cities in 2012, delivering the best broadband service reliability, quality and coverage in Indonesia. In December 2012, Telkomsel inaugurated Mataram as one of the broadband cities providing high speed data communications that will help to drive economic growth all over Indonesia.





# Awards and Accolades

Telkomsel received a total of 27 awards in 2012 from our peers, consumers, industry observers and the government.

1



The Best of Private Enterprise  
Inhouse Magazine InMA 2012

2



Call Center Award 2012

3



Selular Award for Telkomsel,  
Best GSM Operator

4



WOMM Award 2012  
for *simPATI*

5



WOMM Award 2012  
for *kartuHalo*

6



WOMM Award 2012  
for Telkomsel

1

Top Brand Award for *kartuHalo* (postpaid SIM Card) from Marketing & Frontier.

2

Top Brand Award for *simPATI* (Prepaid SIM Card) from Marketing & Frontier.

3

Top Brand Award for Telkomsel Flash (Mobile Internet Service Provider) from Marketing & Frontier.

4

Top Brand Award for Telkomsel (BlackBerry Service Provider) from Marketing & Frontier.

5

The Best of Private Enterprise Inhouse Magazine InMA 2012 for Majalah Signal from The Indonesian News Publisher's Association (Serikat Perusahaan Pers). (Refer to picture no 1)

6

Gadget Award 2012 for Telkomsel as Best GSM Provider and Best Marketer of the Year from Gadget Magazine.

7

Call Center Award 2012 for Achieving Excellence Service Performance from Marketing & CCSL.  
(Refer to picture no 2)

8

Indonesia's Favored Brand in Social Media 2012 for *simPATI* (GSM SIM Card) from SWA Magazine.

9

Indonesia Service To Care Award 2012 - The Best Cellular Operator for Telkomsel from Marketeers & Markplus.

10

Selular Award for Telkomsel as Best GSM Operator from Selular Magazine. (Refer to picture no 3)

11

Selular Award for Telkomsel as Operator of The Year from Selular Magazine.

12

Service Quality Award 2012 - Cellular Telecommunication Service Points for GraPARI Telkomsel from Marketing & CCSL.

13

WOMM Award 2012 for *simPATI* - The Most Recommended Prepaid GSM Card from SWA Magazine & onbee Marketing Research.  
(Refer to picture no 4)

14

WOMM Award 2012 for *kartuHalo* - The Most Recommended Postpaid GSM Card from SWA Magazine & onbee Marketing Research.  
(Refer to picture no 5)

15

WOMM Award 2012 for Telkomsel - The Most Recommended BlackBerry Internet Service from SWA Magazine & onbee Marketing Research.  
(Refer to picture no 6)

7



Indonesian Public Relations  
Program of the Year 2012

8



Frost & Sullivan Indonesia Excellence  
Award 2012 for Telkomsel

9



Telkom Integrated Quality  
Assurance (TIQA) Award 2012

10



Indonesia's Most Favourite  
Netizen Brand Award 2012

11



MURI (Museum Rekor  
Dunia Indonesia)

12



TechLife Innovative Award  
2012 for Telkomsel

16

Indonesia Cellular Award 2012 for Telkomsel - The Best Data Package (GSM & CDMA) from Sinyal Tabloid.

17

Marketeers – Jakarta Fair – MarkPlus Insight Award 2012 - Customer Management Champion & Sales Management Champion.

18

Indonesia's Favorite Women's Brand 2012 for Telkomsel from Marketeers & Markplus

19

Indonesian Public Relations Program of the Year 2012 - CSR Program from Mix marketing.  
(Refer to picture no 7)

20

GKPM (Gelar Karya Pemberdayaan Masyarakat) Awards 2012 for Telkomsel for its Millennium Development Goals (MDGs) program. Telkomsel received Gold Awards in the MDG 1 (Eradicate Extreme Poverty and Hunger) & MDG 4 (Reduce Child Mortality) categories and a Silver Award in the MDG 7 (Ensure Environmental Sustainability) category from the Corporate Forum for Community Development and the Ministry of Social Welfare of the Republic of Indonesia.

21

MURI (Museum Rekor Dunia Indonesia) for the highest number of participants wearing Batik jerseys simultaneously activating Kartu As starter packs.

22

Frost & Sullivan Indonesia Excellence Awards 2012 for Telkomsel as Indonesian Mobile Service Provider of the Year. (Refer to picture no 8)

23

Telkom Integrated Quality Assurance (TIQA) Award 2012. (Refer to picture no 9)

24

Indonesia's Most Favourite Netizen Brand Award 2012 for Telkomsel from Marketeers & Markplus. (Refer to picture no 10)

25

MURI (Museum Rekor Dunia Indonesia) for the highest number of video competition digital uploads for simPATI's Dance Like Agnes program. (Refer to picture no 11)

26


TechLife Innovative Award 2012 for Telkomsel (Best Innovative Operator of the Year), Kartu As 1,000 SMS Bonus (Best Innovative Marketing Program), Dunia Games Telkomsel (Best Innovative Value Added Service) and Telkomsel Paling Indonesia (Best Innovative Corporate Communication Campaign) from TechLife Magazine. (Refer to picture no 12)

27

Sahabat Pers Award from The Indonesian News Publisher's Association (Serikat Perusahaan Pers).





The background features a light gray gradient with several overlapping circles in shades of pink, red, and gray. Some circles contain symbols: an '@' symbol in a pink circle and a '.com' domain symbol in a gray circle. The text is centered in the lower half of the image.

Telkomsel's **high quality** voice services and **extensive network coverage** make sure you don't miss any important calls when you're doing your morning workout, wherever you are

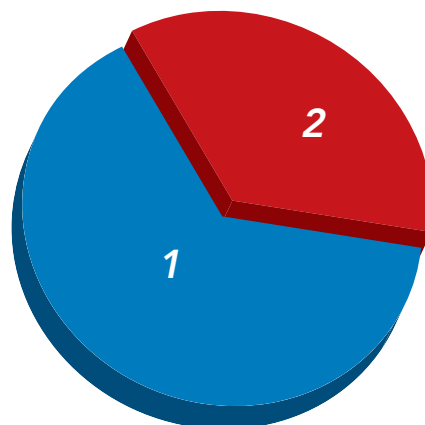
## Brief Company Profile

Telkomsel is a leading cellular operator in Indonesia, owned by PT Telekomunikasi Indonesia (Persero) Tbk and Singapore Telecom Mobile Pte Ltd with share ownership stakes of 65% and 35% respectively. As of the end of December 2012, Telkomsel was serving more than 125 million customers, making Telkomsel the market leader in Indonesia's cellular telecommunications industry with a market share of around 45%. As the market leader, Telkomsel provides the widest coverage, covering more than 95% of the population of Indonesia with 54,000 Base Transceiver Stations (BTS), of which 15,000 are 3G BTS.

Telkomsel is positioned as the most innovative cellular telecommunications company, offering the widest range of services from basic telephony, voice and SMS services, to the rapidly growing data and digital services.

Telkomsel has made significant investments in its network, people and technology. Telkomsel's strong commitment to presenting better quality mobile lifestyle services is reflected in its implementation of its latest roadmap for cellular technology, including 3G, HSDPA, HSPA and HSPA+, and the forthcoming LTE (Long Term Evolution) technology. Major groundwork projects in 2012 included restructuring the core network architecture to speed up mobile broadband take-up, for which we have laid fiber optic infrastructure in several cities to significantly boost data speeds from and onto the internet. The fiberization in the broadband cities is an example of the true synergy between Telkomsel's own investment and Telkom's Metro Ethernet infrastructure. This effort was combined with capacity expansion and optimization of transport assets to accelerate enhancement of the IP-based network, and the establishment of capacity management

SHARE IN THE COMPANY



1. Telkom	65%
2. Singtel	35%

processes. Telkomsel's Broadband Cities program, which was launched to support the growing demand for data, covered 100 cities in Indonesia by the end of 2012.

In 2012, with growing demand for data services, Telkomsel launched a transformation program, 'Telkomsel 2.O'. Through this program, Telkomsel is repositioning the company to transform the business, organization, culture and people in order to capture opportunities from data services and consolidate a platform for sustained growth in the future.

## Share Ownership

- |             |   |
|-------------|---|
| <b>1995</b> | Telkomsel was established by Telkom and PT Indosat.   |
| <b>1996</b> | KPN Netherlands (KPN) and PT Setdco Megacell Asia (Setdco) acquired stakes in Telkomsel of 17.3% and 5%, respectively.  |
| <b>2001</b> | Telkom increased its ownership to 77.7%, in an acquisition deal over Indosat's shares.<br>KPN and Setdco sold their shares to Singapore-based SingTel Mobile. |
| <b>2002</b> | SingTel increased its ownership by 12.7%, bringing its total ownership in Telkomsel to 35% and leaving Telkom's ownership at 65%.                             |



## Vision and Mission



### VISION

BE A WORLD-CLASS, TRUSTED PROVIDER OF MOBILE DIGITAL LIFESTYLE SERVICES AND SOLUTIONS.



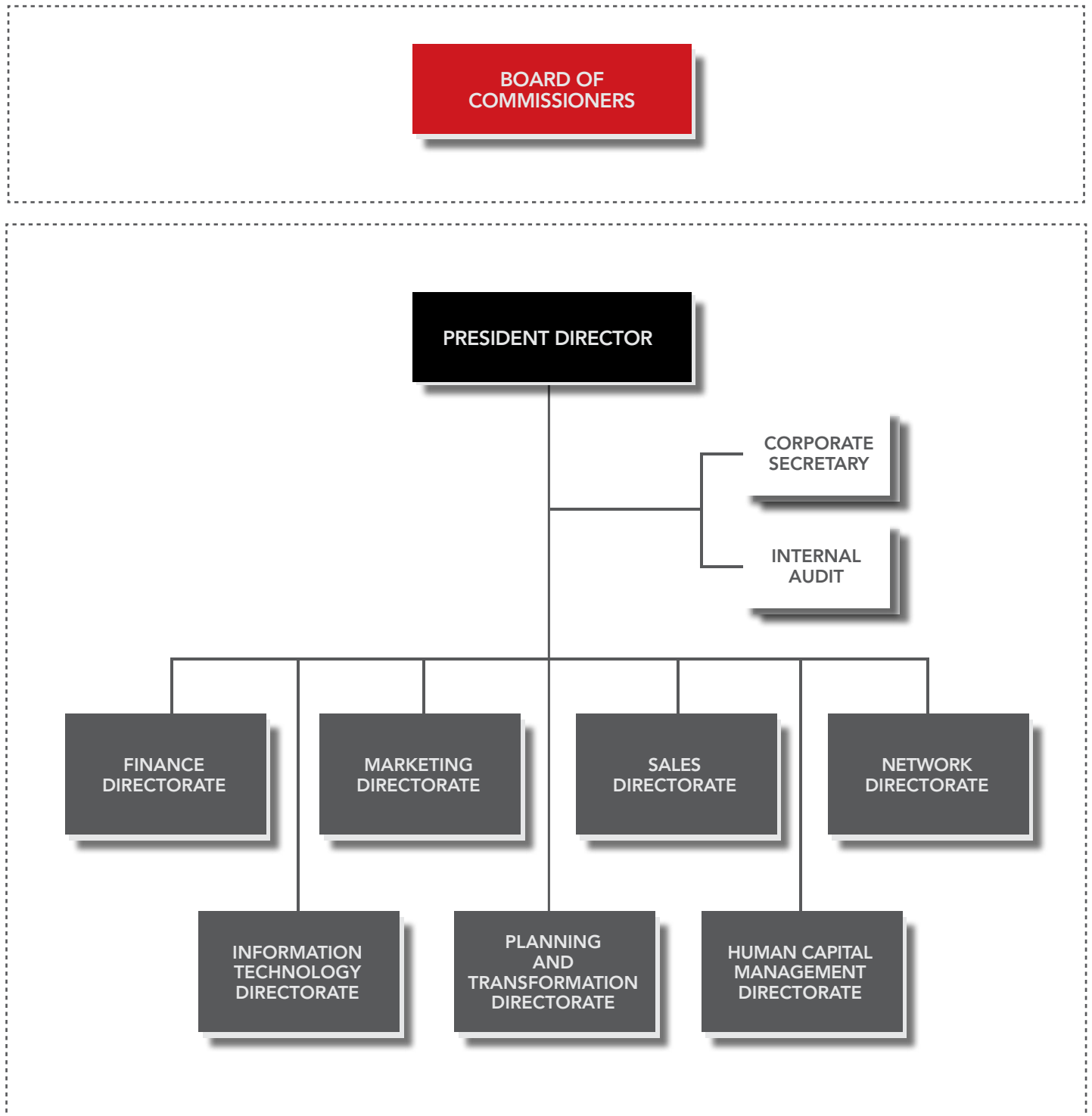
### MISSION

DELIVER MOBILE DIGITAL SERVICES AND SOLUTIONS THAT EXCEED CUSTOMERS' EXPECTATIONS, CREATE VALUE FOR OUR STAKEHOLDERS, AND SUPPORT THE ECONOMIC DEVELOPMENT OF THE NATION.

# Milestones

- 1995**
  - Telkomsel was established by Telkom and PT Indosat.
  - Telkomsel launched the kartuHalo postpaid service.
- 1997**
  - Brought mobile telecommunication services to all 27 provinces.
  - Launched *simPATI* Nusantara, the first prepaid service in Asia.
- 2002**
  - Rolled out mobile data services, including WAP over GPRS (General Packet Radio Services),
  - Introduced MMS (Multimedia Messaging Services) and content services.
- 2003**
  - Commercially launched the first international roaming services in Indonesia for prepaid customers.
- 2004**
  - Introduced a secure mobile-to-mobile prepaid top up system.
  - Joined a regional mobile alliance (Bridge Alliance) for enhanced customer benefits.
  - Launched Kartu As prepaid service.
- 2005**
  - Call Center acquired ISO 9001:2000 certification.
  - Mobile Banking ATM services were launched.
- 2006**
  - First in Indonesia to launch 3G network and services.
- 2007**
  - First in Indonesia to provide push-email services.
  - HSDPA (High Speed Downlink Packet Access) service was rolled out.
  - Telkomsel made financial transactions possible using mobile phones (TCash) in Indonesia.
- 2008**
  - Pioneered renewable energy power for BTSs in Asia.
  - First in Indonesia to provide mobile voice and data services to PELNI ships on the open ocean.
- 2009**
  - Launched HSUPA (High Speed Uplink Packet Access) broadband network-based services.
  - Kicked off Desa Berdering Program to provide telecommunications access for over 25,000 villages.
- 2010**
  - First to perform Long Term Evolution (LTE) network broadband technology trials in Indonesia.
  - Introduced the first Mobile Newspaper services in the country.
- 2011**
  - Achieved 100 million subscribers, positioning Telkomsel as the world's seventh largest telecommunication operator in terms of topping a 100 million customer base.
  - Inaugurated the first Research & Development Facility for cellular technology in Indonesia.
  - Introduced Tap Izy, the first mobile contactless payment system in Indonesia, by which customers can use their own phone as an electronic wallet.
- 2012**
  - Introduced the first Seamless Mobile Wi-Fi in Indonesia to allow customers to transfer automatically from a 2G/3G network connection to a Wi-Fi network to access high-speed data.
  - Ended the year with 125 million customers, maintaining Telkomsel's position as the largest national licensed cellular provider in Indonesia.

# Organizational Structure



# Products and Services

## Core Products & Services

### kartuHalo



Postpaid brand that provides an enhanced range of full features and services, with a focus on serving higher-end segments and corporate customers.

### simPATI



Premium prepaid brand that provides a full range of features and services, offering lifestyle-themed cards in youthful and dynamic packages.

### Kartu As



Prepaid product brand for the mid-low segment, positioned as an economical brand.

## CORPORATE BUSINESS SOLUTION



Personalized service and solutions for the enterprise segment.

## INTERNATIONAL SERVICES



Customers can enjoy the same Telkomsel services overseas through our partnership with mobile operators from around the world in Bridge Alliances.

## Mobile Broadband and Device Partnership

### Telkomsel Flash



Broadband access that can be enjoyed through USB dongles, portable WiFi routers, smartphones and tablet packages.

### BlackBerry



A range of packages and services for individuals and corporate customers that provide browsing, instant messaging, email and social media access.

### Smartphone Data Plans



Strategic partnerships with device manufacturers, offering data packages for Apple, Nokia and Samsung smartphones.

# Digital Services

## DIGITAL LIFESTYLE SERVICE

A portfolio of services that enables consumers to have a simpler, easier and more fun life through applications and content in entertainment, social media, messaging, local-based applications and information that are relevant to consumers' daily activities.

Mobile Games  
& Entertainment



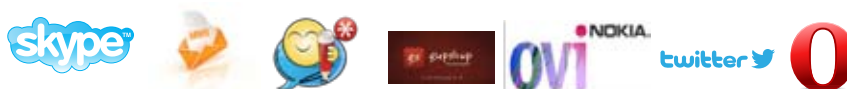
Mobile News,  
Directory & Utilities



Digital Music



Portal & Social  
Media



## MOBILE PAYMENT AND DIGITAL MONEY

Mobile Banking



A platform that makes it possible to carry out banking transactions via mobile phone.

TCash



A platform for electronic purchase transactions that are performed between mobile phones.

Tap Izy



A contactless payment service that can turn a customer's own phone into an electronic wallet.

## DIGITAL ADVERTISING

Interactive Services



An interactive service that allows advertisers to directly reach Telkomsel subscribers.

WAP Banner



Banner advertisements in Telkomsel WAP content pages

Bulk Services



Personalized advertising and information broadcasts to brand communities via SMS, MMS and RBT.

Location Based Advertising (LBA)



A new form of advertising that targets consumers based on location-specific mobile devices.





Catch up on overnight emails during breakfast with Telkomsel Flash mobile broadband, delivering **reliable** internet access **anywhere, at any time**, via Telkomsel's 3G/HSDPA network





## Remarks from the President Commissioner



**Arief Yahya**  
President Commissioner

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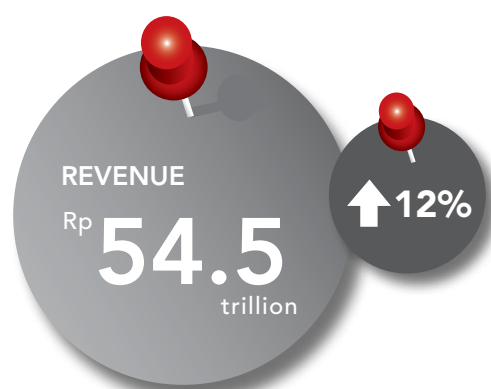
*Telkomsel's revenue from data broadband services continued to play its role as the Company's new growth engine with an increase of 50% compared to the same period last year.*

**Arief Yahya**

Telkomsel delivered a very strong performance in 2012 with double-digit growth in both financial and operational indices. For the first time since 2008, Telkomsel's revenue growth was back to double digits at 12%, while net income grew by 23%. The relatively stable market conditions and healthier competition, coupled with strong growth in the Indonesian economy, contributed to the success of our strategy execution to maintain our position as market leader. Telkomsel's revenue from data broadband services continued to play its role as the Company's new growth engine with an increase of 50% compared to the same period last year. At the same time, Telkomsel was able to sustain strong revenue growth from its legacy voice and SMS services.

