TELKOMSEL
by Telkom Indonesia

Reshaping the Curve...

GROWTH

for Sustainable

Our Vision

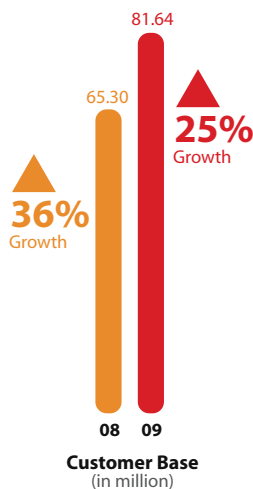Best and leading mobile lifestyle and solutions provider in the region.

Our Mission

Deliver mobile lifestyle services and solution in excellent way that exceed customer expectation, create value for all stakeholders and the economic development of the nation.

Table of Content

Telkomsel at a Glance

81.64
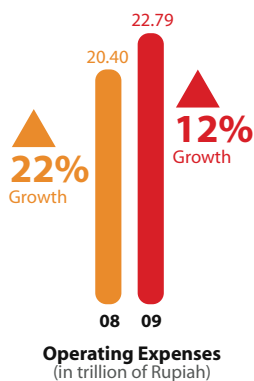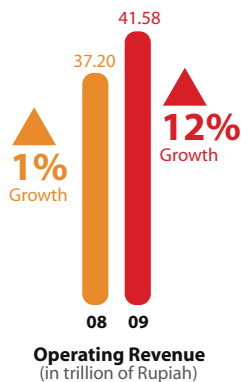
65.30

25%
Growth

36%
Growth

08   09

Customer Base
(in million)

In its fifteenth year of operation, Telkomsel has successfully positioned itself as the foremost operator in Indonesia's telecommunications industry. It continues to maintain its lead both in terms of market share and as the trendsetter in mobile lifestyles.

Telkomsel's dominant position was confirmed by its customer base, which reached a total of 81.64 million as of the end of 2009, comprising 49% of the total full-mobility market.

This achievement yielded growth of 25% for Telkomsel in 2009, the result of securing a net add of 16.34 million users in 2009 on top of the Company's 2008 customer base of 65.30 million, which represented more than 50% of the total national net additional mobile users in 2009. Given the difficult global economic climate of 2008-2009, this was a remarkable accomplishment.

130.3

44%
Growth

90.2

258%
Growth

08 **09**

Minutes of Usage
(in billion minutes)

100.4

29%
Growth

78.0

58%
Growth

08 **09**

SMS Traffic
(in billion units)

41.58

12%
Growth

37.20

1%
Growth

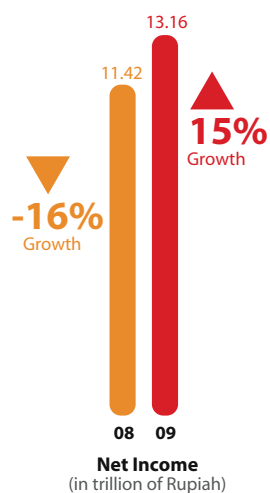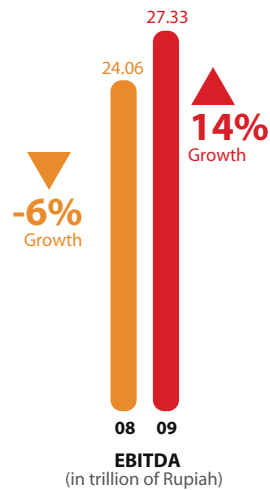**08** **09**

Operating Revenue
(in trillion of Rupiah)

22.79

12%
Growth

20.40

22%
Growth

08 **09**

Operating Expenses
(in trillion of Rupiah)
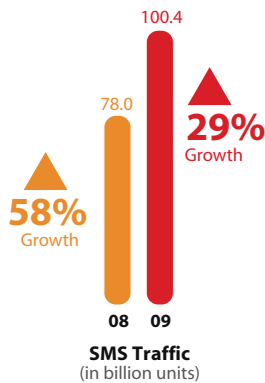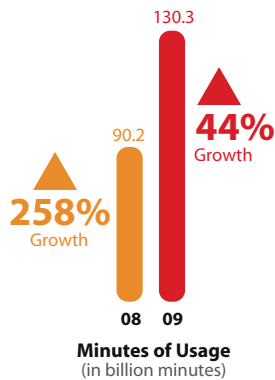
The Company booked strong growth in voice traffic during the year, despite implementing a tariff optimization policy: total chargeable MOU grew 44% from 90.2 billion minutes in 2008 to 130.3 billion minutes in 2009. At the same time, SMS traffic rose 29% to 100.4 billion units from 78.0 billion units in 2008. This drove significant gains in operating revenue, which posted 12% year-on-year (YOY) growth for 2009, far higher than the previous 1.4% YOY growth in 2008.

Our improved cost effectiveness was another key success story in this reporting year. While our customer base expanded by 25%, our operating expenses increased by just 12%, compared to the previous year's increase of 22% in spite of the fact that we invested significantly in network quality improvement and development. In 2009 we deployed 4,120 new BTS (including 1,652 3G Node-B BTS), representing an increase of 15% and bringing the total BTS in service to 30,992 by the end of 2009. The additional BTS were deployed to handle the surge in customers and traffic.

This was a year, then, in which we successfully reshaped the curve of our revenue growth from single digits (1.4%) back to our normal double-digit growth (12%).

27.33

24.06

▲ **14%**
Growth

▼
-6%
Growth

08 **09**
EBITDA
(in trillion of Rupiah)

13.16

11.42

▲ **15%**
Growth

▼
-16%
Growth

08 **09**
Net Income
(in trillion of Rupiah)

Bolstered by these achievements, Telkomsel is poised to take advantage of future opportunities in the Indonesian mobile industry.

Financial Highlights

(in billion Rupiah)

DESCRIPTION	2009	2008	2007	2006	2005
BALANCE SHEETS					
Current Assets	7,085	4,257	5,059	3,971	3,048
Fixed Assets - Net	50,346	46,359	38,251	31,706	21,993
Other Assets	1,796	1,315	1,367	1,624	706
Total Assets	**59,227**	**51,931**	**44,677**	**37,301**	**25,747**
Current Liabilities	18,991	17,761	12,403	10,588	6,545
Non-Current Liabilities	9,181	7,137	6,082	3,640	1,462
Stockholders' Equity	31,056	27,033	26,192	23,073	17,740
Total Liabilities & Stockholders' Equity	**59,227**	**51,931**	**44,677**	**37,301**	**25,747**
INCOME STATEMENTS					
Operating Revenue[*]	41,582	37,199	36,670	29,145	21,133
Operating Expenses (incl. Depreciation)	22,792	20,401	16,791	12,836	8,772
EBITDA	27,331	24,062	25,604	20,737	15,408
EBIT	18,790	16,798	19,879	16,309	12,361
Net Income	13,160	11,422	13,624	11,182	8,647
CASH FLOWS					
Cash Flow from Operations[**]	21,690	18,769	20,660	16,339	12,915
Cash Flow from Investing Activities	(13,364)	(12,322)	(13,180)	(13,149)	(8,461)
Cash Flow from Financing Activities	1,875	2,142	3,349	2,678	(936)
Dividends	(7,715)	(10,210)	(10,137)	(5,645)	(4,616)
Net Cash In/Out Flows	2,486	(1,621)	692	224	(1,098)
FINANCIAL RATIOS					
EBITDA Margin[1]	66%	65%	70%	71%	73%
Net Income Margin[2]	32%	31%	37%	38%	41%
Return on Assets[3]	24%	24%	33%	35%	38%
Return on Equity[4]	45%	43%	55%	55%	55%

Notes:
[*] Net of interconnection charges
[**] include effect on exchange rate changes on cash & cash equivalents
[1] EBITDA divided by Operating Revenues
[2] Net Income divided by Operating Revenues
[3] Net Income divided by Average Total Assets
[4] Net Income divided by Average Equity

Operational Highlights

DESCRIPTION	2009	2008	2007	2006	2005
CUSTOMER – in thousands					
Customer Base					
Postpaid *kartuHALO*	2,035	1,940	1,913	1,622	1,471
Prepaid *simPATI*	57,993	43,033	23,986	21,378	16,004
Prepaid Kartu As	21,616	20,327	21,991	12,557	6,794
Total	81,644	65,300	47,890	35,597	24,269
Net Additions					
Postpaid *kartuHALO*	94	27	251	191	143
Prepaid *simPATI*	14,960	19,047	2,608	5,374	4,447
Prepaid Kartu As	1,289	(1,664)	9,434	5,763	3,389
Total	16,344	17,410	12,293	11,328	7,979
MOU – in billion minutes					
Minutes of Usage	130.3	90.2	25.2	18.2	10.5
ARPU – in thousand rupiah					
Total ARPU[1]					
Postpaid *kartuHALO*	214	216	264	274	291
Prepaid *simPATI*	48	63	84	83	84
Prepaid Kartu As	31	37	57	54	45
Blended	48	59	80	84	87
Non-voice ARPU					
Postpaid *kartuHALO*	49	40	49	47	47
Prepaid *simPATI*	14	16	25	24	25
Prepaid Kartu As	15	18	23	18	15
Blended	15	17	25	23	24
Effective ARPU[2]	47	55	77	81	87
Network Data					
BTS / Capacity					
Base Station	30,992	26,872	20,858	16,057	9,895
Overall NW Capacity (in million subs)	85.2	67.3	50.5	38.8	26.2
Quality of Service					
Call Success Rate	97.84%	93.98%	94.24%	94.43%	94.32%
Call Completion Rate	98.84%	98.73%	99.20%	99.42%	99.30%
Employee Data					
Total Employees	4,210	4,129	4,080	3,797	3,566
Efficiency Ratio (subscriber/employee)	19,393	15,815	11,738	9,375	6,806

Notes:
[1] ARPU refers to average monthly ARPU (average revenue per user) of the year which is calculated by taking the sum of the ARPU for each month of the year and divided by 12. ARPU is computed by dividing total cellular revenues for either postpaid or prepaid subscribers (excluding connection fees, interconnection revenues, international roaming revenues from visitors, dealer discounts and tax) for each month by the respective average number of month.

[2] Effective ARPU is calculated from booked net operating revenues (included discount) divided by the average number of subscribers (number of subscribers at the beginning of the year added with number of subscribers at the end of year divided by 2) and then divided by 12.

2009 Significant Events

JANUARY

- **Launching of Kartu As with a Rp5000 Starter Pack**
  A new product was launched for Kartu As, in the form of a new starter pack priced at Rp5000. Complementing the previous Kartu As starter pack worth Rp10,000, the new "Kartu As Forever" starter pack edition was launched to reach a broader market segment.

FEBRUARY

- **Launching *simPATI* PeDe with New Starter Pack**
  Telkomsel launched a new *simPATI* PeDe starter pack with enhanced data usage and content value. This starter pack is priced at Rp10,000.
- **Telkomsel Maintains Top Brand Recognition**
  For the 10th consecutive year, Telkomsel was awarded the Top Brand Award for Telkomsel *simPATI* (prepaid category) and *kartuHALO* (postpaid category) in the Top Brand 2009 event held by Frontier Consulting Group and Marketing Magazine. This confirmed public recognition of *simPATI* and *kartuHALO* as two of the best brands in the market. Thanks to these achievements, Telkomsel was named the Top of The Top best brands.

MARCH

- **Telkomsel-iPhone 3G Launching**
  Telkomsel iPhone 3G was officially launched at Pacific Place, Jakarta, followed by sales activities at the same venue. Two iPhone package plans were offered: the *kartuHALO* package plan for corporate and priority customers and the *simPATI* package plan. A total of 1,800 packages were sold, most being *kartuHALO* plans.
- **Launch of Hosted Push Email Service**
  An innovative push email service was launched for the benefit of Telkomsel's corporate customers. Hosted Pushmail Exchange, developed through Telkomsel-Microsoft cooperation, enables corporate customers to have their own corporate emails without investing in dedicated server equipment and can be accessed from any type of cell phone.

JULY

- **Telkomsel – PUSKUD Agreement for T-Remittance Service**
  An agreement was signed with the village cooperatives administration center, Pusat Koperasi Unit Desa (PUSKUD), to facilitate fund transfers for PUSKUD members in East Java through Telkomsel's T-Remittance service.

AUGUST

- **Peluk Asa Program Launch**
  A CSR program was launched to support the Ministry of Health in combating dengue fever. The program employs COMBI (Communications On Behavior Impact) methods, consisting of education and training in order to change community behavior in the fight against dengue.
- **SMS Service for Facebookers**
  Telkomsel launched a new SMS service for Facebook users. This service offers content updating and targets the adolescent market segment.

SEPTEMBER

- **Additional 5 MHz 3G Band for Telkomsel**
  Telkomsel was granted an additional 5 MHz 3G frequency spectrum for 3G services, by a Decree of the Communications and Informatics Minister.
- **Telkomsel 'Mudik Bareng Gratis' and 'SIAGA'**
  Telkomsel organized 'Mudik Bareng Gratis' an event to facilitate the return home of 7000 customers for the Idul Fitri celebration using six different transportation modes. Simultaneously, the SIAGA program was organized to serve customers during this high-traffic holiday period.

APRIL

- **Telkomsel to Support Computer Based Learning**
  In support of IT-based school development, Telkomsel donated computer-based learning software packages to 3 high schools in Balikpapan. The software packages assist student learning by blending science and multimedia in an attractive presentation.

MAY

- **USO Program Kick Off**
  Telkomsel officially kicked off the USO (Universal Service Obligation) program. This program aims to provide telecommunications and internet access to 25,000 rural and isolated villages and areas, complementing Telkomsel's MERAH PUTIH (MEnembus daeRAH Pedesaan, indUstri TerpencIl dan baHari) initiative.
- **Telkomsel Wins Best Service Quality Award Again**
  At the 2009 Service Quality Awards, organized by Carre-CCSL and Marketing Magazine, Telkomsel received the Best Service Quality award in the GSM cellular operator category for the third year running.

JUNE

- **Telkomsel Customers Day in 6 Cities**
  Telkomsel held a Customer Day in 6 cities concurrently, as part of Telkomsel's 14th anniversary event series. The events were held to thank customers for choosing Telkomsel products.
- **Launching of SMS PRO**
  Telkomsel launched SMS PRO, an innovative SMS service offering predefined features such as SMS auto-reply, SMS divert, SMS copy, SMS blacklist and SMS white list. These features are designed to make SMS communications easier for customers.

OCTOBER

- **Post-Earthquake Network Restoration**
  Responding quickly to the network blackout in the wake of the September 30 earthquake in Padang, Telkomsel restored 421 BTS out of 981 BTS serving West Sumatra by Day 2 and 660 BTS on Day 3. By Day 4, 709 BTS, 20 pico-BTS and 5 Compact Mobile BTS were in action, restoring 85% of service to the center of Padang and 100% to the surrounding areas. An additional 300 mobile genset were also sent to Padang as part of our response.

NOVEMBER

- **Launch of Next Generation Flash Project**
  Telkomsel and Telkom joined forces on the Next Generation Flash project, an initiative related to the upgrade of Telkomsel's wireless broadband technology to HSPA Technology with 21 Mbps access data speed.
- **Launch of *simPATI* M@x**
  Telkomsel launched its newest *simPATI* starter pack, *simPATI* M@x. This provides free content bonuses such as games, ringtones, wallpaper and 5 MB of free internet access.

DECEMBER

- **TIME Transformation in HRD**
  Telkomsel collaborated with Telkom's Human Resource Competencies Development in support of the transformation to the TIME (Telecommunication, Information, Multimedia, Edutainment) business.
- **Launch of *Desa Berdering* program**
  Following the initiation of the Universal Service Obligation (USO) program, Telkomsel launched operations in 25,000 villages under the Desa Berdering (Ringing Village) program, as part of the Government of Indonesia's program to deliver telephony and data services to rural and isolated areas throughout the country.

