



by Telkom Indonesia 

ACCELERATING DIGITAL FOR INDONESIA

PT TELEKOMUNIKASI SELULAR
ANNUAL REPORT 2016

Fueled by the rapid growth of broadband access, digital technologies have transformed people's lives, increased general productivity and opened new frontiers of economic development. Indonesia has seen social and economic shift caused by digital technologies.









Digital content has become easier to access, online entertainment has become part of people's routine, digital payment is the new normal, and access to information is no longer scarce. The country no longer represents just Asia's largest social media base but has also transformed into one of the most promising e-commerce markets in Asia. Beyond the consumer front, corporates have embraced the digital transformation as well, adopting up-and-coming technology in automation, Internet of Things (IoT), and Big Data analytics.

In 2016, **Telkomsel committed to a company-wide digital transformation that generated a wide range of products, services and solutions** which not only solved customers' problems, but also improve their quality of lives. This is a testament to **our dedication in accelerating digital economic growth in Indonesia.**



-  MOBILE FINANCIAL SERVICES
-  DIGITAL ADVERTISING
-  ENTERPRISE DIGITAL SERVICES
-  DIGITAL LIFESTYLE

JANUARY

TCASH implemented the trial of a merchant app,

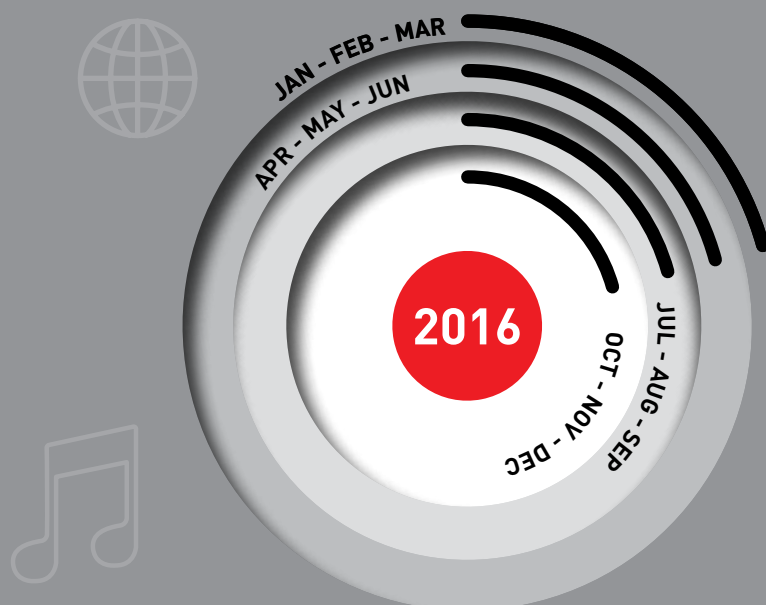
a smartphone application that enables our merchant partners and agents to register new users, as well as execute payment and transaction without an EDC terminal. The app was used in social welfare distribution trials for the government of Indonesia, enabling thousands of beneficiaries to securely access to their welfare funds through TCASH accounts.

Digital Advertising introduced an internet filtering site,

an automatic site that pops up when users try to access banned websites. This solution supports the government 'healthy internet' campaign, while simultaneously providing businesses with a new advertising medium.

1ST

QUARTER



..... FEBRUARY

TCASH launched a massive TCASH surprise and TCASH Gift campaign

with top nationwide merchant partners such as Cinema 21, McDonalds, and 7eleven, successfully promoting the use of TCASH TAP or #pakeTCASH in the urban lifestyle segment as shown by an upward trend in social media activity and TCASH brand recognition.

..... MARCH

The launch of T-Bike, a connected bike solution from Telkomsel

that is part of Telkomsel Internet of Things (IoT) offerings, which made a Museum Rekor Indonesia (MURI) national record for offering the fastest and most secure installation for connected vehicle solutions.

- MOBILE FINANCIAL SERVICES
- DIGITAL ADVERTISING
- ENTERPRISE DIGITAL SERVICES
- DIGITAL LIFESTYLE

APRIL

TCASH partnered with BTPN Wow! to launch TCASH Ekstra, the first linked saving and mobile money account in Indonesia.

The linked account enables users to seamlessly transfer money from their BTPN Wow! savings account to TCASH, and vice versa. This initiative is part of our real commitment to support government in accelerating financial inclusion in the unbanked segment. As of the end of 2016, TCASH Ekstra had reached over one million customers and acquired more than 170 thousand *Laku Pandai* agents nationwide.

MAY

Telkomsel and Google ran the biggest discount campaign program for 20 Top Apps & Games in Google Play Store.

The campaign successfully encouraged new users to try purchasing on Google Play Store and pushed regular users to increase spending.



JUNE

Telkomsel launched its first digital GraPARI

at Pondok Indah Mall 3. The new digital GraPARI provides a comprehensive digital experience for Telkomsel customers, featuring some Telkomsel's Internet of Things (IoT) innovations.

This month marked the first official expansion of TCASH to a new city, Bandung.

TCASH officially launched in Trans Studio Mall in Bandung, attended by the Mayor of Bandung, Ridwan Kamil. During this launch, TCASH also introduced its NFC App solution, an NFC-smartphone application solution for TCASH users that enable NFC smartphone users to transact via phone's built-in NFC capability.

- MOBILE FINANCIAL SERVICES
- DIGITAL ADVERTISING
- ENTERPRISE DIGITAL SERVICES
- DIGITAL LIFESTYLE

JULY

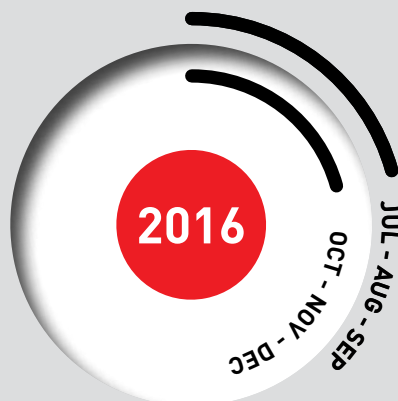
Telkomsel delivered an improved mobile advertising solution called 'Advance Customer Profiling'

which enables brands and advertisers to tailor ads based on pre-approved parameters.

AUGUST

Aggressive expansion of TCASH Ekstra continued with an Activation Program targeted at several rural areas

In cooperation with BTPN Wow!, Telkomsel held a program in more than 80 locations in Sumatera and Java, reaching 200,000 customers and 1000 agents in rural areas and teaching villagers about financial services, and basic financial transactions such as saving, and mobile transactions.



SEPTEMBER

Telkomsel participated in Asia IoT Business Platform conference 2016

which is held annually in Asia, bringing hundreds of key IoT stakeholders together to advance the digital Asian ecosystem.

To cater to demand for web-to-voice services, Telkomsel Digital Advertising launched Symphoni.

Symphoni is a voice on demand solution which enables brands to provide free customer care calls from websites.

- MOBILE FINANCIAL SERVICES
- DIGITAL ADVERTISING
- ENTERPRISE DIGITAL SERVICES
- DIGITAL LIFESTYLE

OCTOBER

Telkomsel relaunched its LangitMusik music streaming application

with new features including Top Recommendation, Tagstation, Trending Maps, Info Graphics, Curated Playlist and Social Sharing.

Telkomsel launched MusicMax as a special data package for music lovers

to access streaming on favorite music application without worrying about data access, with LangitMusik Premium as a bonus. Telkomsel partnered with JOOX, Smule, Guvera, Gen FM & Prambors FM to provide great music and continued to gather more partners to offer the most complete music experience.

Telkomsel held Games Competition roadshows in 50 cities around Indonesia as part of the LOOP GamesMax program.

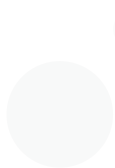
During the roadshows, Telkomsel engaged with local game communities in each area to socialize the LOOP GamesMax Data Package for game lovers.

The Indonesian government through TNP2K appointed Telkomsel to participate in the trial of non-cash social funds disbursement

as a preparation for the food aid and social funds distribution implementation in 2017. Trials showed that the Telkomsel G2P program provided easier, faster, and better quality food aid funds than existing programs, and also gave beneficiaries the option to save it.



4TH QUARTER



OCT - NOV - DEC



NOVEMBER

Telkomsel launched VideoMax, an umbrella campaign program

giving customers access to thousands of premium video experiences including Indonesian, Asian, and Hollywood blockbuster movies and series. Telkomsel customers can access this content from our strategic partners, HOOQ and viu at no additional charges.

Digital Advertising expanded its digital media range with the launch of 2 new products

in November 2016, Programmatic Display Ads and FriDa sponsored data solutions, as strategic branding solutions to target millennials. Programmatic Display Ads enables brands and advertisers to customize target segments in the system, while FriDa on the other hand enables brands to reward customers with set amounts of bulk data quotas.

DECEMBER

TCASH significantly improved its app and system with a more user friendly interface for T-Wallet apps

and a streamline transaction process in the application. TCASH also started the trial of TCASH Hybrid solution, an offline-online wallet solution to enable the fastest transactions using TCASH TAP with the aim of expanding TCASH as a solution for the transportation sector from toll road to public transportation payments. Commercial implementation will start in early 2017.

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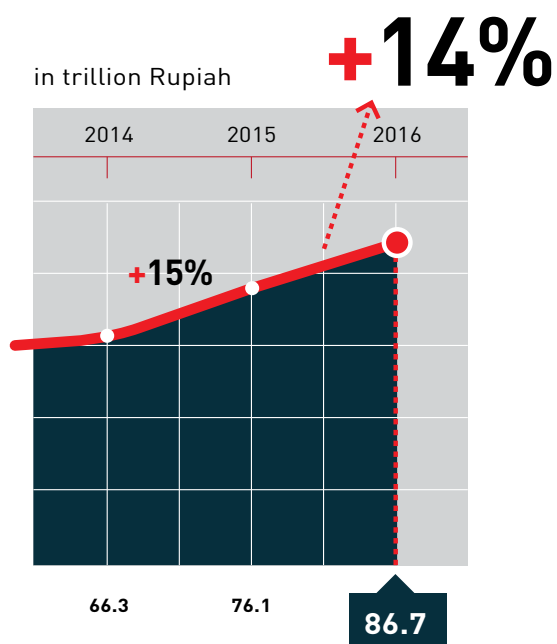
CHAPTER 01

HIGHLIGHTS OF THE YEAR

KEY PERFORMANCE

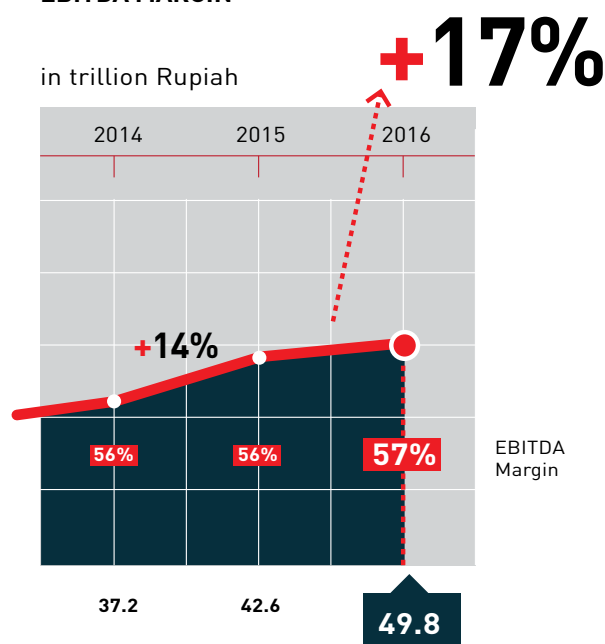
REVENUES

in trillion Rupiah



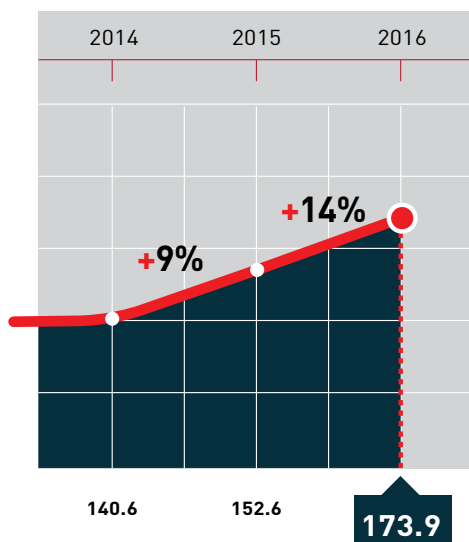
EBITDA & IMPROVING EBITDA MARGIN

in trillion Rupiah



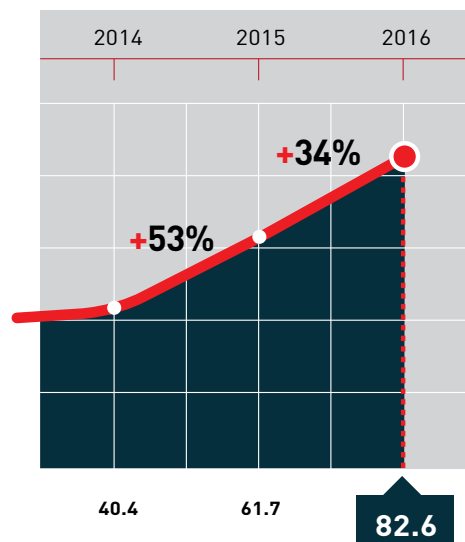
TOTAL CUSTOMER BASE

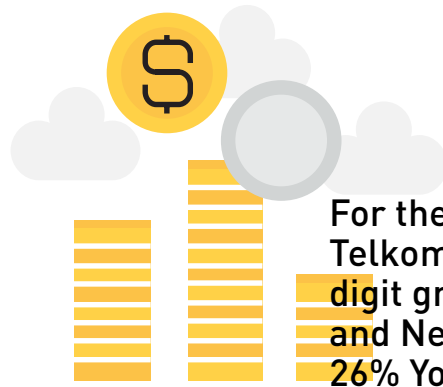
in million



3G/4G CAPABLE DEVICE

in million



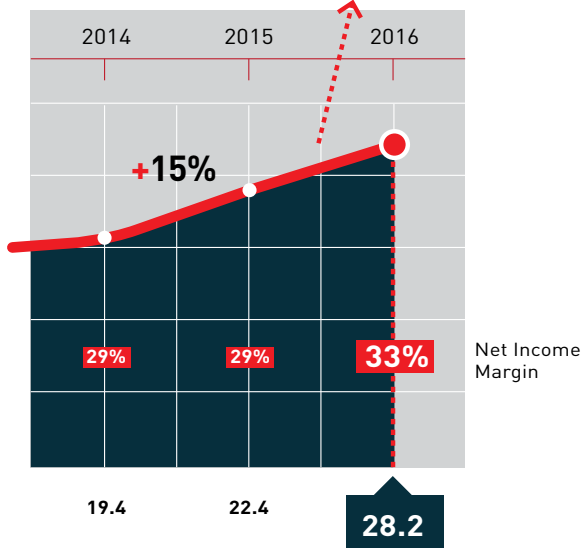


For the fifth consecutive year, Telkomsel achieved triple-double-digit growth in Revenues, EBITDA and Net Income at 14%, 17% and 26% YoY, respectively.

NET INCOME & IMPROVING NET INCOME MARGIN

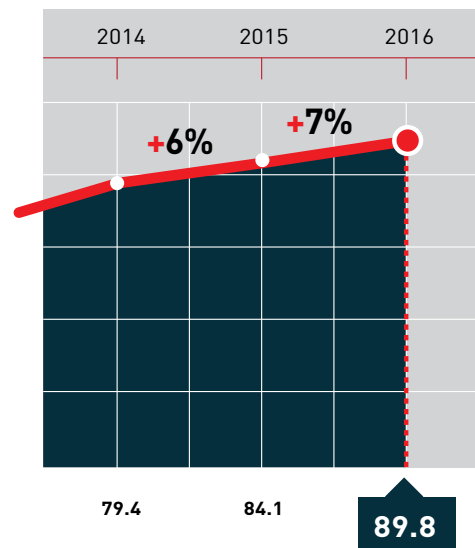
in trillion Rupiah

+26%



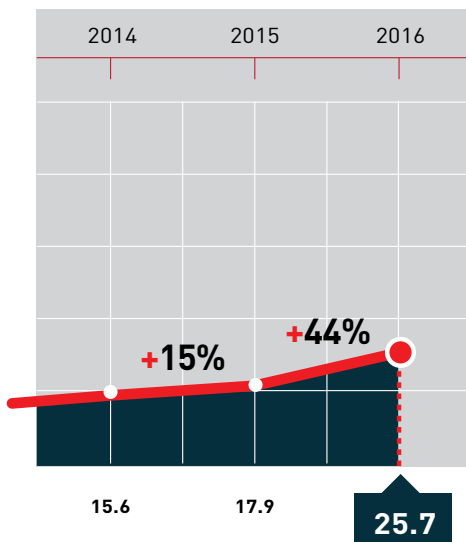
TOTAL ASSETS

in trillion Rupiah



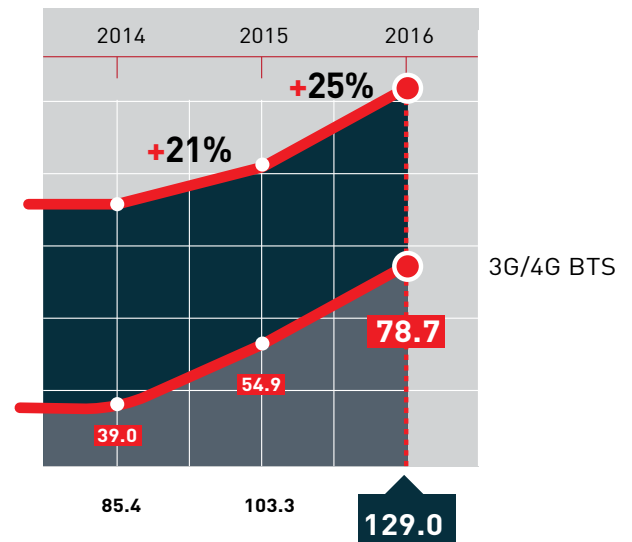
TOTAL BTS ROLL-OUT

in thousand



TOTAL BTS ON-AIR & TOTAL 3G/4G BTS

in thousand



FINANCIAL HIGHLIGHTS

DESCRIPTION (in billion Rupiah)	2016	2015	2014	2013	2012
FINANCIAL POSITION					
Current Assets	28,818	25,660	20,465	17,208	13,582
Fixed Assets	54,259	54,112	55,021	53,182	46,480
Other Non - Current Assets	6,704	4,314	3,866	3,550	2,855
Total Assets	89,781	84,086	79,352	73,940	62,917
Current Liabilities	21,891	20,020	19,270	17,010	13,039
Non-Current Liabilities	8,520	12,565	8,604	9,067	6,046
Equity	59,370	51,502	51,477	47,864	43,832
Total Liabilities and Equity	89,781	84,086	79,352	73,940	62,917

PROFIT AND LOSS					
Revenues	86,725	76,055	66,252	60,031	54,531
Expenses (Include Depreciation)	49,502	46,377	40,579	36,761	33,538
EBITDA	49,781	42,602	37,241	33,869	30,788
Net Income	28,195	22,368	19,391	17,347	15,715

CASH FLOWS					
Cash Flows from Operating Activities	42,805	36,359	30,911	29,602	26,229
Cash Flows for Investing Activities	(12,794)	(12,951)	(11,052)	(14,445)	(13,528)
Cash Flows from (for) Financing Activities	(4,731)	2,077	(497)	(1,899)	(2,291)
Cash Dividend	(19,401)	(21,533)	(15,066)	(12,890)	(9,900)
Cash and Cash Equivalent at End of Year	19,681	13,802	9,851	5,555	4,787

FINANCIAL RATIOS					
EBITDA Margin ¹	57%	56%	56%	56%	56%
Net Income Margin ²	33%	29%	29%	29%	29%
Return on Assets ³	32%	27%	26%	25%	26%
Return on Equity ⁴	51%	43%	39%	38%	38%

Notes:

1. EBITDA divided by Revenues
2. Net Income divided by Revenues
3. Net Income divided by Average Total Assets
4. Net Income divided by Average Total Equity

OPERATIONAL HIGHLIGHTS



**Delivering the nation's
widest coverage
including LTE service in
80 Broadband Cities with
19.0 million LTE users.**

	2016	2015	2014	2013	2012
CUSTOMERS - in thousands					
Postpaid	4,180	3,509	2,851	2,489	2,149
Prepaid	169,740	149,131	137,734	129,023	122,997
Total	173,920	152,641	140,586	131,513	125,146

LEGACY BUSINESS DRIVER - in billions					
MoU total	232	225	197	191	185
MoU Chargeable	205	191	161	140	141
SMS Total	183	219	256	260	253
SMS Chargeable	118	123	133	146	116

CORE BUSINESS DRIVER					
Data-enabled Users - in thousands	84,729	73,887	67,860	60,531	54,611
Data Payload - in TByte	958,733	492,245	234,862	96,683	51,938

ARPU - in thousand Rupiah					
Postpaid	151	162	172	184	189
Prepaid	42	40	36	35	34
Blended	45	43	39	37	37

NETWORK DATA					
Total BTS-2G	50,344	48,394	46,398	42,830	38,864
Total BTS-3G/4G	78,689	54,895	39,022	27,034	15,433
Total BTS	129,033	103,289	85,420	69,864	54,297

EMPLOYEE DATA					
Total Employees (excl. BOD)	5,191	4,902	4,880	4,711	4,557
Efficiency Ratio (subs/employee)	33,504	31,138	28,809	27,916	27,462

2016 EVENT HIGHLIGHTS



Telkomsel Fest Digital Carnival

Telkomsel held an exciting digital carnival called Telkomsel Fest, showcasing all our digital products ranging from TCASH, Moovigo, MyNSP, LangitMusik, to kartuHalo. Customers could also migrate their SIM cards and devices to 4G, and redeem TelkomselPOIN for exciting rewards. To make the event exciting, we collaborated with leading e-companies such as Blanja.com, MatahariMall.com, Zalora and Microsoft to create games, apps, demo, talkshows and merchant booths, as well as a coaching clinic. Telkomsel Fest took place in 4 cities, socializing the 4G LTE customer experience and Telkomsel digital lifestyle to customers.



Collaboration with GO-JEK

Telkomsel supported its market penetration by signing an agreement with GO-JEK, providing 250,000 corporate cards to GO-JEK drivers along with data, SMS and free on-net call packages at special prices. Going forward, GO-JEK drivers will be prepared to become agents selling Telkomsel top-up vouchers to their customers under a new service called Go-Pulsa.



Launch of T-Bike, Intelligent Motorcycle Assistant

As part of the continuous development of its DNA (Device, Network and Application) ecosystem, Telkomsel launched its newest M2M (Machine to Machine) service called T-Bike, an application that enables users to monitor, guide and control their motorcycles from Android and iOS handphones. Supported by its GPS system, T-Bike is also able to support real-time tracking and fleet management as well as other features such as reporting on routes and geofencing that are of interest to business owners. T-Bike's comprehensive features and ease of implementation was recognized by three awards from the Record Museum of Indonesia, Motor Plus and the Automotive Journalists Forum (FORWOT).



Langit Nusantara Expedition Explores Indonesia

For an entire month, Telkomsel invited viewers to explore Indonesia virtually through the Langit Nusantara Expedition (Elang Nusa). Two drones equipped with cameras were sent out from opposite ends of Indonesia to meet in Bali, and their journey was recorded and streamed on www.telkomsel.com/elangnusa. The experience allowed viewers to digitally explore and experience the beauty of Indonesia, while also demonstrating Telkomsel's best network quality and coverage across the archipelago.



Telkomsel Network Drive Test 2016

In anticipation of surging traffic during the Ramadhan and Lebaran 1437 period, Telkomsel conducted a network drive test along the Jakarta-Semarang and Surabaya-Semarang routes where traffic is expected to be heavy, as well as other routes in Sumatera, Kalimantan and Sulawesi. The tests were conducted along land and railway routes, covering 10,921 km in total, and showed that the Telkomsel network was in excellent condition to support and fulfill the expected surge in communication traffic.



The NextDev 2016: Smart City and Rural Solutions

For second consecutive years, Telkomsel held The NextDev competition for young cellular application developers. The 2016 Next Dev was themed Smart City, with 9 sub-themes comprising agriculture, maritime, Small and Medium Enterprise (SME), governance, energy, tourism, health, education and transportation. Young developers were challenged to create cellular applications in these areas that could contribute to rural development. The competition was socialized in 20 cities across Indonesia, attracting more than 500 ideas with finalists receiving intensive training and guidance from industry experts as well as prizes for their contributions to society.



JUNE

Indonesian SME Women Empowered through TCASH

In order to accelerate the formation of the digital financial services ecosystem, Telkomsel worked together with Muslimat Nahdlatul Ulama (MNU) to introduce TCASH to *Perempuan Nusantara* (Women of Indonesia) community members as an easy non-cash solution for transactions. This collaboration enables these women, especially those who are Small and Medium Enterprise (SME) players, to act as TCASH merchants, with all transactions carried out through this digital financial service. The women also received guidance to become TCASH agents.



JULY

Mudik Bareng Telkomsel Siaga program

As part of celebrating the Lebaran holidays, 3,400 loyal Telkomsel customers won a free trip home with the Mudik Bareng Telkomsel Siaga program. The lucky subscribers were selected through a Point Auction in May. Those chosen received complimentary tickets home by air, rail, bus or ships, as well as food and drink to break their fast, and attractive merchandise.



AUGUST

Expanding Telecommunications Access in Border Areas

Telkomsel continued to expand its network with a commitment to support telecommunications access in Indonesian border areas including 70 BTS serving a population of 200,000 in Alor, as part of its commitment to ensure access to all Indonesians. It is expected that this will help to accelerate development in border areas, accelerate economic growth in those areas, and help maintain national unity and resilience. Telkomsel presently operates 627 BTS along national borders, of which 148 are 3G BTS able to support data service for communities.



SEPTEMBER

#internetBaik Usage Campaign to Educate Border Areas

Telkomsel continued socialization and education regarding responsible, safe, creative and inspiring use of the internet (BAIK) in various Indonesian areas as far as the border areas of Nunukan and Sebatik, North Kalimantan, which share a border with Malaysia. Through #internetBaik, Telkomsel strengthened and developed this national border area by not only building infrastructure and making telecommunication access available but also by developing the character and quality of the people, as part of advancing a digital society.

4.5G live trial with 1 Gbps Cellular Technology

Telkomsel and Huawei held a 4.5G live trial which capable of more than 1 Gbps in data speed. The trial made use of 4x4 Multiple-Input Multiple-Output (MIMO), 256-Quadrature Amplitude Modulation (QAM), and LTE Licensed-Assisted Access (LAA) technology to significantly increase the capacity and efficiency of the 4G network, as a first step towards laying the foundations for 5G technology in the future. This technology will support Virtual Reality (VR), Augmented Reality (AR), ultra HD, and 4K Video Mobile for a new customer experience.



OCTOBER



NOVEMBER

Telkomsel Subscribers Enjoy Best Video Streaming Experience with VideoMAX

Telkomsel launched a new VideoMAX service giving access to premium video content on demand from HOOQ and viu for all Telkomsel customers who already subscribe to a monthly data package. VideoMAX is service solution for movie and TV series fans, giving them access to enjoy thousands of local and foreign movies as well as their favorites directly on their smartphones and tablets, in line with the digital lifestyle.

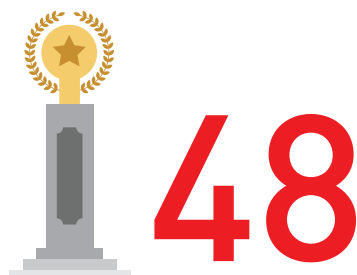


DECEMBER

Service Readiness at Year End

In anticipation of Christmas and New Year 2017, Telkomsel prepared 723 new BTS in order to meet telecommunications surge during the holidays. Telkomsel also implemented 4.5G technology in 9 Indonesian cities, enabling customers to experience the most advanced mobile broadband services, launched 91 Compact Mobile BTS (COMBAT) units and 487 Mobile GraPARI armada, and ensured the availability of products over 2,668 modern channels and 3,779 outlets as well as 85 GraPARI Siaga and the Call Centre.

AWARDS & ACCOLADES



Telkomsel won a total of 48 national and international awards in 2016, reflecting its position as a leading company as well as advancements made during the year.

BUSINESS EXCELLENCE

Customer Loyalty Award 2016

01. kartuHalo - The Net Promotor Scope (NPS) Leader for Postpaid GSM SIM Card
02. Kartu As - The Net Promotor Scope (NPS) Leader for Prepaid GSM SIM Card

Indonesia WOW Brand Award 2016

03. Telkomsel - Best Corporate Brand
04. Telkomsel Flash - Best ISP Brand

Telecom Asia's 19th Annual Awards 2016

05. TCASH - The Best Mobile Payment Service

The 13th Annual Selular Award 2016

06. Telkomsel - Best Digital Advertising
07. Telkomsel - Best Youth Product
08. Telkomsel - Best Mobile Financial Services

Infobank Digital Brands Award (IDBA) of The Year 2016

09. TCASH - Digital Brand E-Money

Indonesia Best Brand Award 2016

10. *simPATI* - Best Brand Platinum in GSM SIM Card

Frost & Sullivan Indonesia Excellence Awards 2016

11. TCASH - Indonesia M-Money Service Provider of the Year
12. Telkomsel - Indonesia Mobile Service Provider of the Year

Broadband Awards 2016

13. Telkomsel - Top 5 Best Customer Experience Innovation - Bill Shock Prevention Through PAYTU Landing Page
14. Telkomsel - Top 5 Best Customer Experience Innovation - Usage Control through LOOPkita Apps
15. Telkomsel - Top 5 Best Wireless Broadband Innovation (SMOLE - Small Cell Mobile Technology Enhanced)

Top Telecommunication Award (Top Telco) 2016

16. *simPATI* - Appreciation for Internet Data 4G LTE 2016

MarkPlus Asia Conference 2016

17. Telkomsel - The Best Industry Marketing Champion

YOUTH COMMUNITY

Brand Activation Award 2016

18. Telkomsel DigiLife Festival - The Best Brand Engagement Activation 2016



09



11



12



36



37



38 & 39



40



41



42



45

CUSTOMER SERVICE EXCELLENCE

Indonesia WOW Service Excellence Award 2016

- 19. "Gold" Champion for Jawa Region
- 20. "Gold" Champion for Sumatera Region
- 21. "Silver" Champion for Sulawesi & Papua Region
- 22. "Bronze" Champion for Bali & Kalimantan Region
- 23. "Gold" Champion for National Service Excellence



32



05

CORPORATE IMAGE

Indonesia Inhouse Magazine Awards (InMA) 2016

- 24. Signal Magazine - The Best of Private Company Inhouse Magazine (Bronze Winner)

Global HR Excellence Awards 2016

- 25. Priyantono Rudito - Top 100 Most Influential Global HR Professionals

Indonesia Corporate Secretary & Communication Award 2016

- 26. Telkomsel - The Best Website
- 27. Telkomsel - The Best Brand & Reputation
- 28. Telkomsel - The Best of The Best Corporate Communication of The Year

Indonesia Media Relations Awards

- 29. Telkomsel - 2nd Champion Media Relations Awards - Private Company Category

Indonesia Best CFO 2016

30. Heri Supriadi - The 3rd Winner of Indonesia Best Chief Financial Officer 2016

7th Asia Best Employer Brand Awards 2016

31. Telkomsel - Asia's Best Employer Brand

World Branding Awards 2016

32. Telkomsel - Best Corporate Brand in Telecommunications - Mobile Category

The 13th Annual Selular Award 2016

33. Ririek Adriansyah - CEO of The Year
34. Mas'ud Khamid - Telco Person of The Year - Excellence in Performance
35. Telkomsel - Operator of The Year

Asia Communication Awards 2016

36. Ririek Adriansyah - CEO of The Year

Frost & Sullivan Asia Pacific ICT Awards 2016

37. Telkomsel - Asia Pacific Mobile Service Provider of The Year

The Engage Prague 2016 Awards

38. Telkomsel - Winner for Socially Devoted on Facebook Award
39. Telkomsel - Runner-up for Socially Devoted on Twitter Award

Most Valued Brands Indonesia 2016

40. Telkomsel - The Most Valued Businesses Indonesia 2016

Brand Asia 2016

41. Telkomsel - Top 10 Most Powerful Brand in Indonesia
42. Telkomsel - The Most Innovative Telco Brand in Asia

Indonesia Most Admired Companies Award 2016

43. Telkomsel - Most Admired Company

Corporate Image Award 2016

44. Telkomsel - The Best in Building and Managing Corporate Image in Telecommunication Category

World Communication Awards (WCA) 2016

45. Ririek Adriansyah - CEO of The Year 2016

CORPORATE SOCIAL RESPONSIBILITY**Indonesia's Best Corporate Social Initiatives (IBCSI) 2016**

46. NextDev Program - Corporate Social Marketing
47. TERRA Program - Social Responsible Business Practice
48. SMS Donasi BazNas - Cause-Related Marketing

ISO CERTIFICATION

We are committed to providing the highest customer satisfaction in accordance with the International ISO 9001:2008 standard. This is the international standard for quality management, indicating that we have achieved consistency in delivering high quality services and guaranteed customer satisfaction. We achieved the Certification Audit in 2011, Surveillance Audit 1 in 2012 and Surveillance Audit 2 in 2013.

In 2016, we maintained the areas that are recognized by ISO certification reflecting our quality maintenance.

Customer Service

83



of Telkomsel's GraPARI were awarded ISO 9001:2008 certification:

Telkomsel's GraPARI :

Banda Aceh	Pangkal Pinang	Surabaya Bukit Darmo
Binjai	BSD	Surabaya Pemuda
Graha Merah Putih	Cilegon	TTC HR Muhammad
Kisaran	Central Park	WTC
Kualanamu	Serang	Denpasar
Lhokseumawe	Jakarta Pusat (Wisma Alia)	Kupang
Medan Lippo Plaza	Gandaria City	Kuta
Medan Sun Plaza	Cibubur	Mataram
Meulaboh	Karawang	Renon
Padang Sidempuan	Sukabumi	Sudirman Balikpapan
Pematang Siantar	Banda	Banjarmasin
Sibolga	Dago	Bontang
Batam Center	Cianjur	Palangkaraya
Batam Penuin	Tasikmalaya	Pontianak
Dumai	Kudus	Samarinda
Mall SKA	Purwokerto	Tarakan
Padang	Semarang Mall Ciputra	Gorontalo
Pekanbaru	Semarang Pahlawan	Kendari
Tanjung Balai Karimun	Solo	Makassar
Tanjung Pinang	Tegal	Manado
Tembilahan	Yogyakarta	Palu
Belitung	Banyuwangi	Pare-Pare
Bengkulu	Gresik	Ambon
Jambi	Jember	Jayapura
Lampung	Kediri	Manokwari
Lubuk Linggau	Madiun	Sorong
Muara Bungo	Malang	Timika
Palembang	Probolinggo	

Call Center

4 (four) Call Centers were awarded ISO 9001:2008 Surveillance certification with zero major findings:

- Call Center Medan
- Call Center Bandung
- Call Center Surabaya
- Call Center Makassar

Network and IT

Telkomsel received ISO/IEC 27001:2013 from Bureau Veritas Certification for the operation of broadband services, recharging system, e-wallet system, service desk system, customer care, billing system for postpaid and prepaid provided by the IT Directorate, Network Directorate, and GraPARI at Wisma Mulia building. It was obtained on September 23, 2013 then recertified on September 17, 2016 and is valid through September 22, 2019. In addition Telkomsel also obtained ISO/IEC 20000-1:2011 certification, which covers the Service Management System of the IT Directorate that delivers product activation (non-roaming broadband) and top-up customer account services from IT Directorate office and data center in Jakarta.

CHAPTER 02

REMARKS FROM THE MANAGEMENT

Transforming all aspects of Telkomsel's organization to go digital

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P.44 Profile of the Board of Directors



ACCELERATING DIGITAL FOR INDONESIA

Moving forward to accelerate digital adoption nationwide for
the benefit of Indonesia



_ALEX J. SINAGA

REMARKS FROM THE PRESIDENT COMMISSIONER

Dear Shareholders,

I am pleased to report that 2016 was once again a remarkable year in terms of our achievements from both a financial and an operational perspective. For the fifth consecutive year, we achieved triple double-digit growth in Revenue, EBITDA and Net Income of 14.0%, 16.9% and 26.1% YoY, respectively, despite the ongoing uncertainty economic challenges in Indonesia. We successfully recorded healthy growth in our subscriber base to reach more than 170 million customers at the end of 2016 including 19 million 4G LTE users, supported by expansion of our network to reach over than 129,000 BTS, of which more than 60% are 3G/4G BTS.

These excellent achievements were made possible through the continuation of execution in transformation initiatives during the year with focusing on program to ensure leading mobile Digital Business.

DIGITAL BUSINESS GROWTH

+37%

These excellent achievements were made possible through the continuation of execution in transformation initiatives during the year with focusing on program to ensure leading mobile Digital Business. We continue to accelerate our Digital Business which grew by

36.9% YoY as part of Telkomsel's transition from a traditional telecommunication company to become a digital company while maintaining our Legacy business. We offered data package bundling with 4G quota and content to encourage 4G adoption, and also collaborated with selected partners to provide content in support of digital penetration, with successful implementation of market segmentation and cluster-based pricing.

The competitive landscape in Indonesia telecommunications industry has remained intense but rational, as operators including Telkomsel competed to attract customers to migrate to 4G services. However, we maintained rational pricing while continuing to improve our networks to meet strong data consumption and demand. From the regulatory perspective, while there is still significant uncertainty, I believe that the right regulation will help create improvements and move the industry in the right direction. We are also looking forward to the establishment of new interconnection rates, network and spectrum sharing as well as new spectrums auction for both 2100 MHz and 2300 MHz.