#### **PURSuing NEW GROWTH OPPORTUNITIES IN MOBILE DATA**

With the convergence of telecommunication and internet players, telecommunication companies all over the world are moving to the data and digital businesses. As Indonesia's voice and SMS segments approach maturity, opportunities for growth will inevitably slow and data and digital business services will play a more important role as the key strategic driver of revenue growth in the coming years. We have therefore embarked upon a transformation of our business processes, organization, people and culture that will ultimately result in Telkomsel 2.0 – a company that is ready for our second growth curve: the data and digital business.



#### **CORPORATE GOVERNANCE**

The year's robust achievements reflect the Board of Directors' success in executing the Company's strategies. Our role as Commissioners is to provide strategic guidance and oversight to the Board of Directors. We are doing this with continuing support from the Audit Committee, the Remuneration Committee and the Capital Expenditure, Financing and Management Process (CFMP) Committee.

In 2012, the Audit Committee assisted us by overseeing the financial reporting process, internal control system and external audit process. In addition, it oversaw the implementation of the internal audit, conducted regular meetings with the Head of the Internal Audit to discuss findings and issues.



*As a business entity operating within communities, the Company is aware of the importance of contributing to improve the quality of life of those communities.*

The Remuneration Committee, meanwhile, reviewed the remuneration system to assess whether it is aligned with the Company's strategic objectives by ensuring that Telkomsel remains competitive in the recruitment market and capable of attracting and retaining high quality people.

The CFMP Committee supported us by interacting throughout the year with the Board of Directors and senior leaders to keep us updated on the Capex planning and management process and the Company's financing policies and plans, as well as capacity management, supply chain and operational target setting, and providing recommendations where necessary.

Going forward, we need to be sure that, as an organization, we have the capabilities and the character to adapt to the changing business environment and maintain our competitiveness, profitability and sustainability as we focus on accelerating the transition to data and digital businesses. The Board of Commissioners has therefore endorsed and given its full support to the strategies set out by the management to build the foundations for the digital business.

#### OUR CORPORATE RESPONSIBILITY

As a business entity operating within communities, the Company is aware of the importance of contributing to improve the quality of life of those communities. Through our Integrated Digital School program, we provided trainings, networks, hardware, and applications, including digital information and smart phones that are integrated with the teaching materials, both to enhance school management and enrich the teaching-learning process. In 2012 the program was implemented in 22 junior high schools, reaching a total of 20,000 students.

The Telkomsel Emergency Response and Recovery Activity (TERRA) program provides a vital service by accelerating the recovery of Telkomsel's telecommunication services and networks in disaster-affected areas. In 2012 we improved our integrated media center by enhancing disaster mapping systems

and communication information applications, and introduced our RANGER mobile BTS, which significantly improve network availability and reach in disaster-hit areas.

Through our Universal Service Obligation program and the Merah Putih initiative, we broadened our coverage to rural and isolated areas. In 2012, to support the "Sail Morotai" event, Telkomsel expanded its network in eastern Indonesia to some small and remote islands Maluku North.

During the year we continued to provide active support for government programs to accelerate Indonesia's achievement of the MDGs (Millennium Development Goals). Working in four districts, we used an integrated development model designed to boost the economic potential of each district, create high-value output and increase quality of life.

In 2012, at the "Gelar Karya Pemberdayaan Masyarakat" event, Telkomsel received three CSR awards from the Ministry of Social Welfare and the Corporate Forum for Community Development.

#### CLOSING

In closing, we would like to extend our appreciation to the Board of Directors, Board of Commissioners and all staff at Telkomsel, who have worked hard with dedication and professionalism to make 2012 into a year of milestone achievements and the beginning of much more progress to be unfolded in future years. We would also like to thank all other stakeholders for their cooperation and contribution.

**ARIEF YAHYA**

President Commissioner





"Launching the Great People Development Center to take Telkomsel towards the digital era"

## Remarks from the President Director



Alex J. Sinaga  
President Director



*People are a key factor in being able to lead. That's why we have embarked on a strategic initiative to transform Telkomsel's human capital, culture and organization into "Great People Great Company"*

**Alex J. Sinaga**

### RIDING THE WAVE OF A DYNAMIC AND GROWING INDONESIAN ECONOMY

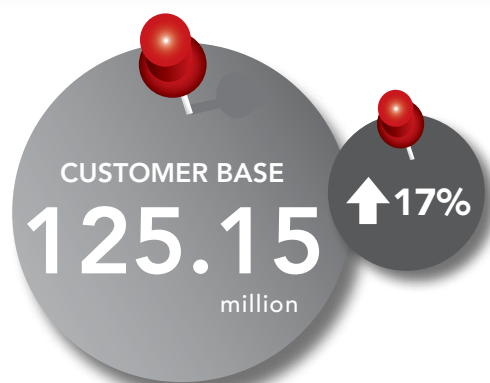
Over the past decade, the Indonesian economy has shown great resilience despite the global economic outlook, registering more than 6% year-on-year growth. Against this backdrop of a stable and prospering economic landscape, the market is increasingly attractive for businesses, including telecommunications and mobile sectors.

Telkomsel has strategically sought to capitalize on this progress through good planning and execution, resulting in another successful year with double digit growth on both financial and operational performance. Our 2012 revenues recorded the highest growth since 2008, at 12% compared to 2011, while EBITDA and net income grew by 11% and 23%, respectively. Our customer base grew by 17% at the end of the year to 125 million customers. Data users grew 37% to 55 million, representing 44% of our total customer base. We deployed 11,675 new BTS, or 92% growth compared to the number deployed in 2011. Total BTS on-air at the end of 2012 amounted to 54,297 units, representing a 27% growth over last year.

### BUILDING THE FOUNDATIONS FOR A DYNAMIC DIGITAL BUSINESS

The focus of the telecommunications industry has continued to shift from traditional voice and SMS services to data and digital services such as internet browsing, on-demand video, music, multimedia messaging, mobile finance and banking, and mobile advertising. Growing customer expectations and the increasing sophistication of devices are challenging the industry to deliver end-to-end services on a variety of platforms, while ensuring that network capacity matches the heavy demands of increased data traffic.

Telkomsel, as Indonesia's leading mobile operator, is well aware of the potential to exploit the opportunities of a digital future. Telkomsel has set its vision towards becoming a "World-class, trusted provider of mobile digital lifestyle services and solutions" with a mission to "Deliver mobile digital services and solutions that exceed customers' expectations, create value for our stakeholders



and support the economic development of the nation". In addition to ensuring that Telkomsel continues to excel and dominate in its legacy business of voice and SMS, the company will strategically grow the digital business over the next few years in order to achieve our vision and mission. We accelerated 3G network coverage and capacity expansion, drove higher data usage and increased 3G handset adoption through innovative packages, content, applications and digital services.

Telkomsel has set new milestones to be reached by end of 2015 that we call "Triple 3": Enhance Enterprise Value, Significantly Increase Revenue and Invest and Grow the Digital Business. In order to reach these new milestones, Telkomsel launched a transformation program. We have put in place a new five-part growth strategy and this will be executed under 10 strategic initiatives that include not only business-related initiatives but also transforming the operational model through our "Great People Great Company" program.

### CONTINUING TO SUSTAIN OUR LEGACY BUSINESS (VOICE AND SMS)

Whilst Telkomsel looks to exploit future growth opportunities in the Digital Business, we will continue to ensure that voice and SMS services remain the major contributor for Telkomsel as they account for more than 70% of total revenue as of 2012. Our objective for the legacy business is to sustain our leading position and protect our market share in voice and SMS. With effective and analytic-based marketing strategies





*Being the biggest is just not enough, because the fastest will take the lead. With our agile organization, we are excited about taking our data and digital business to a new level by driving service innovations to give the best experience to our customers.*

and a commitment to deliver an enhanced customer experience, we gained a net add of 18.13 million subscribers in 2012, an increase of 39% compared to the net add in the previous year and far better than our competitors. Voice revenue, which reversed its decline in 2011, recorded strong positive growth in 2012, while SMS revenue continued to book strong double-digit growth despite the growing popularity of substitute messenger applications.

We continued our network coverage and capacity expansion as well as quality improvement programs to expand our footprint and to serve our customers with excellent quality. We took steps to monetize our legacy business through strong zone marking and segmentation strategies based on differentiated packages that are designed to suit subscribers' usage and purchasing patterns. Our Online Charging System for kartuHalo, simPATI and Kartu As subscribers not only provides more personalized billing options for customers but also gives us greater flexibility to optimize pricing strategies.

### OUTLOOK 2013

In 2013 we expect the industry to continue to grow at a similar rate to 2012, while broadband data will be the main driver of growth and the digital services will start to contribute to revenue growth. We are excited about taking our data and digital services to a new level by driving service innovations that give the best experience

to our customers. We will do this by driving the Triple 3 agenda through a comprehensive transformation program designed to leverage our investments and capture the new growth opportunities over the next three years.

We will continue to strategically invest to develop the Device - Network-Application (DNA) ecosystem in order to further strengthen our broadband business. We will accelerate the shift to digital services by creating integrated product and service offerings to customers that will significantly enhance their experience. We remain committed to meeting our customers' expectations of network performance through continuing investment in our network and our acquisition of additional spectrum. With superior network reach and quality and the largest customer base, Telkomsel wields key advantages over the rest of the field. Leveraging these advantages will be critical in sustaining our leadership in mobile data services.

Transformation is a central element of our strategy as we prepare ourselves for our future in digital business. To quote John F. Kennedy (35<sup>th</sup> President of the USA): "Change is the law of life. And those who look only to the past or the present are certain to miss the future."

### CLOSING

Telkomsel recorded robust and impressive results in 2012, which was made possible by the contribution of all our stakeholders. Our sincere thanks go to all our management and employees for their commitment to achieving our goals on the business and social responsibility fronts, as well as to our customers, shareholders, partners and communities for their continued support and trust. We look forward to sustaining our growth and creating even greater value in the coming years, to continue bringing the best contribution to the nation - "Karya Tiada Henti Membangun Negeri".



*We believe that the future is in the digital business, and we will pursue this through our five-part growth strategy to reach our Triple 3 milestones to Enhance Enterprise Value, Significantly Increase Revenue and Invest and Grow the Digital Business by 2015.*

**ALEX J. SINAGA**  
President Director



"Serving all corners of the nation, we are committed to supporting national economic development"



# BOC and BOD Profiles

## The Board of Commissioners



1

**1 PRIYANTONO RUDITO**  
Commissioner

2

**2 MUCHLIS MOECHTAR**  
Commissioner

3

**3 ARIEF YAHYA**  
President Commissioner

4

**4 YUEN KUAN MOON**  
Commissioner

5

**5 PAUL O'SULLIVAN**  
Commissioner

6

**6 RIZKAN CHANDRA**  
Commissioner

**ARIEF YAHYA**

President Commissioner

Prior to his appointment as President Commissioner in May 2012, Mr. Arief Yahya has been a member of the Board of Commissioners of Telkomsel since 2007. Mr. Yahya is also the President Director of PT Telekomunikasi Indonesia. Prior to his appointment as Telkom's President Director, he held various positions during his career with Telkom, including as Director of Enterprise & Wholesale (2005-2012); Head of Regional Division V East Java (2004-2005) and Head of Regional Division VI Kalimantan (2003-2004). He holds a Bachelor's degree in Electrical Engineering from Bandung Institute of Technology (1986) and a Master's degree in Telematics from the University of Surrey, UK (1994). He has also been Chairman of the Electrical Engineering Alumni Association at the Bandung Institute of Technology since 2009. Mr. Yahya was honored to receive the Satya Lencana Pembangunan medal from the President of the Republic of Indonesia and has been cited as a future business leader by SWA Magazine.

**RIZKAN CHANDRA**

Commissioner

Mr. Rizkan Chandra was appointed as Telkomsel's Commissioner in May 2012. Mr. Chandra is Director of Network & Solution of PT Telekomunikasi Indonesia. Before joining Telkom's Board of Directors in May 2012, he served as President Director of Sigma, an indirect subsidiary of Telkom (2010-2012); Senior General Manager of Telkom Learning Center (2008-2010) and VP for Infrastructure & Service Planning, Telkom (2007-2008). He holds a Bachelor's degree in Informatics from Bandung Institute of Technology (1992) and a Master's degree in Management of Technology from the National University of Singapore (2000). He was named as the Best Achiever on Telkom's Leadership Course in 2006.

**MUCHLIS MOECHTAR**

Commissioner

The holder of a Bachelor's degree in Health and Environmental Engineering from the Bandung Institute of Technology (1971), Mr. Moechtar also served as Head of Commissioner of Gelora Bung Karno 2009-2011. Between 1997 and 2009, he served as President Director of PT Tangkas Timbul Fajar (1994-2007), President Director of PT Agro Translestari Nugraha (2000-2003) and President Director of PT Mahardika Era Demi Karya (2003-2009). Other positions he has held include Head of the All Jakarta Underground Tunnel Project (1984-1986), Project Leader of Clean Water Supply projects in Daan Mogot (West Jakarta), Sunter (North Jakarta) and Muara Karang (North Jakarta) from 1982 to 1984 and, on secondment from the DKI Jakarta Provincial Government, as Head of Division of the Underground Pipe Section at the PDAM Jakarta Water Company (1979-1987). Mr. Moechtar has also served as President of the Indonesia Water Contractors Association (AKAINDO) Jakarta, President of the Bandung Institute of Technology Alumni Foundation YAYASAN ALUMNI ITB, member of Indonesian Society of Sanitary and Environmental Engineers (IATPI) and Specialist Member of the Indonesian Islamic Intellectuals Association (ICMI).

**YUEN KUAN MOON**

Commissioner

Mr. Yuen Kuan Moon has been serving as a Commissioner of Telkomsel since September 2009, and recently has been appointed as SingTel's CEO, Consumer Singapore. Mr. Yuen Kuan Moon is responsible for leading and managing the Singapore consumer business to deliver a complete and integrated suite of services, including mobile, broadband and fixed-line solutions to the consumers. He previously held the position of Executive Vice President of Digital Consumer in SingTel from July 2009 to March 2012. A graduate in Engineering with a First Class Honors degree from the University of Western Australia and the holder of a Master of Science degree in Management from Stanford University in California, USA (Sloan Program), Mr. Yuen Kuan Moon has a long-established career in the telecommunications industry. Starting his career at SingTel in 1993, he has performed in a variety of functions, including a long-term assignment at Telkomsel as the Commerce Director from 2003 to 2007.

**PRIYANTONO RUDITO**

Commissioner

Mr. Priyantono Rudito was appointed as a Commissioner in May 2012. He is a member of the Board of Directors of PT Telekomunikasi Indonesia serving as Director of Human Capital & General Affairs. Since he joined Telkom in 1991, he has served in a number of positions, including as VP for Corporate Strategic Planning (2011-2012) and VP for Marketing & Consumer Care (2007-2011). He holds a Bachelor's degree in Industrial Engineering from Bandung Institute of Technology (1991) and a Master's degree in Business (Marketing) (1997) and a Doctoral degree in Management (2011) from the Royal Melbourne Institute of Technology, Australia. He was named Best Achiever on the Telkom Orientation Program (1991) and Best Achiever on several Telkom Leadership Courses: SUSPIM IV (1991), SUSPIM III (2004) and SUSPIM (2006). Mr. Rudito's many positions in Telkom include lecturer at the Institute of Telecommunications Technology (ITT). He has also been Vice Chairman of the Socio-Economic Empowerment Commission, Majelis Ulama Indonesia (MUI) since 2011.

**PAUL O'SULLIVAN**

Commissioner

Mr. Paul O'Sullivan has been serving as a Commissioner of Telkomsel since January 2010, and was recently appointed as SingTel CEO Group Consumer in addition to his duties as Country Chief Officer for the Australian arm of the business (Optus). Previously he was Chief Executive Officer of Optus from September 2004 to March 2012. The holder of B.A. (Mod) in Economics from Trinity College, University of Dublin, Ireland and a graduate of the Harvard Business School's Advanced Management Program, he currently serves as a member of the SingTel Group Management Committee and was a member of the Board of Bharti Airtel, a SingTel Group's India-based joint venture company (2003-2009). Prior to joining Optus, Mr. O'Sullivan worked with the Colonial Group in Australia and held a number of international management roles with the Royal Dutch Shell Group in Canada, the Middle East, Australia and the United Kingdom.

## The Board of Directors



1

**1 EDWARD YING SIEW HENG**  
Director of Planning and Transformation

2

**2 ABDUS SOMAD ARIEF**  
Director of Network

3

**3 NG SOO KEE**  
Director of IT

4

**4 ALISTAIR D. JOHNSTON**  
Director of Marketing

5

**5 ALEX J. SINAGA**  
President Director

6

**6 HERDY ROSADI HARMAN**  
Director of Human Capital Management

7

**7 MAS'UD KHAMID**  
Director of Sales

8

**8 HERI SUPRIADI**  
Director of Finance

**ALEX J. SINAGA**

President Director

Prior to his appointment as President Director of Telkomsel, Mr. Alex J. Sinaga was President Director of METRA, a subsidiary of PT Telekomunikasi Indonesia (Telkom) Tbk that operates as a strategic investment company focusing on the areas of growth in the second curve of the business (IME-Information Media Edutainment). Before joining METRA, he held a diverse range of positions in PT Telkom Tbk in a career spanning 26 years, including an assignment as an Executive General Manager in the Wireless Division, where he headed the setup of the CDMA business and led the company to a leadership position in this market. He also served as Executive General Manager of the Enterprise Service Division. He graduated in Telecommunications- Electronic Engineering from the Bandung Institute of Technology (ITB) and earned his Master's degree in Telematics from the University of Surrey, Guildford, United Kingdom.

**ABDUS SOMAD ARIEF**

Director of Network

Before joining Telkomsel in 2012, Mr. Abdus Somad Arief served in various key positions in PT Telkom, including as Executive General Manager of the Enterprise Service Division (2009-2012), Vice President of Business Development – Enterprise & Wholesale Directorate (2008-2009) and Deputy Executive General Manager of the Enterprise Service Division (2007-2008). In addition, Mr Arief has served on several Telkom Group Boards of Commissioners, from 2011 to 2012 as the Chairman (President Commissioner) of PT Pramindo Ikat Nusantara and from 2010-2011 as Commissioner of PT Infomedia Nusantara. He holds a Bachelor's Degree in Electrical Engineering (1988) and a Master's Degree in Information Systems and Technology (2000), both from the Bandung Institute of Technology (ITB). He has participated in a number of Executive and Leadership Courses, including, Competition Strategy in the Telecommunications Industry, University of Sydney, Australia (2002), Leadership and Action, University of Michigan, USA, (2008) and Leading Innovation, Massachusetts institute of Technology, USA, (2009).

**MAS'UD KHAMID**

Director of Sales

Mr. Mas'ud Khamid was a member of the Board of Commissioners of PT Dayamitra Telekomunikasi (Mitratel) and served as Executive General Manager of Telkom's Flexi Division from 2009-2012. He has a Bachelor's degree in Physics (Instrumental and Control) from the Institute of Technology 10 November, Surabaya (1989). He also attended the Kellogg Senior Executive Program in Bangkok in 2006 and the Kellogg Advanced Senior Executive Program at Northwestern in 2009 as well as several other local and international training programs. At the beginning of his career, he used to he worked in various fields in Telkom, such as Network, Corporate Customer, and Cellular CDMA Division. In addition, he has won several awards including Best Outperforming Division II (2010) from Telkom's Consumer Director and Indonesia Brand Champion from Markplus insight (2011).

