



by Telkom Indonesia 

PT Telekomunikasi Selular **2011** Annual Report

**Driving
Digital Lifestyle
Experience**



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Responsibility for 2011 Annual Report

Driving Digital Lifestyle Experience

PT Telekomunikasi Selular (Telkomsel) continued to present unparalleled success in the year 2011, as indicated by a new record high in our subscriber base. This reflects our commitment to stay in the lead by driving greater potential and responding rapidly to the growing demand for data communications, which Telkomsel delivers with its large-scale of investment and mutual synergy in broadband infrastructure. Telkomsel is now more than ready to deliver end-to-end services to create a quality digital lifestyle experience for the subscribers. Through this effort, we expect to contribute to the development of the national telecommunication industry, and ultimately, to the nation's education, the business community and stronger economic growth. Telkomsel is determined to be in the driver's seat in taking you to experience the next step in digital lifestyles communication.



In 2011, Telkomsel achieved 107 million subscribers, and positioned itself as the seventh largest telecommunication operator in the world which has more than 100 million subscribers.



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Performance Highlights in 2011

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Financial Highlights

Description (in billion Rp)	2011	2010*	2009*	2008*	2007*
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Current Assets	9,855	5,787	7,085	4,257	5,059
Fixed Assets - Net	46,208	49,118	50,346	46,359	38,251
Other Non - Current Assets	2,660	2,438	1,796	1,315	1,367
Total Assets	58,723	57,343	59,227	51,931	44,677
Current Liabilities	13,975	13,493	18,990	17,761	12,403
Non - Current Liabilities	6,372	9,644	9,181	7,137	6,082
Equity	38,376	34,206	31,056	27,033	26,192
Total Liabilities & Equity	58,723	57,343	59,227	51,931	44,677
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
Revenues	48,733	45,567	44,443	40,291	39,171
Expenses (Incl. Depreciation)	31,065	28,210	25,227	23,821	19,442
EBITDA	27,549	26,598	27,331	24,062	25,604
Profit	12,824	12,362	13,160	11,422	13,624
CONSOLIDATED STATEMENTS OF CASH FLOWS					
Cash Flows from Operating Activities**	22,829	19,471	21,690	18,769	20,660
Cash Flows from Investing Activities	(7,665)	(9,870)	(13,364)	(12,322)	(13,180)
Cash Flows from Financing Activities	(3,812)	(2,028)	1,875	2,142	3,349
Cash Dividend	(8,351)	(9,992)	(7,715)	(10,210)	(10,137)
Net Increase/ (Decrease) in Cash and Cash Equivalents	3,001	(2,419)	2,486	(1,621)	692
FINANCIAL RATIOS					
EBITDA Margin ¹	57%	58%	61%	60%	65%
Profit Margin ²	26%	27%	30%	28%	35%
Return on Assets ³	22%	21%	24%	24%	33%
Return on Equity ⁴	35%	38%	45%	43%	55%

Notes:

* The 2007-2010 figures were reclassified to conform with 2011 presentation.

** Includes effect of exchange rates changes on cash & cash equivalent.

¹ EBITDA divided by Revenues

² Profit divided by Revenues

³ Profit divided by Average Total Assets

⁴ Profit divided by Average Equity

Operational Highlights

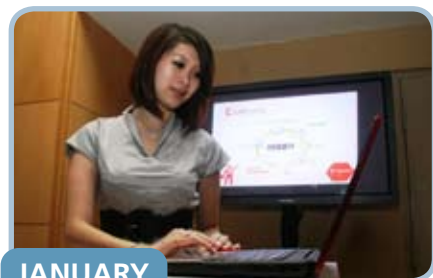
Description	2011	2010	2009	2008	2007
CUSTOMERS - in thousand					
Customer Base					
Postpaid	2,188	2,126	2,035	1,940	1,913
Prepaid	104,829	91,884	79,609	63,360	45,977
Total	107,017	94,010	81,644	65,300	47,890
Net Additions					
Postpaid	62	92	94	27	251
Prepaid	12,945	12,275	16,249	17,383	12,042
Total	13,007	12,367	16,344	17,410	12,293
MoU - in billion minutes					
Minutes of Usage (Chargeable)	159.3	128.6	130.3	90.2	25.2
SMS - in billion units					
SMS (Chargeable)	108.2	94.3	100.4	78.0	49.5
ARPU¹ - in thousand Rp					
Postpaid	197	211	214	216	264
Prepaid	35	38	43	53	72
Blended	39	42	48	59	80
Effective ARPU ²	40	43	50	59	78
NETWORK DATA					
Base Station Unit	42,623	36,557	30,992	26,872	20,858
EMPLOYEE DATA					
Total Employees (excl. Board of Directors)	4,417	4,421	4,205	4,124	4,075
Efficiency Ratio (subscriber / employee)	24,228	21,264	19,416	15,834	11,752

Notes:

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

² Effective ARPU is calculated from booked revenues divided by the average number of subscribers (number of subscribers at the beginning of the year added to number of subscribers at the end of year divided by 2) and then divided by 12.

Events Highlights



JANUARY

The cooperation between Telkomsel and Google led to the launch of Business Connect. Available as a Hosted PushMail service, Business Connect assists customers to easily manage all of their corporate activities with features including e-mail, instant messaging, sharing documents, meeting calendar and secure access controls.



FEBRUARY

Telkomsel won four awards at the 'Top Brand Awards 2011', including awards for both *kartuHALO* and *simPATI*. The other two awards were for Internet Services Provider for its *TELKOMSELFash* product and for BlackBerry Service provider. The awards were given based on a survey by the Frontier Consulting Group and Marketing Magazine.



MARCH

Telkomsel launched *GraPARI 24 jam* at Wisma Alia 1-2nd floor Jl. M. Ridwan Rais kav. 10-18 Central Jakarta. Customers can easily and comfortably access a range of Telkomsel's products and services 24 hours and 7 days a week at this ISO 9001:2008 standardized GraPARI outlet.



Telkomsel was a winner at the 'Global Mobile Awards 2011' for 'Best Mobile Learning Innovation'. This international award presented at the GSMA Mobile World Congress in Barcelona Spain was dedicated to Telkomsel's 'Urban English' program.



Telkomsel signed a partnership agreement with TelkomVision, one of our synergy programs with our parent company, to offer *kartuHALO*, *simPATI*, and *Kartu As* subscribers a discounted price for YesTV subscriptions. Through this program, Telkomsel's subscribers enjoy a 50% discount on subscriptions to YesTV Gold Package.



APRIL

Telkomsel achieve 100 million subscribers, positioning it as the seventh largest telecommunications operator in the world, managing more than 100 million subscribers. For this achievement, Telkomsel granted a special *kartuHALO* for our 100th million subscribers to B.J. Habibie, the pioneer of GSM technology in Indonesia.



MAY

Together with its parent company, Telkomsel launched SpeedyFlash, which combines fixed internet service and Telkomsel's mobile internet *TELKOMSELFash*. The new product enables customers to enjoy stable and quick internet access in and outside home.



JUNE

Telkomsel won the 'Word of Mouth Marketing (WOMM) Award 2011' as The Most Recommended BlackBerry Internet Service (BIS). This is an annual award held by SWA magazine in cooperation with onbee Marketing Research to appreciate the products and services of companies which were categorized as the most recommended brands by customers in 2011.



Telkomsel, for the eighth year in a row, earned 'Best Operator of the Year 2011' award at the Selular Awards 2011. At the prestigious event for GSM and CDMA operators, Telkomsel also won the awards of 'The Best GSM Operator' and 'The Best Customer Care Operator'.

Telkomsel was entrusted by the Asia Pacific Network Information Center (APNIC) to manage an additional 4 million IPs (Internet Protocols). With the addition of this public internet access block, Telkomsel now manages 5.7 million IP addresses, making it the biggest IPv4-based internet provider in Indonesia.

Telkomsel also announced its service collaboration with its parent company for loyal customers at 25 New Plasa Telkoms. The synergy brings the Company's total customer service points to more than 1.3 million. The Company serves its 107 million customers through three channels: Walk-in CTP (Customer Touch Points), such as GraPARI, GraPARIkios, and Plasa Telkom; Self Care; and Call Centers in five locations: Medan, Jakarta, Bandung, Surabaya and Makassar.

Performance Highlights in 2011

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JULY

The ICT Guru program was held for three days in 2011 in 22 cities across Indonesia, targeting math, physics and chemistry teachers. It followed the success of a similar program held in 2010 in 18 cities.



AUGUST

Welcoming the holy month of Ramadhan, Telkomsel introduced a new program called 'Online Masjid Raya (OMR)'. The innovative program included as part of our corporate social responsibility (CSR) program communicates information and activities at 99 major mosques in Indonesia in a digital format.



SEPTEMBER

Telkomsel's Kartu As came with an innovation called 'Kartu As BonbAstis'. Customers can enjoy free credit after making calls or sending SMS to other Telkomsel users.



Telkomsel launched TAP IZY, a contactless payment service which can turn a customer's own phone into an electronic wallet. It is a new innovation in Indonesia and Telkomsel is the only operator providing this service.



Four students were competitively selected to receive Telkomsel School Community (TSC) scholarships under a joint cooperation between Telkomsel and the Bina Antarbudaya Foundation, which serves as the partner of the American Field Service for Intercultural Programs. The students joined in a student exchange program with the following destinations: Switzerland, Belgium, Italy and Japan.



Welcoming the 2011 hajj season, Telkomsel partnered with a Saudi Arabian operator, Zain, to facilitate Hajj communications in the Holy Land of Mecca and Medina. The program was offered at a discounted tariff of up to 80% and accessible without changing SIM Card. To obtain hajj information, such as manual setting, tariffs valid in Mecca, Medina, and others, customers could also access *123#.



Telkomsel, in partnership with Telkom, launched HotSpot FLASH Zone. This WiFi-based area is an innovation for customers to access the internet in public areas.



OCTOBER

Telkomsel announced its partnership with Skype, to deliver a new digital lifestyle experience for Telkomsel's customers in accessing Skype's services through their smartphones anytime, anywhere.



Telkomsel won The Best Operator Award at Indonesia Customer Satisfaction Award (ICSA) 2011 held by SWA Magazine and an independent research agency Frontier on October 7, 2011, particularly for *simPATI*, *kartuHALO* and *TELKOMSELFash*. Not only winning the Best Operator for 12th year in a row, Telkomsel also earned 'Best of The Best 2011'.



NOVEMBER

Telkomsel launched Langit Musik HITS!, a full-track music download service for customers of *kartuHALO*, *simPATI* and Kartu As. This Service allowed our cellular customer to download thousands of songs for only Rp1,000 per week.



DECEMBER

Telkomsel signed a partnership agreement with the other seven companies under the Telkom Group at the 'Sensasi di Ujung Tahun' event, which was a knowledge sharing activity for the Telkom Group. Telkomsel's participation was part of its commitment to implementing knowledge management in Telkom Group. The other seven companies were Metra, TII, Graha Sarana Duta, TelkomVision, Pins, Infomedia, and Mitratel.

Telkomsel inaugurated the Research & Development Center (RDC), which represents our serious commitment to develop the cellular evolution and technology. Located in a 375-sqm area in Bandung, the R&D has a comprehensive facilities including an equipment room, data center, testing room, monitoring room, IP Surveillance and Demo (Outdoor).

Awards and Accolades

Core Services



1. Top Brand Award for Telkomsel BlackBerry Internet Service (BIS) as The Best BlackBerry Service Provider from Marketing & Frontier



4. Indonesia Cellular Award 2011 as The Best Value Added Service from Sinyal Tabloid



2. Indonesia Brand Champion Award 2011 for *simPATI* as Brand Equity Champion of Cellular Operators from Marketers & Markplus



5. WOMM Award 2011 as The Most Recommended BlackBerry Internet Service (BIS) from SWA & onbee Marketing Research



7. Selular Award as Operator of The Year from Selular Magazine



3. Indonesia Brand Champion Award 2011 for *TELKOMSELFlash* as Brand Equity Champion of Mobile Internet Providers from Marketers & Markplus



6. Frost & Sullivan Indonesia Excellence Awards 2011 for Telkomsel's TCASH as Most Innovative Application of the Year



8. Golden Ring Award 2011 for Telkomsel's Langit Musik as Best Value Added Service from Indonesian Telecommunication Journalists

Broadband Services



9. Top Brand Award for *TELKOMSELFlash*, Mobile Internet Service Provider from Marketing & Frontier

Customer Care Services



11. Call Center Award 2011 for its excellent service performance through Telkomsel Caroline from Marketing & CCSL

CSR



14. ICT PURA & USO Award 2011 for Telkomsel's services



10. Yahoo Big Idea Chair Regional Award 2011 for *TELKOMSELSiaga* Campaign as The Best ROI Combine of Display and Search



12. Service Quality Award for GraPARI from Marketing & CCSL



15. Indonesia CSR Award 2011 in appreciation of the Teknisi Handphone Bagi Anak Jalanan, Penyandang Cacat dan Peserta Rehabilitasi Narkotika program from the Corporate Forum for Community Development



13. Service Star Award 2011 presented by Carre-CCS

To meet the target of establishing 40 broadband cities as part of the Company's transformation program to go beyond telecommunication services, Telkomsel has deployed large-scale of investment in network, people and technology.



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Telkomsel at a Glance

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Brief Profile



Telkomsel's experience for more than 15 years since its establishment in 1995 has earned it a reputation as a leading telecommunications provider in Indonesia. With strong backup from its parent companies, Telkomsel is well positioned as the most innovative company offering extensive service coverage across the country and catering to the growing needs of a digital lifestyle with quality products and services for all market segments.

To realize the mission of establishing 40 broadband cities as part of the Company's transformation program to go beyond telecommunication services, Telkomsel has made significant investments in its network, people and technology. Major groundwork projects in 2011 included restructuring the core network architecture to speed up mobile broadband take-up, for which

we have laid fiber optic infrastructure in several cities to significantly boost data speeds from and onto the internet. The fiberation in 48 broadband cities is an example of the true synergy between Telkomsel's own investment and Telkom's Metro Ethernet infrastructure. This effort was combined with capacity expansion and optimization of transport assets to accelerate enhancement to the IP-based network, and the establishment of capacity management process.

Telkomsel is now strongly positioned as the biggest mobile data and BlackBerry service provider in Indonesia, following exclusive improvements in connectivity to RIM and the provision of 5 Gbit/s capacity for BlackBerry services and 20 Gbit/s for Internet access.

With more extensive broadband-based network and more competent human

resources, Telkomsel will be able to extend connectivity services and mobile solutions to remote areas, particularly villages in the eastern part of Indonesia.

These extensive efforts have paved the way for Telkomsel to maintain its leading position in terms of subscriber base, connecting more than 107 million customers with 40 million data users at the end of 2011. This is a tremendous success, which will deliver value to the investments shared between our parent companies, Telkom (65%), the largest full service telecommunication operators in Indonesia, and SingTel Mobile (35%), a wholly owned subsidiary of Singapore Telecommunications Limited. Telkomsel guarantees a lasting commitment to lead this nation towards the experience of new styles of mobile telecommunication.

Vision and Mission

Vision

To be the best and leading mobile lifestyle and solutions provider in the region.

Mission

To deliver mobile lifestyle services and solutions in an excellent way that exceeds customers' expectations, and creates value for all stakeholders and the economic development of the nation.



Milestone

2G	1995	Telkomsel was established by Telkom and PT Indosat. Telkomsel launched the <i>kartuHALO</i> postpaid service.
	1997	Brought mobile telecommunication services to all 27 provinces. Launched <i>simPATI</i> Nusantara, the first prepaid service in Asia.
	2002	Rolled out mobile data services, including WAP over GPRS (General Packet Radio Services), MMS (Multimedia Messaging Services), and content services.
	2003	Commercially launched the first international roaming services in Indonesia for prepaid customers.
	2004	Introduced a secure mobile-to-mobile prepaid top up system. Joined a regional mobile alliance (Bridge Alliance) for enhanced customer benefits. Launched Kartu As prepaid service.
	2005	Call Center acquired ISO 9001:2000 certification. Mobile Banking ATM services were launched.
	2006	First in Indonesia to launch 3G network and services. First in Indonesia to provide push-email services.
	2007	HSDPA (High Speed Downlink Packet Access) service was rolled out. Telkomsel made financial transactions possible using mobile phones (TCASH) in Indonesia.
3G	2008	Pioneered renewable energy power for BTSs in Asia. First in Indonesia to provide mobile voice and data services to PELNI ships on the open ocean.
	2009	Launched HSUPA (High Speed Uplink Packet Access) broadband network-based services. Kicked off Desa Berdering Program to provide telecommunications access for over 25,000 villages.
	2010	First to perform Long Term Evolution (LTE) network broadband technology trials in Indonesia. Introduced the first Mobile Newspaper services in the country.
	2011	Achieved 100 million subscribers, positioning Telkomsel as the world's seventh largest telecommunication operator in terms of topping a 100 million customer base. Inaugurated the first Research & Development Facility for cellular technology in Indonesia. Introduced TAP IZY, the first mobile contactless payment system in Indonesia, by which customers can use their own phone as an electronic wallet.
4G		

Share Ownership




1995	Telkomsel was established by Telkom and PT Indosat.
1996	KPN Netherlands (KPN) and PT Setdco Megacell Asia (Setdco) acquired stakes in Telkomsel of 17.3% and 5%, respectively.
2001	<ul style="list-style-type: none"> Telkom increased its ownership to 77.7%, in an acquisition deal over Indosat's shares. KPN and Setdco sold their shares to Singapore-based SingTel Mobile.
2002	SingTel increased its ownership by 12.7%, bringing its total ownership in Telkomsel to 35% and leaving Telkom's ownership at 65%.