2009 Awards

	AWARDS	ISSUED BY	DATE
1	Top Brand Award for *kartuHALO*, postpaid simcard	Marketing & Frontier	10 February 2009
	Top Brand Award for *simPATI*, prepaid simcard	Marketing & Frontier	10 February 2009
2	Call Center Award 2009 for Achieving Excellence Service Performance	Marketing & CCSL	12 March 2009
3	WOMM Award 2009 for *kartuHALO* - The Most Recommended Postpaid GSM Card	SWA & onbee Marketing Research	16 April 2009
	WOMM Award 2009 for *simPATI* - The Most Recommended Prepaid GSM Card	SWA & onbee Marketing Research	16 April 2009
4	Service Quality Award for GraPARI Telkomsel	Marketing & CCSL	7 May 2009
5	Indonesia Cellular Award 2009 - The Best Customer Growth	Tabloid Sinyal	14 June 2009
6	IBBA Award 2009 for *kartuHALO*, Most Valuable Brand for Post Paid GSM Cellular Provider Product Category	SWA & MARS	28 July 2009
	IBBA Award 2009 for *simPATI*, Most Valuable Brand for Pre Paid GSM Cellular Provider Product Category	SWA & MARS	28 July 2009
7	Diamond ICSA Award 2009 for *kartuHALO*, post paid Sim Card Category	SWA & Frontier	4 September 2009
	Diamond ICSA Award 2009 for *simPATI*, pre paid Sim Card Category	SWA & Frontier	4 September 2009
8	ICSA Award 2009 for Telkomsel Flash, Mobile Internet Service Category	SWA & Frontier	4 September 2009
9	Mobile Service Provider of The Year	Frost & Sullivan	11 November 2009
10	Millennium Development Goals Award - Universal Primary Education Category	Metro TV	25 November 2009
11	Marketing Award 2009 - The Best Experiential Marketing	Majalah Marketing	9 December 2009
12	Gadget Award, Best Innovation GSM	Gadget Magazine	16 December 2009

Report from the Chairman

I am pleased to report that Telkomsel has booked another good year, with increased profits and growth in market share.

Our operating revenue was ahead by 12%, net profit by 15% and our customer base up by 25%. We successfully achieved a return to double digit revenue growth, in the trend of declining revenue per minute.

I believe that our success to date is the direct result of a strong business foundation, whose strength is attributable to past investment and to a strategy of enabling customers in this emerging market to access today's world. Our results also benefited from the growing nationwide demand for mobile telephony as well as broadband internet, confirming the Indonesia's ongoing evolution into a broadband economy.

Throughout 2009 we invested in new business capabilities while taking care to maintain our legacy operations. In return, our customers have responded enthusiastically to the range of innovative services that we have delivered.

Reflecting on Telkomsel's results in 2009, I am proud that not only we have reached a new milestone of 81.6 million subscribers, but in particular that Telkomsel has fulfilled its promises to all our stakeholders while actively leading growth and change in the Indonesian mobile market.

Over the past five years, our customer base has recorded a compound growth of 37%, clearly demonstrating our ability to respond to the market over the medium to long term. The 34% compound growth in our overall network capacity, meanwhile, further emphasizes our commitment to deliver on our promise of quality.

Rinaldi Firmansyah
President Commissioner

ENTERING A NEW EQUILIBRIUM

Following an intense price war in 2007 and 2008, the national cellular industry entered a period of stabilization during 2009, reaching what I referred to as a 'new equilibrium' in last year's report. Under these new equilibrium conditions, the low price strategy used by most operators to increase their market share is no longer considered effective.

Since then, the sector has benefited from more rational voice pricing behavior. The trend of declining revenue per minute (RPM) was arrested in the first quarter, before taking an upturn until the end of the year.

This period of stabilization gave us a good opportunity to consolidate our strengths. Building on our established network and solid business foundation, we leveraged our abilities in terms of quality, coverage, technology and cost of usage to increase our nominal market share by 2% to 49%. These positive results were the culmination of our precise investment planning approach and meticulous execution over recent years.

Our top priority has been our effort to migrate our legacy business of voice and text messages to new data-based services. Our commitment to deploying the latest cellular technology, building on our initial deployment of a 3G network back in 2005, produced clear results. Broadband users grew more than eight-fold over the year and the revenue contribution from our data-based business increased significantly to more than 7% of operating revenue in 2009. Our strategy called for us to meet the escalating demand for broadband while maintaining our legacy business of voice and text messages. To meet this commitment, we invested Rp13.36 trillion in both new wave and legacy business infrastructure in 2009.

Another notable piece of good news is that we were awarded an additional carrier frequency for our 3G service on the IMT-2000 band (2.1 GHz) by the Ministry of Communications and Informatics in September 2009. This development will substantially expand our capacity to meet the fast-growing demand for mobile broadband and paves the way for the implementation of our HSPA and HSPA+ technology with a downlink capacity of up to 40 Mbps.

During this period of stabilization, we continued to engage constructively with industry regulators to create a conducive business environment for the industry, in line with our shared vision of promoting sustainable industry growth and ensuring fair competition.

In summary, in 2009 we continued to implement our strategy of profitable growth while maintaining our leading position in both the legacy and new wave businesses. In the coming years, we will continue to strive for quality, excellent coverage, the most advanced technology and cost effectiveness.

STRENGTHENING OUR FOUNDATION

We are continuously taking measures to maintain and improve the sustainability of our business in the face of tough competition. We recognize that our continued success rests on the maintenance of a foundation which is strong financially and commercially, as well as in terms of our network. Innovation, astute management and strong leadership are essential factors in reinforcing this foundation and moving it forward. A well-structured business organization, competent human capital and a high standard of performance as measured by appropriate benchmarks are also necessary.

Accordingly, Telkomsel's management and employees are committed to finding and creating synergies, both within the Company itself and with the broader TELKOM Group. Such synergies have already been leveraged in network infrastructure, human resources, sales, marketing and product development.

Within the Group, for example, we collaborated with TELKOM to share tower infrastructure and long distance transmission channels. We also created synergies in interconnections, budget calling and IDD (with Telkom-017), call center functions (with Infomedia) and IT services and infrastructure (with Metra). Additional synergies with SingTel were also created where possible.

UNIVERSAL SERVICE OBLIGATION

Indonesia faces a number of challenges to achieving the national goal of developing a nationwide telecommunication network. There are geographical limits beyond which network deployment is not economically viable. To address this, several years ago the Government of Indonesia launched the Universal Service Obligation (USO) for telecommunication and information services to ensure that even the most remote villages could enjoy affordable access to telecommunications services.

In January 2009, under the USO initiative, Telkomsel was appointed by the Rural Telecommunication and Information Technology Authority (Balai Telekomunikasi dan Informatika Pedesaan, or BTIP) to provide telecommunications access and services in rural areas. Specifically, Telkomsel was selected to provide the first, second, third, sixth and seventh packages of the USO program, at a total price of Rp1.66 trillion. Under the terms of these packages, which are governed by agreements between BTIP and the Company, Telkomsel is to provide end-to-end telecommunication access and services over a period of approximately 51 months, including both pre-operating and operating phases. In February and March 2009, Telkomsel was formally granted licenses by the Ministry of Communications and Informatics to operate a fixed-line network under the USO program.

This is not the first time that the Company has been in the vanguard of opening up new frontiers in the national telecommunications landscape. Our pioneering Telkomsel Merah Putih (TMP) project, launched in 2008, was dedicated to bringing sustainable connections to remote villages, industrial nodes and marine transportation systems. Like TMP, we believe that this USO program holds enormous potential for the future, not just for Telkomsel but for nation's development and sovereignty and the quality of life of its people.

It is worth to note that through USO project implementation and TMP initiative, we are serious in commitment to support the government in enlarging telecommunication coverage, and in turn, overcoming digital divide.

BOARD AND EXECUTIVE

A number of changes to the Board of Commissioners came into effect during the reporting year. Both Mr. Ng Kwon Kee and Mr. Lim Chuan Poh stepped down as Commissioners, effective September 1, 2009 and January 1, 2010, respectively. I would like to thank both of them for their tremendous contribution to the Company in recent years. They have been replaced by Mr. Yuen Kuan Moon, Executive Vice President of the Consumer Group of SingTel, and Mr. Paul Dominic O'Sullivan, Chief Executive of Optus. In addition, Mr. Ermady Dahlan has been appointed to the Board of Commissioners, effective

March 1, 2010, to fill the previously vacant Commissioner position representing TELKOM.

At this opportunity, I would like to thank all our shareholders and customers for their confidence in our strategy and the loyalty they have shown to date, which has enabled us to grow our Company effectively. I would also like to thank our CEO, Mr. Sarwoto Atmosutarno, the other members of the Board of Commissioners and the Board of Directors and all Telkomsel's employees for their dedicated effort and unwavering support. The long-term loyalty of our customers is the most significant acknowledgment of what they have achieved.

We will continue to grow the company to make it the leading mobile operator in Indonesia, fulfilling our vision of helping customers achieve more in life through delivering innovative products and services that cater to their evolving needs. We look forward to a prosperous year with more milestones to celebrate.

Rinaldi Firmansyah
President Commissioner

Profile of the Board of Commissioners

Board of Commissioners as of March 12, 2010

RINALDI FIRMANSYAH, PRESIDENT COMMISSIONER

Mr. Rinaldi Firmansyah was appointed as President Commissioner of Telkomsel in June 2007. He has also served as President Director and Chief Executive Officer of PT Telekomunikasi Indonesia, Tbk. (TELKOM) since March 2007. Prior to his appointment to the top post, he held the position of Chief Financial Officer at the firm and was named the best CFO by Asia Money in 2004 and cited by Finance Asia in the 'Best Managed Companies' category in 2006. He was ranked 3rd Best CEO by Warta Ekonomi in 2007 and the Best CEO out of all Indonesian telecommunication companies in November 2008. Bisnis Indonesia named him CEO of the Year 2009 and Warta Ekonomi ranked him as the Best CEO for Business Transformation in December 2009. Prior to joining TELKOM,

Mr. Firmansyah served as Director of Investment Banking, President Director and Vice President Commissioner at PT Bahana Securities from 1997 to 2003. He was also the Head of the Audit Committee and a Commissioner of PT Semen Padang in 2003. He was awarded the Satya Lencana Pembangunan medal by the President of the Republic of Indonesia in 2007.

Mr. Firmansyah is a Chartered Financial Analyst (CFA) and was elected President of the CFA Indonesia in 2002. He graduated with a degree in Electrical Engineering from the Bandung Institute of Technology (ITB) and a Master in Business Administration from the Indonesian Institute of Management Development (IPMI), Jakarta.

ARIEF YAHYA, COMMISSIONER

Mr. Arief Yahya was appointed as a Commissioner of Telkomsel in June 2007. He has also served as TELKOM's Director of Enterprise & Wholesale since June 2005. He joined TELKOM in 1986 and has held several senior management positions in the company: Head of Regional Division V - East Java (2004-2005) and Head of Regional Division VI – Kalimantan (2003-2004), when he was named the Best Head of a Regional Division. He was awarded the Satya Lencana Pembangunan medal by the President of the Republic of Indonesia in 2006 and in the same year was cited as a Future Business Leader by SWA Magazine.

Mr. Yahya graduated from the Bandung Institute of Technology (ITB) with a degree in Electrical Engineering and holds a Master in Telecommunications Engineering from the University of Surrey, UK.

LOSO JUDIJANTO, COMMISSIONER

Mr. Loso Judijanto was appointed as Commissioner of Telkomsel in June 2007. He earned his Master degree in Statistics from the University of New South Wales, Sydney, Australia in 1998 and a Master in Management Accountancy from the University of Indonesia in 1995. From 2007 to 2009 he was Special Adviser to the Minister of State-Owned Enterprises of the Republic of Indonesia. Prior to that he had served as Special Adviser to the Minister of Information and Communication Technology of the Republic of Indonesia (2005-2007), Corporate Governance Consultant (2000-2005), member of staff at the Ministry of State-Owned Enterprises (1998-2000) and as a Public Policy Researcher at the Center for Policy and Implementation Studies (1995-1996). He holds professional qualifications as a CMA from ICMA, PRM from PRMIA, CFE from ACFE, CAMS from ACAMS and ICBRR from GARP. He has completed examinations for professional designation of CIA, CGAP and CFSA (Banking) from IIA.

ERMADY DAHLAN , COMMISSIONER

Mr. Ermady Dahlan was appointed as a Commissioner of Telkomsel on March 1, 2010. Since 2009, he has served as Network and Solution Director as well as Chief Operations Officer (COO) of Telkom. Prior to this, he had served in several strategic positions within Telkom since joining the Company in 1973, namely as Commerce Director (2007-2009), Head of Regional Division I in Sumatra (2001-2003), Head of the Enterprise Service Center Division (2003-2005) and Head of Regional Division II in Jakarta (2005-2007). Mr. Dahlan holds the honor of receiving three awards from the President of the Republic of Indonesia: the Bintang Jasa Pratama (2008), Satya Lencana Wira Karya (2000) and Abdi Satya Bhakti (1997). He graduated from the National Telecommunications Academy (Joint Program Perumtel – ATN Bandung) with a degree in Telecommunications.

YUEN KUAN MOON , COMMISSIONER

Mr. Yuen Kuan Moon was appointed as Executive Vice President of the Consumer Group in July 2009. He is responsible for leading and managing the Consumer Group of SingTel in delivering a complete and integrated suite of services, including mobile, broadband and fixed-line solutions, to Singapore consumers. He concurrently holds the position of Chief Executive Officer of SingTel Mobile.

Prior to joining the Consumer Group, Mr. Yuen Kuan Moon was the Vice President of Regional Operations, where he worked very closely with joint venture companies and associates to drive regional strategies and initiatives in areas such as sales, marketing and product development.

He had already been engaged on a long-term assignment at Telkomsel, which is one of SingTel's joint ventures in Indonesia, from 2003 to 2007, first as General Manager Product Management, VP of Sales and Product and later as Director of Commerce, where he was responsible for all Telkomsel's Marketing, Sales, Product, Customer Service and Corporate Account Management activities.

He has more than 17 years of experience in telecommunications and started his career with SingTel in 1993. He has performed a variety of functions, mainly in the consumer sphere, such as Marketing, Business Development, Retail and Channel Sales, as well as Product Development. With his vast experience in this industry, he has developed an extensive knowledge of the marketing and sales approaches in the telecommunications business that are needed to serve users in the global marketplace.

Mr. Yuen Kuan Moon graduated with a First Class Honors degree in Engineering from the University of Western Australia. He also holds a Master of Science degree in Management from Stanford University in California, USA (Sloan Program).

PAUL O'SULLIVAN, COMMISSIONER

Mr. Paul O'Sullivan was appointed as a Commissioner of Telkomsel on January 1, 2010. He has been Chief Executive of Optus since 2004, after serving as Chief Operating Officer (COO) of Optus for three years. As COO, he managed the four trading divisions of Optus (Mobile, Consumer, Business and Wholesale/ Satellite) as well as the Networks, IT and Brand functions.

Between 1998 and 2001, he was the Managing Director of Optus Mobile, the company's largest division. He sat on the Board of Bharti Airtel, a group joint venture company in India, from 2003 to 2009, and is a member of the SingTel Group Management Committee. Prior to joining Optus Mr. O'Sullivan worked with the Colonial Group. In 1996 he worked with the project team that integrated the State Bank of NSW and launched Colonial's new 'Convenience Banking' concept. He had previously held various international management roles with the Royal Dutch Shell Group in Canada, the Middle East, Australia and the United Kingdom.