**HERDY ROSADI HARMAN**

Director of Human Capital Management

Mr. Herdy Rosadi Harman was a member of the Board of Commissioners of PT Telkom Property from 2009-2012 and the Telkom Education Foundation in 2005, and now as and is now a Senator of the Telkom Management Institute. He completed his Bachelor's Degree at Bandung's Padjajaran University majoring in Law, and holds a Master's Degree in Law (LLM Program) from the Washington College of Law, American University, Washington, D.C., USA and an MBA from the Asian Management Institute, the Philippines/MBA Bandung. At the beginning of his career, he worked in various fields in Telkom, such as human resources, logistics, investor relations, asset management, and legal and regulatory affairs. He is currently Chairman of the Telecommunications Traffic Clearing Association, Deputy Chairman of the Telecommunications Infrastructure and Service Commission, Chamber of Commerce, and Secretary General of the Telematics Society.



**NG SOO KEE**  
Director of IT

Prior to joining Telkomsel in March 2012, Mr. Ng Soo Kee was Chief Information Technology Officer (CIO) at Singapore Telecommunications (SingTel) Singapore Operations. He has a Bachelor's degree in Electrical Engineering from Taiwan National University (1970) and a Master's in Computer Engineering from the University of Manchester, United Kingdom. His career in the Information Technology (IT) industry spans 35 years, including 13 years as CIO in various telcos in Belgium, the Philippines, Australia, Singapore, and Indonesia, holding positions, such as CIO at SingTel Optus (2004), Head of Information Systems-Consumer at SingTel Mobile (2001), Project Director (Pegasus) at SingTel Singapore Operations (2000), CIO of Global Telecoms, the Philippines (1998), and Assistant CIO of Belgacom, Belgium (1996). He was also a Division Manager (Mobile Computing Support) at Singapore Telecoms (1994), Division Manager (Network Svcs/IS Plan and Product Devt.) at Singapore Telecoms (1992), Manager (Customer Service Applications) at Singapore Telecoms (1989), member of the IIP-Telecoms Commercialization Task Force (1988), and held various engineering positions at Singapore Telecoms from 1975 until 1984.

**EDWARD YING SIEW HENG**  
Director of Planning  
and Transformation

In November 2011, Edward Ying joined Telkomsel as Director of Commerce, overseeing Sales & Marketing. In May 2012, Edward Ying was appointed as Director of Planning & Transformation, with primary responsibility for developing Strategic Plans & Transformation. Prior to Joining Telkomsel, Edward Ying previously served as Chief Multimedia Group (2008 to 2011) at SingTel, where he was instrumental in elevating SingTel's standing in the local content, media landscape and Pay TV Business. Edward brings with him a wealth of leadership experience in the telephony, entertainment and content business across many countries. Edward was COO of Maxis Communications, Malaysia's largest mobile operator (2003 to 2008), where he was involved in the multimedia content business, taking their mobile business to greater heights. Edward Ying also spent 7 Years in Globe Telecom in the Philippines as Chief Operating Advisor and member of and a member of the Board (1996 to 2003). Prior to that, Edward Ying was Managing Director at Cambridge Cable Group Pay TV Business in the UK (1995-1996). Edward graduated in Marketing from the Institute of Marketing, United Kingdom, in 1987, and holds a Dip. Sales and Marketing from the Marketing Institute of Singapore (1985). He attended the General Management Program at the National University of Singapore in 1984 and the International Executive Program at INSEAD, Fontainebleau, France, in 1996.

**HERI SUPRIADI**  
Director of Finance

Mr. Heri Supriadi was appointed as Director of Finance of Telkomsel in 2012, and is responsible for the overall finance and procurement functions of Telkomsel. Prior to joining Telkomsel, Mr. Heri Supriadi served as President Director of Telkom Property (2010-2012), Telkom's Vice President of Investor Relations and Corporate Secretary (2009-2010), Telkom's Vice President of Subsidiary Performance (2007-2010), Telkom's Assistant Vice President of Subsidiary Performance (2007) and Telkom's Assistant Vice President of Funding and Debt Management (2006-2007). Mr. Heri Supriadi holds a Bachelor's degree in Industrial Engineering from the Bandung Institute of Technology (1991) and a Master's in Business Administration from Saint Mary's University, Halifax, Canada (1997).

**ALISTAIR D. JOHNSTON**  
Director of Marketing

Mr. Alistair D. Johnston was appointed Director International at SingTel in June 2012 and joined Telkomsel in August 2012. Prior to joining SingTel, Mr Johnston was Group Chief Marketing Officer at Augere, Dubai (2010-2012). After graduating with a degree in Modern History from Oxford University, UK, he began his career at Andersen Consulting. His career in the telecommunications industry began in 1998 at the Virgin Group in the UK, Australia and Singapore. He went on to hold various senior positions in British Sky Broadcasting, UK (2003-2004), Orange UK (2004-2007) and Telefonica O2, UK (2007-2010), where he served as Head of Prepay and Head of Online and Marketing Director.





Enjoy **seamless** collaboration  
with colleagues and clients across  
the world or even across town via  
video conferencing – just one of  
Telkomsel's corporate solutions  
that help reduce the cost of  
doing business



# Operational Management Report

“

*Telkomsel launched a transformation program that we call 'Telkomsel 2.O', to capture our second opportunity for growth in the digital business.*



## Strategic Objectives

As the Indonesian telecommunications market continues to grow and mature, consumers will demand broader and more enhanced experiences to meet their communication needs. Whilst legacy services such as voice and SMS will continue to play an important role in basic communication needs, the focus will shift towards data and digital services such as internet browsing, on-demand video, music, multimedia messaging, mobile banking and digital payment as well as mobile advertising. Growing customer expectations and the increasing sophistication of devices are challenging the industry to deliver end-to-end services on a variety of platforms, while ensuring that network capacity matches the heavy demands of increased data traffic.





At the beginning of this year, we repositioned ourselves to transform our business, organization, culture and people in order to capture these opportunities and consolidate a platform for sustained growth in the future. Telkomsel launched a transformation program that we call 'Telkomsel 2.O', to capture our second opportunity for growth in the digital business. Our various operations have started to lay a solid foundation: we accelerated 3G network coverage and capacity expansion; drove higher data usage and increased 3G handset adoption through innovative packages, content, applications and digital services and transformed the operational model through our "Great People Great Company" program.

One of our highest priorities during the year was to accelerate network deployment to support the growth in data demand and continually meet our customers' expectations of network performance. We doubled the number of new BTS on-air from 6,065 BTS in 2011 to 11,675 by the end of 2012, of which 50% were 3G BTS.

Supported by more than 15,000 3G BTS throughout the country, we continued to expand access to high quality mobile broadband services, reaching our target of 100 broadband cities by the end of the year.

Another critical factor in increasing mobile data penetration is to increase handset adoption. Through our device bundling programs, our customers have access to more affordable handsets and enjoy a more streamlined customer experience. Working closely with major international and local handset and tablet manufacturers and distributors, we launched a range of offerings from high end smartphones to low-cost 3G devices. By the end of 2012, we successfully increased our data users by 37% to 55 million.

Telkomsel continues to work closely with content developers and providers to deliver innovative content and value added services that meet the needs and tastes of Indonesian consumers. Though still at the nascent



stages of development, we are committed to investing and growing the digital business over the next few years.

We continue to build the right talent to help grow our digital business and roll out programs that drive great culture at work. We believe in investing in our people through training and development and ensuring that we attract, train and retain talent to grow our current and future business.

Finally, we are investing and building relevant platforms as key enablers for many of our transformational initiatives.

In the next three years, we will continue to see growth in the legacy voice and SMS services and robust growth in data and internet services. The industry will also see massive new markets opening up in digital services. Telkomsel has developed a bold five-part growth strategy to address this. We have also defined key enablers and developed 10 strategic initiatives to drive the execution of the strategy. With the successful execution of our growth strategy, we expect to be able to reach our Triple-3 milestones by the end of 2015: Enhance Enterprise Value, Significantly Increase Revenue and Invest & Grow the Digital Business.

## Products and Services

### CORE PRODUCTS

Telkomsel's core brands *kartuHalo*, *simPATI* and *Kartu As* have stayed firmly in the lead in their respective segments. Our strategy is aimed at ensuring we remain the operator of choice.

#### **kartuHalo**

*kartuHalo* is Indonesia's leading postpaid cellular brand. With a market share of more than 50% at the end of 2012, it reached more than 2.1 million subscribers, 42% of which are corporate customers. Targeting high value customers, *kartuHalo* aims to deliver the best experience and care to every customer through Customer Touch Points. In June 2012, *kartuHalo* was relaunched with a new logo, new tagline, and new offerings. Some of the package, loyalty program and sales promotion highlights in 2012 were:

- **Bundling with iPhone 4S "Perfect Match"**

The iPhone 4S is bundled with a range of competitively-priced options for the 16GB, 32GB and 64GB models

to suit customer needs. The 12-month installment package is bundled with a special 0% interest credit card, offered in cooperation with some major banks.

- **Free BlackBerry Data Roaming Service**

Postpaid subscribers were able to take advantage of Free BlackBerry Data Roaming without any package activation in China (in cooperation with China Unicom), Singapore (SingTel), Malaysia (Maxis), Hong Kong (CSL), Taiwan (Taiwan Mobile), Thailand (AIS), Japan (Softbank) and Australia (Optus). This promotion was offered from December 12, 2011 until February 29, 2012.

- **Micro campaigns for retention & loyalty programs**

Giving gifts on customers' birthdays and offering Voice On-Net daily bulk packages are just two examples of the various micro campaigns we conducted to foster loyalty and promote usage.

- **kartuHalo Revamp**

Along with the new image, *kartuHalo* rolled out new packages priced between Rp80,000 and Rp3 million per month, with special discounts for handset bundling. USeeTV, a special application from the Telkom Group for viewing High Definition movies, TV on demand or radio on smartphones or tablets also supported the *kartuHalo* Revamp with special promotional tariffs. In addition to offering the best IDD & international roaming rates, broadest HSPA coverage and priority data access, *kartuHalo* now also offers a variety of high-end benefits such as airport lounge services, valet parking at certain malls, special rates for data services and international calls, and loyalty programs with various merchants.

- **Halo Fit Promo: Free Flash Unlimited**

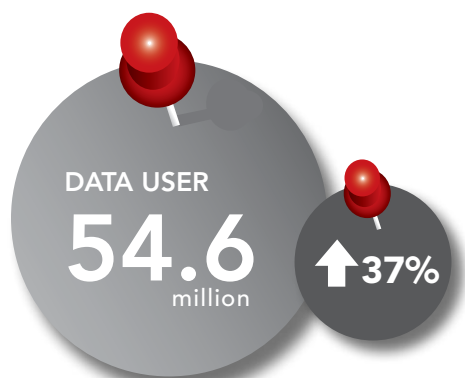
Designed to attract new customers, HaloFit offers internet with quotas of up to 4 GB per month for 12 months using the faster HSPA network, which delivers the widest coverage, priority access to high speed data services of up to 14.4 Mbps, and international roaming services at more attractive rates. The Halo Fit package also included bonus talk time and SMS.

- **Special Prices on Bundles with Samsung and Nokia Smartphones**

*kartuHalo* subscribers enjoyed advanced smartphones at discounted prices through our bundling programs with the Samsung Galaxy Note 2, Galaxy S3, and Nokia Lumia.

- **Bundling with iPhone 5: The Greatest Experience**

"The Greatest Experience" bundles the iPhone 5 with various pricing options for the 16GB, 32GB and 64GB model, and, for the 12-month installment package, a special 0% interest credit card in cooperation with some major banks.



### **simPATI**

Targeting the middle and youth segments of the market, *simPATI* is Telkomsel's award-winning prepaid card. In 2012, *simPATI* offered an exciting range of dynamic packages and campaigns to boost mobile data demand among the growing number of digital lifestyle users, including university students and young executives. Highlights of the *simPATI* products and campaigns launched in 2012:

- **Talkmania Campaign**  
Talkmania is a bulk voice service offered to all *simPATI* customers.
- ***simPATI* New Perdana Rp3,000**  
A redesigned starter pack offering updated artwork, an appealing end user price, an attractive SMS promotional deal, a special tariff for opera mini access, and a special internet package. This program was designed to drive *simPATI* penetration among youth and data users.
- **Regional Starter Packs**  
Special localized editions of our *simPATI* starter packs featuring more competitive prices were launched to capture new sales.
- **Dance Like Agnes Campaign**  
Featuring a contest in which customers could participate by making a video of themselves "Dancing Like Agnes" and upload it on to the internet. This innovative through-the-line engagement program boosted sales of volume data packs and strengthened *simPATI*'s position as a preferred brand among youth customers.
- **Download Agnes' Single**  
This promotion was available exclusively to *simPATI* subscribers featuring a download of Agnes' new release to attract new *simPATI* data users.

- ***simPATI* Bundles**

Bundling *simPATI* packages with Nokia, Samsung, LG, BlackBerry, iPhone and HTC smartphones strengthened *simPATI*'s positioning as the preferred card for 3G devices.

- **Friday Movie Mania**

A loyalty program allowing *simPATI* customers to redeem points for free movie tickets at movie theaters.

- **Massive bulk service campaigns: PSTN package, SMS Mania and Combo Mania**

With packages available to all *simPATI* customers, these campaigns effectively reduced churn and drove service usage.

- **Below-the-line micro campaigns**

Recharge bonus and bulk packages are tailored to customers to increase loyalty and stimulate usage.

- **BlackBerry 90K for 3 months**

Full BlackBerry service at Rp90,000 for a 3-month subscription. This was a direct channel only campaign, which we used to strengthen our product competitiveness in the market.

### **Kartu As**

Kartu As, Telkomsel's prepaid brand for the value segment, gained ground in the market with innovative offerings and value-focused pricing for voice, SMS and data. Promotions and packages launched or continued in 2012 included:

- **Kartu As Gratis Nelon 30 Jam**  
From December 2011 until mid-2012, this acquisition promotion delivered substantial bonus SMS and minutes, as well as 30-hour voice bonus.
- **Free Internet, Chat & Social Networking (Cross Bonus)**  
To increase data user penetration Kartu As offered internet, chat and social networking bonuses for subscribers who reach specified voice usage.
- **Kartu As Gratis 100X Lipat (Kartu As WOW)**  
Launched in mid-2012, this new acquisition promotion offered a cash back bonus scheme for daily subscriber usage.
- **Kartu As Regional Starter Packs**  
In 2012, Telkomsel launched special Kartu As starter packs in Subang, Indramayu, Magelang, Tanjung Pinang, Tanjung Balai Karimun and Purwakarta to drive penetration.

Kartu As continued to deliver various other campaigns and packages, such as 'Jagoan Serbu Nelpon & SMS' and a range of SMS price plans. With a total of 69.7 million subscribers at the end of 2012, Kartu As is still the winning brand in Indonesia's prepaid market. A total net-add of 16.2 million customers was recorded in 2012. At the end of 2012, Kartu As launched WOW 30 Jam cash back as a new acquisition plan to keep Kartu As competitive in the coming year.

### MOBILE BROADBAND AND DATA SERVICES

Demand for mobile data services is growing rapidly, driven by faster, more reliable networks, more attractive and affordable smartphones and tablets, and the ever-growing array of useful and entertaining applications. In 2012, our strategy of targeting different segments through our core brands, Kartu As, *simPATI* and kartuHalo strengthened Telkomsel Flash's position as the leading mobile data provider in Indonesia, with 11 million users. In 2012, Telkomsel grew its data users by 37% to 54.6 million customers. Below are some of the highlights of the year for Telkomsel Flash.

#### 1. Enhancing the customer experience through information and network reliability

Easy-to-access information and reliable advice is key to enhancing the end-to-end customer experience. In 2012 we revamped the Telkomsel website to make it easier for customers to decide which Telkomsel Flash package is right for them. The more user-friendly site includes a Plan Recommender, which allows customers to calculate their daily data usage and suggests the most suitable package. At the same time we increased the network speed for Telkomsel Flash access to ensure a better users experience, differentiating the quality of service by brand (kartuHalo: 14.4 Mbps; *simPATI*: 7.2 Mbps; and Kartu As: 3.6 Mbps).

#### 2. Telkomsel Flash Spirit Evolution: from "How Flash Are You" to "Fast, Reliable, and Easy"

Over the course of the year, the 'spirit' of Telkomsel Flash evolved from pure speed, as communicated through the "How Flash Are You?" campaign, to all-round quality, under the banner of "Fast, Reliable, and Easy". Both campaigns were supported by the deployment of our 3.75G network with top

line speeds of 14.4Mbps—the fastest network in Indonesia—as well as the extension of network infrastructure to 100 broadband cities.

#### 3. 100 Broadband Cities and Beyond

We continued to honor our commitment to bring the best quality data access right across Indonesia. The 100 Broadband Cities program brought fast, reliable internet access to 100 cities in Indonesia by the end of the year through the deployment of high capacity broadband data infrastructure.

#### 4. Telkomsel Flash Package Transformation

In response to increasing market demand and aggressive competition, our Flash packages underwent a revamp mid-year. By re-pricing tariffs, adding bonus quotas to stimulate usage and drive 3G handset penetration, and adopting a new regional pricing strategy, Telkomsel successfully improved Flash's revenue and subscriber performance.

#### 5. Flash Vouchers and Pulsa Internet Elektrik

With our Flash Vouchers and Pulsa Internet, customers can buy data packages by purchasing and activating Pulsa Internet without going through the USSD Menu Browser (UMB). Flash Vouchers were launched in February 2012 to provide easier access to unlimited packages, while Pulsa Internet Mkiosk, launched in September 2012, provides easier access to volume-based packages.

#### 6. New Packages: From Special PAYU Tariffs to Dance Like Agnes

Several new programs were introduced to drive data sales, such as a Pay As You Use (PAYU) tariff for WhatsApp and Opera Mini, bundled with the new Perdana *simPATI* Puas-2 and endorsed by a celebrity chef. To mark Telkomsel's 17<sup>th</sup> Anniversary, we launched a thematic volume-based package with a denomination of Rp17,000. The anniversary package proved to be one of our most popular ever.

The "Sahur Downloadan" Package offered a lower price and higher quota from midnight to morning during the Ramadhan Fasting Season.

In September 2012, *simPATI*'s Dance Like Agnes campaign offered new volume-based data packages with speeds of up to 7.2 Mbps. Featuring *simPATI*'s brand ambassador, leading actress and singer Agnes

Monica, this unique campaign successfully drove data usage by challenging customers to upload their version of Agnes' dance to a specific micro-site. With over 10,000 videos being uploaded within 2 months, it smashed the national records both for the most uploaded video for a brand-activated campaign and for the largest ever dance contest held in Indonesia.

#### 7. WiFi Flash Zone: A New Business Model for Mobile Data Providers

WiFi Flash Zone is a pioneering service consisting of one hour of free WiFi usage, after which the customer is offered various WiFi package options with a maximum speed of 100 Mbps. Launched in August, WiFi Flash Zone is available at a growing number of Telkomsel WiFi hotspots in campuses, shopping malls and public areas.