Organization Structure















Products and Services









CORE PRODUCTS & SERVICES

Basic Telephony Services		
kartuHALO		Postpaid product segment brand that provides an enhanced range of full features and services, with a focus on serving higher segments and corporate customers.
simPATI		Premium prepaid brand that provides a full range of features and services, with lifestyle-theme cards offered in more youthful and dynamic packages.
Kartu As		Prepaid product brand for mid-low segment, positioned as an economical brand.
International Services		International services that enable subscribers to enjoy the same Telkomsel services overseas as in Indonesia.
Corporate Business Solutions		Personalized service and solutions for the enterprise segment.

INNOVATIVE VALUE ADDED & BROADBAND SERVICES

Value Added Services		
AppZone		The first application store in Indonesia, enabling users to download tried and tested applications directly to their mobile phones at affordable prices.
Bubble Talk & Bubbly		Voice messaging services that allow users to leave customized messages (BubbleTalk) and Voice Blogging (Bubbly).
Chatting and Social Networking		Special data plan that enables users to get unlimited free data access to various social platforms from their mobile phones including Global Mobile Chatting through MIG33, eBuddy, Nimbuzz and MXIT.
City Life		A voice-based search engine that responds to customer queries.
Emoticon SMS		MMS and SMS services that are enhanced through emoticons and other features.
Facebook		Facebook SMS, Facebook Zero, Facebook Chat via SMS, Facebook via USSD, and Facebook Java Application, which allows users to access Facebook with ease.
Idbell		A feature that allows users to set unique ringtones for different callers.
Gapura Shop		An online forum for buying and selling goods.
Google Apps		Applications through Google that enable companies to have a corporate website and email address at lower prices, including cloud computing features that allow employees to access documents on the server from any location.

Google SMS Translator		A breakthrough translation service with Google technology that operates on mobile phones via SMS.
Nexian Messenger		Special data package that enables Nexian mobile phone users to get unlimited data to chat with other Nexian phone users.
Opera Mini		Special data package that enables Opera mini users to access unlimited data and to formulate daily, weekly and monthly subscription plans. Telkomsel is the official partner of Opera Mini in Indonesia.
Teenager SMS (SMS@L4y)		Customized SMS service suited to Indonesian teenagers' style.
Telkomsel Lacak		This application allows users to view current locations and public places nearby.
Transfer Pulsa		Secured mobile-to-mobile prepaid top up system for credit transfer services.
Twitter SMS		Twitter access using SMS. Send tweets and receive notification alerts on mobiles via SMS at a very cheap tariff.
Yahoo! Koprol		Location-based social networking powered by Yahoo! (Yahoo! Koprol). Telkomsel offers a special data plan that enables users to get unlimited data on a daily, weekly, or monthly subscription plan to access the Yahoo! Koprol mobile site.
Urban English		English Mobile Learning Application service. This service allows users to subscribe to a course via SMS and get daily updates to learn English.
Telkomsel Data Plan for Skype		Telkomsel Data plan to access Unlimited Skype for Skype Call & Chat using a special Skype application.
Telkomsel Mobi		WAP-based ODP as a channel for customers to purchase Telkomsel services and packages.
Kartu Facebook		New Card with a special Price Plan designed for youth plus special benefits on lifetime free Facebook access from m.facebook.com and official Facebook applications.
Nokia OVI Store		Billing System Integration to purchase content from the OVI Store with Telkomsel balance.
Voice Portal		Voice-based service to look for RBT, voice content, and friends.
EntbluexTV		One-stop application allowing customers to listen to music, play music, view videos, etc.
Fundate		Dating and chatting application allowing customers to find friends to chat with, see other profiles, send gifts, etc.

Broadband		
BlackBerry & iPhone		A range of packages and services for individuals and corporate customers that provide browsing, instant messaging, email and social media access.
Flash		<p>Broadband access which can be enjoyed through USB dongles, portable Wi-Fi Routers, Smartphones and Tablet Packages, that includes:</p> <ul style="list-style-type: none"> Flash Unlimited Starter pack - a special SIM card that is provided as a stand-alone card or companion for Tablets, Modems and Routers/Wi-Fi that is distributed to IT/Device Channels (non traditional channels). Flash Unlimited for iPad Starter pack - a special micro SIM Card for iPad as an extension of Telkomsel's partnership with Apple. Flash Unlimited Package - an internet package targeted at Smartphones, Tablets, Modems and Routers, starting from Rp5,000 a day. Small Deno Package - an internet packages based on volume, targeted at mobile phones, starting from Rp1,000 a day. A Low Cost Modem with 1-Year Contract - the cheapest HSDPA in the country up to (7.2 Mbps), tied to a 1-year Unlimited Data Plan subscription.
Love Indonesia Application		A BlackBerry Application for the Asia Pacific region that is exclusive to Telkomsel.
Video Call		Broadband-based service that allows customers to make video calls using 3G-based phones.
WaveSecure		Enables back up, restore, lock, and wipe data functions for the convenience and security of mobile phone users.
Digital Music and Content		
Langit Musik		A platform that provides full-track music downloads to mobile phones.
Mobile Content		A platform that provides a range of content including ring tones, themes, games, applications, etc.
NSP1212		A platform that provides Ring Back Tone music downloads.

Mobile Banking Service

Mobile Banking



A platform that makes it possible to perform banking service transactions via mobile phone.

TCASH



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

TAP IZY



TAP IZY, a contactless payment service which can turn a customer's own phone into an electronic wallet.

Mobile Advertising

Bulk Services



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

Interactive Services



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

Location Based Advertising (LBA)



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

M-Kupon



A form of service that replaces the conventional coupons with more interactive media.

Mobile Newspaper



A new form of newspaper in digital format, consisting of various newspapers and tabloids that can be read online.

Popscreen



An interactive broadcast system, in the form of a pop-up message that appears on the user's mobile screen.

WAP Banner



Banner advertisements in Telkomsel WAP content pages.

Under flattening growth in voice and SMS,
Telkomsel finds an opportunity to grow its
business beyond telecommunication.



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Report to the Shareholders

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Message from the President Commissioner



Rinaldi Firmansyah
President Commissioner

Hence, since the last few years, while still focusing on the voice and sms, we have been embarking on the development of beyond telecommunication businesses.

Dear respected shareholders,

Telkomsel has carved another milestone in the year of 2011, as indicated by the big jump in its subscriber base, which positions it as the world's seventh largest telecommunication operator with more than 100 million subscribers. Of that number, we are pleased to see a significant number of Telkomsel's mobile data users, which reached 40 million subscribers at the end of the year.

This unparalleled achievement, which we are really proud of, has given us confidence that there is still a room for the cellular business to grow, and for us to lead the competition in Indonesia's cellular industry. Nevertheless, with high SIM card penetration in the domestic cellular market, the challenge to further business expansion is always there. However, as we realize, the focus of the competition has shifted, from voice to non-voice or substitute products.

Hence, for the last few years, while still focusing on voice and sms, we have been embarking on the development of beyond-telecommunications businesses, by-for example-focusing on the development of data and value added services (VAS) such as internet data access and application stores. Telkomsel's management believes that the Company will be able to benefit from the rising consumer trends for data and VAS usage, and continue to focus on increasing the number of subscribers from these business segments.

The opportunity to expand our business beyond telecommunications refers to the fact that we see a significant growth in the VAS business and the growing use of

smartphones in the market. In the future, we are seeking to advance these services to produce a combined voice and non-voice service that will deliver a full digital lifestyle experience for our subscribers.

Adding to the data and VAS businesses and in line with the Telkom Group's strategy, Telkomsel also has a chance to expand its remittance, mobile finance and machine-to-machine communication (m-to-m) businesses. We are optimistic that Telkomsel is ready to compete in these service sectors with our established IT infrastructure, improved billing system and synergy with our parent companies.

Although we have a well-developed administration, we, in Telkomsel, actually apply a lenient bureaucracy, in which the Directors have considerable opportunities to run the Company and accomplish the business agenda as mandated by the shareholders and stakeholders. To assist us in monitoring the day-to-day management by the Directors and to ensure its compliance with the rules and regulations, we have three committees in the organization: the Audit Committee, Capex Committee and Remuneration Committee.

The Board of Commissioners has been working closely with the Board of Directors to give recommendations on how to respond to the business dynamics in the future. Some of the recommendations covered the area of infrastructure development, particularly on how to develop the backbone network and infrastructure transportation in an efficient way. The Commissioners also suggested that Telkomsel to be more open to possible product bundling with the leading players in cellular technologies and applications so as

to boost competitiveness of the Company, particularly competitive pricing.

We also seek synergy opportunities for the joint development of human resources, particularly to prepare the staff for the future expansion of the business. We expect such synergies to be able to offer broad opportunities for each individual employee to work not only at Telkomsel but also in any position in the parent companies and create value for the company he or she works for.

In terms of Corporate Social Responsibility, Telkomsel has proved itself as a caring company. Through Telkomsel's CSR programs, among which are providing basic ICT education for teachers and students and promoting incubation in the ICT field, we are aiming at shortening digital gap in the communities.

To conclude, we, the Commissioners, appreciate all of the efforts and energy shared by the management and staffs of the Company that has enabled us to reap this success in 2011. We are proud of the business achievements, both financial and non-financial, that have positioned Telkomsel as a leading and inspiring telecommunications company for the development of the digital lifestyle in Indonesia. With stronger fundamentals, we expect Telkomsel to be able to continue to deliver sustainable growth in the years to come.

Sincerely Yours,



Rinaldi Firmansyah

President Commissioner

The CEO's Report



Sarwoto Atmosutarno
CEO

Dear respected shareholders,

The year 2011 was another milestone for Telkomsel, as indicated from the rise of customer base to a total of 107 million at the end of the year. Such achievement reflects the trust and support from our customers as Telkomsel could present an outstanding performance in 2011. Our financial performance was also healthier as revenues and net profit recorded stronger growth compared to the previous year, growing 7% and 4% year-on-year, respectively. This strong performance has given us the confidence to move forward with the strategies that we have developed to continue leading the industry in the years to come.

As we entered the year 2011, the saturation signal became stronger: SIM card penetration in Indonesia had already reached close to 100%, which left little room for operators to grow their customer base from basic voice

and SMS services. However, there has been increasing growth in data demand, which has given operators the opportunity to increase customer base growth. With the declining growth rate in voice and SMS revenues in the last few years, data services have become increasingly important to operators to enhance operating revenue growth. Therefore we focused our activities in 2011 on capturing the growth in the data business, growing the contribution of content-related business, and also putting in a stronger foundation for our sustainable growth.

Strong Growth in Mobile Data Services

The telecommunications industry has been seeing the rising trend towards convergence of devices and applications in the last few years, which in the end boosts mobile data traffic. This is coupled with better awareness of internet-based applications and services



Other infrastructure development included the implementation of a new billing system, moving from package-based to an Online Charging System (OCS) for *kartuHALO*, *simPATI*, and Kartu As users. This new system enables our customers to opt for a more personalized billing service suitable

to their needs. It also enables us to implement a cluster pricing strategy. We believe that the new billing system will be a strong support to improve our competitiveness in the future.

To support our product and service delivery, Telkomsel also embarked on extensive sales and marketing strategies. In 2011, these strategies also focused on below-the-line campaigns, including introducing a price differentiation policy to help micro segments to benefit more from our services. Adding to these, Telkomsel also launched innovative branding strategies to strengthen brand awareness among potential young subscribers through various school and community expansion programs. To improve retail sales performance, Telkomsel also reengineered the channel and distribution system through the implementation of a hard clustering system for every dealer and set up a key performance indicator for dealers to avoid unfair competition among them.

Managing Cost Growth

With the growth of our business, cost control efforts are important in order to maintain our margin. We have implemented several cost optimization programs, particularly on operation and maintenance costs, such as:

- Frequency fees: implementation of the bandwidth base fee
- Maintenance costs: renegotiating radio maintenance costs
- Power supply costs: renegotiating tariffs with the power supply company; installing solar cell and hydro power
- Transmission costs: optimizing transmission usage; renegotiating lease costs.

In addition, through collaboration with other Telcos, Telkomsel has continued to pursue best efforts to reduce and optimize regulation charges over the industry.

Enhancing Internal Capacity

In the meantime, Telkomsel has also enhanced its internal capacity in order to deliver the best services and higher productivity.

Plans for improving employee competencies to enable them to carry out their duties and responsibilities in line with the corporate vision and mission were strongly reflected in our people development strategy in 2011, in which we were keen to prepare our human resources to be broadband-ready. We therefore organized a series of systematic trainings to enhance the capacity of our employees in general, and set up a personal development program for particularly talented ones to improve their leadership capacities in the organization.

Our employee training program was also intensified in synergy with our parent companies in order to create highly competent human resources. With their enhanced skills and competence, we expect to see Telkomsel's employees as agents of change in this dynamic industry.

Moreover, Telkomsel has conducted an academic evaluation of every position in the Company in order to attain an objective perception of the value of each position. This provides us with the necessary information to refine our talent program and formulate appropriate remuneration packages.

Besides putting people development on the front line, Telkomsel is also committed to organizational development through the implementation of Good Corporate Governance (GCG). The GCG implementation in the Company is already complemented by our Code of Conduct, which is a tool to guide each employee in carrying out their duties in a responsible way. We have also established disciplinary measures for those violating the Code of Conduct.

As the business grows, we understand there will be lots of potential issues within the organization. We therefore have a whistleblower mechanism so that we can manage the risks to the business. We, through Enterprise Risk Management (ERM) unit and Internal Audit Unit, also work closely with other committees in the organization, to define the risk to the business. This included establishing a new Business Sustainability task as part of our risk management effort to mitigate issues such as disasters, regulation and internal processes.

Continue to Share

Meanwhile, our commitment as a responsible business entity is also realized through the implementation of our Corporate Social Responsibility (CSR) programs. This is more than a charity program; we use CSR as momentum to share knowledge and help generate better-educated people. Thus, in 2011 our programs included device repair training for dealers and enhancement of school teachers' knowledge about ICT.

In addition, there were CSR programs that reflected our commitment to social and cultural development. Telkomsel is well known for its strong environmental concern and this commitment is represented, among others, by our establishment of a disaster handling squad called the Telkomsel Emergency Response and Recovery Activity (TERRA), which has attained recognition from the National Agency for Disaster Management.

To ensure their effectiveness and measurability, Telkomsel has produced a sustainability report for these CSR programs.

Ready to Compete

With all of these operational and non-operational efforts, Telkomsel is poised to win the business competition and carve another milestone in 2012. As the industry is

estimated to grow at least at the same level of 2011's growth, we believe our broadband infrastructure is adequate to support the realization of our 2012 business agenda. We are aware of potential challenges that we will face in 2012, particularly on competition and regulations such as local government regulations, regulations relating to the 3G frequency spectrum, the impact of the premium SMS ban and the implementation of an interconnection fee for SMS. However, we are determined to meet the growth target set for next year as the Company is committed to developing new business beyond telecommunications services in more effective ways, to lead the digital lifestyle business.

Learning from our 2011 business performance, we will promote more programs that will unlock value and enable us to be a more competitive company in many ways. Focus is the key, and we ask for the participation of all parties, management and employees, to consolidate all our efforts in managing the new businesses. Most of all, these efforts will focus on making Telkomsel the best experience provider in the year to come.

To conclude, the Board of Directors would like to thank all the management and employees for all their dedication and hard work in achieving the success of 2011. Board of Directors would also like to extend the highest gratitude for the trust and support from the shareholders, stakeholders, and particularly from the valued customers and partners, which led to the success for realizing the whole business agenda of the Company. We therefore value each of your contributions to the coming achievements that will keep us in the lead.

Sincerely yours,



Sarwoto Atmosutarno
CEO

The Management's Profile



The Board of Commissioners

Sitting: Rinaldi Firmansyah - President Commissioner, Paul O'Sullivan - Commissioner

Standing left to right: Ermady Dahlan - Commissioner, Yuen Kuan Moon - Commissioner, Loso Judijanto - Commissioner, Arief Yahya - Commissioner



The Board of Directors

Sitting: Sarwoto Atmosutarno - President Director, Herfini Haryono - Director of Planning and Development

Standing left to right: Edward Ying Siew Heng - Director of Commerce, Triwahyusari - Director of Finance, Ng Kwon Kee - Director of Operations

The Board of Commissioners



Rinaldi Firmansyah
President Commissioner

Mr. Rinaldi Firmansyah has been President Commissioner of Telkomsel since March 2007. The President of CFA Indonesia as well as a graduate in Electrical Engineering from the Bandung Institute of Technology (ITB) and the holder of a Master's degree in Business Administration from Indonesian Institute of Management Development (IPMI) Jakarta is currently the President Director of PT Telekomunikasi Indonesia Tbk (Telkom), a position he has held since March 2007. Prior to the top post, he was Telkom's CFO. Previously, he served as Director of Investment Banking, President Director and Vice President Commissioner at PT Bahana Securities (1997-2003), then Head of the Audit Committee and a Commissioner of PT Semen Padang in 2003. Between 2004 and 2010, he was recognized with a number of awards, including 'Best CFO' and 'Best CEO', by both local and international institutions. In September 2011, he also won 'Satellite Executive of the Year' in the Asia-Pacific Awards 2011, held by the Asia-Pacific Satellite Communications Council (APSCC) and was nominated as one of the 'Men of the Year 2012' by *rakyatmerdekaonline.com* in 2012. He was also named one of the leaders in Entrepreneurship Development by Minister of Cooperatives of Republic of Indonesia. He was awarded a Satya Lencana Pembangunan medal by the President of the Republic of Indonesia in 2007.