Mr. O'Sullivan holds a B.A. (Mod) Economics from Trinity College, University of Dublin, Ireland, and is a graduate of the Harvard Business School's Advanced Management Program.

The Board of Commissioners

Board of Commissioners as of December 31, 2009

From Left to Right:

1. **Yuen Kuan Moon, Commissioner**

2. **Loso Judijanto, Commissioner**

3. **Rinaldi Firmansyah, President Commissioner**

4. **Arief Yahya, Commissioner**

5. **Lim Chuan Poh, Commissioner**

Report from the CEO

Against the backdrop of a global economic crisis, 2009 was a challenging year for businesses of all types. However, Telkomsel was able to surmount the difficulties, producing another extraordinary year of results.

Entering 2009, the tail end of the global economic slowdown and an increasingly competitive domestic market dynamic were the two main challenges facing the Indonesian mobile industry. The severity of these two hurdles was exemplified by our unusually low, single-digit year-on-year (YOY) 1.4% revenue growth rate in 2008. We are happy to report that, capitalizing on the power of teamwork, dominant market position, strong business strategy focus and operational excellence, we were able to stage a turnaround in 2009 and return Telkomsel to normal revenue growth.

STRONG FINANCIAL RESULTS: BACK ON TRACK

We ended the year with both operating revenue and EBITDA showing positive growth, a particularly impressive achievement given the difficult overall business environment. This turnaround has reshaped our growth curve and put us back on the track of our more typical double-digit growth at 12% YoY (2009) compared to 1.4% YoY in 2008. We booked Rp41.58 trillion in net revenue in 2009, compared to Rp37.20 trillion in 2008. These results were driven by a winning combination of three crucial elements: an excellent marketing strategy, timely price optimization and adequate network availability.

Through strong pricing and cost management, we raised our EBITDA by 14% YoY in 2009 compared to -6% YoY growth in 2008, booking Rp27.33 trillion compared to Rp24.06 trillion in the previous year. Net income improved from Rp11.42 trillion (2008) to Rp13.16 trillion (2009), moving from negative growth (-16% in 2008) into positive territory (15% in 2009).

Sarwoto Atmosutarno
Chief Executive Officer

Improvements in back-end efficiencies contributed to the positive results in operating and capital expenditure. Our efficiency initiative put pressure on costs, cutting operating expenses growth to 12% or Rp22.79 trillion in 2009, down from 22% or Rp20.40 trillion in 2008.

STRENGTHENING OUR BUSINESS FOUNDATION

Our strong financial results, which are particularly notable in this difficult year, underline the continuing relevance of certain key success factors in driving revenue growth and keeping costs down. These success factors are, first, a robust customer base; second, high quality underlying network and IT infrastructure; and lastly, skilled human resources and a strong organization. All three factors are the outcome of the solid business foundation laid in previous years and together, they allowed us to increase our market share and deliver significant revenue growth in 2009.

Building on our fundamental strengths, we took several steps to reinforce and develop this foundation. We grew our already sizeable customer base. In addition, rather than engage in the price war, which we saw as being detrimental to our long-term business sustainability, we initiated a price optimization strategy. We also enhanced our network and IT infrastructure to support improved connection quality as we sought to optimize network usage in order to meet the rising demand from our growing customer base.

The heavy burden placed on our IT systems by the demands of this substantial customer base requires a robust network, business operation, support system and customer profiling, as well as clear customer retention objectives. We are pleased to note that all these factors came together in 2009, enabling the smooth delivery of our products and services to customers. We increased the overall capacity of our network by 27%, adding 4,120 new BTS and 3 new Telkomsel Telecommunication Centre. This expanded capacity was sufficient to meet the additional volume of voice and data traffic to the tune of a 44% growth in Minutes of Usage to 130.3 billion MOU and a 29% growth in short messages to 100.4 billion SMS.

HR MANAGEMENT & ORGANIZATION DEVELOPMENT

To be able to adapt to the new dynamics in the business environment and to ensure that the rapid growth of our business is sustainable, we need to establish and institutionalize a strong internal culture.

Strategically, we have made the development of our people and organization a central priority. We view our efforts in this direction as creating long-term value that will transform the Company into a high-performance organization. Operationally, in order to focus more effectively on human capital development, we established a new HR sub-division to enhance performance-based management.

One of the key initiatives implemented in this area in 2009 was a special development program for one hundred talented people.

On the commercial side, the organization continued to be shaped by our future business requirements. Responding to the distinct characteristics and demands of the voice, data and value added service businesses, we established separate units for New Business, Sales Operations and Marketing, which were previously consolidated into one portfolio. Our regional branch organizations were also strengthened in preparation for the increasing competition in the future.

THE NEW BUSINESS: PLATFORM REQUIRED

The right strategy and prudent management decisions are essential to our business. With those two elements in place, we are confident that we will be able to achieve our target of 100 million customers in the coming year, preserve Telkomsel's dominant position in the market, and our transformation process to the "new wave" (databased business). Nevertheless, given the fiercely competitive climate in the industry we are proactively strengthening the business foundations for long-term, sustainable growth.

Beside transforming into a high-performance organization, this undertaking also involves the transformation of end-to-end business

processes and key capabilities and assets. These last two strategic measures will allow us to redesign our enterprise architecture, build up more flexible and integrated network and IT infrastructure, which includes an operation support system (OSS), billing support system (BSS) and customer support system (CSS), manage the ecosystem, as well as leverage synergies with our parent companies.

Going forward, to leverage our strong fundamentals in the transformation to the new wave, we are establishing new business platforms as significant sources of revenue that we believe will counterbalance the slowing growth of the legacy business. First, a strong platform for digital music, to seize the business opportunities offered by channeling music products through the mobile industry. Second, a strong platform for digital business, to enable electronic payments for a broad range of transactions. Third, a strong platform for mobile advertising, to leverage our customer base as a substantial target market that other business players are interested in reaching. Moreover, we will use these platforms as the basis for initiating flexible and mutual partnerships in growth areas such as the content and creative industries, to further leverage potential benefits and synergies.

LOOKING AHEAD

With a global economic recovery imminent, we see signs of stabilization in the international as well as the domestic macro economy. However, the coming year is likely to bring highly complex challenges related to changes in the competitive landscape, consolidation in the industry and new regulations on convergence. Any of these factors will affect our business and anticipatory measures need to be taken accordingly.

That said, we are confident that we can address the challenge of future competition from a strong business foundation, including platforms that can more than adequately support our new businesses. These assets will enable us to achieve our four strategic objectives for 2010, namely, surpassing the 100 million customer milestone; readying 24 major cities for broadband; growing the share of new business revenue to exceed 10% of our total revenue; and the continued evolution of our human resources, high performance organization and business processes. With the necessary resources at hand, a skilled workforce and a management team experienced in business transformation and competition, we are confident that we can achieve these objectives.

On a final note, I wish to thank all Telkomsel's shareholders for their continued commitment and support, which has enabled us to deliver value in an extremely challenging time. It is my sincere hope and expectation that all our shareholders and stakeholders will enjoy growing benefits from Telkomsel in the coming years.

Sarwoto Atmosutarno
Chief Executive Officer

Profile of the Board of Directors

SARWOTO ATMOSUTARNO, **PRESIDENT DIRECTOR**

Mr. Sarwoto Atmosutarno earned a degree in Economics from Airlangga University in 1985 and obtained his Master of Business Engineering in Telecommunications from the Ecole Nationale Superieure Des Telecommunications de Bretagne, France in 1995. Mr. Sarwoto has served in various key positions in TELKOM, including Head of the Infratel Division (2007), Head of the Long Distance Division (2004), Assistant EVP Network Business for Interconnection Policy (2003) and Vice President of Tariff and Interconnection (2001). He was awarded the Bintang Jasa Nararya (2009) and Satya Lencana Wirakarya medal (2000) medals by the President of the Republic of Indonesia. As President Director and Chief Executive Officer of PT Telkomunikasi Selular (Telkomsel), he is responsible for Telkomsel's overall management.

TRIWAHYUSARI, **DIRECTOR OF FINANCE**

Ms. Triwahyusari graduated from Airlangga University with a degree in Accounting. Appointed as Director of Finance and Chief Financial Officer of Telkomsel in 2007, she is responsible for the overall financial management of Telkomsel. Ms. Triwahyusari was previously a member of Telkomsel's Board of Commissioners (2003-2007) and Vice President of Accounting at TELKOM.

HERFINI HARYONO, DIRECTOR OF PLANNING AND DEVELOPMENT

Ms. Herfini Haryono graduated with a Diplom-Ingenieuer degree in Electrical Engineering from the Technical University of Braunshweig, Germany. Before being appointed as Director of Planning and Development, she was Vice President of Business Control (2007-2009), in charge of the company overall budgeting & performance analysis and Investor relations functions, and Vice President of Radio Access Engineering and Implementation (2004-2006) at Telkomsel. Prior to this, she held various positions in other companies, among them as Senior Manager of Radio Network Planning and Engineering at StarHub Singapore (1999-2004), in charge of overall planning, implementation and optimization of the StarHub Mobile Network at its initial stages, and System Engineering Manager at PT Motorola Indonesia (1994-1997).

NG KWON KEE, DIRECTOR OF OPERATIONS

Mr. Ng Kwon Kee graduated from Brighton Polytechnic, UK, with a Bachelor's degree in Electrical & Electronics Engineering (Honors). He was appointed as a Commissioner of Telkomsel in 2008-2009. He was previously Program Director and Director of the Broadband Connect Consortium in Optus, a wholly owned subsidiary of SingTel. From 2004 to 2006, he was Director of Operations at Telkomsel, in charge of Network Design and Operational Management. Prior to 2003, he was the Senior Director (Network Integration & Interconnect) of Network Services at SingTel. In this role, he had overall responsibility for managing network interconnections and access, including the negotiation of interconnection agreements. He was also involved in the network integration with Optus and reviewed and streamlined the business process in the Network Group.

LEONG SHIN LOONG , DIRECTOR OF COMMERCE

Mr. Leong Shin Loong graduated with degrees in engineering from Northwestern University and Rensselaer Polytechnic Institute, USA and completed the Advanced Management Program at Harvard Business School in 1999. As Director of Commerce, Mr. Leong Shin Loong is responsible for all the Marketing, Sales, Products and Customer Service activities of Telkomsel. Before assuming this role, Mr. Shin Loong was a member of Telkomsel's Board of Commissioners (2007-2008) and SingTel's Vice President of Project Quantz, in charge of the implementation of a high digital access network in Singapore to deliver breakthrough services to homes and offices. Prior to that, he spent two years with Advanced Info Services in Thailand and three years with Telkomsel in Indonesia (2001-2004) as Director of Planning & Development (2001-2002) and Director of Commerce (2003-2004).

Business Portfolio

Advancing towards its vision of becoming the best and leading mobile lifestyle and solutions provider in the region, Telkomsel remained the dominant provider by market share and maintained its trendsetter position in Indonesia.

This achievement was marked by our success in maintaining a dominant market share, at 49% of the full mobility market and by the market entry of our new businesses, Telkomsel Flash, T-Cash, T-Remittance and iPhone. It was confirmed, moreover, by our creditable revenue and capitalized income growth. The key factors that enabled us to reach this level of performance were the right product positioning, strong brand management and business competitiveness based on service excellence. Within our product portfolio, basic voice and SMS services continued to be our main revenue drivers, contributing more than 90% of total revenue. The following provides a more detailed analysis of our products and their potential with regard to current market conditions.

Basic Telephony Services

Telkomsel is the dominant player in basic cellular telephony services. The cellular industry is one of the fastest growing sectors in Indonesia, with the total customer base showing 37% CAGR growth over the last five years. As of the end of 2009, the entire customer base of the eight existing operators had reached 166 million, equivalent to 71 wireless telephones per 100 inhabitants or a 71% penetration rate. Due to multiple simcard holders real penetration, however, is estimated to be lower, at 40% to 50%, suggesting that there is still enormous potential in this sector.

We have three strong brands serving different segments in the basic telephony market: *kartuHALO* for postpaid subscribers and *simPATI* and Kartu As for the prepaid market. We offers a full range of basic GSM services for the benefit of our customers:

- Call waiting
- Call forwarding
- Voice mail
- International roaming
- Short message service (SMS)
- IDD/International Service

kartuHALO. Several versions of *kartuHALO* are on offer, providing differentiated solutions for customers across a broad spectrum of interests:

- HALOkeluarga, targeting family members who frequently communicate with one another by cell phone.

- HALObebas, which gives customers the freedom to choose from among packages that deliver different product benefits.
- HALOData, aimed at customers who require data communication access through a GSM/GPRS network.
- HALOhybrid, designed to allow our customers to enjoy the advantages of both postpaid and prepaid features simultaneously.

simPATI. Indonesia's most comprehensive rechargeable prepaid service also offers the best off-peak rates. *simPATI* is offered in various editions:

- *simPATI* PeDe.
- *simPATI* M@X

simPATI offers the most popular voice package program through Talkmania Reguler, which is available nationally and Talkmania 1000, which targets certain regions. Another popular *simPATI* product is Mobile Campus, the country's first mobile campus solution.

Kartu As. Dedicated to the more cost-conscious market segment, offering an array of innovative and cost-effective services such as a per second flat tariff and a credit transfer facility that enables subscribers to transfer credit to other Kartu As customers using a designated SMS command. Two starter packs are available:

- Kartu As, with a Rp10,000 starter pack, and
- Kartu As Forever, with a Rp5000 starter pack.

The best known Kartu As program is the Serba Seribu, penny package promotion that offers all features for just Rp1000.

As of the end of 2009, *kartuHALO* had 2.03 million subscribers, *simPATI* had 57.99 million subscribers and Kartu As had 21.62 million subscribers, bringing the total cellular customer base to 81.64 million, or 49% of the total customer base of all full mobility operators totaling approximately 166 million customers (fixed wireless access customers excluded).

In 2009, *simPATI* continued to be the main engine of growth. With a net add of 14.96 million subscribers, *simPATI* maintained its position as the most robust brand in the market. The

tremendous growth of *simPATI* over recent years in difficult conditions is attributable to its strong brand and effective marketing strategy, which has included various bundling programs.

kartuHALO also recorded excellent results over the year. Targeting the high end segment, *kartuHALO* booked 94,000 new customers and has the highest ARPU of all the postpaid services in the market.

Kartu As grew 6%, picking up 1.29 million new customers. This growth was driven mainly by the popularity of the Serba Seribu program and the lower cost Rp5000 starter packs.

Value Added Services
Complementing our basic services, our non-voice and non-basic services have recently shown promising growth. Our ability to roll out our network in parallel with the development of creative services and content on the supply side and the growing trend of advanced gadgets and smartphones on the demand side is driving new trends in communication, particularly through non-voice text, data and video features. To meet the needs of market and remain at the forefront innovative product development, we offer the following product line-up:

• **Internet & Broadband (Telkomsel Flash)**
The rapid development of Telkomsel's 3G and HSDPA network, which is now available in 150 cities, as well as the escalating trend of both data-enabled phones and

social networking (Facebook) has driven a 104% growth in Telkomsel Data users, from 6.2 million in 2008 to 12.6 million in 2009. There has also a significant growth on Broadband users which grew 710% to 1.66 million. The majority of this growth is attributable to Micro Broadband packages, with prices starting from as low as Rp1000. The key drivers of broadband revenue have been the Unlimited Data Plans. Telkomsel was the first to launch Unlimited Plans in May 2009 under a Fair Use Policy model.

As the leader in the broadband market, Telkomsel was the first to launch the 'Next Generation Flash' HSPA+ (with speeds of up to 21 Mbps) on Telkomsel's live network in November 2009. This achievement gave Telkomsel the fastest broadband network in Jakarta, Semarang, Yogyakarta, Surabaya and Medan, which were the first five cities to be equipped with HSPA+. The upgrade will be rolled out to 24 key cities across Indonesia throughout 2010.