#### 8. Flash Gift: A Revolutionary Way to Share Flash Packages

Another breakthrough service that allows a customer to purchase a Flash Package for another customer as a gift. Flash Gift received a positive response, boosting sales of all Flash Packages and contributing to the growth in number of data users.

#### BlackBerry

Telkomsel's BlackBerry Internet Service has posted continuous strong growth since 2010. We had 5.8 million BlackBerry users as at the end of 2012, a growth of 83% from the prior year. In 2012, we launched several new BlackBerry packages, including Sosialita, a complete yet very affordable package offering browsing, social networking, BBM, and email access on a monthly, weekly or daily basis, and the value-focused BBM Only service. Customers were offered the latest BlackBerry technology with bundling programs featuring BlackBerry's newest handsets, the 9220 (Davis), 9330 (Armstrong), and 9790 (White Bellagio). Telkomsel also introduced the unique BlackBerry Gift, an innovative program through which customers can purchase a BlackBerry Internet Service package as a gift for their friends and family.

### DIGITAL SERVICES

#### Digital Lifestyle

In 2012 our main activity was re-building the digital lifestyle service ecosystem, with a focus on improving the customer experience. We reviewed the end-to-end business process, ranging from restructuring internal

and external processes, alignment of better business models with partners, consolidation with other mobile telco operators for standardization of service delivery mechanisms, and requirements for new business criteria, as well as working with government and regulatory authorities to develop the new regulations for this portfolio.

Understanding that Indonesian consumers have a strong affinity for digital consumption over mobile platforms, with nearly half of internet users connecting through mobile devices and some of the highest rates of social network and gaming usage in the world, we exploited this potential by launching some new products:

- BPL, an exclusive first licensed Barclays Premier League video service for mobile in Indonesia, with nearly live goal highlights and special content featuring favorite BPL teams,
- UseeTV, an exclusive mobile applications with unlimited free access to local TV and radio stations and complemented by many affordable box-office movies. With its adaptive bandwidth rate technology, it will enable users to continue watching the show in any network conditions. Exclusively for kartuHalo subscribers, all movies on UseeTV were available for free from July to October 2012.
- Kotagames, an attractive WAP social game developed by local and international developers with wide range device compatibility. Featured with freemium in app purchase.
- Gupshup, an exclusive SMS-based social networking service with access via WEB, WAP, SMS, and applications. Also compatible with featured iPhone, Android, and BlackBerry phones.
- Exclusive fun lifestyle and entertainment SMS content and applications such as celebrity updates.
- Al-Quranku, the first and only patented color-coded Al-Quran reading application on mobile exclusively for Telkomsel customers.
- FunKomik, a cross-platform comic reader application for featured smartphones with a huge collection of local, Japanese and Korean comics.
- Working closely with government entities, we provided easy access for Indonesian consumers to the KPK (Anti-Corruption Commission), BOS (Operational Assistance for Schools), and UKP4 (President's Working Group on Supervision and Control).

Moving forward, we will enhance the breadth and depth of our digital lifestyle product offerings by synergizing with our parents, as well as proactively engaging local developers, aiming to deliver more local applications



*We will continue to drive the digital ecosystem to enable Telkomsel to be the most preferred telco partner for developers, enhance consumers' digital experience through applications and content, and contribute to the economic growth of the nation.*

that are suitable for Indonesian consumers. We will continue to drive the digital ecosystem to enable Telkomsel to be the most preferred telco partner for developers, enhance consumers' digital experience through applications and content, and contribute to the economic growth of the nation.

#### **Mobile Banking and Digital Payment**

Telkomsel is at the forefront of supporting mobile banking services in Indonesia. Telkomsel's mobile banking services are very diverse, ranging from SMS-based to GPRS, USSD, and DSTK. We work with a total of 30 partners, comprising major government and privately owned banks as well as regional and rural banks. In cooperation with our banking partners, we launched several new transaction solutions in 2012 to enable customers to do their banking with maximum security and convenience via their mobile phones. For example, utilizing the IVR technology, banks are now able to provide convenience to their customers by offering a single code to access multiple bank customer service centers. In 2012, more than three million Telkomsel subscribers were using our mobile banking services, while revenue growth was 34%.

TCASH and TAP IZY, our digital payment platforms, are making it possible for customers to make purchases and transfer funds electronically without the need for a bank account. Following a series of promotional programs, merchant aggregator programs and new service features to strengthen demand for TCASH, the number of TCASH users had grown to 11.8 million by the end of 2012, and we had established successful partnerships with 682 of the largest national merchants, as well as a total of more than 39,000 terminals. A significant breakthrough was the introduction of a new cash-in channel through the vast ATM Bersama network, a real convenience for TCASH users. Customers can also top up their TCASH balance via internet or SMS banking as well as through certain merchants and SIM card voucher dealers/resellers. Another new feature was the TCASH Launcher, an application that will be pre-installed on bundled devices to allow instant TCASH activation for

new users and easier access to all TCASH services and payments. Local and international money remittances were also made simpler with the addition of Delima as a cash out channel for TCASH. Delima is a remittance service provided by our parent, PT Telkom.

TAP IZY is Telkomsel's contactless payment service, enabling secure and convenient transactions by transforming a customer's mobile phone into an 'electronic wallet'. In cooperation with PT Kereta Api Indonesia (PT KAI), Telkomsel launched TAP IZY's electronic ticket payment service for the Prambanan Express, serving the Yogyakarta-Solo route, and the Baraya Geulis in Bandung. In early 2012, in cooperation with the 21 Cineplex group, Telkomsel also launched TAP IZY's ticket payment service for weekday movie tickets with a special 'Buy 1 Get 1' discount at the 21 Cineplex theaters in the Greater Jakarta and Yogyakarta-Solo areas. Promotions for TAP IZY activation were also held in several 21 Cineplex theaters. This promotion was valid throughout 2012 and was successful in increasing TAP IZY activations and transactions.

Mindful of the important role of mobile financial transactions as a driver of economic growth, education initiatives were conducted in coordination with Telkomsel's Community and CSR programs to raise awareness of TCASH and TAP IZY and encourage potential users to try them out.

#### **Mobile Advertising**

Telkomsel continued its efforts to lead the industry in mobile advertising services. In March 2012, we introduced the MMS Video service. With this service, advertisers can send their video campaigns to specific profiled targets. This is the first mobile video MMS service in Indonesia.

In 2012, Telkomsel's Mobile Advertising served more than 8,000 brands across the country, including major international and local brands. Telkomsel is also committed to building the small and medium enterprise (SME) market, delivering the campaigns of many SMEs to



specific targets in specific areas in Indonesia. Telkomsel has built partnerships with 35 media sellers to manage sales distribution nationwide.

To provide better offerings for advertisers, Telkomsel expanded the coverage of our Location-Based Advertising (LBA) service to other cities. By the end of the year, LBA covered most major cities in Indonesia, such as Jabodetabek, Bandung, Surabaya, Medan and Palembang, with almost 3,000 sites (malls and other public places).

To capture the opportunities from the emerging online advertising business, Telkomsel's off-deck banners made 3 billion mobile banner impressions between April 2012 and December 2012. In November 2012, Telkomsel signed an agreement with Amobee, Inc. to provide an integrated campaign management system. Amobee is a leading mobile advertising company serving many major telecommunication companies in the world (Vodafone, Orange, etc) and is a wholly-owned subsidiary of SingTel.

### CORPORATE BUSINESS SOLUTIONS

Today's enterprises need end-to-end communications solutions that help them leverage business efficiency, productivity and competitiveness. Telkomsel's Account Managers work personally with our business customers in both the Corporate and Small and Medium Enterprise (SME) segments to match our services and technologies to their needs. Telkomsel currently serves more than 8,000 companies nationwide.

In 2012 we continued to bring new personalized corporate and SME solutions to the market through our kartuHalo Corporate brand at a more competitive price and a greater variety of packages, which again delivered strong results in terms of both total revenue and customer base. We also saw significant growth in market demand for M2M (machine to machine) solutions, which can transform business processes and greatly enhance efficiency. Our evolving D-N-A (Device, Network, and Applications) ecosystem will place us in a strong position to develop these growth opportunities into viable revenue streams.

During the year, kartuHalo Corporate launched several new solutions tailored to the needs of our business customers. These included two bundled packages, consisting of either a modem or a smartphone bundled with Telkomsel Flash Corporate services that offer maximum value and flexibility for corporate customers. The smartphones offered in

2012 included various BlackBerry handheld models, iPhone 4s and iPhone 5. Both bundled packages are offered on a one-year or 6-month installment plan through kartuHalo billing.

Targeting the SME segment, Telkomsel provides the best package offers, including closed user groups between SME members, favorite numbers and comprehensive packages such as **PAKAR Telkomsel** (Rp335,000/month); **PAKAR Smartphone** (Rp342,000/month); and **PAKAR Internet** (Rp150,000/month).

With our customized Corporate Package Solutions, customers have the option of voice and SMS solutions, voice and data solutions, or data-only solutions.

To meet the growing market demand for M2M data solutions, particularly in the manufacturing, trading and financial services sectors, Telkomsel introduced internet APN, corporate APN and dedicated corporate APN services, available in both individual and bulk packages.

Telkomsel's Corporate Business Solutions are focused broadly on the following needs:

- **Business Mobility**  
These are data (GPRS/EDGE/3G/HSDPA/HSPA+) and SMS solutions that allow access to company data on a mobile yet secure and cost-effective basis. Business Mobility solutions include Push Email, Sales Force Automation and Intranet Application Access.
- **Wireless Connectivity**  
The nature of work is changing. As more and more companies adopt flexible hours and remote working, they are challenged to meet their employees' need for wireless connectivity, wherever they are, at any time. Mobile ATM, Mobile EDC, Mobile Tracking & Fleet Management, Telemetry Application and Small & Remote Office Connectivity are among the solutions that can make online and wireless operational procedures more efficient and effective. We saw significant growth in wireless connectivity customers in 2012.
- **Business Leveraging**  
Our Business Leveraging solutions are designed to improve and optimize businesses even where resources may be limited. Some examples of the service are SMS Service, NSP1212 for Corporate, Mobile VPN, Fixed Wireless Connectivity, TELKOMSEL Cash (T-Cash), TELKOMSEL Flash, and TELKOMSEL Enterprise Hosting Service (Business Connect). In 2012 Mobile VPN was one of our top products, driving both customer base and revenue growth.

Telkomsel's corporate and SME customers are managed through the Corporate Account Management (CAM) division, which now serves more than 8,000 companies nationwide through 3 Strategic Account Management units (SAM), 11 Regional Account Management units (RAM) and SME representatives in each region. CAM conducts regular marketing analysis and business intelligence as well as media monitoring to provide proactive input into developing end-to-end services that fit the needs of our customers, and is also responsible for developing Account Profiles and Account Planning for each corporate customer. Each year, CAM organizes a program of management visits and themed customer gatherings, including topical seminars, golf tournaments and outings to international sports events to strengthen corporate customer loyalty and retention.

## Sales and Marketing

Our sales and marketing strategies capitalize on the strength and positioning of our brand portfolio to ensure that Telkomsel remains Indonesia's preferred provider of mobile lifestyle and communication services. In 2012, an aggressive agenda of above-, below- and through-the-line campaigns and engagement programs focused on *kartuHalo*, *simPATI*, *Kartu As* and *Flash* successfully drove broadband penetration and growth in subscriber base and revenue. These programs and campaigns reach out to targeted community segments using our micro-cluster approach and data-driven analytics. Handset bundling programs were another key strategy to increase data users.

To maintain our lead in the broadband market, we launched a series of marketing programs to boost data sales on both prepaid and postpaid services. One of the highlights was Telkomsel's 17<sup>th</sup> Anniversary campaign, which we marked with the launch of an iconic '17 Years' logo as well as a new tagline: "Telkomsel: Muda, Beda, Paling Indonesia" to reflect Telkomsel's youthfulness, innovative spirit and commitment to serve customers throughout Indonesia. Running on integrated media channels across the nation from May to December, the campaign included the launch of a new data package priced at Rp17,000 along with loyalty and reward programs giving customers the opportunity to win attractive prizes. We also launched an official Telkomsel YouTube brand channel, a first in the industry.



In June, the revamped *kartuHalo* launched its new logo and the new *HaloFit* data packages, targeting new high value postpaid subscribers and strengthening its position as Indonesia's premier postpaid brand. *HaloFit* offers the broadest HSPA coverage, priority data access of up to 14.4 Mbps and the best IDD and international roaming experience, along with unparalleled privileges for priority customers such as free valet parking, device discounts and prioritized customer service.

Through a series of innovative campaigns and data packages, *simPATI* targeted growth in prepaid data users and migration to the 3G network for faster and more reliable data access. One of the phenomena of the year was *simPATI*'s Dance Like Agnes contest, which was part of a nationwide through-the-line engagement program to strengthen *simPATI*'s position in the prepaid segment. The simple proposition—customers were



invited to upload a video of themselves dancing like singer/actress Agnes Monica to get a chance to win prizes worth a total of Rp1 billion—this resulted in over 10,000 videos being uploaded within two months, breaking the national record for the most uploaded video for a brand activated campaign. To make it easier for customers to upload their videos to [www.DanceLikeAgnes.com](http://www.DanceLikeAgnes.com) via their smartphones, *simPATI* launched a new data package with higher volume, longer validity and a better value proposition at 2GB/45 days for only Rp60,000.

*simPATI*'s Agnes' New Single campaign was designed to drive data traffic and package sales through the exclusive release of Agnes Monica's latest single to *simPATI* customers. To support easier downloads and data access *simPATI* launched two new data packages: 3.5 GB/Rp100,000/45 days and 2 GB/Rp60,000/30

days. The *simPATI* Agnes Monica Exclusive Single TVC that was uploaded on YouTube achieved 1 million viewers in just 10 days.

Other *simPATI* programs included *simPATI* BlackBerry Internet Service Sosialita, which offers browsing, BBM and social networking; and *simPATI* Ramadhan Appz, a platform through which *simPATI* customers can access useful applications to enhance their mobile lifestyle, including Line, Love Indonesia and Scoop. *simPATI* also launched several localized starter packs at attractive end user prices to boost customer acquisition in selected regions, followed by the nationwide release of an all-new *simPATI* starter pack with an end user price of Rp3,000.

Kartu As maintained its position as the leading player in mass market prepaid services and launched a number of strategic offerings throughout the year that resulted in the highest subscriber growth of all prepaid brands in Indonesia. Several national campaigns targeted increased data usage. In addition, Kartu As took a more aggressive approach to localized penetration in 2012 by introducing special packages in certain regions.

Kartu As programs in 2012 included:

- **Gratis 300 Menit Nelpon & Online:** in return for a specified amount of voice usage, subscribers receive not only a 300 minute voice bonus, but also 1MB data bonus.
- **Gratis 30 Jam Berkali-Kali:** 300 minutes of free calls and SMS that can be enjoyed within a 30-hour time period after a specified amount of voice and SMS usage.
- **WOWRp500 : "WOW"** was the latest campaign of KartuAS, launched in September 2012. This was a continuation of our earlier campaign Gratis 100X Lipat launched in July 2012
- **Sponsorship of large local events,** such as 'Kartu As Gowes ASik,' held in 13 cities in Indonesia, which broke the national record for SIM Card activation with the highest number of participants.

To drive broadband sales growth and maintain Telkom's leadership in broadband and data space, Flash launched a new thematic campaign with a new tagline, 'Cepat, Stabil, Mudah' (Fast, Stable, Easy).

VAS broadband offerings included Mobile WiFi Seamless (Flash Zone), which offers speeds of up to 100 Mbps through WiFi networks. Customers can access the





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service, the first of its kind in Indonesia, when they enter a WiFi network by selecting the Flash Zone SSID. Opera Mini, which has been part of Telkomsel's VAS portfolio since 2010, saw a significant upturn in revenue following extensive marketing campaigns.

Telkomsel's Hajj campaign, which ran during the Hajj season, was a huge success. Out of 211,000 Indonesian pilgrims who travelled to Saudi Arabia for the Hajj in 2012, 154,000 used Telkomsel services.

A cornerstone of Telkomsel's strategy to boost demand for data services is driving the adoption of smartphones. For the launch of the eagerly anticipated iPhone 5 in December 2012, Telkomsel introduced, for the first time in Indonesia, an online pre-payment ordering system which allowed customers to make a down-payment via credit card.

### Digital Media

Digital media is an increasingly important part of our strategy and we have continued to strengthen our presence, innovation and leadership in digital marketing on online, mobile, search, social, community and content platforms. By way of example, Telkomsel now has over 1.6 million Facebook fans and more than 250,000 Twitter followers across our various social media accounts. Our website, [www.telkomsel.com](http://www.telkomsel.com), received over 20 million visitors (the highest in the industry) and recorded more than 50 million page views in 2012. We now manage more than 15 social media platform accounts, including Facebook, Twitter, YouTube and Instagram, across our different brands. In 2012, with the phenomenal success of the exclusive upload of the new Agnes Monica single, Telkomsel joined the elite ranks of global brands with more than 1 million YouTube views.

### Brand Performance

Our sales and marketing programs are also focused on meeting the parameters we use to measure brand performance.

To measure brand performance, we use the brand equity index (BEI). The brand index for Kartu As increased over each quarter, while *simPATI* gained in 2012 compared to the previous year. This achievement was also part of our effort to boost media effectiveness, as a result of which we won 'Most Favorite Ad' titles for our Kartu As and *simPATI* TV commercials (TVC). This was an outstanding achievement for Kartu As and *simPATI*.

### Device Bundling

As devices are a major enabler for data adoption and usage, we continued to aggressively drive device bundling initiatives, collaborating with 3G device manufacturers and distributors of major international and local brands. The business model for bundling has evolved from offering only to new SIM cards to a hybrid model where existing customers are also targeted, in particular through the creation of a 1-year contract program for postpaid (kartuHalo) customers and dedicated smartphone package bundling.

Bundling programs launched in 2012 included:

- Driving the most affordable 3G smartphone: with TiPhone A500, S Nexian Cronos Journey Mi320 and IMO X1.
- High End/Flagship Smartphone with kartuHalo (1-year contract) for iPhone4s & iPhone5, Samsung SIII, Samsung Galaxy Note 2, Nokia Lumia, BlackBerry, HTC One X, Sony Xperia Series and LG Optimus 4x.
- Bundled content for Samsung Galaxy Note 10.1, the Cyrus GamePad Series, SpeedUp Pro 2 and IMO Orion with pre-installed games.
- Conversion of non data capable phone users to data capable users: special price and data packages with Nokia Asha Full Touch, TiPhone T23, ZTE Racer II, Nexian G927 and Huawei U8300.
- Driving mass market modems with SPC, Cyrus, Huawei, ZTE and Advan.
- M2M, P2M and M2P as a new source of customer base growth with GPS Tracking (Stealth), IP Camera (Prolink), Telemetry, EDC over GSM, ATM over GSM and GSM Home (Tiphone).

All programs were supported by a series of launch events, roadshows and regional sales initiatives.



## COMMUNITY MANAGEMENT

Communities of people with shared interests or circumstances have enormous potential as revenue and customer base generators, particularly among Indonesia's 35 million-strong youth population. In a highly dynamic and competitive marketplace, we can differentiate ourselves by providing customized solutions for such user communities.