Arief Yahya
Commissioner

Mr. Arief Yahya has been a Commissioner of Telkomsel since June 2007. The graduate in Electrical Engineering from the Bandung Institute of Technology (ITB) and a Master's degree holder in Telecommunications Engineering from the University of Surrey, UK, has also served as Telkom's Director of Enterprises & Wholesale since June 2005. Building his career at Telkom since 1986, Mr. Arief Yahya has been entrusted with several prominent positions, among which were 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'. In 2006, Mr. Arief Yahya was honoured to receive a Satya Lencana Pembangunan medal from the President of the Republic of Indonesia and was cited as a future business leader by SWA Magazine.



Loso Judijanto
Commissioner

Mr. Loso Judijanto has served as a Commissioner of Telkomsel since June 2007. The holder of a Master's degree in Statistics from the University of New South Wales, Sydney, Australia, in 1998 and of a Master's degree in Management Accountancy from the University of Indonesia in 1995, he is also a member of the Strategic Review Unit for the Government of Indonesia. During the period 2007 to 2009, he served as a Special Advisor to the Minister of State-Owned Enterprises of the Republic of Indonesia and as a Special Advisor to the Minister of Information and Communication Technology of the Republic of Indonesia (2005-2007). Other positions he has held include Corporate Governance Consultant (2000-2005), staff member at the Ministry of State-Owned Enterprises (1998-2000) and Public Policy Researcher at the Center for Policy and Implementation Studies (1995-1996). Mr. Loso Judijanto also holds a number of professional qualifications: CMA from ICMA; PRM from PRMIA; CISA, CGEIT, and CRISC from ISACA; CFE from ACFE; CAMS from ACAMS; CIA, CGAP, CFSa (Banking); and CCSA from IIA; ERP and ICBRR from GARP; CPMA from IAMI; SAS from IAI; and CSCP from APICS.

**Ermady Dahlan**

Commissioner

Mr. Ermady Dahlan has been serving as a Commissioner of Telkomsel since March 2010. He has also been Telkom's Director of Network and Solution and Chief Operations Officer since 2009. Since joining Telkom in 1973, the graduate in Telecommunications from the National Telecommunications Academy (a joint program between Perumtel and ATN Bandung) has held a number of strategic positions, among which were Director of Commerce (2007-2009), Head of Regional Division II - Jakarta (2005-2007), Head of Enterprise Service Center Division (2003-2005) and Head of Regional Division I - Sumatra (2001-2003). Mr. Ermady Dahlan is honoured to have received three awards from President of the Republic of Indonesia: the Bintang Jasa Pratama (2008), Satya Lencana Wira Karya (2000) and Abdi Satya Bhakti (1997).

**Yuen Kuan Moon**

Commissioner

Mr. Yuen Kuan Moon has been serving as a Commissioner of Telkomsel since September 2009, and has been recently appointed SingTel CEO (Consumer Singapore). He concurrently holds the position of CEO of SingTel Mobile. Mr. Yuen Kuan Moon is responsible for leading and managing the Singapore consumer business to deliver a complete and integrated suite of services, including mobile, broadband and fixed-line solutions to the consumers. He previously held the position of Executive Vice President of Digital Consumer in SingTel from July 2009 to 31 March 2012. A graduate in Engineering with a First Class Honors degree from the University of Western Australia and the holder of a Master of Science degree in Management from Stanford University in California, USA (Sloan Program), Mr. Yuen Kuan Moon has a long-established career in the telecommunications industry. Starting his career in SingTel in 1993, he performed successfully in a variety of functions, including a long-term assignment at Telkomsel as the Commerce Director from 2003 to 2007.

**Paul O'Sullivan**

Commissioner

Mr. Paul O'Sullivan has been serving as a Commissioner of Telkomsel since January 2010, and has been recently appointed as SingTel Global CEO Consumer in addition to his duties as Chief Country Officer for the Australian arm of the Business (Optus). Mr. Paul O'Sullivan held the role of Chief Executive of Optus from 2004 to 31 March 2012 with responsibility for all aspects of performance and operations of Optus. The holder of B.A. (Mod) in Economics from Trinity College, University of Dublin, Ireland and a graduate of the Harvard Business School's Advanced Management Program, he currently serves as a member of the SingTel Group Management Committee and was a member of the Board of Bharti Airtel, a SingTel Group's India-based joint venture company (2003-2009). Prior to joining Optus, Mr. Paul O'Sullivan worked with the Colonial Group in Australia and held a number of international management roles with the Royal Dutch Shell Group in Canada, the Middle East, Australia and the United Kingdom.

The Board of Directors



Sarwoto Atmosutarno

President Director

Prior to his appointment as President Director and Chief Executive Officer of PT Telekomunikasi Selular (Telkomsel), Mr. Sarwoto Atmosutarno previously held various key strategic positions in the Telkom Group. The holder of a diploma in technical engineering from Telkom in 1979, a degree in Economics from Airlangga University in 1985 and a Master's in Business Engineering in Telecommunications from the Ecole National Supérieure Des Telecommunications de Bretagne, France, in 1995, was once Telkom's 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 is the Chairman of ATSI, a cellular provider association in Indonesia, and Vice Chairman of the Telecommunications and Infrastructure Committee in Kadin (Indonesian Chamber of Commerce). He was awarded the Bintang Jasa Nararya (2009) and Satya Lencana Wirakarya (2000) medals by the President of the Republic of Indonesia.



Triwahyusari

Director of Finance

Ms. Triwahyusari has been serving as Director of Finance of Telkomsel since 2007. The Accounting graduate from Airlangga University in 1982 is responsible for the overall accounting, financial and business control functions of Telkomsel. She was once a member of Telkomsel's Board of Commissioners (2003-2007) and has also served as Telkom's Vice President of Accounting (2001) and Assistant Vice President Internal Audit (1998). She was awarded the Satya Lencana Pembangunan medal by President of Republic of Indonesia in September 2011 for her active participation in CSR implementation.

**Herfini Haryono**

Director of Planning and Development

Ms. Herfini Haryono served in various key positions before she was appointed Director of Planning and Development at Telkomsel. The Electrical Engineering graduate with a Diplome-Ingenieur degree from the Technical University of Braunschweig, Germany, was once Telkomsel's Vice President of Business Control (2007-2009) and Vice President of Radio Access Engineering and Implementation (2004-2006). She has also been on the Board of Commissioners of PT Multimedia Nusantara (Metra) since 2008. Before joining Telkomsel, she was Senior Manager of Radio Network Planning and Engineering at StarHub Singapore (1999-2004), and System Engineering Manager at PT Motorola Indonesia (1994-1997). She was awarded the Satya Lencana Pembangunan medal by President of Republic of Indonesia in September 2011 for her active contribution in building Indonesia cellular industry.

**Ng Kwon Kee**

Director of Operations

The graduate from Brighton Polytechnic, UK, with Bachelor's degree in Electrical & Electronics Engineering (Honors) was a Commissioner of Telkomsel from 2008 to 2009 and Director of Operations from 2004 to 2006. Before joining Telkomsel, he was Senior Director (Network Integration & Interconnect) of Network Services at SingTel Mobile, where he was involved in the network integration with Optus and reviewed and streamlined the business process in the Network Group.

**Edward Ying Siew Heng**

Director of Commerce

Prior to joining Telkomsel in November 2011, Mr. Edward Ying Siew Heng previously served as Chief Multimedia Group (2008 to 2011) at SingTel, where he was instrumental in elevating SingTel's standing in the local content, media landscape and Pay TV Business. Mr. Edward Ying Siew Heng brings with him a wealth of leadership experience in the telephony, entertainment and content business across many countries. Mr. Edward Ying Siew Heng was COO of Maxis Communications, Malaysia's largest mobile operator (2003 to 2008), where he was involved in the multimedia content business, taking their mobile business to greater heights. Mr. Edward Ying Siew Heng also spent seven years in Globe Telecom in the Philippines as Chief Operating Advisor and as a member of the Board (1996 to 2003). Prior to that Mr. Edward Ying Siew Heng was also the Managing Director at the Cambridge Cable Group Pay TV Business in the UK (1995-1996). Mr. Edward Ying Siew Heng graduated in Marketing from the Institute of Marketing, United Kingdom, in 1987, earned a DIP Sales and Marketing at the Marketing Institute of Singapore in 1985, and took part in the National University of Singapore's General Management Program in 1984 as well as attending the International Executive Program at INSEAD, Fontainebleau, France, in 1996.

Telkomsel proudly maintained its position as
the largest national cellular provider
in Indonesia with a market share of 43% of the
full-mobility cellular market.



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Operational Review



Strategic Objectives

The telecommunications industry nowadays is becoming more dynamic, with the shift of business focus from voice services to the development of non-voice, such as data services, mobile finance, mobile advertising, mobile music, etc. The industry is challenged to meet a variety of demands with end-to-end services and to match its internal capacity with the developing external ecosystem.

Thus, Telkomsel has designed corporate strategies for 2011 to 2015 emphasis on strengthening the core business (Voice & SMS), winning wireless broadband business (mobile data), driving and leading the digital lifestyle, and leveraging business solutions. These strategies will establish a firm foundation which to maintain its leading position in the domestic market. In the years ahead, we expect to see growth in the low-end segment while defending high value subscribers and winning youth communities, as well as driving mass market adoption of the mobile internet

lifestyle with Telkomsel's robust portfolios of additional New Wave businesses.

The smart strategies and promotional activities we put in place during 2011 enabled the Company to accomplish its target of increasing the customer base. At the end of the year, Telkomsel's total subscribers reached 107 million, consisting of 2 million postpaid *kartuHALO* subscribers, and 105 million prepaid subscribers under the *simPATI* and *Kartu As* brands.

Products and Services

CORE PRODUCTS

Telkomsel's core products namely *kartuHALO*, *simPATI* and *Kartu As*, which continue to lead in the domestic cellular market. The strategy for the development for these three core products is to maintain the leading position of each brand in their respective segments.

Targeting high value segments, including corporate customer, *kartuHALO* is still a leading brand in Indonesia's postpaid

cellular market with close to a 50% share, reaching more than 2.1 million subscribers at the end of 2011. To better serve *kartuHALO* users and reduce the churn rate, Telkomsel has been focusing on various retention programs:

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

Telkomsel executed various loyalty programs through micro campaigns, such as giving away gifts on customers' birthdays, bonuses after a certain number of minutes of consumption, and special programs for certain *kartuHALO* subscriber segments.

- **HALOtalk**

Telkomsel offered daily bulk packages for Voice On-Net. The program successfully increased package users by 34% in June-July 2011.

- **Commemorating '100 million subscribers'**

Telkomsel's customer base in 2011 finally reached 107 million subscribers. To celebrate this achievement, Telkomsel gave a combined bonus of 100 minutes of calls, 100 SMSs and 100 Mb of data for all *kartuHALO* subscribers.



Telkomsel has designed corporate strategies for 2011 to 2015, which place an emphasis on strengthening the core business (Voice & SMS), winning wireless broadband business (mobile data), driving and leading the digital lifestyle communication, and leveraging business solutions.

Management Discussion and Analysis

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- **Free BlackBerry Data Roaming Service**

Our postpaid subscribers enjoyed the re-launch of Free BlackBerry Data Roaming without any package activation in China- (China Unicom), Singapore- (SingTel), Malaysia- (Maxis), Hongkong- (CSL), Taiwan- (Taiwan Mobile), Thailand- (AIS), Japan- (Softbank) and Australia- (Optus). The promotion was valid from December 12, 2011 to February 29, 2012.

To lure new *kartuHALO* users, in 2011 Telkomsel offered bundling device packages through several promotional programs, such as the '100 million customers' program and 'Ramadhan promotion'. We also riding the momentum of high mobile data/ GPRS demand to launch an attractive internet service package that offered an unlimited data package at only Rp75,000 for high fair usage. The promotional programs were also combined with the *kartuHALO* Caring program, in which Telkomsel provided education for new subscribers about e-Billing and payment services, international direct calls and international roaming features, TCASH, BlackBerry Internet Service, and so on.

In 2011 *simPATI* was positioned as a premium prepaid card with lifestyle theme cards. More youthful and dynamic packages were offered, targeting the middle segment, including university students and young executives. Telkomsel launched a number of campaigns for collaborative mobile broadband services to boost demand for *simPATI* among digital lifestyle users. These campaigns included:

- **Talkmania Campaign**

This program was aimed at keeping voice revenue stable.

- **Ramadhan - SMS Program**

This program was launched during Ramadhan and Lebaran to boost SMS revenue during the holiday season.

- **Mobile Internet Campaign**

This program included 'Internetmania', 'Musikmania' and '*simPATI* Puas 2'. The program was aimed at boosting preference for *simPATI* among data users.

- **Bundling *simPATI***

Bundling handsets with well-known brands, such as Nokia, Samsung, LG, BlackBerry, iPhone, HTC, and so on to strengthen *simPATI* as premium prepaid card.

Telkomsel also targeted a number of campaigns at retention and high value customer loyalty programs, including:

- **Friday Movie Mania**

This was aimed at enhancing loyalty among subscribers by redeeming Telkomsel points for movie tickets on Fridays.

- **Bonus Gila-gilaan**

Through this loyalty program, subscribers were eligible for surprise bonuses.

- **PSTN Packet and Combo Mania Packet & Recharge Surprise Bonus**

This program was aimed at enhancing loyalty among subscribers.

- **Below-the-line Micro campaign recharge bonus**

Recharge bonuses for selected target segments, with the purpose of stimulating recharge, as well as retention programs for New Activation.

At the end of 2011, the award-winning brand reached a total of 51.3 million subscribers, leading the market for the eleventh year in a row.

Kartu As continued to penetrate the mid-low segment, winning market share with more competitive pricing and new packages, such as:

- **'Kartu As Rp0'**

Launched early in the year, this was an aggressive Kartu As campaign offering a Rp0 experience from the first 30 seconds. This promotion package also offered free 5,000 SMS.

- **'Kartu As Extra Ampuh'**

This package was an acquisition promotion offering free voice and SMS based on usage and valid for 24 hours on the same day.

- **Sahur Package Fasting Month**

This was unlimited package of Voice & SMS, valid during Sahur time.

- **'Kartu As BonbAstis'**

Launched in September 2011, Kartu As BonbAstis offered customers a certain amount of free credit after making a call or sending an SMS to another Telkomsel user.

- **'Kartu As Gratis Nelpon 30 Jam'**

The 'Gratis Nelpon 30 Jam' promotion was launched in December 2011 with various offerings, such as voice bonus based usage until 6 a.m. the next day (30 hours).

Other package campaigns were 'Jagoan Serbu Nelpon & SMS', and SMS on certain price plans. To support market penetration in some regions, Telkomsel also launched Local Cards in Madura, Lombok, Sumbawa, and Pantura (Central Java) and Cianjur in West Java. To strengthen its position as a cheap low-end card, Telkomsel also offered cheap SMS, voice, or data. The new promotion boosted Kartu As' sales to 99% in 2011 while the introduction of local cards increased Kartu As' sales by up to 300% in areas where it was applied.

At the end of 2011, Telkomsel managed more than 53.5 million Kartu As subscribers with a net add of more than 18 million subscribers and year-on-year revenue growth of more than 50%.

NEW WAVE SERVICES

Value Added Services (VAS)

The growing usage of smart phones and the trend for social networking has paved the way for Telkomsel to boost its Value Added Services (VAS). Thus, to drive innovation in the Value Added Services segment, Telkomsel has developed partnerships with the world's leading VAS players such as Yahoo!, Google, Opera, Apple, Facebook, Research in Motion (RIM), Skype, MacAfee and others.

Partners	Remarks
Telkomsel-Yahoo!	The partnership in 2011 covered programs of providing data & SMS packages for the users of Yahoo! Koprol, Yahoo! Messenger SMS, Yahoo! News module on Telkomsel's mobile portal, and the launch of new service package to retrieve update from Yahoo! OMG portal via SMS.
Telkomsel-Google	The partnership was extended to the launch of a new innovative product, Google Apps (Business Connect). The service is tapping opportunities in Cloud-based services for SME segment.
Telkomsel-Opera	Both were partners in providing unlimited daily, weekly and monthly data base access through Opera Mini. The Latest innovation with Opera was the launch of inspiring woman photo contest as co-marketing program to commemorate Kartini's Day.
Telkomsel-RIM	Both worked on a number of packages such as BlackBerry Unlimited plan, BlackBerry Business plan and BlackBerry Lifestyle plan. A new BlackBerry service was launched in July 2011 called 'BlackBerry Extreme' offering customers the services like streaming and tethering on their BlackBerry handset or tablet. Its partnership with RIM led to achievement of 'Best Innovative BlackBerry Services' and achieved biggest market share in Indonesia.
Telkomsel-Nokia	The partnership included billing system integration to facilitate content transaction on Nokia OVI Store.
Telkomsel-Facebook	Both set up an exclusive partnership, which was the first in the world, in launching Facebook Card, allowing users to enjoy free access to Facebook mobile site and all of its applications then get bonus for Facebook Credit. The initiative targeted youth segment and particularly new-to-net users.
Telkomsel-Skype	The partnership has been running since October 2011 to make Skype monthly package (valid for 30 days) for Unlimited Skype to- Skype Calls and Chat available on a range of BlackBerry, Android and Symbian based devices. This is the first partnership Skype has in Indonesia.