Accelerating Digital for Indonesia

In 2016, Telkomsel was in the midst of a transformation process to become a Digital Company, with a focus transforming its business, people, organization and corporate culture. As is done each year, our overall DNA (Device-Network-Application) strategy is translated into key programs. For 2016 we therefore created key programs that focused on Big Data, Lead 4G and Customer Experience to provide comprehensive digital products and services towards accelerating the availability of Digital Services in Indonesia. Our key goal is to empower people by delivering innovative digital products and services with faster connection speed. This was supported by increasing smartphone availability, which helped boost our smartphone users by 34% to 82.6 million in 2016.

To that end, we are moving in the right direction, with the focus of our network roll out shifting towards 3G and 4G in anticipation of continued strong growth in smartphone penetration and data traffic. So far we have provided almost 100% of the Indonesian



So far **we have provided almost 100% of the Indonesian population with 2G coverage and 67% with 3G coverage.**

population with 2G coverage and 67% with 3G coverage, and we also increased our LTE spectrum bandwidth in order to deliver a better 4G user experience. These numbers indicate that we are successfully leading the industry in terms of network, with the widest coverage across the country.

Corporate Governance

Telkomsel constantly strives to enhance our quality of good corporate governance. As Commissioners of the Company, we are responsible for providing strategic guidance and oversight to the Board of Directors, and ensuring that they are on the right track towards achieving the strategic objectives that we have established.

In performing this role, we are supported by a number of committees. These are the Audit Committee, which oversees the financial reporting process and internal control system; the Remuneration Committee, which reviews the Company's overall remuneration policy

and strategy; and the Capital Expenditure, Financing and Management Process (CFMP) Committee, which oversees the Company's capital expenditure planning and financing policies as well as capacity and operational management. We worked with management to resolve any control deficiencies, and ensured that Telkomsel continued to receive an unqualified audit opinion.

In doing so, we aspire to the highest standards of corporate governance, and thus the roles and functions of each committee are continuously strengthened to ensure that the best corporate governance practices are implemented in accordance with the highest standards of transparency and disclosure.

Corporate Social Responsibility

In parallel with our successful growth, it is important that we balance and integrate business success with community development, customer satisfaction, business partner relationships, employee engagement and environmental conservation. As a form of commitment to give back to the community and maintain our standard as the "The Most Indonesia" operator, we continued to advance our Corporate Social Responsibility (CSR) efforts, focusing on four pillars that consist of Education, Digital Citizenship, Community Empowerment & Wellbeing and Philanthropy.

With regard to Education, we held an IndonesiaNEXT program to equip the youth generation with digital skills, established an *Indonesia Mengajar* (Indonesia Teaches)

partnership program and gave out scholarships.

As for Digital Citizenship, we held a Digital Creative competition (NextDev) to stimulate digital innovation in Indonesia, created a Cyber Wellness & Digital Netizenship program and committed to support the Smart City program. In Community Empowerment & Well-Being and Philanthropy, our Emergency Response and Recovery Activities team (TERRA) developed a Mapper Tracker disaster management technology system and carried out IT-based training to increase personnel effectiveness and response time in helping communities during disasters. Social aid was also provided to communities, including donations for religious festivities as part of our CSR program which aims to give back to and serve Indonesia.

Changes to the Board of Commissioners

Following the changes in the composition of the Board of Directors of Telkom, the composition of the Board of Commissioners at Telkomsel also changed. On August 12, 2016, Harry M Zen was appointed as a Commissioner, replacing Heri Sunaryadi, who was honorably discharged. On behalf of the Board of Commissioners, Board of Directors and everyone at Telkomsel, I would like to thank and give my sincere appreciation to Heri Sunaryadi for his invaluable contribution towards achieving the Company's goals.



In parallel with our successful growth, it is important that we balance and integrate business success with community development, customer satisfaction, business partner relationships, employee engagement and environmental conservation.

Acknowledgement

On behalf of the Board Commissioners, I would like to thank our Board of Directors, management and employees of Telkomsel for their unfaltering support and contribution to achieve triple-double-digit growth in Revenue, EBITDA and Net Income for the fifth consecutive year. Telkomsel's excellent performance and achievements in 2016 were made possible through the consistent hard work and dedication of everyone at Telkomsel. Such heartfelt support from employees, shareholders and business partners has enabled Telkomsel to progress towards Building Digital Indonesia, and we continue to believe in our strategy to accelerate our digital business for the benefit of Indonesia.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Alex J. Sinaga', with a long horizontal stroke extending to the right.

ALEX J. SINAGA

President Commissioner



REMARKS FROM THE PRESIDENT DIRECTOR

Dear Shareholders,

The year 2016 was a challenging year shadowed by continued global economic uncertainty, with stagnant global trade, passive investment and heightened policy risk. In the Pacific region, China continued on its path of gradual deceleration and rebalancing, while the rest of the region including Indonesia recorded steady but slow growth. However, the telecommunication sector remained resilient and Telkomsel once again outperformed the market, successfully recording another strong year with triple-double-digit growth in Revenue, EBITDA and Net Income at 14.0%, 16.9%, and 26.1%, respectively.

These stellar results were achieved through the relentless and focused execution of our transformation process and related initiatives in 2016. This transformation is an ongoing multi-year process, and

2016 REVENUE
+14%

Telkomsel once again outperformed
the market, successfully recording
another strong year with triple-
double-digit growth.

_RIRIEK ADRIANSYAH

each year we have focused on different programs that tackle priority areas, with the objective of maintaining our leading position in the extremely dynamic telecommunication industry. For 2016, our three masterpiece programs consisted of Big Data, Lead 4G and Customer Experience, all of which are related to Telkomsel's goal of transforming to becoming a Digital Company.

During the year, Telkomsel successfully moved beyond our market leadership in legacy to achieve leadership in Broadband and Digital services. Our differentiated Digital Services consist of Digital Lifestyle, Mobile Financial Services, Digital Advertising and Enterprise Digital Services. Believing that Broadband and Digital Services will play an increasingly important role going forward as the engine of our growth. We have continuously developed and modernized our network infrastructure in order to increase capacity, maintain service excellence and ensure that the latest technological standards are met. Along those lines, during the year we aggressively accelerated 4G LTE deployment with an emphasis on areas that have exhibited high 4G handset penetration and data traffic, rolling out 4G LTE in 80 Broadband Cities with more than 6,000 BTS to reach 19.0 million users. Meanwhile, the takeover of the additional 7.5 MHz Flexi spectrum from Telkom was completed and the spectrum has been fully utilized in 2016, helping us to support our legacy and Digital Business.

Financial & Operational Results

For the fifth consecutive year, our Revenue, EBITDA and Net Income registered triple-double-digit growth of 14.0%, 16.9% and 26.1% YoY, respectively, driven by the successful execution of our transformation and key masterpiece initiatives with Digital Business as the engine of growth, and solid performance in the legacy business. Despite a saturated market with SIM card penetration at more than 135%, we were able to attract 21.3 million new customers for a total of 173.9 million subscribers, with average usage increasing by up to 4x when users migrated from 3G to 4G. We concurrently grew ARPU by 5.2% YoY, boosting revenue to surpass the Rp80 trillion mark and reach Rp86.7 trillion.

EBITDA increased to Rp49.8 trillion and Net Income was recorded at Rp28.2 trillion, while our EBITDA and Net Income Margins were relatively stable and within guidance, at 57.4% and 32.5%, respectively.

Bucking the global trend, our voice revenue grew 10.1% YoY which mainly driven by strong traffic growth. Meanwhile, our data traffic surged by 94.8% YoY, as we aggressively migrated customers from Pay As You Use (PAYU) to data packages. Our smartphone user numbers increased by +34% YoY for +95% growth in data traffic, generating data revenue of +37% YoY. Although we have started to see the impact of the cannibalization of instant messaging from over the top (OTT) services on SMS traffic (-16.4% YoY), overall our key performance indicators were still positive. At the same time, despite stronger than expected growth in legacy revenues, our revenue mix moved steadily towards the Digital Business (35.4% of revenue vs 29.5% a year ago), reflecting our successful transformation to digital.

Due to our efforts to maintain our competitive advantage and leadership in network coverage, as well as aggressive and costlier deployment in regions outside Java to achieve nationwide coverage, the increase in our expenses was inevitably high, in line with our revenue growth. Cost inflation also resulted from the continued depreciation of the Indonesian Rupiah. To help control cost increases, we have consistently striven to implement internal cost leadership initiatives, and in 2016 we successfully negotiated a lower equipment price for radio access as well as a significant reduction in the cost of services. We also sought synergies with our parent company Telkom to optimize existing resources and improve network quality in a cost-efficient manner.



57%

Improved EBITDA Margin



Our revenue surpassed the 80 trillion mark to reach Rp86.7 trillion due to the successful execution of our transformation to digital and key masterpiece initiatives, with strong performance in both legacy and new business.

The Ongoing Process of Transformation

Supporting the transition of Telkomsel to become a Digital Company and leading Mobile Digital Business, we have established various strategies with the goal of transforming all aspects of our business, people, organization and corporate culture to capture opportunities in the Digital Business and support our leadership in digital.

In terms of business transformation, the three masterpiece programs we focused on in 2016 were Big Data, Lead 4G and Customer Experience. In Big Data, we aimed to provide relevant insight and information generated from aggregate customer usage patterns through Big Data analytics, supported by API (Application Programming Interface) enabling clients to flexibly and conveniently use our Big Data services. In Lead 4G, we accelerated LTE roll-out to provide the best 4G customer experience, 4G network quality and relevant product offerings to drive user penetration and maintain 4G leadership. In Customer Experience, we ensured satisfaction across all touch points along customers' end-to-end journey, towards being the most customer-centric mobile and digital service provider in Indonesia.

With regard to the People, Organization and Corporate Culture transformation, we focused on developing the following three aspects: Accelerate People Transformation, Accelerate Digital Leadership and Global Readiness, and Implement Organization for New Business. The first aspect, Accelerate People Transformation, is based on the awareness that both talented people with fresh business ideas and experienced recruits are needed to optimally expand and manage the Digital Business.

The second aspect, Accelerate Digital Leadership and Global Readiness, focuses on building up our digital mastery capabilities and mindset including the ability to realize an idea from creation to implementation as part of preparation to achieve leadership in digital. As part of this aspect, talented employees were given Global Talent Assignments opportunities with our parent companies to broaden their digital capabilities and mindsets. In the third aspect, Implement Organization for New Business, we focused on creating a digital ready organization that is more Digital Business ready with the capability to capture new Digital Business opportunities while continuing to strengthen the Legacy business. Related to this, we moved into new corporate offices at TSO (Telkomsel Smart Office), which has open working spaces to foster employee collaboration and creativity as part of building a digital culture, which is imperative for success.

Supporting the People, Organization and Corporate Culture transformation, in 2016 we also pushed to transform our people, processes and systems in the financial department. The objective of this Finance Transformation is to recast our financial department as a valuable partner capable of actively supporting business initiatives for best performance in alignment with corporate objectives, supporting our aspiration to empower Telkomsel Finance to become a trusted, world class internal partner for our various business initiatives. As part of this transformation, a number of rote manual processes in the Finance department were automated, freeing employees to concentrate on areas where they can add more value.

We aggressively accelerated 4G LTE deployment with an emphasis on areas that have exhibited high 4G handset penetration and data traffic, rolling out 4G LTE in 80 Broadband Cities with more than 6,000 BTS to reach 19.0 million users.



Related to these objectives, the human resources skills needed to achieve the transformation to digital were identified as a basis for the recruitment and development finance professionals who possess these needed skills. Telkomsel also established a Finance Academy in order to ensure that its financial professionals are able to proactively add value across the organization and support the evolvement of Telkomsel's businesses, in line with the needs and expectations of key stakeholders for the Company's future, including ensuring Telkomsel's profitability and business sustainability through world-class analysis and creative thinking. The successful implementation of our transformation initiatives will define the continuity of our market leadership in telecommunications industry in Indonesia with our relentless effort to become a Digital Company which providing best customer experience.

We look forward to more initiatives and developments in 2017, especially with regard to the new interconnection rates, network and spectrum sharing as well as spectrum auction for the 2100 MHz and 2300 MHz frequencies. We strongly believe that the right regulation will improve the competitive landscape and will benefit the telecommunication industry including Telkomsel, enabling all operators to contribute more value to society. In parallel, we will keep expanding our network with an emphasis on the LTE data experience. Our remaining 2G customers will be encouraged to migrate to our 3G and even 4G network, by offering attractive 4G regular and combo packages that are bundled together with content to support the video mass-market era. Thus our customers will ultimately enjoy a better experience and service quality.

Acknowledgement

My appreciation goes to the Board of Commissioners for their great support and the Board of Directors for their synergies, initiative and contributions. I would also like to thank Telkom Group and Singtel for their support, as well as everyone at Telkomsel for their commitment and hard work in making 2016 a successful year. Finally, on behalf of Telkomsel, I would like to express our gratitude to all our customers, business partners and dealers for their support and faith in the Telkomsel brand and network.

In closing we are confident that we will continue to be the industry leader, sustaining our aggressive growth momentum and contributing to building a digital Indonesia.

Sincerely yours,



RIRIEK ADRIANSYAH

President Director

THE BOARD OF COMMISSIONERS



from left to right:

Edwin Hidayat Abdullah

Commissioner

Paul Dominic O'Sullivan

Commissioner

Diaz Hendropriyono

Commissioner

Yuen Kuan Moon

Commissioner

Alex J. Sinaga

President Commissioner

Harry M. Zen

Commissioner



PROFILE OF THE BOARD OF COMMISSIONERS



ALEX J. SINAGA

President Commissioner

Mr. Alex J. Sinaga has been President Commissioner of Telkomsel since January 2015. He is currently also the President Director of PT Telkom Indonesia (Persero) Tbk.

Prior to this, he held various strategic positions within Telkom Group, including as the President Director of Telkomsel, President Director of TelkomMetra (a subsidiary of Telkom as a strategic investment company focusing on information, Media, Edutainment and Services), President Commissioner of PT Sigma CiptaCaraka (Telkomsigma) and Executive General Manager of various divisions in Telkom Indonesia.

Aside from Telkom Group, Alex J. Sinaga has also held several prestigious positions, including as the Chairman of Indonesian Telecommunication Association (ATSI) from 2012 to 2014 and Chairman of Board of Trustees of ATSI from 2014 to 2015.

He holds a degree in Electrical Engineering from the Bandung Institute of Technology (ITB) and a Master's degree in Telematics from the University of Surrey, Guildford, United Kingdom.

He was awarded Medal of Honor *Satyalancana Pembangunan* and *Satyalancana Wira Karya* in 2014 by the President of the Republic of Indonesia.



HARRY M. ZEN
Commissioner

Mr. Harry M. Zen has been a member of the Board of Commissioner of Telkomsel since August 2016. He has also served as the Chief Financial Officer of PT Telkom Indonesia (Persero) Tbk. since April 2016. He concurrently serves as President Commissioner of PT Graha Sarana Duta.

Prior to this, he held various strategic positions including as President Director of PT Credit Suisse Securities Indonesia (2008-2015), Director of Barclays Capital (2007-2008), Co-Head Investment Banking of PT Bahana Securities (2001-2007) and Assistant Vice President of Citibank - Corporate Banking.

He holds a Bachelor degree in Metallurgical Engineering from the University of Indonesia and a Master of Business Administration in Corporate Finance and Financial Institutions & Market from the State University of New York at Buffalo, USA.



YUEN KUAN MOON
Commissioner

Mr. Yuen Kuan Moon has been on the Board of Commissioners since September 2009. He is currently Singtel's Chief Executive Officer, Consumer Singapore, since June 2012. He is responsible for leading the Singapore consumer business to deliver a complete and integrated suite of services, including mobile, broadband, TV and fixed line solutions to consumers.

Mr. Yuen Kuan Moon also took a long-term assignment at Telkomsel from 2003 to 2007, which included a term as Commerce Director from 2005 to 2007. He has established a strong track record in the telecommunications industry since starting his career at Singtel in 1993. In October 2016, he was appointed a Member of the SkillsFuture Singapore Board.

He is an Engineering graduate 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 (Sloan Program) in California, USA.



DIAZ HENDROPRIYONO
Commissioner

Mr. Diaz Hendropriyono has been a member of the Board of Commissioners of Telkomsel since January 2015. He currently serves as Special Staff to the President of the Republic of Indonesia.

Prior to this, he served in other strategic positions, including as a Special Advisor on Politics and Intelligence at the Coordinating Ministry for Political, Legal and Security Affairs, a member of the Strategic Analysis Council at Indonesia's State Intelligence Agency, Director of Operations at PT Andalusia Andrawina and briefly as a research associate at a US-based global think tank, RAND Corporation. He has a keen interest in social and political activities, and is the founder of volunteer organization Kawan Jokowi.

He holds a Bachelor degree in Management from Norwich Military University, a Master of Business Administration and Master of Arts degrees from Hawaii Pacific University, a Master of Public Administration from Virginia Tech, and is currently a PhD in Public Administration candidate at Virginia Tech. He is also an alumni of Indonesia's National Resilience Institute (*Lemhannas*, PPRA 49).



PAUL DOMINIC O'SULLIVAN
Commissioner

Mr. Paul Dominic O'Sullivan has been a Commissioner of Telkomsel since January 2010. He has also served as Chairman of Optus since October 2014. He is currently a Board Director of the following: HOOQ Pte Ltd, a JV between Singtel, Warner Bros and Sony Pictures Entertainment; NDIA, The National Disability Insurance Agency, providing support for Australians with disability, their families and carers; and Healthscope, a leading private healthcare operation in Australia. He is also a Board Member of the St George and Sutherland Medical Research Foundation and a Board Member of the Advisory Board of the UNSW Bright Alliance.

Mr. Paul Dominic O'Sullivan was previously CEO of Singtel Group Consumer from 2012-2014, where he was responsible for the wholly owned operations in Singapore and Australia, as well as Singtel's investments in Thailand, India, Africa, the Philippines and Indonesia. He was CEO of Optus from September 2004 to March 2012, during which time Optus experienced strong growth including 18 quarters in a row of EBITDA growth and 7 consecutive half-years of mobile revenue share gain.

He holds a Bachelor (Mod) degree in Economics from Trinity College, University of Dublin and is a graduate of the Advanced Management Program of Harvard University, USA.



EDWIN HIDAYAT ABDULLAH
Commissioner

Mr. Edwin Hidayat Abdullah has been a member of the Board of Commissioner of Telkomsel since October 2015. He has served as Deputy for the Energy, Logistics, Regional and Tourism sectors at the Ministry of State Owned Enterprises since 2015.

Prior to this, Mr. Edwin Hidayat Abdullah served as an Independent Commissioner at PT Bumi Serpong Damai Tbk (2004-2015), Business Development and Investment Director at PT Global Perkasa Investindo (2010-2015) and Commissioner at PT Gas Resources Industrindo (2011-2015). He continues to serve as an independent audit committee member at number of public companies, namely PT Bank Sinarmas Tbk (2006-2015), PT Bumi Serpong Damai Tbk (2013-2015), PT Duta Pertiwi Tbk (2013-2015) and PT Golden Energy Mines Tbk (2012-2015). Mr. Edwin Hidayat Abdullah also held various strategic positions as an advisor, president director and president commissioner at a number of local companies and organizations including the Indonesian Banking Recovery Agency (IBRA) which he joined in 1999, where he eventually became Chairman of Office, Chief of Staff to the Senior Vice President (2003-2004). He also worked with the United Nations World Food Programme from 1998 to 1999 as a Food Aid Monitor, with responsibility for monitoring and evaluating the disaster relief program. He is an active member of two non-profit organizations, namely the Eka Tjipta Foundation and the Sahabat Silat Foundation.

He earned a degree in Economics Studies from the Faculty of Economics, University of Gadjah Mada (UGM), Yogyakarta, in 1995, and a Master of Public Management degree from the Lee Kuan Yew School of Public Policy, NUS, under the Lee Kuan Yew Fellowship Programme in Singapore and the USA in 2005. He has also participated in various competency development programs, including the IDEAS Fellow program at the Sloan School of Management, Massachusetts Institute of Technology, USA (2008-2009).

THE BOARD OF DIRECTORS

Standing from left to right:

Alistair D. Johnston	Director of Marketing
Mas'ud Khamid	Director of Sales
Ng Soo Kee	Director of IT
Heri Supriadi	Director of Finance

Sit from left to right:

Priyantono Rudito	Director of Human Capital Management
Sukardi Silalahi	Director of Network
Edward Ying Siew Heng	Director of Planning and Transformation
Ririek Adriansyah	President Director



PROFILE OF THE BOARD OF DIRECTORS



RIRIEK ADRIANSYAH
President Director

Mr. Ririek Adriansyah has served as President Director of Telkomsel since January 2015. He is responsible for the overall management of the Company.

He has held various strategic positions at PT Telekomunikasi Indonesia (Telkom) and Telkom Group since 1990. Prior to joining Telkomsel, he was appointed as Director of Wholesale & International Service at Telkom (2013-2014), Director of Compliance and Risk Management at Telkom (2012-2013) and has also served as President Director at PT Telekomunikasi Indonesia International (Telin), a subsidiary of Telkom (2011-2012), Director of Marketing & Sales at Telin (2010-2011), Director of International Carrier & Services at Telin (2008-2010) and Deputy Executive General Manager of the Infratel Division at Telkom (2004-2008).

He holds a degree in Electrical Engineering from the Bandung Institute of Technology (ITB).



HERI SUPRIADI
Director of Finance

Mr. Heri Supriadi has served as Director of Finance since May 2012. He is responsible for the overall finance and procurement functions.

Prior to joining Telkomsel, he was President Director of PT Telkom Property (2010-2012) and held several important positions at PT Telekomunikasi Indonesia Tbk such as Vice President of Investor Relations and Corporate Secretary (2009-2010), Vice President of Subsidiary Performance (2007-2010), Assistant Vice President of Subsidiary Performance (2007) and Assistant Vice President of Funding and Debt Management (2006-2007).

Mr. Heri Supriadi graduated with a Bachelor degree in Industrial Engineering from Bandung Institute of Technology (1991) and has a Master degree in Business Administration from Saint Mary's University, Halifax, Canada (1997) as well as a Doctoral degree in Business Management from Padjadjaran University, Bandung (2013). He has attended various executive education programs at Harvard Business School, Kellogg School of Management, Euro Money, and The University of Auckland Business School among others. He is a visiting lecturer at various universities and the author of books on Strategic Management & Research Methodology.



NG SOO KEE

Director of Information Technology

Mr. Ng Soo Kee has served as Director of IT since May 2012. His career spans nearly 39 years of experience in the information technology (IT) industry, including 17 years as CIO in various telecommunication companies in Belgium, the Philippines, Australia, Singapore and Indonesia.

Prior to joining Telkomsel in March 2012, he served as Chief Information Technology Officer (CIO) at Singapore Telecommunications (Singtel) Singapore Operations (2007), 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). While at Singtel, he also served as Division Manager (Mobile Computing Support) (1994), Division Manager (Network Services/IS Plan and Product Development) (1992), Manager (Customer Service Applications) (1989), and member of the IIP-Telecoms Commercialization Task Force (1988), where he held various engineering positions since joining the company in 1975 until 1984.

He holds a Bachelor degree in Electrical Engineering from Taiwan National University, Taiwan (1970) and a Master of Science degree in Computer Engineering from the University of Manchester, United Kingdom (1972).



EDWARD YING SIEW HENG

Director of Planning and Transformation

Mr. Edward Ying Siew Heng has served as Director of Planning and Transformation since May 2012. He is now responsible for leading the Digital Services as well as developing Corporate Strategy and Transformation.

Prior to this, he has served as Director of Commerce of the Company since November 2011. He has vast leadership experience in the telecommunication industry, particularly in the telephony, entertainment and content business, in many countries. From 2008 to 2011 he was Chief, Multimedia Group at Singtel, where he successfully led the company to become a leader in local content, the media landscape and Pay TV businesses. He also served as COO of Maxis Communications, Malaysia's largest mobile operator (2003-2008), with primary responsibility for developing the multimedia content business, marketing, channel management, customer service and network operations. He was Chief Operating Advisor and a member of the Board of Globe Telecom in the Philippines from 1996 to 2003. He also served as Chairman of Metraplasa, a joint venture company between PT Telekomunikasi Indonesia and eBay (2013 -December). From 1995 to 1996, he served as Managing Director at Cambridge Cable Group Pay TV Business in the United Kingdom.

He graduated with a degree in Marketing from the Institute of Marketing, United Kingdom (1987), holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore (1985) and also attended the General Management Program at the National University of Singapore in 1984 and the International Executive Program at INSEAD, Fontainebleau, France (1996). In 2015, he attended the "The Corporate Entrepreneur – Driving Innovation and New Ventures (TCE)" executive program at Stanford Graduate School of Business in California, USA and in 2016, the "Leading Business into the Future" Executive Leadership Program at London Business School, London, United Kingdom.



SUKARDI SILALAH
Director of Network

Mr. Sukardi Silalahi was appointed as Director of Network since January 2015. He is responsible for the overall management and control of network infrastructure.

He joined Telkom in 1991 where he served in a number of senior positions prior to his appointment to the Board of Telkomsel, including Director of Consumer Service at Telkom (2012-2014), Executive General Manager of Consumer Service, East Division (2011-2012), Deputy Executive General Manager of Consumer Service, West Division (2010-2011), Executive General Manager of Region VI, Kalimantan Division (2008-2010) and Deputy Executive General Manager of the Fixed Wireless Network Division (2007-2008). In 2013, he was appointed as the Community Director of BUMN (State Owned Enterprise) Marketers Club.

He holds a Bachelor degree in Civil Engineering from the Bandung Institute of Technology (ITB) and a Master's Degree in Business Administration (Cum Laude) from the University of Gadjah Mada (UGM). He attended the "Making Corporate Boards More Effective" executive program from Harvard Business School, International Business Management Training in Sweden and High Performance Boards Training at IMD in Switzerland.

He was awarded as The Best BUMN on Marketing in 2013 and The Best Service Provider of The Year 2013 in recognition of his milestone achievement in positioning Telkomsel as the operator with best network quality in Indonesia based on Open Signal data for two consecutive years, in 2015 and 2016. He was a recipient of the *Satyalancana Pembangunan* Medal from the President of the Republic Indonesia in 2013.



ALISTAIR D. JOHNSTON
Director of Marketing

Mr. Alistair D. Johnston has served as Director of Marketing since August 2012, following a stint as a Director at Singtel International.

Prior to joining Singtel, Mr. Alistair D. Johnston served as Group Chief Marketing Officer at Augere, Dubai (2010-2012). He has vast experience in the telecommunication industry including positions at Telefonica O2, United Kingdom (2007-2010) where he served as Head of Prepay, Head of Online and Marketing Director; British Sky Broadcasting, United Kingdom (2003-2004) and Virgin Group in the UK, Australia & Singapore (1998-2003). He began his career at Andersen Consulting.

He holds a degree in Modern History from Oxford University, United Kingdom.



PRIYANTONO RUDITO

Director of Human Capital Management

Mr. Priyantono Rudito has served as Telkomsel's Director of Human Capital Management since January 2015.

Previously, he served as a Commissioner of Telkomsel from May 2012. Since joining Telkom in 1991, he has served in various management and marketing positions, including Director of Human Capital Management of PT Telekomunikasi Indonesia Tbk (May 2012), Chairman of Telkom Australia (2013-2015), VP for Corporate Strategic Planning (2011-2012) and VP for Marketing & Consumer Care (2007-2011). He has also held several human capital development related positions within Telkom such as Lecturer at the Telkom University (Tel-U), Representative of HR Council for Singtel, Telkomsel & Telkom while serving as a Chairman of FHCI (Forum Human Capital Indonesia) as well as the President of ISCLC Scientific Committee (International Seminar & Conference on Learning Organization).

He holds a Bachelor degree in Industrial Engineering from Bandung Institute of Technology (1991), a Master degree in Business (Marketing) (1997) and a Doctoral degree in Management (2011) from RMIT University, Melbourne, Australia.

He was awarded 100 Most Influential Global HR Professional in 2016, The Winner of Asia Best Employer Brand Awards in 2015 and 2016, and The Contributor to HR Community on THE ASIA HRD AWARDS in 2015. He also received the *Satyalancana Wira Karya* Medal from the President of Republic Indonesia in 2013. He was named Best Achiever at the Telkom Orientation Program (1991) and Best Achiever at several Telkom Leadership Courses: SUSPIM IV (1991), SUSPIM III (2004) and SUSPIM (2006).



MAS'UD KHAMID

Director of Sales

Mr. Mas'ud Khamid has served as Telkomsel's Director of Sales since May 2012. He is also the President Commissioner of PT Sigma Cipta Caraka. In his previous positions at Telkomsel, as Chief of CRM Transformation he led the successful implementation of the CRM System (2013-2014), and as Chief of LTE/4G he led the successful rollout of LTE/4G in Telkomsel.

He has also served in various strategic positions at Telkom Group in the Network and Corporate Customer divisions, and as Head of CDMA Cellular Business. He previously served as a member of the Board of Commissioners of TelkomMetra and Executive General Manager of Telkom Flexi Division.

He earned a degree in Physics Engineering (Instrumentation & Control) from Sepuluh Nopember Institute of Technology (ITS), Surabaya (1989), and has participated in both local and international training programs, including the Kellogg Senior Executive Program in Bangkok (2006) and the Kellogg Advanced Global Senior Executive Program at Northwestern University (2009). In 2015, he attended two executive programs at Harvard Business School in Boston, namely "Making Corporate Boards More Effective" and "Audit Committees in the New Era of Governance".

During his career, he has received a number of awards, including Best Outperforming in Division V (2008) and Division II (2009-2010) from Telkom's President Director. With his vast leadership experience in operations and particularly sales, network and business, he succeeded in making Telkomsel Number One in the world for Managing Customer Care through Social Media via Twitter, according to Socialbakers (Global Social Media Analytics) from Q4 2013 to Q4 2014. In May 2015, he led Telkomsel to win The Socially Devoted Award from Socialbakers in Prague for being the most responsive on social media in 2014. He also led Telkomsel to win #1 on Facebook and #1 on Twitter from Socialbakers for four consecutively years in a historic first. He was named The Most Admired Sales Person of The Year 2015 by Selular Award 2016 and Best of the Best Marketer of Year Indonesia 2016 for Telecom Services Industry by MarkPlus Inc.



CHAPTER 03

COMPANY AT A GLANCE



Telkomsel has successfully repositioned itself as a digital telecommunications company

P.50 Telkomsel in Brief

P.51 Share Ownership History

P.52 Key Products and Services

P.52 Organization Structure

P.54 Milestones



ACCELERATING DIGITAL FOR INDONESIA

Giving the widest nationwide coverage including expanding 4G service to accelerate the digital experience

TELKOMSEL IN BRIEF

Telkomsel first started operations in 1995. Twenty-one years later, Telkomsel has established itself as the leading cellular operator in Indonesia, with more than 173 million customers, 129,000 BTS and more than 5,100 employees operating in 11 regions across Indonesia.

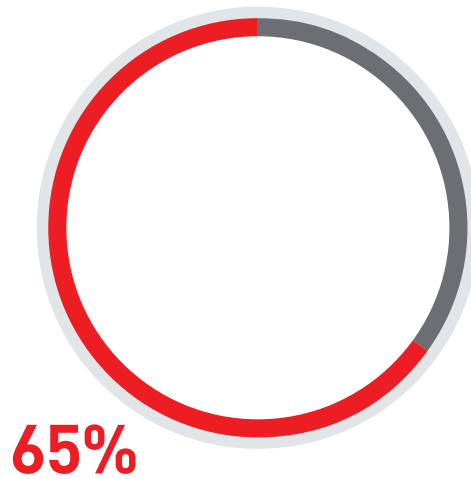
Our go-to-market brand for postpaid customers is kartuHalo, while for prepaid customers, who account for almost 98% of our base, we have three distinctive brands targeted at different customer segments: *simPATI*, Kartu As and LOOP.

Telkomsel is a subsidiary of PT Telekomunikasi Indonesia Tbk (65%) and Singapore Telecom Mobile Pte Ltd (35%). We have the country's widest network coverage, with estimated 2G population coverage of 99% and 3G population coverage of 67%. In 2016, we deployed almost 26,000 new Base Transceiver Stations (BTSs), of which 92% were 3G/4G-based. Telkomsel was the first operator to commercially market 4G LTE technology in Indonesia and as of the end of 2016, we had coverage in 80 Broadband Cities with 19.0 million LTE users.

The telecommunication industry in Indonesia is rapidly changing, with more initiatives and developments to come in 2017 that will improve the competitive landscape and shift the industry in a direction to benefit the telecommunication industry. These include the

35%

Singapore Telecom Mobile Pte Ltd



PT Telekomunikasi Indonesia Tbk

establishment of new interconnection rates, network and spectrum sharing as well as new spectrum auctions for both the 2100 MHz and 2300 MHz frequencies.

To ensure that we maintain our competitive edge and are able to continue to lead and shape the industry, we must ourselves undergo a transformation to become a Digital Company and leading Mobile Digital Business. Telkomsel has been repositioning the company to transform all aspects of our business, people, organization and corporate culture so that we are ready to capture Digital Business opportunities and stay ahead in the industry. As part of this transformation, each year we have executed three key masterpiece programs, with the focus in 2016 on Big Data, Lead 4G and Customer Experience.

In terms of our people, organization and corporate culture transformation, we focused on developing the following three aspects: Accelerate People Transformation, Accelerate Digital Leadership and Global Readiness, and Implement Organization for

New Business. The first aspect, Accelerate People Transformation, is based on the awareness that both talented people with fresh business ideas and experienced recruits are needed to optimally expand and manage the Digital Business. The second aspect, Accelerate Digital Leadership and Global Readiness, focuses on building up our digital mastery capabilities and mindset including the ability to realize an idea from creation to implementation as part of the preparation to achieve leadership in digital. In the third aspect, Implement Organization for New Business, we focused on creating a digital ready organization that is more Digital Business ready with the capability to capture new Digital Business opportunities while continuing to strengthen the Legacy business.

We are committed to making this transformation into a Digital Company a success, in order to better connect our customers and to add value to our customers' lives. The key indicators in our Digital Business are strongly positive, with revenue growth at +36.9%, supported by strong growth in payload at +94.8% YoY, 3G/4G capable devices at +33.9% YoY and Digital Services at +38.8%, with data yield showing signs of stabilizing in 2017. We believe there are still tremendous growth opportunities from the Digital Business as a sizeable portion of our base still uses 2G and feature phones, many existing data users are still on PAYU (Pay As You Use), and Indonesia's data prices are among lowest in the region.

THE COUNTRY'S WIDEST NETWORK
COVERAGE OF AROUND

99%

SHARE OWNERSHIP HISTORY

1995

Telkomsel was established by PT Telekomunikasi Indonesia Tbk (Telkom) and PT Indosat Tbk (Indosat).

1996

KPN Netherlands (KPN) and PT Setdco Megacell Asia (Setdco) acquired stakes in Telkomsel of 17.3% and 5%, respectively.

2001

Telkom acquired Indosat shares to increase its ownership to 77.7%. KPN and Setdco's shares were acquired by Singapore-based Singtel Mobile.

2002

Singtel Mobile increased its ownership by 12.7%, bringing its total ownership in Telkomsel to 35% with the remainder 65% owned by Telkom as the majority owner.

KEY PRODUCTS & SERVICES

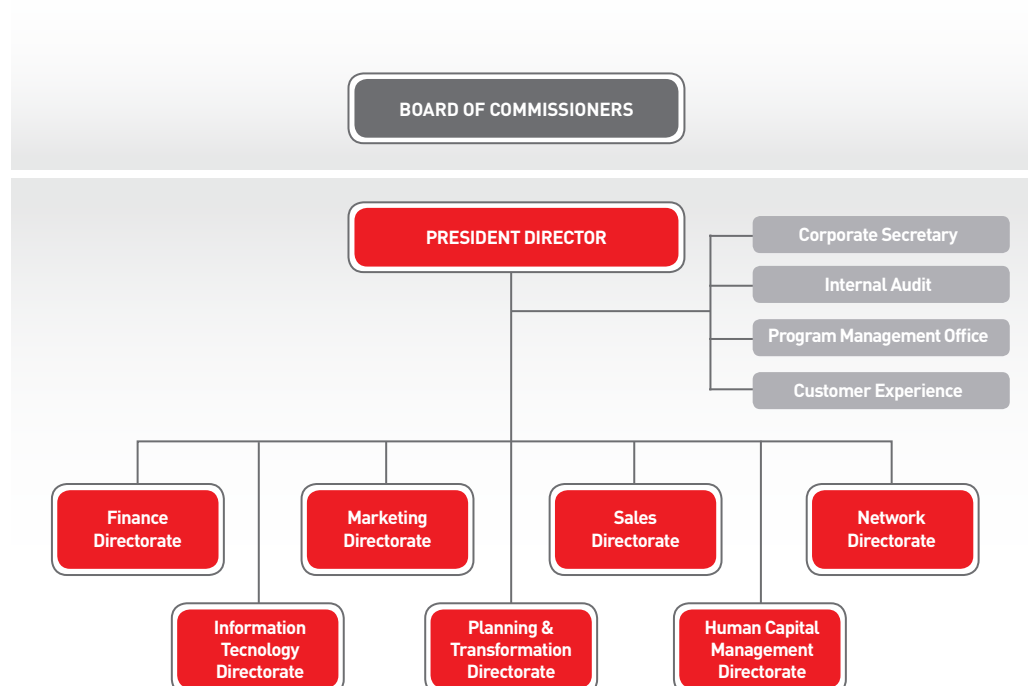


Positioned as the postpaid brand of choice for professionals and corporate customers, kartuHalo provides an unparalleled suite of full mobile services and exclusive privileges. We expanded our kartuHalo brand to embrace the youth segment, positioned kartuHalo as the coolest and best value postpaid card for young professionals.