Telkomsel's community management strategy is built around three core segments: Telkomsel School Community, Telkomsel Mobile Campus and Organic Communities (communities of shared interests, including professional organizations, women, lifestyle and hobby groups, non-profits, religious groups, etc.).

Telkomsel's community engagement, particularly among youth, has succeeded in accelerating both revenue and subscriber growth in the targeted segments. In 2012, Telkomsel's total youth community customer base was more than 7 million.

Some of the highlights of 2012 were:

- A series of road shows and loyalty programs with school communities to position *simPATI* as the preferred prepaid data card and Kartu As as a low-cost brand.
- On Campuses, we provide WiFi Flashzones where students can enjoy free data access for 3 hours. We also build Flash Lounges, which are cozy, stylish lounges on campus where students can meet up, cool off and relax while enjoying the Telkomsel Broadband experience.
- In Schools, we work in synergy with Telkom to provide WiFi Indischool, which offers 30 minutes of free data access, as well as school applications by introducing SIAP Online from Telkom.
- Developing synergies with partners for end-to-end community solutions, such as empowering travel agencies to be our community acquisition channel for the Umroh pilgrims.
- Delivering education solutions for schools and campuses, including SMS attendance, E-learning, video lectures, digital library, etc.
- Conducting seasonal programs to generate revenue, including Kejutan Umrah, Kejutan Pulsa for Closed User Group (CUG) members and sponsorship for the 29<sup>th</sup> DKI Jakarta Mathematics Competition for junior high school students.

- Engaging new non-youth communities such as INKOPTAN (farmers and fishermen), Hindu youth, Yamaha vision club, NU, HKBP, Darul Tauhid, etc.

## AREA PERFORMANCE

### Sumatra

In 2012, Telkomsel continued to enhance coverage, distribution, merchandising and promotion (CDMP) to drive revenue, particularly from data, and reduce churn.

Network reach, capacity and quality were improved, which supported our campaigns to promote broadband and VAS, including mobile banking and MKIOS, through bundling strategies, trade promotions and Flash Activation for Communities.

Consumer promotions included JUBIR (*Jutawan Bicara Sumatera*) and Rezeki Isi Ulang as well as customized packages for specific communities. To strengthen loyalty, we organized Merchant Management Promotions and outlet gatherings and intensified campaigns among outlets surrounding School and Campus communities while using SMS blasts to customers to promote retention.

### Greater Jakarta/West Java

To support a program of aggressive sales, service improvements and loyalty, we took initiatives to expand and empower distribution channels and strengthen revenue opportunities through community management. Various programs with attractive gifts were implemented in order to increase sales and stimulate recharge and usage, such as the PIU (*Pesta Isi Ulang*) program for customers and the PB (*Pesta Bonus*) program for outlets.

To improve the performance of digital businesses we continued our popular UMB Program with Tausiah Islami and the SULE (Sales UMB Line Empowering) applications; offered VAS and Flash applications in various denominations and content programs through Blast promos via 4444 and M-Kios; and launched the PILKADA (choose your favorite song) Program.

To drive broadband growth, we increased the number of WiFi Hotspots and carried out various customer initiatives such as Broadband Flash contests, including the IT Channel Flash Outlet Competition and Program Ketupat; selling programs such as Broadband On The

Street, Flash Co bundling with a major local bookstore, etc.; Extra Bonus programs; Broadband Exhibitions and Broadband Clinics in malls and campuses; Broadband bundling programs with partners; and a BlackBerry Internet Service micro campaign for BlackBerry users who are not yet using data services.

Several programs focused on encouraging uptake of our digital lifestyle solutions, such as our [www.HaiSobat.com](http://www.HaiSobat.com) community site and a Digital Activation Corner by Twitter. We also drove T-Cash user growth through road shows in residential areas, campuses, schools and malls and growing the network of T-CASH Channels by offering merchant/dealer rewards.

#### Java-Bali

In 2012, we targeted growing our customer base and revenue in the Java-Bali area, and supporting Telkomsel's goal to go beyond telecommunications by driving digital business penetration. Customer acquisition programs such as TSA Juragan were complemented by initiatives to boost outlet sales, including handset and smartphone bundling programs along with community-oriented programs such as Closed User Groups (CUGs), launched in school and campus communities in mid-2012.

With 20 Broadband Cities in the Java-Bali area, Telkomsel was able to aggressively drive broadband revenue performance. Potential broadband customers were targeted through expos and direct selling programs, while up-selling and cross-selling initiatives through GraPARI Walk-In outlets, SMS broadcasts and outbound infomedia calls focused on leveraging the productivity of existing broadband customers. Our Broadband Incentive Program (BIP) for outlets was enhanced in 2012 to accommodate bundling programs as well as an improved points system. We have also successfully used digital media to maintain broadband customers through the TELKOMSEL Java-Bali Facebook Page, Twitter @tseljawabali and @tseljatengdiy.

#### Pamasuka

In the Pamasuka area, which covers Papua, Maluku, Sulawesi and Kalimantan, Telkomsel focused on optimizing revenue growth by strengthening the retail business through more effective distribution and collaboration with partners and youth, school, campus and professional communities. In particular we worked to empower outlets, for example by transforming

traditional outlets into lifestyle outlets, increasing the number of exclusive outlets and partnering with banks to boost outlet capital.

To strengthen our presence among corporate, SME and government customers, we focused on delivering sharper differentiation and innovative solutions through kartuHalo, including bundling high-end devices with attractive payment plans.

Striving for service excellence with a distinct regional flavor, we increased the presence of Points of Service and introduced Mobile Shops to serve customers at weekends. To strengthen loyalty we developed reward schemes for walk-in customers, in-shop customer care and partners.

## Customer Service

For Telkomsel, service excellence means consistently delivering quality, reliability, value and ease. We set out to exceed customer expectations by anticipating and responding to the needs of all our customers in every segment, and in so doing generate long-term satisfaction and loyalty. Our network of customer touch points provides ready access to Telkomsel's products, services and assistance to customers anywhere, at any time.

#### CUSTOMER TOUCH POINTS (CTP)

Our walk-in customer touch points CTP include 410 GraPARI and 1 Plasa Telkom outlet. We served more than 11.6 million transactions through our walk-in CTPs in 2012, 8% more than in 2011, and opened 2 new GraPARI sites.

In 2012 we launched GraPARI 24Hour in four locations to enhance customer service during weekends and holidays. GraPARI 24Hour outlets provide all the services available on a normal weekday, offering more convenience and value to customers.

We are committed to providing the highest customer satisfaction in accordance with the international ISO 9001:2008 standard. Seven more GraPARI (in Bogor, Bandung, Pekanbaru, Palembang, Semarang, Denpasar and Balikpapan) were awarded ISO 9001:2008 certification in 2012, bringing the total to 20.

As well as purchasing starter packs, prepaid vouchers and device bundles, walk-in customers can also activate value added services (BlackBerry, Telkomsel Flash, TCash registration, etc.). Starting in 2012 at walk-in CTPs managed with our business partners, customers can now also buy electronic vouchers.

Customers can access Self Care services at \*111# for kartuHalo and \*116# for *simPATI* and Kartu As, or by sending an SMS to 111 or 116. The same services are also available through email ([cs@telkomsel.co.id](mailto:cs@telkomsel.co.id)) and through social media via Facebook and Twitter (@telkomsel). Self care can also be accessed via our enhanced Web TCare site (<http://my.telkomsel.com>), which now also allows kartuHalo registration, bill payment and activation of value added services (BlackBerry, Telkomsel Flash, RBT, etc).

A total of 2,734 Call Center Agents are on call through our five Call Centers in Medan, Jakarta, Bandung, Surabaya and Makassar. All five Call Centers are ISO 9001:2008 certified.

International roaming customers can access self-care services by sending an SMS to 1111. During the 2012 Hajj season, we relaunched our Hajj Call Center, hosted in Jakarta and operated in cooperation with our Saudi Arabian partner, to enhance service for customers making the Hajj pilgrimage.

### ELECTRONIC BILLING

The number of kartuHalo subscribers who have switched to Electronic Billing rose by over 330% to more than 1 million customers in 2012. Electronic billing significantly reduces costs as well as contributing to our initiative for a greener environment by cutting down paper usage.

### IMPROVING THE CUSTOMER EXPERIENCE

Customer satisfaction remains a top priority for Telkomsel. By law, all mobile operators in Indonesia must perform within certain service quality parameters on billing, activation, complaints and call center service. In 2012 Telkomsel exceeded the targets in all categories.

To ensure we maintain these high standards we evaluate our performance by conducting a Customer Experience Survey (CES) every year. In 2012 the survey revealed that 98% of Walk-In customers and 87% of call-in customers were satisfied, and we rated an overall Customer Satisfaction Index (CSI) of 75.7%, which is above the industry average.

At the end of 2012 we launched our new Customer Broadband Research Center in Bandung to develop better broadband solutions and educate Telkomsel staff to ensure that they are better equipped to provide expert consultation to customers on our growing range of broadband products and services, including BlackBerry, Telkomsel Flash, Home Location Register (HLR), iOS & Apple devices, Android, Windows Phone and WiFi Flashzone.

Broadband Coaching Clinics were held in 30 cities in December 2012. Thirty Broadband Ambassadors led the way in empowering customers to make greater use of broadband and data services.

kartuHalo underwent a transformation at the start of 2012, giving it a more dynamic image, an enhanced portfolio of benefits and new distribution channels to attract new, high value subscribers. kartuHalo registration is now as simple as visiting the web TCare site (<https://my.telkomsel.com>) and selecting a kartuHalo package. Alternatively, new customers can register at the nearest GraPARI and choose their kartuHalo number. kartuHalo customers can now also enjoy the convenience of priority service and a dedicated kartuHalo lounge at GraPARI outlets, as well as kartuHalo bill payment through web TCare.

In December 2012, Telkomsel launched its Customer Care Control Center. Based at the Head Office, the Center operates 24 hours a day, 7 days a week to handle customer service issues that cannot be resolved by a GraPARI or Call Center.

Telkomsel's commitment to improving the customer experience earned us the highest award for Service Excellence in the Telecommunications Sector at the 2012 Call Center Awards organized by Carre-CCSL and Marketing magazine. We also won the top award at the 2012 Telkom Integrated Quality Assurance (TIQA) Awards, which is open to TELKOM Group companies.

## Network Development

Telkomsel has put in place a comprehensive network Master Plan to ensure full network readiness for the digital era. We continue to invest in broadband infrastructure through both capacity expansion and modernization, as well as optimizing our existing core network infrastructure. At the same time, we continue to make improvements in network management, security and other network support systems.

Telkomsel's network deployment is based on a geographical cluster strategy that takes into consideration Indonesia's long-term macro-economic projections, service integrity, interoperability and financial considerations. Other criteria for clusterization are global benchmarks, the technology roadmap of the vendor, the economic zones referenced in the government's master plan for economic development (MP3EI) and service quality.

In 2012 Telkomsel's network programs focused on enhancing network coverage, capability, capacity and quality (C3Q) while pushing forward cost leadership initiatives. These are necessary to improve customer satisfaction while coping with an increase in data traffic and sustaining the legacy services.

### COVERAGE AND CAPACITY

In 2012, Telkomsel accelerated the deployment of its radio network capacity, coverage and quality to strengthen core business capabilities and support new business development. The total number of BTS deployed was 11,675 units, averaging close to 1,000 BTS per month, and peaking at 1,357 BTS in July; this was a record-breaking achievement in Telkomsel's history. 50% of the new radio infrastructure was 3G Node-B. This expansion enabled Telkomsel to lead the industry in BTS market share and support 100 Broadband Cities across Indonesia, a key strategic activity to drive growth in mobile data consumption.

### QUALITY

Telkomsel undertook several projects to improve the quality, resilience and flexibility of the Voice and Data core network architecture, such as re-engineering the IP backbone for the Sulawesi-Maluku-Irian Jaya (Sumalirja) and Java areas, signaling resiliency, implementing distributed internet gateways in Pekanbaru, and starting IP FSA implementation in the Java-Bali Nusra area and MSS pooling in the Makassar area.

Quality improvement initiatives were developed in response to emerging needs from the field, particularly in relation to the quality and reliability of power supply apparatus at core and non-core levels, including billing and Data Centers. The technical design, operational guidelines and implementation have been delivered as well.

Strengthening quality for the core business and enhancing the quality of experience for the digital business was developed through a 3-layered strategic optimization policy, which included Pre-Launched Optimization (PLO) to assure the quality of network infrastructure delivery, regular optimization to guarantee that service delivery is meeting customer expectations, and strategic optimization to support strong growth in revenue and profitability through a better quality experience and proper network dimensioning.

To proactively enhance the user experience, we completed the Customer Experience Management (CEM) system which will be continually enhanced in subsequent years by adding more capacity and network elements.

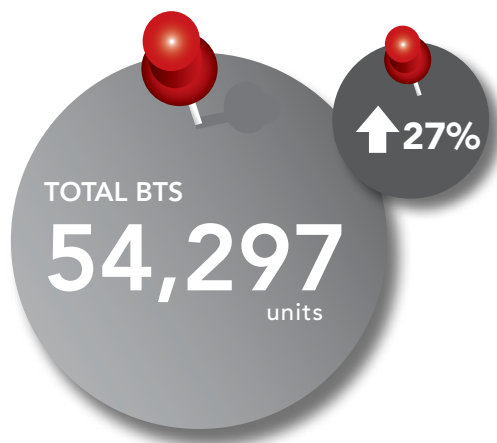
### CAPABILITY

Telkomsel's updated network and technology Master Plan identifies global technology trends and sets out a technology roadmap anticipating regulatory development, along with an investment projection, for the next five years.

In 2012, the technology program continued to focus on the deployment of Radio Access Network (RAN), as well as the implementation of the core and transport strategy and policy. Initiatives included the piloting and assessment of the BTS Hotel/centralized BTS concept. This solution boosts network coverage in locations where tower deployment may not be feasible due to physical constraints or regulatory requirements, and to minimize the number of towers in urban areas.

We also researched various new technologies to increase BTS power efficiency by developing Lithium Battery Standardization with the Agency for the Assessment and Application of Technology (BPPT) and a Cooling Research Project with the University of Indonesia. Other activities included analyzing and preparing service delivery platforms as digital services enablers; conducting a trial of new SIM technology (SIM Comp128\_3 & USIM authentication process); preparing





documents on Telkomsel's strategy for the DNA market in 2012 and Telkom Group Synergy to optimize revenue and cost leadership; assessing Telkomsel's transport technology as an initiative to reduce transmission costs; and defining and executing the IPv6 strategy by activating IPv6 in PS Core, PCC, DNS 64 and NAT 64 and conducting IPv6 testing using mobile handsets to access IPv4 and IPv6 websites.

Other initiatives in 2012 included developing a single RAN to reduce operational and development costs and complexity; maximizing synergy in developing full IP and liquid radio networks; and implementing clustering, modernization and redeployment programs in several regions.

We also implemented a number of product enhancement projects, including WiFi offloads for seamless and captive portal (IRTD); a steering tool for outbound roamers (IRTD), virtual HLR (GLR) for inbound roamers, Roaming Service Controller, and the introduction of Telkomsel Skype for BlackBerry users on the SBC platform.

During the year we also increased revenue opportunities by managing 103 international roaming partners for GSM, GPRS, CAMEL and 3G services in 32 countries. Other significant achievements during the year included ensuring compliance with Government regulations on ISR frequency and safeguarding business continuity by ensuring that all our Data Centers comply with operational standards on infrastructure, power supply, etc.

A number of automation projects were completed, including DARA, a radio network dashboard that collects and correlates information from the radio network to support problem and incident management, improved

response times and reporting; RPT (Radio Provisioning Tools), which serve as a single gate for performing activation and changes on the radio network and serves as a single master database to provide configuration data in real time; an optical network monitoring system for the optical fiber cable network; and Datacomm online, which consolidates all datacomm information and reporting on a single website.

As a telecommunications company, Telkomsel has to ensure the availability and reliability of power systems at all sites. In 2012, we made improvements to Telkomsel Telecommunications Centers (TTC) by re-engineering the power system. This was achieved through a COS (Change Over Switch) usage program aimed at making power supply redundancy for TTC buildings, bus duct redundancy and the addition of mobile generators, and by designing a cooling system room for vulnerable equipment. Other improvements focused on power availability at all sites by rehabilitating power systems such as battery recharge and rectifiers, ATS and power equipment.

In 2012, the concept of microclusters was introduced and promoted to support the network deployment plan. The boundary concept has been accepted as the reference to be used in conjunction with network and other business users. This activity will be continued in the coming year with automation of reporting and display to support any activities requiring geospatial-related information and data referencing.

## INITIATIVES

Cost optimization initiatives are designed to reduce the company's power supply costs to an optimal level and include capacity optimization programs as well as the deployment of new energy-efficient and environment-friendly technologies such as solar cells and micro hydro.

We strengthened the core foundation and enablers to support Telkomsel's digital businesses while continuing to modernize the traditional (voice and SMS) service infrastructure, including HLRi modernization, MKIOS modernization and CS Core modernization.



*The total number of BTS deployed was 11,675 units, averaging close to 1,000 BTS per month, and peaking at 1,357 BTS in July; this was a record-breaking achievement in Telkomsel's history.*

We also enhanced power equipment capacity by installing solar cells and micro hydro power as green energy sources, reengineering the power system and installing DC power rental. In 2012, Telkomsel operated green BTSs in 234 sites, up from 218 sites in 2011.

#### TOWER MANAGEMENT

Telkomsel's towers, sites and other utilities are currently managed through a synergistic arrangement with PT Mitratel, a Telkom subsidiary, under the Telkom-Telkomsel tower co-location program. This synergy also includes network lease and the maintenance of sites, towers and other utilities. The co-location program is aimed at achieving a lower cost of capital ownership and enhancing revenue for Telkomsel. We took the initiative of launching the Telkom Group's Tower Management Security Task Force, which is assigned to review risks in the tower business. We also conducted a tower valuation as part of our drive to address compliance gaps. Working closely with our consultant, we were able to get an accurate insight into the compliance values and the geographical status of each of our tower environments.

## Information Technology

Telkomsel's information technology development strategy is focused on supporting the company's strategic objectives of developing the digital business as the principal source of revenue growth going forward while maximizing opportunities to monetize the legacy businesses of voice and SMS. In so doing, a primary goal is to ensure that we upgrade our technology in line with the demands of the new

business while consolidating our existing infrastructure to support greater efficiency and cost leadership. IT therefore acts not only as a business enabler but is also constantly looking to go beyond expectations by offering proactive solutions.

In 2012 we continued to develop the capacity of our online charging and billing system (OCS) to support a total of 125 million subscribers across Indonesia. Capacity developments were also implemented on the broadband system.

We also further enhanced IT system capabilities in 2012 to support business continuity, as follows:

- Supporting the launch of kartuHalo's HaloFit by upgrading the existing provisioning, charging and billing systems as well as the customer care system to ensure a fully functioning end-to-end service.
- Introducing instant activation for kartuHalo Hybrid through a flexible provisioning system.
- Establishing partnerships with Over-The-Top application (social media and networking chat) providers to support the growing demand for data and mobile broadband access.
- Enabling the success of Telkomsel's segmented campaigns in 2012 by deploying a data warehouse system and a customer analytic system, which are integrated with campaigning platform.
- Supporting new revenue streams through location-based advertising services.
- Ongoing enhancement of existing mobile advertising platforms to ensure the best fit for corporate clients.