Mobile Internet & Broadband

As we realized the huge potential and high growth in the mobile data or internet market, Telkomsel continued its effort to lead in this market through several initiatives on network deployment, marketing communications strategy, product offering and micro segmentation, device bundling and sales channel development as well as partnership and synergy.

With these various initiatives, which were deployed until December 2011, Telkomsel reached approximately close to 40 million mobile data subscribers, or more than 80% from 2010 including Flash and Blackberry users. Revenue jumped by 62% (year-on-year) compared to our performance in 2010.

A number of strategies were taken in 2011 to tap the market potential, among which were the following:

1. Network Deployment

Telkomsel developed its broadband network under the broadband city initiative. In 2011, we successfully covered 48 broadband cities, exceeding the initial target of 40 cities, using 3G/ HSDPA/ HSPA/ HSPA+ technologies combined with 2nd carrier of 3G and Metro Ethernet for the best digital experience.



2. Marketing Communication

To boost broadband sales, Telkomsel launched a new tagline for *TELKOMSELFlash*, namely “*TELKOMSELFlash, Koneksi Internetku*” replacing the previous “*TELKOMSELFlash, High Speed Wireless Broadband*.” This was to build a new brand image as a complete data service provider for any device. In addition, to strengthen Telkomsel’s digital presence, we have been aggressively penetrating digital and new emerging channels, such as online, mobile, search and social. Initiatives included strengthening the awareness of Telkomsel.com and Telkomsel’s social media properties.

3. Sales Channel Development

With the use of a special prepaid data card, namely the Flash unlimited starter pack as the vehicle, Telkomsel was able to recruit 10 major distributors from non-traditional dealers (IT Channels) nationwide.

4. Product Offering

The above-mentioned strategies were combined with attractive product offerings, as follows:

- Giving a bonus for each new prepaid starter pack.
- Micro-campaign initiatives, offering customized internet packages that are built according to the subscriber’s usage pattern, buying power and device that subscriber is using.
- Special prepaid packages for broadband users: Perdana Flash Unlimited sold as a stand-alone internet prepaid card or as part of the bundling package, especially for modems and tablets.
- Combination of 2 in 1 between the Fix and Mobile networks through Speedy Flash. Subscribers only need to pay and maintain one bill to have two kinds of products: Speedy for home usage and Flash for mobile usage.
- Flash Zone, a WiFi-based internet service which is an alternate to 3G / HSDPA / HSPA services.
- The launch of the midnight package with competitive price and a large quota allowance (high value package). The ‘Flash Midnight Data Sale’ was launched to promote faster and more competitive data connections during off-peak times.
- The launch of a special broadband package and Telkomsel Business Connect (Google Apps) for the Small and Medium Enterprises (SME) market distributed through the *kartuHALO* card. This will continue to enhance the product portfolio by being offered as a corporate business solution to serve corporate subscribers according to their line of business.



5. Device Bundling

In driving data adoption and data usage, devices play an important role. Telkomsel has therefore continued to launch aggressive bundling programs with both handset manufacturers and handset distributors of major brands such as Apple, RIM, Nokia, Samsung, LG, HTC and Sony Ericsson, as well as of mass market brands like Nexian and TiPhone.

The programs enabled us to provide competitive but full-featured packages, such as:

- Nokia-exclusive bundling partner for the new flagship Nokia Asha 303 and Nokia Asha 200, Nokia Browser and WhatsApp data plan.
- Samsung-exclusive bundling partner for advanced Android handsets, such as the Samsung Galaxy SII and Samsung Galaxy Mini. On tablets, Telkomsel has bundling packages for the Samsung Galaxy Tab. 10.1. and Samsung Galaxy Note.
- LG-exclusive bundling partner for the Android-based LG Optimus Me handset, LG Optimus Black, LG Optimus 2x, and LG Optimus 3D.
- Nexian-exclusive bundling partner for the NexianSlank handset and Nexian 3G.
- HTC-exclusive bundling partner for the HTC Wildfire S, HTC Chacha, HTC Explorer, and HTC Rhyme as well as the special HTC 7 inch tablet, namely the HTC Flyer.
- Sony Ericsson-exclusive bundling partner for the Sony Ericsson ARC and Sony Ericsson Spiro special edition with Harry Potter.

- BlackBerry-bundling partner for new BlackBerry handsets powered by next generation BlackBerry OS-OS7: BlackBerry Bold 9900, BlackBerry Bold 9790, BlackBerry Torch 9810, BlackBerry Torch 9860, BlackBerry Curve 9360, and BlackBerry Curve 9380 as well as the BlackBerry Playbook. With this partnership, Telkomsel introduced a special BlackBerry Extreme package for streaming.
- Modems and tablets have been another focus, served through our partnerships with Huawei, Speed Up, Advan for modems and Samsung for tablets.

6. Partnership and Synergy

Telkomsel decided to extend the partnership with Over The Top (OTT) players (Facebook, Google, Skype, Opera and RIM) to provide customers with easy internet access (zero Facebook, Facebook on Java and Nokia Store carrier billing), special data packages (Opera Mini & BlackBerry) or new products (Google Apps through Telkomsel Business Connect and Telkomsel Skype) to help drive adoption of data usage. Through synergies with our parent company, Telkom, which owns the biggest fixed internet network, Telkomsel has combined fixed and mobile internet in one package through 'Speedy Flash' and 'Flash Zone', a WiFi-based internet service which is an alternate to 3G/ HSDPA/ HSPA services. For the Speedy Flash package, subscribers only need to pay and maintain one bill to access two kinds of products; Speedy for home usage and Flash for mobile usage.

Mobile Banking Services

Telkomsel has been cooperating with several national banks to provide mobile banking services that allow customers to perform banking transactions using their cellular phones. In 2011, we made advances in mobile transaction solutions for partner banks, namely Bank Mandiri, Bank BNI, Bank BCA, Bank BII, Bank CIMB Niaga, and Bank Jabar and Banten (BJB). Our Mobile EDC Solution for the finance and banking sector generated significant revenues and expanded our customer base, securing more than 18,000 customers from BCA, 3,000 customers from BRI, and 1,000 customers from Bank Mandiri.

Mobile Advertising (MobAds) Management

MobAds has been recognized as a promising new business model the Company can explore further in the future. Since June 2010, Telkomsel has accelerated the development of the platform, which is expected to be an integrated solution for all partners such as media sellers, brands, agencies, government and communities using channels like SMS, MMS, voice, portal, cell broadcasts, USSD, applications and video. We have 73 partners and have launched a campaign for 5,652 brand advertisements as well as cooperating on digital music and content application management.

One of the more popular products of MobAds in 2011 was Location Based Advertising (LBA), adding to the potential of Mobile Newspaper and Mobile Internet. To successfully market these products, Telkomsel will combine the efforts of strengthening our business foundations and enhancing basic telco channels to promote service and product leadership.

In 2011, MobsAds saw significant revenue growth, particularly in the 3rd quarter. The Bulk Package was still the biggest revenue contributor to the total MobAds revenue, followed by Bulk Excess, Pop Screen, IPX Profiling, Mobile Newspaper, Interactive Service, Biz Ring, and Wap Banner.

Telkomsel relaunched Mobile Newspaper (MNS) and enhanced public awareness about mobile advertising. To enhance awareness, we participated in seminars and exhibitions, launched new products and supported the bike community. We also added locations for the LBA service while completing the development of mobile newspaper and the Indolife platform. New features added to the MobAds service included Malena, which enabled multiple data profiling selection, SMS notification and a brand monitoring dashboard. In terms of system, MobAds now is supported by new platforms such as USSD Menu Browser (UMB) Push, WAP static banner and MMS Ads User Accept Tance (UAT).

Digital Music & Content

We celebrated the first anniversary of the launch of the innovative Langit Musik service, from which customers can enjoy music videos, Mini Songs and Device Play. In 2011, we modernized the RBT platform, moving from Comverse to Eluon, to give a better entertainment experience for customers. We also launched NSP1212 for the corporate segment.

To deliver content services, we have been working closely with partners who also participate in our MobAds service. We have also pursued synergies with our parent company to improve content services, such as by providing Music License Bank (MLB) and Ring Back Tone (RBT) for mobile customers, providing SMS Konten and SMS Broadcast with Telkom Flexi, Games and educating Game Blue Print, mobile finance, and a WiFi trial project.



TCASH and TAP IZY

Telkomsel has brought in more mature strategies for developing its TCASH product management to make it a more effective and efficient business model with great potential. In 2011, the product development strategies included aggressive promotional programs and the addition of new features to generate a higher number of customers. TCASH promotion included a cash in program plus free voice service, registration program plus free 100 SMS, Rp50,000 top-up transaction with free 1,000 SMS, 20% discount program for the purchase of prepaid PLN tokens, Megalife insurance program, Telkomsel mobile community program in Medan, additional discount programs at www.dealkeren.com, the launch of the BlackBerry Dakota 9900 series, and the TCASH corner. At the end of 2011, the number of TCASH users reached nearly 8 million, by successful partnerships with 509 merchants and the addition of TCASH terminals to bring the total number to more than 32,000 terminals.

In late 2011, Telkomsel introduced TAP IZY, a new means of mobile payment transaction which turns customers' own phones into electronic wallets. In early 2012, Telkomsel, in cooperation with PT Kereta Api Indonesia (PT KAI), will present TAP IZY for purchasing tickets for the Prambanan Ekspres (Prameks) serving the Yogyakarta-Solo route. The payment method is as easy as bringing a cell phone, which already has a TAP IZY card installed, close to the EDC machines at the Tugu, Lempuyangan, Purwosari and Solo Balapan stations, in addition to those in the Greater Jakarta area. At the initial stage, Telkomsel and KAI are offering a special discount rate of Rp1,000 for any Prameks ticket purchase (AC, Non AC). The facility is made possible by radio frequency technology.



CORPORATE BUSINESS SOLUTIONS

Telkomsel is committed to serving its corporate segment with end-to-end products and services at high level of quality. To better serve our corporate customers, Telkomsel will appoint Account Managers as consultants with extensive knowledge and skills to extend solutions and assistance to the customers, particularly the SME and Corporate segment, in a more personal way and at an affordable cost. Today, Telkomsel is serving more than 8,000 companies across the country.

In 2011, Telkomsel introduced a range of Corporate Business Solutions. These included Hosting Solution packages and SME packages. The Hosting Solution packages are corporate solutions offered in two packages: Business Connect and Sales Force Automation. The Business Connect package includes Google Apps Business Connect, which has been offered through a collaboration between Telkomsel and Google since January 2011. Business Connect offers various bundling packages consisting of Easy Package, Smart Package, and Speed Package besides bundling programs with HALO fit, BlackBerry, and *TELKOMSELFash*. Through the launch of these packages, Telkomsel aims to be the first GSM operator with total hosting solutions in Indonesia.

To complement Business Connect, Telkomsel also offers Sales Force Automation, a hosting solution for the corporate segment designed to strengthen the implementation of Business Mobility Sales, Marketing or Delivery Services that allow sales force management applications to be accessible through mobile devices in real time.

Meanwhile, two SME packages were introduced:

- a. HALOBisnis is a new communication service package for the SME segment launched in mid-2011.
- b. PAKAR (PAketKomunikasiAndalanwiRausaha) consist of the PAKAR Telkomsel package (Rp335,000/month), PAKAR Smartphone (Rp342,000/month) and PAKAR Internet (Rp150,000/month).

The efforts to expand our corporate customer base included taking part in competitive biddings and acquiring back customers from a variety of business sectors: trading, manufacturing & industry, finance & banking, government and SME.

Telkomsel's Corporate Business Solutions have focused on the following categories:

a. Business Mobility

This is a solution for business operations based on technology (GPRS/EDGE/3G/HSDPA/HSPA+) as well as SMS. Examples of the solutions include Push Email, Sales Force Automation, and Intranet Application Access.

b. Wireless Connectivity

Among the wireless connectivity solutions are Mobile ATM, Mobile EDC, Mobile Tracking & Fleet Management, Telemetry Application and Small & Remote Office Connectivity, for smooth and effective online and wireless operational work procedures.

c. Business Leveraging

Telkomsel offers Business Leveraging solutions such as SMS Service, NSP1212 for Corporate, Mobile VPN, Fixed Wireless Connectivity, TCASH, *TELKOMSELFash*, and Telkomsel Enterprise Hosting Services (Business Connect).

During the year, Telkomsel made a deal on providing Mobile VPN solutions for 15,000 subscribers from the armed forces, and gained a significant number of customers and revenue from providing Mobile EDC Solutions for the finance and banking sector. At the end of 2011, Telkomsel enjoyed a 13% increase in its corporate customer base.

To boost its presence in the SME and corporate markets, Telkomsel actively participated in a number of events and seminars. The Company participated in the Indonesia International Communication Expo & Conference 2011 (ICC) from June 8th to 12th, 2011 at the Jakarta Convention Center to build greater awareness of Telkomsel's corporate business solutions. It was also present at the Indonesian Petroleum Association (IPA) at the Jakarta Convention Center, where several leading oil companies were also the participants. Telkomsel also set up building-to-building temporary outlets at several office landmarks such as the House of Arkadia, Pertamina, BNI, BRI, GKB House and the House of Representatives / People's Consultative Assembly compound.

The Company held the Telkomsel BlackBerry @2011 golf tournament series in several cities as part of a loyalty program for middle to high level management, and took part in a roadshow held by Femina magazine (Wanita Wirausaha) and Seputar Indonesia (SINDO) daily to strengthen its presence in the corporate market segment.



INTERNATIONAL SERVICES

Telkomsel continues to develop its international services through partnerships with well-known global telecommunications operators. Today, Telkomsel has expanded the coverage of its GPRS roaming packages, unlimited data roaming packages, and unlimited BlackBerry roaming packages to more than 40 countries across the globe.

International Roaming

We continue to maintain our leading position in roaming services to serve digital lifestyles with aggressive roaming footprint expansions and attractive yet simple roaming solutions in 2011, particularly for data services (BlackBerry and Data Roaming). In order to drive roaming traffic growth and secure roaming traffic and revenue from international partners, we expanded roaming agreements (on voice, GPRS, 3G, CAMEL) with new roaming partners and established special IOTs (Inter Operator Tariffs) with major global operators.

Telkomsel brought the number of its GPRS roaming partners to 285 in 134 countries, following the addition of 52 GPRS roaming agreements. Telkomsel also added roaming agreements, making a total of 449 agreements in 195 countries by the end of 2011. To boost inbound traffic, save roaming costs and enhance the roaming retail proposition, preferential roaming partnerships were established with more than 65 operators globally.

With regard to traffic performance in 2011, inbound traffic grew by 8% to 31 million minutes while outbound traffic grew by 12% to 21 million minutes. Data traffic grew significantly, both inbound and outbound, i.e. 171% for inbound, and 142% for outbound compared to 2010.

Other ways of maximizing revenues and growing traffic were pursued by developing innovative and simple retail programs with attractive pricing and full network support. During the 2011 Hajj season, when over 234,000 Indonesian pilgrims went to Saudi Arabia, Telkomsel launched its 'Close to Saudi Local Card Tariff', the lowest and most attractive tariff and services at Rp6,000/minute for calls to Indonesia and Rp900/SMS. Especially for this Hajj promotion, Telkomsel established a free Hajj Call Centre, hosted in Jakarta, as well as Posko Hajj, Customer Service Points for Hajj pilgrims in Mecca and Medina, which offered services such as voucher top up, roaming feature activation, and SIM Card replacement. These programs provided a strong service image for Telkomsel and proved to be most valuable to Hajj roamers. The Hajj program was very successful in driving significant traffic growth of up to 590% for voice, 632% for SMS and 184% for

GPRS compared to the 2010 Hajj season. Telkomsel gained a SIM Card penetration of 71% of all Hajj pilgrims, or more than 165,000 subscribers. We entered into a strategic cooperation with Zain Saudi Arabia in deploying this successful Hajj program.

To help realize the digital lifestyle experience, Telkomsel has launched programs such as BlackBerry roaming and data roaming, supported by wide service coverage and a variety of attractive offers. The data roaming packages, including unlimited data roaming, unlimited BlackBerry roaming and volume-based data roaming, were supported by footprints in 53 destination countries across the Asia Pacific region, USA and Europe as well as Middle East countries. A Free BlackBerry Data Roaming service was re-launched to postpaid subscribers from December 12, 2011 to February 29, 2012 in the top eight destination countries: Singapore, Malaysia, Hong Kong, Australia, Taiwan, China, Japan and Thailand. Voice and SMS promotions were introduced on December 12, 2011, in more than 15 European countries as well as in Australia, New Zealand, and South Africa, and will last until August 31, 2012.

We also ensure the quality of our international services by conducting numerous tests in major cities and entry points on a periodic basis. Telkomsel has also strengthened its tools for network monitoring and traffic management as well as effective network management (troubleshooting & handling).



Bridge Alliance

Telkomsel joined the Bridge Alliance, an alliance of the Asia Pacific region's leading telecommunication providers, in 2004. The alliance was established to tackle any emerging issues in the dynamic telecommunications industry in the region, particularly with regard to mobile markets and technologies. In the next phase, the Bridge Alliance will perform as a commercial vehicle for its members to join forces in establishing mobile infrastructure and a common service platform in the region. The cooperation will enable the delivery of seamless mobile services across the Asia Pacific region, and enhance the roaming service experience for mobile users during their travels within the region.