Positioned as the prepaid brand for the savvy middle class segment, *simPATI* is Telkomsel's award winning lifestyle prepaid brand. *simPATI* continued to offer an exciting range of innovative packages and campaigns to drive demand for mobile data.

ORGANIZATION STRUCTURE





Positioned as an 'Affordable, Value Prepaid Brand', Kartu As is Telkomsel's most popular prepaid brand offering the best value to customers.



Telkomsel's new prepaid brand, is targeted at the youth segment. With the tagline "*Ini KITA*" (This Is Us), LOOP has a youthful image supported by its brand proposition of "being better together" and a focus on offering attractive Data and Digital Services.



MILESTONES

1995

- Telkom and PT Indosat established Telkomsel.
- Launched kartuHalo postpaid service.

1997

- Offered mobile telecommunication services to all 27 provinces.
- Launched *simPATI* Nusantara as the first prepaid service in Asia.

2002

- Kicked off mobile data services, including WAP over GPRS (General Packet Radio Services), MMS (Multimedia Messaging Services), and content services.

2006

- The first commercial launch of 3G network services in Indonesia.

2007

- Introduced push email services.
- Rolled out of HSDPA (High Speed Downlink Packet Access) and Telkomsel Flash service.
- Launched TCASH to facilitate mobile financial transactions.

2008

- Became the Pioneer in renewable energy powered BTS in Asia.
- The launch of Indonesia's first mobile voice and data services for PELNI ships on the open ocean.

2012

- The introduction of the first Seamless Mobile Wi-Fi to Indonesian customers for transferring automatically from a 2G/3G network connection to a Wi-Fi network to access high-speed data.
- Surpassed 125 million customer base and reinforced Telkomsel's position as the nation's largest licensed cellular provider by customer base.

2013

- The launch of Masterpiece, a program that included 268 units of mobile GraPARI, the establishment of 268 mobile Broadband Cities, 68 applications from local developers to support the development of digital creative industry.
- The launch of 450 units of Compact Mobile Base Station (COMBAT).
- Successful LTE trial during APEC 2013.

2014

- Telkomsel launched Masterpiece programs: CRM, M2M and Winning The Youth.
- Telkomsel & Telkom reached agreement on a Conditional Business Transfer Agreement (CBTA) to utilize Flexi's spectrum.
- Telkomsel became the first to commercially launch 4G LTE in Indonesia.

2003

- The first commercial launch of international roaming services to Indonesian prepaid customers.

2004

- The introduction of a secure mobile-to-mobile prepaid top up system.
- Joined regional mobile alliance (Bridge Alliance) for enhanced customer benefits.
- Launched Kartu As prepaid service.

2005

- Our Call Center acquired ISO9001:2000 certification.
- The launch of Mobile Banking ATM services.

2009

- The launch of HSUPA (High Speed Uplink Packet Access) broadband network based services.
- Kicked off Desa Dering Program to provide telecommunications access for over 25,000 villages.

2010

- The first to trial the implementation of Long Term Evolution (LTE) network broadband technology in Indonesia.
- The introduction of Indonesia's first Mobile Newspaper services.

2011

- Surpassed the target of 100 million subscribers which positioned Telkomsel as the world's seventh largest telecommunication operator by customer base.
- The inauguration of Indonesia's first Research & Development Facility for cellular technology.
- The introduction of Tap Izy, Indonesia's first mobile contactless payment system that turns mobile phone into an electronic wallet.

2015

- Telkomsel launched 3 Masterpiece programs: Digital World, Great Payment Experience and TrueBEx (True Broadband Experience).
- Completed spectrum re-arrangement in 1800 MHz, and launched LTE in 14 cities with 2.2 million LTE users.
- Exceeded 100 Thousand BTS and 150 million customer base.
- Achieved Triple 3 Strategy, with Enterprise Value > Rp300 Tn, 3 Year Cumulative Revenue of 33%, and Digital Business Contribution of 33% of Revenue which was achieved in Q4-15.

2016

- Executed 3 Masterpiece programs: Big Data, Lead 4G, and Customer Experience.
- Expanded LTE coverage to more than 80 Broadband Cities across the country.
- Exceeded 170 million customers base and grew the network to 129,000 BTS.
- Achieved five consecutive years of Triple Double Digit growth in Revenue (+14.0% YoY), EBITDA (+16.9% YoY) and Net Income (+26.1% YoY).

CHAPTER 04

BUSINESS REVIEW

Telkomsel has successfully
achieved digital leadership
through customer-centric
products and services
that give best customer
experience

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ACCELERATING DIGITAL FOR INDONESIA

Actively participating in and supporting the development of the Indonesian digital ecosystem

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.

CORPORATE STRATEGY IN BRIEF

5 YEAR **NEW** CORPORATE STRATEGY



2017 - 2021

- Lead new broadband business growth
- Extend/sustain leadership position
- Accelerate Digital refocus and relaunch
- Drive transformation for new growth

2016 was another exciting year for Telkomsel as we continued to sustain our lead, securing 57% market share and 66% revenue share among the Big 3 telco providers in Indonesia.

Our 2016 performance was greatly influenced by the establishment of our new five-year Corporate Strategy. These new Strategic Objectives consist of “Lead new broadband business growth”, “Extend/sustain leadership position”, “Accelerate Digital refocus and relaunch”, and “Drive transformation for new growth”.

The new strategy is specifically designed to maintain our leading position in light of the significant changes that the Telco industry is undergoing, changes that we anticipate will continue to accelerate, with Broadband and Digital Services playing an increasingly important role going forward.

Consequently, in 2016 we continued to invest heavily in 4G and building our Digital capabilities in aspects such as Mobile Financial Service, Digital Advertising, and Enterprise Digital Solutions, to prepare Telkomsel for a future as a Digital Telco Company.

TRANSFORMATION PROGRAM

The transformation program launched in 2012 was designed to support and ensure execution of transformation initiatives for Telkomsel to become a Digital Company and leading Mobile Digital Business.

Through this transformation program, we are committed to transforming all aspects of our business, people, organization and corporate culture in order to anticipate dynamic shifts in the market and to meet our strategic objectives for capturing opportunities in the digital space and supporting our leadership in digital.

From a business transformation perspective, we are focusing on the DNA (Device-Network-Application) ecosystem. The DNA transformation comprises the core change in our Data and Digital businesses, enhancing innovation and quality in delivering services to customers. For Device, we established strategic partnerships with

device manufacturers to drive smartphone penetration and lower handset costs through many exclusive bundling programs. For Network, we rolled out LTE in 80 Broadband Cities while maintaining our lead in network supply with more than 25,000 new BTS in 2016. For Application, we continued our annual Digital Creative Indonesia competition, The NextDev 2016, under the theme 'Smart' Rural, with the main objective of stimulating digital innovation in Indonesia through rural development applications that have greater impact.

With regard to our people transformation, we are focusing on improving our Digital Business capabilities and digital mindset. As



we are focusing on improving
our Digital Business
capabilities and digital
mindset...

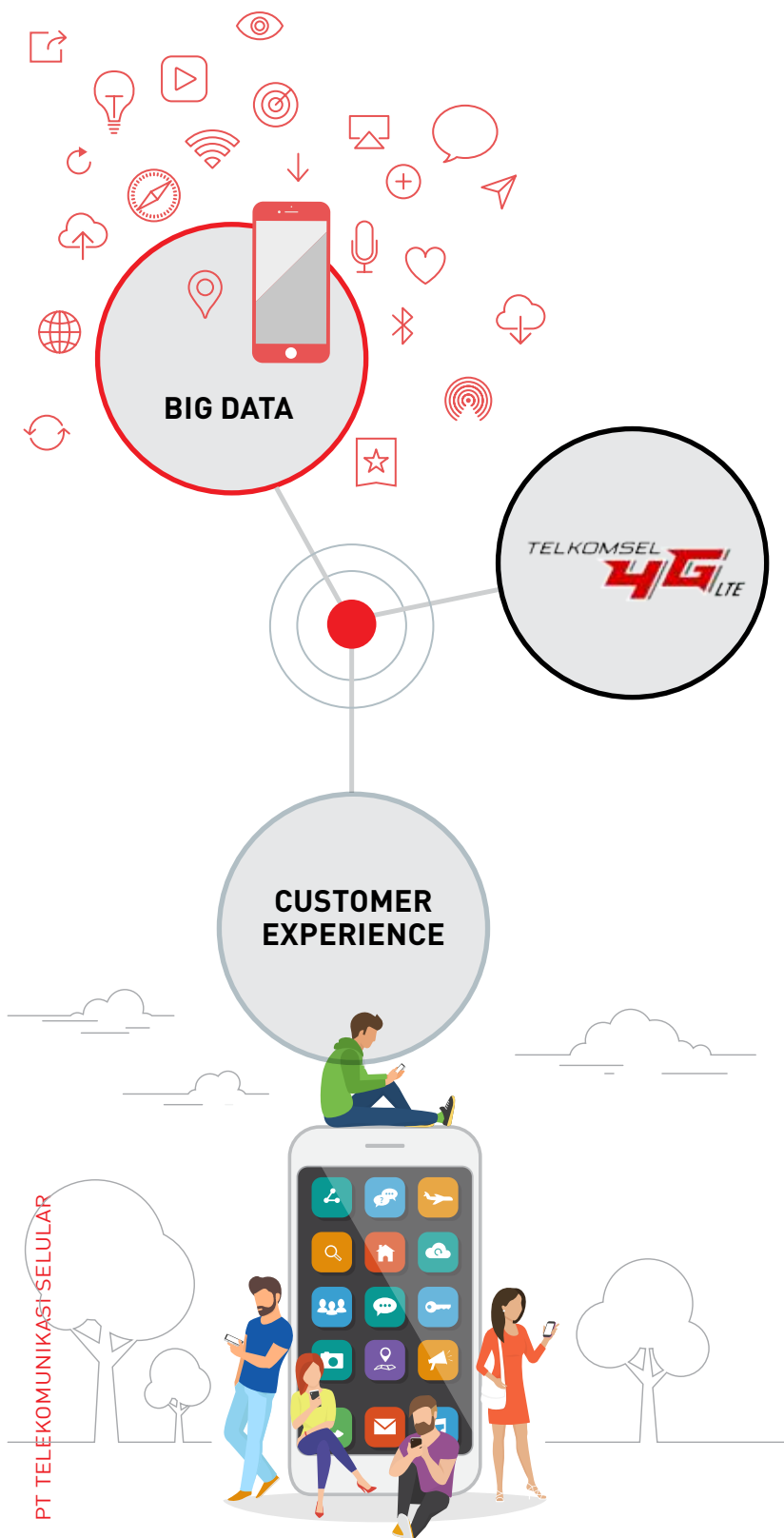


part of preparation to achieve leadership in digital, recruitment of both talented people with fresh business ideas and experienced people are needed to optimally expand and manage the Digital Business, in order to build up our digital mastery capabilities and mindset including the ability to realize an idea from creation to implementation. As part of this, talented employees were given Global Talent Assignments opportunities with our parent companies to broaden their digital capabilities and mindsets.

In terms of the organization and corporate culture transformation, we focused on

creating a digital ready organization that is more Digital Business ready to optimally support our business needs, one capable of capturing new Digital Business opportunities while continuing to strengthen the Legacy business. Related to this, we moved into new corporate offices at TSO (Telkomsel Smart Office) featuring open working spaces to foster employee collaboration and creativity as part of building a digital culture, which is imperative for success. In parallel, we continue to entrench the Telkomsel Way deeply in our everyday lives and to nurture digital-ready leaders.

TELKOMSEL MASTERPIECE 2016



BIG DATA

The dynamic and borderless nature of the digital era has resulted in fast changing customer behavior with needs for diverse solutions. A deep and quick understanding of customer needs will be vital to overcoming this challenge, in order to use customer behavior data to better understand the customers and give more relevant services offering.

Telkomsel Big Data/MSIGHT as the third Telkomsel's Masterpiece for Year 2016 aims to provide support for understanding the behavior of both internal and external client customers'. This is done by providing insight and information generated from collected Telkomsel customer's usage patterns and interactional experience via Big Data analytics. To enrich our insight and information, Telkomsel not only uses the data from data center but also data collected from activities such as marketing program, direct interview, customer service feedback, device bundling sales, and other supporting activities. Furthermore, these data will improve our Big Data advance analytic so the generated insight will increasingly become commercially viable. Telkomsel will also provide Application Programming Interface (API) for client to give them flexibility in using Telkomsel Big Data services.

This year, the main activity for Telkomsel Big Data was to strengthen the technology baseline and business strategy, integrate scattered data, and improve customer data accuracy through modelling and advanced profiling. The processes were systematically and continuously executed to shape the Big Data main customer segment across various industries before reaching them via commercial services GTM activities.

LEAD 4G

Entering the Digital era, the competition for customers is increasingly centered on providing the best Broadband experience. Operators have responded to the sharp increase in Broadband customer adoption, LTE smartphone numbers, and online activities/interactions with various packages and features designed to enhance their customers' experience.

In this competitive market, Telkomsel designated Lead 4G as one of its 2016 Masterpiece programs. Lead 4G aims to provide the best 4G customer experience, quality 4G Network and effective and relevant product offerings to fulfill and even exceed customer expectations.

Our Lead 4G key activity in 2016 was to accelerate 4G/LTE roll-out in 80 Broadband Cities (BBC), supported by 6,362 4G BTS delivering quality indoor and outdoor coverage in prominent high Data traffic area. Broadband experience socialization took place on a wide scale to educate the mass market on the benefits of 4G services, thus creating 4G service awareness in the market. In addition, we promoted device bundling programs to accelerate the migration of 2G and 3G devices to 4G, and created unique content bundle program to create competitive offerings and attract interest. Internationally, we supported our 4G expansion via 4G roaming coverage in 41 countries.

6,362



4G BTS delivering quality indoor and outdoor coverage in prominent high Data traffic area

CUSTOMER EXPERIENCE

The digital era has led to major shifts in customer behavior and expectations in every aspect of daily life. Among others, customers want to be constantly connected and easily access online information. At the same time, digital also opens up the possibility of digital interactions with customers, on top of conventional customer services channel. Customer therefore have the possibility of experiencing Telkomsel services across many more channels and touchpoints including call centers, outlet walk-in, MyTelkomsel Apps, our website, and social media.

Realizing this, our Customer Experience (CX) Masterpiece aims to improve customer satisfaction, whenever customer interaction occurs, at every service process and touchpoint whether digitally or using traditional channels. A consistently good Customer Experience (CX) will enrich and deepen our bond with customers, in alignment with our goal to be a Customer Centric company and differentiate ourselves amidst fierce competition in the Digital era.

Last year, CX focused on building an integrated platform with the ability to handle product information, service sign-ups, billing processes and information, and customer service support in a single application and integrated portal. This year, we focused on improving the experience of the High Value Customer Segment and Broadband subscribers by providing end-to-end service delivery to support the already reliable Network quality in 80 Broadband Cities.

MARKETING

In 2016, Telkomsel successfully grew beyond our market leadership in legacy to achieve leadership in Data & Digital services as well.

Our key Marketing focus in 2016 consisted of:

- **DOMINATE HIGH VALUE SEGMENT** (beyond expectations with bespoke customer treatment & privileges)
- **LEAD 4G** (beyond coverage with best 4G user experience at home & on the move)
- **OWN YOUTH** (beyond imagination with Digital innovations)
- **BREATHE DIGITAL** (beyond boundaries with new Digital self-care)
- **PERSONALIZE CUSTOMER EXPERIENCE** (beyond basics to delight our subscribers)

MARKETING PROGRAM AND STRATEGIES

kartuHalo

Brand positioning

kartuHalo is still positioned as the 'Most Preferred Postpaid Brand' and the Postpaid brand of choice amongst young, status-conscious professionals who need a complete mobile telecommunication solution to fulfill their dynamic activities. In 2016 kartuHalo provided the Best Internet Package and Fastest Internet Access delivering an easy and flexible experience, as well as various exclusive privileges.



In 2016 kartuHalo continued to dominate the market nationwide as the leading postpaid brand, recording subscriber growth of over 16% to reach over four million subscribers in what was one of kartuHalo's best performing years.

During the year, kartuHalo continued to enhance the customer experience with more privileges, by delivering TCASH bundled together with kartuHalo. kartuHalo also maintained loyalty rewards for kartuHalo customers, in the form of double Telkomsel Poin rewards compared to Prepaid and "Beyond Experience" privileges by inviting High Value Customers to exclusive events such as private concerts with celebrities.



kartuHalo Reason to Believe

In 2016, kartuHalo was strengthened with a New Reason to Believe, “#BuktikanDenganHalo”, highlighting the unique value differentiation and benefits that kartuHalo customers enjoy:

- Network Priority (voice call priority and data priority).
- Highest Internet Speed (Internet speed of up to 128 Mbps).
- Best Data Plan (no 2G/3G limitation, competitive price, with biggest value of up to 40GB/month).
- No Bill Shock (worry-free using kartuHalo with Credit Limit Service to control our usage).

T-Drive for kartuHalo

kartuHalo introduced a Telkomsel Tracking solution called T-Drive Solution that can be placed on board vehicles to gather and relay information, bundling it with kartuHalo as an exclusive privilege for kartuHalo customers.



TCASH for kartuHalo

In order to introduce its customers to Telkomsel Mobile Payment, kartuHalo gave TCASH incentives for kartuHalo users to subscribe to TCASH tap Mobile Payment Seamless Experience.



kartuHalo 4G Migration

In order to give kartuHalo users the best broadband customer experience over our 4G LTE network, kartuHalo gave kartuHalo Customers an extra quota of 4G as an incentive to migrate their old SIM cards to USIM cards (4G SIM cards).



kartuHalo channel expansion to e-commerce

To boost new channel registration, kartuHalo cooperated with strategic e-commerce partners to expand its digital channels for new kartuHalo subscribers.

kartuHalo REWARDS & RECOGNITION



● ICSA AWARD 2016

**kartuHalo – The Best Postpaid
Cellular Simcard**

● TOP BRAND AWARD 2016

**kartuHalo –Telecommunications/IT
Category: Best Postpaid SIM Card**

● NET CUSTOMER LOYALTY AWARD 2016

**kartuHalo - Leader in Postpaid
Category**

Enterprise Mobile Product Marketing

Telkomsel Corporate Business Solution offers complete solutions for our Corporate Customers: Corporate/Government segment, Large Enterprise Segment, and Small and Medium Enterprise (SME) Segment, to fulfil their needs for business solutions and technology updates. Serving more than 20,000 companies nationwide, we continue to create new, customized offers for our customers with a comprehensive variety of solutions covering Voice, SMS, Data, VAS and Cloud Solutions.

In line with its commitment to give the best customer experience, in 2016 Telkomsel provided online activation channels for SME Customers and positioned SME Corner as a trusted information and customer consultation center for SME Solutions. During the year, we also expanded service for Corporate Customers to be available at more Telkomsel Customer Touch Points, namely Grapari, Call Center and E-Care.

OUR SOLUTIONS

1. Solution for SME Segment

In January 2016, Telkomsel launched eAccounting as part of the Paket Komunikasi Andalan Wirausaha (PAKAR) Financial solution that is targeted to SME customers. e-accounting is a cloud-based accounting solution that helps customers record their financial transactions, generate financial statements, and control their business.

e-accounting

2. Solution for Large Enterprise Segment

Telkomsel has developed an IP-based voice solution for the Large Enterprise segment which allows customers to make high-traffic outgoing calls or receive high-traffic incoming calls securely, complete with traffic monitoring and fraud detection features all at an affordable cost. Telkomsel also supports the Smart City implementation in Pekanbaru and the Industrial Park in Medan (*Kawasan Industri Medan*).

CORPORATE SPECIAL PROJECTS

Telkomsel successfully won new contracts with leading corporate and government institutions such as Unilever, OCBC NISP, the Ministry of Health of the Republic of Indonesia (special Hajj package for Ministry staff), Artaboga, Reska, and many more. Telkomsel Corporate Business Solution also established strategic collaborations to support the startup community, including Gojek and Uber.



GO TO MARKET EVENTS

To increase SME awareness of digital solutions' potential to facilitate their business, Telkomsel sponsored several SME events all over Indonesia such as *Jualan Online Aja 2016*, Indonesia Marketeers Festival 2016, and *Gebyar UKM 2016*.

Besides participating in SME Events, Telkomsel CBS also participated in several high profile B2B Technology events: Indonesia E-Commerce Summit & Expo 2016, Communic Indonesia 2016, and Indonesia Business and Development Expo 2016.

NEW ACTIVATION CHANNEL (kartuHalo SME ONLINE ACTIVATION)

In 2016 we enhanced the kartuHalo SME subscription function in the telkomsel.com website, to provide ease and convenience for SME customers.

SERVICES FOR ENTERPRISE CUSTOMERS

1. SME Corner

As one of our efforts to deliver best customer experience, in 2016 Telkomsel launched SME Corner in five major Indonesian cities: Jakarta, Bandung, Yogyakarta, Surabaya, and Bali. SME Corner is an information and consultation center for SME Solutions that is provided by Telkomsel CBS.



2. Corporate Customer Service at Telkomsel Customer Touch Points

Starting in 2016, corporate customers were able to obtain service at Grapari, the Telkomsel Call Center, and Telkomsel E-Care for service.

simPATI

1. ATL Program

1.1. *simPATI* ENTERTAINMENT PACKAGE

Telkomsel launched *simPATI* Entertainment Package in April 2016 in response to customer demand for video streaming. Customers can watch thousands of movies in a multitude of genres on their smartphones and tablets with HOOQ streaming movie.

1.2. *simPATI* GIGAMAX

simPATI Gigamax is a special package that comes with a big internet quota and an additional bonus for accessing high quality mobile video streaming content over the mobile network. This package replaces the

simPATI Entertainment Package but with an additional 4G quota and a bigger content quota. Customers can choose from HOOQ or viu for the video content provider. HOOQ provides a wide variety of genres ranging from Hollywood action and superhero movies to Indonesian movies, while viu offers the latest Korean movies and serials, Bollywood movies, and Indonesian movies.



2. Starter Pack and Package

2.1. *simPATI* GoDiscover

The *simPATI* GoDiscover starter pack is a new USIM starter pack designed to drive acquisition, offering a 10K IDR balance with an end user price of 10K IDR. Customers who buy this starter pack have the option to buy the Explore Package priced at 49K IDR, which gives a quota of 2GB, simply by dialing *363# UMB.



2.2. *simPATI* YOUR EVERYDAY DISCOVERIES

simPATI Your Everyday Discoveries is a USIM 4G ready card that is offered with an end user price of 50K IDR. This starter pack offers a balance of 50K IDR. Customers who buy this starter pack can buy the Explore Package, which is also offered for the *simPATI* GoDiscover starter pack, or they can subscribe the new 4G Package which is priced at 49K IDR with a quota of up to 10GB.

2.3. PREPAID USIM MIGRATION

This special USIM Migration card is offered with an end user price of 3K IDR. This card's purpose is to encourage customers to migrate from a regular SIM card to a USIM 4G ready card. Once customers have successfully migrated to this card, they can enjoy Telkomsel's 4G network in areas with 4G coverage. In the case that the card is not used for migration, it will revert back to an ordinary *simPATI* starter pack.



3. Activity

3.1. *simPATI* #GoDiscover WITH KOMPAS KAMPUS (FEBRUARY)

simPATI Kampus KompasTV is a collaboration between *simPATI* and KompasTV to hold an entertainment event at which Telkomsel offered the Explore acquisition package and Gigamax package. This event featured stand up comedy with Rahmet, Vikri Rasta, Dzawin, Ridwan Remin, and Irfan, as well as a talkshow, music performances from Nidji and D'Masiv, and interview with Tukul.

3.2. SPONSORSHIP PROGRAM

Premiere AADC 2 Movie (April)

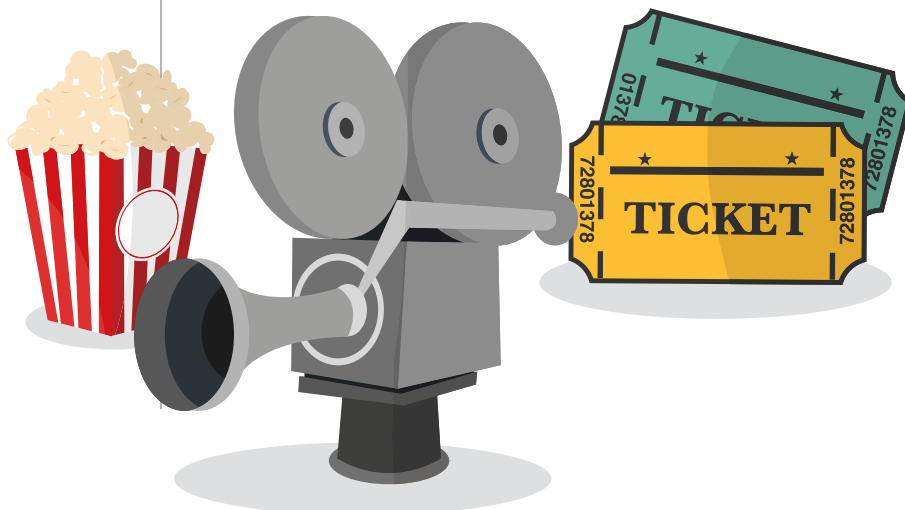
Telkomsel invited loyal customers to further explore the friendship of Ada Apa Dengan Cinta movie characters Rangga, Cinta, Karmen, Milly, and Maura through the *simPATI* Movie Discoveries *Ada Apa Dengan Cinta 2* (AADC 2) program. *simPATI*'s presence as an 'Official Telco Partner' of AADC 2 demonstrates *simPATI*'s consistent support for the development of Indonesian movies. *simPATI* customers were able to enjoy a variety of exclusive services and events for AADC 2 held in anticipation of this highly awaited sequel release in 2016.



In addition, to fulfill the enthusiasm of AADC 2 movie fans, *simPATI* offered exclusive special content such as NSP, photos, videos, and behind the scene stories of the AADC 2 characters that could be accessed at *500*88#. Furthermore, customers who had activated AADC 2 content through *500*88# # could win the opportunity to attend a movie and meet & greet event organized in four cities, namely Bandung, Surabaya, Makassar, and Medan. Fifteen lucky customers from each city were chosen to meet and get to know the artists of AADC 2.

Rudy Habibie Movie (June)

Telkomsel continued to invite loyal customers to explore national movies through *simPATI* Movie Discoveries' support of the movie *Rudy Habibie*. Telkomsel made various Rudy Habibie services and events available exclusively for *simPATI* customers as a form of appreciation for their loyalty, enabling movie fans to get closer to their favorite artists. Telkomsel's support as an 'Official Telco Partner' of Rudy Habibie is in line with *simPATI*'s consistent support for Indonesian movies in an effort to increase public enthusiasm for local movies.



***simPATI* Motorbaik Adventure (August)**

simPATI Motorbaik Adventure 2016 was a touring event with 9 celebrities (Ananda Omesh, Tarra Budiman, Tora Sudiro, Gading Marten, Dimas Angga, Nabila Putri, Denny Chasmala, Bisma Karisma, and Imam Darto) from Jakarta to Yogyakarta involving different types of motorcycles. This trip was planned for 6 days, during which the celebrities participated in activities that positively contributed to society. In addition, these 9 celebrities subsequently taught and shared their knowledge with students in schools through the Kelas Baik program, a program from the Indonesia Mengajar (Indonesia Teaches) community.



Kick Fest with *simPATI* (held in September)

simPATI Kickfest is an event that focuses on facilitating and gathering local clothing and F&B brands, giving them a chance to exhibit their products to the public. *simPATI* collaborated with Kreatif Independent Clothing Community (KICK) Festival X to transform into *simPATI* Kickfest. Kickfest is an association that has consistently contributed for 10 years to the creative economy in the national fashion field.

simPATI Kickfest 2016 was attended by 70,000 visitors, the majority of which were youngsters from Bandung.

simPATI Kickfest offers a one stop entertainment event. More than 100 clothing brand tenants attended the event in multiple cities throughout Indonesia. During this event, Telkomsel also promoted the Explore acquisition package and Gigamax package.



Kartu As

1. ATL Program

Kartu As PUAS INTERNETAN PACKAGE

Kartu As PUAS Internetan is the newest ATL promo from Kartu As, offering daily, weekly, and monthly packages for internet, Facebook, chatting, and video.com access with a quota of up to 1.5 GB. This ATL promo was launched on June 23, 2016. Customers can buy this package by accessing *100# or *100*1#. The chatting package is valid for BBM, Line, and Whatsapp.



2. Starterpack and Package

2.1. Kartu As PUAS INTERNETAN

In June 2016, Kartu As launched a starter pack called Kartu As PUAS Internetan with an end user price of 5K IDR. This USIM 4G ready card comes with a balance of 5K IDR. Customers who buy this starter pack have the option to then buy the Puas Internetan Package.



2.2. Kartu As 2IN1 TAIWAN

Telkomsel collaborated with a Taiwanese telecommunications operator to launch Kartu As 2 in 1 Taiwan, giving Indonesian workers in Taiwan the option of having an active Telkomsel number in Taiwan. Through this special service, family members of overseas workers can call the Kartu As 2 in 1 Taiwan easily. Unlike normal Kartu As cards, the Kartu As 2 in 1 Taiwan has a dual phone number, and runs on CDMA devices rather than GSM devices. Callers using this card to call Taiwan only pay Indonesian local tariffs and will not be charged roaming costs of Rp17,500 per minute. Customers can also buy the Jagoan Serbu package, getting 100 minutes of calling credits for just for Rp3,500.



3. Activity

3.1 Kartu As BIBER (APRIL)

Launched on April 1, 2016, Kartu As Biber is a promo program for Kartu As users who previously purchased the Kartu As regular data pack, Kartu As Kenyang Internetan, or TAU data pack. They will get a lucky draw coupon after purchasing those packages. The program ran for 6 months and prizes were drawn every 2 months.



3.2. PANGGUNG ASIK Kartu As (AUGUST - OCTOBER)

Panggung Asik Kartu As was a free entertainment event held especially for loyal customers of Kartu As. In addition to Panggung Asik, there were also activities such as Hello Doctor, booth games, Nonton Bareng, a cheap handphone bazaar, and TCASH promotions. There were also prizes for attendees and special internet packages, with a motorcycle as the grand prize.

3.3. ASIKNYA JADI BINTANG (SEPTEMBER - OCTOBER)

Asiknya Jadi Bintang was a contest organized by Telkomsel in collaboration with Vidio. Contestants submitted a video to the Vidio.com website showing them singing Indonesian songs. Asiknya Jadi Bintang ran during September and October 2016, and was welcomed positively by the Indonesian public as shown by 1,400 video submissions. Of those videos, six winners were selected by the juries to win cash prizes.

LOOP

Positioned as Telkomsel's youth segment prepaid brand, in 2016 LOOP focused on increasing its youth market share and revenue share. Launched on March 9, 2014, LOOP reached 33.4 million subscribers during the year. LOOP not only provides products and services to its LOOPers (LOOP subscribers), but also provides events, programs and digital platforms as part of its youth engagement program. LOOP products and events are created to fulfill youth needs based on their behavior and up-to-date lifestyle as related to the Digital era.

A. Digital Channel

PORTAL LOOP.CO.ID

The loop.co.id portal delivers comprehensive information on LOOP products, programs and event through digital channels. As a portal targeted at youngsters, loop.co.id emphasizes daily lifestyle content and discount packages as key strong point to engage its youth segment audience. The portal contains many discount LOOP reward package and also allows LOOP and Non LOOP users to redeem exciting merchant vouchers for F&B, fashion, etc. As such, hopefully the loop.co.id portal can be an asset to help acquire new youth market share.

Between January to December 2016, the loop.co.id portal was visited by 25 million visitors and 17 million unique users of which almost 75% viewed hot promo discount packages as well as lifestyle content, all which is updated on a daily basis on loop.co.id



LOOPKITA APPLICATION



In order to grow and target the youth market segment, LOOP launched the LOOPkita Application in March 2016, with a 'Cara gampang atur aplikasi biar hemat kuota' ('easily manage applications to save quote') campaign. The LOOPkita application, which can be used with all operators, allows users to control the internet usage of applications on their smartphone. Moreover, within the LOOPkita application, LOOP customers can easily purchase LOOPkita packages and earn daily rewards from LOOP for an exciting digital experience. These packages come in three different price tiers with a quota of up to 9GB and attractive offers targeted to youth needs. By purchasing the LOOPkita package, user can also get bonus quota to access popular applications such as LINE, Whatsapp, Facebook, BBM, Youtube, Clash of Clans, Clash Royale, JOOX and many more.

Since its launch in March to November 2016, the LOOPkita application has been downloaded by 1.5 million users, of which almost 60% are Telkomsel subscribers.

B. Products

LOOP SHARING-AN (SHARING INTERNET RINGAN BARENG TEMAN)

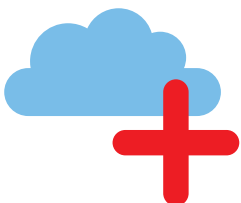


LOOP Sharing-an is a LOOP package whose concept is all about sharing with friends. Before activating the package, LOOPers should create a LOOP Sharing-an group, consisting of three (3) to five (5) members. After the group has been created, the leader who created the group can purchase a LOOP Sharing-an internet package and share the quota with the other members.

LOOP DIGI (LOOP MUSIK & LOOP GAMES)



Launched in September 2016, LOOP Digi is the newest LOOP Package, focusing on a combination of games and music to target youth and digital. Before activating the package, LOOPers can choose to buy a LOOP Games package or LOOP Music package. After that, LOOPers get regular quota and 1GB DPI free access to partner content, namely JOOX, Guvera, Smule, Gen FM, Dota, Seven Knights, Clash of Clans, Crisis Action etc. LOOP Digi also supported the white ATL campaign.



C. Youth Engagement Program

LOOP KEPO (KREATIF PROJECT)



LOOP KePo (Kreatif Project) is a program that aims to spark Indonesian youth creativity by using technology positively and productively. It was first held in 2014. In 2016, LOOP KePo focused on "Promote Your School", kicking off with roadshows all over Indonesia and mentoring sessions with Pandji Pragiwaksono and Raditya Dika as digital mentors, discussing various interesting aspects of making digital videos. Held at 400 schools in 50 cities, submissions for LOOP KePo 2016 grew almost 30x compared with 2015.

Aside from roadshows, the LOOP KePo Challenge was held in form of a video project competition among schools. Students submitted their videos and shared them on social media to gain impressions and win attractive prizes. In terms of cities, the highest contributor was Medan, followed by Pekanbaru.

The program, which ended on September 30, 2016, attracted a total of 145,000 submissions by 11,000 registrants from 1,274 schools in Indonesia. On social media, LOOP KePo has reached 15 million Twitter users, 18 million Instagram users and 340,000 Facebook users.



Video Submissions from LOOPers



LOOP KePo 2016 ended with LOOP KePo BigBang as the final event in Lampung (October 22), Solo (October 23), Banjarmasin (October 30), and Bekasi (November 5), enlivened by selected artists such as Raditya Dika and Pandji Pragiwaksono, Danang & Darto, The Rain, Kemal Pahlevi, Ernest Prakasa, Barasuara, Souljah, and J-Rocks.

LOOP 3X3



LOOP continued its sponsorship of Development Basketball League (DBL) Indonesia as part of youth engagement program, in line with LOOP's consistent support of youth activities which encourage youth to express their talent and creativity. In this event, LOOP created a LOOP 3x3 competition in 47 cities, with participants competing to win the grand prize of a trip to the USA.

LOOP FUN HOLIDAY GOES TO JAPAN

This program was aimed at TSC (Telkomsel Smart Community) members between 12 and 19 years of age. Participants first had to be registered as TSC members, then register for the LOOP Fun Holiday Goes to Japan program by typing in FUN and sending it to #2323. Frequent LOOP users had the chance to win a prize vacation to Japan. The program period ran from May to September 2016.



D. Community Management

LOOP SQUAD

LOOP Squad is a LOOP program that aimed to create internal buzzers promoting LOOP products and activities to the youth market through their social media accounts. A total of 1,300 LOOPers in the twelve to nineteen age range who were very active on social media were selected to join LOOP Squad in 2016, with a squad established in every Telkomsel region.



LOOP Squad members receive special benefits such as a special LOOP Squad data packages to make them easier for access social media, costing just Rp20,000 for 2GB, valid for 30 days across all networks. LOOP Squad members also enjoyed monthly rewards including Exclusive Gathering, Telkomsel Balance, Action Camera, LINE stickers, and vouchers among others. Squads who actively share LOOP information to their social media earn points, and at the end of the LOOP Squad season, the squad with the most points will win a special prize to go to Singapore ('LOOP Squad goes to Singapore'). The LOOP Squad program runs March 2016 through April 2017.

Registration opened for the LOOP Squad 2016 program on March 18, 2016 through to November 2016, LOOP had generated 1,300 best quality buzzers, we called LOOP Squad with over 50% have contributed 37.3 million impressions of #LOOPsquad2016 on major social media platforms such as Facebook, Twitter, and Instagram.

Beyond TrueBEx (True Broadband Experience)

Entering the next phase of broadband experience, Telkomsel needs to maintain and improve customer satisfaction. Consequently, this year Telkomsel focused on enhancing broadband quality and experience to increase customer satisfaction. This vision was set forth in a program called Telkomsel Beyond True Broadband Experience (Beyond TrueBEx).

As part of this program, several initiatives took place to support the achievement of True Broadband Experience:

- Elang Nusa Expedition.
- Increase 4G awareness through bonus offering & simplify 4G migration process.
- Enhance entertainment experience.
- Broaden LTE coverage & quality improvement.