We started the IT Transformation program with the aim of creating more proactive IT solutions. The transformation was centered around five major projects: an Online Charging System (OCS), Customer Relationship Management & Contact Centre (CRM & CC), Enterprise Service Bus (ESB), OSDSS (Operational and Strategic Decision Support System), and New Business Platform.

In its third year of implementation, the IT Transformation passed a number of milestones:

#### a. OCS (Online Charging System) Project

Following the successful migration of all prepaid and postpaid subscribers from the previous legacy IN (Intelligent Network) to the convergent prepaid and postpaid OCS system in 2011, this year was a period of stabilization and consolidation. Dynamic product/tariff release is now made possible and localized tariff differentiation can also be executed on a more timely basis.

b. CRM & CC (Customer Relationship Management & Customer Care) Project

The new CRM & CC system is expected to allow for greater innovation in customer care. One of our objectives is to deploy an integrated database for customer touch point channels, which will reduce customer handling time and enable customers to track their complaints or requests more easily. The CRM & CC project is now at the final stage of the design phase and is expected to enter the development phase in 2013.

c. ESB (Enterprise Service Bus) Project

The key objective of the ESB project is to create a platform that can serve as a mediation channel for plug-and-play new/old systems, resulting in a reduced time-to-market for new products. ESB entered the first phase in 2012, which focuses on integrating non-revenue systems so that they can become reusable objects.

d. OSDSS (Operational and Strategic Decision Support System) Projects

The OSDSS project will improve customer profiling and customer analytics as well as enhancing report management to support accurate, timely decision making. 2012 saw the finalization of the design phase for the OSDSS project and it will enter the development phase in 2013.

e. New Business Platform

Like the ESB project, this initiative is designed to create a mediation platform for new business services (mobile advertising platform, mobile money platform, content management, etc) to enable such products to be released to the market more rapidly. We have commenced the first phase of the New Business Platform, to create an end-to-end Content Management Platform.

All the improvements to the IT system are ultimately aimed at ensuring that all Telkomsel services can be used by subscribers all the time, with a minimum of complaints. The Lebaran holiday season always provides a good test of our performance in this respect as SMS, voice and data service traffic during this period doubles or even triples. During the 2012 Lebaran season, all Telkomsel's IT systems were in a state of 100% availability; there were no major incidents during the 14-day holiday period and we also saw improvements in the success rate of the Online Charging System and VAS Provisioning system. The average success rate of the IT system was 99.43%, a strong achievement.

## International Roaming and Interconnection

### INTERNATIONAL ROAMING

With aggressive expansion of our roaming footprint and user-friendly, favorably priced voice, SMS and data roaming solutions, we successfully maintained our lead in this market in 2012. As well as expanding roaming agreements on voice, GPRS, 3G and CAMEL and establishing new roaming partnerships, we were also able to secure special IOTs (Inter Operator Tariffs) with major global operators.

To drive growth in roaming traffic and revenue from international partners, we had 491 international roaming agreements in almost 190 countries, and a total of 394 data roaming agreements in 141 countries by year end. In addition, we established preferential roaming partnerships with more than 65 operators worldwide to maximize inbound traffic, save roaming costs and enhance our retail roaming proposition.

Inbound voice traffic in 2012 grew by 2% to 31.3 million minutes, while outbound traffic grew by 4% to 24 million minutes. Data traffic growth was substantial, at 243% for inbound traffic and 166% for outbound traffic.

Our membership of the Bridge Alliance, an alliance of Asia's leading telecommunications operators, not only facilitated the management of traffic steering among Alliance members but also extended the benefits to Telkomsel's customers abroad, through programs such as Unlimited Bridge Data Roaming and attractive voice-SMS packages. In 2012 the Alliance intensified its focus on improving the customer experience. Each Bridge Member Operator is responsible for delivering the full cycle of customer experience management from subscription and pre-departure to in-country roaming and eventual home arrival.

As well as volume-based pricing (pay-per-use) for data roaming, subscribers can enjoy more extensive coverage and a wider range of data roaming package options, including unlimited data and unlimited BlackBerry roaming, with footprints in 49 destination countries across the Asia Pacific region, the USA, Europe and the Middle East. Starting this year, usage notification and notification of non-preferred network selection are delivered to roamers through SMS alerts to make customers aware of their data usage when they are abroad.

Programs tailored to the growing number of Indonesians travelling to Saudi Arabia for the pilgrimage once again proved to be highly successful revenue and traffic generators. During the 2012 Umroh season (March to August) we launched our Umroh Program with favorably priced voice, SMS and data packages, which successfully drove traffic in Saudi Arabia prior to the Hajj season.

At the start of the Hajj season we relaunched our 'Telkomsel Hajj' local card tariff, which offers calls and texting to Indonesia for Rp5,000/minute and Rp500/SMS, respectively, to serve the more than 200,000 Indonesian pilgrims who went to Saudi Arabia in 2012. This program offers the lowest tariffs and most attractive services, including a free Hajj Call Centre, hosted in Jakarta, and Customer Service Points in Mecca and Medina during the Hajj season, offering voucher top up, roaming feature activation, and SIM Card replacement.

These programs enhanced Telkomsel's brand image and drove growth in voice, SMS and GPRS traffic, yielding a 30% growth in revenue in 2012 Hajj season.

A series of intensive marketing campaigns throughout the year increased customer awareness and strengthened the image of Telkomsel's international roaming products and services. Several were focused on strategic areas, including airports, while digital media campaigns were also extensively used. Loyalty programs included a free Roaming Call Center (1111) for kartuHalo subscribers, which can be accessed from all roaming countries.

To maintain excellent service and quality standards for both outbound and inbound roamers, we regularly conduct extensive quality programs, rigorous testing and BTS parameter optimization at major entry points.

## INTERCONNECTION

Our interconnection management is focused on ensuring customer satisfaction and protecting profitability. To achieve this, our strategy essentially consists of upholding the 'least cost routing' principle in every interconnection by maintaining service quality; maintaining good relations with our interconnection partners; growing revenue and minimizing interconnection out payments by developing a business scheme for voice and SMS services; and optimizing costs, revenue and interconnection business schemes to support our retail products.

In 2012 we implemented a number of programs to execute these strategies. We began by determining the Key Performance Indicators (KPIs) with non-negotiable targets that will serve as the performance parameters for interconnection.

To support the transition to digital lifestyles and the growing demand for broadband, we began to upgrade our interconnection infrastructure from legacy-based (TDM) to IP-based, and conducted a trial of the IP-based interconnection services with our interconnection partners.

We then developed an interconnection business scheme to support retail promo programs for domestic and international calls, and maximized opportunities from the new cost-based SMS interconnection, which has been implemented since June 1, 2012, as additional interconnect revenue for Telkomsel.

Other initiatives aimed at improving performance included monitoring and analyzing our interconnection traffic profile and network performance.



## USO Projects and Special Area Development

Telkomsel's USO Project and Special Area Development activities in 2012 emphasized the development of broadband infrastructure to support the Government's program to bring internet technology to villages and rural areas and also to support the Company's strategy to expand data and digital services.

Telkomsel won a major Universal Service Obligation (USO) contract at the beginning of 2012 to bring telecommunications and IT access to 286 sites along Indonesia's border areas and in its remote outer islands. Telkom is operating the "TELINFO-TUNTAS" Border Areas and Outer Islands Project, which will run until 2017, as the leader of a consortium that includes PT Dayamitra Telekomunikasi ("Mitratel").

Telkomsel also won the right to operate the new "Desa Pinter" (Internet-connected Villages) project, which will provide internet access as well broadband services in 880 villages in North Sumatra, West Sumatra and East Kalimantan until 2017. Each of the assigned villages will receive two computers and a multi function printer, which will be connected to our internet services using BWA (Broadband Wireless Access) and OFDM technology, as well as a wireless access point to allow internet connections for other computers and WiFi-enabled smartphones. Internet services will be provided at an affordable tariff with internet access speeds of 512 Kbps (downlink) and 128 Kbps (uplink) for each village. The rural internet services and infrastructure provided through the Desa Pinter project will enable people in rural communities to access educational and other information that complies with INSAN (Healthy and Safe Internet) principles.

Telkomsel delivers solutions to rural areas where the market is still untapped. Although there is vast potential in such areas, they are challenging. The "Telkomsel Merah Putih" project is delivering communications technology solutions to rural areas, remote industrial areas and marine transportation systems. In 2012, the "Telkomsel Merah Putih" project reached 376 locations including 286 rural villages, 74 rural corporate sites and 16 PELNI ships.

Also in 2012, Telkomsel developed rural value-added services or rural applications that run on SMS, USSD and web platforms. These features are dedicated to individual as well corporate customers who live or operate businesses in these remote areas.

## Synergy

### SYNERGY MANAGEMENT

Telkomsel conducted various synergy activities in 2012 with the Telkom Group, the Singtel Group and other partners. These activities fall into three main categories:

- Synergy Value Enhancement in the Legacy & Broadband Businesses;
- Synergy Value Enhancement in the Digital Business; and
- Synergy Value Enhancement with non-Group strategic partners.

There were more than 40 synergy management initiatives during 2012, 14 of which are now in operation. The Telkom Group recognized our contribution to improving synergy within the Group by awarding us the highest award at the 2012 Telkom Integrated Quality Assurance (TIQA) Awards.

A key development during the year was the creation of the synergy group forum in November 2012, along with the signing of cooperation agreements between Telkomsel and Telkom, Telkomsel and SingTel, and Telkomsel and the Metra Group (a subsidiary of Telkom). Agreements were signed for the following programs: WiFi Flash Zone; Timor Leste Project; SMS Hub; Usee TV; Digital Ecosystem; Mobile Advertising; M-Remittance; Digital Lifestyle; Community Dev; Modern Channel; Cloud Services; and Landing Portal Flash.

### SYNERGY VALUE ENHANCEMENT IN THE LEGACY & BROADBAND BUSINESSES

Several agreements were developed to increase revenue enhancement and drive cost efficiencies. Among these were the following:

- **Infrastructure Synergy** for the development of Core Fiber Optic, Lambda, Metro - E, IPLC, E1;
- **Internet Gateway (IX) Synergy** - a cooperation between Telkomsel and Telkom for the use of broadband and GPRS through a revenue sharing scheme;
- **WiFi Synergy** - a cooperation with Telkom for the provision of WiFi Access Points (AP), in which Telkomsel offered WiFi services and WiFi Mobile Offload (Seamless) services. The key strategic impacts of this project were improved 3G offload traffic, increased broadband revenue and the enhancement of Telkomsel's image as a seamless WiFi service innovator.

**SYNERGY VALUE ENHANCEMENT IN THE DIGITAL BUSINESS**

The Telkom Group and the Singtel Group are putting their full support behind the development of digital mobile services as a strategic synergy program. The synergy in digital mobile development is based on the DNA framework-device, network and application-which is integrated in a single digital ecosystem. Several synergy initiatives have already been carried out, including the following:

- **Telkom Group: UseeTV**, a primetime mobile service with live TV, TVoD, VoD, music and radio; the **Telkom App Store**, which offers mobile commerce and a mobile portal for digital content (applications, music, picture, video, etc.) by driving T-cash e-money as its payment system; **Bandung Digital Valley**, a digital community center and incubator; **Telkom Cloud**, or mobile storage for either personal or business use; and **Mobile Advertising**, which optimizes the entire integrated group inventory.
- **Singtel Group**: support for a range of digital content that has been marketed within the Singtel Group, such as **GupShup**, or SMS-based social media; **Funspot**, social media-based mobile games; and **Amobee**, a mobile advertising platform.

**SYNERGY VALUE ENHANCEMENT WITH NON-GROUP PARTNERS**

Telkomsel has also opened up synergy partnership opportunities to non-group partners who require telecommunications services, making another revenue stream for the Company where it serves as the provider. These programs may be initiated by Telkomsel or by external partners. For example, in August 2012, the Ministry of Religious Affairs and the Telkom Group inaugurated the Hajj Indonesia Call Center. Services can be accessed by dialing 021-500425.

**Human Capital Management**

In line with the need to raise the profile of HR management from operational services to a more strategic role in this dynamic environment, Telkomsel's human capital management function became a fully fledged Directorate in May 2012.

Telkomsel's human capital strategy is designed to be aligned with our business strategy, but goes beyond activities that focus on the employee life cycle or value chain to look comprehensively at transforming Talent & Leadership (People), and Culture & Organization. Telkomsel therefore launched two transformation initiatives in June 2012, namely Business Transformation and Center of Excellence Transformation. HCM has been leading these strategies to transform our organization, people and culture.

The ultimate aim of Telkomsel's human capital strategy is to put in place the right leaders to source, develop and direct the right workforce talent, supported by the right culture, organization and operating model.

**PEOPLE TRANSFORMATION**

Telkomsel is strongly committed to investing in our people as we believe that human capital is one of the key strategic enablers in achieving sustainable competitive growth. With the evolution of our business towards broadband and digital lifestyle services, ensuring that our people have the competencies, professionalism and character to tackle the challenges of the new business landscape is critical to maintaining the company's competitive edge.

The human resources transformation is being effected through an integrated approach that spans recruitment through to leadership development.

- **Recruitment.** The Telkomsel Trainee Program (TTP) identifies and develops talented fresh graduates. We also recruit professionally to strengthen competencies in the broadband and digital lifestyle business. In 2012, to extend our reach to the best talent as the global as well as local level, we launched a new e-recruitment model.
- **Competency development.** Recognizing the value of learning by doing, 70% of our competency development is now implemented through hands-on experience and project assignments and 20% through coaching and mentoring, with just 10% through conventional classroom-based training. Employees are also encouraged to participate in the revitalized knowledge management program, which facilitates knowledge sharing and dialog.
- **Career development.** In 2012, we introduced the Dual Career Track concept to give employees greater flexibility in their choice of career path and to ensure that we have the right talent in the right place. Those who choose the Functional Expert rather than the Managerial route will be given opportunities to upgrade their qualifications at local and global institutions to form the core of centers of expertise in their respective fields.
- **Leadership development.** As part of our commitment to becoming a true learning organization, Telkomsel's emphasis on human capital development as a key growth enabler is underlined by the opening of our new training and development facility, the Great People Development Center (GPDC), in Bandung at the end of 2012, jointly managed with our parent company, Telkom. In line with that, Telkomsel launched the Great People Development Program (GPDP), which is unique in that it places 30% of the focus on developing technical competencies and 70% on character development, reflecting the importance of Telkomsel's key behaviors-integrity, respect, enthusiasm, loyalty and totality-as the company moves forward.



*The transformation of Telkomsel's corporate culture is a central element of the "Great People Great Company" initiative aimed at turning Telkomsel into a global company.*

#### CULTURE TRANSFORMATION

The transformation of Telkomsel's corporate culture is a central element of the "Great People Great Company" initiative aimed at turning Telkomsel into a global company. This process started with communication of the five key behaviors or values all Telkomsel employees are expected to adopt: integrity, respect, enthusiasm, loyalty and totality. We are also fostering a new way of working, which can be summed up as Telkomsel's Working Spirit 3S: Solid, Speed, and Smart. By placing these values and principles at the center of our approach not only to human capital development but to the business as a whole, we aim to ensure that Telkomsel's people have not just the requisite technical skills and competencies but also the strength of character and passion to take the company forward amid the challenges of an increasingly dynamic, unpredictable and competitive business environment.

#### ORGANIZATION TRANSFORMATION

To support the corporate strategy of strengthening our advantage in both the legacy business and the new digital life businesses, the Company is undertaking an organizational transformation program to establish a new organization that focuses on managing the digital life businesses. We began by increasing the number of directorates from five to eight.

With experiential learning now at the core of our competency development concept, Telkomsel has developed opportunities for employees to get exposure in various fields of expertise through external assignments and mentoring, by maximizing synergies with the two parent companies, the SingTel Group and the Telkom Group. Program conducted in 2012 included the following:

- Employee exchange program with the SingTel Group. Sing Tel employees are assigned to Telkomsel to strengthen competencies in various fields such as finance, marketing and information technology, facilitating a transfer of knowledge and exposure to a global work culture. Through this initiative, Telkomsel also gets access to the SingTel Group's human capital development program, including Talent Exchange, Leadership Development and Internship.
- Synergy program with the Telkom Group, consisting of employee exchange, joint recruitment and joint training programs. This allows Telkomsel to access the best talent in the Telkom Group to strengthen competencies at Telkomsel, and provides clear pathways for Telkomsel employees to gain experience through placements elsewhere in the Telkom Group. In 2012, Telkomsel employees were placed in Telkom, Telkom Vision, Telkom Sigma, Infomedia Nusantara, Multimedia Nusantara, Gratika, Dayamitra and Pramindo Ikat Nusantara. In a move to foster entrepreneurship and business leadership, a number of employees were placed in the management of Kisel, the Telkomsel employees' cooperative, at both central and regional levels.

## INDUSTRIAL RELATIONS

A key priority for Telkomsel is maintaining a positive and cooperative working relationship between Telkomsel and the Telkomsel Labor Union, SEPAKAT, as well as with the other key stakeholders, and seeks at all times to operate in the best interest of both the company and the employees. In December 2012 the company successfully concluded the negotiation of a new Collective Work Agreement (PKB) with SEPAKAT.

## Enterprise Risk Management

The telecommunication business landscape is undergoing a fundamental shift from basic services to wireless broadband. The increased availability, functionality and affordability of smartphones have been driving data service usage in recent years and digital services are expected to become a key driver of demand. This transformation is challenging telecommunications operators to be more innovative and strategic in bringing new services to the market. Besides the challenge of staying ahead of technological developments, corporate concerns are also focused on government regulation, business processes and competitors' actions, particularly with regard to data services.

Opportunities and risks go together, and the Company needs to manage the risks to ensure the achievement of its strategic objectives. Telkomsel has put in place a framework for identifying and managing risks. The ERM Group conducts an ongoing review and assessment of business and strategic risks and works with the respective business units to design mitigation plans. Telkomsel's corporate risk register identifies the main Corporate Wide Risks (CWR) and prioritizes them on the basis of a risk level analysis. The risk register is regularly updated to take into account the latest corporate objectives and emerging issues, while risk management objectives are aligned with the corporate strategic objectives. Telkomsel has determined the top Corporate Wide Risks, which fall into four categories:

### 1. People Risk

With the changes in the business landscape, technology and our future business model, the sustainability of the business will be increasingly determined by the ability of our human capital to create value for the company by continuously delivering service excellence and new products and services that satisfy both customer demands and the shareholders' interests. Management is addressing this by developing competencies and empowering employees, through the Human Capital Roadmap towards the achievement of "Great People Great Company".



## 2. Strategic Risk

To monetize the momentum of the rapid growth in data services, Telkomsel is challenged to provide larger data capacity at optimum cost. Telkomsel has addressed this by setting out a spectrum frequency roadmap, which includes optimizing the GSM and DCS spectrum, acquiring additional 3G spectrum and advocating the LTE frequency spectrum requirement.