The alliance of eleven leading operators, namely Bharti Airtel (India), Globe Telecom (Philippines), Maxis (Malaysia), Optus (Australia), SingTel Mobile (Singapore), Taiwan Cellular Corporation (Taiwan), Telkomsel (Indonesia), Hong Kong CSL (Hong Kong), CTM (Macau), SK Telecom (South Korea), and Advanced Info Service (Thailand), and supported by two major technology players: Huawei and Starhome, Bridge Alliance is offering a range of competitive benefits, particularly in international roaming services.

Indeed Telkomsel's membership in the Bridge Alliance extends the benefits to Telkomsel's customers abroad. Bridge Alliance membership enables the Company to deliver access to various mobile content services including football and other sport features from STAR Sports and ESPN, utilize Bridge Data Roaming Unlimited (BDRU) with various packages for 1-3 -5 days, and the Bridge Privilege Service. The Bridge Alliance has enhanced Telkomsel's competitiveness and our customers' digital experience as well as giving an array of significant benefits and improving the economic scale of its products and services.

CUSTOMER SERVICE

We value our customers by delivering end-to-end services and greater benefits to give them the full digital lifestyle experience. This is part of our below-the-line campaign to selected customer segments, such as prepaid low-cost segments and postpaid *kartuHALO*, our premium brand, for which we provide full-features products and services, high value promotions and dedicated service. Our customers can access the range of products, services and solutions by contacting Telkomsel's Customer Touch Points (CTPs), i.e. walk-in (GraPARIkios, GraPARI and Plasa Telkom), self-care and call-in through the Call Center.

Our walk-in customer touch points are established in 435 locations, and consist of GraPARIkios (327 locations), GraPARI (83 locations) and Plasa Telkom (25 locations). The number



rose by 4% from the end of 2010. Through these walk-in CTPs, Telkomsel has served more than 10 million transactions. Telkomsel officially implemented GraPARIkios as of October 1, 2011 across Telkomsel's service areas, particularly at walk-in Telkomsel CTPs managed by business partners. It also supported the migration of the charging system for prepaid customers by taking anticipatory actions to mitigate against the implications of the system enhancement. Telkomsel's Call Center and GraPARI already have ISO 9001:2008 certification from the international certification institution, RW TÜV.

For Self-Care services, customers could access *111# for *kartuHALO* users and *116# for *simPATI* and Kartu As, as well as by sending an SMS to 111 for *kartuHALO* subscribers and 116 for *simPATI* & Kartu As. They can also be accessed through social media via Facebook and Twitter, Web TCare, and e-mail. Telkomsel's enhanced web TCare is accessible through the website: <https://my.telkomsel.com> and we have also opened a new service channel using social media networks: Facebook (account: Telkomsel) and Twitter (account: @Telkomsel). To support the Go Green campaign, Telkomsel launched electronic billing, which will reduce costs and the usage of billing paper.

Our Call Center is accessible in five locations: Medan, Jakarta, Bandung, Surabaya and Makassar. In 2011, Telkomsel focused on the improvement of our Call Center quality. By the end of this year, we manage to improved the capacity of our Call Center Agents through optimization of existing resources and simplification of service processes. We also optimized the handling of 'valuable calls' by our Call Center Agents by shifting the static data information service to a non-human system. The handling of Broadband and Data Services by Call Center Agents was also enhanced. The program has given our customers easier access to Call Center Agents and thus to solutions for their problems.

We launched the SMS Center '1111' for international roaming users, particularly in line with the development of our Data Roaming Services. Between November 2010 and December 2011, the SMS Center for International Roaming had served nearly 15,000 subscribers. During the 2011 Hajj season, Telkomsel launched a special international service, Call Center Haji, in cooperation with Saudi Arabian-based operator, Zain, which was accessible by dialling '1111' (free). Since its kick-off on October 5, 2011, we received more than 14,000 calls through Call Center Haji 1111.



In order to maintain the standards of our customer service and ensure procedures are applied correctly, we conduct mystery shopping on a periodic basis. This program is carried out by an independent institution appointed by Telkomsel.

To reduce the churn rate in *kartuHALO* service, Telkomsel introduced a series of retention programs, including '*kartuHALO* Bill Shock Prevention', '*kartuHALO* Priority Complaint Handling', and 'Prepaid Priority Complaint Handling,' which were initially focused in Greater Jakarta. It also held the 'Win Back *kartuHALO*' program to reduce the churn rate in *kartuHALO* segment subscribers while maintaining new *kartuHALO* subscribers by making outbound calls to verify billing and e-mail addresses for E-bill activation, and sending e-mails full of information on Telkomsel's products and services. The 'Win Back *kartuHALO*' program, which was conducted from November 25, 2011, until December 20, 2011, succeeded in maintaining nearly 4,000 subscribers, representing an 80% success rate. Telkomsel was also able to solve 96% of the problems under the *kartuHALO* Priority Complaint Handling program.

In overall, we were able to maintain the service level of our Call Centers in 2011 at 96%, exceeding the regulator's target of 75%, with the total capacity of agent handling rising 4% to 115 million transactions.

Customer Experience Survey (CES)

Customer satisfaction is our first priority. Thus, since the beginning of 2010, Telkomsel has conducted CES by sending SMSs to all subscribers who visit GraPARI. The survey achieves a 17% response rate from all subscribers, with confirmation of satisfactory service level of up to 95%.

In 2011, Telkomsel's Customer Satisfaction Index (CSI) for Call Center services rose to 83.1 from 77.7 in 2010. Meanwhile, the CSI for walk-in services averaged 86.2 in 2011, from a previous level of 85.5. The average CSI for self-care rose to 81.8 from 77.9.

The total number of transactions served through the Call Center in December 2011 reached more than 115 million, up 4 % from around 110 million transactions in December 2010. Walk-in transactions in 2011 reached more than 900,000, and there were close to 22 million self-care transactions.

CUSTOMER RETENTION AND OPTIMIZATION (CRO)

Telkomsel categorizes its subscribers into segments according to their tenure and usage patterns. In meeting the specific needs of the customers in each market segment, thousands of

unique campaigns were designed and delivered by Telkomsel in 2011 to increase the usage and tenure of its subscribers.

In line with Telkomsel's focus on increasing the take-up of mobile broadband services among its subscribers, numerous mobile broadband micro-campaigns were launched in 2011, including data bonuses, automatic device configurations and customer education messages. With an effective customer campaign design and delivery process, Telkomsel was able to reach more than 70% of its subscribers through these campaigns in 2011.

In order to retain subscribers, Telkomsel also runs loyalty programs, offering Telkomsel points as a tool to engage subscribers. One million subscribers participated in Telkomsel points programs and one billion points were redeemed. The main loyalty programs conducted in 2011 were as follows:

- Lucky Draws
- Merchant discounts
- Lifestyle activity (movies, music, travelling and religy)

All subscribers were eligible to join in those programs easily by redeeming their Telkomsel points through a very simple mechanism. The most redemption points were through lucky draws, of which three were conducted during 2011. Telkomsel offered a variety of lucky draw prizes, such as handsets and savings for monthly prizes, deposits on TCASH accounts and holiday trips for quarterly prizes and luxurious cars as a grand prize.

In 2011, Telkomsel cooperated with local and national merchants to support loyalty program such as Garuda Indonesia, Blitz Megaplex, XXI, Telkom Vision, Metro Dept Store, KFC, Urban Kitchen, Kidzania, Ancol, Ace Hardware, etc. We also gave privileges to subscribers by offering them the chance to redeem points for tickets for concerts such as by David Foster, Westlife, Jason Mraz, Akon, Java Rockin Land, Ina Blues, Kylie Minogue, and Kahitna.

Sales and Marketing

The sales and marketing programs for Telkomsel's products and services are designed to meet the needs of the retail, corporate and government segments. With the growing demand for data services, Telkomsel is on a mission to strengthen its digital presence using any distribution channels, such as online, mobile, search and social networking.

In 2011 Telkomsel embarked on several activities in sales using existing distribution channels. We optimized the inbound and outbound Call Center for cross sales and upsales of various products such as RBT, BlackBerry Internet Service (BIS), and *TELKOMSELFlash*.

In the meantime, Telkomsel continued the Mobile KIOS (MKios) project, including sustaining the performance of transfer and recharge in the MKios system and developing new feature applications for MKios. We also added other features into the Universal Recharge Platform (URP) system in order to adapt to the business dynamics in the telecommunications industry, while developing a new alternative channel for international services and improving sales capacity management by fulfilling network capacity and billing elements through the application of mass deletion tools. We also ensured the availability of credit vouchers and starter packs in the market, which we supported with the development of the Paradise (Supply Chain Management) system for smooth distribution.

Other programs included the acquisition of retail and banking partners, the implementation of a new concept of *kartuHALO*, and training and workshops for Kios Halo owners. In addition, Telkomsel also enhanced sales, revenue and brand awareness by conducting a self-consumption program as an alternative effort to grow revenue, sales and boost public awareness of Telkomsel's brands. Sales programs with partner banks were aimed at increasing transactions through non-ATM channels (SMS banking, Mobile Banking, e-Banking, etc). In 2011, we saw a 15% increase in transactions through non-ATM channels. We also implemented auto collection to support efficiency and effectiveness in the distribution system, developed sales tools automation, provided handsets for Online Masjid Raya (OMR) and Canvassers and developed an outlet management program.

Outlet management has been developed in line with the effort to expand our service coverage and market share. In 2011, Telkomsel took various initiatives, such as developing the outlet community by launching *Merah Mandiri* outlets, standardizing outlet classification, and training, educating and disseminating knowledge to the Sales Forces. We also set up and supported outlet programs as well as developing sales kits and communication media for outlets, such as issuing bulletins and providing transaction record books for outlets, as well as empowering the Sales Forces. This was supported by reliable information systems, consisting of the Outlet Management System (OMS) and Sales Force Integrated Information System (SEFIIA).



Sales programs for Products and Services in 2011 were:

- a. Promotion of 'simPATI Double Talk Mania', 'simPATI Gratis Nelpon Berjam-jam' and 'simPATI Gratis Internet Berjam-jam'.
- b. Promotion of Kartu As 'Rp0 + free 5,000 SMS'.
- c. Telkomsel Poin draw with a Mercedes Benz C200 as the grand prize.
- d. Introduction of Telkomsel's new tagline, 'Terbukti Paling Terpercaya, Paling Indonesia'.
- e. Promotion of 'simPATI Internet Mania'.
- f. The launch of TelkomselSIAGA, a yearly program for loyal customers and loyal outlets.
- g. Launch of 'Unlimited Internet M@nia' and 'Unlimited Musik M@nia', Telkomsel Ibadah, which offered a special tariff for Hajj pilgrims calling to Indonesia.
- h. Promotion of simPATI Bonus 'Surprise'.
- i. Promotion of 'Kartu As BonbAstis'.
- j. Promotion of 'simPATI Puas 2'.

To boost the number of simPATI subscribers, we conducted a major hand phone bundling campaign and various sponsorship events, such as the 'Friday Movie Mania with simPATI', a religious program, discount programs with top brands, etc. There are also co-branding programs involving top merchants, such as Garuda Indonesia, Sea World, Urban Kitchen and Hypermart, aimed at retaining existing subscribers.



Telkomsel also strengthened its digital presence (beyond telecommunications) through a series of programs. The programs included the re-branding of the *TELKOMSELFlash* tagline as '*TELKOMSELFlash, Koneksi Internetku*' (previously '*TELKOMSELFlash, High Speed Wireless Broadband*'). To kick off the new branding campaign, Telkomsel launched the 'Flash Midnight Data Sale' to enable fast and cheap data connections for midnight use and 'Flash QoS' for *kartuHALO* subscribers, enhancing the speed of *TELKOMSELFlash*. We also sponsored the Formula 1 broadcast on Global TV to boost the positioning of *TELKOMSELFlash* as a fast data service. In August 2011, Telkomsel introduced Flashzone as a hotspot service area.

On the marketing side, to pursue effectiveness and efficiency, Telkomsel developed numerous bundling programs. Among these were:

Revenue device bundling

This program was designed to meet demand over data with benefits and offers through events.

Some of the incentive was:

- Running upfront-fee packages (prepaid bundling packages).
- Giving bundling bonuses after recharge.
- Educating partners and customers about Telkomsel's bundling programs.
- Introducing a new experience for the users through customized data service packages based on partner brands or device types: HTC, Nexian, and iPhone.

Customer based and VAS selling program

This program included:

- Introducing regional bundling programs based on market development and new business sales.
- Providing competitive bundling packages and launching incentive schemes based on partners' commitment and distribution.
- Creating applications that could be injected into bundling devices and facilitating the introduction of VAS programs.
- Participating in national events.

Bundling product capability

This program was conducted through product and service launch events, penetration events and education programs as well as promotional media for bundling programs.

CLUSTERIZATION

To promote effective sales and distribution, Telkomsel is consistently strengthening its distribution channels by applying the cluster management system, which consists of soft and

hard clusters. Cluster management is important to ensure the availability of Telkomsel's products and services in the market and to manage credit top-up (recharge distribution) in certain areas, which ultimately ensures the achievement of sales targets. Under this system, customers can top up their credits through MKios located in the same area or the same cluster (district) of the end user. To improve distribution performance, we are constantly reviewing and monitoring the performance of both soft and hard clusters at all branches. The sales team also applied the CDMP (coverage, distribution, merchandising and promotion) method across all clusters at all branches.

In 2011, we kicked off re-clusterization in certain areas, namely in Greater Jakarta, West Java, Lampung, and Central Java. One of the challenges we faced in clustering was focusing Telkomsel sales partners more on Telkomsel's growth in their respective clusters.

To improve the management of distributors, we reviewed the cluster management by reviewing questionnaires about the operation of hard clusters, setting Key Performance Indicator (KPI) parameters for clusters, reviewing the implementation of the CDMP method and Sefiia, and setting rewards and consequences.

BRAND PERFORMANCE

These sales and marketing programs are also concentrated on meeting the parameters we use to measure brand performance, loyalty performance, and community performance.

To measure brand performance, we use the brand equity index (BEI). The brand indexes for each of our Core Services in 2011 were 0.3 for *kartuHALO*, 3.2 for *simPATI*, and 2.3 for *Kartu As*. The brand index for *Kartu As* in 2011 increased over each quarter. For loyalty program performance, the parameters are the quantity of participants and transaction growth. Telkomsel achieved 41% – from a target of 35% – for quantity of participants, and more than 187 million transactions. This achievement was also part of our effort to boost media effectiveness, as a result of which we have gained a higher Ad liking for *Kartu As* TV commercials (TVC) and a higher consideration to use *Kartu As* in the future due to its positioning as a value brand and its cheaper image, rather than *simPATI*, which is considered a premium brand (with a strong signal, more complete features and broad coverage). This was an outstanding achievement for *Kartu As* as no other TVC managed to reach an empathy score of 3.8 and impact score of 5.1 as of 2009. *Kartu As* also gained the highest Electronic Privacy Information Center (EPIC) score compared to its peers.

AREA PERFORMANCE

Sumatra Area

In 2011, Telkomsel focused more on programs that were granular in accordance with the segment and focused on the aim of achieving the targets, including promotion campaigns.

In order to boost the performance of new wave businesses, Telkomsel added network capacity and new coverage for 3G, and implemented broadband corners, bundling strategies and promotions. A heavy Below The Line (BTL) and Above The Line (ATL) campaign was conducted for mobile internet users, giving priority to existing customers.

Greater Jakarta and West Java Area

To support the spirit of going beyond telecommunications, Telkomsel took some initiatives for customers in the Greater Jakarta and West Java Area, by:

1. Launching the UMB program (Tausiah Islami by Ust Nur Maulana, Yusuf Mansur, etc.), the SULE application, and a content program (Blast promo through 4444).
2. Conducting Broadband Flash competitions (the 'Ketupat' program, 'Etalase Broadband'), *TELKOMSELF* hard selling programs ('On the Street', bundling program of 'Flash Co' with Gramedia) and the 'Broadband Corner'.
3. Developing the *Hai Sobat.com* community site, a digital activation corner through Twitter, activating the TCASH service for all staff, and offering sales outlet rewards through TCASH.

Java - Bali Area

In 2011, Telkomsel focused on building greater awareness of its products and services to boost the number of customers in Java-Bali areas by using social media as marketing channels, such as Facebook and Twitter. In that case, there were also programs, like Profile Picture Competition (PPC) and Video Talent Competition (VTC) in June – August 2011 using Facebook Page of Telkomsel Java-Bali. In the meantime, Telkomsel also successfully migrated all of its prepaid and postpaid customers in Java and Bali to the new OCS / SCP system. These efforts helped Telkomsel to achieve good performances in each marketing area, particularly in the data services business. In 2011, the Java-Bali Area managed 11 broadband cities.

Pamasuka Area

Business development in Papua, Maluku, Sulawesi, Kalimantan area (Pamasuka) has been very aggressive, with a focus on

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optimizing revenue from the core business and from new wave businesses through cross selling in main and secondary cities. These efforts were also expanded to youth communities, such as school and campus communities.

We launched thematic marketing programs to generate revenues from the new businesses, such as 'Nada Sambung Pribadi' (NSP), *TELKOMSELFash*, BlackBerry Internet Service (BIS) and content, holding an exhibition to introduce the new wave businesses and youth activities.

Our sales programs to increase the customer base in the area included the 'Banjir Hadiah' program for new *simPATI*/Kartu As subscribers, 'Semarak 16 tahun Telkomsel,' which was a musical event to celebrate Telkomsel's 16th anniversary, and an inner city and second city bundling program.

Network

CORE NETWORK & TRANSMISSION

In 2011, Telkomsel had put in place network master plan which serves to drive the long and medium-term network development direction in our transformation toward the Next Generation Mobile Network and enhance our ability to sustain the longer term mobile data growth. The long-term focus will be on technological evolution of the network and key R&D initiatives while the mid-term focus will be on network control and planning.