At the end of 2016, Telkomsel had 84.7 million data users, an increase of 14.7% from last year and equivalent to 49% of total customers. These data users supported Telkomsel to achieve Rp27 trillion in broadband revenue, an increase of 37% compared with 2015.

Elang Nusa Expedition



Telkomsel has created a continuous campaign to promote TruBex called "Ekspedisi Langit Nusantara" (Elang Nusa). The purpose of the campaign is to showcase Telkomsel True Broadband Experience (TrueBEx) and emphasize that only Telkomsel can do it. Taking the

concept of the Olympic Flame's journey across nations as a celebration of the human spirit and festivity, we sent out two drones, one from Sabang and one from Merauke, meeting in Bali as the final destination after journeying through more than 50 Indonesian cities. This journey also served as a network drive test.

The journeying drones exposed a bird's eye view of a beautiful Indonesia, spread excitement among the Indonesian public and Telkomsel customers as they passed, and sparked joy on a website dedicated to live stream broadcast (www.telkomsel.com/elangnusa).

In parallel, Telkomsel created channel marketing promotions to increase awareness of this campaign and customer engagement as follows:

- Above-the-Line: TV commercials and a Behind the Scenes of Elang Nusa program, and national and local print ads.
- Below-the-Line: pit stop events in 7 cities and a final landing event at Garuda Wisnu Kencana, Bali.
- Digital: a microsite was created to show streaming views from the drone and studio. To increase engagement with customers, various digital activities were created such as:

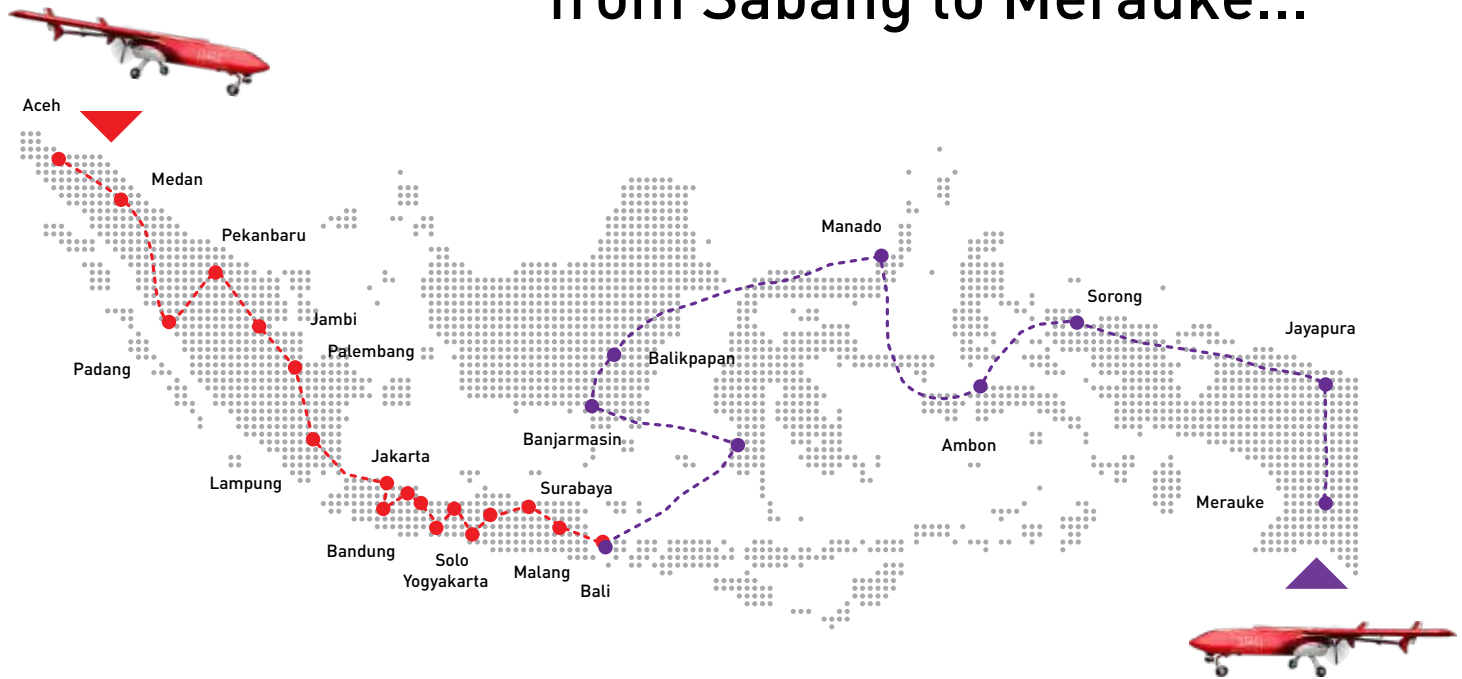
NO.	ACTIVITY	DESCRIPTION
1	30 DAYS CAPTURE INDONESIA #elangnusa #CaptureIndonesia	Users have to watch live streaming and screen capture interesting scenery for 30 days. Upload to the microsite
2	SKETSA INDONESIA #elangnusa #SketsaIndonesia	Users must draw a sketch of the live streaming scenery. Upload to the microsite.
3	SATU NUSANTARA #elangnusa #SatuNusantara	Users must submit a photo showing hands outspread. Upload on social media with a caption showing the region of origin. Collect at the gallery microsite.

The Elang Nusa project showed that Telkomsel has the fastest network connection from Sabang to Merauke, as proven by more than 75 million minutes of live streaming and more than 24 million views.

Through the Elang Nusa (*Ekspedisi Langit Nusantara*) expedition, Telkomsel demonstrated the quality of Telkomsel network to loyal customers while enabling them to experience the beauty of the Indonesian archipelago. Two drones flew from Sabang and Merauke respectively with cameras attached, enabling Telkomsel customers to experience the flight in real time over our streaming platform.



The Elang Nusa project showed that Telkomsel has the fastest network connection from Sabang to Merauke...



The program was held from April 14 until May 14, when the two drones landed together in Bali. In its month long exploration of Indonesia, the Elang Nusa project successfully attracted 4.5 million subscribers to its special package.

Increase 4G Awareness through Bonus Offering and Simplify 4G Migration Process

In order to increase 4G awareness, Telkomsel offers a 4G bonus quota of 10 GB for every purchase of monthly

data packages. By offering 4G bonus quotas, Telkomsel aims to attract and influence customers to use 4G devices and experience 4G speed. Since the offer was launched in September 2016, Telkomsel customers' monthly payload has increased by 8% on average.

A USIM (4G SIM) card is one of the requirements for experiencing 4G LTE network. In order to help customers migrate their old SIM easily, Telkomsel has created OTA (Over the Air) cards as a solution that enables 4G migration. By using OTA SIM Cards, customers do not need to visit GraPARI and can perform the migration by themselves independently, anywhere and anytime.



Enhance Entertainment Experience

Over time, watching videos as an entertaining media to entertain has slowly become a lifestyle. Telkomsel leveraged this opportunity to fulfill this emerging customer need by offering Videomax and Musicmax packages.

Videomax, operated in partnership with HOOQ and viu, allows customers to have fun enjoying films in an easy manner. Customers enjoy 30 days free subscription on HOOQ and viu when they purchase Videomax. As for Musicmax, customers enjoy 2 GB quota for music streaming and premium subscription on LangitMusik at price starting from just 20K IDR.

Broaden LTE Coverage & Quality Improvement

Network coverage plays crucial role in enhancing customers' 4G experience and influencing customer satisfaction. Emphasizing excellent service as a high priority, Telkomsel has made significant efforts to broaden its 4G coverage throughout Indonesia, with 13 LTE cities at the end of 2015. During 2016, Telkomsel increased its coverage by 169 LTE cities. The massive roll out was driven by the priorities of national coverage and customers' experience.

In late October, Telkomsel did a 4.5G live trial with Huawei and reached 1 Gbps download speed by combining 4x4 MIMO antenna technology with 256 QAM modulation and LTE LAA, serving as an introduction to 5G technology of the future.

MyTelkomsel Apps reached 10 million downloads in 8 months

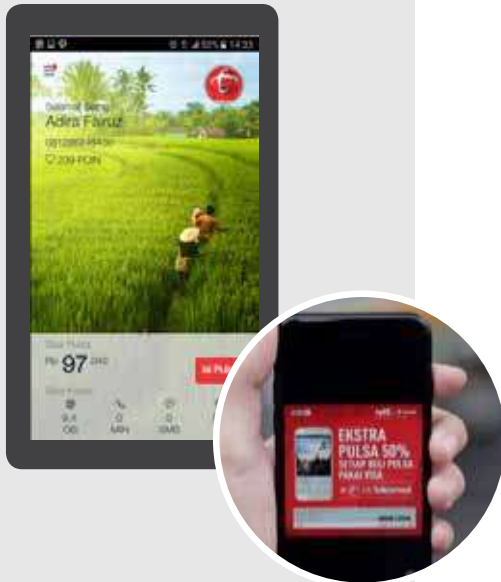
The new MyTelkomsel app was launched on March 1, 2016 to a great reception from Telkomsel's Android and iOS users. The fresh look and better UI and UX of the app have brought a new level of self-care to the Indonesian market.

The ATL launch on April 9, 2016 attracted many customers, going viral on social media. After just eight months on the market, MyTelkomsel app successfully reached 10 million downloads per November 13, 2016.

MyTelkomsel app has created a new experience for customers, enabling them to see the most important information on a single screen instead of having to memorize different USSD to access the information.

It also gives customers more complete information when purchasing packages on data, voice and SMS, compared with the limited text on a USSD channel.

The MyTelkomsel customer experience delivered promotions to attract customers such as extra balances for top up using VISA or TCASH, and surprise deals during Independence Day whereby customers could redeem Telkomsel POIN for handsets. The app has also released and updated important features including Gifting and Entertainment bundling, to keep customers returning to the app.



10
million
downloads

Loyalty Programs & Merchant Partnership

In alignment with the 2016 First, Fastest, Finest theme, Telkomsel continued to strengthen customer loyalty through the Telkomsel Poin loyalty program which enables customers to enjoy a number of unique experiences.



The Telkomsel Poin loyalty program provides exclusive offers to all Telkomsel customers (kartuHalo, *simPATI*, Kartu As, LOOP) who meet criteria to receive Poin. This program focuses on increasing the benefits for the High Value Customer (HVC) segment, and giving more meaningful and relevant rewards based on lifestyle. The key objective is to improve customer experience and build long-term engagement by aligning with their lifestyle interests. Customers can enjoy rewards simply by redeeming their points.



2016 TELKOMSEL KEY STRATEGY

TO DELIVER BEST LOYALTY PROGRAM

IMPROVE CUSTOMER AWARENESS

- 1 Build strong and massive collaboration with Regions to increase loyalty penetration and reach more potential local merchants.
- 2 Consistent alignment with key Brand and Corporate milestones to boost Telkomsel Poin awareness (e.g. *simPATI* Rewarding Experience, 4G LTE launching, 20th Telkomsel Anniversary, Year-End Program, Telkomsel Siaga, 70th Independence Day, and so on.)
- 3 Optimizing customer behavior and profiling to create more targeted BTL campaign and utilizing social media platform as digital campaign channels to accelerate loyalty awareness, improve program effectiveness, and create word of mouth effect.



ENHANCE CUSTOMER EXPERIENCE



- 1 Provide more attractive and bigger rewards catalogue covering
 - Telco products: Voice / SMS / Data packages
 - Digital content: music, games, e-books
 - Merchant lifestyle offers: Shop and dine, entertainment, sport, travel, and online shopping.
- 2 Enhance Telkomsel Poin redemption channels (microsite www.telkomsel.com/poin, MyTelkomsel Apps, and UMB *700#) with a focus on customer convenience and user friendly interface.
- 3 Focus on customer tiering (Priority/Gold/Red) to deliver differentiated loyalty treatment :
 - Consistent Airport Lounge benefits and special Birthday Gifts for Priority and Postpaid customers.
 - First On Hand new device experience and redeem Poin for cash back to increase smartphone device penetration.
 - Money Can't Buy Experience with up close music concert and movie experiences.
 - Special POIN programs in the form of premium music concert tickets, premiere movie ticket (FMM), shop & dine voucher events, travelling packages, Ramadhan & Idul Fitri programs (RAFI), End of Year programs, and so on.
- 4 Improve digital/online POIN experience through strong partnerships with e-Commerce to provide a unique and attractive online shopping redeem experience based on lifestyle, for example positioning Telkomsel as the exclusive telco partner for National Online Shopping Day (HARBOLNAS).

AS A RESULT



Telkomsel generated exciting results related to its loyalty program achievements, as follows:

1. Over 22.6 million customers benefited from Telkomsel Poin during 2016, with strong 76% YoY growth.
2. The program successfully maintained the customer value of Poin Redeemers, who had 2x higher ARPU and 1.7x longer Length of Stay compared to average.
3. Provided more than 1,727 merchant reward items that could be accessed anytime, anywhere, a solid increase from around 60 offers in 2015.
4. Established strategic partnerships with market leaders in non-telco industries such as Garuda, KFC, Citibank, Accor Hotels, Blitz CGV, Cinema XXI, The Body Shop, ACE Hardware, Informa, Chatime, Lotte Mart, Blanja.com, Lazada, Zalora, Gramedia, Gold's Gym, Toys Kingdom, 7 Eleven, and many more.

CORPORATE PROGRAM

Traktir Nasional (Telkomsel 21st Anniversary) - May

Celebrating Telkomsel's 21st Anniversary with a Telkomsel POIN promo. Various telco and merchant products could be redeemed during the May 21-31 program period. On May 26, a special Pesta Diskon discount of up to Rp100,000 was offered for offline merchants, followed by discounts of up to 80% during the May 27-31 Pesta Diskon Online in the categories of travel, retail, fashion, food, sport, and so forth. Program Traktir Nasional was accessible through UMB *123# and My Telkomsel Apps.

Traktir Ramadhan (Telkomsel Rafi Season) - May and June

During Ramadhan season, Telkomsel continues to delight their customers with Program Traktir Ramadhan. Started on 27 May, right after Telkomsel 21th Anniversary, Program Traktir Ramadhan serves promo with Telkomsel POIN. From Monday to Thursday, customers can redeem POIN with telco offer only for 21 POIN. While from Friday to Sunday, they can get a special offline merchant offers for 21 POIN and online merchant offers for 50 POIN. This promo was available at UMB *123# and My Telkomsel Apps.

Promo 71 Tahun RI - August

To commemorate the Indonesian Independence Day on August 17, Telkomsel provided a variety of attractive prizes including shopping discounts as well as F & B discount as prizes, 4G internet packages with large quotas, and a special streaming movie package, as well as 17 smartphone prizes every day until the end of the promo on August 31, 2016. This promo was accessible at *700*17# and My Telkomsel.

Customer Day - September

A special program was held in early September to appreciate all Telkomsel Customers on Customer Day. During this promo, which ran from September 5-10, customers could redeem 20 POIN for digital offers from many interesting online and offline merchants, 50 POIN for prepaid telco products and 70 POIN for postpaid telco products.

Pesta Akhir Tahun (NARU) 2016 - November 2016 through January 2017

Starting from November 2016 until January 2017, Telkomsel launched Pesta Akhir Tahun program to appreciate and increase customer loyalty to Telkomsel, as well as reach its 2016 annual targets. All Telkomsel customers who purchased selected products and redeemed POIN at *123# or MyTelkomsel App had the chance to win various prizes including four BMW Seri 3, six Toyota Sienta, 100 Honda Beat, 500 Smartphone LG K4, and 1000 packages of credit worth Rp1 million each. This program was promoted through ATL campaign media such as TVC, billboards, print ads, as well as through digital media.

DIGITAL LIFESTYLE

Digital Lifestyle continued to focus on providing a mobile entertainment experience for customers. By targeting different segments through various services including music, video, and games services, Telkomsel aims to become the leading mobile entertainment provider in the country. With an emphasis on partnership to accelerate our go-to market strategy, Telkomsel further helps to promote and create a supportive environment that enables access to Digital Services from anywhere in the country.

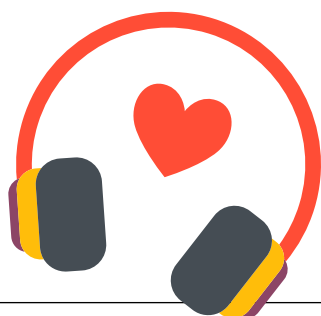
Following the successful implementation of our Payment Gateway solution, Telkomsel delivered a solution for purchasing digital goods on Play Store, the Android marketplace, using customers' credits (airtime). Meanwhile in Games, Telkomsel maintained its position as the leading operator with an innovative payment solution in the form of a top-up voucher for games, making Telkomsel the biggest games payment enabler in Indonesia.

In Music, Telkomsel focused on rebuilding the LangitMusik music streaming service and introduced MusicMax music data package service, while maintaining RBT (Ring Back Tone) revenue. In 2016 Telkomsel achieved 45% growth of RBT compare to the previous year, while LangitMusik saw user growth of about 50%.



Music

Langit Musik	MusicMax	NSP GRATIS 7hari
<p>LangitMusik is a Music Streaming Application owned by Telkomsel which offers a new way to legally stream music through smartphones, with a new 'freemium' concept.</p> <p>Telkomsel subscribers can stream more than 4 million local and international songs. langitMusik relaunched on October 31, 2016.</p> <p>New features from LangitMusik:</p> <ul style="list-style-type: none"> • Top Recommendation • Tagstation • Trending Maps • Info Graphics • Curated Playlist • Social Sharing 	<p>MusicMax is a special data package for Music Lovers to access streaming of favorite music application without worrying about data access. Customers also get Langit Music Premium as a Bonus. Telkomsel partners with favorite music partners and continues to acquire more partner to give the most complete experience. MusicMax launched on October 31, 2016. Its current partner are as follows:</p> <ul style="list-style-type: none"> • JOOX • Smule • Guvera • Gen FM • Prambors FM 	<p>The main purpose of this program is to acquire new users and revenues from renewals as well as viral effects of copy NSP and NSP Recommendation.</p>
My NSP Program	NSP Religi	NSP Program Collaboration with Music Labels
<p>An easy way for customers to create their own NSP. They also get share from NSP activation. This program encourages user to create NSPs and promote their NSP to other customers.</p>	<p>This program aims to increase NSP Religi transactions, and to celebrate Ramadhan and Idul Fitri.</p>	<p>To increase transactions and revenue, we are working together with Music Labels.</p>



Video

On November 25, 2016, Telkomsel launched VideoMax, an umbrella campaign program giving customers access to thousands of premium video experiences including Indonesian, Asian, and Hollywood blockbuster movies and series. Telkomsel customers can access this content from HOOQ and viu applications as our strategic partners at no additional charge.



All postpaid subscribers can enjoy this program simply by activating it through *363# or MyTelkomsel apps, while prepaid subscribers can purchase a monthly data pack through *363#, MyTelkomsel apps, M-Kios, or other channels. All monthly data packs comes with premium subscriptions to HOOQ and viu for 30 days, in alignment with their monthly data pack validity period. Telkomsel also provides three additional data package options with affordable prices and quota of up to 12GB that are specially designed for movie lovers.

Games and Marketplace

Between May 9-18 and October 7-23, together with Google, Telkomsel held its biggest game discount campaign program ever for 20 Top Apps & Games in Google Play Store. The campaign successfully encouraged new users to try purchasing and pushed regular users to increased spending on Google Play Store, with a significant increase in new paying user of Google Play DCB and revenue increase of 15%.

During October and November 2016, Telkomsel held a Games Competition roadshow in 50 cities around Indonesia as part of the LOOP GamesMax program, which was launched in the previous month. The competition involved three mobile and one PC games: Clash Royale, Line Let's Get Rich, Seven Knights and DOTA 2. During the roadshow, Telkomsel engaged with local game communities in each area to socialize the LOOP GamesMax Data Package, which provides additional quota at affordable prices enabling game lovers to access special games.

LOOP subscribers can purchase a monthly data pack through the LOOPKita application or by accessing *567*77#, M-Kios, and other channels.

Google Play Pesta Diskon



Telkomsel & Google ran the biggest discount campaign program for 20 Top Apps & Games in Play Store. The campaign encouraged new users to make their first purchase and increase spending of regular users on Google Play Store.

LOOP GamesMax - Competition



On October to November 2016, Telkomsel ran Games Competition in 50 cities around Indonesia. This is part of LOOP GamesMax program which launched in the previous month.

VAS and Content

On March 30, 2016, Telkomsel launched Magic Call service, an entertainment service that enables subscribers to change their voice to that of certain characters when calling out. Subscribers must first subscribe to Magic Call service in order to enjoy this service and change their voice into the voices of fictional characters such as Cartoon, King, Kid, and Female voice characters. To prevent abuse, the service sends notifications to recipients that they have just been called using the Magic Call service, a service that can transform voices to those of certain characters.

Both prepaid and postpaid Telkomsel subscribers can enjoy the service by subscribing through UMB access *500*33#. Subscription tariffs range from Rp1,100 to Rp5,500 for a validity period ranging from 3 to 30 days, with a flat call tariff of Rp330/minute. After subscribing, users can access Magic Call service by accessing *282# and following instructions.



DEVICE BUNDLING PROGRAMS IN 2016

In 2016, device bundling programs continued to be successfully deployed in order to advance Telkomsel's 2016 Masterpiece programs Lead Data and Best Customer Experience. To do so, Telkomsel strategically collaborated with leading brands and channels as well as creating exciting bundles from its own products that attracted customers.

1. Device TAU 4G Partnership

Telkomsel successfully partnered with 4G device principals and distributors with good results.

Samsung

- An exclusive bundling program with Samsung J1 Mini launched in March 2016, offering the affordable 4G device by Samsung bundled with TAU 4G including 10 GB for customers.



- b. Samsung Galaxy S7, bundled with one month of free TAU 4G for prepaid and bundled with 12 Month Value for kartuHalo (including device price).



- c. In August, Samsung launched the Galaxy J5/ J7 exclusively bundled with a Telkomsel TAU 4G package.



Oppo

Collaborated with Oppo to launch the Oppo F1s in September 2016, a selfie camera which gives better photo quality using the front camera, bundled together with TAU 4G 14 GB.



Lenovo

Collaborated with Lenovo to launch the Lenovo K4 Note in April 2016, which introduced VR technology using VR glasses bundled together with TAU 4G 10 GB.



LG

- a. In June 2016, Telkomsel and LG collaborated to launch the LG G5 customized with Telkomsel applications such as MyTelkomsel and LOOPkita using COTA technology. The device was bundled with 4G 10 GB TAU and TelkomselPOIN Promo through both offline channels (GraPARI) and online channel (Blanja.com, Erafone.com, and more)



- b. In September 2016, Telkomsel and LG re-created awareness of LG device customization using 3 device types: LG K4, LG Stylus 2 and LG G5, all bundled with TAU 4G 10 GB.



Asus

In September 2016, Telkomsel and Asus collaborated to launch Asus Zenfone 3 on online channels, bundled with free 4G 14GB TAU for one month.



Advan

In September 2016, Telkomsel and Advan collaborated to launch Advan Z4T bundled with 4G 14GB TAU.



Huawei

In November 2016, Telkomsel and Huawei collaborated to launch Huawei Y3 II bundling with a free six month data package.



2. USIM Migration

Starting on September 20, Telkomsel focused on migrating existing customers who have not used 4G SIM cards. Customers could migrate their SIM cards at several channels including GraPARI, MyGraPARI, Telkomsel website (delivery), device partner outlets and Temporary Outlets (TO).



GraPARI



MyGraPARI



Device Partner Outlet



Temporary Outlet (TO)

Postpaid Customers who switched to a 4G SIM card were offered 10 GB 4G free once the migration process succeeded. USIM migrations averaged 100,000 transactions monthly over walk in and website delivery channels, a meaningful number as most kartuHalo uSIM customers represent Rp100,000 to Rp200,000 in ARPU.



The OTA starterpack enabled customers to switch to 4G SIM cards by themselves, taking just five to ten minutes to migrate from existing SIM cards to a 4G SIM card by dialing UMB *888*46#. Customers who migrated received 10GB of 4G free once the migration process succeeded.

3. Halo Promo 2016



The HaloPromo program helped create new channels for customer to get new kartuHalo in 2015, and was therefore extended until July 2016 in collaboration with four device channels (Telesindo, Megafon, Pazia & Erafone) and four financial partners (BNI, Bank Mega, Citibank & HCI). A Telkomsel representative was established at each device channel outlet to offer bundled as well as non bundled new kartuHalo to customers, carry out Telkomsel POIN redemptions and educate customers on the benefits of kartuHalo, Flash Broadband and TelkomselPOIN promo customers could get various kartuHalo plans (including data, voice and SMS) and benefits such as device cashback through TelkomselPOIN. This program was held in more than 50 outlets and supported by 50 Telkomsel representatives nationwide.

4. Expansion of Online Channels for kartuHalo Bundling

Telkomsel collaborated with E-Commerce partners such as erafone.com, Bhinneka, and Pazia to create new channels for kartuHalo Bundling. With every smartphone purchase, customers could get a special kartuHalo Plan and existing customers could get special TelkomselPOIN Promo.



5. 2G Migration (Trade in)

The successful results of the 2G to 3G migration program in 2015 led to its recreation in 2016, in order to migrate 2G to 4G in alignment with the 2016 objective to dominate 4G. Several device partners supported this program such as Samsung, LG, ZTE, Advan, Evercoss Telesindo, and PINS. Customers who traded in their existing 2G devices received benefits such as device cashback and a free data, voice and SMS plan which can be used for 12 months. This program was held in more than 400 GraPARI and GraPARI mitra nationwide.

6. Ramadhan Fair

During the Ramadhan and Idul Fitri period (June 17 – 26), Telkomsel held sales events with booths showcasing various products including Device, LOOP, 4G, Poin, TCASH, Experience (HOOQ and VR) and VAS. This event was held in 13 cities nationwide (Medan, Padang, Palembang, Bogor, Jakarta, BSD, Bandung, Solo, Malang, Lombok, Banjarmasin, Makassar and Ambon).

7. Panggung Asik

A collaboration with Evercoss to provide affordable smartphones in secondary cities. Customers had to chance to win doorprizes and cashback while attending the Panggung ASik event. At the end of the event, customers who activated a Kartu As package (including TAU) had the chance to win a motorcycle.



8. Device Vaganza

As part of Christmas and New Year Eve celebrations, Telkomsel held sales events in 8 cities (Medan, Palembang, Jakarta, Tasikmalaya, Semarang, Malang, Pontianak and Palu) which focused on selling device bundled with attractive TAU package. Besides buying bundled devices, in this event customers could also migrate their existing SIM cards to 4G SIMcards, and redeem Telkomsel Poin to get benefits and activate digital products.

DIGITAL SERVICES

Digital Services has become the backbone for Telkomsel's future growth. With rapid development of broadband service and increasingly growing smartphones adoption from mass market, competitiveness in digital services become imperative to ensure sustainability of Telkomsel's business. Creating competitive edge and differentiation is key to acquiring growth in digital

services, which we build through continuous internal capability development and transformation. We deliver vast array of digital services for both consumers and businesses alike. Our current digital portfolio consists of Digital Lifestyle, Mobile Financial Service, Digital Advertising, and Enterprise Digital Solution (IoT/M2M).

Digital Lifestyle provides a consumer-centric mobile entertainment service through enabling transactions using Telkomsel's trusted billing system. Within Digital Lifestyle portfolio, we introduced LangitMusik, a one stop music entertainment which provides wide range music collection from both local and international artists.

In 2015, Telkomsel has committed to become the leading Mobile Financial Service provider in Indonesia. In 2016, our digital money solution, TCASH has expanded its base to around 10 million registered users, with more than 1 million of it is TAP users who are able to enjoy TCASH benefit in almost 7,000 renowned outlet. TCASH is one of the government trusted partners in distributing social support fund, and the first one to pilot non-cash support distribution.

Digital Advertising & Analytics focus on delivering mobile and online advertising solutions to specific segment. Beyond traditional mobile advertising services, we introduced the first mobile coupon solution in Indonesia, enabling brands to offer special promotion to our base customer. Leveraging our vast data capability, we provide Big Data services, piloting new use cases with various clients that served as bespoke projects for potential future expansion.

Internet of Things (IoT) is the next venture that Telkomsel target as the wave of connected device and smart connectivity demand starts to rise globally. Enterprise Digital Solution (EDS) is the initial point of Telkomsel's venture into the IoT business. It is an expansion of previous portfolio of M2M (Machine to Machine) business that we started in late 2014. In 2016, EDS successfully expanded its portfolio of service in vehicles segment, as well as maintaining its quality offering of smart connectivity.

Continuous development of products and services, as well as active involvement in the digital ecosystem becomes our key philosophy to ensure the sustainability of our Digital Services. This will only become more critical in the future, as customer behaviors will inevitably shift, making Broadband and Digital Services the prime driver of Telkomsel sustainability.

Telkomsel Digital Advertising & Analytics in Brief

Indonesia is one of the largest growing digital market in Asia. It is reflected in the rapidly growing e-commerce market, widespread development of Information and Communication Technology, and rise of consuming class fueled by vast development of jobs and infrastructures in secondary cities. Combining those phenomenon with Telkomsel's presence and digital capability today will increase market reach, especially in the digital advertising space.

For the last 3 years, Telkomsel Digital Advertising & Analytics continuously innovate its services while constantly build the required capabilities. We are aspired to take substantial lead in a bid to embrace this remarkable opportunity by aggressively driving more non-messaging services such as: Off-deck and Overlay Internet Display, Mobile Coupon, ID Verification, AdEx and data reward service, FriDa.

Telkomsel Digital Advertising & Analytics consists of digital advertising business and mobile banking solutions. Digital advertising business provides digital advertising media solutions for marketers. Meanwhile, mobile banking solutions provides mobile solutions for the banking industry, such as mobile banking via SMS and UMB. Besides increasing ad campaign targeting and relevance, our Big Data service is has piloted new use cases with various clients that served as Big Data bespoke projects, which has the potential to be scaled-up in the following year.

As a result of our continuous effort in building digital service, more brands are using digital advertising media to reach the targeted customers. We are pleased to report that our digital advertising revenue grow more than 60% year-on-year. We record a more than 200% increase in number of brands engaged to Telkomsel digital advertising solutions, with more than 70% increase in non-messaging media revenue, and 50% increase in active users of mobile couponing service.

Strategies and Achievement in 2016

A. NEW PRODUCTS

In the spirit of delivering excellent services, we always do our best to create innovative products. Below are our product innovations in 2016:

i. Advance Profiling

Leveraging our vast data capabilities, we launched Advance Profiling as part of targeted service feature of our digital advertising solution. This service serves advertiser's needs of targeted segment advertising based on telco data analytics, which includes analytics on call, browse, and search behavior with comparison to our predefined or customized segment.

ii. Internet Baik Landing Page

"Internet Baik" or Good Internet is a cooperation campaign between Telkomsel and Ministry of Communication and Information to influence more positive and respectable behavior in using internet services. Telkomsel Digital Advertising leveraging this opportunity to enables display banner ads on the Internet Baik's landing page, which attracts traffic of up to 1,500,000 impressions per day. It introduce more positive content to audience, as well as provide a media for advertisers to reach segmented customers.

iii. Mobile Coupon

Telkomsel Mobile Coupon is the first mobile couponing service in Indonesia. Through this service, customer can get promotion from specific merchant using coupon that is broadcasted via SMS. The coupon will be broadcasted when customer enter a merchant's premises by using Location Base Analytic (LBA)

capability, or by dialing a USSD short code to trigger the coupon delivery. Customer then can redeem it on the designated merchant. The coupon list that is viewable by the customer will be adjusted based on the customer's geo-location. Each feature has "Smart Rule" capability which can improve conversion rate. Hence, increases in campaign relevance to customers and reduces cost for advertisers compare to using traditional media.

iv. ID Verification

The needs of Big Data services from businesses is on the rise. As businesses try to reduce its cost through the use of Big Data analytics and digital delivery, mobile becomes more relevant in providing this service. ID verification is a service to support loan businesses in verifying applicant's data using Telkomsel big data, a step that usually fulfilled through tradition method of sending representative on-site to survey customers. Prior to verification, the applicant has to share consent to be verified to ensure security of data sharing. By using this services, businesses could lower their cost of acquisition for loan services and other financial services.

v. Location Based Advertising (LBA) with Geofence feature

LBA service could help advertiser to do the campaign to their potential customer in relevant location, relevant time, and relevant subscriber. With geofence feature, advertiser could select the point of location in map and set the radius to be used by LBA campaign. The process of that campaign creation is done self-service by advertiser.

vi. AdEx (Programmatic Platform)

AdEx is a service which elaborate advertiser via DSP or publisher via SSP with Telkomsel affiliate inventory using direct sales, private market place, & RTB (real time bidding).

vii. FriDa (Sponsor Data)

Frida is sponsoring data service that is suitable for a mobile application and website. It gives free data usage when customer is using or accessing the advertiser's particular website and mobile application. It help advertisers to generate traffic within its website and mobile application, and to acquire new customer.

B. AWARD

It is honorable for us while we are doing our business, we also receive some appreciation. Below are some award and appreciation that we got in 2016:

i. Selular Award 2016



This award was held by Selular, an institution that is enthusiast to talk about telecommunication and digital lifestyle. This institution gives appreciation to telecommunication stakeholder in Indonesia. At this event, Telkomsel got "Best Mobile Advertising" among the telecommunication operators in Indonesia.

ii. MMA Smarties Indonesia 2016



MMA Smarties Indonesia was an award for brand and stakeholder who use mobile marketing as their campaign tools. Here are some appreciation that we got:

- Bronze Winner – Lead Generation Category
Campaign Name: AXA Life Insurance
- Silver Winner – Promotion Category Campaign
Name: Kopiko 78 Unique Sampling Experience with Telkomsel
- Silver Winner – Messaging Category Campaign
Name: Kopiko 78 Unique Sampling Experience with Telkomsel
- Bronze Winner – Location Based Category Campaign
Name: Kopiko 78 Unique Sampling Experience with Telkomsel.

Telkomsel Enterprise Digital Services

Smart Connectivity



Telkomsel Smart Connectivity enables corporate customers to launch, manage and monetize their IoT product and services. Smart connectivity platform (Control Center) automates connectivity management — for any device, anytime, anywhere. Control Center delivers the service through self-care portal to reduce the challenge and complexity of managing connected devices.

The Platform has countless advantages such as:

- Quickly identifying issues with real-time 24/7 device visibility monitoring and remotely diagnose connectivity issue to reduce mean time to resolution,
- Streamlining operation & managed cost through reducing time and expense by utilizing rules-based automation,
- Delivering exceptional experiences by ensure data delivery and API integration to customer back end, and
- Protecting again breaches by monitoring behaviours and setup alerts, trigger to catch early problem.

T-Drive



T-Drive is IoT/M2M vehicle solution providing an integrated solution with device, platform, and application. It enables real time monitoring of driving behavior and engine performance to improve business productivity, managed security and efficiency.

T-Bike



Launched in March 2016, T-bike is an intelligent motorcycle solution providing an integrated solution with device, platform, and application. As B2B solution, T-Bike with fleet management will improve productivity through better operation and real time vehicle's information. With features like tracking, geo fencing, find my bike, etc, T-Bike can also be a great solution for self-owned vehicles.

Telkomsel Enterprise Digital Services (previously named M2M Business) focuses on providing IoT (Internet of Things) solutions to customers. IoT connects machines, devices and objects to the Internet, turning them into 'intelligent' assets that communicate with the surrounding world. Telkomsel's enterprise Digital Services aims to help enterprises grow their business by leveraging the latest IOT technology. Through our Platform capabilities, strength in the network and customer relationship, Telkomsel collaborate with partners in driving IOT ecosystem and serving business needs in Indonesia. Telkomsel will target to drive partnership with the key respected player in industries to pioneer proliferating IoT in Indonesia.

In 2016, T-Bike as a notable innovation was introduced to enhance our IoT services targeting both B2B and B2B2C segment, as the first ever connected motorbike in the market, enables customers to easily monitor and control their vehicles via mobile applications for safer and secure riding. T-Bike received three notable awards from MURI, the Indonesia Record Museum, as "The First Telecommunication Operator Company Who Implemented Motorcycle GPS Tracker", from the Automotive Journalist Association (FORWOT) as "Fastest Installation of Motorcycle Tracking Device Available in Indonesia Market", and from MotorPlus Magazine as "The Best Motorcycle Tracking Application from Telco Operator".

Mobile Financial Services

Masterpiece Great Digital Payment Experience

TCASH is an electronic mobile money solution from Telkomsel. The service provides a modern, convenient and secure way to pay for transactions in thousands of TCASH merchant nationwide. Subscribers can carry out activities such paying bills, transferring funds, making online and offline payments, and paying at retail shops simply and easily using their smartphones and/or feature phones.

TCASH continuously innovates its products, working closely with the government in improving financial inclusion in Indonesia. Aggressively target both the lifestyle and the unbanked segments, TCASH becomes a platform for modern lifestyle transaction as well as the gate of introduction for the unbanked to experience basic financial service. TCASH aims to become a leading mobile financial service in Indonesia by progressively building a comprehensive digital payment ecosystem and working closely with key financial service providers.

TCASH positioned itself as an integrated, convenient, and secure way to pay, as well as a tool to accelerate financial inclusion in Indonesia.

a. An integrated lifestyle solution

TCASH is one of the first and most convenient electronic money services in Indonesia. Through NFC-based deployment, we offer millions of Indonesians the ability to use smartphones and/or feature phones for any financial solutions, on a much larger scale than any bank. Apart from supporting online payments, TCASH also enables convenient payment at a vast network of merchants.

b. Greater convenient than typical electronic cash facilities

TCASH voids the need for multiple cards (debit, credit card, e-money) as almost all banking activities can be carried out using a mobile device. Moreover, the strong distribution of Telkomsel's channels and ATM Bersama allows e-money accounts to be topped up from almost anywhere in Indonesia.

c. Accelerated financial inclusion

TCASH contributing to the socio-economic development goals of Indonesia, by enabling accelerated financial inclusion for Indonesians below the poverty line.