• **BlackBerry & Smartphone Bundling**
In November 2009, Telkomsel was the first in the world to launch BlackBerry Lifestyle, an affordable BlackBerry service exclusively for Social Networking & Chatting and tailored to the Indonesian market, with prices starting from Rp2000 per day. The combination of Telkomsel's leading data network coverage quality, our

BlackBerry bundling strategy and the establishment of a dedicated BlackBerry service centre in August 2009, has given a significant boost to the number of Telkomsel's BlackBerry subscribers.

Telkomsel was chosen by Apple as its first official partner in Indonesia for the launch of the iPhone 3G in March 2009. Telkomsel's success in rolling out the iPhone is largely attributable to Telkomsel's high quality data network, a competitively priced bundling package that includes bonus data, voice minutes, SMS and MMS and of course Apple iPhone's iconic status as the innovator of the smartphone experience.

- **Mobile Banking**
  Growing fast on the back of the advanced digital technology being incorporated into cellular communication systems, this mobile banking product offers additional ease and flexibility in almost every aspect of today's lifestyles.

  Telkomsel has focused on two products: mobile banking, which grew consistently in line with the trend of previous years and digital wallets, which is demonstrating considerable growth potential. Our mobile banking product showed convincing revenue growth through 2009 as a direct result of our concerted efforts to collaborate with bank partners.

- **T-Cash**
  T-cash is a value added service that allows customers to use their mobile phones (MSISDN) for payment and remittance transactions at selected merchants or partners. It currently offers a range of features including micropayment (purchase/payment), remittances, Check Balance, Change PIN, Top-Up Pulsa, Check Last Transaction and Reset PIN.

  Telkomsel is one of just a handful of operators that have been granted licenses for micropayment and remittance services by the Bank of Indonesia (BI). Transactions may be performed either offline (at

designated merchants) or online (through USSD and SMS).

As of the end of 2009, the T-cash service had attracted a total around of 720,000 customers and 130 merchants, supported by a total of 4,181 terminals for micropayment and 124 terminals for remittance. The sharp growth of T-Cash was attributable to aggressive marketing efforts combined with the tangible benefits of this useful product.

- **Ring-back Tone (RBT)**
  Ring back tones is a highly popular personalized GSM feature that is making a significant contribution to Telkomsel's revenue, taking advantage of our huge customer base.

- **International Service.**
  In December 2009, Telkomsel launched its own international VoIP 01052 service. VoIP 01052, which is routed through international VoIP channels, offers significantly discounted international calls compared to existing IDD services on the market.

  Telkomsel also launched *simPATI* Kangen Malaysia in corporation with Maxis, Malaysia's leading GSM Operator. *simPATI* Kangen Malaysia offers variety of services, such as discounted international calls and international cell phone credit top-ups by transfer, specifically targeting Indonesians working in Malaysia to enable them to stay

in touch with their families and friends in Indonesia.

CORPORATE ACCOUNT MANAGEMENT

TELKOMSEL's Corporate Account Management (CAM) division was established to meet the particular requirements of corporate customers, with its mission of serving our customers' future needs today, wherever they are, seamlessly and consistently.

In 2009, CAM was tasked with acquiring new corporate customers and cultivating existing corporate customers to effectively penetrate this relatively untapped, high potential market segment.

To accomplish the mission, CAM devised five strategies that reflect Telkomsel's commitment to its corporate customers: (1) A Whole New World, (2) Share the Vision, (3) Lead the Change, (4) Unleash the Power and (5) Be the Best.

Armed with a reputation for excellence and the ability to provide a comprehensive suite of telecommunication services, we offered unsurpassed customer service to a wide range of corporate customers throughout the nation. Business customers, in turn, were attracted by our innovative solutions that we were able to provide. By providing these solutions, generating new ideas and committing ourselves

The CAM division recorded significant results throughout 2009 in terms of both customer base and total revenue, surpassing the targets previously set. One of key success factors behind these results is, we believe, Personalization®.

to provide quality products and services, Telkomsel was positioned as a strong partner in driving the success of our corporate clients.

The CAM division recorded significant results throughout 2009 in terms of customer base and total revenue, surpassing the targets previously set. One of key success factors behind these results is, we believe, Personalization®.

Personalization offers our customers exclusive services that are tailored to their specific needs, as follows:

- **Personalized Solution**
  Various combinations of solutions to meet our corporate customers' needs, ranging from wireless connectivity and business mobility to business leveraging and other solutions.
- **Personalized Service**
  Telkomsel assigns a dedicated corporate account management team, led by a Corporate Account Manager, to handle individual clients.
- **Personalized Hotline**
  24-hour service for our corporate customers.
- **Personalized Package**
  A special tariff package.

Expanding Corporate Customer Base

We were not only succeeded in acquiring corporate customers through competitive bids, but also successfully retained existing customers in various lines of business, including the finance and banking sector, customers from our parent company groups (the TELKOM Group and the SingTel Group) and customers in trading and services.

Our Corporate Business Solutions (CBS) offer our business customers connectivity anytime, anywhere through mobile virtual private networks (MVPN), BlackBerry® PushMail and broadband access via Telkomsel Flash. CAM also emphasizes customized and personalized services in order to fulfill the needs of our corporate customers to improve their business process. The HALObebas Corporate Package and Bulk Data Package are two such personalized service packages.

This CBS initiative has proven effective in increasing our customer base and growing our revenue. Recently, we began offering Corporate Business Solutions in the following categories:

- **Business Mobility**
  Solutions to fulfill all mobile communication and decision-making needs for corporate

customers by enabling them to access internal corporate information anytime, anywhere.

Push Email BlackBerry®, Hosted PushMail BES, iPhone, Sales Force Automation and Intranet Application Access are examples of solutions offered through Business Mobility.

- **Wireless Connectivity**
  Today's businesses require the best technological support possible to achieve optimal results. Wireless technology can also help by significantly reducing operational costs. The solutions we provide in the Wireless Connectivity category include ATM over GPRS, EDC over GPRS, Small & Remote Office Connectivity, Mobile Tracking &

Fleet Management and Telemetry Application.

The fast, high quality service delivered through these solutions enhances our corporate customers' business performance, enabling them to achieve their corporate targets.

- **Business Leveraging**

  These solutions are designed to increase our corporate customers' leverage in staying ahead of their peers. Included in this category are Prepaid Top Up, SMS Service, NSP1212 for Corporate, Mobile VPN and Fixed Wireless Connectivity.

- **Other Solutions**

  Additional new services that do not fall into the previous categories include TelkomselFlash, T-Cash, TELKOMSEL Pelindung Dataku, Video Call Conference, Video SMS and Chatbox.

In order to provide exceptional service to the corporate segment, each customer is assigned a dedicated account management team. The account management team members are skilled professionals capable of delivering dedicated advisory services to our corporate customers and devising effective, tailor-made solutions to their communications problems. With a clear focus on superior products and service, we achieved a 26% growth in our corporate customer base, leading to

a total of 561 thousands subscribers as of the end of 2009. This was a significantly improved net add compared to the previous year's net add of 15%.

Major Events and Programs

Mutual benefits were created through a two-way communication strategy with our corporate customer users, CEOs and decision makers. In keeping with the spirit of this strategy, we conducted a series of Business Seminars and Sales Exhibitions in Jakarta, Bandung, Surabaya, Denpasar,

Makassar, Medan and Batam, which were attended by more than 1500 corporate customers in total.

Other important events held during 2009 were:
- CEO Gathering on September 25-28, 2009, coinciding with the F1 Night Race Trip to Singapore.
- FGD and Media Gathering to relaunch Hosted BES solutions.
- Annual Corporate Management Meeting to consolidate our resources, on the theme of 'Take Off for Winning the Second Curve'.

Human Resources

Human resource management is a distinctive approach to people management, which seeks to achieve the competitive advantage of organizations through the strategic deployment of a committed and capable workforce, using an integrated array of cultural, structural and personnel techniques (John Storey, 1995).

Given the massive network and resources required to support modern telecommunications services, a competent and committed workforce, deployed through a solid and smart learning organization, is an absolute requirement. The management of our human resources (HR) is therefore a top priority for Telkomsel. To develop our business, we must first develop our people and our organization as the driving forces behind our success. To do so, we employ a human resources management model with an integrated cultural, structural and personal approach that we are constantly adjusting in order to meet the needs of our huge customer base, massive network and broad product portfolio.

CENTRAL ROLE OF PEOPLE DEVELOPMENT

As we seek to compete in the increasingly competitive environment of the telecommunications industry, the need for an innovative workforce is paramount. Believing that a professional workforce with strong leadership is the best weapon for an organization that wants to win, Telkomsel's management is committed to investing and developing in our people. This commitment requires comprehensive efforts to talent scout, recruit, hire, coach, manage and reward people.

In line with these priorities, our HR theme for 2009 and beyond was People Development. This theme was reflected in our efforts in two key areas: organizational development and people development.

Telkomsel aims to be the employer of choice.

Organization Design and Structure

A competitive business environment, characterized by the rapid development of technology, requires a smart and adaptive learning organization. Recognizing this need, Telkomsel undertook a redesign of our Human Resource division and Commerce division in order to create an appropriate organizational and governance model capable of responding to our fast changing, competitive business environment, as well as strengthening our people management.

Under the new organizational structure, the governance model between the head office and regional branches was redefined, strengthening the regions through various initiatives including the establishment of a Special Area Development sub-directorate.

Talent Management

Our talent management system is built around an integrated annual cycle of competency development, performance planning, tracking and evaluation and ranges from the Directorate level down to the level of individual employees.

The talent management system directly links individual achievements to overall organizational performance targets and models of competency development. As well as providing one of the primary inputs for our remuneration system, this model yields benefits for both employees and employer as it provides a framework for attracting, retaining and rewarding high achievers in an increasingly competitive market of skilled employees.

Recognizing that leadership is the engine of growth, we designed a Three-Pillar Leadership Program to cultivate existing and potential leaders. The three pillars are Lead Yourself, Lead Your Team and Lead Your Business. Assessments and 360 degree feedback are periodically carried out, allowing for ongoing monitoring by top leaders and the corporate division as a whole.

Job Evaluation

As part of the drive to create an effective organization, we carried out job evaluations during the reporting year. Job evaluations involve, among other matters, determining how much one job is worth relative to the other jobs in a company so that a fair and equitable wage and

salary system can be established. Job Evaluation 2009 was designed based on accountability measures, with an emphasis on the scope of responsibilities of each position and their respective contributions to organization.

Corporate Culture

Nurturing and shaping an appropriate corporate culture is an important part of Human Resource development. The fundamental values of our corporate culture include teamwork, professionalism, customer intimacy and integrity.

Embedding these values of teamwork and professionalism in our corporate culture will lead to excellence and outstanding performance in everything we do, including the delivery of products and services to customers, our interaction with stakeholders and with society and our delivery on promises to our people. Strengthening customer intimacy and integrity will guide our people to be responsible, honest, open, transparent and fair in all our dealings with stakeholders and colleagues.

Furthermore, the internalization of those values into our corporate culture helps to build collective corporate responsibility. This brings our people together through a shared sense of purpose and direction, reinforcing their understanding of behaviors that are acceptable and those that are not. Indeed, this corporate responsibility mandate is an essential part of our brand

In 2009, performance appraisals were implemented through our Human Resources Information System. This allows our HR Department to describe, monitor and control employees' performance. At the same time, the system also helps our HR Department to recognize employees' needs for training and development and subsequently organize the necessary training. The training input analysis was used to compose the training catalogue for the year 2010.

As a modern organization that relies on information technology, we continued to roll out the Telkomsel Human Resource Information System initially deployed last year, as follows:

- Using the iExpense application, principally for the medical reimbursement of employees;
- Enhancement of Training Modules and the Enrollment Training Mechanism;
- Alignment of the new income tax procedures with Telkomsel's payroll system.

Telkomsel aims to be the employer of choice. The company takes care of its employees, provides extensive training for personal development and supports the spiritual needs of each individual. Telkomsel objectively evaluates individual performance and considers its employees to be a vital capital resource for the Company. As such, Telkomsel is committed to protecting and improving the workforce both at the individual level and as a whole.

and Telkomsel's management is committed to ensuring that it is embedded in everything our people do and the way they interact with our stakeholders.

Once the values are internalized, they begin to shape the culture. As an organization united by a common culture and built on a foundation of shared values, we can pursue our strategies in a competitive environment with greater confidence. By embracing these core values, therefore, we are strengthening and shaping our corporate culture into one that supports the development of our people to their full potential and one that encourages the pursuit of excellence.

HR System and Policy Development
In keeping with our innovative and technologically advanced mindset,

we continue to embed Information Technology (IT) in our HR functions. We refined and improved the IT-based HR application called Telkomsel Easy, particularly with regard to the mechanisms for measuring employee performance.
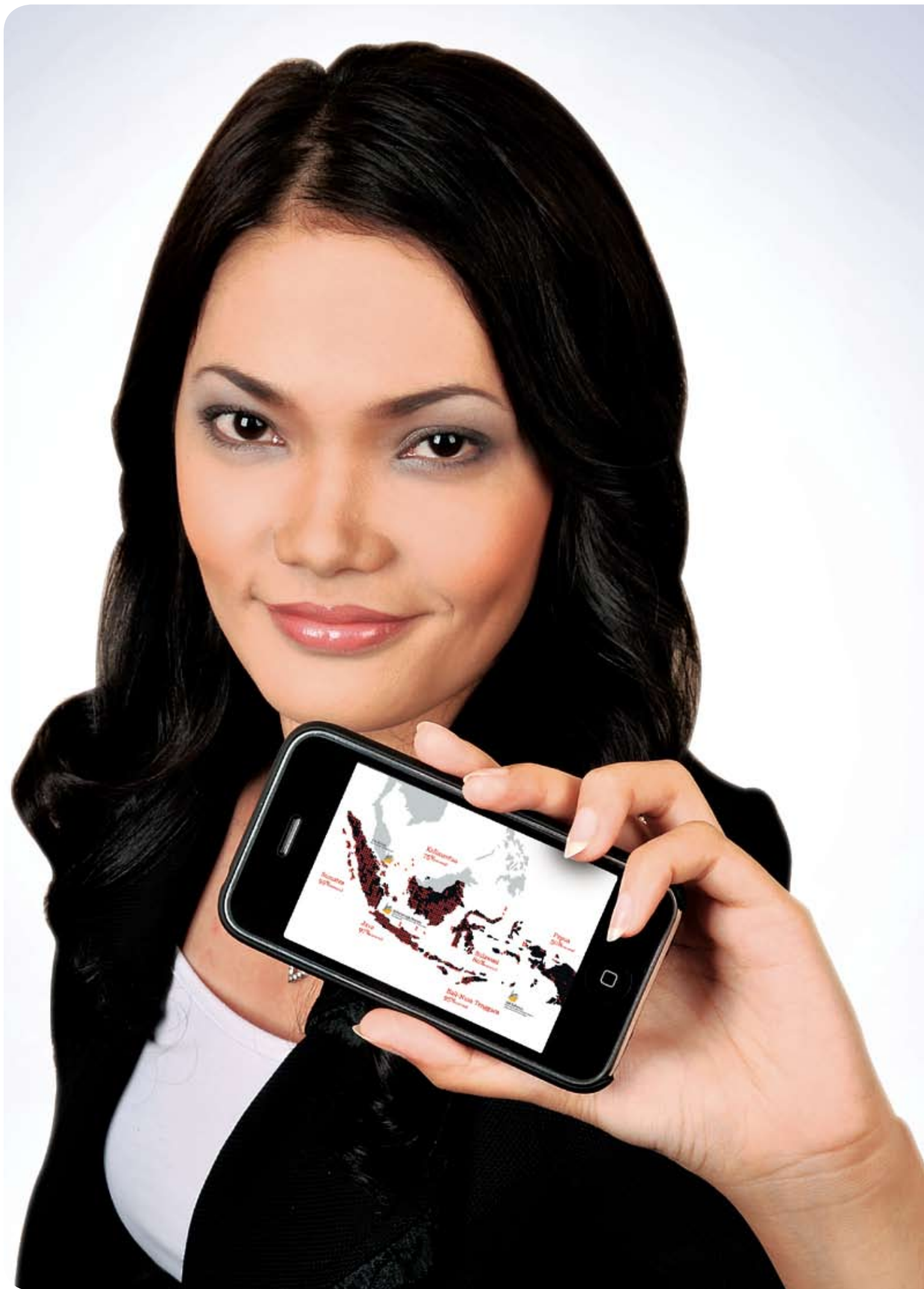
As clearly stated in the employee contracts, performance is measured on the basis of Unit Performance Targets as well as Individual Performance Targets. Each employee has defined objectives and targets set for each performance review period. These objectives are directly aligned with Telkomsel's strategy and deal with specific areas of implementation and execution. Employee performance is regularly measured against these objectives and evaluated accordingly.