During the year, Telkomsel invested ahead of growth to speed up mobile broadband deployment, expand capacity and optimize core network services, modernizing existing core network assets to reduce operational expenditure (Opex) and optimizing the transport of assets to speed up migration to the IP-based network, as well as establishing capacity management process.

These programs helped Telkomsel to establish full IP-ready Packet Switch (PS) and Circuit Switch (CS) core networks in Greater Jakarta and West Java, implement new internet gateways and Gi core architecture, introduce business-friendly capacity management in core networks and a 'pay as you grow' licensing scheme, as well as complete customer experience management (CEM) tools, complete re-engineering at transport level and inner city transport fiberization in 48 mobile broadband cities, among others.

The fiberization in 48 broadband cities was implemented in a synergy between Telkomsel's own investment and Telkom Metro Ethernet's infrastructure. Adding to this network enhancement,

some improvements were made in terms of connectivity to RIM and the provision of 5 Gbit/s capacity for BlackBerry services and 20 Gbit/s for Internet access. Telkomsel is now recognized as the biggest mobile data and BlackBerry service provider in Indonesia.

The following are the network development programs undertaken in 2011:

- **Network & technology master plan**
Creating Telkomsel's network migration strategy for long-term plan in securing long-term investment.
- **Network planning guideline**
 - a. Formulating an accelerated technology strategy as part of the Network Infrastructure Strategy and Guidelines, in line with Telkomsel's business objectives for Mobile Broadband and growing new wave businesses.
 - b. Solutions to minimize capex investment for 2G technology.
- **Technology & investment control**
 - a. Creating a Telkomsel technology center environment to facilitate innovation, development and the testing new business revenue stream.
 - b. Developing technical standardization and policy for both existing and new products.
 - c. Assessing, analyzing and investigating business development & future telecommunication technology.
 - d. Controlling network implementation & investment plans by evaluating capex.



- **New technology solution /feature assessment**
 - a. Assessing new technology solutions, products and features to support new wave businesses before they are implemented on Telkomsel network.
 - b. Investigating and analyzing changes in telecommunications regulations.
- **Technology acquisition & research development**
Conducting research and development to test new technology and product capability.

Adding to the implementation of the above-mentioned programs, Telkomsel launched the Telkomsel network migration strategy 2012-2016, covering global technology trends and a roadmap, a regulation roadmap, alignment with the strategic plan, and network planning guidelines for 2012, which consists of Radio Access Network (RAN), core & transport strategy and policy. Other efforts included the RAN Cluster & Modernization to define new cluster areas nationwide to achieve a single RAN, running Radio Frequency (RF) Spectrum Strategy and Analysis, Cloud Single RAN, IPv6 implementation and participation in the IPv6 World Day in Telkom, and transporting network modernization towards the IP network, IP Radio Microwave (MW) and IP Clock synchronization.

Telkomsel joined project tenders for IP Radio microwave, Serving GPRS Support Node (SGSN) solutions & CS core as well as as Internet Service Provider (ISP) nationwide, as well as

conducting an LTE Trial & Assessment, to test LTE frequencies 1.8GHz & 2.1GHz with NSN, Ericsson, ZTE and Huawei.

To support the expansion in customer base and revenue, Telkomsel took a number of actions including business process improvement, alignment with capacity requirement and maintain a quality network. These actions led to the following successes:

- Adding to our capacity and number of BTSs with the addition of 4,328 2G BTSs and 1,738 Node B BTSs.
- Blocking reduction in various key areas such as; Sumbagut, Sumbagteng, Sumbagsel, Kalimantan and Sumalirja to accommodate high traffic demand. The average blocking rate is maintained in the healthy rate.
- Establishing 48 broadband cities, exceeding the target of 40 broadband cities.
- Network modernization in radio and core system in various regions to support business growth and build efficiency.

To strengthen our leading position and protect our share of the voice and SMS markets, we conducted various service quality management programs, which included sustaining the quality of existing network elements consisting of regular Drive Test Benchmarking in 40 cities and Drive Tests in Outer Cities.

Service Quality Management

To improve quality, Telkomsel launched a range of programs including capacity enhancement optimization, coverage & quality optimization, RAN feature optimization, end-to-end broadband optimization, VAS & recharge optimization and transport & datacomm optimization. A unified platform was created for performance management by rolling out NetCool from IBM and acquiring more user experience management tools to support the transformation of our culture and business foundations.

To support the realization of our vision of a digital lifestyle, Telkomsel took several initiatives, such as providing wireless broadband service assurance in 25 cities that have been broadband-ready since 2010, while improving the quality of our broadband service in 15 additional cities as well as enhancing the quality of our Value Added Services (VAS) and Service Provisioning by assuring a high success rate in USSD.

Through all these activities, in 2011 we were able to maintain our lead in quality benchmarking in 70% of cities in terms of voice service and in 80% of cities for data services, and reach beyond our corporate strategy objective of establishing 40 broadband cities by adding eight more cities.



Management Discussion and Analysis

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Power System

As a telecommunications service company, Telkomsel has to ensure the availability and reliability of power systems at all sites.

In 2011, we made improvements to the the Telkomsel Telecommunications Centers (TCC) by re-engineering the power system, through a COS (Change over switch) usage program aimed at power supply redundancy for TTC buildings, bus duct redundancy and the addition of mobile generators, and by designing a cooling system room for vulnerable equipment. Other improvements focused on power availability at all sites, by rehabilitating power systems such as battery recharge and rectifiers, ATS and power equipment, and by adding power equipment capacity, installing solar cells and micro hydro power as green energy sources, re-engineering the power system and installing DC power rental. In 2011, Telkomsel operated green BTSs in 226 sites.

Tower Management

The management of Telkomsel's towers, sites and other utilities is currently done in synergy with PT Mitratel, a Telkom's subsidiary, under the Telkom-Telkomsel tower co-location program. This synergy also includes network lease and maintenance of sites, towers and other utilities. This co-location program aims at achieving a lower cost of capital ownership and enhancing revenue for Telkomsel.

Telkomsel took the initiative to launch the Telkom Group's Tower Management Security Task Force, which is assigned to review risks in the tower business. We also conducted a tower valuation in line with efforts to address the compliance gaps. In cooperation with a CellPlan consultant, Telkomsel is able to get an accurate insight of the compliance values and the geographical status of each of our tower environments.

USO Project

One of Telkomsel's programs for its Universal Service Obligation (USO) project in 2011 was 'Kapal (on the ship)' broadband services, i.e. internet and WiFi services with speeds of up to 4Mbps (upgradeable) installed on 'Angkutan Sungai Dan Penyeberangan' (ASDP) ships that operate between Bali and Lombok. The service is enabled with the implementation of a Broadband Automatic Tracking System (BATS) and Orthogonal Frequency Division Multiplexing (OFDM) for backhaul transmission. During the Telkomsel Siaga Event 2011, Telkomsel also succeeded in delivering broadband services on PELNI ships serving the Makassar-Surabaya route

using a VSAT-IP system. These achievements enabled ship passengers across the nation to enjoy broadband services onboard. This is the first broadband solution introduced for ships and maritime areas.

To support the program, Telkomsel also offered customized tariffs for each service group: the Telkomsel Ships Package, and Rural Corporate & Village and Hotspot USO applicable to all Telkomsel customers. Telkomsel also launched the Talkmania Kapal package to accommodate customers with higher voice consumption during their trips.

Other USO programs included a rural internet service under the Desakupinter portal program, which is a social and business portal for residents in rural areas. We also developed infrastructure and rural internet services using Broadband Wireless Access (BWA)/ OFDM solutions, through which Telkomsel installs two computer terminals connected to Telkomsel's internet network, plus one Wireless Access Point for the internet as an embryo for paid wifi services. Telkomsel also developed Telemetry Services for shipping lines, WiFi access for the rural corporate segment, and broadband services for banking and micro finance transactions in remote areas. Telkomsel has also designed and is ready to deploy hundreds of BTS in border area sites around the country to ensure that our cellular network serves areas bordering other countries.

Research and Development

On December 5, 2011, Telkomsel launched a research and development center in Bandung. The research and development facilities include LTE, FEMTOCELL, Solar Cell, M2M, Power, and so on. The establishment of this technology research and development center is a necessary step to facilitate innovation, development and testing for new business revenue streams to boost the Company's competitiveness.

Information Technology (IT)

The IT development plan is aimed at supporting the company's grand strategy to focus on digital lifestyles of beyond telecommunication by designing the transformation of the Value Added Services (VAS) support system to the New Wave Support System. It is not only designed to support the delivery of products and services but also to minimize future expenses and therefore ensure cost efficiency. This plan is also an important measure for us in realizing the strategic objectives of the Company, i.e. strengthening the network transformation and infrastructure strategy by developing our Master Plan

as long and short-term plans that will be aligned with the Corporate Business and Strategic Plans. At the same time, all our system transformations are designed to reduce the long-term cost of capital investment and operational costs.

Our IT system transformation was one of our key activities in 2011. The transformation consisted of an Online Charging System (OCS) project, a Customer Relationship Management & Contact Center (CRM & CC) project and an Enterprise Service Bus (ESB) project. The OCS project successfully migrated all prepaid and postpaid subscribers in 2011 while the ESB project and CRM & CC project entered the design phase with shared resources, goals and business capability improvements.

a. OCS (Online Charging System) Project

The project aimed at replacing current billing and IN systems with a convergent prepaid and postpaid OCS system to support prepaid and postpaid customers at the same time. The project stages included scoping, designing, building, integration testing, acceptance test, performance test, migration, training, operational readiness test and deployment. Telkomsel completed the migration process of more than 68 million prepaid and 2 million postpaid customers.

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

Telkomsel plan to implement an integrated customer relationship management and contact center solution to support future growth. This program is aim to enhance Telkomsel's existing customer relationship management process and reducing the time to market of product and service offerings.

c. ESB (Enterprise Service Bus) Project

This project was aimed at replacing the existing Enterprise Service Bus (ESB) with an industrial scale Enterprise Service Bus and Service Oriented Architecture (SOA) solution to integrate key business support systems (BSS), operations support systems (OSS) and other enterprise applications. Modularity and re-usability are the key features of this project.

Other IT transformation programs included the modernization of the MKios recharging system, as well as implementing the International Roaming Traffic Director (IRTD). All were designed to support business and operation needs, provide reliable systems and still maintain cost effectiveness.

In the meantime, Telkomsel launched strategies to support IT enterprise architecture and beyond telecommunications

procurement processes, among other means by completing Capex and Opex procurement price management, and implementing modernization and reclusterization as well as adopting new technology.

Also in support of IT enterprise architecture and beyond telecommunications procurement processes, Telkomsel also plans to implement an Operating System with Data Storage Software (OS DSS), Customer Relationship Management with Centro Computer (CRM CC), Open Source Software (OSS), Enterprise Service Bus (ESB), Serving GPRS Support Node (SGSN), Gateway GPRS Support Node (GGSN) & Policy Charging and Rules Function (PCRF), Clean Sweep Core (CS Core), and Network Analysis Module (NAM) tender processes.

The Capex & Opex procurement price management strategy included a new pricing scheme that with a stronger revenue generation perspective, the implementation of Pay As You Use pricing and pooling, and the modernization of beyond-telecommunications ready networks.

With regard to modernization and reclusterization, Telkomsel completed the modernization of 2G BSS equipment by introducing new equipment that is 3G and LTE ready in Greater Jakarta, West Java, Lampung, and Central Java, and conducted an IP Microwave and Packet Transport Network (PTN) tender to ensure the readiness of the transmission backbone for broadband.

In 2011, Telkomsel started implementing e-procurement to replace the PR User system used for making purchase requests. The new system is equipped with features such as e-justification, manage buyer workload, PR PO monitoring, and i-supplier and vendor management evaluation.

Human Resources

Given the contribution of human resources to the success of the company's business, Telkomsel has well-planned programs for its human resources development. Hence, empowering them with certain competencies and skills that are required in response to the business dynamics is very important. We help shape them into professional individuals with specializations according to each of their functions, who also respect the corporate culture and work ethic.

In Telkomsel, our HR Services conduct the recruitment, performance assessment and manage the development programs of our human resources. As of December 2011, Telkomsel managed 4,417 employees.

BUILDING A PROFESSIONAL WORKFORCE AND A STRONGER ORGANIZATION

In order to develop our staff into highly motivated, professional human resources with strong teamwork, Telkomsel set strategic objectives to strengthen our Talent Pool program (Organization Development, Employee Performance and Talent Management):

- To enhance Telkomsel's organization by making it a High-Performance Culture Organization that is ready to face the next 'S' curve;
- To build valuable human capital.

The Development Initiatives

These strategic objectives were then articulated into various development programs designed in line with the corporate strategies, one of which is to prepare all of our human resources for broadband readiness.

Among the development initiatives in 2011 we were developing sourcing policy, launching the organization transformation for 2011, accountability mapping for the 2011 and 2012 organizations, position evaluations for level 2-5, a workforce plan for 2012 and individual target setting.

During the year, Telkomsel also conducted a 'Telkomsel Best Leader & Staff 2011' program, aimed at getting the best leaders and staff to be role models for all employees. In addition, we continued to develop the Talent Management System in order to identify the best performing, highly competent employees. Talent management candidates are approved by the Board of Directors.

Training Programs

To add to the development initiatives, Telkomsel also held a number of trainings designed to enhance the capabilities and baseline expertise of the employees and leaders, as well as to prepare them to take on key supporting roles in the new business transformation. The training programs were:

- **Broadband Competency Program & Leadership Training**

This included training on enhancing awareness of the Mobile Broadband Business for staffs and supervisors. Mobile Broadband Business training was also provided for managers and general managers. Broadband training involved 83% of our staffs, or 3,686 employees. We also provided technical skills training and soft skills training to 2,250 employees and 247 employees, respectively, as well as e-learning training to 405 employees.

- **Marketing Program**

This was an analytical training program for sales and marketing staff and leaders to improve their performance in response to the business transformation.

- **Employee Exchange Program**

The company also intensified the Telkomsel-SingTel employee exchange program, which is a leadership training program held jointly between Telkomsel and our parent company, SingTel, to create a highly qualified workforce. Another exchange program was conducted with the Telkom Group, which involved PT Telekomunikasi Indonesia Tbk (Telkom), PT Dayamitra Telekomunikasi, PT Sigma Caraka, PT Infomedia, PT Gratika and PT Indonusa Telemedia. Telkomsel also facilitated staff placement at Koperasi Telkomsel (KISEL).



At the same time, Telkomsel also defined core competencies for leaders and staffs to identify competence gaps among employees. This involved a competence assessment, job evaluations, the introduction of a New Competency Profile using the spider web model for 3,025 positions, and applying competencies for learning, talent and others. With improved competencies, we expect our employees to be 'agents of change' in the future.

Employee Rewards

Telkomsel rewards its employees with competitive remuneration packages, consisting of a salary and various benefits which are on par with the industry's fair value. We apply a merit system to assess the appropriate rewards based on performance of the employees.

Under the Employee Performance Management Team, Telkomsel launched Individual Performance Appraisals in the second half of 2010 through the Cross Border Process. The program was extended by launching Individual Performance Appraisals in the first semester of 2011 through an improved, smoother Cross Border Process. In cooperation with Corporate Planning and Business Control Units, the team promoted Integrated Performance Management System.

Other reward programs, which are categorized as continuation programs, include pilgrimages to Mecca for Moslem employees and similar programs for employees of different faiths.

HR COMPLIANCE

Since 2007, Telkomsel has applied a Code of Conduct to support the implementation of Good Corporate Governance. All employees are required to sign the code of conduct statement and apply it in their daily activities so that the Company can develop into a healthier, more transparent and more responsible organization.

Industrial Relation

In the effort to maintain good relations and cooperation between Telkomsel and the Labor Union, labor institutions, Immigration and related institutions concerning labor issues, Telkomsel is committed to upholding the Bipartite Cooperation Institute (LKS Bipartite). LKS Bipartite will serve as a medium of communication and discussion between management and the employees, bridging the interests of both parties so as to create more harmonious and conducive environment.

The management and employees are also committed to the implementation of the articles in the working agreement. Disciplinary measures will be taken to resolve conflicts in industrial relations with reference to Law No. 2 year 2004 regarding the Resolution of Industrial Relations Conflicts.

Awards

For its success in transforming Knowledge Management into daily activities, Telkomsel received a Most Admired Knowledge Enterprise (MAKE) award from Dunamis Consulting.

Financial Review

Introduction

The cellular telecommunications industry has experienced a declining growth rate in the revenues of basic voice and SMS services. At the same time we have seen strong growth in data services. Telkomsel has developed a five-year strategy to maintain its leading position and implemented a number of programs to sustain revenue growth in 2011. With a more stable competitive environment during the last three quarters of 2011, we implemented price optimization programs to improve our revenue per minute and revenue per SMS in order to improve revenue growth for voice and SMS. We also put more focus on our customer retention program to maintain healthy customers and increase our active customer base. With the increase in demand for data services, we accelerated our capacity and coverage expansion to support the growth of our broadband data service. We actively enhanced our efforts to further increase data penetration, such as through partnership and bundling programs, solving user and device barriers, and enhancing distribution and promotion.

All of these efforts successfully sustained our growth. Our customer base, operating revenues and profit even grew more strongly in 2011 than in 2010. We were also able to maintain Telkomsel's position as the largest national licensed cellular provider in Indonesia, with a 43% share of the full-mobility cellular market.