## 3. Operational Risk

With more than 120 million customers, Telkomsel has deployed an Online Charging System (OCS) as the central system for billing and charging for all our postpaid and prepaid customers. OCS reliability and capability is a key to successful service delivery, customer satisfaction and revenue achievement. To this end, we have provided additional resources and capacity to ensure service standards are met.

## 4. Compliance Risk

Telkomsel's Good Corporate Governance policy addresses guidelines for the governance of partnerships with stakeholders, including the press, customers and the government. We have also strengthened our internal control system to improve business effectiveness, efficiency and compliance, and we perform an annual fraud risk assessment.

In addition to managing corporate risks, ERM has also formulated policies to address good corporate governance and the implementation of business continuity management, and launched a new business initiatives policy. As one of our parent companies,

Telkom, is listed on the New York Stock Exchange, Telkomsel has implemented Internal Controls over Financial Reporting (ICoFR). Transactional Level Controls (TLC) for financial reporting purposes are regularly updated, with adjustments typically driven by technological advances in service delivery and business processes; organizational change; and accounting policy changes. The internal and external auditors regularly examine the control system as a basis of financial statement assertion.

Managing fraud risks has become a critical element in our governance framework. Like the Risk Register, the Fraud Risk List is continuously updated and shared with employees to increase awareness and vigilance so that issues can be followed up in a timely manner. The ERM Group maintains close relationships with all business units to reduce the threat of fraud.

We are continuously evaluating and improving the risk management process. There is strong support from the management, exercised through an understanding of the business process, risk governance at the operational level, collaboration with business unit owners, and supervision by the Audit Committee.




**PEMBAYARAN**

**kartuHalal**

**PLN Pasca L**

**Telkomvision**





Paying your **electricity bill** is as **easy** as sending a text message with Telkomsel's TCash – a digital payment service that delivers **maximum convenience** by allowing you to make purchases and payments through your handset, wherever you are

# Management Discussion and Analysis

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*Our customer base, operating revenues and net income recorded double digit growth in 2012, surpassing our 2011 results.*



## Global and Indonesian Economic Conditions

The economic crisis in Europe continued to impact the global economy in 2012, with growth slowing down and several European countries even experiencing negative growth. In Asia, the effect was felt in the form of reduced private investment and slowing exports, prompting a shift towards domestic consumption as the backbone of economic growth in the region's emerging markets.

For these emerging markets, including Indonesia, the impact of the global economic slowdown was felt principally in subdued demand for commodity exports, although mining exports continued to show growth. This, combined with strong domestic demand, allowed Indonesia's growth to remain at a healthy rate of more than 6% for the year.





The pressure on global economic growth is expected to ease somewhat in 2013, leading to an improvement in the country's export performance. Macro economic stability and the considerable market potential continue to generate confidence in investment sustainability, and with robust domestic demand and rising exports, imports are also expected to increase.

## Business Review and Outlook for Indonesia's Telco Industry

The telecommunications industry in Indonesia continued to show strong growth in 2012, even though SIM card penetration had exceeded 100% of the population in 2011. By end of 2012, the market grew to reach more than 110% of the population. With the growth of demand in data services and digital lifestyle trends such as the

growth in mobile data, digital entertainment and cashless payments, and the estimated smartphone penetration of below 20%, there is still ample scope for the industry to grow. The key challenges remain growth, convergence, business transformation, technological change and regulatory pressures.

Although the digital services market in Indonesia is currently small—some Rp2 trillion in 2012—it is expected to reach up to Rp72 trillion by 2015, fueled by the mass adoption of digital services, rising enterprise demand for mobile ICT solutions and a shift in advertising spend to digital/mobile channels. Indonesian consumers have demonstrated a healthy appetite for mobile data: nearly half of internet users access the web through mobile devices and Indonesia has among the highest rates of mobile social network use in the world. As increasingly affordable smartphones and tablets come on to the market, this will only increase.

Revenue from data services escalated significantly between 2007 and 2012, supported by rapid increases in 3G and smartphone penetration. As penetration continues to rise and prices per mega byte fall, data usage will grow further.

To adapt to the realities of the market and meet the rising demand for data, mobile operators now need to expand their networks to offer enhanced voice, video and data services, and they will need the flexibility to combine applications and consolidate networks onto a common service layer. As a result, telcos will be focusing on strategic technologies in 2013. These are technologies that impact the organization's long-term plans; they may be existing technologies that have matured and are now suited to a wider range of uses; or they may be emerging technologies that could offer a strategic business advantage for early adopters.

Other factors are regulation and competition, not only among operators, but also from digital/OTT players. Players such as Facebook, Google and Yahoo, for example, have captured majority share of the online advertising market. At the same time there are many fragmented players engaged in non-cash payments and retail, while digital media is dominated by illegal file-sharing. On the regulatory front, the 3G/LTE spectrum auction and 2G-to-4G re-farming regulations will have an impact on the industry in Indonesia.

Challenges notwithstanding, the opportunities for the telecommunications industry are substantial, but to capture them operators will be called upon to harness market growth with differentiated offerings focused on key target segments, and optimize their capex through effective spectrum strategies.

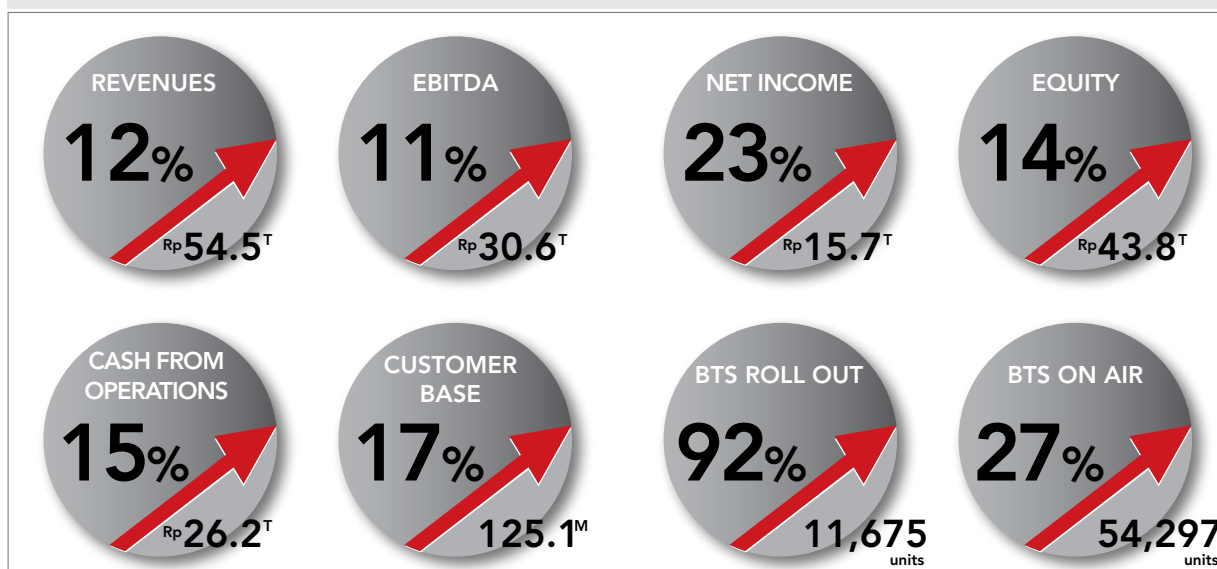
## Overview of 2012 Performance

Our customer base, operating revenues and net income recorded double digit growth in 2012, surpassing our 2011 results. We were also able to maintain Telkomsel's position as the largest national licensed cellular provider in Indonesia, with an approximately 45% share of the full-mobility cellular market.

Telkomsel added 18.13 million new customers, bringing the total customer base to 125.15 million at the end of 2012, a 17% increase year-on-year. A key growth driver was the tremendous increase in data users, as reflected by customer bases for Flash, which grew 100% to 11 million users, and BlackBerry, which grew 83% to 5.8 million customers. In total, the number of data users grew more than 37% to close to 55 million customers. There was also substantial growth in traffic in 2012, with a 13% increase in SMS traffic to 252.8 billion units, while data traffic grew 84% to 51.9 petabytes and Minutes of Use (MoU) increased 11% to 184.8 billion minutes.

This generated a 12% growth in revenues to Rp54.53 trillion, while expenses (including depreciation) grew 8% to Rp33.54 trillion. Meanwhile, EBITDA grew 11% to Rp30.56 trillion while Net Income reached Rp15.72 trillion, a growth of 23%.

### DOUBLE DIGIT GROWTH



## Operational Results

### CUSTOMER BASE

In 2012, Telkomsel successfully added 18.13 million customers to its subscriber base, a 39% improvement on our 2011 performance. This growth was fully attributable to prepaid products, with Kartu As as the main contributor through the 'Kartu As WOW' campaign, which drove the highest growth in 2012.

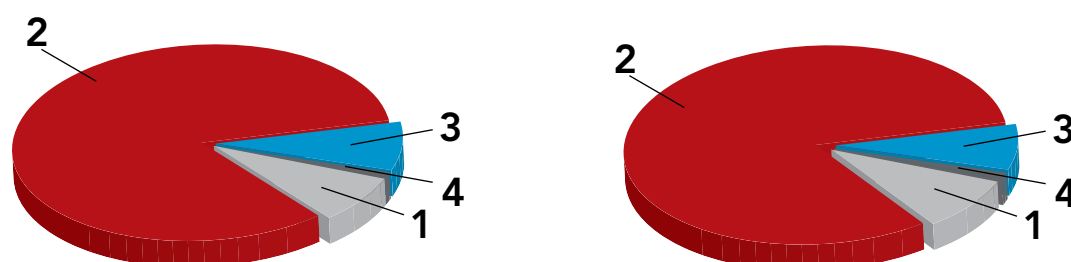
The total customer base at the end of 2012 increased 17% from the prior year to 125.15 million,

consisting of 2.15 million postpaid and 123 million prepaid customers. At the end of the year Telkomsel continued to dominate the full mobility market with a 45% share.

### ARPU

Cellular operators have reported a decline in ARPU over recent years as a result of competition on pricing and penetration to the lower end of the market, as well as the impact of the multiple SIM card holder phenomenon. Telkomsel's blended ARPU fell 5% to Rp37,000 in 2012.

CONTRIBUTION (%) OF EACH REVENUE ITEM



2012		2011
7.8%	1. Postpaid	8.9%
83.2%	2. Prepaid	82.1%
8.0%	3. Interconnection & International Roaming	7.9%
1.0%	4. Others	1.2%

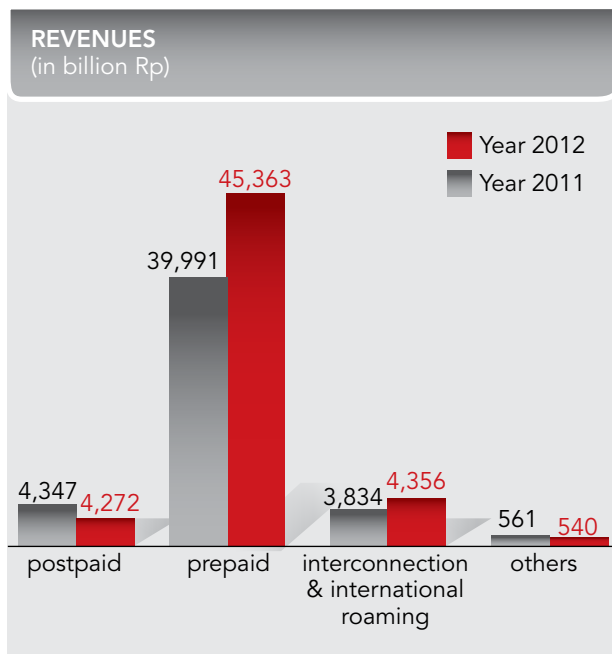
### MINUTES OF USE (MOU) AND REVENUE PER MINUTE (RPM)

MoU production grew 11% in 2012 to 184.8 billion minutes on the back of customer base growth. Revenue per minute fell 2% to Rp159 due to the impact of competition.

### SMS AND REVENUE PER SMS (RPS)

SMS traffic in 2012 rose 13% to 252.8 billion SMS units, driven largely by the growth in the customer base. Revenue per SMS showed an improvement in 2012, growing 4% to Rp48.

## Financial Results



Telkomsel's revenues increased 12% year-on-year (YoY) to Rp54.53 trillion, almost doubling last year's growth rate, due to the strong growth of our data services. Revenue growth was still driven mainly by our prepaid products, which contributed 83% to total revenues.

- Postpaid revenue slipped 2% YoY to Rp4.27 trillion, mainly due to the decrease in revenue from voice.
- Prepaid revenue grew 13% YoY to Rp45.36 trillion in FY12 mainly driven by increase in data and voice revenues.
- Interconnection and international roaming revenues increased 14% YoY to Rp4.36 trillion, contributed by the implementation of SMS interconnection charging that commenced in June 2012.

Telkomsel's non-voice (SMS, data & VAS) revenues grew 18% to approximately Rp21 trillion. This contributed 38% to total revenues, increasing from 36% in 2011. The major contribution to the growth of non-voice revenues was from data revenue growth. We saw strong revenue growth in data services in 2012 (50% growth to Rp7.7 trillion, accounting for 14% of our total revenues) in line with the growth in data users.

### EXPENSES

For the year ended 2012, expenses increased by 8% YoY lower than revenue growth of 12%.

EXPENSES (in billion Rp)	2012	2011	Growth
Operation & maintenance	11,399	10,312	11%
Depreciation	9,432	10,016	-6%
Cost of services	3,941	3,131	26%
Interconnection	3,244	2,701	20%
Personnel	2,270	1,901	19%
Marketing	2,161	2,201	-2%
General & administrative	952	938	1%
Others - net	139	(135)	203%
<b>Total Expenses</b>	<b>33,538</b>	<b>31,065</b>	<b>8%</b>

- Personnel expenses increased 19% YoY to Rp2.27 trillion. This was largely due to the organizational restructuring program in line with the strategic objective of building the foundations for the digital business. Related factors included increases in salaries and employee benefits (pension, long-service awards and long service leave).
- Operation & maintenance expenses grew 11% YoY to Rp11.40 trillion, resulting from an increase in network-related expenses to support infrastructure growth.

(in billion Rp)	2012	2011	Growth
Frequency	2,904	2,694	8%
Transmission	2,649	2,625	1%
Repair & Maintenance	2,157	1,964	10%
Others	1,896	1,259	51%
Power Supply	1,793	1,769	1%
<b>Total Operation &amp; Maintenance</b>	<b>11,399</b>	<b>10,312</b>	<b>11%</b>



- General & administration expenses increased slightly by 1% YoY to Rp952 billion mainly due to higher expenses for training & development and professional fees.
- Interconnection charges increased 20% to Rp3.24 trillion, largely as a result of the implementation of SMS interconnection charges.
- Cost of services grew 26% to Rp3.94 trillion mainly due to an increase in data access fees in line with the growth of the data business.
- Depreciation expenses decreased 6% YoY to Rp9.43 trillion, mostly due to changes in the estimated useful life of towers.
- The current assets increase of 38% to Rp13.58 trillion was mainly from short-term investments in the form of time deposits.
- Fixed assets increased slightly 1% to Rp46.48 trillion as a result of network infrastructure growth combined with assets disposal and accelerated depreciation of fixed assets in relation to the modernization of our network infrastructure and supporting equipment.
- Current liabilities decreased 7% to Rp13.04 trillion, due mostly to a decrease in accrued liabilities and a decline in current portion of the loans balance.
- Non-current liabilities declined 5% to Rp6.05 trillion mainly due to payments of medium and long term loans.

#### EBITDA AND PROFIT

EBITDA increased by 11% YoY to 30.56 trillion, while the EBITDA margin slightly declined to 56%. Net income climbed 23% YoY to Rp15.72 trillion.

As of December 31, 2012 Telkomsel had Rp3.48 trillion in outstanding loans, of which Rp1.47 trillion was presented as current liabilities and Rp2.01 trillion as non-current liabilities.

#### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Total Assets increased 7% to Rp62.92 trillion. Total liabilities decreased 6% to Rp19.09 trillion, while total equity increased 14% to Rp43.83 trillion.

#### CAPITAL EXPENDITURES AND CASH FLOWS

We recorded a 15% increase in net cash generated from operations in 2012 to Rp26.23 trillion. Cash flow for investment activities increased 76% to Rp13.53 trillion, consisted of Rp9.6 trillion fixed-assets acquisition and Rp4 trillion short-term investment. Net cash used in financing activities fell 40% to Rp2.29 trillion.

In billion Rp	2012	2011	Growth
Cash Flow from Operating Activities	26,229	22,824	15%
Cash Flow from Investing Activities	(13,528)	(7,665)	76%
Cash Flow from Financing Activities	(2,291)	(3,812)	-40%
Cash Dividend	(9,900)	(8,351)	19%
Net Increase in Cash & Cash Equivalents	510	2,996	-83%
Effect of Exchange Rate Changes on Cash and Cash Equivalents	54	5	980%
Cash and Cash Equivalents at Beginning of Year	4,223	1,222	246%
Cash and Cash Equivalents at End of Year	4,787	4,223	13%
Addition to Fixed Assets (incl. CIP)	10,656	8,459	26%

#### LOANS

Telkomsel has to observe certain agreed financial covenants related to its loans/debts. As of December 31, 2012, these covenants were as follows:

	Covenants t/b maintained	Required	Actual
Bank Loans	EBITDA to debt service	≥1.25	11.74
	debt to tangible net worth	≤ 2.00	0.08



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# Good Corporate Governance

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*The implementation of GCG in the company is built around the five core principles of responsibility, accountability, transparency, independence and fairness.*



Telkomsel is fully committed to applying best corporate governance practices in every aspect of our operation in order to defend the profitability and sustainability of our business and create long-term value for our shareholders and stakeholders.

Moreover, our commitment to Good Corporate Governance (GCG) assures Telkomsel's compliance with Company Law No. 40/2007 and certain aspects of the United States Sarbanes-Oxley Act (SOA) as required in our capacity as a subsidiary of PT Telekomunikasi Indonesia Tbk (Telkom), whose shares are listed on both the Indonesia Stock Exchange (IDX) and the New York Stock Exchange (NYSE).

The implementation of GCG in the company is built around the five core principles of responsibility,





accountability, transparency, independence and fairness. Below are some examples of how these principles are applied in our business, at both corporate and individual levels.

**Responsibility:** clearly defined responsibilities for each member of our management and staff; responsible decision making with regard to the company's and stakeholders' interests and assets; responsible management of risks; exercising social and environmental responsibility.

**Accountability:** readiness to explain and take responsibility for any and all actions and conduct, including on the part of the management to the Board of Commissioners and by the Board of Commissioners to the Shareholders; compliance with relevant rules

and regulations; implementing the recommendations of the external and internal auditors.

**Transparency:** full and timely disclosure of information on our financial and operational performance.

**Independence:** conflict of interest in the management of the company is minimized or avoided; the Board and management act independently in the best interests of the company, free from the influence of other parties

**Fairness:** equal treatment of all shareholders; objective, unbiased treatment of employees, including in terms of performance assessment, career advancement and access to information; giving due consideration to the interests of all stakeholders, including customers, employees and suppliers.