Network

Our network plays a critical role in delivering connectivity to our customers. A premium quality of connection is mandatory in order to maintain our customers' loyalty.

The explosive growth of our customer base from 65.3 million customers at the end of 2008 to 81.6 million at the end of 2009 placed a heavy burden and challenged our network to deliver under these conditions, a challenge which, however, we are pleased to report that Telkomsel was successfully able to meet.

We were fortunate that we had experience in handling high growth from the previous year, during which we faced a spectacular 257% growth in minutes used. We were able to apply the lessons we learned from this experience to focus our efforts in 2009 and beyond, improving our network and ensuring a good end-to-end customer experience, starting from ease of joining the network, linking into any type of connectivity and experiencing good service.

In terms of service, our network should ideally be able to offer our customers the freedom to choose any type of connectivity, any time and anywhere they want. In practice, this breaks down to adequate network capacity, coverage and quality in timely manner. To deliver on these measures, we need to be backed by a modern network with adequate availability and reliability, one capable of offering a full range of services: voice, text, data and video.

Three strategic initiatives were implemented to realize these aims for our network: (i) a massive network expansion, (ii) prevention management and (iii) acquisition of the latest technology. In addition, we attempted to carry out these aims in the most environmentally way possible, through a 'go green' initiative.

Thanks to these initiatives, we are pleased to report that 2009 was a successful year for network provision. We emerged with a stronger network base, ready to face the intensifying competition in 2010 and beyond.

MASSIVE NETWORK EXPANSION

Consistent with our strategy for network expansion, we continued the massive capacity expansion of our network. In total, we added 4,120 new BTS (2G & 3G), a 15% expansion which increased our network capacity by 27% compared to the previous year, giving us to the capability to serve 85.2 million users. This additional capacity was sufficient to accommodate the growth in customers and higher total minutes used during 2009, while strengthening our fundamentals for years to come. We expanded our network coverage for Java, Bali, Nusa Tenggara and Sumatra to reach more than 98% and for Eastern Indonesia Region (including Kalimantan) to reach 80% of the population. This included substantial efforts to put in place adequate network capacity for the high-traffic Idul Fitri season. As a result, we were able to successfully handle more than 130.3 billion minutes of calls (44% higher than 2008) and more than 100.4 billion SMS (29% higher than 2008).

Universal Service Obligation (USO) Program

Another Telkomsel coverage expansion initiative was implemented under the USO program. At the end of 2008, more than 35,000 villages in Indonesia had no access to telephone services. Under its Universal Service Obligation (USO) telecommunications program, the Government of Republic of Indonesia committed to connect those villages, enlarge the coverage, and overcome the problem of "digital divide" by 2014. The main challenge faced by the USO program was how to create an affordable and sustainable system. Telkomsel has committed to support the initiative, proactively.

By presenting an affordable and sustainable solution to the USO program needs, Telkomsel successfully won the government project. We were able to achieve this through a blend of creative manpower, advanced technology and supportive management.

In total, Telkomsel committed to delivering connectivity to 25,486 villages in five packages, through the use of IP (Internet Protocol)-based GSM technology Remote Solution System applications. These systems employ IP-VSAT technology and Pico-BTS (Base Transceiver Station) using power supplied by solar cell systems or APB (Automatic Power Backup), in the case that commercial power is unavailable.

Such systems are the ideal solution for these difficult-to-reach remote areas, for which conventional systems of self-supported towers, BTS and commercial power systems are not viable. Rather, remote areas require compact and cost-effective systems that are also simple to install, operate and maintain and which Telkomsel was able to successfully deliver. As of December 2009, we launched our 20,772th site at the village of Kaliau, Sambas, West Kalimantan, well on our way to achieving our overall target. Through this USO implementation and together with the Telkomsel Merah Putih Project we launched earlier, we are committed to support the government program to expand telecommunication coverage until remote and frontier areas.

PREVENTION STRATEGY IN O&M

With regard to our network operations and maintenance (O&M), we shifted focus from 'putting out fires' to 'preventing fires.' Our prevention strategy includes standardization of O&M procedures and protocols for the newly deployed network elements, as well as setting up key performance
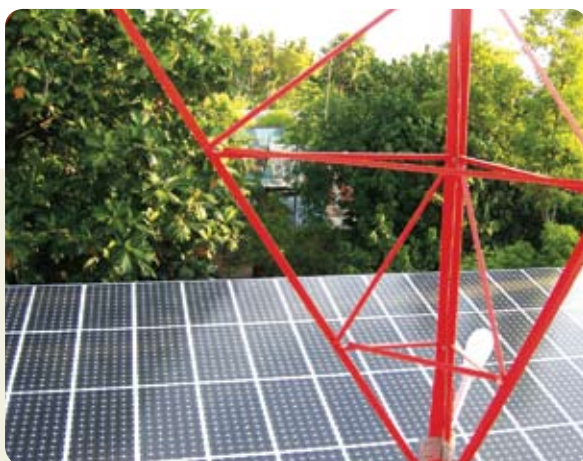
indicators based on international best practices. Continuous improvement in network availability and reliability through network optimization is the part of our goal, which we have been progress towards as reflected by our operational indicators. Our 97.84% Success Call Rate (SCR) for 2009 improved 3.86% compared to 2008.

This initiative, of course, is supported by modern network management tools. Network surveillance and management of the entire network is crucial. In order to guarantee network performance, we deployed 3 new Telkomsel Telecommunication Centers (TTC) on top of the existing 23 TTCs.

LATEST TECHNOLOGY ADOPTION INITIATIVE

Given modern market dynamics, a comprehensive modern cellular network is mandatory in order to compete and to cater to customers' demands. By modern, we refer to the capability to deliver a full range of services: voice, text, data and videos, preferably packaged in a creative manner.

In order to be able to do so, we continuously expanded our broadband network on our 3G and 3.5G technology platforms. This was aided by our being granted an additional 5 MHz 3G frequency spectrum in 2009. Subsequently, Telkomsel has implemented HSDPA

technology capable of delivering mobile broadband services at speeds of up to 14.4 Mbps and HSPA+ 21 Mbps in certain major cities. This broadband product, branded Telkomsel FLASH, has kept Telkomsel in the lead position for new wave cellular business. HSDPA, together with other 3G-based services such as video calls, mobile video and mobile TV, constitute 'new wave' products that we believe will be the key drivers of Telkomsel's growth in the future. In parallel, we continued the large-scale deployment of our 3G and HSDPA networks, completing 1,652 Node-B sites in 2009. At the end of 2009 we had a total of 4,870 Node-B sites spread all over the country.

Preparations have also been made for the Next Generation Network (NGN), which will enable a massive roll-out of data backbone and broadband services. One New Wave service that is already on the market, T-Cash, offers cash transactions via cellular mobile terminals, providing a glimpse of the exciting future that awaits Telkomsel's customers.

GREEN SOLUTION INITIATIVE

Environmental concerns and continuous innovation are values embedded in Telkomsel's corporate culture. The two meet their match in our clean energy initiative, which aims to find alternative energy solutions for our network operation. The initiative,

part of our overall effort to be ecofriendly, explores the applications of solar cell, fuel cell, wind turbine and micro-hydro power systems.

We first began applying solar cell power systems in 2003 at our 10,000 VA-capacity Tongkeng Island, Pulau Seribu site. Telkomsel is committed to deploying this clean energy system for more sites in future.

Power systems are one area where Telkomsel has made major strides. We deployed a number of microhydropower system for areas facing commercial power constraints.

We have tried also to reduce power consumption for airconditioning system in certain sites of BTS. For BTS sites that technically feasible, Telkomsel no longer uses shelters which require electrical air conditioning system. Instead, we change the cooling system from electrical airconditioning to engineered normal air flow within the shelter. We have started for new BTS sites and gradually applied to certain existing sites. It is believed to lower greenhouse gas emissions , power consumption and maintenance cost as well.

Finally, we are committed to continuously exploring and using cutting edge green power technologies. The use of hydrogen as a power source is one of the milestones.

Information Technology

The key role of Information Technology impacts all our operations from our network—the heart of our business—to our frontline customer service.

State-of-the-art Information Technology (IT) supports all our activities, from our core system to our support systems. Its role must be strategically managed if we are to deliver sustained growth to our shareholders and service excellence to our customers.

During the reporting year, we embedded IT functions further into product and service development activities, business operations, customer retention initiatives and enterprise management. This included rolling out the implementation of a Data warehouse, the migration of 14 VAS products into a single platform called Reflex, enhancement of the Disaster Recovery Center (DRC) and improvement of MKIOS availability and reliability.

Our strong commitment to service excellence produced a number of convincing operational results. Overall, our service availability for both premium and regular service exceeded our targeted service level of 98.00%. These excellent performance indicators, in turn, drove significant growth in revenues, services and ultimately, our profitability.

PRODUCT SUPPORT DEVELOPMENT
Whether launching new products or enhancing existing products, strong IT support is required, in both core product operations and service management. During 2009, we delivered an IT system for the iPhone launch, a lounge website (blackberry.telkomsel.com) and Telkomsel Flash for our prepaid customers.

SERVICE ENHANCEMENT

We launched the DRC (Disaster Recovery Center) as part of our disaster recovery management. This vital system ensures operational continuity in the event of an unforeseen disaster. We enhanced our Value Added Services (VAS) management as well, through the enhancement and reengineering of VAS contents and products.

To reinforce our internal business processes, we launched INDIRA GRID to support our business management and accounting process with the aim of strengthening our corporate governance practices, changes that in turn are mirrored by improvements in the Company's business performance.

MOBILE ADVERTISEMENT

We further enhanced our Mobile Advertisement Service capability and management, continuing the development of this service that

we began in 2008. Embedded in our Kartu As Fress product, this service offers not only conventional voice and data services but also news and information, allowing content providers to advertise their products and services by messaging/SMS, as well as through Ring Back Tones (RBT).

MOBILE BROADBAND (TELKOMSEL FLASH) VOLUME BASED BUNDLING

We continued to improve our Telkomsel Flash service to provide data transfers (internet access, email exchange, social networking and full track downloads) for mobile customers. The IT Division supported the adjustment of *kartuHALO* and *simPATI* PeDe bundling promotions in order to derive optimum performance from the network.

IT SERVICE AVAILABILITY IMPROVEMENT

During 2009, we enhanced our ITOCC (IT Operation Control Center) system, featuring the integrated

monitoring system of servers, network, storage and applications. All of Telkomsel's IT-related services connect centrally to the ITOCC, allowing ITOCC management to continuously monitor the status of our systems. This concept is based on a Business Service Management Method. System improvements included restructuring the IT organization to become more focused on IT service management, as well as better delivery of SLA (Service Level Agreements) and OLA (Operational Level Agreements) for all Premium and Regular IT Services. Above all, the organizational and process restructuring was designed to ensure a more service-oriented management and culture.

ENABLING INFRASTRUCTURE DEPLOYMENT AND OPERATIONS

In a move to keep the system performing optimally, we initiated our MA-P Gateway for provisioning activities, expanded storage and servers for 3G mediation and improved the availability and reliability of MKIOS through the release of MKIOS Direct in Buaran and TBS.

IT GOVERNANCE

Another significant achievement of the IT Division in 2009 was the adjustment of the Telkomsel IT Master Plan (ITMP) 2009-2013 as presented in the IT Enterprise Architecture Development program, in order to accommodate technological, business and environmental issues. The

> During 2009, we enhanced our ITOCC (IT Operation Control Center) system, featuring the integrated monitoring system of servers, network, storage and applications.

IT Master Plan is the main reference for Telkomsel's future IT investment plans.

IT Enterprise Architecture Development is a reconstruction program dedicated to adjusting our IT framework to the requirements of our entire business, further shortening the lead-time of product launches, making the operation and maintenance of our services more cost-effective and improving our compliance with international standards and business practices.

We also put into practice a Telkomsel IT Governance framework during the reporting year, as a continuation of a 2008 initiative. This framework defines the IT Communication Process, the IT Continuity Process, IT Program Oversight and the integration process for the entire IT Governance system, as well as automating the IT PMO (Program Management Office) that was completed in 2008 to support project/program development. We also continued to implement the IT Infrastructure Library (ITIL) framework, assessing the current implementation status of the Application Management Process (AMP) and ICT Infrastructure Management.

In line with IT Governance, we initiated Information Security Management System controls, referring to international ISO 27001 standards. This will ensure that all IT activities at Telkomsel will be managed and organized according to standardized IT Security Management controls. By complying with the stringent standards required for ISO 27001 certification, we can ensure that the customers of Telkomsel's newly introduced T-Cash wallet system will enjoy guaranteed security.

Good Corporate Governance

Telkomsel's main objectives, as stated in our mission, is to deliver mobile lifestyle services and solutions in an excellent way that exceeds customer expectations, creates value for all stakeholders and supports the economic development of the nation.

We are committed to a high standard of corporate governance in order to safeguard the interests of our shareholders and other stakeholders. This standard must be built on a culture that values and rewards personal and corporate integrity, exemplary ethical standards and respect for others. A clear commitment to good corporate governance is essential for all Telkomsel personnel, including members of the Board of Commissioners (BoC) and the Board of Directors (BoD).

The BoC and the BoD are accountable to Telkomsel's shareholders for ensuring that Telkomsel operates within the requirements of good corporate governance. Telkomsel was incorporated under the laws of the Republic of Indonesia and is therefore required to comply with Company Law No. 40/2007. As a subsidiary of PT Telekomunikasi Indonesia Tbk. (TELKOM), Telkomsel is also required to comply with the TELKOM Group's rules and principles of corporate governance.

This report on corporate governance describes how Telkomsel has attempted to comply with these principles.

Board of Commissioners

The BoC is collectively responsible for supervising the management of Telkomsel by the BoD. Telkomsel's Articles of Association ("the Articles") provide that the BoC shall consist of six members, including the President Commissioner. The Shareholders' Agreement further provides that the President Commissioner shall be selected from candidates nominated by TELKOM.

The BoC is accountable to the General Meeting of Shareholders. The members are elected by the shareholders of Telkomsel for a certain period of time. The shareholders are entitled to nominate a number of candidates as Commissioners (and recommend the removal of such Commissioners) in proportion to their respective shareholdings.