Telkomsel Mobile Financial Services held the following TCASH initiatives in 2016:

1. TCASH TAP

Telkomsel Mobile Financial Services introduced new TCASH technology as a form of continuous innovation, replacing the old method of in-store payment called TOKEN with a new and interesting mobile phone payment experience for customers and merchants called TCASH TAP.

TCASH TAP uses NFC sticker-based technology and EDC terminals as the access channel for in-store merchant payment. Subsequently with the enhancement of Merchant Apps and TWallet (TCASH mobile application), the TCASH will progress to use non-EDC and nonsticker technology to reach more customers and merchants.

With almost 7,000 outlets across Indonesia, TCASH Tap has the biggest digital e-money capability in Indonesia. At the end of 2016 TCASH reached 10 million registered users, with more than 1 million of it use TCASH tap which representing a six-fold increase since its commercial launch in October 2015 and a ten-fold increase in growth for annual GMV's (Gross Merchandise Volume).

Top global merchants such McDonald, KFC, Chatime, Coffee Bean, Baskin Robbins, Wendys, as well as leading local brands such Cinema XXI, Bakmi GM, Hop Hop, Simply and Alfamart, supported TCASH to become most innovative mobile money service in Indonesia. In 2016 alone TCASH won four awards as Best Mobile Financial Service from Telecom Asia, Indonesia Mobile Money of the Year from global consulting firm Frost & Sullivan, Best E-Money Digital Brand from Infobank, and Best Mobile Payment Service by Selular Media Group.

2. TWALLET (CONSUMER APPLICATION)

TWALLET aims to enhance the TCASH transaction user experience by using a mobile application. Since its initial launch in December 2014, Telkomsel has enhanced its TCASH user experience through a one-stop mobile application. From dynamic biller to merchant virtual account, from limited to Android user to advance user of iPhone, as well as adding new features and increasing of performance UI/UX on the TWALLET, had successfully improved customer satisfaction and experience, in mobile financial service.

3. WEB CHECK OUT UI/UX ENHANCEMENT

Last year Telkomsel Digital Payment launched an e-commerce payment method called Web Checkout. In December 2015, Digital Payment Telkomsel successfully launched new UI/UX for Web Checkout and integrated this service with mytelkomsel.com. The new Web Checkout feature is expected to deliver a new level of experience for e-commerce payment methods.

4. MERCHANT APPS

Merchant apps is a smartphone app by TCASH for merchant and agents to connect into TCASH system. This apps aim to accelerate the growth of merchants and agents connected to TCASH network. Besides being used to channel for government Direct Cash Aid (*Bantuan Tunai Langsung*) by the agents that Telkomsel has appointed, the app opens up unlimited possibilities especially for small and medium merchants but potentially for individuals as well, to become TCASH merchant with a low cost terminals.

5. TCASH EKSTRA LINKED FINANCIAL SERVICES

In April 2016, Telkomsel MFS launched its first linked bank partnership with Bank Tabungan Pensiunan Nasional (BTPN). TCASH (e-money) was successfully linked with BTPN Wow! (Laku Pandai branchless banking product). The partnership covered several key aspects, such as 1) host-to-host connectivity between TCASH and BTPN Wow!, 2) co-marketing events, and 3) customer acquisition through agents. TCASH Ekstra is a way to directly promoting basic financial services to the un-banked segment, leveraging the network of agents to provide access. As of the end of year, the partnership had reached over one million linked customers, and acquired over 170,000 Laku Pandai agents nationwide.

6. GOVERNMENT SOCIAL FUND AND FOOD AID

Distribution trials using TCASH The Government of Indonesia appointed Telkomsel to participate in a non-cash social fund disbursement trial under the TNP2K program, in preparation to distribute food aid and social funds in 2017. The trial was implemented in two stages, first in late 2015 (October – December) followed by August – October 2016. In the latter stage, Telkomsel collaborated with BTPN Wow! to combine branchless banking solutions with NFC technology. This solution optimized the use of BTPN Wow! Basic Saving Accounts as beneficiary accounts for social funds, and TCASH accounts for food aid distribution.

In total, the trials took place in six cities covering total of 2,500 beneficiaries and 51 agents (encashment point). Both of the trials recorded an almost 90% participation rate, with a higher overall satisfaction index compared to that of the existing food aid disbursement mechanism. In a survey conducted by an independent research company, the Telkomsel G2P program was found to deliver easier, faster and better quality food aid which could be retrieved whenever needed, and lastly, also gave beneficiaries the option to save.

7. AMPUH MARKETING PROGRAMS

AMPUH (*Amunisi Sepuluh* or 10 Ammunition) consists of ten marketing programs to acquire TCASH customers including among others Goyang Kampung, Desa Menabung, Ekstra Blusukan, TCASH Hype, Daya Ekstra and Channel Integration, with events held in small villages.

The AMPUH programs target micro segment customer in rural areas, teaching them a new and easy way to save money by going to the nearest TCASH agent instead of having to go to the bank. To drive engagement, the AMPUH events are packed with entertainment and focus group discussions between agents and customers.

As of the present, the AMPUH programs have been held in more than 80 cities in Sumatera and Java, reaching around 200,000 TCASH customers and 1,000 agents. Through these programs, we hope that digital payment ecosystems can be established in these villages.

INTERCONNECTION

The main mission of interconnection in Telkomsel is to support the retail business in terms of domestic off-net calls, and to provide domestic call termination service to Telkomsel customers for Other License Operator (OLO). Interconnection is also responsible for handling incoming and outgoing international call service. To achieve the mission, interconnection needs to maintain good relationships with all domestic OLO and manage cost through the “least cost routing” principle in order to maintain quality of service while minimizing outpayment.

In 2016, interconnection continued its “wholesale Accelerate Retail” initiative to support retail promotions through attractive rates in certain cluster areas with tough competition. Promotions supported by interconnection included Talk Mania Malaysia, Talk Mania Arab Saudi, Flat Call SLI 007 for International, the new 01017 Talk Mania promo for 17 countries, the SLI 007 Package for kartuHalo Customer and the Corporate for International promotion. To optimize achievement for the IDD Promotion Program, Telkomsel conduct marketing and media campaign activity through broadcast SMS, newspaper advertisements, flyers, radio, in flight magazines, local TV talk shows, social media, remittance service center and direct sales. Another important focus in 2016 was improvements in service for a better customer experience. In addition, operational initiatives were carried out such as modernizing Point of Interconnection (POI) and enhancing billing capability.

To protect the international termination call service revenue from SIMBOX fraud practices, we have implemented intensive programs such as improvement of SIMBOX fraud detection infrastructure to cover the Telkomsel national network, as well as enhancement of detection algorithms. Through these initiatives, Telkomsel is able to detect and block SIMBOX fraud from both on-net and off-net sources.

On the regulatory side, the industry anticipated a new cost based interconnection (CBI) rate to be released in 2016, as calculations for it had begun in 2015. Together with all operators in Indonesia, Telkomsel has actively participated and supported the Government’s plan to release new CBI, and will continue to do so. However, in 2016 the Government has decided to postpone the implementation of new CBI and wait for independent verification.

INTERNATIONAL ROAMING

International roaming faces considerable pressure and challenges from alternative service such as local SIM Cards, WiFi and OTT, making the business more difficult than before. However, in 2016 Telkomsel successfully defended its international roaming business through various initiatives which essentially gave better customer experience and more value to the customer.

Specifically, data roaming has become more important and customers want better service quality with higher speed, as well as the capability to connect to LTE networks when they are overseas. To achieve this, Telkomsel has added more LTE roaming agreements with roaming partners, and is now connected to almost all roaming partners who have already implemented LTE networks. As part of its data roaming packages, Telkomsel also provides a 3 in 1 roaming package which includes voice, SMS and data at a very affordable price. Through this package, Telkomsel successfully increased uptake of its roaming package.

Other initiatives in 2016 included combining Singapore and Malaysia into one package zone titled ‘Roaming Like Home’, providing flexibility for customers who travel to both Singapore and Malaysia during a single trip, as well as very affordable and competitive roaming costs since customers are able to select their package based on number of days, data quota volume and

price desired. Telkomsel also continuously improved its roaming service in Saudi Arabia to serve customers visiting the country as Umrah and Hajj pilgrims, as the majority of those on pilgrimages select Telkomsel roaming services as their telecommunication service provider.

In term of outbound roaming traffic for 2016, voice traffic was stable with 1% growth in minutes, while SMS traffic decreased by 16% due to the popularity of messaging services such as Whatsapp, and Line. Data traffic increased significantly by about 110%, in line with the rising trend of internet application usage.

Telkomsel's membership in the Bridge Alliance, an alliance of Asia's leading telecommunication operators, delivers many benefits for its international roaming business. Besides facilitating the management of traffic steering among Alliance members, the Bridge Alliance also helps Telkomsel to enhance its service through programs such as Data Roaming Packages and 3 in 1 Packages for voice, SMS and data. In 2016, the Alliance intensified its focus on improving customer experience by encouraging members to simplify zonal retail tariff and network agnostics within the group member countries, as well as focusing on the quality of service through regular roaming tests.

A series of intensive marketing campaigns throughout the year, including extensive use of digital media, increased customer awareness and strengthened the image of Telkomsel's international roaming products and services. A number of these campaigns were focused on strategic areas, including international airports, welcome greetings and LBA (Location Based Advertising), UMB (*266# and *123#). Telkomsel moreover continued to maintain its loyalty programs included a free Roaming Call Center for kartuHalo and prepaid subscribers which can be accessed from all roaming countries.

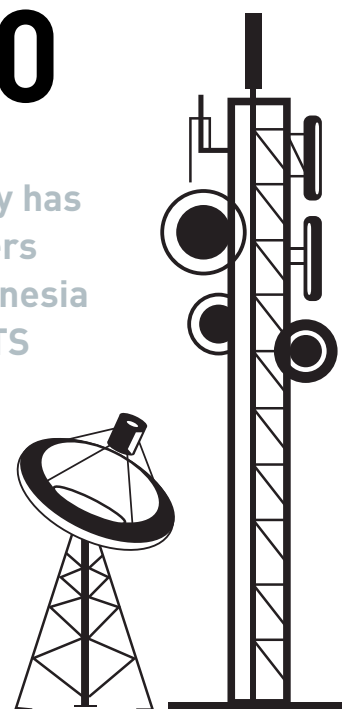
TOWERS

Telkomsel currently has around 18,000 towers located across Indonesia in support of our BTS network. In addition to the towers that Telkomsel owns, we also lease towers from other independent tower providers. Telkomsel's towers are presently managed by PT Dayamitra Telekomunikasi, a subsidiary of our parent company that specializes in tower operations.

As part of the End to End Network Deployment Program, Tower Management successfully supported Telkomsel's network infrastructure in expanding capacity, coverage and quality. More than 6,500 network infrastructure projects were deployed by Telkomsel in 2016 including B2S (Build to Suit), Collocation, Hotel BTS and Mini CME.

18,000

Telkomsel currently has around 18,000 towers located across Indonesia in support of our BTS network



SALES

Telkomsel is the only operator in Indonesia with true nationwide coverage, and we currently cover almost 99% of Indonesia's population. Operationally, we divide Indonesia into four Sales Areas and 11 Sales Regions: Sumatera Area (North, Central and South Sumatra), Jabodetabek Area (Greater Jakarta and West Java), Java Bali Area (Central Java, East Java, Bali and Nusa Tenggara) and Pamasuka Area (Kalimantan, Sulawesi and Papua-Maluku).

For the implementation of our cluster-based pricing strategy, we have sub-divided the four Areas into over 200 clusters. As part of our organization transformation, almost 60% of our workforce is now spread across these four Areas, which allows for faster execution of our Sales and Marketing strategies and initiatives while enable us to reach our customers better.

Sales Business Strategy

In 2016, we formulated a number of key objectives, namely Lead New Business Growth, Extend/Sustain Leadership Position, and Drive Transformation for New Growth. To achieve these three objectives, various key initiatives were established, which were then translated into key sales programs, as follows:

OBJECTIVE 1:

LEAD NEW BROADBAND BUSINESS GROWTH

Establishing LTE Leadership was the key initiative under this objective. This initiative was translated into **two key sales programs**:

1. The first key sales program was to accelerate 2G migration to 3G/4G (10 million) to clear 4G spectrum in 1800MHz then accelerate 4G LTE roll out in the first half of 2016 in 35 cities plus USIM/Non USIM start pack re-composition.
2. The second key sales program was broadband acceleration through minimum 40% broadband revenue growth in all branches.

OBJECTIVE 2:

EXTEND/SUSTAIN LEADERSHIP POSITION

Four key initiatives were established to achieve this objective, and each of these were cascaded to key sales programs as follows:

1. Key initiative: Regional Leadership: Winning losing clusters through BB drivers

Translated into a key sales program to protect regional leadership by boosting data packages and empowering Digital business as well as new 3G BTS to win losing clusters

2. Key initiative: Refreshing Youth Proposition

Translated into a key sales program that focused on IP and school penetration with CAM focus on 60% prepaid youth and 40% postpaid to win youth segment.

3. Key initiative: Regional Leadership: Managing Distribution

Translated into a key sales program to protect regional leadership by ensuring 20% recharge growth on top revenue growth, accelerating 600 Smart MoGI/District.

4. Key initiative: Regional Leadership: Marking Zone

Translated into a key sales program to protect regional leadership through CAPEX acceleration and network modernization by focusing on top 246 cities and 34,789 POI segment.

OBJECTIVE 3:

DRIVE TRANSFORMATION FOR NEW GROWTH

This objective was supported by a key initiative to transform channels for digital and experience. **Three key sales programs** were held to implement this initiative:

1. Best Customer Experience with service differentiation for broadband and corporate customers (GraPARI lifestyle)
2. Strengthening digital channel and enhancing social media with a new sales and services platform, and leveraging Telkomsel Website and apps
3. Creating new engine total solutions (Smart Car, Smart Home, Smart Office & IT Solution)

Altogether these key sales programs successfully drove results, strengthening Telkomsel's market share and revenue generation in 2016.

Corporate Strategy

Corporate customers are an important segment for Telkomsel. Although the majority of our customers are retail customers, we believe that the corporate and SME segment has enormous growth revenue that can be unleashed through Telkomsel's digital solutions.

In 2016, we continued to compete to win market share in the enterprise segment, with good results. We focused on fortifying and growing High Value Customers, and establishing our LTE leadership. As part of positioning our offerings for corporates, we have established a dedicated Industrial Park Area with integrated telecommunications infrastructure as an attractive solution for enterprise customers in Medan, Sumatera, and we aggressively pushed sales here and in urban Business Districts.

We also boosted our sales solutions for industry verticals, supported by strategic alignment of account sales personnel with areas, who promoted Corporate Business Solutions and M2M smart digital solutions to improve customer productivity and enable them to leverage LTE.

Reflecting the company-wide transformation, the sales process for corporates was also transformed to digital, using Salesforce applications, with certified Account Managers. An aggressive sales program using a new B2B / B2B2C business model was also established during the year, which leveraged digital media as a channel for corporate interaction, as well as sales and services. We also continued to make efforts to realize the potential of the SME market.

A digital banking project with PT Bank BTPN Syariah was rolled out in August 2016, which comprised the digitalization of account holder loans by leveraging cellular services to support a bank agent scheme (Laku Pandai). The objective was to change the installment payment from manual to digital. Over a million users had activated this service as of December 2016, an important step in growing the financial payment ecosystem.

Telkomsel also inked an agreement with startup GO-JEK to give its drivers special data, SMS and free on net call packages at competitive prices. Going forward the drivers will also be able to offer Telkomsel products to their customers, thus acting as Telkomsel front agents. As a result of these initiatives, we successfully recorded 12% revenue growth and 14% subscriber growth in the corporate segment during 2016.

Youth and Community

The youth segment is an increasingly important driver of revenue, including future revenue. Telkomsel therefore refreshed the youth preposition and focused more efforts to develop this segment in 2016, leveraging schools and campus communities as channels for engagement as part of an integrated program to win youth market share.

School communities, representing 12 to 19 year-olds, were engaged through Play School, a mobile application facilitating communication and information among schools and students. The purpose of the Play School is to build loyalty and win the youth market. In addition, school communities were also targeted through programs such as LOOP Funholiday and LOOP 3x3 Competition.

Campus communities were engaged and brand awareness of *simPATI* #GoDiscover was increased through several initiatives. A total of 12 campuses were selected for development as Digital Broadband Campuses, and WiFi Flash Lounges offering free access were created at campus hangout locations such as canteens. Besides holding education programs at universities, Telkomsel also engaged the parents of students as well as other partners to deliver comprehensive Device – Network – Application solutions. Telkomsel also held the 'Education Holiday goes to Sydney' contest, with winners going to Sydney for a Leadership Training Skill Masterclass in Sydney, Australia.

Our programs successful generated 17% customer base growth and 14% revenue growth for the youth segment in 2016.

Area Sales Activity

Area I - Sumatera

Telkomsel continued to maintain its lead in Sumatera during 2016, with revenue penetration and market share of more than 60%. In order to sustain our lead, Area I implemented several initiatives during the year as follows:

1. Optimisation of existing subscribers, by rewarding outlets in line with customer LOS, as well as through various MKIOS data programs in regions and outlets.
2. Smart Acquisition, with an emphasis on effective acquisition by taking advantages of opportunities in the market where there is less competition.
3. Effective CDMP, achieved through a reward scheme that aimed to encourage transactions, especially data transactions, at retail outlets as the main channel for effective sales.



DOTA Competition



LOOP Games Competition



Clash Royale Competition

4. Youth and digital enhancement to increase Telkomsel's Area I market share, which stood at 48% of the youth segment in Q3 overall, including one region at 22%. Telkomsel aggressively sold Paket Data Kampus Terabek (Best Campus Data Package) at all campus POI in Sumatera, and initialized digital youth programs in 2016 such as the COC DOTA Competition.
5. Creation of a Smart Industrial Park located in an industrial zone that offers end-to-end services for companies and other stakeholders. The Smart Industrial Park KIM – Medan was launched as a prototype in 2016 and will be implemented in various other industrial areas in 2017.

Area II - Jabodetabek-Jabar

The Jabodetabek-Jabar area has always been the most competitive area. However, Telkomsel continued to dominate the area in terms of both market share as well as BTS in 2016. The main strategies executed during the year were:

- Focus on strong zone marking and cluster pricing, with accelerated CAPEX for increased productivity and more disciplined focus on incremental revenue contributors
- Focus on broadband acceleration, with accelerated 4G LTE roll out in 35 cities and USIM/non USIM recomposition

- Focus on great experience including rolling out CRM for prepaid and corporate customers, as well as analytics, using social media as a new sales and services platform to leverage revenue, refocusing GraPARI to become lifestyle GraPARI, and leveraging the Telkomsel website and mobile application
- Focus on youth and digital services, including offering new digital solutions.

Moreover, in 2016 Telkomsel successfully promoted and boosted usage of its service through various exciting events and activities, supported by more and better off-line and well as online services for best customer experience across all segments, ranging from retail customers to the SME segment to corporates.

Area III – Java Bali

The Java Bali area is the most populated in Indonesia, with good telecommunication structure and 4G LTE connectivity providing a solid foundation for growth. In order to strengthen and maintain our lead, in 2016 we carried out a number of strategic initiatives. The first was to lock in channel partners and vendors to preempt competition. The second was to execute service differentiation for High Value Prepaid Subscribers, to maintain loyalty and retention and encourage engagement with LTE. The third was to transform channels for digital experience to support the new broadband business.

These strategic initiatives were supported in a number of ways. We continued delivering products and solutions through youth program engagement, leveraged alternative device channels to encourage customers to experience LTE, built new channels to sell digital products, and gave program incentives for direct sales. These efforts included continued broadband education programs through Mobile GraPARI, engagement with youth segment through LOOP programs and other activities, device bundling with attractive broadband packages, and empowering outlets to sell broadband products via M-KIOS.

In terms of pricing, we supported the growth of the legacy business through competitive new offers that were aligned with market demand, and flexibly adjusting

prices and usage bonuses for each city in line with the performance. Whereas for the broadband business, we created attractive data package offerings, also with flexible pricing.

Area IV – Pamasuka

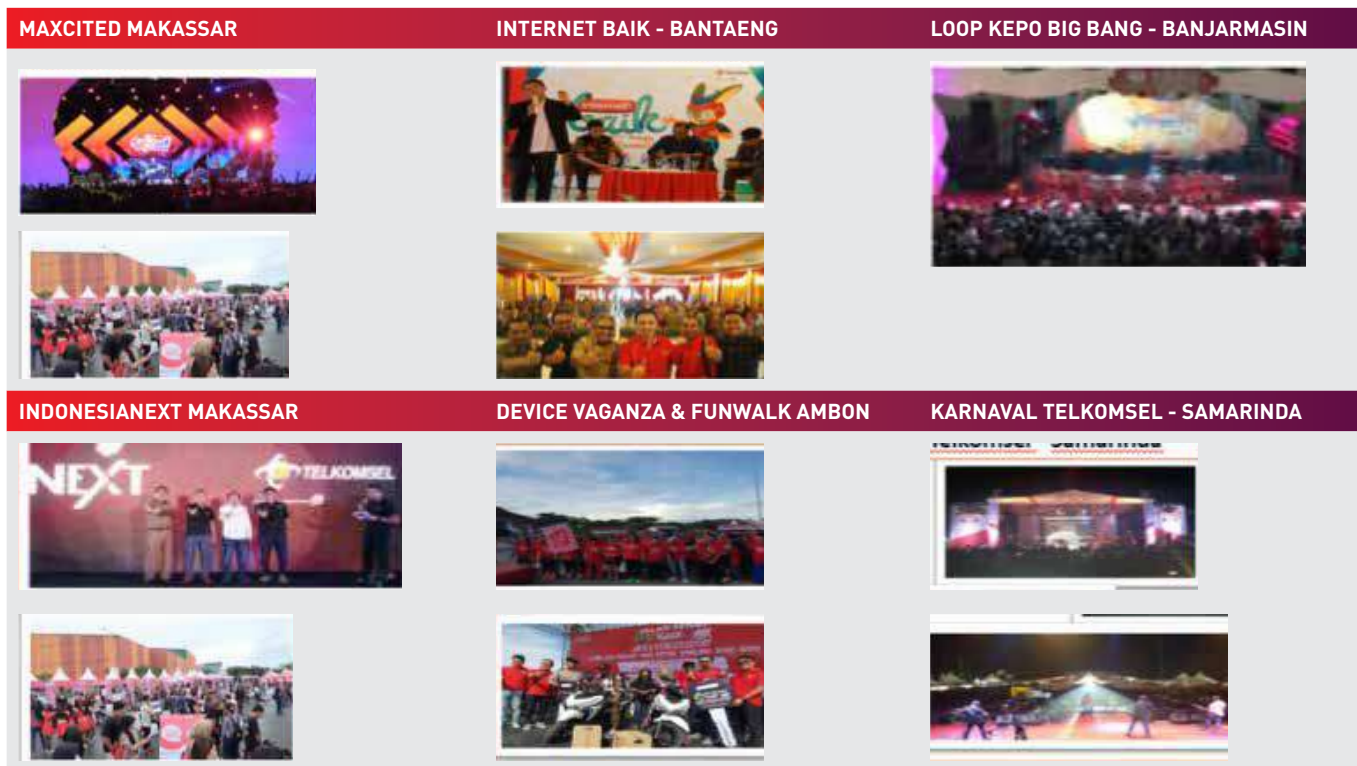
Telkomsel continued to strengthen its market dominance in Pamasuka Area, leveraging its strong competitive advantage as we have the widest coverage compared with other operators. Several programs were implemented to maintain our lead that mainly focused on aggressive LTE migration, boosting broadband revenue, best customer experience, winning the youth and community segment, as well as growing the digital ecosystem in the area.

We aggressively encouraged customers to migrate to LTE and upgrade their broadband experience to enjoy our 4G network by converting their SIM Card to USIM and moving to 4G capable smartphones. Programs included racing migration USIM in 4G LTE city, device upgrade from 2G to 4G capable, and incentive programs for outlets that bundled new sales package with 4G device and USIM.

As broadband gradually contributes higher revenue, we have realized opportunities to increase mobile data traffic by focusing on programs that boost data user and stimulate higher broadband revenue, for instance smartphone bundling programs and broadband incentive programs that offer high value propositions at attractive promotional prices for customers. We also seek to boost broadband revenue by implementing smart pricing for broadband and modernizing our network to improve customer experience. These steps will sustain broadband's position as a source of higher revenue stream.

During 2016, the youth and community segment was a particular area of focus. In line with the growth of the youth segment, we concentrated on increasing our youth market share through innovative collaboration with TSC members and campuses, as well as by creating youth broadband corners, and engaging with the youth segment at hangout places and on social media platforms. Moreover, we made efforts to increase sales through direct sales to the youth segment via Sales Community and Corporate representatives, with the creation of events designed to engage youth for instance LOOP KePo, Maxcited, and LOOP Musik.

We also enhanced our digital service ecosystem to strengthen our digital business by promoting and socializing our digital products covering digital music, digital content, digital payment and digital campaign. Through creative programs promoting the use of digital products, we built a community and ecosystem that will help sustain digital revenue in the future. In particular, in 2016 our digital business focused heavily on TCASH as a digital payment service, for which the opportunity is enormous. We acquired national and local brands to become TCASH merchants, and created and collaborated to hold events with TCASH as main payment method, for example FoodTruck Fest Balikpapan, TAPtivity and Maxcited among others.



Channel Management

Telkomsel distributes its products and services through multiple channels, both online and offline, directly and through partnership. This flexible and comprehensive use of different channels gives the company the ability to reach different segments effectively, driving market penetration, usage and revenue. As of 2016, the channels that Telkomsel uses to distribute its products and services comprise the device channel, modern trade, online, banking and international channels. Each of these makes a valuable contribution.

The device channel has traditionally been important for Telkomsel, with 66 national and regional partners in 2016 representing approximately 1,000 stores. Various programs were held during the year to help drive transactions and revenue for Telkomsel products and services at these stores.

In the digital era, the online channel has become increasingly important and Telkomsel has made particular efforts to broaden and strengthen our online reach. In 2016, Telkomsel successfully partnered with 12 leading digital Indonesian companies to enlarge and strengthen our online channel. These partnerships enabled customers to access our products more easily on partner websites while shopping online, with multiple payment choices.

The banking channel was expanded during the year through agreements between Telkomsel, banks and aggregators such as Finnet and Tiphone. Telkomsel had established a total of 60 bank partnerships in 2016, enabling Telkomsel subscribers to top up through banking channels for a fee.

In the modern trade channel, the focus was on the internet credit program. A relaunch was held to distribute starter packs in modern trade channels. As of 2016, Telkomsel had a total of 76 modern trade partners.



UAT Progress

Customer Care

Customer Service

For Telkomsel, service excellence consists of consistently delivering quality, reliability, value and convenience. We have instilled the value of exceeding customer expectations by anticipating and responding to the needs of all customers in every segment, thereby generating long-term customer satisfaction and loyalty. Our network of various Customer Touch Points (CTP) stands ready to provide access to Telkomsel products and services and assistance to customers anywhere, anytime.

Customer Touch Points (CTP)

We provide customer care services directly through our Customer Touch Point. Customer Touch Point includes among others Walk In, LOOP Station, and Call Center. We currently have 416 GraPARI CTP Walk In (of which 332 are managed jointly with partner companies and 84 are managed directly by Telkomsel). In 2016, we served more than 16 million transactions through CTP Walk-In (Jan-Nov 2016) and opened 1 new GraPARI and as well as 17 new GraPARI Mitra, namely GraPARI Surabaya Pemuda in Surabaya, East Java; GraPARI Mitra in Summarecon Mall Serpong, Tangerang, Banten; Emporium Pluit in North Jakarta; Pondok Indah Mall in South Jakarta; Basurra City Mall in East Jakarta; Jampang Kulon in Sukabumi, West Java; Margo City, Depok, West Java; Hartono Mall in Yogyakarta; Kulon Progo in Yogyakarta; Cilacap in Central Java; Atom Mall in Surabaya, East Java; Magetan in East Java; Cyber Mall in Malang, East Java; Epicentrum Lombok Mataram Mall at NTT; Gunung Agung in Denpasar, Bali; Lippo Mall Kupang, Kupang in NTT.

We also provide GraPARI International services in the Holy Land of Mecca, Saudi Arabia; GraPARI Singapore at Lucky Plaza Singapore; GraPARI Hongkong; GraPARI Macau; GraPARI Taipei in Taiwan; GraPARI Malaysia; GraPARI Tainan in Taiwan.

LOOP Station is a hangout for LOOPers (the term for young Telkomsel customers) with various activities such as collecting hobbies, positive expression and trying a variety of new digital services, which also acts as a Telkomsel Walk In contact center. LOOP Stations

can be found in 4 locations in Indonesia, namely the Mahakam LOOP Station in Central Jakarta, the Diponegoro LOOP Station in West Java, the Yogyakarta LOOP Station in Central Java, and the Surabaya LOOP Station in East Java.

More than 2,500 call center officers stand ready to serve customers through our Call Center services, which are distributed over four areas (CC Medan, CC Bandung, CC Surabaya, CC Makassar), while more than 3,200 Customer Service personnel are ready to serve at GraPARI and more than 180 ECare Officers are available to serve customers via email (cs@telkomsel.co.id), social media (Facebook and Twitter), MyTelkomsel (my.telkomsel.com), and SMS 1111.

Flagship Store (GraPARI PIM 3 & Pemuda Surabaya)

In alignment with the Company's strategic plan to transform its digital channel and customer experience through flagship stores, Customer Care is committed to build a new flagship store as a showcase for all Telkomsel products which bring the digital experience to life. GraPARI PIM 3 and Pemuda Surabaya is a new concept built by Telkomsel as GraPARI Flagship Store. The uniqueness of this Flagship store is visible from its futuristic design which also references Indonesian culture; a Telkomsel journey facility, a demonstration / exhibition zone, a digilife zone, free Wifi (4G experience), service zone, sales zone, and realtime handling process with FCR and advance service. These flagship stores will be located in Malls / indoor buildings / high traffic business district / primary locations / best position - diamond spot.



The purpose of this flagship store is:

1. To build the best digital telecommunications experience through lifestyle, education and interaction, as the best brand in the Indonesian telco industry
2. As a showcase for Telkomsel, the Flagship Stores will build Telkomsel into the strongest brand
3. Build an intelligent interaction channel with potential Telkomsel customers and subscribers and facilitate fulfillment their needs
4. Number 1 market share and revenue of broadband customer segment
5. Win the Indonesian digital market
6. Enriching tourist attraction content.

The digital business potential of building flagship stores is reflected by the fact that 72.7 million or 28% of Indonesian population actively use the Internet for social media Internet via smartphones and other devices such as PCs, notebooks, and so forth. 231 IKK-Ibu Kota Kabupaten (46%) of a total 500 IKK are covered by Telkomsel's network. In addition, Indonesia has become a top #5 country in terms of active social media users in the world, and 35% of Telkomsel's revenues comes from the digital business, with Telkomsel having a wide range of broadband products and business solution (CBS, M2M: Smart Tracking, Smart Monitoring, Smart Car, etc.)

TARGETS

a) Internet Users:

- Telkomsel customers with 4G supported devices
- Telkomsel corporate customers (strategic, enterprise, SME)
- Competitor's 4G customers

b) Non-Internet Users:

- HVC without broadband experience

The following is the service activity at our flagship store:

NO.	TYPE OF ACTIVITY	DEFINITION	ZONE
1	Education	The Flagship Store educates customers on Telkomsel digital services, covering 4G service, smart product (CBS, M2M etc), digital content (music, videos, games and applications) and digital payment (digital lifestyle experience).	Telkomsel Zone, Digilife Zone
2	Sales	The Flagship Store provides prepaid starterpacks, postpaid, TCASH, device bundling, and other Telkomsel products.	Zona Sales
3	Service	The Flagship Store provides services which consist of information, and requests and complaints handling.	Zona Service

MyGraPARI

MyGraPARI is our new digital media services and self-care machine that allows customers to access sales and customer care services and also sales of Telkomsel products and services.

MyGraPARI locations: Medan Sun Plaza, Mall SKA (Pekanbaru), South Jakarta Gandaria City, Central Park West Jakarta, Bandung Banda, Semarang Pahlawan, Yogyakarta, Malang, Denpasar, Balikpapan, Banda Aceh, Padang, Lampung, Palembang, Bogor, Margo City Depok, La Piazza Jakarta, PIM 3 South Jakarta, Kokas Mall in South Jakarta, Alia 247 Central Jakarta, Solo, Surabaya Building, Plaza Marina Surabaya, Samarinda, Makassar, Siantar, Graha Merah Putih Medan, Tanjung Pinang, Batam Center, Graha Merah White Pekanbaru, Bekasi Cyber Park, BEC Bandung, Jember, WTC East Java, Kuta Mall Bali, Renon Denpasar, Manado, ITC Depok, Bassura Mall, Bandung Dago, Cibubur, Grand Indonesia, Emporium, Paris Van Java, Banjarmasin, Pontianak, Plaza Millenium Medan, Jambi, Medan Fair Plaza, Bengkulu, Bintaro Exchange Mall, BSD, Sumarecon Mall Serpong, Supermall Karawaci, Mall Ambassador, Lounge Soekarno Hatta, Purwokerto, Sidoarjo, Gresik, Kediri, Banyuwangi, Semarang Ciputra Mall, Kudus, Malang and Tulungagung.



FEATURES

kartuHalo payment using credit card or online debit card, change SIM card, pack activation (Flash, Blackberry services, data roaming), customer data information, top up credits, first purchase, and e-Bill Registration. Idle screens will show Telkomsel promos, customer education, mobile content and Langit Musik/RBT.

Telkomsel.com Self-Support Page

The Telkomsel.com website Self-Support page that can be accessed directly by customers, containing FAQs on customer problems and device settings with clear and easy-to-use step-by-step solutions.

Corporate Contact Center (Service Differentiation)

Corporate customers can now enjoy service through GraPARI, Call Centers as well email to cs@telkomsel.co.id. The following is the flow for handling corporate customers at CTP.

188, Single Dial Call Center Telkomsel

Telkomsel is highly concerned about the ease and comfort of customers in obtaining information or consultation anytime and anywhere. To that end, Telkomsel has established a Call Center service called Caroline (Customer Care On-Line) to service customers over the phone, as part of 24-hour customer service provide for customer needs and problems. All Telkomsel subscribers including postpaid (kartuHalo) as well as prepaid (*simPATI*, Kartu As, LOOP) card subscribers can access the Call Center simply by dialing 188.

USIM OTA (Shifting to Digital and USIM Migration)

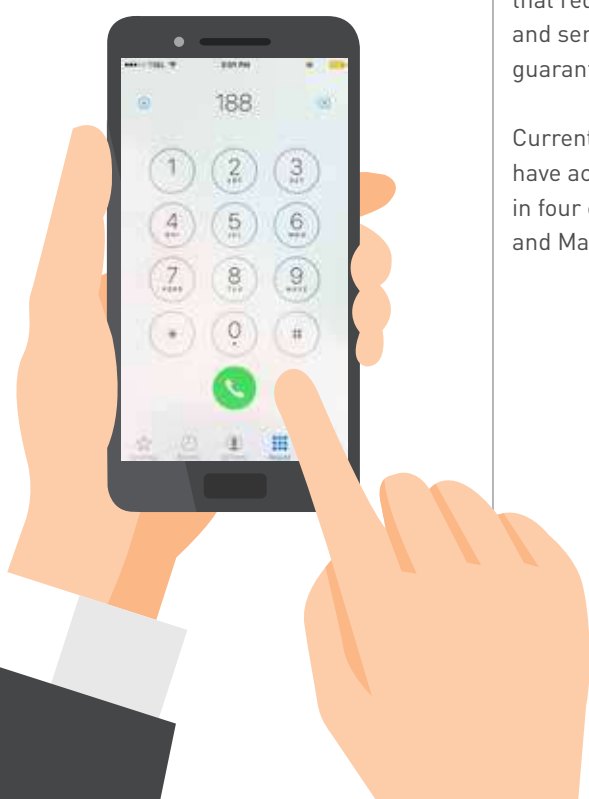
4G LTE USIM Migration via OTA (Over The Air) is a self-care migration process that customer can do themselves, using a Telkomsel 4G Upgrade Card and dialing UMB. The Telkomsel 4G Upgrade Card is a replacement card that is used to upgrade to 4G via UMB, in the form of a *simPATI* first starter pack (not a regular *simPATI* starter pack). The OTA USIM Phase 1 was released in April 2016 and Total Campaign 10 GB. USIM OTA Phase 2 will be implemented in 2017 (using only a token to input).



ISO 9001: 2008 GraPARI and Call Center Certification

We are committed to providing the highest customer satisfaction in accordance with ISO 9001: 2008. ISO 9001: 2008 is an international quality management standard that requires consistent delivery high quality products and services as well as the customer satisfaction guarantees.

Currently, 4 Telkomsel Call Centers and 83 GraPARI have achieved international ISO 9001: 2008 certified in four centers namely Medan, Bandung, Surabaya, and Makassar.



INFORMATION TECHNOLOGY

Summary

In 2016, the Telkomsel Information Technology Directorate focused on building up the foundations for the company's Digital Business in line with Telkomsel's transformation from a traditional telco to a digital company, while also providing support for managing and maintaining existing business.

A number of strategic IT initiatives were carried out to achieve these objectives, as follows:

Digitize core to enable distinctive customer experiences

Customer experience is a core factor in the quality of Telkomsel service offerings. Aligning with the Telkomsel Digital Company transformation, the Telkomsel Digital World (TDW) Initiative aspires to provide seamless experience for customers over multiple channels. During 2016 we launched a revamped version of Telkomsel mobile application MyTelkomsel, which was positively received by customers reaching 10 million downloads and two million monthly active users during the year. The updated MyTelkomsel app is a major milestone for the Telkomsel Core Digitization for Customer Channels initiative.