In 2011, Telkomsel net added 13 million new customers, bringing the total customer base to 107.02 million, a 14% increase on a year-on-year basis at end of 2011. One of the growth drivers was the growth in data users, as reflected by the number of Flash users, which grew 46% to 5.5 million customers, and Blackberry customers, which grew 226% to 3.1 million customers. The total data users grew more than 80% to approximately 40 million customers. Traffic production also increased in 2011, for both voice and SMS (chargeable). Minutes of Use (MoU) rose 24% to 159.3 billion minutes and SMSs increased 15% to 108.2 billion units, while data traffic grew 134% to 28.3 petabytes.

This led to a 7% growth in revenues to Rp48.73 trillion, while expenses (including depreciation) grew 10% to Rp31.06 trillion. Meanwhile, EBITDA and profit growth achieved 4% each to Rp27.55 trillion and Rp12.82 trillion, respectively.

Operational Results

Customer Base

In 2011, Telkomsel successfully net added 13 million customers, a 5% improvement on the 2010 performance. This growth was fully attributable to prepaid products, with Kartu As as the main contributor with its Rp0 promotional program, which experienced the highest growth in 2011.

The total customer base as at end of 2011 increased 14% from the prior year to 107.02 million, consisting of 2.19 million postpaid and 104.83 million prepaid customers. At the end of 2011 Telkomsel dominated the full mobility market with a 43% share.

ARPU

The ARPU of cellular operators has been declining over recent years as a result of competition on pricing and penetration to the lower market segment, as well as the impact of the multiple SIM card holders phenomenon. Telkomsel's blended ARPU decreased 7% to Rp39,000 in 2011.

Minutes of Use (MoU) and Revenue Per Minute (RPM)

MoU production (chargeable) increased 24% in 2011 to 159.3 billion minutes on the back of customer base growth and an increase in MoU per customer. Total MoU production (chargeable and non-chargeable) increased 23% to 166.3 billion minutes in 2011.

Revenue per minute declined 21% year-on-year to Rp171, due to the impact of competition in 4Q10, which was still affecting the RPM in 1Q11. Although RPM declined year-on-year, we saw an improving trend in RPM during the last three quarters as a result of our tariff optimization program to monetize the traffic growth.

SMS and Revenue per SMS (RPS)

Chargeable SMS traffic in 2011 rose 15% to 108.2 billion SMS units, mainly driven by the growth in the customer base. Total SMS production (chargeable and non-chargeable) registered considerable growth (approximately 13%) as a result of certain promotional SMS packages offered during the year. We recorded 226.4 billion units of SMS in 2011.

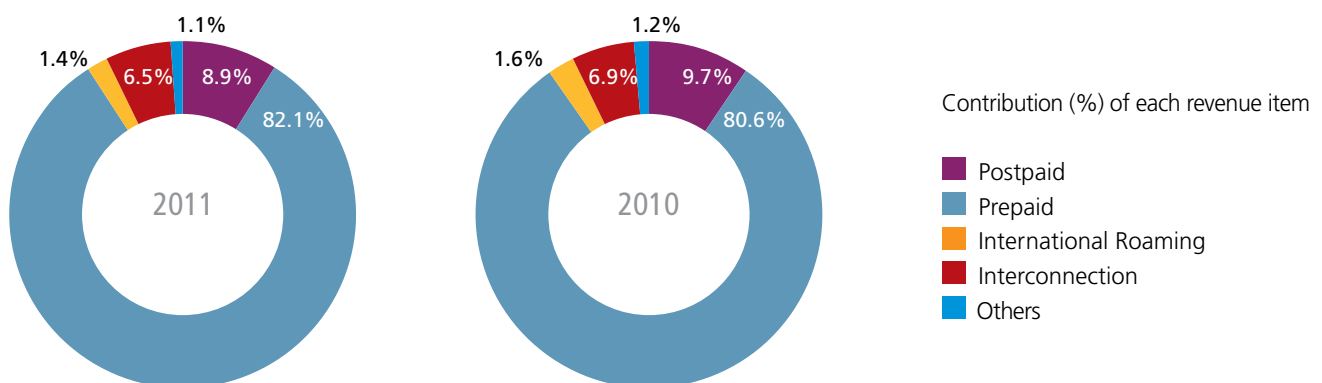
Revenue per SMS (chargeable) showed an improvement in 2011, growing 3% to Rp116.

Financial Results

REVENUES

(in billion Rp)	2011	2010	Growth
Postpaid	4,347	4,430	-2%
Prepaid	39,991	36,724	9%
International Roaming	686	713	-4%
Interconnection	3,148	3,173	-1%
Other (USO compensation & network lease)	561	527	6%
Total Revenues	48,733	45,567	7%

Telkomsel's revenues increased 7% year-on-year to Rp48.73 trillion, which doubled the last year's growth rate, thanks to the strong growth of our data services. There was also an impact of changes on dealer sales scheme in 2011. Revenue growth was still driven mainly by our prepaid products, which contributed 82% to total revenues.



- Postpaid revenues slipped 2% to Rp4.34 trillion due to the decrease in voice and SMS revenue resulted from traffic decline.
- Prepaid revenues grew 9% to Rp39.99 trillion driven by the growth of Kartu As customers.
- International roaming revenues declined 4% to Rp686 billion, due to the impact of special inter operator tariff with some roaming partners.
- Interconnection revenues declined slightly (1%) to Rp3.15 trillion due to the decline in domestic interconnection combined with an increase in revenue from foreign roamers.
- Other revenues increased 6% to Rp561 billion, resulted from network lease and USO compensation fee.

Telkomsel's non-voice (SMS, Data & VAS) revenues grew 29% to approximately Rp17 trillion. This contributed 36% to total revenues, increasing from 29% in 2010. The major contribution to the growth of non-voice revenues was from our SMS and data revenue growth. We saw strong revenue growth in data services in 2011 (62% growth to Rp5.2 trillion) in line with the growth in data users. This contributed approximately 10% to our total revenues in 2011.

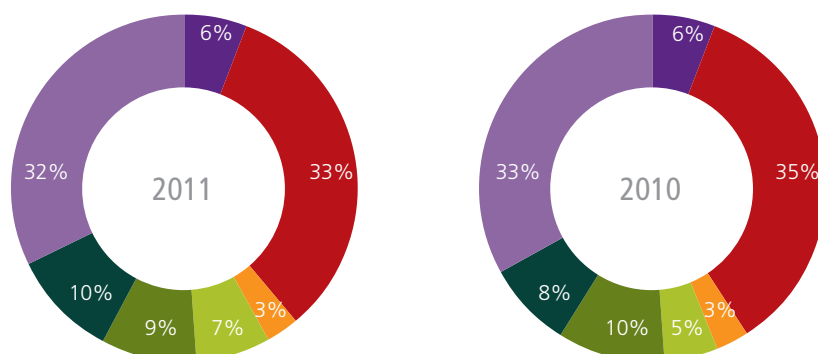
EXPENSES

Expenses (including depreciation) increased 10% to Rp31.06 trillion, which was mainly due to increase of revenue related expenses.

(in billion Rp)	2011	2010	Growth
Personnel	1,901	1,634	16%
Operation and Maintenance	10,312	9,875	4%
General and Administrative	938	854	10%
Marketing	2,201	1,428	54%
Interconnection Charges	2,701	2,797	-3%
Cost of Services	3,131	2,381	31%
Depreciation	10,016	9,417	6%
Others - net	(135)	(176)	-23%
Total Expenses	31,065	28,210	10%

Contribution (%) of each expense item

- Personnel
- Operation and Maintenance
- General and Administrative
- Marketing
- Interconnection Charges
- Cost of Services
- Depreciation



- Personnel expenses increased 16% to Rp1.90 trillion, following the organizational restructuring program and an increase in allowances for the employees.
- Operation & maintenance expenses grew 4% to Rp10.31 trillion, resulting from an increase in network related expenses such as transmission, power supply and network space rental in line with the growth of our network infrastructure, combined with a decline in frequency expenses due to the implementation of the new bandwidth-based frequency fee.

(in billion Rp)	2011	2010	Growth
Transmission	2,625	2,526	4%
Frequency	2,695	2,962	-9%
Repair & Maintenance	1,964	2,040	-4%
Power Supply	1,769	1,577	12%
Others	1,259	770	63%
Total Operation and Maintenance	10,312	9,875	4%

- General & administrative expenses rose 10% to Rp938 billion, mainly due to increasing consulting fees and miscellaneous other general expenses.
- Marketing expenses grew 54% to Rp2.20 trillion in line with the increase in marketing and sales activities to leverage our product competitiveness and to promote our data services, and was also due to changes in our dealer sales scheme.

- Interconnection charges (domestic and international) decreased 3% to Rp2.70 trillion, mainly because of a decline in domestic interconnection charges due to a decline in interconnection tariffs.
- Cost of Services grew 31% to Rp3.13 trillion. The YoY growth of Cost of Services was mainly due to increase in data access fees in line with the growth of the data business, particularly for BlackBerry service.
- Depreciation expenses increased 6% YoY to Rp10.02 trillion as an impact of network infrastructure growth and accelerated depreciation of certain fixed assets.
- Others-net decreased 23% to a net gain of Rp135 billion due to forex loss resulted from depreciation of the rupiah in 2011.

EBITDA AND PROFIT

Our EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) increased by 4% to Rp27.55 trillion, which improve from last year decline of 3% in 2010. The EBITDA margin declined slightly from 58% in 2010 to 57% in 2011. Meanwhile, profit climbed 4% to Rp12.82 trillion, which reversed the decline of 6% recorded in 2010.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Total assets decreased by 2% to Rp58.72 trillion. Total liabilities decreased by 12% to Rp20.35 trillion, while total equity increased 12% to Rp38.37 trillion.

- Current assets increased 70% to Rp9.86 trillion, mainly due to the increase in cash and cash equivalents.
- Fixed assets declined 6% to Rp46.21 trillion due to the network infrastructure growth, offset by the increase in depreciation expenses as a result of the accelerated depreciation of fixed assets in relation to the modernization of our network infrastructure and supporting equipment.
- Current liabilities increased 4% to Rp13.98 trillion, mainly due to increasing accrued liabilities combined with a decline in the current maturities of medium-term loans in 2011.
- Non-current liabilities declined 34% to Rp6.37 trillion, mainly due to a decrease in medium-term loans.

Capital Expenditures and Cash Flows

We recorded a 17% hike in net cash generated from operations in 2011 to Rp22.82 trillion. Cash flow for investment activities, which was mainly concerned with the acquisition of network infrastructure, decreased 22% to Rp7.66 trillion (approximately US\$ 850 million). Net cash used in financing activities (excluding cash dividend payment) rose 88% to Rp3.81 trillion due to the fact that in 2011, Telkomsel substantially relied on its internal financing and made early repayments for some of its loan. Meanwhile, cash outflow for dividends in 2011 was Rp8.35 trillion, derived from 70% of 2010 profit, decreasing 16% compared to that of last year of Rp9.99 trillion i.e., 70% of 2009 profit plus 10% of 2008 profit.

Management Discussion and Analysis

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(in billion Rp)	2011	2010	Growth
Cash Flow from Operating Activities	22,824	19,515	17%
Cash Flow from Investing Activities	(7,665)	(9,870)	-22%
Cash Flow from Financing Activities	(3,812)	(2,029)	88%
Dividend	(8,351)	(9,992)	-16%
Net Increase in Cash & Cash Equivalent	2,996	(2,376)	226%
Effect of Foreign Exchange Rate Changes	5	(43)	112%
Cash & Cash Equivalent at Beginning of the Year	1,222	3,641	-66%
Cash & Cash Equivalent at End of the Year	4,223	1,222	246%
Addition to Fixed Assets	8,459	8,198	3%

Loan

In 2011, Telkomsel tapped USD104.81 million of its loan facilities. As of the end of December 2011, Telkomsel's total outstanding loan was Rp5.76 trillion after transaction costs. Telkomsel did not propose any new loan facilities in 2011, instead utilizing only the loan facilities that were already available.

The following table shows the details of the Company's loans:

	2011	2010
Loan per Currency (in Trillion Rupiah or Rupiah Equivalent) per 31 Dec, 2011		
- IDR	4.69	8.42
- Valas	1.07	1.14

Telkomsel is required to observe certain agreed financial covenants relating to its loans/debts. As of December 31, 2011 these covenants were as follows:

Covenants t/b maintained	Required	Actual
Bank loans		
EBITDA to debt service	≥ 1.25	5.11
Debt to tangible net worth	≤ 2.00	0.15

Telkomsel's latest credit ratings, as issued by a number of recognized institutions, are as follows:

	Local currency	Foreign currency	Outlook
Moody's	Baa1	-	Stable
S&P	BBB-	-	Stable
Fitch	BBB-	BBB-	Positive/Stable



Business Prospect in 2012



Our market assessments indicate that Telkomsel has great opportunities to grow the business beyond telecommunications. With the trend of flattening growth in voice revenues, both globally and domestically, data services are expected to be a promising revenue contributor in the next year and beyond. Indonesian broadband users are growing significantly, along with the growth of smartphone users, particularly of BlackBerry handsets, and device operating systems have been playing a role as catalysts of the change.

We have thus seen a tendency among telecommunications operators to drive mobile data services as the key driver of growth while still holding on to voice

and SMS as the core of the business. This situation opens the way for:

- a. Product diversification, given that with numerous language and ethnic groups and a vast territory, the Indonesian market is one of the most diverse. Telkomsel therefore has opportunities to launch micro segment campaigns, and create regional products and services with local pricing schemes.
- b. Driving innovation in mobile internet services, such as e-payment, Mobile Newspaper, and MobAds. Mobile internet is an interesting product for advertisers and will be a promising revenue stream for the Company in the next year.

- c. Developing more synergies with the world's leading VAS players to support content development and with device manufacturers for product bundling.
- d. Developing revenue-share businesses through strategic partnerships with other key players in the industry.

Telkomsel is well-equipped with newly modernized systems, including the new billing system, to support strategy realization in the future, as well as to drive digital lifestyles among mobile data users and enable them to enjoy life beyond telecommunications.

Telkomsel pursues higher competitiveness by creating a more flexible, innovative as well as efficient and lenient organization to protect the interests of the stakeholders. Thus, the implementation of Good Corporate Governance according to best practices and universal principles is a must for Telkomsel.



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Good Corporate Governance

67	Responsibility
69	Accountability
71	Transparency
71	Independence
72	Fairness
73	Legal and Compliance



Telkomsel's GCG is implemented on the basis of five pillars: responsibility, accountability, transparency, independence, and fairness.



The implementation of every aspect of Good Corporate Governance (GCG) according to best practices and universal principles is essential, as we believe that GCG can be a reliable instrument for managing each business line in the Company in a more transparent and responsible way.

In the meantime, the implementation of GCG also ensures the Company's compliance with Company Law No. 40/2007 and certain aspects of the United States Sarbanes-Oxley Act (SOA) as required in our capacity as a subsidiary of PT Telekomunikasi Indonesia Tbk (Telkom), whose shares are listed on both the Indonesia Stock Exchange (IDX) and the New York Stock Exchange (NYSE).

Telkomsel's GCG is implemented on the basis of five pillars: responsibility, accountability, transparency, independence, and fairness. These five pillars can be explained as follows:

Responsibility

Responsibility is represented in the description of the duties and responsibilities of each management officer and employee. Responsibility is implemented in the Company based on GCG principles by setting up clear functions and responsibilities for each element in the organization.

General Meeting of Shareholders (GMS)

The General Meeting of Shareholders is the highest forum in the organization, in which both Board of Commissioners and Board of Directors present reports to the Company's shareholders as required in the Articles of Association ("the Articles").

Board of Commissioners

The duties and responsibilities of Telkomsel's Board of Commissioners are as follows:

- To supervise the Board of Directors in managing the Company;
- To ensure the fulfilment of the Company's long-term business strategy and its commitment to a transparent and high quality governance system;
- To monitor the business performance;
- To provide the necessary directions, recommendations, and guidance for the Board of Directors in managing the Company's business.

The Articles state that the Board of Commissioners shall comprise six members, elected at the GMS by the shareholders. It is led by the President Commissioner. The Board of Commissioners is assisted by three committees: the Audit Committee, the Remuneration Committee and the Capital Expenditure Committee.

MEETINGS OF BOARD OF COMMISSIONERS

Telkomsel's Board of Commissioners meets at least once every three months, and whenever requested by any of the Commissioners. The Board also has periodic joint meetings with the Board of Directors as part of its supervisory duties. In 2011, the Board held 11 meetings.

The Committees

The Committees under Board of Commissioners are:

AUDIT COMMITTEE

The Audit Committee was established pursuant to the Audit Committee Charter. The Committee's main responsibilities are to review Telkomsel's audited consolidated financial statements and communicate with the internal and external auditors during the audit process.

Telkomsel's Audit Committee is chaired by Arief Yahya and the members were Paul O' Sullivan, Daru Mulyawan and Agus Suryono.

The Audit Committee holds regular meetings with the Head of the Internal Audit to discuss any findings or issues during the implementation of the internal audit.

REMUNERATION COMMITTEE

This Committee is responsible for assisting the Board of Commissioners in determining the appropriate remuneration packages for the Board members to ensure the accomplishment of the business objectives. The remuneration proposal for both Commissioners and Directors is presented at the General Meeting of Shareholders for approval.

The Remuneration Committee is chaired by Loso Judijanto, and the members are Yuen Kuan Moon and Arief Yahya.