TELKOM is currently entitled to nominate four Commissioners, while SingTel Mobile is entitled to nominate two Commissioners. As of the end of 2009, TELKOM had assigned only three representatives to the BoC and one of its positions on the BoC was vacant. As of March 2010, Telkom has assigned one additional representative to fill this vacant position. Meetings of the BoC must be held at least once every three months and, in addition, whenever requested by any member of the BoC. The quorum for all BoC meetings is four members of the Board, including one Board member nominated by SingTel Mobile and another Board member nominated by

TELKOM. Resolutions of meetings of the BoC shall be made by affirmative vote of the majority of the members of the Board, save for certain matters with respect to minority protection items that require unanimous approval. In the event of a tie, the matter shall be referred to a General Meeting of Shareholders for resolution.

BoC Activities in 2009

The BoC performed its duties in 2009 by overseeing the policies of the BoD in managing Telkomsel. The Board governed the Company in a manner consistent with its long-stated business strategy and commitment to a transparent and high-quality governance system.

The Board met as often as necessary to fulfill its role. Through regular meetings, which took place almost every month in 2009, the BoC was able to monitor the performance of Telkomsel and to provide necessary direction and guidance for the Board of Directors in managing Telkomsel.

In performing its supervision duties, the BoC was supported by Committees that the BoC had established, namely the Audit Committee, the Capital Expenditure Committee and the Remuneration Committee.

In addition to the above, the BoC also assisted the BoD in:
• Reviewing and endorsing Telkomsel's Business Plan for 2010-2014.
• Reviewing and endorsing Telkomsel's Budget for 2010.

• Reviewing and endorsing Telkomsel's 2009 Annual Report.

Board of Directors

The BoD is collectively and individually responsible for promoting the success of Telkomsel by directing and supervising Telkomsel's policy and strategy. The Board's role is to manage the day-to-day business of Telkomsel. It is accountable to the General Meeting of Shareholders for creating and delivering value through the effective governance of the business. The Board of Directors consists of five Directors, one of whom is the President Director.

The shareholders are entitled to nominate more than one candidate as a Director as well as to recommend the removal of such Directors, in proportion to their respective shareholdings. TELKOM is currently entitled to nominate three Directors and SingTel Mobile is entitled to nominate two Directors. The President Director, Director of Finance and one other Director must be representatives from the majority shareholder (TELKOM).

Meetings of the BoD must be held at least once every two months or at any other time at the request of any of the Directors. The quorum for all Directors' meetings is four members of the Board being present or represented in the meeting, including one each of the members of the Board nominated by SingTel Mobile and TELKOM.

Resolutions of meetings of the BoD shall be adopted by affirmative vote of a majority of the members of the Board, save for certain matters with respect to minority protection items that require unanimous approval. In the event of a tie, the matter shall be referred to a meeting of the BoC.

Remuneration

The remuneration of the Board of Commissioners and the Board of Directors is determined at the General Meeting of Shareholders of Telkomsel. No fees are paid to the Commissioners or Directors for their attendance at their respective board meetings. For the year ended December 31, 2009 the aggregate compensation paid by Telkomsel to all Commissioners and Directors as a group was approximately Rp31.0 billion, as determined by the Annual General Meeting of Shareholders.

Conflict of Interest

Members of the BoD are prohibited from assuming other positions outside Telkomsel that may directly or indirectly raise conflicts of interest with Telkomsel and/or which violate the provisions of existing laws and regulations. The Articles further state that if Telkomsel has a conflict of interest with a member of the BoD, then Telkomsel shall be represented by another member of the BoD. Should Telkomsel have a conflict of interest with all the members of the BoD, Telkomsel shall be represented by the BoC.

Family Relationships

None of the present Commissioners and Directors are related to each other.

Committees

The Boards of Commissioners establish or authorize the formation of committees of their members to deal

with matters relating to, or assist with the discharge of, the responsibilities and obligations of the Board concerned. Each of these committees must include at least one person nominated by SingTel Mobile. The following committees currently exist in Telkomsel, all of which were formed by the Board of Commissioners:

- **Audit Committee**
  This Committee is responsible for reviewing Telkomsel's audited financial statements and discussing them with the external auditors. The Audit Committee is headed by Arief Yahya, with Lim Chuan Poh (later replaced by Paul O'Sullivan), Daru Mulyawan and Agus Suryono as members. The Audit Committee is regulated by an Audit Committee Charter. The Audit Committee also regularly interacts with the head of Internal Audits to discuss internal control issues.

- **Remuneration Committee**
  This Committee assists the BoC in determining an appropriate remuneration system that will attract and retain people of the caliber to ensure the achievement of Telkomsel's objectives. The Remuneration Committee is headed by Loso Judijanto, with Lim Chuan Poh (later replaced by Yuen Kuan Moon) and Arief Yahya as members.

- **Capital Expenditures, Financing and Management Process Committee**
  This Committee is responsible for reviewing Telkomsel's capital expenditures, financing and

management processes. The Committee is headed by Rinaldi Firmansyah, with Ng Kwon Kee (later replaced by Yuen Kuan Moon) and Herfini Haryono as members.

Business Planning and Budget Preparation

The BoD and no more than two representatives of each shareholder meet prior to September 30 of each year to prepare the new Budget for the coming financial year and to review and update the Business Plan. If the Budget and/or the Business Plan is unanimously agreed upon by the Business Plan Team, the Team presents the proposed Budget and Business Plan to the BoC for their review, consideration and approval prior to November 30 each year.

Transparency and Disclosure

Telkomsel reports its operational and financial performance to the BoC and its shareholders on a monthly basis. On a quarterly basis, Telkomsel reports its operational and financial performance to the public by issuing Quarterly Highlights. These highlights are available on the company website (http://www.telkomsel.com) and are mailed to anyone who has signed up for our mailing service. Telkomsel's mailing service database includes major investment houses and fund managers, financial institutions, analysts and private individuals. Each year, an annual report is produced to fulfill our reporting requirements to the shareholders and to provide a growing group of investors, analysts and other interested parties with an overview of the previous year's performance.

Although Telkomsel is a private, non-public company, we maintain an Investor Relations team. The task of the Investor Relations team is to define, prepare and provide the material information that Telkomsel proactively discloses to interested stakeholders.

ISSUES REGARDING COMPETITION, REGULATION AND COMPLIANCE

Cross-monopoly Ownership Case

The KPPU (*Komisi Pengawas Persaingan Usaha*, or the Commission for the Supervision of Business Competition) in its letter dated December 5, 2007 notified Telkomsel that the Company had violated certain provisions of Law No. 5/1999 regarding the Prohibition of Monopolistic Practices and Unfair Business Competition (the "Law") in relation to cross-ownership by Temasek Holdings and monopoly practices by Telkomsel.

On May 9, 2008, the District Court pronounced its verdict and concluded, among other matters, that:

- Telkomsel had not been proven to have violated Article 25.1.b of the Law.
- Telkomsel had violated Article 17.1 of the Law.
- Temasek Holdings and certain affiliated companies were instructed to release their ownership in either PT Indosat or Telkomsel or to decrease their ownership by 50% in each of those companies within twelve months of the date of the decision becoming final and legally binding, on the following conditions:
  - Each buyer may purchase a maximum of 10% of the total shares.
  - The buyer must not be associated with Temasek Holdings.
- Telkomsel was fined a penalty of Rp15 billion.

Holdings and certain affiliated companies ("Parties"). The Parties are alleged to have implemented excessive pricing practices that could have potentially adversely affected the Plaintiffs.

On July 8, 2008, the class action lawsuit filed with the Bekasi District Court was revoked and the case was closed. Based on the Central Jakarta District Court's verdict on August 14, 2008, the class action lawsuit in the Central Jakarta District Court shall be consolidated with the one filed in the Tangerang District Court. The Plaintiffs in Central Jakarta objected to the decision and filed an appeal with the Supreme Court. On January 21, 2009, in its verdict No. 01K/Pdt.Sus/2009, the Supreme Court upheld the subscribers' appeal and the class action lawsuits are accordingly being processed separately in the courts where they were filed.

On January 27, 2010, the Central Jakarta District Court decided to revoke a class action lawsuit that was filed by the Plaintiffs acting as the legal representatives of national subscribers.

Management believes that Telkomsel has applied tariffs in accordance with the prevailing regulations and that the aforementioned allegations have no strong basis.

INTERNAL CONTROL SYSTEM

Telkomsel's Management has overall responsibility for the system of internal control. A sound system of internal control is designed to manage the

•   The court revoked the instruction of the KPPU to reduce the tariffs on the basis that the KPPU does not have the authority to determine such tariffs.

On May 22, 2008, Telkomsel filed an appeal with the Supreme Court. In its verdict dated September 9, 2008, the Supreme Court revoked the District Court's verdict on the instruction to Temasek Holdings and certain affiliated companies to release their ownership in either PT Indosat or Telkomsel. On May 14, 2009, Telkomsel filed a judicial review with the Supreme Court on the verdict. As of the date of this report, no response has been received from Supreme Court.

SMS Price Fixing Case

Based on an investigation into the allegation of SMS cartel practices by Telkomsel and eight other local operators, the KPPU, in its decision dated June 17, 2008, decided that Telkomsel and five other local operators were proven to have violated Article 5 of Law No. 5/1999 by entering into the cartel. Telkomsel was fined a penalty of Rp 25 billion.

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

As of the date of this report, Telkomsel has not received any decision from the court.

Class Action Case

Certain subscribers of Telkomsel, PT Indosat and PT Excelcomindo who are domiciled in Bekasi, Tangerang and other locations ("Plaintiffs") and are represented by various law firms, have filed class action lawsuits in the District Courts of Bekasi, Tangerang and Central Jakarta against Telkomsel, PT Telkom, PT Indosat, the Government of the Republic of Indonesia, Temasek

and Finance Director of the Company certifying the operations of the internal control system and highlighting any weaknesses.
- A periodic examination of business processes on a risk basis, including reports on controls throughout the Company undertaken by the Risk Management Sub-Directorate, which reports directly to the President Director.
- A periodic self-assessment made through an online CSA (Control Self-Assessment) tool, which covers key indicators of the control effectiveness of each operating unit.
- Reports from the independent auditors and the Internal Audit Sub-Directorate on certain internal controls and relevant financial reporting matters, which are presented to the Audit Committee and to Management.

INTERNAL AUDIT

The Company recognizes that the overall mission of the corporation is to improve its value on a sustained basis. To promote the accomplishment of this mission, the Company implements measures to strengthen and expand its corporate governance systems and thereby aims to win the trust of all stakeholders. Such measures underpin our efforts to achieve corporate governance standards that are consistent with our parent company's principles and thus maximize corporate value. The Company aims to constantly improve the transparency and soundness of management.

risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system and procedures for internal controls, which are subject to regular review, provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

Management is required to apply judgment in evaluating the risks facing the Company in achieving its objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks

concerned materializing, in identifying the Company's ability to reduce the incidence and impact on the business of risks that do materialize and in ensuring that the costs of operating particular controls are proportionate to their benefits.

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses, together with details of corrective actions. These include:

- A formal annual confirmation provided by the President Director

In compliance with SOA requirements, since 2007 the Internal Audit Unit has been in charge of assessing the Company's internal controls over financial reporting. The Internal Audit Unit is independent from the divisions responsible for the execution of business affairs and consists of audit units, such as the SOA, Finance, Operational, Revenue Assurance, IT and Special Audit units. The Company complies with the Internal Audit Unit's recommendations on the internal controls over financial reporting.

Collaboration between the Internal Audit Unit, Parent Company's Auditor and Independent Auditor

With the aim of improving its corporate governance, the Company promotes and supports mutual cooperation between the Internal Audit unit, the auditor of our parent company TELKOM and our Independent Auditor. These three groups share information and deliberate together as needed in order to carry out interim and year-end audits. In line with this policy, some of our audit assignments were performed in parallel with TELKOM's auditor, in order to improve the audit process through pooled information and knowledge exchange. Such collaboration enables effective and efficient audits.

Internal Audit Activities in 2009

In response to an increasingly competitive market, the Internal Audit function has been an increasingly critical component in providing business assurance to the Management, as the need for controls to ensure the effectiveness and efficiency of the business operations becomes ever greater. Accordingly, in 2009 the Internal Audit became more focused on assurance and consultative services while the methodology continued to follow a risk-based audit approach.

The following Internal Audit activities were conducted in 2009:

- **Compliance**
  Pursuant to the requirements of complying with the Sarbanes Oxley Act (SOA) as required by our parent company TELKOM, Telkomsel has carried out a top-down risk-based analysis so that the internal controls over financial reporting (ICoFR) can be implemented in a more efficient and effective manner.

  The Internal Audit also reviewed our consolidated financial statements to ensure that the Company's consolidated financial statements conformed with the accounting principles generally accepted in Indonesia.

- **Business Effectiveness & Efficiency**
  A series of audit activities took place in 2009. A revenue assurance audit was performed to ensure the effectiveness of the Company's revenue generating process. An operational cost review was carried out to provide better controls over the procurement process and the process of media selection and marketing. An IT infrastructure audit was performed to ensure that storage capacity was being properly managed. In addition, the IT general controls were tested to ensure the effectiveness of controls related to program development and changes, computer operations and computer access controls.

- **Whistleblower**
  The Company has established a whistleblower policy to allow employees or other parties to give feedback directly to Telkomsel's Audit Committee. Any complaints received with regard to this protocol will be followed up in depth by the Special Audit Division. Meanwhile, the Internal Audit Sub-Directorate has conducted several special/investigative audits. Meetings of the TPTA (*Tim Penetapan Tindak Disiplin dan Administrasi*/The Disciplinary and Administrative Action Team) decide the penalties to be imposed on those whose are found to have been involved.

- **Consultative Service**
  Beside assurance-related works, the Internal Audit Sub-Directorate has also rendered consultancy services to various operating units with the aim of making business process improvements as well as reducing business risks.

Enterprise Risk Management

Recent macroeconomic conditions and the current competitive business climate underscore the need for a higher awareness of business risks. We are committed to continuously improving our risk management in managing our broad portfolio of products and services. With a vast and diversified resource base that includes 4,210 employees, 30,992 BTS and 81.64 million customers across the country generating revenues of Rp41.58 trillion, we recognize that prudent risk management is critical to our business operations. However, it is worth noting that even the most stringent risk management can only guard against, but not completely eliminate, the risk of future business failure.

By anticipating potential uncertainties and formulating mitigation strategies, the Enterprise Risk Management (ERM) Sub-Directorate has been playing an increasingly important role in our business operations, particularly given the fierce competition in the cellular business, regulatory adjustments, new technology challenges and the rapid growth of our enterprise. As a consequence of these developments, business risks, both short- and long-term, are arising with greater frequency and require intensive and thorough mitigation. Telkomsel's ERM system is designed to mitigate the risk of failure in both strategic and operational objectives. Risk assessment, mitigation and monitoring practices were therefore conducted in 2009 as an integral part of the Company's annual strategic planning cycle.

As one of subsidiaries of PT Telekomunikasi Indonesia (TELKOM), Telkomsel is required to comply with TELKOM's governance principles. One of these principles is compliance with the Sarbanes-Oxley Act (SOA), due to the TELKOM listing on the New York Stock Exchange. Section 404 of the SOA requires management to establish adequate internal controls and procedures for financial control, while Audit Standard No. 5 requires the implementation of top-down risk assessments prior to imposing internal controls on financial reporting.

Based on the COSO integrated framework for ERM as well as our own risk management principles, we address the following types of risk objectives:

- Strategic Risks: business risks with long-term impact;
- Operational Risk Management: risks with shorter term impact, including fraud risk;
- Compliance Risk; and
- Reporting Risk, related to the accuracy, timeliness and appropriateness of either financial or non-financial reporting.

ENTERPRISE RISK MANAGEMENT (ERM) PROGRESS 2009

As provided for under a Decree of the Board of Directors regarding Telkomsel's Risk Management Policy on Anti-Fraud Programs and by a Decree of the Board of Directors regarding the organization of Telkomsel 2007, there are three Divisions under the ERM Sub-Directorate:

> We are committed to continuously improving our risk management in managing our broad portfolio of products and services.