Revamped User Interface of MyTelkomsel

Moving forward, in order to provide seamless customer experience across channels, the Digitization process will also be applied to other self-service channels including the Web Channel.

Building a “Digital-Ready” IT Architecture and Systems

During the year, Telkomsel's IT Architecture and Systems were strengthened by simplifying and implementing Agile Development in readiness for a digital future. Specifically, Telkomsel IT is working on simplifying the internal IT architecture by consolidating customer-facing applications and back-end systems using an integration layer. The consolidated architecture will allow for easy integration of new channels. The foundation for the simplified architecture has already been finished as of September 2016 as the first phase, and the process has now entered the next phase.

In terms of Agile Development, Telkomsel IT implemented the Continuous Integration and Deployment concept, similar to a digital company. Together, this simplification and Continuous Integration and Deployment will speed up execution as well as time-to-market for new products as well as changes to existing products. Going forward, similar concepts will be implemented elsewhere to ensure that Telkomsel is fully “Digital-Ready”.

Set Up Digital Platforms to Enable New Business

Supporting Telkomsel's focus on exploiting Beyond-Telco sources of Revenue and the company's 2016 Transformation to Digital Company, IT delivered crucial support for the fast growing areas of Digital Payment and Mobile Video Bundling solutions, which have seen high customer adoption and generated high revenue growth.



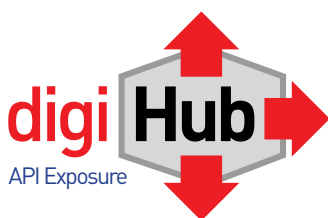
we focused

on building up the foundations for the company's digital business...

Anticipating the need for reliable and future-proof Mobile Financial Services, in 2016 IT began investing in a more reliable and scalable TCASH Platform. The new platform also supports more features such as the TCASH TAP Hybrid Solution, ultimately supporting faster revenue generation from mobile payment services.

In 2016, Telkomsel launched its first bundled entertainment offer in the form of the *simPATI* – HOOQ package, whereby customers enjoy mobile video content provided by HOOQ as our partner. IT enhancements took place to support the successful launch, including major enhancements to back end provisioning to enable bundling with multiple third party services, changes in customer-facing channels to effectively display bundled offers, simplifying the enrollment process for customers, and establishing reconciliation across products. From an IT perspective, the successful launch of *simPATI* Entertainment as the first bundling product release with a video content provider demonstrated the readiness of IT Infrastructure to support future bundling product.

Open API Exposure –Telkomsel DigiHub



Telkomsel DigiHub as Open API Platform.

Telkomsel IT in collaboration with Telkom has implemented an Open API (Application Programming Interface) Platform called Telkomsel DigiHub, that will enable our API Assets to be used by developers for faster and simpler applications development. Telkomsel DigiHub will provide self-service API subscription and utilization for Developer Communities, serving as a collaboration point between Telkomsel and developer communities as well as a one-stop service platform for app development. This initiative supports and is aligned with the “Monetize Big Data through API” objective of the Telkomsel Corporate Masterpiece Program for 2016.

Throughout 2016, Telkomsel and Telkom socialized Telkomsel digiHub capabilities business opportunities at cities across Indonesia (Bandung, Yogyakarta, Surabaya, Malang), to developer communities gathered under the flag of Telkom Indigo Society. The implementation of the Open API platform and capability demonstrates Telkomsel IT's readiness and commitment to support API-based business going forward.

Constructing the foundations for Internet of Things (IoT) Business

The Machine to Machine (M2M) business, also known as the Internet of Things (IoT) in public terminology, has gained significant traction in recent years for tier-1 telecommunication providers including Telkomsel. The M2M or IoT Business is considered an important source of future revenue for telcos beyond basic services such as Voice, SMS, or Data, and the Company has focused on developing the M2M business for some time, selling device connectivity-as-a-service for several years now.

Our new analytics capabilities support multi-dimensional analysis of Telkomsel customers...

In 2016, Telkomsel launched two flagship IoT application services for the automotive industry, in the area of vehicle and fleet management, called T-Bike and T-Drive. The offerings have multi-channel interfaces comprising web service apps as well as mobile apps which allow consumers to track, monitor, and secure their vehicles real time.

The application uses a combination of internal Telkomsel platforms and smart integration with third party platforms in order to ensure security, reliability, and simplify flow between platforms. The combination of on-premise and cloud deployment delivers more reliable data flow control from the vehicle device tracker, as well as flexibility in accessing the mobile application.

The IT Directorate was proactively involved in designing T-Bike and T-Drive, using agile process methodology to flexibly accommodate service changes, reduce time to market and develop high-quality software more quickly, while also ensuring data security, good reliability, high availability, and provide good maintainability. Automated test units were implemented to control the quality of software application and speed up delivery. With regard to implementation, “lean methodology” was utilized, releasing features in small batches in order to test the market and get feedback before full-scale deployment, resulting in fast, efficient development as well as more robust and user-friendly applications.

In summary, the successful implementation and release of T-Bike and T-Drive Services demonstrates the capability of the IT Directorate to support Telkomsel by creating robust IoT products that can add value for customers.

Elevating Big Data Assets and Analytics Capability

The ability to gather and analyze data is crucial to maintaining Telkomsel's lead. IT therefore launched a Big Data initiative which consolidated important information across Telkomsel for reporting purposes into a single, unified data source. This includes the reports on financial data, sales performance, 4G Network performance, and others. The establishment of a unified data source will help ensure consistency and accuracy in support of better decision making. Already, Telkomsel IT has delivered several notable deliverables and has harvested benefits from our Big Data Capabilities.

IT also invested in the latest data analytics technology and expanded our capabilities to better understand our customer. Our new analytics capabilities support multi-dimensional analysis of Telkomsel customers, enabling 360 degree customer profiling to support various business analytical needs and support personalized campaigns and offers. This ability to provide segmented and personalized offerings tailored for customer's specific needs is crucial to drive growth amidst intensifying competition.

Increasing IT Efficiency and Value Add

In addition to our efforts to enable the Business, Telkomsel IT also strives to consistently improve internal IT excellence from a Technology, Process, and People perspective.

To instill innovation management in IT, in 2016 a new division was created within the IT Organization that will focus on incubating the New and Emerging Business & Technology Ecosystem. This New Division will be responsible for translating innovation, business incubation and ideas from external and/or internal IT into commercially and technically viable offerings or future Telkomsel Products.

In parallel, given the rise of IT Infrastructure costs and the demanding pace of business growth, improvements in efficiency and cost control are crucial. Consequently, that, IT Infrastructure Team has begun to virtualize Telkomsel's IT infrastructure assets, including servers, storage, and databases. The virtualized IT Infrastructure will guarantee the most efficient infrastructure utilization, while maintaining the quality of service. The virtualization also helps the team calculate future capacity requirements more accurately. Another important benefit from virtualization is reduced operational complexity by consolidating duplicate processes, as well as more consolidated and enhanced monitoring. In 2016, the IT Infrastructure Virtualization initiative successfully decreased direct maintenance cost savings by up to 20% for servers, and approximately 75% for Database License expenses.

In order make IT Operations more efficient, several IT processes and jobs were also automated to require minimum human intervention. This Process Automation initiative has helped IT internal staff to handle the workload more efficiently, as well as decreasing time required for completion. As an example, reporting lead time to generate the daily customer base report has been reduced from five hours to three hours. Consequently, IT staff has been freed up from repetitive activities and can better focus on more strategic activities where they can add more value to the company, such as service quality improvements and innovation breakthroughs.

Moving forward, similar concepts will applied in other IT areas to increase efficiency.

NETWORK

Supporting Telkomsel's business objectives, in 2016 we focused on implementing three key strategic programs: Achieving Revenue Growth, Sustaining Revenue Base and Cost Leadership.

The Achieving Revenue Growth program focused on delivering an effective and ubiquitous broadband network to support business growth. This was achieved through effective planning, rollout acceleration, modernization, and a seamless network with emphasis on True Broadband Experience and LTE in 50 Broadband Cities. In support of this goal, we continued to expand our network, surpassing 129,000 BTS at the end of 2016.

Sustaining Revenue Base focused on building an ISO-certified foundation for operational processes, and on the achievement of operational excellence by the Integrated Operation Center (IOC). The IOC has been tasked with providing seamless operation management across various services, network and IT infrastructures, mitigating the risk of network incidents and delivering faster resolution time in the case of any network incidents, thus minimizing potential revenue lost.

Under the Cost Leadership program, we implemented the One Network synergy program with our parent company, Telkom. This was a Collaborative Network Optimization Project (CNOP) with our parent company PT Telkom Indonesia which aimed to gain cost efficiencies, particularly in transmission deployment and operations. We successfully trimmed transmission costs by switching from satellite to submarine cable transmission in eastern Indonesia. With regard to frequency cost reduction, the omission of radio link transmission license (ISR) after migration to fiber-based access was the biggest contributor. Apart from

CNOP, we successfully pursued cost reductions in power expenses, tower space rental costs and repair maintenance costs. Alternative energy sources, such as solar cell and micro hydro systems, contributed to power expense trimming.

Besides these programs, several key innovations to maintain Telkomsel business performance took place during the year. These were AMR Wideband feature activation, power system enhancement for high revenue sites, business continuity planning rehearsals, AMERI (Advance Missed Call Alert Orchestrator for Inaccessible B Number), and implementation of SIGNIFICANT (SIM-USIM 4G Migration Instant) and the Integrated Operation Center.

Network Development and Modernization

Telkomsel continuously develops and modernizes its existing network to increase capacity, maintain service excellence and ensure that the latest technological standards are met. The installation of more efficient, more powerful and higher capacity equipment is also beneficial for operational costs. In 2016, Telkomsel replaced 14,536 older BTS, 3,498 access transport and core network across Indonesia.

During the year, supporting the mission to become a digital company by increasing our coverage, capacity and quality, Telkomsel aggressively expanded its network nation-wide, with a focus on meeting demand at Points of Interests (PoI) and densely populated clusters such as public spaces, schools and campuses, and tourist attractions. A total of 26,000 BTS (Base Transceiver Station) were constructed, surpassing 2015 construction by 8,000 BTS. Around 90% of the new BTS are 3G and 4G BTS, in keeping with the emphasis on digital service through mobile broadband.



we implemented the one network synergy program with our parent company, Telkom...

The rapid deployment was made possible by good collaboration between Telkomsel and stakeholders, namely PT Telkom Indonesia, central and local governments, partners and communities.

True Broadband Experience

The True Broadband Experience (TrueBEx) aims to improve the quality of our customers' broadband experience through improved network assessment and certification, focusing on Coverage, Capacity, and Quality Points of Interest. Having successfully implemented the TrueBEx program in 30 Broadband Cities (BBC) in 2015, and in 2016 the TrueBEx program was expanded to cover 10,000 PoI in 80 cities across Indonesia.

Certification and Regulatory Compliance

In order to maintain service quality and increase customer satisfaction, Telkomsel implemented ISO certification for ISO systems in its Network Directorate operations, ISO/EIC 27001:2013 for information security of management systems, was jointly implemented by the IT and Sales Directorates in Telkomsel's main IT systems, broadband service network, 16 TTC (Telkomsel Telecommunication Centers) and Wisma Mulia GraPari. The latter obtained certification on September 17, 2016, fulfilling regulatory requirements contained in Ministry of Communications and Information Regulations No. 4 and 12 of 2016.

In addition, all Telkomsel regions were successfully certified as Broadband City Ready by an independent third party, Nielsen.

Collaborative Network Optimization Project (CNOP)

As part of synergy with the parent company, Telkomsel implemented the CNOP initiative with Telkom. The aim of this project is to define strategic collaborations and infrastructure convergence to ensure an efficient, effective and competitive network that will sustain Telkomsel's network leadership. In this project, Telkom acts as a Managed Service Provider (MSP) to consolidate Telkomsel's needs in transmission, access layer, aggregation and core layer, which were previously under multiple providers. The benefits to Telkomsel of CNOP implementation include a reduction in operational costs, simplified network architecture and avoidance of double investment within the group.

26,000



A total of 26,000 BTS (Base Transceiver Station) were constructed, surpassing 2015 construction by 8,000 BTS

USO and Telkomsel Merah Putih

Telkomsel, both privately and in partnership with the government, has committed to provide telecommunication coverage to remote areas in Indonesia through various programs and services.

These programs and services fall into two categories, **Universal Service Obligation (USO)** and **Telkomsel Merah Putih (TMP)**.

USO services are comprised of **USO TELINFO-TUNTAS** (*Telekomunikasi dan Informatika di Daerah Perbatasan dan Pulau Terluar*) and **USO 3T** (*Terluar, Terdepan, Tertinggal*) services.

- USO TELINFO-TUNTAS provides cellular service specifically for border regions and the outermost islands of Indonesia, with a total of 286 Telkomsel sites listed in the service contract for 2013 - 2017. As of the end of 2016, the capacity of 56 of these sites has been further upgraded to improve service.
- USO 3T focuses on building new infrastructure in border regions and the outermost islands of Indonesia, with the government providing support facilities such as tower mast, power, transmission and land while Telkomsel is responsible for building and operating the mobile network using these facilities. A total of 147 new sites were built under the USO 3T scheme in 2016.

TMP services are comprised of Maritime, Rural Industry, Rural Non-industry and SOTM (Seluler On The Move) services.

- Maritime services delivers cellular service on board 16 PT PELNI ships, starting from 2009.
- Rural Industry services consists of Rural Non Industry or BTS Rural Village, as well as BTS Rural Corporate, and T-Zone Rural & Offshore.
 - The Rural Non Industry or BTS Rural Village program provides service for rural villages, with 187 remote villages served in 2016.
 - Under BTS Rural Corporate, Telkomsel collaborated with rural 26 enterprises to provide cellular service around their operational plants
 - T-Zone Rural & Offshore services are offered to offshore oil and gas companies, and serving customers in 44 remote spots, 23 offshore locations and 11 outermost islands in Indonesia during 2016.
 - SOTM, launched in third quarter of 2016, is aimed at institutions that rely on vehicular mobility in remote areas.

HUMAN CAPITAL MANAGEMENT

LTE General Strategy

As part of its strategy to maintain data leadership, Telkomsel concentrated on targeting HVC (High Value Customers) and building LTE network in 50 TrueBEx cities & 169 Kabupaten cities. High Value Customers are defined as having 4G capable handsets as well as high data usage and ARPU (Average Revenue Per User). This smart deployment leveraged data on customer mobility, PoI, device population and data usage profiles from our 3G network to achieve the best return on our 4G network investment.

In addition, Telkomsel increased its LTE spectrum bandwidth from 10 MHz to 15 MHz in high profile PoI and clusters for better 4G user experience. Telkomsel also optimally leveraged its 1800 MHz band to deliver best service to each new city.

169



Telkomsel concentrated on building LTE network in 169 Kabupaten cities

Human capital is the most important factor in Telkomsel's transformation to digital. Facing increasing competition in the market, the quality of our human capital and the way that we deploy it is a crucial factor in winning and maintaining our lead. Employees are an important factor in successfully achieve the company's target and milestones. These achievement comes from everyone's hard work and it is our pride to stay ahead in the industry and be "The First, The Fastest and The Finest".

In 2016, Human Capital Management Directorate once again played a pivotal role in business, organization and culture transformation, while maintaining Telkomsel's market leader position for legacy products. Continuing Telkomsel's strategic plan to become a Digital Company, the successful creation of a "Go Beyond Performance" can be seen in our triple double digit growth achievement for five consecutive years. This impressive achievement is the result of successful transformation. Not stopping here, we continue to explore new business opportunities while nurturing current digital business like mobile financial services.

In order to do so, Human Capital Management focused on developing three aspects: Accelerate People Transformation, Accelerate Digital Leadership and Global Readiness, and Implement Organization for New Business. These aspects correspond to digital mindset, leadership and organization, all of which are key factors in becoming a Digital Company.

Accelerate People Transformation

Digital Companies are closely associated with young employees, digital culture and agility. Therefore, Human Capital Management develops programs that focus on these attributes.

1. Talent acquisition

Recruiting talented people is a top priority. We understand that quality human resources is a necessity for the digital business to grow. In 2016, Telkomsel successfully recruited 433 employees from different backgrounds, ranging from 355 fresh graduates to experienced people. Of these, 385 were placed in the Great People Trainee Program, a leadership program which prepares Telkomsel future leaders. This new blood will advance the Telkomsel digital business one step further with their fresh business ideas. Fresh graduates are expected to enhance and contribute to Telkomsel through fresh business ideas, while experienced recruits are also necessary to expand and manage the digital business.

2. Digital culture

As part of building a digital culture, offices were relocated from Wisma Mulia to the Telkomsel Smart Office (TSO), not only in head quarter but also redesigned Telkomsel office around Indonesia to adopt digital culture environment. The example of digital culture environment are an open working space containing many meeting spaces that foster employee collaboration and creativity and cashless environment which is implement in TSO cafeteria.

Moreover, to strengthen the Agile, Creative and Experimental characteristics necessary for a digital mindset, we initiated a volunteer program whereby employees teach responsible internet usage within schools and communities.

3. Internal process improvement

In line with the company's transformation to go digital, Human Capital Management also changed its internal processes to become more agile. Milestones in 2016 included Human Resources process digitalization, knowledge management implementation and HR Service Center development.

Accelerate Digital Leadership And Global Readiness

A survey was held to understand Telkomsel Digital Mastery index position, in preparation to take action for digital leadership. The category framing and people development model for Digital Mastery capabilities took place in 2016 and an executive coach program for senior leaders has started as well.

The final objective is to have employees with Digital Mastery capabilities, including the ability to realize an idea from creation to implementation. The program design for Digital Mastery involved collaboration in synergy between Telkom Group and Singtel Group.

Our employees were also prepared for Global Readiness through a new program in 2016 called the Global Talent Assignment (Singtel Group Talent Mobility), whereby Telkomsel employees have the chance to go overseas and work within Telkomsel's parent companies. In 2016, under the Global Talent Assignment, seven Telkomsel employees had the chance to intern for three months within Singtel Group, namely in Singapore with Singtel, Thailand with AIS and India with Bharti.

Implement Organization For New Business

The organization is continually adjusted as needed to optimally support Telkomsel's business needs. Specifically, we focused in 2016 on creating an organization capable of capturing new digital business opportunities, while also strengthening the legacy business, which still has good value for the next five years.



we implemented

**on developing
three aspects:
accelerate people
transformation,
accelerate digital
leadership &
global readiness,
and implement
organization for new
business...**

Related to corporate strategy, the digital business organization was enhanced to support Mobile Financial Services, Big Data and API business going forward. In order to strengthen the core, digital lifestyle unit was move to marketing directorate so digital lifestyle services can be embedded to core product.

Human Capital Management Award And Acknowledgement

Telkomsel once again achieved local and global recognition as a great company to work, winning the 7th Asia Best Employer Brand Award 2016 organized by the Employer Branding Institute and the World Human Resources Development Congress Asia for the second consecutive year, ahead of prestigious companies from all over Asia. This award recognized Telkomsel's excellence in human capital management, learning and development programs, employee recruitment and retention, and continuous innovation. This award reflects the pivotal role that human capital management continues to play in the organization's transformation.



WINNING

**the 7th Asia Best
Employer Brand Award
2016**

SYNERGY

Strategic Initiative Alignment Supporting Telkomsel's transformation to become a Digital Company, in 2016 we focused on developing fast 4G LTE mobile broadband and digital services in more than 100 cities in Indonesia in order to give customers the best digital mobile lifestyle.

These services were supported by synergies with Telkom and Singtel as the parent companies with regard to network provision, service support as well as best content provision.

Synergy programs in 2016 included among others:

A. Synergies related to customer experience

GraPARI Telkomsel Flagship Store

A Telkomsel Synergy program with Infomedia, a Telkom subsidiary, supported Customer Touch Point Walk-in Service customer service centers in delivering an integrated digital lifestyle experience concept, with the aim of providing a standout experience for customers through comprehensive service and facilities. The flagship store, located at Pondok Indah Mall, was inaugurated on Telkomsel's 21st anniversary.

WIFI Digital Broadband Campus

This community program is a program that supports the Youth Preposition. It provides university students with free high speed broadband at Flash Lounges and Digital Broadband Campuses at 13 universities from Aceh to Papua. This program is supported by DES (*Divisi Enterprise Service*) and Probis (*Proyek Bisnis*) WIFI Telkom.

B. Synergy related to network infrastructure

CNOX (Core Network Operation Excellence), and synergy with Telkom Infra to support Audit TTC and STO Telkom in achieving ISO 27001 certification.

C. Synergies related to Digital Business

The Big Data Digital Council was established in June 2016 as a committee for Big Data Use Cases at Telkom Group. The initial phase saw ten Use Case Initiatives, of which the Council embarked on two Use Cases during the year.

API Business is an initiative launched by Telkomsel and Telkom in 2016. Various alignments will take place between the two company's products, platforms, and roadmaps in order to create synergies in the business. Digital Business (BAU) is a collaboration between Telkomsel digital business entities and Telkom subsidiaries, namely MFS with finnet, Digital Music with Melon, and Game with Upoint (Metranet) and MDM as a media reseller.

D. Synergies related to business support

To support the transformation to a digital company, Telkomsel has prepared programs for the development of skilled Human Capital, including several Synergy Programs with Telkomsel and Telkom such as:

- RLA (Regional Leadership in Action) Training, in collaboration with Singtel Group
- GGG (Game for Global Growth) training, held together with Singtel Group
- Suspim training in collaboration with Telkom Group
- Employee competency assessment in collaboration with Telkom Group
- GPTP Recruitment Graduation / Employee recruitment together with Telkom Group.

E. Other Synergy Programs

Merah Putih Project

A Telkomsel program in synergy with MitraTel to penetrate Rural Areas, Remote Industrial and Marine areas.

CHAPTER 05

GOOD CORPORATE GOVERNANCE

Ensuring the continuity of the business through consistent GCG implementation

-
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 - P.133 Regulations and Compliance
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ACCELERATING DIGITAL FOR INDONESIA

Using digital to strengthen the good governance principles
of increased transparency, accountability, responsibility,
independence and fairness



GOOD CORPORATE GOVERNANCE

Our commitment to the implementation of Good Corporate Governance (GCG) in every aspect of the business represents our compliance with the Company Law No. 40 of 2007 and certain aspects of the United States Sarbanes-Oxley Act (SOA), with which all subsidiaries of PT Telekomunikasi Indonesia Tbk (TELKOM) are required to comply following its share listing on New York Stock Exchange (NYSE).

At the same time, the GCG implementation is also an important element that will ensure the Company's continuous competitiveness, enable us to stay ahead of the industry and maintain our market leadership position, and guide us in creating long-term value for both shareholders and stakeholders.

In order to build a strong GCG structure within the organization, we are firmly bound by five principles which serve as the pillars of our GCG implementation. The five principles are:

A. TRANSPARENCY

This principle shall be carried out in the effort to present fair access to all information about the Company's financial and operational performance.

B. ACCOUNTABILITY

Management and staff at all levels are required to develop high accountability in every action taken and in maintaining a fruitful relationship with the shareholders and stakeholders as well as with regard to regulatory compliance.

C. RESPONSIBILITY

This principle requires the commitment of all elements in the organization to show their integrity and responsibility in the decision making process, in defending the Company's and stakeholders' interests and assets and risk management to ensure business continuity.

D. INDEPENDENCE

We exercise our independence as an organization with high integrity by ensuring that all management is free from conflict of interest and/or the influence of other party.

E. FAIRNESS

We carry out this principle to ensure that all shareholders and stakeholders receive equal treatment, including fair opportunities for the employees to earn career promotions, training and education, and access to information.

Code of Conduct

Telkomsel has adopted a code of conduct in accordance with highest standards of values and ethical conducts. The code applies to all employees representing the Company and it is envisioned to govern them in executing their duties. Everyone associated with the Telkomsel code of conduct should comply with prevailing laws and regulations and act in the best interest of the Company.

The code influences how employees think about actions and what they should or should not do in safeguarding the Company's assets, revenues and monetary adjustment beyond Company's Policy. It is the personal responsibility of each employee to adhere to applicable standards.

General Meeting of Shareholders

As stated in the Articles of Association, the General Meeting of Shareholders (GMS) serves as the highest forum that is granted with the authority other than that granted to either the Board of Directors or the Board of Commissioners, including taking the decisions regarding vital and strategic corporate actions and approving the reports of the Board of Commissioners and the Directors. In the GMS, the Board of Directors releases the Company Annual Report and the financial report, determines the allocation of the Company Net Profit and appoints the independent auditor.

Independence of Board of Commissioners and Board of Directors

The Company has a firm policy regarding the independence and potential conflict of interest of its Boards, which requires all members of Board of Commissioners and Board of Directors to report any positions they hold at other institutions that may potentially result in a conflict of interest or violate existing laws and regulations. In a situation where one of our Directors is exposed to a conflict of interest, he or she, in accordance with the Articles of Association, shall be represented by another Board member.

The Articles of Association further states that the Board of Commissioners may take over responsibility from the Board of Directors in the case that all members of the Board of Directors have a conflict of interest. To further ensure independence, our policy regulates that all members of the Board of Directors and Board of Commissioners must not possess familial relationships with any other Board member.

The Board of Commissioners

Board of Commissioners comprises of six members of whom one performs as the President Commissioner. Telkom as the majority shareholder is entitled to nominate four Commissioners and Singapore Telecom Mobile Pte Ltd reserves the right to nominate two Commissioners. Based on the shareholders resolution dated October 7, 2015, the composition of Telkomsel's Board of Commissioners effective as from October 7, 2015, was as follows:

TELKOM REPRESENTATIVES	
President Commissioner	Alex Janangkih Sinaga
Commissioner	Heri Sunaryadi
Commissioner	Diaz Hendropriyono
Commissioner	Edwin Hidayat Abdullah
SINGTEL REPRESENTATIVES	
Commissioner	Paul Dominic O'Sullivan
Commissioner	Yuen Kuan Moon

Based on the shareholders resolution dated August 12, 2016, the composition of Telkomsel's Board of Commissioners effective as from August 12, 2016, was as follows:

TELKOM REPRESENTATIVES	
President Commissioner	Alex Janangkih Sinaga
Commissioner	Harry Mozarta Zen
Commissioner	Diaz Hendropriyono
Commissioner	Edwin Hidayat Abdullah

SINGTEL REPRESENTATIVES

Commissioner	Paul Dominic O'Sullivan
Commissioner	Yuen Kuan Moon

The Board of Commissioners is responsible for:

- Supervising the Board of Directors' management of the Company;
- Supervising the implementation of the Company's long-term business strategy;
- Overseeing the effectiveness of the good corporate governance practices in the Company, including risk management and internal controls;
- Monitoring the performance of the business;
- Providing direction, recommendations and guidance for the Board of Directors in managing the Company's business.

Meetings of the Board of Commissioners

The Articles of Association states that the Board of Commissioners holds a meeting at least once every three months, or whenever necessary as requested by any of the Board members or shareholder(s) who represent at least 1/10 of the total issued shares of the Company with valid voting rights. The Board of Commissioners also holds joint meetings with the Board of Directors as part of performing its supervisory function.

Name	Position	Meeting Attendance
BOARD OF COMMISSIONERS		
Alex J. Sinaga	President Commissioner	4
Harry Mozart Zen	Commissioner	2
Diaz Hendropriyono	Commissioner	4
Edwin Hidayat Abdullah	Commissioner	4
Paul Dominic O'Sullivan	Commissioner	4
Yuen Kuan Moon	Commissioner	4

BOARD OF DIRECTORS

Ririek Adriansyah	President Director	4
Mas'ud Khamid	Director of Sales	4
Heri Supriadi	Director of Finance	4
Priyantono Rudito	Director of Human Capital Management	4
Sukardi Silalahi	Director of Network	4
Edward Ying Siew Heng	Director of Planning and Transformation	4
Alistair David Johnston	Director of Marketing	4
Ng Soo Kee	Director of Information and Technology	4

Committees under the Board of Commissioners

The Board of Commissioners is charged with a supervisory role in a general manner and/or in a specific manner in accordance with the Articles of Association and to provide advice to Board of Directors.

In performing its supervisory function, the Board of Commissioners is assisted by three Committees. The Committees are:

1. Audit Committee
2. Remuneration Committee
3. CAPEX, Financing and Management Process (CFMP) Committee.

The Audit Committee

The Audit Committee assists the Board of Commissioners in fulfilling its oversight responsibilities for the financial reporting process, internal control process, internal and external audit process and risk management process. In performing its duties, the Audit Committee shall ensure an effective working relationship with the Board of Directors, Managements, Internal Auditors and External Auditors. The Audit Committee shall meet at least four (4) times a year, and meetings must be attended by at least two members of the Audit Committee, including one member nominated by Telkom and one member nominated by Singapore Telecom Mobile Pte Ltd. The Audit Committee members shall comprise at least 3 (three) members. The members are appointed by the Board of Commissioners, and at least one of the members shall have competency in accounting and/or auditing.

The members of the Audit Committee during 2016 financial year are:

- a. From 1st January 2016 till 11th August 2016:
 - Heri Sunaryadi as chairman
 - Paul Dominic O’Sullivan as member
 - Diaz Hendropriyono as member
 - Agus Suryono as member
- b. From 12th August 2016 till end of December 2016:
 - Harry M. Zen as chairman
 - Paul Dominic O’Sullivan as member
 - Diaz Hendropriyono as member
 - Agus Suryono as member

The Audit Committee holds meetings on regular basis with the Internal Audit Group to discuss findings from the audit process.

In 2016, there was a total of 7 Audit Committee meetings.

The Remuneration Committee

The Remuneration Committee is established to assist the Board of Commissioners in ensuring that the remuneration policy and scheme that is being implemented or will be implemented in the Company fairly rewards the Board of Directors and employees, attracts talent and has competitive value, in order to ensure that the Company has competent human resources. The Remuneration Committee shall comprise at least 3 members and the members are appointed by the Board of Commissioners. Pursuant to its Charter, the Remuneration Committee shall meet at least 1 (once) a year and the meeting shall be attended by at least 2 (two) members.

The members of the Remuneration Committee during 2016 financial year are:

- a. From 1st January 2016 till 11th August 2016:
 - Edwin Hidayat as chairman
 - Heri Sunaryadi as member
 - Yuen Kuan Moon as member
 - Priyantono Rudito as member
 - Ahmad Setiawan Nuraya as member

- b. From 12th August 2016 till end of December 2016, the members are:

- Edwin Hidayat as chairman
- Harry M. Zen as member
- Yuen Kuan Moon as member
- Priyantono Rudito as member
- Ahmad Setiawan Nuraya as member

In 2016, there was a total of 1 Remuneration Committee meeting.

The CAPEX, Financing and Management Process (CFMP) Committee

The CAPEX, Financing and Management Process (CFMP) Committee shall assist the Board of Commissioners in fulfilling its oversight responsibilities regarding the CAPEX, financing, and management processes of the Company. The CFMP Committee will provide the Board of Commissioners from time to time with its findings and recommendations. For an effective review and understanding of the CAPEX and operational processes, the CFMP Committee will need to have ongoing interaction with the management, which can be the members of the Board of Directors.

The CFMP Committee shall review, but are not limited to, the following:

- a. The CAPEX planning and management process.
- b. The financing policies and plans of the Company.
- c. The capacity management, supply chain and operational targets.

The CFMP Committee reports periodically to the Board of Commissioners. Its report contain a summary of the CFMP Committee’s activities, findings and recommendations. The CFMP Committee shall comprise at least 3 (three) members. At least one member of the CFMP Committee is a member of the Board of Commissioners nominated by Telkom and at least one member of the CFMP Committee is a member of the Board of Commissioners nominated by Singtel. One other member of the CFMP Committee shall be a representative of the Company in charge for CAPEX planning/monitoring and financing. The CFMP Committee holds regular meetings, structured via a timetable, agendas and minutes of meeting.

The frequency of meetings will depend on the CFMP Committee's objectives and scope of activities.

The members of the CFMP Committee during 2016 financial year are:

- a. From 1st January 2016 till 11th August 2016:
 - Heri Sunaryadi as chairman
 - Yuen Kuan Moon as member
 - Heri Supriadi as member
 - Pramasaleh Hario Utomo as member
- b. From 12th August 2016 till end of December 2016:
 - Harry M. Zen as chairman
 - Yuen Kuan Moon as member
 - Heri Supriadi as member
 - Pramasaleh Hario Utomo as member

In 2016, there were a total of 6 CFMP Committee meetings with a total of Rp9.4 trillion worth of Capital Expenditure approved by the Committee.

The Board of Directors

Board of Directors consists of eight members and is led by the President Director. PT Telkom as the majority shareholder is entitled to nominate five Directors and Singapore Telecom Mobile Pte Ltd reserves right to nominate three Directors. Based on the shareholders resolution dated August 12, 2016, the composition of Telkomsel's Board of Directors during the financial year 2016, was as follows:

TELKOM REPRESENTATIVES

President Director	Ririek Adriansyah
Director of Sales	Mas'ud Khamid
Director of Finance	Heri Supriadi
Director of Human Capital Management	Priyantono Rudito
Director of Network	Sukardi Silalahi

SINGTEL REPRESENTATIVES

Director of Planning and Transformation	Edward Ying Siew Heng
Director of Information and Technology	Ng Soo Kee
Director of Marketing	Alistair David Johnston

The Board of Directors is responsible for:

- Maintaining the daily business of the Company;
- Formulating Telkomsel's Business Plan and Strategy;
- Preparing the annual budget;
- Preparing the Annual Report to Shareholders;
- Ensuring that the business is run effectively to give value to the shareholders and stakeholders;
- Representing the Company in any legal cases.

Meetings of the Board of Directors

The Board of Directors holds meetings at least once in every two months or whenever requested by any of the Board members 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 holds joint meetings with the Board of Commissioners to present reports on the operational and financial performances of the Company as well as to discuss and seek the necessary approval for the corporate agenda. 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.

Name	Position	Meeting Attendance
BOARD OF DIRECTORS		
Ririek Adriansyah	President Director	35
Mas'ud Khamid	Director of Sales	33
Heri Supriadi	Director of Finance	32
Priyantono Rudito	Director of Human Capital Management	32
Sukardi Silalahi	Director of Network	31
Edward Ying Siew Heng	Director of Planning and Transformation	32
Alistair David Johnston	Director of Marketing	30
Ng Soo Kee	Director of Information and Technology	31

Remuneration

The General Meeting of Shareholders is authorized to determine the amount of remuneration for members of the Board of Commissioners and Board of Directors based on the recommendations from the Remuneration Committee. The remuneration structure for Directors and Commissioners comprises three components, namely fixed compensation, variable compensation, benefits and facilities.

1. Fixed Compensation

Fixed Compensation comprises the base salary with reference to the AGMS dated April 12, 2017.

2. Variable Compensation

Variable Compensation shall be paid in form of a yearly bonus. The amount of yearly bonus will be determined in the AGMS.

3. Benefits & Facilities

Telkomsel provides benefits such as medical, allowance, housing, membership, communication and insurance.

For the year ended December 31, 2015 and 2016, the Company paid aggregate compensation of Rp173.1 billion and Rp219.6 billion to all Commissioners and Directors, an increase of 27%.

External Audit

During the AGMS, Telkomsel's shareholders empower the Board of Commissioners to appoint external auditors. The external auditors serve until their removal or resignation. The Audit Committee assesses the external auditors based on factors such as the performance and quality of their audit and the independence of the auditors, and recommends their appointment to the Board of Directors in the frame of synergy with the majority shareholding.

In order to maintain the independence of the external auditors, Telkomsel has developed policies regarding the types of non-audit services that the external auditors can provide and related approval processes.

The Audit Committee has also reviewed the non-audit services provided by the external auditors during the financial year and the fees paid for such services. The Audit Committee is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided a confirmation of their independence to the Audit Committee.

Whistleblowing

Telkomsel applies a firm whistleblowing policy. This policy regulates the ways in which an employee or other parties report fraud, unethical behavior, corruption, dishonest practices or breaches of internal control and code of conduct to Telkomsel's Audit Committee. The Committee will then follow up with an investigation.

As long as the reporting of such matters is done in good faith, Telkomsel ensures that the employees making such reports are treated fairly and protected from reprisals. All whistleblower complaints are investigated by a special audit team and the results of the investigation are reported to the Audit Committee for follow up action.

Corporate Secretary

The scope of work of the Corporate Secretary is to ensure regulatory compliance and to manage relationships with the Company's stakeholders on the principles of good corporate governance, including the relationships with employees, shareholders, government institutions, the public and the media. The Corporate Secretary manages the interrelationship between the Board of Commissioners and the Board of Directors as well as the relationships among the Board members.

Corporate Secretary manage relationships with the Company's stakeholders on the principles of good corporate governance...

The detailed scope of duties and responsibilities of the Corporate Secretary includes:

- To ensure the governance of the Company's operations, particularly in terms of the alignment of interests among the stakeholders as well as the distribution of rights and responsibilities among the key elements of the Company.
- To ensure that all policies and business process of the Company are in compliance with the prevailing laws and regulations.
- To ensure effective communication between the Company, the regulators and mass media and develop the Company's capability to fulfill its obligations to the Government.
- To manage working facilities and infrastructure in order to facilitate the efficient and effective operation of the Company.
- To develop the Corporate Image and carry out the Corporate Social Responsibilities (CSR) activities.
- To hold the Corporate General Meetings, including Annual General Meeting of Shareholders.

Investor Relations

Our Investor Relations represents a commitment to promote transparency and fairness of the Company to the shareholders and stakeholders. Together with Telkom's Investor Relations team, we facilitate meetings

and conferences with existing and potential institutional investors, investment and market analysts as well as financial communities.