CAPITAL EXPENDITURE COMMITTEE

The Committee's main responsibility is to conduct a review of Telkomsel's capital expenditure, financing and management processes. The Committee is chaired by Rinaldi Firmansyah, with Yuen Kuan Moon and Herfini Haryono as members.

Board of Directors

The scope of duties and responsibilities of Telkomsel's Board of Directors is:

- To collectively and individually bear responsibility for the success of the business management;
- To manage the day-to-day business;
- To formulate Telkomsel's Business Plan;
- To prepare the annual budget;
- To prepare the Annual Report;
- To ensure the effective governance of the business to give value to the shareholders and stakeholders;
- To represent Telkomsel in any legal cases.

The Articles state that Telkomsel's Board of Directors comprises five members, elected at the GMS by the shareholders. It is led by the President Director. Telkom, as the majority shareholder, is entitled to nominate three Directors, while SingTel Mobile is entitled to nominate two Directors.

MEETINGS OF BOARD OF DIRECTORS

The Board of Directors meets at least once every two months or whenever requested by any of the Directors. The Board also has joint meetings with the Board of Commissioners to present monthly or quarterly reports on business performance and to seek approval for certain corporate actions. The quorum for the meetings is four members and at least one shall be a member nominated by SingTel Mobile. In 2011, the Board held 49 meetings.

Accountability

Accountability is reflected in Telkomsel's compliance with the applicable rules, such as the establishment of an Internal Audit Unit as required by Section 404 of the Sarbanes Oxley Act (SOA).

Internal Audit

Telkomsel's Internal Audit Unit was established pursuant to the Internal Audit Charter that was issued pursuant to a Directors' Decree in 2007. The Charter contains the vision, objectives and scope of work as well as the accountability, independence, responsibility, authority and reporting requirements of the Internal Audit. Referring to the Charter, the Internal Audit has dual accountability to the Audit Committee on functionality and to the President Director on administration.

The Internal Audit Unit functions:

- a. To carry out independent, objective assurance and consulting activities aiming at adding value and improving the organization's performance;
- b. To help the Company accomplish its business objectives by introducing a systematic and disciplined approach to evaluating and improving the effectiveness of the Company's risk management, control and governance processes;
- c. To assist the management and Board of Commissioners, through the Audit Committee, with analysis, recommendations, advice and information on activities being reviewed.

In 2011, the Internal Audit of the Company performed 34 audit/ assurance projects and 2 consultative projects, summarized on a category basis as follows:

a. Operational & revenue assurance audits

Operational audits are conducted to evaluate the effectiveness and efficiency of Telkomsel's operations in all management and operational processes. Revenue assurance audits are performed to ensure the effectiveness of Telkomsel's revenue generating process.

b. Information technology audits

Information technology audits cover all aspects of information technology used in operational activities by evaluating the sufficiency of Information Technology general controls, physical security controls, etc.

c. Financial & compliance audits

Financial audits are aimed at ensuring the reliability of the financial reports by evaluating the quality of the financial information presented under generally accepted accounting principles (PSAK and IFRS). As a subsidiary of Telkom, Telkomsel is required to ensure its compliance with SOA rules in implementing internal controls over financial reporting (ICoFR).

d. Fraud investigation audits

The Fraud Investigation Audit handles all complaints received through the whistleblower protocol. Telkomsel has established a whistleblower policy that allows employees or other parties to give feedback to the Audit Committee. A special/ investigative audit will be launched to respond to any complaints or inputs with regard to protocol.

e. Consultation service

Consultation services are extended to various operating units to improve business processes and reduce risks. Two projects were completed under this category, namely the implementation of International Financial Reporting Standards (IFRS) as stated in Telkom's policy, and ISO 27000 on Customer Care and Billing Systems (CCBS). Telkomsel has implemented IFRS for its consolidation package submitted to Telkom. The Company used the consulting services of the public accounting firm Siddharta & Widjaja/ KPMG for this purpose.

Enterprise Risk Management

To ensure the business continuity, Telkomsel needs to tighten its risk management efforts as tighter competition in the cellular business can impact on the achievement of the corporate objectives, one of which revenue, increased costs, the Company's reputation and opportunity loss. In that case, we formulate the Enterprise Risk Management (ERM) policies and prepare for an appropriate response should risk owner occur. With these, we pursue strategic objectives, among which are to ensure the Company's business objectives by managing short-term corporate risks relating to cost efficiency and to implement business process risk identification and assessment to ensure the Company's regulatory compliance.

In addition, we annually identify and mitigate the Corporate Wide Risks with reference to the basic policy of identifying and responding to the risk, particularly in accordance with our Risk Management Processes. In 2011, Telkomsel had evaluated 184 Corporate Wide Risks, and priority risks relating to Spectrum frequency scarcity, capacity and services availability, local government regulation, Business Continuity Management (BCM), and business process alignment. The details on the priority risks are as follows:

- **Spectrum frequency scarcity**

In order to pursue long-term success, Telkomsel conducted risk assessments, particularly with regard to the frequency reframing. This risk assessment was important as we had to deal with pressure from various parties to perform 3G frequency shifts that could have an impact on service quality and the cost of the frequency shift.

- **Capacity and Service Availability**

To respond to business dynamics, Telkomsel maintained a quality and secure infrastructure through an effective and efficient roll out process.

- **Business process alignment**

Business resilience is determined by a company's business agility. Telkomsel launched a number of risk assessments covering aspects of corporate policy, business processes, systems and human resources. In 2012, we are determined to complete risk list of major business processes to carry out risk assessments at each directorate. The main business processes are HR System process, Commerce, Financial, Revenue assurance, Compliance, Network, and IT.

- **Local Government Regulation**

Local governments have sought to increase their revenues from tower retribution, as provided for in Law No.28/2009. Accordingly, we have to intensively communicate with the local governments to mitigate risks on such retribution.

- **Business Continuity Management**

To address natural disasters and other significant risks that may disrupt business continuity, Telkomsel issued a Decree on Business Continuity Management in 2011. We have established a Business Continuity Planning Project Team to design a Business Continuity Plan. In the meantime, we are also preparing a Decree on the Crisis Management Team, which will be responsible for crisis handling.

Also, In order to comply with the provisions of the SOA, following our parent company's listing on the New York Stock Exchange (NYSE), Telkomsel has conducted a Top-Down Risk Assessment for financial reporting, which was the basis for updating the ICoFR risk control matrix.

Transparency

Transparency is represented in our commitment to provide corporate data and information, including quarterly and annual financial and operational reports, through channels like Telkomsel's official website www.telkomsel.com or our parent company's website <http://www.telkom.co.id/hubungan-investor/laporan-laporan/info> memo. This aspect is also carried out through the function of our Investor Relations.

Investor Relations

In order to better serve our shareholders and stakeholders, and to assure transparency, Telkomsel has established an Investor Relations team. The team functions to provide easy access to corporate information for both shareholders and stakeholders. Investor Relations prepares and provides reliable and accurate materials for interested shareholders and stakeholders in the form of Info Memos that are released on a quarterly basis.

Independence

Telkomsel's management ensures independence by acting independently in the best interests of Telkomsel and ensuring that there is no conflict of interest in the management of Telkomsel.

Conflict of Interest

Telkomsel prohibits the members of Board of Directors to have other positions outside Telkomsel that could directly or indirectly give rise to any conflicts of interest with Telkomsel and/or that could violate the existing laws and regulations. As provided for in the Articles of Association, if there is a conflict of interest that involves one of Telkomsel's Directors, he or she shall be represented by another Board member. However, should all the members of the Board of Directors be involved in a conflict of interest, they will be represented by the Board of Commissioners.

Family Relation

Telkomsel ensures that none of the current members of the Board of Commissioners and Board of Directors have a familial relationship with one another.

Remuneration

Telkomsel authorizes the General Meeting of Shareholders to determine the remuneration for members of the Board of Commissioners and Board of Directors. None of the Board members receives any fees for attending Board meetings. For the Year ended December 31, 2011, the aggregate compensation paid by Telkomsel to all Commissioners and Directors was approximately Rp27.5 billion, as determined by the General Meetings of Shareholders.

Fairness

To promote fairness in Telkomsel's environment, Telkomsel consistently pursues balance in the treatment of all shareholders and stakeholders, including our customers, employees, and suppliers, in term of services, career advancement, and fair access to information.

Customer Protection

As a telecommunications service company, Telkomsel's Customer Service Points have ensured the development and enhancement of service quality to customers and realized our commitment to customer protection by launching the 6P service concept. This concept can be further explained as follows:

- a. The first 'P' stands for '*Penerangan*' or 'information', representing Telkomsel's commitment to provide accurate and adequate information to the customers while also educating them about Telkomsel's products and services.
- b. The second 'P' stands for '*Penjualan*' or 'sales', which is undertaken in a responsible manner to provide reliable and comprehensive information to the customers to increase their interest in Telkomsel's additional features or devices. A Sales Corner is also available to support customer service, in line with the pull-sales strategy at GraPARI.

- c. The third 'P' is '*Permintaan*' or 'request', representing Telkomsel's response to customers' requests for service activation or a change of SIM card, etc.
- d. The fourth 'P' is '*Pengaduan*' or 'complaint handling', representing Telkomsel's obligation to handle complaints and offer solutions to customer's problems.
- e. The fifth 'P' stands for '*Pembayaran*' or 'payment', meaning easy payment access for customers.
- f. The final 'P' is '*Pemeliharaan*' or 'retention', representing attention and retention activities that promote convenience for customers and persuade them to stay on as Telkomsel's customers.

Legal and Compliance

Issues Regarding Competition, Regulations and Compliance

In order to ensure the smooth operation of the Company, Telkomsel has made efforts to mitigate its regulatory risk exposure due to non-compliance.

SMS PRICE FIXING CASE

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

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

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

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

REGULATORY AFFAIRS

As part of its compliance with the applicable rules, Telkomsel has developed good relationships with the regulators, government institutions and related associations, both domestical and international.

Telkomsel also actively monitors the development of regulatory issues influencing the Company's business and provides inputs on industry interests to the regulators. Telkomsel consistently reviews the prevailing regulations to ensure its compliance and submits official reports to regulators as required by its licenses.

In 2011, Telkomsel successfully achieved its targets on the following issues:

- a. Bandwidth-based 2G Frequency Fee (BHP) for the 2nd year of implementation, which replaced BHP based on ISR/TRX.
- b. Securing 3G network from Quality of Service (QoS) degradation risk, due to the Government's 3G frequency migration plan, and regulatory efforts to obtain an additional 3G frequency allocation on the 2.1 Ghz band to support Telkomsel's broadband business in the future.
- c. Implementation of new cost-based interconnection in 2011.
- d. Implementation of a new offnet SMS scheme with SMS termination charges among operators instead of the SKA scheme (Sender Keeps All), which may increase SMS revenue and minimize SMS spam from other operators.
- e. Anticipation and response on the premium content service issue ensure maximum legal compliance.
- f. Synergy for the joint development of regulations with the Telkom Group to anticipate future compliance on Telkomsel's license report obligations.
- g. Compliance on Telkomsel's license report obligations.
- h. Anticipation of new regulations and drafting to accommodate the Next Generation telco era.
- i. Supporting incidental regulatory issues and Government activities in various international events held in Indonesia.

In the case of tower management, Telkomsel complies with regional regulations to obtain regional permits in order to establish and operate towers. Telkomsel continues to meet the obligations of Law No. 28/2009 on Local Taxes and Levies in relation to the tower owner's obligation to pay number of levies to regional governments and minimize the risk of disputes with regard to local regulations.

In 2011, Telkomsel's Corporate Social Responsibility (CSR) focused on development of the existing three pillars, namely education, entrepreneurship, and emergency response, which are closely related to Information & Communication Technology (ICT).



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Corporate Social Responsibility

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77	Social



Corporate Social Responsibility

We seek to grow every business line in a responsible manner by involving stakeholders' interests so that we can grow together. We are committed to making a positive contribution to the nation through our community development programs.

Telkomsel is aware of the significant impact of advancement in information and communication technology on the economic, social and cultural life of the community. Not only we are consistent in improving the coverage and quality of our services, but also seeking to enhance our presence in Indonesia in order to minimize the digital divide and indirectly contribute to the acceleration of macro economic growth.

In 2011, Telkomsel's Corporate Social Responsibility (CSR) program focused on the existing three pillars, namely education, entrepreneurship, and emergency response, which are closely related to Information & Communication Technology (ICT).

Education

ICT education programs from Telkomsel in 2011 were targeted at teachers and aimed at enhancing their capabilities in using technology as a tool to prepare attractive and interactive learning processes. Access as well as skill in processing and sharing information are important assets in the global economy of the future.

Our ICT education activities included the application of technology as a teaching tool in various fields of study, such as Math, Physics and Chemistry. ICT training for teachers was provided in 22 cities in Indonesia, including Medan, Palembang,



Padang, Bukit Tinggi, Banten, Tangerang, Jakarta, Surabaya, Malang, Samarinda, Balikpapan, Ambon, Kupang, and Jayapura, with thousands teachers taking part. The program was conducted over three days, consisting of a pre-test, an overview of the modules and ICT education through www.telkomselsahabatguru.com, ICT for learning and creating digital materials.

The ICT Guru Telkomsel 2011 program also promoted the Online Retention Web Platform activity as a discussion session on ICT, covering activities such as data files, a center for learning materials, online dissemination and a forum. Through this program, Telkomsel launched V Books, which are virtual learning materials published on www.telkomselsahabatguru.com.

Entrepreneurship

One of Telkomsel's contributions to the local economy is through the capacity development of the stakeholders who make up our supply chain. This reflects

Telkomsel's corporate social responsibility for developing a sustainable supply chain, both internally and externally.

The activities included support to 'Merah Mandiri' outlets, which was part of an entrepreneurship development program for credit top-up outlets based on the working assets concept. The program targeted 1,000 outlets across the nation, which Telkomsel gave working assets in the forms of cell phones, a manual, reseller numbers and a makeover for each outlet to meet a standard design. The program also included coaching and counselling.

The target of the program is small and medium enterprises, which are one of the pillars of the Indonesian economy. We realized that outlets are growing at a significant pace but have proportionally less working capital support. The entrepreneurship program will therefore have a significant impact on enhancing the reputation of the existing outlets.



Emergency Response

Telkomsel's established Telkomsel Emergency Response and Recovery Activity (TERRA) is an emergency response initiative focusing on supporting Network Operation teams to accelerate the recovery of Telkomsel's telecommunication services and networks in disaster-hit areas. In 2011 Telkomsel introduced an integrated media center concept, ranging from disaster mapping systems and communication information applications to a new mobile BTS concept, RANGER 10, which will be launched in disaster-hit areas.

RANGER 10 has greater capacity, particularly in terms of reaching disaster areas that are difficult to access with large vehicles. RANGER 10 serves as a repeater for mobile users within a radius of 1 km and can be used by up to 100 people on a sharing basis for data needs.

To enhance TERRA's capacity, Telkomsel is committed to consistent innovation

in emergency response technology and telecommunication. The communication acceleration is crucial since the proximity and velocity of data during disaster drills is vital to support coordination in transferring aid to disaster-hit areas.

Telkomsel also conducted emergency management trainings for employees in Indonesia, so as to be able to secure Telkomsel's infrastructure and extend first aid in any disaster hit areas, as well as public counselling, logistics mobilization and technical services.

Social

Telkomsel participated in government programs to accelerate the achievement of the MDGs (Millennium Development Goals) in Indonesia by 2015. An integrated ICT-based program for the MDGs was implemented in four districts in Telkomsel's operational areas in Indonesia, covering four pillars of the MDGs: improving access to clean water and sanitation;

gender equality and entrepreneurship; improving mothers' health and the quality of children's nutrition; and environmental preservation.

In 2011, Belawan II Sub District, Medan Belawan District, in the city of Medan in North Sumatra, was the main target for the implementation of this program, with the revitalization of POSYANDU as main activity. This was aimed at improving the quality of health of mothers and children.

The integrated MDG program also established a secretariat at each location, which is equipped with ICT facilities. This functions as a center for public information and communication services. This program is the result of an MoU signed by the Indonesian Female Entrepreneurs Association and Telkomsel to support the implementation of the MDGs program in Indonesia, particularly entrepreneurship. The program is aimed at helping Indonesian female entrepreneurs to develop regional economic potential to create high value outputs and strengthen household economies.

Our efforts to conduct these CSR programs have been recognized by a number of institutions. Telkomsel received an Indonesia Green Award from the Ministry of Forestry of the Republic of Indonesia, as well as a 2011 Indonesia CSR Award for our cellular phone Technical Learning Program for street kids, handicapped people and narcotics rehabilitation participants, our ICT teachers' program and our ICT Students and Schools program from the Corporate Forum for Community Development.

Responsibility for 2011 Annual Report

This Annual Report including the accompanying consolidated financial statements and related financial information for the year ended December 31, 2011 was authoritatively signed by members of the Board of Commissioners and the Board of Directors of PT Telekomunikasi Selular.

Jakarta, March 23, 2012

BOARD OF COMMISSIONERS



Rinaldi Firmansyah
President Commissioner



Ermady Dahlan
Commissioner



Arief Yahya
Commissioner



Loso Judijanto
Commissioner



Yuen Kuan Moon
Commissioner



Paul O'Sullivan
Commissioner

BOARD OF DIRECTORS



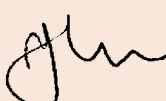
Sarwoto Atmosutarno
President Director



Triwahyusari
Director of Finance



Herfini Haryono
Director of Planning and
Development



Ng Kwon Kee
Director of Operations



Edward Ying Siew Heng
Director of Commerce



by Telkom Indonesia 

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