## Code of Conduct

Telkomsel recognizes that it needs to conform to the highest ethical standards in doing business. Our Code of Conduct defines the standards of behavior that are expected of our employees as they carry out their activities within the company and interact with our customers, partners, suppliers and the public. All employees are required to sign the Code of Conduct.

## General Meeting of Shareholders

The General Meeting of Shareholders possesses all other authorities not granted to the Board of Directors and to the Board of Commissioners. The Board of Commissioners and Board of Directors report to the shareholders at the Annual General Meeting of Shareholders, as required by the Articles of Association, while Extraordinary Meetings may be held when necessary to take decisions for the interest of the company.

## Board of Commissioners

Telkomsel's Board of Commissioners exercises oversight over the execution of the Company's strategies and governance. Specifically, its responsibilities are to:

- Supervise the Board of Directors' management of the company;
- Supervise the implementation of the company's long-term business strategy;
- Oversee the effectiveness of the company's good corporate governance practices, including risk management and internal controls;
- Monitor the performance of the business;
- Provide direction, recommendations and guidance for the Board of Directors in managing the company's business.

The Board of Commissioners comprises the President Commissioner and five other Commissioners, in accordance with the Articles of Association. The Commissioners are elected by the General Meeting of Shareholders, which also reserves the right to dismiss them.

### MEETINGS OF THE BOARD OF COMMISSIONERS

The Board of Commissioners meets at least once every three months, and any other time at the request of any one of the Commissioners or shareholder(s) who represent at least 1/10 of the total issued shares of the company with valid voting rights. As part of its duty of oversight, the Board of Commissioners also meets periodically with the Board of Directors. In 2012, the Board held 7 meetings.

## Board of Directors

Telkomsel's Board of Directors is responsible for the management of the company and the execution of its strategy. Specifically, this responsibility involves:

- Managing the day-to-day business of the company;
- Formulating Telkomsel's Business Plan;
- Preparing the annual budget;
- Preparing the Annual Report to Shareholders;
- Ensuring the effective governance of the business to give value to the shareholders and stakeholders;
- Representing Telkomsel in any legal cases.

The Board of Directors comprises eight members, one of whom is the President Director. According to the Articles of Association, Telkom, as the majority shareholder, is entitled to nominate five Directors, while SingTel Mobile is entitled to nominate three Directors. The Directors are elected for a specified term by the General Meeting of Shareholders.

### MEETINGS OF THE BOARD OF DIRECTORS

Pursuant to the Articles of Association, the Board of Directors must meet at least once every two months or whenever requested by any of the Directors or by any of the Commissioners or by shareholder(s) who represent at least 1/10 of the total issued shares of the company with valid voting rights. The Board of Directors also has joint meetings with the Board of Commissioners at which it reports on business performance and may seek necessary approval for corporate actions. The quorum for the meetings of the Board of Directors is four members, including one Director nominated by each shareholder of the company that possesses at least 10% of the total issued shares of the company.

### REMUNERATION

The remuneration for members of Telkomsel's Board of Commissioners and Board of Directors is determined by the General Meeting of Shareholders on consideration of the recommendations from the Remuneration Committee. None of the Board members receive any fees for attending Board meetings. For the year ended December 31, 2012, the aggregate compensation paid by Telkomsel to all Commissioners and Directors was approximately Rp43.5 billion.

### CONFLICT OF INTEREST

Telkomsel has put in place a policy on preventing and mitigating conflicts of interest. Members of the Board of Directors are not permitted to have other positions outside Telkomsel that could directly or indirectly give rise to a conflict of interest with Telkomsel and/or that could violate the existing laws and regulations. Pursuant to the Articles of Association, in a situation in which one of Telkomsel's Directors has a conflict of interest, he or she shall be represented by another Board member. In the event that all the members of the Board of Directors are involved in a conflict of interest, they will be represented by the Board of Commissioners.

### FAMILY RELATIONSHIPS

None of the current members of the Board of Commissioners and Board of Directors has a familial relationship with any other member.

Telkomsel's Audit Committee is chaired by Priyantono Rudito and the members are Paul O'Sullivan, Agus Suryono and Maria Sawitri.

### REMUNERATION COMMITTEE

The Remuneration Committee is responsible to the Board of Commissioners for assessing and recommending remuneration systems and packages that are capable of attracting and retaining people with the right talents and competencies to support the company's strategic objectives. The remuneration proposal for the Commissioners and Directors is presented at the General Meeting of Shareholders for approval.

The Remuneration Committee is chaired by Muchlis Moechtar, with Yuen Kuan Moon and Priyantono Rudito as members.

### CAPEX, FINANCING AND MANAGEMENT PROCESS (CFMP) COMMITTEE

The CFMP Committee reviews Telkomsel's capital expenditure planning and management processes, financing policies and plans, capacity management, supply chain and operational target setting, and reports to the Board of Commissioners with findings and recommendations. To fulfill its function, the Committee maintains ongoing interaction with the relevant members of the Board of Directors and senior managers.

The CFMP Committee is chaired by Rizkan Chandra, and the members are Yuen Kuan Moon, Heri Supriadi and Setyanto Hantoro.

## Committees

Three committees assist the Board of Commissioners to oversee and assure the company's governance.

### AUDIT COMMITTEE

The Audit Committee provides assurance on financial governance. It is responsible for reviewing the effectiveness of Telkomsel's financial reporting processes and audited consolidated financial statements, reviewing the company's internal control and risk management functions and communicating with the external auditors during the audit process. It also holds regular meetings with the Internal Audit Group to discuss findings and how they will be remediated.

## Investor Relations

In the interests of transparency and fairness, Telkomsel's Investor Relations is responsible for maintaining the flow of accurate and complete information to shareholders and stakeholders about our activities, strategies and performance. As well as the Annual Report, the Investor Relations team prepares quarterly Info Memos, which can be found in TELKOM's quarterly Info Memo. Together with our parent companies, we take part in roadshows and conferences, investor meetings and site visits.

Corporate information can also be found on Telkomsel's website, [www.telkomsel.com](http://www.telkomsel.com).

## Internal Audit

Telkomsel's Internal Audit Unit (IAU) supports our operations by monitoring and assessing our business processes and governance to identify any threats to continuity and sustainability. The Internal Audit Charter sets out the vision, objectives and scope of work of the IAU and defines its accountability, independence, responsibility, authority and reporting requirements. Specifically, the IAU is responsible for:

- a. Providing independent, objective assurance and consulting activities aimed at adding value and improving the organization's performance;
- b. Providing support to the Company to accomplish its business objectives by introducing a systematic and disciplined approach to evaluating and improving the effectiveness of the Company's risk management, control and governance processes;
- c. Assisting management and the Board of Commissioners, via the Audit Committee, by providing analysis, recommendations, advice and information on the activities under review.

Many of the IAU's audit projects in 2012 were directly related to supporting Telkomsel's strategic objective of strengthening broadband infrastructure in readiness for the digital lifestyle era:

- **Mobile Content**

Taking into account internal control effectiveness and regulatory compliance, this audit focused specifically on improving the business process for mobile content.

- **VAS & Telco Infrastructure Logical Security Audit**

This audit focused on improvements to the business process and internal control in the IT and Network element. Rapid growth in the digital business has increased the need for effective control over the logical security of our VAS and telco infrastructure. Our audit provided recommendations on improvements to logical security.

- **Network Performance**

This audit covered improvements to the business process for network broadband performance enhancement.

Additional audit projects covered operations (tower management, procurement, billing, etc.); finance (collection, product costing benchmarking, reviewing management override, assisting the external audit, etc.); and SOA (transactional and entity level controls and general IT controls). We also provided consultancy services on the whistleblower mechanism, as well as managing a number of additional unscheduled audit assignments.

Several internal improvement projects were undertaken, such as updating the audit manuals and developing Telkomsel's Audit Universe data update and monitoring system to support risk-based audit approaches, and preparing staff for the CISA professional exams. The IAU also successfully hosted the 2012 Regional Chief Audit Executive (CAE) Forum in Yogyakarta for all the Internal Audit groups of SingTel's regional mobile associates.

## Regulation and Compliance Issues

### MATERIAL LITIGATION

The following cases had a significant impact on the company in 2012:

#### 1. SMS Cartel

Based on an investigation into the allegation of SMS cartel practices by Telkomsel and eight other local operators, the Commission for the Supervision of Business Competition ("CSBC") in its decision dated June 17, 2008, decided that Telkomsel and five other local operators were proven to have violated article 5 of Law No. 5/1999 by entering into a cartel. Telkomsel was charged a penalty of Rp25 billion.

Management believes that there were no such cartel practices that led to a breach of prevailing regulations. Accordingly, on July 11, 2008, Telkomsel filed an objection with the court.

Since the operators filed the case in various courts, CSBC requested the Supreme Court ("SC") to consolidate the cases at the Central Jakarta District Court ("CJDC"). Based on the SC's decision letter dated April 12, 2011, the SC appointed CJDC to examine and adjudicate the case.



Currently, Telkomsel has not received any notification from the court.

## 2. Dispute between Telkomsel and PT Prima Jaya Informatika

On July 16, 2012, PT Prima Jaya Informatika, a distributor of Telkomsel's pulse reload vouchers, filed a bankruptcy petition against Telkomsel at the Central Jakarta District Court on the basis of:

- a claim on overdue receivables from Telkomsel amounting to Rp5.26 billion which represented undelivered pulse reload vouchers based on orders covered by purchase orders.
- receivables of another company from Telkomsel.

On September 14, 2012, the Central Jakarta District Court ("CJDC") accepted the petition.

Telkomsel contested that the payables to the other company had been paid and that PT Prima has no right to claim any receivables from Telkomsel, considering that the company has not made any deliveries to Telkomsel on its orders and it has breached the terms and conditions stipulated in the above-mentioned agreement. Therefore, the requirement for a bankruptcy petition should not have been met.

Telkomsel appealed to the Supreme Court ("SC"). The SC, based on its verdict on November 21, 2012, revoked the decision of the CJDC which accepted the bankruptcy petition. The SC's verdict was formally delivered to Telkomsel on January 10, 2013, by CJDC.

On January 31, 2013, Telkomsel was notified by the CJDC that on January 29, 2013, PT Prima filed a judicial review to the SC on the SC's verdict dated November 21, 2012. Telkomsel believes that the SC has made a proper decision; accordingly, it filed a contra-memorandum to the SC on February 7, 2013. Currently, the judicial review is still in process. The decision of the SC is expected to be made in April 2013.

## REGULATORY MANAGEMENT

To ensure the continuity of our business, Telkomsel is committed to maintaining a positive and cooperative relationship with the regulatory authorities at both central and regional government levels, as well as with related national and international institutions and associations. We report regularly to the regulator in line with the terms of our licenses.

We continually monitor our compliance with existing regulations while actively monitoring regulatory developments related to our business. Both on our own and through our participation in the national Study Group on Regulatory Issues and other industry forums, we conduct studies and provide input on planned regulations that will influence our business, such as mobile money services, preparations for LTE implementation, and so on.



The successful implementation of the new cost-based SMS interconnection regime has promoted fair and healthy competition and reduced the incidence of SMS fraud and spam. Telkomsel provided substantial input into the development of this regulation.

In compliance with the Government's requirements on IP v6 readiness at the core network, transmission and application & service levels, we had passed Phase 1 and the first stage of Phase 3 of the IPv6 Readiness Assessment by the end of 2012.


## Whistleblower

Telkomsel has a whistleblower policy to allow employees or other parties to report any violations of the corporate code of conduct, unethical behaviour or suspected or actual fraud to Telkomsel's Audit Committee. All such reports are followed up and special or investigative audits are performed where necessary.





Even if you're away, you don't have to miss a thing - bring the family together with a **video call** to **share** the days' news



*Whether you need to communicate, interact, access or share, Telkomsel is there to deliver all your digital lifestyle needs, anywhere, anytime.*

# Report on CSR

“

*This year we took our previous Corporate Social Responsibility initiatives several steps further, using the power of technology to address real needs in the community.*



Being at the forefront of Indonesia's telecommunications, information and communication technology industry, we are fully aware of the role that technology can play in improving the community's social and economic well being. This year we took our previous Corporate Social Responsibility initiatives several steps further, using the power of technology to address real needs in the community.

## Education

In 2012, we reached a total of 20,000 students through our 'Integrated Digital School' program in 22 junior high schools. This program was designed to enhance educational facilities using information and communications technology (ICT).

To facilitate school administration, we implemented digital attendance record systems, networks and





applications and provided smart cards for attendance. In each school, we also handed over a range of software and hardware to facilitate and enrich the teaching-learning process, including digital information and smart phones that are integrated with the teaching materials. To ensure that students and teachers get the most out of the new facilities, we provided basic training on ICT as well as demonstrations and tutorials on the use of the applications we provided.

hit areas. In 2012 we strengthened the function of our integrated media center by enhancing disaster mapping systems and communication information applications, while the introduction of RANGER 10, Telkomsel's mobile BTS, resulted in significant improvements to network availability and reach in disaster areas. An additional focus during the year was building our network team members' skills in various aspects of disaster management, particularly information processes.

## Emergency Response

In the two years since it was first deployed, the Telkomsel Emergency Response and Recovery Activity (TERRA) has consistently strengthened its capacity to mount an effective emergency or disaster response. TERRA's principal function is to support the Network Operation team in accelerating the recovery of Telkomsel's telecommunication services and networks in disaster-

## Social Development

In 2012, Telkomsel continued to provide active support for the Government's initiative to accelerate the achievement of the MDGs (Millennium Development Goals) in Indonesia by 2015. Working in four districts, all in Telkomsel's operational areas, we focused on the following MDG pillars: improving access to clean water and sanitation (MDG 7); gender



equality and entrepreneurship (MDG 3); improving maternal health and the quality of children's nutrition (MDGs 4 and 5); and environmental conservation (MDG 7). The program is designed to develop the economic potential of each region, creating high-value output and strengthening the domestic economy. This MDGs program is conducted for one year in each program location.

The pilot project for this program was launched in 2011 in Medan Belawan District in the city of Medan, North Sumatra. The main activity was the revitalization of the village health center, with the aim of improving the quality of mothers' and children's health. Other locations followed in 2012, including Kendal in Central Java, Cianjur in West Java, and Makassar, the capital city of South Sulawesi. To generate awareness, boost visibility and increase the penetration of the program, we established a small secretariat office in each location, which serves as a public information center.

Our longstanding commitment to investing in community empowerment has earned recognition. This year, Marketing Mix awarded Telkomsel its 'Best Indonesian Public Relations Program of the Year 2012' title for our CSR program. The Government has also shown its appreciation for our efforts. In 2012 we won Community Empowerment (GKPM) Awards in the following categories: MDG 1 (Eradicate Extreme Poverty and Hunger) for the Empowering Household Micro Enterprises Program, which won a Gold award, MDG 4 (Reduce Child Mortality) for the Health Services for Under-5s Program, which also won Gold, and MDG 7 (Ensure Environmental Sustainability) for the Creating Access to Clean Water and Sanitation Program, which won Silver. These awards are organized by the Corporate Forum for Community Development (GKPM) in cooperation with the Coordinating Ministry for Social Welfare.



# Responsibility for the 2012 Annual Report

This Annual Report including the accompanying consolidated financial statements and related financial information for the year ended December 31, 2012 was authoritatively signed by members of the Board of Commissioners and the Board of Directors of PT Telekomunikasi Selular.

Jakarta, February 28, 2013

## BOARD OF COMMISSIONERS



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President Commissioner



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President Director



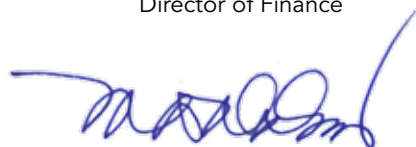
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Director of IT



**ALISTAIR D. JOHNSTON**  
Director of Marketing

# Abbreviations

<b>3G</b>	Third Generation	<b>ICT</b>	Information & Communication Technology
<b>ARPU</b>	Average Revenue Per User	<b>IDD</b>	International Direct Dialing
<b>ATM</b>	Automated Teller Machine	<b>IPv</b>	Internet Protocol Version
<b>BBM</b>	BlackBerry Messenger	<b>IT</b>	Information Technology
<b>BOC</b>	Board of Commissioners	<b>LTE</b>	Long Term Evolution
<b>BOD</b>	Board of Directors	<b>M2M</b>	Machine to Machine
<b>BTS</b>	Base Transceiver Station	<b>Mbps</b>	Mega byte per second
<b>CFMP</b>	Capital Expenditure, Financing and Management Process	<b>MDGs</b>	Millennium Development Goals
<b>COS</b>	Change Over Switch	<b>MKIOS</b>	Mobile KIOS
<b>CSR</b>	Corporate Social Responsibility	<b>MOU</b>	Minutes of Usage
<b>DCS</b>	Digital Cellular Service	<b>NSP</b>	Nada Sambung Pribadi
<b>DNA</b>	Device-Network-Application	<b>OCS</b>	Online Charging System
<b>DSTK</b>	Dynamic SIM Tool Kit	<b>PSTN</b>	Public Switched Telephone Network
<b>EBIT</b>	Earnings Before Interest and Tax	<b>RANGER</b>	Ramp up Availability Network and General Recovery
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation, and Amortization	<b>RPM</b>	Revenue Per Minute
<b>EDC</b>	Electronic Data Capture	<b>RPS</b>	Revenue Per SMS
<b>EDGE</b>	Enhanced Data for GSM Evolution	<b>SIM</b>	Subscriber Identification Module
<b>ERM</b>	Enterprise Risk Management	<b>SMS</b>	Short Message Service
<b>GB</b>	Gigabytes	<b>SOA</b>	Sarbanes- Oxley Act
<b>GCG</b>	Good Corporate Governance	<b>SSID</b>	Service Set Identifier
<b>GPRS</b>	General Packet Radio Services	<b>TVC</b>	TV Commercial
<b>GraPARI</b>	Graha Pari Sraya	<b>USO</b>	Universal Service Obligation
<b>GSM</b>	Global System for Mobile Communication	<b>USSD</b>	Unstructured Supplementary Service Data
<b>HCM</b>	Human Capital Management	<b>VAS</b>	Value Added Service
<b>HLR</b>	Home Location Register	<b>VPN</b>	Virtual Private Network
<b>HSDPA</b>	High Speed Downlink Packet Access	<b>WAP</b>	Wireless Application Protocol
<b>HSPA</b>	High Speed Packet Access	<b>WiFi</b>	Wireless Fiber



# Corporate Data



Telkomsel's shareholders are PT Telekomunikasi Indonesia Tbk (TELKOM) and Singapore Telecom Mobile Pte Ltd (Singtel Mobile). TELKOM, which owns 65% of Telkomsel's issued share capital, is the largest full-service telecommunications operator in Indonesia. TELKOM is listed on the Indonesia Stock Exchange (IDX: TLKM), the New York Stock Exchange (NYSE: TLK ) and the London Stock Exchange (LSE: TKIA) and is majority owned by the Government of Indonesia. SingTel Mobile owns 35% of Telkomsel's issued share capital and is a wholly-owned subsidiary of Singapore Telecommunications Limited (SingTel). SingTel is Asia's leading communications group with a network of offices in the US, Europe, Asia-Pacific and Middle East. SingTel is listed on the Singapore Exchange (SGX: ST) and the Australian Stock Exchange (ASX: SGT).

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