The Investor Relations team is responsible for:

- The distribution of accurate and complete information on the Company's business activities, strategies and performance in a timely manner.
- The issuance of Info Memos on a quarterly basis, which will be inserted into Telkom's quarterly Info Memo, and the Annual Report.
- Participation in a series of corporate events, such as road shows and conferences, investor meetings and site visits with the holding companies.

In 2016, we held 146 meetings with investors/analysts and held a total of 22 non-deal road shows/conferences in Singapore, Jakarta, Bali, Hong Kong, London, Edinburgh, San Francisco, Boston, New York, Switzerland, Paris, Amsterdam and Tokyo. For any inquiries regarding Telkom's financial and operational information, please visit Telkom's website, www.telkomsel.com or Telkom's website, www.telkom.co.id.

INTERNAL AUDIT

The function and role of Internal Audit

Internal Audit is an independent and objective unit which focused on assurance and consulting activity designed to improve an organization's operations and add value. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control, and governance processes. The Internal Audit performs its function with reference to the Internal Audit Charter, which sets out the vision, objectives, and the scope of work of the audit organization. Referring to the charter, the Internal Audit has dual accountability, to the Audit Committee on functionality and to the President Director on administrative matters.

Internal Audit programs during 2016

Internal Audit supports the Company in achieving its goals through systematic evaluation and enhancement of the effectiveness of the risk management process, control process and good corporate governance, focusing on:

1. The reliability and integrity of financial and operational information
2. Efficiency and effectiveness of business operations
3. Tangible and intangible asset protection
4. Compliance with regulations and corporate contractual matters.

In 2016, Internal Audit performed internal audit activities which were aimed at supporting the objective of corporate transformation into a Digital Company. Among the objects were:

1. Assurance
 - a. ISO (27001 Information Security Management System, 20000 Service Management System & 9001 Quality Management System)
 - b. IS Security Assessment
 - c. Audit Revenue Assurance Data Services (Joint Audit with Singtel)
2. Consulting
 - a. TCASH Enhancement
 - b. Preliminary Review - Preparation for Bank Central Indonesia Audit 2016

Moreover, Internal Audit completed additional projects covering operational engagement, financial review and analysis (Quarterly Limited Review) and SOA concerns (Transactional, Entity Level and IT General Controls). Internal Audit has also provided consultancy and followed up on whistle blowing as part of the Whistleblower System. Additionally Internal Audit has developed a satisfaction survey index to measure both internal and external customer satisfaction concerning Internal Audit services.

Improvements in 2016

Internal Audit made several improvements during the year to enhance the audit and consulting process, consisting of:

1. Master Plan Internal Audit 2016 – 2020 enacted on June 30, 2016
2. Updating the Internal Audit Charter enacted on October 19, 2016.

ENTERPRISE RISK MANAGEMENT

Over the last few years, many companies have transformed their businesses from legacy services to digital. In addition, companies must respond to an increasingly digital marketplace by adding roles/functions that are focused on digital and/or changing traditional business roles to take on a digital orientation. The same is true of Telkomsel.

Presently, Telkomsel is in the midst of a transformation to maintain and strengthen its position as a pioneer and a leader in the Indonesian cellular telecommunications industry, a challenging task to accomplish.

Telkomsel has prepared and implemented a comprehensive transformation into digital business. Telkomsel has developed digital capabilities in various aspects, starting from human resources, corporate culture and organizational structure in alignment with the objectives of the organization.

As part of the transformation process and to maintain its position, Telkomsel carries out risk management in support of the transformation and ensure that business objectives are achieved.

Key risks identified during 2016 include amongst others:

1. High competition in LTE deployment

Following the refarming of the 1800 MHz frequency, in 2016 each operator had relatively balanced allocations of LTE frequencies, resulting in fewer opportunities to penetrate the LTE market, whereby the real competition lay in attracting LTE subscribers.

Some of the challenges in the implementation of LTE are:

- a. The number of subscribers and traffic 2G who occupy the 1800 MHz frequency is still quite large, so that only 15 MHz of the 22.5 MHz available for LTE implementation on the 1800 MHz frequency can be optimally used at this time for LTE. Whereas competitors can more freely utilize their 1800 MHz frequency allocations.
- b. The limitations of the Company's 1800 MHz frequency with regard to providing LTE has resulted in lower throughput access speed received by customers, so that competitors can offer and sell the surplus to the customer.
- c. Competitors are increasingly aggressive in expanding LTE service coverage to several cities in the regions.

As of December 2016, the number of 4G / LTE Telkomsel base stations is lower than that of other operators. This has heightened the competition in deployment and the LTE market.

2. Shrinkage / Decline of legacy revenue while digital revenue has not yet been maximized

The challenge going forward is that ease of use and speed of broadband data access will become the cornerstone for each mobile operator. Once LTE is deployed nationwide on a variety of frequencies with adequate bandwidth, the data throughput generated is expected to surpass more than 100 Mbps, providing room for operators to compete in the data business. Another factor is the more increasingly affordable price of 3G and 4G / LTE devices in the market, allowing customers to more easily access fast Internet data.

Steps taken to maintain legacy revenue and keep trying to increase broadband service revenue include among others:

- a. Create attractive voice and SMS package offerings to customers.
- b. Bundling LTE-capable smartphones at prices that are relatively affordable for customers, in order to replace non data capable handsets and 2G handsets.

3. **Big data utilization needs to optimized in order to generate additional value and create a new revenue stream**

170 million customers, 15 terabytes daily of data transactions and 200 billion voice transactions per month add up to an enormous amount of data. With its infrastructure ability to process 450 terrabytes of data daily, Telkomsel has the potential to become a big data company and make this an area that can add value and create revenue.

The challenges of managing big data, among others, relates to compliance (confidentiality of customer data, acceptance of advertising to customer), foreign big data players, the availability of human resources and ensuring that Telkomsel's internal big data does not fall into the hands of another company.

Judging from its device and the customer base, Telkomsel is the most prepared and complete in terms of big data management compared with its competitors.

Big data services which have used Telkomsel's big data products include among others: media billboard media placement, research companies, advertising, finance (insurance) and banking.

Currently the target market for big data is skewed towards local governments to support their programs, especially with regard to tourism.

4. **IT Vulnerability / Network Security**

Telkomsel has one of the largest infrastructures in Indonesia, serving more than 170 million subscribers. This infrastructure consists of a core system, datacom systems, signaling, value added services and charging as well as other supporting facilities.

This large and integrated infrastructure with its, openness and distribution taking place along its parts, can open up security loopholes, not to mention the servers that are continuously connected to the public network will open up security holes. These loopholes are distributed across the entire infrastructure, including the operating system, applications, services, and so forth. Such loophole makes it possible to exploit the Company.

Challenges in Network / IT security include:

- a. The large scale of the infrastructure, as the result of which the network and IT is not yet managed optimally.
- b. Inconsistent implementation of Security Policy.
- c. Data asset management that is not yet completely integrated and updated is one of the obstacles to handling issues.

Risk assessment and IT / Network Security

Awareness have been implemented continuously. In addition, several steps have been taken to mitigate risks, namely:

- IT Cyber Security has been strengthened at all levels for the 9 applications that are Critical Business Functions.
- Enhancement of the Firewall and Secure Zone
- Strengthened User Access Management (Evaluation of user access privileges to applications)
- Developed Cyber Security Operations Framework (Improved IT capabilities in operating the owned Security Operation Center for identification alerts, benchmarking the types of alert at telco companies in other countries which may be partially or wholly adopted)
- Incident response (preparation / designation of competent parties to conduct emergency response and forensics of incidents that occur).

Telkomsel is committed to providing customers with quality services in order to ensure the sustainability of its business...

5. New /changes in regulation limiting business and operational activity

Certain new regulations and amendments which affected Telkomsel in conducting business during 2016 include among others regulations on:

- Interconnection and Tariffs
- Network and Spectrum Sharing
- Prepaid Registration

In anticipation of the interconnection rate change, Telkomsel has run simulations of various revenue, outpayment and netting scenarios, with reference to existing traffic profiles. Based on the simulation results, Telkomsel will continue to intensively communicated with the regulator and ensure that the regulations set are fair and conducive to the telecommunications industry. Similarly, with regard to regulatory network and spectrum sharing, Telkomsel strives to ensure that the obligation to share does not void operators' responsibility to fulfill their obligations to build, with reference to modern licensing.

In connection with the obligation to register prepaid card subscribers in line with the Decree of the Ministry of Communications and Informatics No. 12 of 2016 on Telecommunications Services Customer Registration on August 4, 2016, Telkomsel has socialized and registered a portion of its customers.

Internal Control Improvement

Telkomsel continuously improves the business processes and internal controls covering all of its organization, in accordance with the extremely dynamic environment. In 2016, with reference to the 2013 COSO Framework and TM Forum Framework 15.5, Telkomsel has established and implemented a business processes and internal control plan related to operational matters and compliance. Based on this plan, the processes leading to the achievement of Telkomsel's objectives/target operate are in accordance with prevailing policies and regulations.

Exercising & Rehearsing Business Continuity Planning (BCP)

Telkomsel is committed to providing customers with quality services in order to ensure the sustainability of its business. Resources are optimally utilized towards achieving this objective.

Under certain circumstances, Telkomsel may be faced with conditions which render it impossible to deliver these services. During disaster/crisis situations, Telkomsel may even be forced to stop all service activities.

As a precaution, Telkomsel has established Business Continuity Management by taking into account several disaster/crisis scenarios that could threaten the sustainability of its business in providing services to customers. Several of these scenarios are periodically socialized and simulated together with related Units, so that Telkomsel will be well prepared to respond and minimize potential losses.

REGULATION & COMPLIANCE

Regulatory Reporting & License Management

1. Internet Service Provider License

On January 15, 2016, the Government (the Ministry of Communications and Information Technology) issued Decision of the Director General (Kepdirjen) of Post and Information Technology Number 19 of 2016 concerning the Internet Service Provider License of PT Telekomunikasi Selular, whereby the Director General of Post and Information Technology issued a new license to Telkomsel to provide internet services in lieu of the previous license stipulated in the decision of the Director General of Post and Telecommunications.

2. Approval of 4G LTE Commercialization Technology Services Using the 800 MHz Band

In connection with the issuance of the Decree of the Minister of Communications and Information Technology No. 644 of 2015 dated June 30, 2015 on the Amendment to the Decree of the Minister of Communication and Information Technology Number 42 of 2014 regarding the Cellular Mobile Network License of PT Cellular Telecommunications which stipulates the use of technology neutral on the band 800 MHz radio frequency spectrum by Telkomsel, on March 1, 2016 Telkomsel received a Letter for Proper Operations (Surat Keterangan Laik Operasi, SKLO) for service delivery and 4G Long Term Evolution (LTE) technology, based on which Telkomsel may provide or carry out the commercialization of nationwide LTE 4G services using the 800 MHz radio frequency spectrum.

3. Extension of the 2100 MHz 1st Carrier Radio Frequency Spectrum Band License

On March 24, 2016, the Government issued Ministerial Decree No. 509 of 2016 on Extension of the Stipulation of the 2.1 GHz Radio Frequency Band in the 1940-1945 MHz Range Paired with MHz 2130-2135 MHz for PT Telekomunikasi Selular, whereby the Government / the Ministry of Communications and Informatics has, through this Ministerial Decree, given Telkomsel an opportunity to use the 2100 frequency band in the 1940-1945 MHz range paired with 2130-2135 MHz over next ten (10) years for the provision of a cellular mobile network starting from March 29, 2016 until March 28, 2026, as contained in Radio Frequency Band License (Izin Pita Frekuensi Radio - IPSR).

4. Acquisition of Permit for LoRAWAN Trial

On April 1, 2016, the Directorate General of Resources and Equipment for Post and Information Technology issued a letter of approving Telkomsel to hold trials for LoRAWAN technology regarding Response to Request for a Permit to Trial LoRAWAN Technology, which communicated that in principle the Directorate General of Resources and Equipment for Post and Information Technology supports Telkomsel in its plan to conduct trials on the 920-923 MHz frequency to support its M2M business.

5. Completed of Migration of 800 MHz Frequency Band

In connection with the Stipulation of the 800 MHz Frequency Band of PT Telekomunikasi Indonesia Tbk, PT Cellular Telecommunications as stipulated in the Decree of the Minister of Communication and Information Technology No. 934 of 2014 on Approval of Transfer of PT Telekomunikasi Indonesia Tbk. Radio Frequency Spectrum Usage License to the 800 MHz Radio Frequency Band, and with reference to migrating process of the 800 MHz frequency band as contained in Ministerial Regulation No. 30 of 2014, Telkomsel was finally able to use the 800 MHz frequency nationwide starting October 1, 2016 given that PT Smartfren had completed the entire migration process, allowing Telkomsel to occupy frequency bands blocks that previously were occupied by PT Smartfren, in accordance with the results of the 800 MHz frequency band reallocation.

6. Telkomsel has complied with its obligations to Government

During 2016, Telkomsel has been found to comply with all obligations issued by the government, including:

- obligations linked to the achievement of local content (tingkat komponen dalam negeri) for 3G technology both for Capital Expenditure (CAPEX) and Operational Expenditure (OPEX) components. Based on the verification results issued by the Ministry of Communication and Information Technology, the Local Content level of Telkomsel exceeds the minimum target set by the Government of 30% for CAPEX and 50% for OPEX.

- obligations associated with the service level of the cellular mobile network service both in terms of quality of service and network quality. During 2016 Telkomsel is deemed to have met the minimum standards issued by the government for network quality, based on Government measurement results. As for the fulfillment of quality of service, conclusions were based on the results of audit / verification issued by the Ministry of Communications and Information Technology based on all data parameters submitted by Telkomsel.
- Telkomsel has met all payment obligations related to the Cost of Radio Spectrum Frequency Utilization License (BHP IPSFR) before the deadline set by the Government, for the 2100 MHz (1st, 2nd and 3rd carrier), 900 MHz, 800 MHz and 1800 MHz frequency bands.
- Telkomsel has met all payment obligations related to the Cost of Telecommunications Utilization Providing Right (BHP Jastel) and its Universal Service Contribution (KPU / USO) to the Government, the value of which is calculated based on self assessments in line with statutory provisions in force and these values have been approved by Government/Ministry of Communications and Information Technology.

LITIGATION CASES

SMS Cartel

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

Management believes that there are no such cartel practices that led to a breach of prevailing regulations. Accordingly, on July 11, 2008, the Company filed an objection in court. On May 27, 2015, the Central Jakarta District Court ("CJDC") revoked CSBC's decision and declared that the Company and the other operators did not violate article 5 of Law No.5/1999.

On June 9, 2015, CSBC filed an appeal to the Supreme Court ("SC") to contest the CJDC's decision. According to an official notice received from the court on December 6, 2016, SC has decided to revoke the CJDC's decision and upheld CSBC's decision dated June 17, 2008. Since the SC decision is final, the Company is presently in the process of paying the Rp25 billion penalty to the Government.

USO Telinfo-Tuntas

On December 27, 2011, the Telkomsel Consortium (consisting of the Company and PT Dayamitra Telekomunikasi) was appointed by the Institution for the Provision and Controlling Financing of Telecommunication and Information Technology ("BP3TI") to implement the Telinfo-Tuntas Universal Service Obligation ("USO") Project, in which the Consortium was to build telecommunication infrastructure and provide telecommunication services for border regions and remote islands determined by the Government. The project consisted of 13 work packages with 286 sites across Indonesia.

On October 28, 2013, Telkomsel Consortium finished building the necessary infrastructure to provide telecommunication services, marked by the signing of the handover document between Telkomsel Consortium and BP3TI. However, BP3TI has not yet issued the Approval Letter to begin the operational stage of the project. Although the Approval Letter has not yet been issued, the Consortium has continued to run and maintain telecommunication services on USO Telinfo-Tuntas sites.

On March 3, 2015, BP3TI unilaterally terminated the project before the end of its duration. Management believes BP3TI's unilateral termination is a breach of contract and accordingly filed a lawsuit with the Indonesia National Board of Arbitration ("INBA") on January 27, 2016. The arbitration process is still ongoing.

USO Desa Pinter

On December 27, 2011, The Company has also been appointed by BP3TI to implement USO Project Desa Pinter in which The Company will provide internet services for rural areas. In implementing the project, The Company entered into agreement with Teleglobal Aprotech Consortium as a partner with the acknowledgement of BP3TI on February 20, 2012. The agreement with Teleglobal Aprotech Consortium was novated to PT Indo Pratama Teleglobal ("PT IPT") on March 11, 2013. The project consist of 3 work packages with 880 sites that span across Indonesia.

On April 1, 2013, the Company and PT IPT has finished building the necessary infrastructure to provide the internet services and BP3TI has also issued the Approval Letter for the operational stage of the project on the same date.

On March 3, 2015, BP3TI unilaterally terminated the project before the end of its duration and even though the internet services have been operational since April 2013, the Company has not yet received any payment from BP3TI and therefore could not pay revenue shares to PT IPT as the Company's partner.

On February 19, 2016, PT IPT filed a lawsuit with the INBA naming the Company and BP3TI as defendants. The arbitration process is still ongoing.

CHAPTER 06

CORPORATE SOCIAL RESPONSIBILITY

Our CSR programs harnessed the power of digital to create breakthrough solutions that will benefit society

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ACCELERATING DIGITAL FOR INDONESIA

Reaching more beneficiaries than ever before through exciting
CSR digital products and solutions

CSR In Support of Telkomsel's Vision and Mission

As the largest cellular provider with operations across Indonesia, Telkomsel consistently promotes positive impact for communities through technology to support future sustainability. Telkomsel's vision is to be 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 development of the nation towards a high quality, prosperous quality of life.

Telkomsel's numerous CSR programs and initiatives have therefore been designed to support the achievement of Company's vision and mission, consistently strengthening Telkomsel's position as an innovative company, aspart of

delivering products and services that present solutions for various social economic problems, and provides added value for Indonesia.

Telkomsel CSR Objective

In conducting its CSR program, Telkomsel has several objectives, namely:

- Maximizing the positive impact of the company on society through technology.
- Introducing the latest innovations from Telkomsel in the field of technology, excellent products or services to solve various social problems, and at the same time increasing the level of technological adoption by the public. Telkomsel consistently promotes positive impact for communities through technology to support future sustainability.



The NextDev 2016, CSR Masterpiece Program

Telkomsel has established strategic initiatives to build an appropriate ICT-based platform for its CSR programs...

CSR Strategy

In order to support the achievement of the company's 2016 goals and targets, especially with regard to the company's mission to become a digital company, Telkomsel has established strategic initiatives to build an appropriate ICT-based platform for its CSR programs with a long-term and sustainable perspective. These programs, comprising creative digital programs targeted at youth communities, competency certification program for college students in educational aspect, and cyber wellness programs for children, parents and teachers, were designated as the Company CSR main program in 2016 (which will be continued in the coming years).

These strategic CSR initiatives were realized through CSR programs in four (4) pillar categories, namely Education, Digital Citizenship, Community Empowerment & Wellbeing, and Philanthropy.

The aforementioned CSR programs are categorized into the following categories:

NO	PILLAR CATEGORY	PROGRAM 2016	DETAILS
1	Education	IndonesiaNEXT 2016	Certification program for college/university students
		Indonesia Mengajar (<i>Indonesia Teaches</i>)	A partnering program, Telkomsel undertakes to raise awareness and develop learning systems related to digital literacy for children and their parents.
		Beasiswa untuk pelajar (<i>Scholarships for students</i>)	Scholarship for Papua, Maluku, Sulawesi and Kalimantan students working together with HCM.
2	Digital Citizenship	The NextDev 2016	Start up competition for young generations focusing in Smart City and Smart Rural digital applications.
		Internet BAIK	Cyber-wellnes socialization and education on Internet utilization.
		SMART CITY Platform Development	Research and development program in accelerating an ideal Smart City implementation collaborating with LAPI ITB and local governments.
3	Community Empowerment and Wellbeing	TERRA (Telkomsel Emergency Response and Recovery Activities)	Partnership program with NGOs to establish readiness to anticipate and handle disaster impact nationwide, supported by ICT based applications and supporting social assistance for communities.
4	Philanthropy	Ied Mubarak, Ied Qurban, Christmas, donation and other social aids	Philanthropic activities are meant to maintain company mutual relations with local societies while bringing positive impact for them.

EDUCATION

1. IndonesiaNEXT

The rapid advance of technology, especially in digital, has resulted in global business rivalry and competition intensifying from year to year. As competition intensifies, it is necessary to increase the capacity and quality of the young generation to become more capable and competent in order to compete at national and international levels.

To support capacity building and equip students with professional expertise to face global competition, Telkomsel has designed a CSR program called IndonesiaNEXT. The IndonesiaNEXT program delivers seminar material and professional skills certification for university students that is specifically related to the digital field, whereby the students receive certification in line with SK Dikti Ministry of Education Regulation No. 81 of 2014.

With the theme “Get Inspired, Be The Next,” IndonesiaNext roadshow programs were held from September to December 2016 in 6 (six) locations, namely Surabaya, Medan, Jakarta, Bandung, Makassar, and Yogyakarta. During these activities, participants enrolled in inspiring seminars, creative digital workshops, and national as well as international certification examinations.



These inspiring seminars brought in international and national level practitioners as speakers in order to broaden the participants' knowledge, and help them better understand the importance of improving the quality and competence of human resources to compete with a professional global laborforce. Meanwhile,



30 BEST TALENT

were chosen from total of more than 3,800 participants to participate in short courses at renowned world-class digital companies.

creative sessions were held in the fields of interest that participants had selected during registration, namely movies, culinary and tourism, fashion, and information technology (IT). The material at these creative sessions was delivered by business actors from creative industries in the areas requested.

Participants also had the opportunity to attend training for national and international certification exams. Participants who passed the certification exam received certificates of expertise that can be used as an Accompanying Diploma Letter (*Surat Keterangan Pendamping Ijazah*, SPKI). In the final stage, the 30 Best Talent were chosen from total of more than 3,800 participants to participate in short courses at renowned world-class digital companies.

2. Indonesia Mengajar (Indonesia Teaches)



Telkomsel is fully committed to continue rolling out its network to reach Indonesia's outermost borders. Besides expanding its network, Telkomsel is also committed to empower the communities and the youth in border areas in order to accelerate social transformation towards Indonesia digital ecosystem actualization.

Indonesia Mengajar is a foundation that facilitates young volunteers to teach elementary school children in isolated and border areas.

Therefore, in 2016, Telkomsel in partnership with the Gerakan Indonesia Mengajar (Indonesia Teaches Movement) Foundation organized an Indonesia Mengajar Program in Nunukan, North Kalimantan, which was held at:

- a. Elementary school SDN 009 Sebuku (Harapan Village, Sebuku Subdistrict)
- b. Elementary school SDN 002 Sebatik Tengah (Desa Bukit Harapan, Sebatik Tengah Subdistrict)
- c. Elementary school SDN 002 Sebuku (Apas Village, Sebuku Subdistrict).

3. Scholarships for Students

Whereas in 2015, Telkomsel provided scholarships for students from East Indonesia, in 2016 Telkomsel also provided educational assistance to students from Kalimantan and Sulawesi. The program was created to provide learning opportunities and access to higher education for students with academic potential who are economically disadvantaged. These students in these areas are entitled to receive a scholarship from Telkomsel to continue their education at university level at Telkom University Bandung for free.

The scholarships awarded to these students are uniquely different which telkomsel not only provides funds for education, but also provides assistance with monthly needs in the form of accommodation, pocket money and communication costs, even providing an airplane ticket to return home every year. The students receive funds for all of these costs until they graduate. There is also a motivational program to enhance and encourage learning for scholarship recipients. Subsequently, after they graduate from university, these scholarship recipients will receive priority as candidates in the Telkomsel employee hiring process.

This program addresses the needs of staffers in Papua Maluku (PUMA) and helps children in PUMA regions to realize their potential, so that the cadres in these regions can contribute and build up their territory while working at Telkomsel and Telkom Group. This

scholarship program is a breakthrough initiative and a model program to identify the most talented youngsters in the regions early on, becoming candidates for Telkomsel employees down the road.

DIGITAL CITIZENSHIP

1. The NextDev 2016



As a company that is undergoing a transformation into a digital company, Telkomsel supports the creation of digital ecosystems in Indonesia through the concept of DNA development, which stands for Device, Network and Application. Digital applications are one of the important aspects in boosting the formation of digital ecosystems in Indonesia, with the expectation that more and more people will be able to use a variety of applications to increase productivity in everyday life. Telkomsel therefore designed 'The NextDev' as one of its CSR programs in an effort to encourage application development by local developers.

The NextDev is a start-up competition that aims to explore the potential of Indonesian young developers in developing mobile apps that would bring positive social impact to the communities.

Whereas in the previous year The NextDev concentrated on Smart City development, The NextDev 2016 transitioned its digital development in order to deliver more massive impact with a broader scope, namely, to focus on the development of rural development applications (Smart Rural). The competition was held in nine (9) Smart City and Smart Rural applications sub-themes, namely:

1. Government (E-Government)
2. Health (E-Health)
3. Education (E-Education)
4. Micro, Small and Medium Enterprises (E-SME)
5. Tourism (E-Tourism)
6. Public Transport (E-Transportation)
7. Agriculture (E-Agriculture)
8. Marine (E-Maritime)
9. Energy (E-Energy)

As part of The NextDev socialization program, Telkomsel held roadshows in 20 (twenty) cities, which are Aceh, Medan, Pekanbaru, Palembang, Jakarta, Bogor, Bandung, Yogyakarta, Semarang, Malang, Banyuwangi, Surabaya, Denpasar, Makassar, Gorontalo, Manado, Samarinda, Pontianak, Banjarmasin, and Ambon. Moreover, the roadshow is also important in educating future local leaders on ICT-based solutions to urban and rural problems. The NextDev Roadshow 2016 was attended by more than 8,000 participants.

More than 1,000 Smart City and Smart Urban mobile applications were submitted in The NextDev 2016, and 80 qualified start-ups were picked to continue to regional qualification. Subsequently, the national qualification was held where the 80 start-ups pitched their mobile applications before a panel. The panel consist of experienced practitioners and experts in the digital technology industry. Contestants were assessed according to three parameters which are usability or user experience, alignment with the theme, and impact level, as well as the readiness of the product, ultimately resulting in 20 finalists.

The following were the top 20 start-up solutions from The NextDev 2016:

APPLICATION	CITY	CATEGORY
Habibi Garden	Bekasi	E-Agriculture
Juru Parkir	Yogyakarta	E-Governance
Kostoom	Depok	E-UKM
Angkuts	Pontianak	E-Energy
Tuntun	Denpasar	E-Tourism
Taponesia	Surabaya	E-Agriculture
Eragano	Jakarta	E-Agriculture
Tutormu	Tangerang Selatan	E-Education
Dengerin	Yogyakarta	E-Education
Kentongan	Yogyakarta	E-Governance
Meetchange	Depok	E-Governance
AppsKep	Pekanbaru	E-Health
BudidayaKu	Samarinda	E-Maritime
Tiketbusku	Makassar	E-Transportation
Mattreal	Surabaya	E-UKM
The Denim Club	Samarinda	E-UKM
Vestifarm	Bekasi	E-UKM
Agivest	Malang	E-UKM
Kredibel	Serang	E-UKM
Nongki	Makassar	E-UKM

The 20 finalists then participated in bootcamp activities conducted on October 31 - November 06, 2016, in Bandung Digital Valley. During these activities, the finalists received training and mentoring from experts, which were divided into technical day, marketing day and investment day. The bootcamp activities were organized with the objective of enriching the developer skills so that they can develop applications that are competitive in the market. The twenty finalists went through a final stage of pitching, with final result of five applications to compete in the grand final.



The finalists of TheNextDev 2016 participated in various activities starting from seminars, training and mentoring during the bootcamp.

The NextDev 2016 Top 5:

1. Habibi Garden



Habibi Garden is an Internet-of-things (IOT) application that enables its users to communicate and monitor the development of crops via smartphone. It can feed crops precisely with right dose based on real time soil-environment data collected. Habibi Garden is developed to solve some of the biggest problems in agriculture sector such as inefficient fertilizer, over/under watering, and crops failure due to lack of data. By collecting valuable data and integrating it with this platform, farmers are able to optimize their spending without wasting fertilizer, and also save time.

2. Juru Parkir



Juru Parkir is the first mobile application in Indonesia that utilizes cloud server technology to help manage street parking. Data transactions by parking attendants in the field can be monitored in real time, thereby reducing the risk of revenue leakage from parking transactions. Juru Parkir also requires a more efficient investment compare to other parking management system.

3. Kostoom



Kostoom is an online tailor services that provides tailors and stitching services for fashion designers and entrepreneurs who are just starting a business as well as those who are already experienced and want to produce their own clothing brand, at good price. Kostoom applies economy sharing concept in its operations, empowering quality home sewers to achieve the dream of designers and fashion entrepreneurs in Indonesia. Kustoom is determined to help home sewers "go to the next level" with professional sewing skill in order to be able to market their work to wider public.

4. Angkuts



Angkuts is an innovative waste management mobile application that acts as an intermediary for public to transport their garbage. It was designed to solve garbage problem in Pontianak. Angkuts would call on waste carriers through apps to transport the garbage dump, and would value and pay the waste collected based on its weight. Angkuts seeks to change public perception on garbage, so people do not only see it as an unvaluable waste but it can actually give an added value for them when it is well-managed, Angkuts also organized waste scavengers and collectors to improve their standard of living for a better life.

5. Tuntun



Tuntun Virtual Guide is an Android mobile application with audio streaming as its main feature, to provide descriptions of various historical and cultural attractions. Tuntun Virtual Guide is based on geolocation so that when users arrives at a particular tourist spot, the application will display a guide activation notification to activate an audio streaming feature that will guide travelers around these sights. Through the streaming audio feature, tourists can enjoy tour guide services such as descriptions of the spot and travel directions simply by using their smart phone.

After the grand final, Habibi Garden, Juru Parkir and Kostoom were selected as the three best applications of NextDev 2016. These three applications successfully got the top three and are entitled to a 6M prize consisting of:

- **Market Access:** The opportunity to commercially enter the digital applications industry.
- **Marketing Publicity:** Publicity support from leading media.
- **Mentoring:** Opportunities to receive training and mentoring from consultants and practitioners.
- **Management Trip:** The opportunity to visit digital start-up companies in Silicon Valley, San Francisco.
- **Money:** A sum of ready cash was prepared for the winners, who have created applications that have value for society.
- **Monetization:** The chance to earn revenue through collaboration with relevant stakeholders.

2. InternetBAIK

Telkomsel is fully aware that the moral character of digital services users, especially of internet users, is one of the most important cornerstones to positively and constructively strengthen the digital ecosystem. Therefore, Telkomsel is committed to actualize the concept of 'smart people' through education on responsible, safe, creative, and inspiring (BAIK/GOOD) internet utilization with #InternetBAIK.



Launch of the #internetBAIK 2016 campaign at the office of the Ministry of Communications and Information

#internetBAIK is a cyber wellness campaign that includes socialization activities and workshops for children and adolescents as entry level internet users, as well as parents and teachers as the supervisors and companions. Through this program, Telkomsel hopes to raise awareness on cyber wellness at all levels of society so that everyone can utilize technology positively.

In the first year of the program, #InternetBAIK roadshow was held in 12 cities, which are Yogyakarta, Tangerang, Nunukan, Tasikmalaya, Kupang, Medan, Pekanbaru, Palembang, Banyuwangi, Manokwari, Bantaeng, and Bekasi. This program is conducted in collaboration with ICT Watch, Yayasan Kita and Buah Hati Foundations, as well as Kakatu as competent partners who also are highly concerned about BAIK (GOOD) internet usage.

Socialization of the #InternetBAIK program was conducted for four days through a series of activities as follows:

1. #internetBAIK **Seminars** held panel discussions and interesting talkshows which showcased narrators with competencies related to digital literacy, parenting issues, and public policy. The seminars were attended by parents, teachers, municipal governments, social communities and bloggers.
2. #internetBAIK **Training for Trainers** was held over two days with the aim to equip and prepare #internetBAIK ambassadors to run collaborative projects in each participating city, by utilizing existing mobile applications as part of a series of campaigns and cyber wellness education. This class was open to participants of the first day workshop who successfully made the Training for Trainers selection.

3. **Education Classes** comprised exciting and enjoyable activities in a format that complied with micro-teaching standards, delivering more intensive and effective assistance to participants through age appropriate teaching methods. The participants in these Education classes were Grade 4-6 elementary school students as well as junior high school students, with both segments comprising entry level internet users.

The #InternetBAIK 2016 roadshow went very well, with 500 #InternetBAIK ambassadors ready and committed to help expand the cyber wellness campaign to the general public, 2500 parents and teachers participants who gained an understanding through the activities of digital parenting, digital literacy and digital creative, 540 elementary and junior high students who gained an understanding of digital literacy, as well as more than 24 schools and 12 local authorities who are involved in, and committed to, jointly building the digital ecosystem.

3. SMART CITY

Smart City is a synergy program between Telkomsel and LAPI ITB which includes assessment, development, and implementation of a smart system platform (SSP). The program is implemented as a form of Telkomsel's support for city governments, enabling them to deliver optimal service for the public as well as promoting the ideal realization of a Smart City concept in Indonesia cities.



The Smart City Bekasi grand launch procession attended by Bekasi Mayor Prof. Suhono Supangkat and Ivan C. Permana as VP Technology and System Telkomsel.

In 2016, Bekasi became the second city to implement the Smart City platform by Telkomsel and LAPI ITB. Last year, a similar platform was implemented in Bogor, West Java. Bogor and Bekasi were selected because these cities are the main satellite cities of Jakarta, the capital of the country. Telkomsel believes that if the surrounding satellite towns are able to overcome city problems in a 'smart' way, problems in the capital can surely be comprehensively solved.

Smart City Bekasi has been implemented through Smart City platform, the Patriot Operation Center, software installation and hardware, as well as an application called Sorot. The Smart City Platform acts as an information source for the government, enabling quick and accurate decision-making based on real time information transmitted by sensors that are integrated within one unified system. This platform is built in the form of an integrated system that can make fast, precise interactions possible between the government as the policymaker and the public as a community that needs services and a good quality of life.

Meanwhile, the Patriot Operation Center serves as a control room where city authorities can monitor and obtain integrated, real-time information on the city of Bekasi. Software and hardware has been installed in the form of air pollution sensors, a river pollution sensor system, CCTV, GPS tracking, and local area revenue sensors for local tax revenues (MPOS), all of which are integrated in the Patriot Operation Center. Whereas the application Sorot is an integrated technology-based media that facilitates reports from the public to the Bekasi City Government on social and environmental conditions, enabling the government of Bekasi City to swiftly follow up on and solve any problems.

COMMUNITY EMPOWERMENT AND WELL-BEING

Telkomsel Emergency Response and Recovery Activity (TERRA)

TERRA (Telkomsel Emergency Response and Recovery Activity) is a Telkomsel disaster management program. The scope of activities includes the establishment of emergency shelters to support mobile network recovery, provision of map tracker facilities for volunteers, and

evacuation assistance and support for victims. The main objective of this program is to preserve lives and support Telkomsel's service availability as part of its Business Continuity Management and corporate social responsibility to all stakeholders.

In 2016, TERRA carried out the following activities:

A. TERRA-BASED TECHNOLOGY TRAINING

Disaster mitigation in Indonesia should be directed at prevention and disaster risk reduction (DRR) efforts. This drove the management to conduct an IT-based TERRA training program as part of the CSR program, in order to create an effective and efficient disaster management program.



This is also expected to support Telkomsel's operational sustainability in disaster situations, during which telecommunications services are essential for accelerating recovery. Early and targeted responses to disaster situations play a very important role in maintaining the functionality of any Telkomsel production equipment impacted by disaster.

The general objective of implementing IT-based emergency response training technology is as follows:

- i. To provide basic knowledge of disaster management and concepts.
- ii. Training participants to be able to carry out IT-based disaster mitigation.
- iii. The establishment of community disaster response as well as the standardization of disaster management SOP.
- iv. Training participants to identify the potential for disasters in the surroundings.

The TERRA training and consolidation program took place this year in Sentul Bogor between May 18-20, 2016, attended by the TERRA partners (Gadamusa) and the Legal Stakeholder Management team from each area.

B. MAPPER TRACKER SYSTEM - DISASTER MANAGEMENT TECHNOLOGY

Mitigating the impact of disasters is presently a national priority with the establishment of dedicated handling agencies at national and local levels. Currently, updates are still done manually in the field and are handled in a closed fashion, with delayed information resulting in delayed responses.

Mapper tracker is a map-based geographic information system that serves as a center for information on disaster conditions and management responses which can also be presented visually, giving the latest information and monitoring member mobility.

This information center is mobile in nature, and will serve as the media center at every disaster site. This system will enable the media to easily see the areas affected by natural disasters, will support mobility in handling victims, and provide photo updates without the need to endanger oneself.

C. SIMULATION OF BUSINESS CONTINUITY MANAGEMENT AND CRISIS MANAGEMENT IN PADANG

This activity was carried out as part of socialization as well as to test Telkomsel's preparation to face emergencies, in order to ensure the sustainability of the company.

The purpose of this activity to ensure the readiness of each internal element and all stakeholders in facing and coping with emergency conditions and disasters, so that all business interests and service to customers / the community can continue to run well.

With this activity, Telkomsel now has a validated and tested Business Continuity Plan SOP as well as TCM (Crisis Management Team) activities, so that when disasters and emergencies occurs, Telkomsel is ready to secure all production assets as well as employees.

D. SOCIAL ASSISTANCE - TO COMMUNITIES AFFECTED BY DISASTERS

In 2016, Telkomsel continued to actively participate in various humanitarian activities, providing social assistance for victims of disasters such as victims of the Garut floods, Aceh Pidie Jaya earthquake, and floods in Bima NTB. The assistance for disaster victims included logistical support for the daily needs of the community, as well as the establishment of free telecommunications posts where the affected communities could fulfill their communication needs. On the other hand, where large-scale disasters took place, Telkomsel also participated in the recovery process, for example by supporting the construction of public facilities that are frequently used by local communities.