- Strategic Risk Management (SRM) Division;
- Operational Risk Management (ORM) Division;
- Fraud Risk Management (FRM) Division.

Some of the notable achievements in Enterprise Risk Management during 2009 are outlined below:

Corporate-Wide Risk Management
Corporate-wide risk assessments were performed to identify the latest high-level risks following changes in corporate strategy and the business environment.

Compliance Risk Identification
We assessed our entire business process and identified compliance requirements for each process. We also assessed the potential risks in the areas of business regulations, business conduct, technical standards, internal regulations and stakeholders' interests.

Top-Down ICOFR Risk Assessment 2009
In preparation for financial reporting, a top-down risk assessment was performed for significant accounts during the reporting year. The report included the classification of 37 inherent risks in the financial statements into high, moderate and low risk levels. A risk control matrix was then issued on the basis of this Top-Down Risk Assessment for significant account.

Churn Risk Assessment
On the revenue side, we carried out Churn Risk Assessments to establish churn parameters, prepare churn mitigation strategies and to ensure the effective allocation of numbering systems, new customer acquisitions and loyalty programs. This involved business processes that enable rapid reactions to achieve churn management targets.

Preliminary Risk Assessment on New Business Risk Assessment
We performed feasibility analyses on new businesses in order to find new revenue drivers, an important issue given the declining trend of ARPU (Average Revenue per User).

Fraud Risk Management
- Fraud risk assessments were carried out, covering three types of fraud (Corruption, Asset Misappropriation and Fraudulent Statements). The results were used to update the Fraud Control Risk Management matrix (FCRM) in 2008 to produce the FRCM for 2009.
- Risk assessments were carried out on Telkomsel's new organization to assess the impact of the new organizational structure.
- Risk assessments were carried out on management access, as well as on user access management and users.

Risk Management Reporting
Our parent company PT TELKOM requires its subsidiaries to prepare a quarterly report on company health, in line with the reporting format set by TELKOM. It is worth noting that Telkomsel has been classified as 'healthy.'

Corporate Social Responsibility

Fulfilling our Corporate Social Responsibility (CSR) is a strategic move that will assure the sustainability and growth of our business over the long term.

Through CSR we create the potential to realize a broad range of common goals, such as social cohesion, economic competitiveness and a more rational use of natural resources. It involves managing business, social and environmental issues in ways that grow shareholder value, build the brand and are respectful to society.

As part of our commitment to sustainable growth, we recognize our social responsibilities and aim to proactively play a leading role within our sphere of influence. In line with our belief that our business operations are part of and therefore dependent on society and the natural environment, we are keen to ensure that our activities are carried out in harmony with social and environmental considerations. Thus our Corporate Social Responsibility (CSR) strategy, delivered under the Telkomsel Spirit initiative, is a manifestation of our deep concern and care for society.

In 2009, the majority of our CSR activities focused on education, though other activities were carried out as well in line with our overall purpose of enhancing people's quality of life. We implemented a wide range of social and educational programs that reflect the spirit of Telkomsel in this respect.

One important non-education initiative that we executed in 2009 as part of our corporate social responsibility obligations was the deployment of networks to connect isolated areas, both under our Telkomsel Merah Putih initiative and the Government of Indonesia - Universal Service Obligation (USO) project. It reflected our serious support to the Government of Indonesia in their initiative of service coverage expansion. We believe that connecting these remote and isolated villages is an important key to accelerating their economic, social, educational and health development.

ACTIVITY HIGHLIGHTS:

Education

Peluk Asa
Peluk Asa aims to build better knowledge and understanding about mitigating endemic dengue fever. Launched in mid-2009, it covers 14 pilot regions throughout Indonesia in partnership with the Ministry of Health. Using the Community-Based Dengue Reduction Program (CBDRP) approach, complemented by information disseminated through the program website (www.pelukasa.com), some 600 volunteers provided counseling and outreach throughout the 14 regions.

Educational Software
Educational computer software is a key component of the computer-based learning of elementary and high school students. Telkomsel is providing such software for selected schools throughout Indonesia, facilitating the learning process for students through game-based learning methods. These methods are making even difficult subjects like Math and Physics more accessible and easier to learn for the students.

Complementing the provision of the software, the teachers were also trained on how to use it. The training

covered both technical skills related to operating the software and teaching skills for the teachers.

Training for Mobile Phone Technician

Improving entrepreneurial skills is another channel through which Telkomsel can contribute to a better future for Indonesia. Through our Skill and Entrepreneurship Training Program, trainees learn how to identify the faulty parts of cell phones and fix the problems systematically.

This program is part of an initiative to reduce unemployment by encouraging young people to start their own businesses. Among the participants were individuals with minor disabilities.

Social & Religious

Sanitation

This program is intended to support schools in creating a healthier and cleaner environment in their surroundings. Attention is paid to schools' sanitation and facilities such as sport grounds, etc. Telkomsel implemented the program in several elementary schools and pesantren (Islamic boarding schools) along the northern coast area of Java.

Ramadhan Roadshow

Telkomsel organized a series of events during the Ramadhan period to encourage employees and communities to promote and uphold Islamic culture and values. This program was implemented by the Head Office, TTC and all regional offices of Telkomsel with the objective of building closer relationships with the surrounding community.

Christmas Roadshow

In a similar spirit, Telkomsel organized Christmas roadshow in several regions.

During the reporting year, Telkomsel's Ramadhan Roadshow and Christmas Roadshow involved more than 25,000 orphaned children in 20 cities.

Emergency Response

Recovery Program for Disaster

We are continually improving our emergency response procedures for natural disasters. Our procedures cover network and service recovery as well as the delivery of humanitarian aid for victims.

In 2009, strong earthquakes struck two different regions of the country: Padang, West Sumatra (September 30) and Tasikmalaya, West Java

(September 3). Major damage was sustained by the cities of Tasikmalaya and Padang and other settlements in the region. Many notable landmarks and public buildings suffered significant damage or were completely destroyed and thousands of people lost their homes. Telkomsel responded to appeals for humanitarian aid, pledging funds and dispatching rescue and medical teams, engineers and support personnel. To contribute to the post-disaster recovery, Telkomsel plans to participate in the reconstruction of four school buildings in Padang and Tasikmalaya.

Flood Command Post (*Posko Banjir*)

This CSR program is aimed at empowering people likely to be affected by floods through a training program based on CBDRM (Community Based Disaster Risk Management) methods in four flood-prone areas in the Jabodetabek conurbation (Jakarta, Bogor, Depok, Tangerang and Bekasi). This program has helped to increase the preparedness of people living in these areas by building their knowledge and emergency response skills and by providing them with evacuation equipment such as floats, life jackets, fiber boards and rescue ropes.

Management Discussion and Analysis

INTRODUCTION

In 2009, equilibrium was restored in the cellular business following the intense price war of 2008.

Operators shifted from price competition to service competition, a shift supported by the growth of the data business. Tariffs were relatively stable. In this more benign competitive climate, Telkomsel focused on improving network quality performance and optimizing tariff structures in order to improve revenue. These tariff optimization efforts have been successful in improving revenue growth. At the same time we continued to record healthy growth in our customer base and traffic.

Telkomsel added 16.34 million new customers in 2009. Although the figure is slightly lower than that recorded in 2008, at more than 50% of full mobility market growth it represents a significant portion of total industry growth. We ended the year with 81.64 million customers in 2009, representing growth of 25% from the 2008 figure. Our market share also improved from 47% in 2008 to 49% in 2009. Traffic in both voice and SMS increased, as illustrated by the 44% growth in customers' Minutes of Use (MoU) to 130.3 billion minutes and the 29% growth in SMS to 100.4 billion messages.

Operating revenues grew 12% to Rp41.58 trillion, while operating expenses (including depreciation) grew 12% to Rp22.79 trillion. EBITDA and Net Income growth generated even stronger results, growing 14% and 15% to reach Rp27.33 trillion and Rp13.16 trillion, respectively.

FINANCIAL RESULTS

Operating Revenues

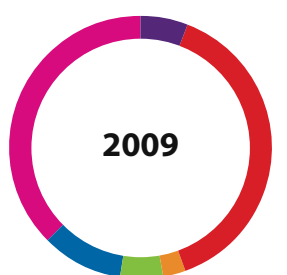| in billion Rupiah	2009	2008	Growth (%)
Postpaid	4,358	4,243	3
Prepaid	36,092	31,888	13
International roaming	741	652	14
Interconnection (net)	162	372	-56
Others	229	44	420
Net Operating Revenues	**41,582**	**37,199**	**12**

In this more stable competitive environment, Telkomsel's operating revenues showed stronger growth in 2009 compared to 2008, increasing 12% to Rp41.58 trillion on the back of a 25% customer base growth and 44% MoU and 29% SMS growth. By contrast, in 2008 operating revenues grew just 1%, despite a higher customer base and traffic growth. Our prepaid products continued to be the main driver of revenue growth in 2009, contributing 96% to total operating revenue growth.

- *Postpaid revenues* increased 3% to Rp 4.36 trillion, driven by an increase in data services revenues.
- *Prepaid revenues*, which accounted for 87% of operating revenues, grew 13% to Rp36.09 trillion on the back of a 26% growth in our prepaid customer base and an increase in traffic, combined with a decline in ARPU. The majority of prepaid revenues (80%) were contributed by the *simPATI* product.
- *International roaming revenues* increased 14% to Rp0.74 trillion, which was mainly due to increased revenues from outbound roamers.
- *Interconnection revenues* decreased 16% to Rp2.53 trillion, due to a decline in incoming interconnection traffic as off-net promotions from other operators declined in parallel with the stabilizing competition. Meanwhile, *interconnection expenses* dropped 10% to Rp2.37 trillion. As a result, *net interconnection* revenues showed a decline from Rp0.37 trillion in 2008 to net revenue of Rp0.16 trillion in 2009.
- *Other operating revenues* increased 420% from Rp44 billion in 2008 to Rp229 billion in 2009. This was mainly due to increases in leased towers and USO compensation.

Non-voice/data revenues contributed approximately 29% to operating revenues. Although non-voice/data revenues were still largely dominated by SMS revenues, revenues from non-SMS data services posted steady growth, particularly in data content and broadband.

Contribution (%) of Each Revenue Item

2009
- Postpaid **10%**
- Prepaid **87%**
- International Roaming **2%**
- Interconnection **0%**
- Others **1%**

2008
- Postpaid **11%**
- Prepaid **86%**
- International Roaming **2%**
- Interconnection **1%**
- Others **0%**

The growth in smartphone use, which gives customers access to the internet, messaging services and social networking sites such as Facebook, also has stimulated data revenue growth. Given the significant decline in tariffs that took place during 2007 and 2008, data services will become an important revenue source for Telkomsel going forward.

Operating Expenses

With the decline in tariffs, we improved our efficiency efforts in order to keep operating expenses growth down in 2009. Operating expenses including depreciation increased 12% to Rp22.79 trillion. Excluding depreciation, this was a growth of 8%. This was much better than the 22% increase in operating expenses (or 19% excluding depreciation) that we experienced in 2008. The growth in operating expenses in 2009 was mainly due to an increase in operation & maintenance and depreciation expenses, which was in line with the growth of our network infrastructure.

Operating Expenses

2009

- Personnel **6%**
- Operation & Maintenance **38%**
- General & Administrative **3%**
- Marketing **5%**
- Other Operating Expenses **10%**
- Depreciation **38%**

2008
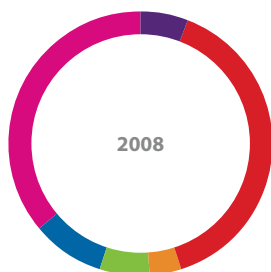
- Personnel **6%**
- Operation & Maintenance **39%**
- General & Administrative **4%**
- Marketing **6%**
- Other Operating Expenses **9%**
- Depreciation **36%**

in billion Rupiah	2009	2008	Growth (%)
Personnel	1,406	1,345	5
Operation & Maintenance	8,673	7,944	9
General & Administrative	791	740	7
Marketing	1,213	1,208	0
Other Operating Expenses	2,168	1,900	14
Depreciation	8,541	7,264	18
Operating Expenses	**22,792**	**20,401**	**12**

- *Personnel expenses* increased 5% to Rp1.41 trillion, which was mainly due to adjusted allowances.
- *Operation & maintenance expenses* grew 9% to Rp8.67 trillion, which was mainly due to network infrastructure growth as the number of BTS rose by 15% and overall network capacity increased by 27%. The main factor in the expenses growth was transmission and power supply costs. O&M expense growth was, however, much lower compared to last year and represented a smaller proportion of infrastructure growth. This was mainly due to savings on repair and maintenance costs related to the decline of network equipment prices.

in billion Rupiah	2009	2008	Growth (%)
Transmission	2,718	2,502	9
Frequency	2,414	2,319	4
Repair & Maintenance	1,566	1,464	7
Power Supply	1,439	1,196	20
Others	536	463	16
Total O & M	**8,673**	**7,944**	**9**

- *General & administrative expenses* increased 7% to Rp0.79 trillion, which was mainly due to rental expenses and professional fees.
- *Marketing expenses* remained stable at Rp1.21 trillion due to the more benign competitive climate in 2009.
- *Other operating expenses*, consisting of the cost of cards, concession fees, USO charges, collection costs and provision for bad debt, all increased in line with sales, the customer base and revenue growth, growing 14% to Rp2.17 trillion.
- *Depreciation expenses* increased 18% to Rp8.54 trillion due to network infrastructure growth (BTS grew by 15%, while the overall network capacity expanded by 27%) and the accelerated depreciation of certain equipment.

Other income/expenses decreased 47% from net expenses of Rp979 billion in 2008 to net expenses of Rp519 billion in 2009, mainly due to foreign exchange gains recorded in 2009 following the appreciation of the Rupiah against foreign currencies (USD and EUR) in 2009 after it weakened in 2008. The Rupiah appreciated 14% against the USD and 12% against the EUR in Q4 2009 compared to the same period in 2008.

in billion Rupiah	2009	2008	Growth (%)
Interest Income	123	221	-44
Financing Charges	(1,068)	(873)	22
Forex Gain/(losses)	336	(468)	172
Others - net	90	140	-35
Other inc./(exp)	**(519)**	**(979)**	**-47**

The higher financing charges resulted from a higher average outstanding loans balance in 2009.

EBITDA and Net Income

With stronger operating revenue growth and manageable operating expenses growth, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) increased 14% to Rp27.33 trillion. The EBITDA margin also improved from 65% in 2008 to 66% in 2009. Net income reached Rp13.16 trillion, a 15% improvement from 2008.

Balance Sheet

Due to our continuous commitment to investing in our assets and our healthy financial performance in 2009, Telkomsel's total assets grew 14% to Rp59.23 trillion over the year. Total liabilities increased 13% to Rp28.17 trillion, while total equity increased 15% to Rp31.06 trillion.

> In 2009, we continued to lead the competition by adding 16.34 million new customers.

- *Current assets* rose 66% to Rp7.09 trillion, mainly due to increases in cash and cash equivalents.
- *Fixed assets* increased 9% to Rp50.35 trillion as a result of network infrastructure growth (a 15% growth in the number of BTS and 27% growth in overall network capacity).
- *Other assets* increased 37% to Rp1.79 trillion, which was mainly due to the acknowledgement of frequency fees from the additional 3G bandwidth obtained in 2009.
- *Current liabilities* grew 7% to Rp18.99 trillion, largely because of increases in the taxes payable and dividend payable balances.
- *Non-current liabilities* increased 29% to Rp9.18 trillion, which was mainly due to increases in medium-term loans.