PHILANTHROPY



Besides receiving assistance in the form of basic food parcels, the Teluk Naga community was also educated on the use of TCASH non-cash.

Ramadan Special Digital Bazaar

The Ramadan Special Digital Bazaar was part of Telkomsel's social responsibility program to welcome the month of Ramadhan and Idul Fitri 1437 H. In the spirit of "Serving and Sharing for the Nation", the event was held at three locations scattered across two villages, namely Tanjung Pasir Village and Muara Village, Teluk Naga, Tangerang, West Java.

At the Ramadan Special Digital Bazaar, as many as 1,500 poor people received assistance in the form of basic food parcels from Telkomsel as well as education on non-cash transactions using our digital financial service TCASH. Beneficiaries were able to redeem their food parcel assistance worth Rp200,000 by topping up TCASH with Rp20,000. The TCASH balance could then be used for transactions at TCASH merchants around Teluk Naga, as well as other TCASH merchants.

Prior to the implementation of these activities, Telkomsel had socialized and activated TCASH digital financial services to the residents of Teluk Naga in cooperation with Dhuafa Wallet. Through this program, Telkomsel wishes to expand financial inclusion to the micro segment, and provide them with broader access to financial services as well as bringing them into the Indonesian digital ecosystem.

21 Tons of Takjil Break-fasting Dates

As part of Telkomsel Preparedness Programme 2016 activities and to welcome the holy month of Ramadan, Telkomsel gave takjil fast-breaking assistance in the form of 21 tons of dates to 12 grand mosques distributed throughout the country. The 21 tons of Takjil dates assistance was provided as a form of Telkomsel's concern for those who were fasting, as well as manifestation of its continuous sharing and serving. The amount of 21 tons of takjil dates was aligned with Telkomsel's 21st birthday in 2016.

The Takjil Date Assistance was distributed to the public at Baiturrahman Mosque (Aceh), Al-Mashun Mosque (Medan), Masjid Raya in Bukittinggi, Istiqlal Masjid (Jakarta), At-Taqwa Masjid (Cirebon), the Great Mosque of Central Java (Semarang), Al-Akbar National Mosque (Surabaya), a Mosque in Madura, At-Taqwa Mosque (Mataram), Al Markas Al-Islami Mosque (Makassar), Jami Mosque (Banjarmasin), and Al-Akbar Mosque (Sorong). An estimated 630,000 beneficiaries benefited from this activity. According to the imams at the mosques, the assistance given by Telkomsel was significant given that dates are categorized as a staple every Ramadan.

Assistance for Orphans and Orphanages – RAFI 2016

In addition to focusing on providing quality service to customers during Ramadan, Telkomsel routinely performs a series of charity activities. These charity activities represent an effort by Telkomsel to go directly to the midst of communities and share with stakeholders.

During the momentum of Ramadan 1437 H, Telkomsel once again gave assistance and Eid packages to 9,000 orphans / needy children in the regions of Banda Aceh, Bukittinggi, Cirebon, Madura, Banjarmasin, and Sorong. In addition to these activities, which were held with the theme “Serving and Sharing of State”, Telkomsel also provided assistance in the form of religious necessities as well as renovating the facilities and infrastructure for 40 foundations/ orphanages, along with other donations such as school equipment assistance, training, and more.

In terms of the network, to ensure network readiness in anticipation of a surge in communication traffic during Ramadan and Idul Fitri, Telkomsel conducted a Network Drive Test along various transportation routes in Sumatra, Java, Kalimantan, and Sulawesi along both land routes and railways, covering a distance of 10,921 kilometers in total.

In terms of services, Telkomsel established mudik (homecoming) posts and points of service in locations identified as high traffic locations, to ensure that customers’ communication needs continue to be served, in addition to existing points of service comprising 412

GraPARI, 392 Mobile GraPARI, 40 MyGraPARI digital services self-service and 464 Telkomsel Distribution Center service offices.

Distribution of Sacrificial Animal Parcels - Idul Adha 2016

During Idul al Adha 1437 Hijri, Telkomsel provided assistance in the form of 145 cows and 447 goats as animal sacrifices for eligible segments of the community in various regions. The handover of these animal sacrifices demonstrates Telkomsel’s commitment and concern for the community and the surrounding environment, as well as evidence that Telkomsel always implements good corporate citizenship in all of its operational business activities.

A total of 37,000 sacrificial meat packages were distributed by Telkomsel during Idul Adha 2016, an increase of about 12 percent compared to last year in line with the expansion of Telkomsel’s operational areas and the company’s tangible care for the people of Indonesia.

Assistance for Orphans and Orphanages - Christmas and New Year 2016

The company’s commitment to sharing and caring for stakeholders, especially those in need of a helping hand, is realized through the provision of CSR assistance at various Christmas & New Year (NARU) events that are regularly held every year.

At an event themed “Wholeheartedly Serving the Nation”, Telkomsel provided donations and school supplies to 4,000 orphans / underprivileged children. In addition, Telkomsel donated assistance for facilities / worship services to 30 foundations / churches located in the vicinity of Telkomsel operations, as well as other donations such as school equipment assistance, training and more. assistance was delivered directly by the Board of Directors and the management of Telkomsel at a series of NARU 2016 roadshows held in the cities of Medan, Solo, Jakarta, Bekasi, and Ambon.

As part of welcoming NARU, Telkomsel also conducted several network capacity and quality improvements throughout Indonesia. This is Telkomsel’s commitment to continue to provide the best quality services for society.

The mayor of Bekasi evaluates the Patriot Operation Center. This room contains data gathered from the smart city platform developed by LAPI ITB in partnership with Telkomsel



37,000



A total of 37,000 sacrificial meat packages were distributed by Telkomsel during Idul Adha 2016

This event took place at the Jami Almutadho Mosque, South Jakarta (9/12).



To celebrate Christmas, and as a form of concern towards stakeholders, Telkomsel gave CSR assistance to 40 Foundations/ Church all over Indonesia.



The atmosphere during the delivery of assistance to orphans and needy children in Cirebon. Besides Cirebon, Telkomsel also gave assistance to children in 5 other regions.

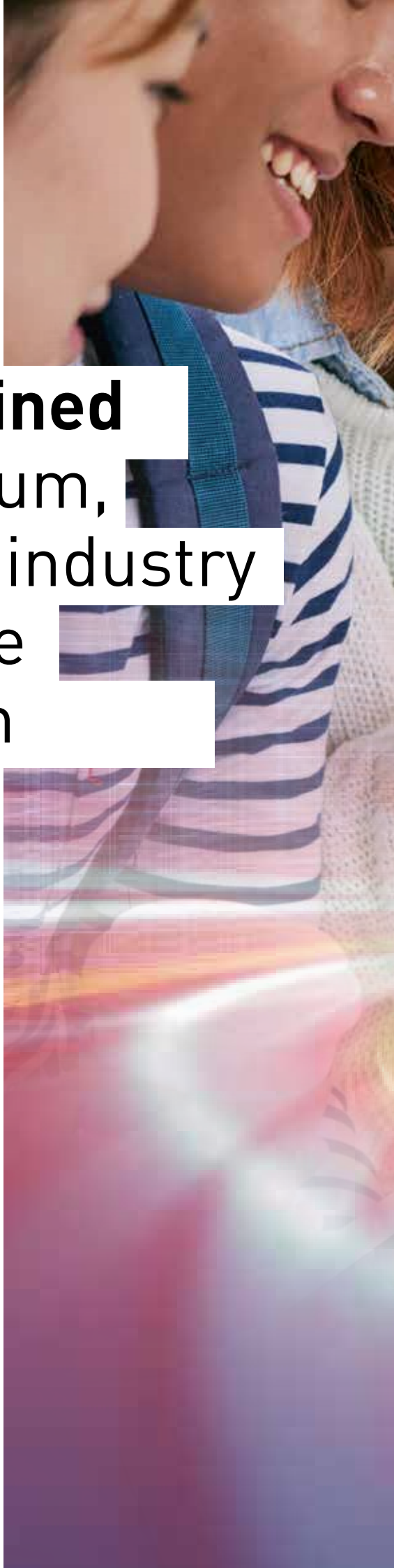


Besides receiving assistance in the form of basic food parcels, the Teluk Naga community was also educated on the use of TCASH non-cash.



CHAPTER 07

MANAGEMENT DISCUSSION AND ANALYSIS



Telkomsel maintained
its strong momentum,
outperforming the industry
and achieving triple
double digit growth

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ACCELERATING DIGITAL FOR INDONESIA

Delivering innovative digital solutions that transform peoples' lives to become more productive and creative, for increased welfare and prosperity all over Indonesia

Global and Indonesia Macroeconomic Review

Stagnant global trade, subdued investment, and heightened policy uncertainty marked another difficult year for the world economy in 2016. Advanced economies continue to struggle with subdued growth and low inflation in a context of increased uncertainty about policy direction, tepid investment, and sluggish productivity growth. Activity decelerated in the United States and, to a lesser degree, in some other major economies. As a result, advanced economy growth is now estimated to have slowed to 1.6 percent in 2016. (World Bank-Global Economic Prospects, January 2017)

Despite the slower global economy, growth in Indonesia continues to outpace that of most other countries. As the biggest economy in Southeast Asia, growth is now seen at 5.0% in 2016, improving on 2015 but 0.2 percentage points below earlier projections because investment is rising at a more moderate pace than anticipated. (Asian Development Bank, 2016)

We believe that Indonesia's economy growth will still be high in 2017, and growth in emerging market and developing countries is expected to pick up as well. This is supported by an inflation forecast that is expected to be lower in 2017, as well as the government's economic stimulus packages, including a regulatory framework which will be increasingly positive for telecom operators, reflecting the broad policy goal of creating a healthy industry. We also believe that if the Indonesian economy continues to grow, the telecommunication sector will grow at a similar or higher rate.

Business Review and Industry Outlook

2016 was a year with much uncertainty in terms of regulation, with both positive and negative implications for all operators, including Telkomsel. Despite uncertainty regarding items such as interconnect rate, network sharing and spectrum sharing as well as the spectrum auction for both 2100 MHz and 2300 MHz, Telkomsel still aggressively accelerated 4G deployment in Indonesia, boosting Indonesia's economic growth by providing best quality mobile internet access throughout Indonesia. Telkomsel already completed the takeover of the 7.5 MHz Flexi spectrum from Telkom and the spectrum is already in use.

In 2016, the telecommunication industry grew at around 9-10% YoY, similar to the previous year, while the competitive landscape remained intense but rational, with operators focusing on price monetization on 4G data, 4G LTE deployment, stabilization of the data yield, and attempts to slow the decline in legacy revenue. The Digital Business is the new engine of growth for most of the operators, with increased 3G/4G capable device adoption and application usage driving data traffic, which further supports the Digital Business. We believe that the Digital Business has a lot of room to grow, particularly through Indonesia's growing youth segment, which will boost 3G/4G capable device adoption and data consumption. Opportunities will also come from Digital Services such as Digital Content, Digital Advertising, Digital Payment and Enterprise Digital Business in line with customers' changing habits to a more Digital Lifestyle.

Overview of 2016 Performance

In 2016, Telkomsel maintained its strong momentum, outperforming the industry and achieving "triple double digit growth" in Revenue, EBITDA and Net Income (14.0%, 16.9% and 26.1%, respectively) for

we still aggressively accelerated 4G deployment in Indonesia...

the fifth consecutive year. Revenues grew to Rp86,725 billion. Growth was driven by the Digital Business, which increased by 36.9% YoY, largely due to a 36.6% YoY increase in Data and a 38.8% YoY growth in Digital Services. The Digital Business accounted for 35.4% of total revenues, up from 29.5% in the previous year. However, the majority of the revenue is still contributed by our legacy business in voice and SMS, which recorded healthy growth. Voice grew by 10.1% YoY and SMS already declined by 3.3% YoY, attributable to the successful execution of cluster-based pricing and market segmentation. The EBITDA and Net Income margins were 57.4% and 32.5%, respectively.

Despite already high SIM card penetration, Telkomsel nevertheless recorded growth in its subscriber base due to effective sales and marketing programs. We served 173.9 million subscribers nationwide, increasing by 13.9% from last year by adding a net add of 21.3 million new customers. The number of data users reached 84.7 million, of which 82.6 million are 3G/4G capable device users, growing at 14.7% and 33.9% respectively. The fast growing 3G/4G capable device user base resulted in a significant increase in data traffic, which grew by 94.8% to 958,733 TB during the year.

The growth in data users was mainly accounted for by Flash customers, growing 37.1% to 60.0 million as we provided a better experience. This experience encouraged BlackBerry and PAYU users to migrate to this flagship data package. It has also resulted in a decline in BlackBerry users of 63.2% YoY to 1.5 million. During 2016, we deployed 25,744 new BTS, of which 92.4% were 3G/4G BTS, in our effort to maintain the leading network supply and growing our Digital Business.

Our achievements in 2016 were made possible by the successful execution of our transformation initiatives over the last four years. The foundation we have laid in our transformation journey has enabled us to be resilient and better equipped to face tough competitive challenges.

Operational Results

Customer Base

With effective sales and marketing programs, we successfully increased our customer base. Telkomsel's customer base at the end of 2016 reached 173.9 million, an increase of 13.9% from last year. kartuHalo recorded high growth in customers, increasing 19.1% YoY to 4.2 million, which accounted for around 2.4% of all customers, while *simPATI* recorded the highest growth, at 24.2% YoY, to 112.6 million customers or 64.7% of total customers. Kartu As, meanwhile, declined by 2.2% YoY to 57.2 million customers, accounting for 32.9% of the total customer base.

ARPU

Blended ARPU increased 5.2% YoY to Rp44.9 thousand from Rp42.7 thousand last year due to the successful implementation of cluster-based pricing, market segmentation, a higher quality customer base and an increase in 3G/4G capable device penetration as well as strong growth in data payload, resulting in overall higher ARPU contribution. We saw the trend of higher ARPU contribution when customers migrated from 2G to 3G and also from 3G to 4G devices. While data ARPU are still growing strongly, we started to see the decline in SMS and Voice ARPU due to the cannibalization of OTT services.

Network Development

Our effort to maintain the leading network supply and focus on growing the Digital Business was reflected in our network development. We continued to accelerate network development with aggressive 3G/4G BTS deployment to support the Digital Business as data traffic jumped 94.8% YoY to 958,733 TB. During 2016, Telkomsel built 25,744 new BTS, of which 92.4% were 3G/4G BTS. This represented an increase of 44.1% from the 17,869 new BTS deployed in 2015. In support of our 4G LTE strategy, we have deployed 6,362 BTS to date. The network roll out brought our total BTS on air to 129,033 units at end of December 2016, or an increase of 24.9% YoY, of which 78,689 units or 61.0% were 3G/4G BTS (+43.3% YoY).

3G/4G Capable Device Users

At the end of December 2016, Telkomsel had 82.6 million 3G/4G capable device users, representing around 47.5% of the Company's total subscribers. This figure was 33.9% higher than last year, when we had 61.7 million 3G/4G capable device users or around 40.4% of the total subscribers. The higher penetration of 3G/4G capable device along with the availability of various applications is critical to increasing data traffic.

Financial Results

Revenue

In 2016, Telkomsel recorded a 14.0% growth in revenue to Rp86.7 trillion. The healthy growth was supported by the sustained legacy business, which grew 4.5%, coupled with strong growth in the Digital Business (Broadband and Digital Services), which increased 36.9% over the last year.

in billion (Rp)	2015	2016	growth
REVENUE BY PRODUCT			
Postpaid	5,683	6,833	20.2%
Prepaid	65,434	74,904	14.5%
Interconnection & International Roaming	4,442	4,560	2.7%
Others	496	427	-13.8%
Total	76,055	86,725	14.0%

Prepaid revenue increased by 14.5% YoY to Rp74,904 billion, mainly driven by ARPU growth supported by the growth in Data and legacy voice as well as growth in prepaid subscriber base which grew by 13.8% YoY to 169.7 million subscribers. Revenue from prepaid customers accounted for 86.4% of Telkomsel's total revenue.

Postpaid revenue increased by 20.2% YoY to Rp6,833 billion, mainly driven by the increase in the postpaid customer base, which grew by 19.1% YoY to 4.2 million subscribers. Revenue from postpaid customers contributed 7.9% to total revenue.

Interconnection and International Roaming revenues slightly increased by 2.7% YoY to Rp4,560 billion, due to seasonal increase in traffic from other local operators.

in billion (Rp)	2015	2016	growth
REVENUE BY SERVICE			
Voice	36,373	40,030	10.1%
Broadband & BlackBerry	20,277	27,708	36.6%
SMS	13,666	13,209	-3.3%
IC & IR	4,442	4,560	2.7%
Digital Service	2,126	2,951	38.8%
Other (USO compensation & network leased)	496	427	-13.8%
Sales disc & Others Revenue	(1,325)	(2,161)	63.1%
Total	76,055	86,725	14.0%





+14.0%

TOTAL REVENUE IN 2016

Voice and SMS

We were able to sustain healthy revenue growth from voice, which increased by 10.1% YoY to Rp40,030 billion. The healthy growth in voice revenue was mainly attributable to higher voice traffic (MoU), which increased by 3.1% YoY to 231.7 billion minutes. The higher traffic is mainly due to improvements in network quality as well as the high proportion of our base that is still using 2G handset devices and the growth in our customer base. Cluster-based pricing strategy allowed us to set prices differently in different micro zones based on various factors, including local demand characteristics, network coverage as well as level of competition. We also tried to migrate customers from Pay As You Use to package to increase traffic from legacy.

On the other hand, revenue from SMS declined by 3.3% YoY to Rp13,209 billion aligned with the decline in SMS traffic (-16.4% YoY to 182.8 billion units), as we see the trend of OTT services cannibalization such as instant messaging applications.

Digital Business

The Digital Business remained our engine of growth with our focus continue to be in leading network supply in 3G and 4G infrastructure. This segment recorded strong performance with 36.9% YoY growth to Rp30,659 billion, and increased its contribution to total revenue substantially to 35.4% from 29.5% last year.

Revenue from Data grew by 36.6% YoY to Rp27,708 billion, driven by healthy growth in 3G/4G capable device adoption (+33.9% YoY to 82.6 million users), successful migration of Pay As You Use (PAYU) to Flash packages, as well as continued strong growth in data payload, which increased 94.8% YoY to 958,733 TB. As of 31 December 2016, 19.0 million of our customers that have LTE devices have swapped to USIM to utilize 4G services.

Digital Services also grew strongly by 38.8% YoY to Rp2,951 billion. Key products and services within this segment included Digital Lifestyle (Music, Games, Video Contents etc.), Digital Advertising, Mobile Financial Services (Mobile Banking, TCASH, T-Wallet) and Enterprise Digital Services (T-Drive, T-Bike, etc).

Expenses

in billion (Rp)	2015	2016	growth
EXPENSES			
Operation & Maintenance	18,944	21,096	11.4%
Depreciation & Amortization	12,976	12,807	-1.3%
Cost of Services	3,522	3,488	-0.9%
Interconnection & International Roaming	2,747	2,780	1.2%
Personnel	3,770	4,265	13.1%
General & Administration	1,763	1,860	5.5%
Marketing	2,707	3,455	27.7%
Others – net	(55)	(249)	356.4%
Total	46,374	49,502	6.7%

In 2016, total expenses including depreciation and amortization increased by 6.7% YoY to Rp49,502 billion, lower than revenue growth of 14.0%, indicating Telkomsel's operational efficiency.

- Operation & Maintenance expenses increased by 11.4% YoY to Rp21,096 billion in line with the Company's accelerated network deployment to maintain network quality, resulting in higher transmission and network space rental costs.
- Cost of Services decreased by 0.9% YoY to Rp3,488 billion with cost savings mainly from the BlackBerry access fee.

- Interconnection & International Roaming charges increased by 1.2% YoY to Rp2,780 billion, in line with higher traffic from interconnection.
- Personnel expenses increased by 13.1% YoY to Rp4,265 billion, in line with increase in the number of employees and increase in salaries and benefits.
- Marketing expenses increased by 27.7% YoY to Rp3,455 billion primarily due to promotion of our 4G LTE program across the country and other aggressive marketing and sales activities in line with the company's strategy to support festive season.
- General & Administration expenses decreased by 5.5% YoY to Rp1,860 billion, mainly attributable to higher training and development program as well as professional fees.
- Depreciation and Amortization expenses decreased by 1.3% YoY to Rp12,807 billion.

EBITDA and Net Income

EBITDA and Net Income posted double digit growth for five consecutive years with an increase of 16.9% YoY to Rp49,781 billion and 26.1% YoY to Rp28,195 billion, respectively, while EBITDA and Net Income margins were higher, at 57% and 33%, respectively.

Balance Sheet

in billion (Rp)	2015	2016	growth
STATEMENTS OF FINANCIAL POSITION			
Current Assets	25,660	28,818	12.3%
Non-Current Assets	58,426	60,963	4.3%
Total Assets	84,086	89,781	6.8%
Current Liabilities	20,020	21,891	9.3%
Non-Current Liabilities	12,565	8,520	-32.2%
Equity	51,502	59,370	15.3%
Total Liabilities & Stockholders Equity	84,086	89,781	6.8%

As of 31 December 2016, Total Assets increased 6.8% to Rp89,781 billion and Total Liabilities decreased 6.7% to Rp30,411 billion while Total Equity increased 15.3% to Rp59,370 billion.

- Current Assets increased 12.3% to Rp28,818 billion, mainly due to increase in cash and cash equivalents,
- Non-current Assets increased 4.3% at Rp60,963 billion, mainly attributable to the increase in Intangible Assets
- Current Liabilities increased 9.3% to Rp21,891 billion, mainly due to the increase in account payable and unearned revenue.
- Non-current Liabilities decreased 32.2% to Rp8,520 billion, mainly due to lower outstanding medium-term loans.
- Total Equity increased by 15.3% to Rp59,370 billion due to additional retained earnings as a result of the higher net income in this period.

Cash Flow

in billion (Rp)	2015	2016	growth
CASH FLOW			
Cash Flow from Operating Activities	36,359	42,805	17.7%
Cash Flow for Investing Activities	(12,951)	(12,794)	-1.2%
Cash Flow from (for) Financing Activities	2,077	(4,731)	-327.8%
Dividend Payment	(21,533)	(19,401)	-9.9%
Net Increase in Cash & Cash Equivalents	3,951	5,879	48.8%
Cash & Cash Equivalents at Beginning of Years	9,851	13,802	40.1%
Cash & Cash Equivalents at End of years	13,802	19,681	42.6%

Net cash generated from operations in FY16 increased 17.7% YoY to Rp42,805 billion. Cash flow used in investment activities was Rp12,794 billion mainly for the payment of infrastructure spending. Net cash used in financing activities (excluding Dividend) were Rp4,731 billion, compared to Rp2,077 billion generated last year due to proceed from short & medium-term loans.

Debt Profile

As of 31 December 2016, Telkomsel's total outstanding loans amounted to Rp1,000 billion, with all outstanding will mature in 2018. As of 31 December 2016, Telkomsel's Debt to Equity Ratio (DER) was 10.6%.

DESCRIPTION	LOCAL CURRENCY (Rp bn)	FOREIGN CURRENCY (USD mn)	TOTAL EQUIVALENT (Rp bn)
% From Total Loan	100%	0%	100%
Loan per Maturity 2018	1,000.0	-	1,000.0
Total	1,000.0	-	1,000.0

The year-end exchange rates of the Rupiah against the USD were Rp13,436 (30 December 2016) and Rp13,795 (31 December 2015).

Telkomsel has to maintain several financial covenants related to its loans/debts. As of 31 December 2016 the covenants were as follows:

COVENANTS TO BE MAINTAINED	REQUIRED	ACTUAL
EBITDA to Debt Service	≥ 1.25	9.17
Debt to Tangible Net Worth	≤ 2.00	0.02

Forex Loss Impact

The Company recorded forex gain amounting to Rp74 billion in 2016 due to the strengthening of the Indonesian Rupiah against major currencies.

Credit Ratings

Telkomsel has excellent credit quality and is one of the highest rated companies in Indonesia. Telkomsel's latest ratings issued by Standard & Poor's (Global) and Fitch Rating Indonesia are as follows:

	RATINGS	OUTLOOKS	ISSUED DATE
Standard & Poor's	BBB - (Foreign Currency) BBB (Local Currency)	Positive	December 29, 2016
Fitch Ratings Indonesia	AAA (National Long-Term)	Stable	June 6, 2016

Financial Ratios

Telkomsel's strong financial profile was reflected in several key financial ratios, as follows:

	2015	2016	YoY
SOLVABILITY			
Debt* to Equity	20.7%	10.6%	-10.1ppt
Debt* to EBITDA	25.0%	12.7%	-12.3ppt
Total Liabilities to Equity	63.3%	51.2%	-12.1ppt

*) Debt includes Obligations under finance lease - net of current maturities.

	2015	2016	YoY
PROFITABILITY			
Return on Assets	27.4%	32.4%	5.1ppt
Return on Equity	43.4%	50.9%	7.4ppt



+6.8%

TOTAL ASSETS IN 2016

RESPONSIBILITY

for the 2016 Annual Report

This Annual Report including the accompanying consolidated financial statements and related financial information for the year ended December 31, 2016 was authoritatively signed by members of the Board of Commissioners and the Board of Directors of PT Telekomunikasi Selular.

Jakarta, March 24, 2017

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ABBREVIATIONS

3G	3 rd Generation
4G	4 th Generation
APEC	Asia Pacific Economic Cooperation
API	Application Programming Interface
ARPU	Average Revenue Per User
ATM	Automated Teller Machine
BBM	BlackBerry Messenger
BTS	Base Transceiver Station
CAPEX	Capital Expenditure
CBTA	Conditional Business Transfer Agreement
CDMA	Code Division Multiple Access
CFMP	Capital Expenditure, Financing, and Management Process
COMBAT	Compact Mobile Base Station
CSR	Corporate Social Responsibility
CTP	Customer Touch Points
DNA	Device, Network, Applications
EBITDA	Earning Before Interest, Tax, Depreciation, and Amortization
EDC	Electronic Data Capture
ERM	Enterprise Risk Management
GCG	Good Corporate Governance
GPRS	General Packet Radio Service
GSM	Global System for Mobile communication
HCM	Human Capital Management
HSDPA	High Speed Downlink Packet Access
ICT	Information and Communication Technology
IOC	Integrated Operation Center

IoT	Internet of Things
IT	Information Technology
LBA	Location Based Advertising
LTE	Long Term Evolution
M2M	Machine to Machine
Mbps	Megabyte per second
MMS	Multimedia Messaging Service
MoU	Minute of Usage
NFC	Near Field Communication
NSP	Nada Sambung Pribadi
OLO	Other License Operator
OTT	Over The Top
PAYU	Pay As You Use
SIM	Subscriber Identity Module
SME	Small Medium Enterprise
SMS	Short Messaging Service
SOA	Sarbanes–Oxley Act
TAU	Telkomsel Android United
TERRA	Telkomsel Emergency Response and Recovery Activity
TMP	Telkomsel Merah Putih
TSO	Telkomsel Smart Office
USO	Universal Service Obligation
USSD	Unstructured Supplementary Service Data
VAS	Value Added Service
WAP	Wireless Application Protocol
WiFi	Wireless Fidelity

LIST OF GRAPARI

REGION	NAME	ADDRESS
NORTH SUMATERA	Banda Aceh	Jl.T. Daud Beureueh no.23 Kp.Laksana Kec.Kuta Alam -Banda Aceh 23123
	Binjai	Jl. Soekarno Hatta No. 121 Binjai
	Graha Merah Putih	Graha Merah Putih 1 st Floor, Jl. Putri Hijau No.1 Medan, 20111
	Kisaran	Jl. HOS. Cokroaminoto No. 30-32 Kisaran 21215
	Kualanamu	Bandar Udara Internasional Kualanamu, Medan, Sumatera Utara
	Lhokseumawe	Jl. Merdeka No. 147-148 Simpang Empat Lhokseumawe 24312
	Medan Lippo Plaza	Jl. Imam Bonjol No. 6, UG Floor, No. 17A-17B, 18A-18B, Medan
	Medan Sun Plasa	Sun Plasa 1 st Floor Blok A1 No. 5 Jl. KH. Zainul Arifin No. 7 Medan
	Meulaboh	Jl. Nasional Ujung Baru Johan Pahlawan Meulaboh Aceh Barat
	Padang Sidempuan	Jl. Jend. Sudirman Komp. Citi Walk Blok A No. 11, 12 , 15 Padang Sidempuan
	Pematang Siantar	Kompleks Megaland Jl. Asahan Blok A No. 53 Pematang Siantar 21136
	Sibolga	Jl. M. H. Thamrin No. 58 Sibolga 22521
CENTRAL SUMATERA	Batam Center	Jl. Engku Putri Batam Centre Batam 29432
	Batam Penuin	Jl. Pembangunan Nusa Indah Komplek Penuin Regency No. 3-4 Batu Selicin Lubuk Baja Batam
	Dumai	Jl. Jendral Sudirman No.153 Riau 28812
	Mall Ska	Mall SKA, 1 st Floor, No. 5-8, Jl. Soekarno Hatta Pekanbaru
	Padang	Jl. Khatib Sulaiman No. 51 Padang 25135
	Pekanbaru	Gd. Graha Merah Putih Jl. Jend Sudirman No 199 Pekanbaru
	Tanjung Balai Karimun	Komplek Karimun Centre Jl. A Yani No. 9-10 Kolong Tg Balai Karimun 29661
	Tanjung Pinang	Jl. Basuki Rachmat No. 9 Tanjung Pinang 29124
	Tembilahan	Jl. M. Boya RT.004 RW.001 Tembilahan
SOUTH SUMATERA	Belitung	Jl. Jend Sudirman No. 28 D-E Pangkal Lalang, Belitung 33412
	Bengkulu	Jl. Kapten Tendean No.86 Km.6,5 Bengkulu 38225
	Jambi	Jl.HM Yusuf Singadekane No. 09 Telanaipura, Jambi. 36122
	Lampung	Komp. Villa Citra Blok RE I-III Jl. P. Antasari, Bandar Lampung 35132
	Lubuk Linggau	Jl. Yos Sudarso No. 13 A, RT. 04, Kelurahan Taba Jemekeh, Kecamatan Lubuk Linggau Timur-1, 36125
	Muara Bungo	Jl. Jendral Sudirman No. 76, Muara Bungo 37214
	Palembang	Jl. Veteran No. 88 A Palembang 30114
	Pangkal Pinang	Komp Villa Bangka Asri No.8 Jl. Raya Koba Pangkalpinang, Bangka 33171
WESTERN JABOTABEK	BSD	Graha Telekomunikasi Ground Floor, Jl. Raya Serpong Sektor IV BSD Tangerang 15322
	Cilegon	Graha Sucofindo 1 st Floor, Jl. Jendral A. Yani No.106 Cilegon 42426
	Central Park	Mall Central Park 3 rd Floor, Lot-116-118 Jl. Letjend S. Parman Jakarta 11480
	Serang	Jl. Raya Cilegon KM 2, Kepandean, Serang
	T3 Bandara	Jl. Pajang, Kecamatan Tangerang, Kota Tangerang, Bandara Soekarno-Hatta, Arrival Gate 5 GF Floor, 19120

REGION	NAME	ADDRESS
CENTRAL JAKARTA	Jakarta Pusat (Wisma Alia)	Wisma Alia, 1 st -2 nd Floor, Jl. M. Ridwan Rais 10-18 Jakarta
	Gandaria City	Mal Gandaria Lantai 1 unit 137-141 Jl. KH. Syafii Hazami No. 8 Jakarta Selatan
EASTERN JABODETABEK	Cibubur	Mall Grand Cibubur Jl. Alternatif Cibubur, Cibubur
	Karawang	Jl Galuh Mas Raya, Ruko Broadway Blok 2 No. 1 Karawang 41361
	Sukabumi	Jl. RE Martadinata No. 71 Sukabumi
WEST JAVA	Banda	Gedung Wahana Bakti Po, 2 nd Floor, Jl. Banda No. 30 Bandung 40115
	Dago	Jl. Ir. H. Juanda No. 252 Bandung 40134
	Cianjur	Jl. Abdullah bin Nuh No. 64-66 Cianjur
	Tasikmalaya	Jl. Panglayungan II No. 3 - 5 Tasikmalaya 46134
CENTRAL JAVA	Kudus	Jl. Jend. Sudirman No. 69 Kudus
	Purwokerto	Gedung Telkom, Jl. Merdeka No. 26 Purwokerto 53116
	Semarang Mall Ciputra	Mall Ciputra Lantai dasar, Jl. Simpang Lima No.1 Semarang 50241
	Semarang Pahlawan	Gedung Telkomsel Jl. Pahlawan No. 10 Semarang 50241
	Solo	Jl. Slamet Riyadi No. 310 Solo
	Tegal	Jl. Gajahmada No.77 Tegal Jawa Tengah (bersebelahan dengan Gedung Telkom)
	Yogyakarta	Jl. Jend. Sudirman No. 60 Yogyakarta 55224
EAST JAVA	Banyuwangi	Jl. DR. Sutomo No. 63 Banyuwangi 68411
	Gresik	Jl. Usman Sadar No. 81 Gresik 61122
	Jember	Jl. Gatot Subroto 43 Jember
	Kediri	PT Telkom Kediri Jl. Hayam Wuruk No. 45-47 Kediri 64122
	Madiun	Gedung Telkom Jl. Pahlawan No. 59 Madiun 63161
	Malang	Jl. S.Parman No. 47 Malang
	Probolinggo	Jl. suroyo 16 Probolinggo
	Surabaya Bukit Darmo	Jl. Bukit Darmo Boulevard No. 6 C-D, Surabaya
	Surabaya Pemuda	Gedung Graha Timbul Jaya, Jl. Pemuda No. 181 Surabaya 60271
	Ttc Hr Muhammad	Jl. HR Muhammad no 46 Surabaya 60225
	WTC	Gedung WTC, 1 st Floor, No. 164 - 171 . Jl. Pemuda 27-31. Surabaya 60271
BALI NUSA TENGGERA	Denpasar	Gedung Plasa Telkom, Jalan Teuku Umar Nomor 6, Denpasar 80114
	Kupang	Jl. W.J. Lalamentik 88 Oebufu Kupang 85119
	Kuta	Mall Bali Galeria, 2 nd Floor, Jl. By Pass I Gusti Ngurah Rai, Simpang Dewa Ruci Kuta Bali (Simpang Siur)
	Mataram	Jl. Pejanggik 47 F Mataram Lombok 83231
	Renon	Jl. Raya Puputan Renon No. 33, Renon, Denpasar

REGION	NAME	ADDRESS
KALIMANTAN	Sudirman Balikpapan	Jl. Jend. Sudirman No. 1 Balikpapan 76114
	Banjarmasin	Jl. A. Yani Km.5,2 Banjarmasin 70249
	Bontang	Jl. Ahmad Yani No.20 Bontang - Kalimantan Timur 75311
	Palangkaraya	Jl. Cilik Riwt Km 1 No. 1 Palangkaraya 73111
	Pontianak	Jl. Gusti Sulung Lelanang No. 5 A Kode Pos 78117 Pontianak
	Samarinda	Komp.Mall Lembuswana Blok A 16-18 Jl. S. Parman Samarinda 75118
	Tarakan	Jl.Mulawarman No.12 Tarakan 77111

SULAWESI	Gorontalo	Jl. Jaksa Agung Suprpto no 22 Gorontalo 96115
	Kendari	Jl. A. Yani No. 8 Kendari 93117
	Makassar	Gedung Diva Jl. AP. Pettarani No. 2 Makassar 90222
	Manado	Jl. Pemuda No. 2, Sario Manado
	Palu	Jl. Mohammad Yamin No. 9 Palu
	Pare-Pare	Jl. Bau Maseppe 108 91111

MALUKU PAPUA	Ambon	Gedung Telkom - Jl. Dr. J.B. Sitanala No. 9A Talake Ambon 97115
	Jayapura	Gedung Telkom, Jl. Koti No. 1 Jayapura
	Manokwari	Jl.Merdeka No.66 Manokwari (Samping Plaza Telkom)
	Sorong	Jl. Ahmad Yani No. 25 A-B Klademak Sorong 98414
	Timika	Jl.Hasanuddin Timika 99910

AREA	GRAPARI TYPE	NUMBER OF GRAPARI OUTLET
1	GRA Mitra	86
2	GRA Mitra	72
3	GRA Mitra	95
4	GRA Mitra	80

REGION	NAME	ADDRESS
INTERNATIONAL	Chiayi	嘉義市中山路522號 Chiayi City, ZhongShan Road No. 522
	Kualalumpur	Chow Kit Lot 2044-2045 Jl. Tuanku Abdul Rahman seksyen 41 Kuala Lumpur 50480
	Macau	26 R De Tome Pires Macau
	Makkah	Abraj Al-Bait Tower (Grand Zam-zam Tower) P3 Floor (food court area) Makkah al Mukarramah
	Singapore	Lucky Plaza 304 Orchard # 01-27- Singapore - 238863
	Tainan	台南市北區富北街85號Tainan City, North District Fu Bei Road No. 85
	Taipei	Ruko No. 1A, Lantai B1, Taipei City Mall (Mall Bawah Tanah TMS pintu Y27, Beimen MRT Ext 3, 台北市中正區市民大道一段100號地下一層輕食一區A1店舖
	Tawau	Jalan Dunlop Tawau
	Hong Kong	11 Keswick Street Causeway Bay (front of KJRI Hong Kong)

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) and the New York Stock Exchange (NYSE:TLK) 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).

ADDRESSES OF SHAREHOLDERS



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