OPERATIONAL RESULTS

Customer Base

In 2009, we continued to lead the competition by adding 16.34 million new customers. Although the number of net additional customers in 2009 was slightly lower than our 2008 net add, it represented more than 50% of the total full-mobility market growth. This strong growth boosted our customer base market share from 47% in 2008 to approximately 49% in 2009.

Telkomsel's customer base at end of 2009 reached 81.64 million, an increase of 25% compared to the prior year. At the end of 2009 this customer base consisted of 2.03 million *kartuHALO* customers (5% growth), 57.99 million *simPATI* customers (35% growth) and 21.62 million Kartu As customers (6% growth).

In 2009, Telkomsel's prepaid products contributed more than 99% of customer base growth. *simPATI* continued to be Telkomsel's main growth driver, with 14.96 million new customers or almost 92% of total net adds. Kartu As growth improved significantly by contributing 1.29 million new customers or almost 8% of total net adds. This achievement reversed the negative growth of 1.66 million for Kartu As that we recorded in 2008. The *kartuHALO* postpaid product contributed 94,000 new customers, representing less than 1% of total net adds.

ARPU

As tariffs had dropped significantly due to the 2007-2008 price war, ARPU declined in 2009. However, we have been able to slow down the ARPU decline by enhancing our non-voice data revenues. In addition to our tariff optimization efforts, we saw our ARPU stabilizing during the last three quarters of 2009. Blended ARPU in 2009 was Rp48,000, falling 18% from Rp59,000 in 2008. ARPU for *kartuHALO* declined 1% to Rp214,000, *simPATI* declined 24% to Rp48,000 and Kartu As declined 16% to Rp31,000.

Minutes of Use (MOU) and Revenue per Minute

In spite of all the tariff optimization efforts that we carried out in 2009, we still recorded growth in voice traffic. Total chargeable MOU grew 44% to 130.3 billion minutes. Our *simPATI* product was still the dominant contributor to MOU generated in 2009, contributing around 87% of total MOU.

Revenue per minute (RPM) declined from around Rp290 to approximately Rp220 due to the impact of the tariff decline in 2008. However, we saw the trend for RPM improve during the last nine months of 2009, rising continuously from month to month. Our tariff optimization efforts were successful in improving Telkomsel's RPM from its lowest level in the first quarter of 2009 without having a tangible impact on MOU growth.

SMS and Revenue per SMS

 SMS traffic grew 29% to 100.4 billion units in 2009. Around 59% of total SMS was contributed by *simPATI* and 38% by our Kartu As product. Although we implemented tariff increases in our *simPATI* and Kartu As products in 2009, revenue per SMS declined by approximately 5% to Rp105 due to the impact of certain promotional SMS packages that we offered during 2009.

CAPITAL EXPENDITURES AND CASH FLOWS

Net cash generated from operations in 2009 amounted to Rp21.83 trillion (excluded effect of exchange rate changes), a 17% increase compared to 2008. Cash flow for investment activities increased 8% to Rp13.36 trillion

> Total chargeable MOU grew 44% to 130.3 billion minutes.
>
> SMS traffic grew 29% to 100.4 billion units in 2009.

(approximately USD 1.4 billion), which was mostly spent on the acquisition of network infrastructure. A total of 4,120 new BTS (including 1,652 with 3G-NodeB capability) were installed and capacity for an additional 17.9 million subscribers was created in 2009. Additional fixed assets (including CIP) booked in 2009 totaled Rp12.66 trillion.

Net cash used for financing activities decreased 12% to Rp1.88 trillion due to higher loan repayments. In 2009, Telkomsel declared a dividend amounting to Rp9.14 trillion (80% of the 2008 net income), of which Rp7.7 trillion (net of tax) was paid in 2009 and the remainder will be paid in early 2010.

in billion Rupiah	2009	2008	Growth (%)
Cash Flow from Operating Activities*)**)	21,690	18,769	16
Cash Flow for Investing Activities**)	(13,364)	(12,322)	8
Cash Flow from Financing Activities	1,875	2,142	-12
Dividend	(7,715)	(10,210)	-24
Net Increase in Cash & Cash Equivalents	**2,486**	**(1,621)**	**253**
Cash & Cash Equivalents at Beginning of the Year	1,155	2,776	-58
Cash & Cash Equivalents at the End of the Year	3,641	1,155	215
Addition to Fixed Assets (Incl. CIP)	12,663	15,371	-18
New Contracts Issued during the Period	13,826	15,915	-13

*)Included effect of exchange rate changes
**)The 2008 figures were reclassified to conform with 2009 presentation

LOAN/DEBT

During the year 2009, Telkomsel signed on for Rp7.75 trillion worth of new loan facilities from local banks plus another USD 650 million in three-year credit facilities. Telkomsel drew down Rp6.8 trillion of its loan facilities in 2009. As of the end of December 2009, Telkomsel's total outstanding loan balance was Rp11.38 trillion. The following table shows the breakdown of the Company's loan balance:

	FY08	FY09
Loan per currency		
IDR	9.38	11.38
Foreign Currency	-	-
Loan per maturity (in IDR)		
2009	4.74	-
2010	3.44	4.98
2011	1.20	2.77
2012-2014	-	3.63
Total	**9.38**	**11.38**

There are several financial covenants related to loans/debts that Telkomsel needs to maintain. As of end of 2009, these covenants were as follows:

Covenant to be maintained	Required	Actual
Debt to equity ratio	≤ 2	0.36
Debt service coverage ratio	> 1.25	4.98
Permitted indebtedness	≤ IDR 54.6 Trillion	IDR 11.38 Trillion
EBITDA to debt service	≥ 1.25	4.66
Debt to tangible net worth	≤ 2	0.38

Note: calculated based on the Lenders requirements.

Telkomsel's latest credit ratings, as issued by major ratings agencies, are as follows:

	Local Currency	Foreign Currency	Outlook
Moody's	Baa2	-	Stable
S&P	BBB-	-	Stable
Fitch	BBB	BBB-	Stable

Responsibility for the Annual Reporting

The Management of PT Telekomunikasi Selular is responsible for this Annual Report including the accompanying financial statements and related financial information for the year ended 31 December 2009 which have been approved by member of the Board of Commissioners and the Board of Directors whose signatures appear belows.

Jakarta, March 12, 2010

BOARD OF COMMISSIONERS

Rinaldi Firmansyah
PRESIDENT COMMISSIONER

Arief Yahya
COMMISSIONER

Loso Judijanto
COMMISSIONER

Lim Chuan Poh
COMMISSIONER

Yuen Kuan Moon
COMMISSIONER

BOARD OF DIRECTORS

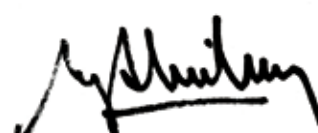**Sarwoto Atmosutarno**
PRESIDENT DIRECTOR

Triwahyusari
DIRECTOR OF FINANCE

Herfini Haryono
DIRECTOR OF PLANNING AND
DEVELOPMENT

Ng Kwon Kee
DIRECTOR OF OPERATIONS

Leong Shin Loong
DIRECTOR OF COMMERCE

Financial Statements

PT TELEKOMUNIKASI SELULAR AND SUBSIDIARIES

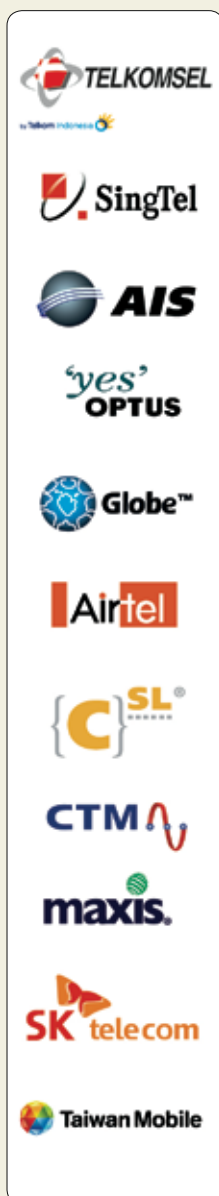CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009 AND 2008

Corporate Data

Organization Structure

PRESIDENT DIRECTOR

FINANCE DIRECTORATE

PLANNING & DEVELOPMENT DIRECTORATE

OPERATION DIRECTORATE

COMMERCE DIRECTORATE

INTERNAL AUDIT SUB DIRECTORATE

CORPORATE SECRETARY SUB DIRECTORATE

LEGAL & COMPLIANCE SUB DIRECTORATE

ENTERPRISE RISK MANAGEMENT SUB DIRECTORATE

HR MANAGEMENT GROUP

KNOWLEDGE MANAGEMENT & CONSULTANCY SERVICES TEAM

HR SYSTEM SUB DIRECTORATE

HR SERVICES SUB DIRECTORATE

NEW BUSINESS GROUP

DIGITAL MUSIC & CONTENT MANAGEMENT SUB DIRECTORATE

HR SYSTEM SUB DIRECTORATE

HR SERVICES SUB DIRECTORATE

INVESTOR RELATION TEAM

BUSINESS CONTROL SUB DIRECTORATE

FINANCIAL SYSTEM SUB DIRECTORATE

FINANCIAL ACCOUNTING SUB DIRECTORATE

CORPORATE FINANCE SUB DIRECTORATE

ASSET MANAGEMENT SUB DIRECTORATE

PROCUREMENT SUB DIRECTORATE

PROCUREMENT SUPPORT & LOGISTICS SUB DIRECTORATE

INTERNATIONAL ROAMING SYNERGY & PARTNERSHIP MANAGEMENT SUB DIRECTORATE

INTERCONNECT & REGULATORY AFFAIR SUB DIRECTORATE

CORPORATE STRATEGIC PLAN GROUP

CORPORATE BUSINESS PLAN SUB DIRECTORATE

TECHNOLOGY MASTER PLAN SUB DIRECTORATE

INFORMATION & TECHNOLOGY GROUP

IT DEVELOPMENT SUB DIRECTORATE

IT OPERATION & SERVICES SUB DIRECTORATE

NETWORK COST MANAGEMENT DIVISION

SPECIAL AREA DEVELOPMENT SUB DIRECTORATE

NETWORK ENGINEERING GROUP

IN & VAS ENGINEERING SUB DIRECTORATE

RADIO ACCESS ENGINEERING & IMPLEMENTATION OUTSIDE JAWA BALI SUB DIRECTORATE

RADIO ACCESS ENGINEERING & IMPLEMENTATION JAWA BALI SUB DIRECTORATE

CORE NETWORK & TRANSMISSION ENGINEERING SUB DIRECTORATE

NETWORK OPERATION & QUALITY GROUP

NETWORK & SERVICE QUALITY MANAGEMENT SUB DIRECTORATE

CORE NETWORK OPERATION SUB DIRECTORATE

NON CORE NETWORK OPERATION SUB DIRECTORATE

MOBILE BROADBAND TASKFORCE TEAM

CHANNEL MANAGEMENT SUB DIRECTORATE

COMMERCE MANAGEMENT GROUP

PRODUCT MARKETING SUB DIRECTORATE

PRODUCT LIFECYCLE MANAGEMENT SUB DIRECTORATE

CUSTOMER LIFECYCLE MANAGEMENT SUB DIRECTORATE

SALES OPERATIONS GROUP

CORPORATE ACCOUNT MANAGEMENT SUB DIRECTORATE

AREA SUB DIRECTORATE

Bridge Alliance

KOREA

HONGKONG
MACAU

INDIA

TAIWAN

PHILLIPPINES

THAILAND
MALAYSIA
SINGAPORE

INDONESIA

AUSTRALIA

TELKOMSEL

SingTel

AIS

'yes' OPTUS

Globe™

Airtel

{C}SL®

CTM

maxis

SK telecom

Taiwan Mobile

Forging global partnerships is an important competitive strategy in the modern global economy and the cellular industry is no exception to this rule. In the Asia-Pacific region, which is enjoying one of the fastest cellular growth rates worldwide, cellular operators face a number of strategic challenges posed by the region's highly diversified profile of economies at different degrees of mobile market maturity and varying stages of technological development.

The Bridge Alliance was created, in a unique regional collaboration, to address these strategic issues. The Bridge Alliance is a commercial vehicle established in November 2004 by 7 major Asia-Pacific operators which then become 11 operators, to build a regional mobile infrastructure and common service platform. This will enable the seamless delivery of mobile services across geographical borders in the Asia-Pacific region and enhance the roaming experience for mobile customers traveling from one country to another. The Bridge Alliance currently confers a competitive advantage upon its

member operators by serving over 295 million customers in total. Spanning both the Asian and Australian continents, the 11 leading operators are Bharti Airtel (India), Globe Telecom (the Philippines), Maxis (Malaysia), Optus (Australia), SingTel (Singapore), Taiwan Cellular Corporation (Taiwan), Telkomsel (Indonesia), Hong Kong CSL (Hong Kong), CTM (Macau), SK Telecom (South Korea) and Advanced Info Service (Thailand). Five major technology players are associate members of the alliance: Huawei, Nokia, Nokia Siemens Networks, Qualcomm and ZTE. In Indonesia, the Bridge Alliance benefits Telkomsel customers by delivering access to various mobile content services including football and other sports from ESPN STAR Sports; offering the Bridge Data Roam feature for international data services at affordable rates; and enabling seamless roaming in four continents (Asia, Australia, Europe and America). As a member of the Bridge Alliance, Telkomsel maintains its competitiveness, enhances the customer experience and reaps significant commercial benefits as well as economies of scale.

Shareholders Information
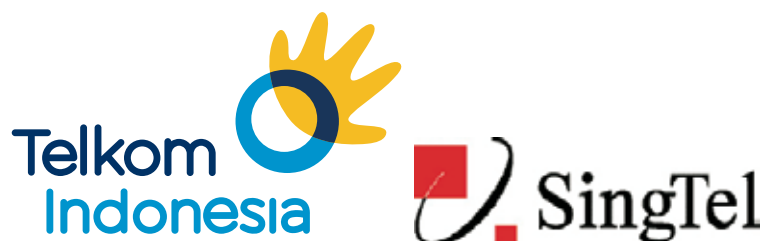
Telkomsel's shareholders are PT Telekomunikasi Indonesia Tbk (TELKOM) and Singapore Telecom Mobile Pte Ltd (Singtel Mobile).

TELKOM, which owns 65% of Telkomsel's issued share capital, is the largest full-service telecommunications operator in Indonesia. TELKOM is listed on the Indonesia Stock Exchange (IDX:TLKM), the New York Stock Exchange (NYSE:TLK) and the London Stock Exchange (LSE:TKIA) and is majority owned by the Government of Indonesia.

SingTel Mobile owns 35% of Telkomsel's issued share capital and is a wholly-owned subsidiary of Singapore Telecommunications Limited (SingTel). SingTel is Asia's leading communications group with a network of 37 offices in 20 countries and cities around the world. SingTel is listed on the Singapore Exchange (SGX:ST) and the Australian Stock Exchange (ASX:SGT).

Company Address

PT Telekomunikasi Selular (Telkomsel)
Wisma Mulia
Jl. Jend. Gatot Subroto No. 42
Jakarta 12710, Indonesia
www.telkomsel.com

Investor Relations
Tel: 62 21 5240811 ext. 11225/11258
Fax: 62 21 52906112
E-mail: investor@telkomsel.co.id

Addresses of Shareholders

PT Telekomunikasi Indonesia Tbk (TELKOM)
Jl. Japati No. 1
Bandung 40133, Indonesia
Tel. +62 22 4521108
Fax. +62 22 4521408
www.telkom-indonesia.com

SingTel Mobile
31 Exeter Road - Comcentre
Singapore 239732
Tel. +65 6838 3388
Fax. +65 6738 3769
www.singtel.com

TELKOMSEL

by Telkom Indonesia

OPTIMA

OPTIMA