



TELKOM Group's Transformation Update

Fixed Mobile Convergence (FMC) Initiative

PT Telkom Indonesia Persero (Tbk)
May 2023

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Estimated Schedule Related to the Spin-Off

| Activities | Date |
|---|--|
| Announcement of the Spin-Off Plan and the Disclosure of Information in National Newspaper | April 6, 2023 |
| Announcement of the Spin-Off to the Employees of Telkom | April 6, 2023 |
| Deadline for Submitting Any Objections by Creditors | April 20, 2023 |
| Notice of GMS | May 8, 2023 |
| GMS | May 30, 2023 |
| Announcement of GMS Result | June 5, 2023 |
| Signing of the Deed of Spin-Off | June 30, 2023 <i>(or other date determined by Telkom Group)</i> |
| Targeted Effective Legal Day-1 | July 1, 2023 |

FMC Transaction Rationale

FMC Transaction Structure

Potential Synergies

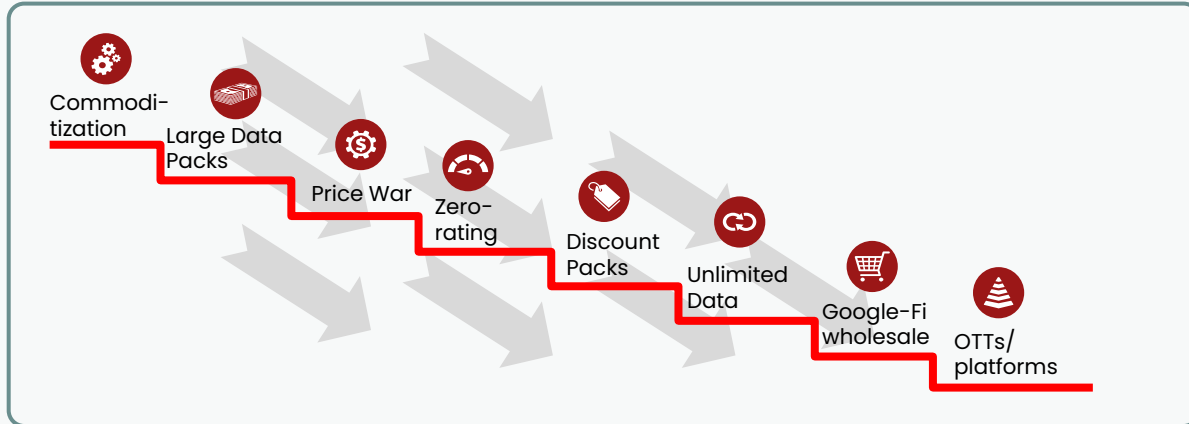
FMC Go-to-market Strategy

B2B Strengthening Program

Telecommunication sector is facing various fundamental challenges

Key Indicators of Top 30¹ Players in Global Telecommunications Sector

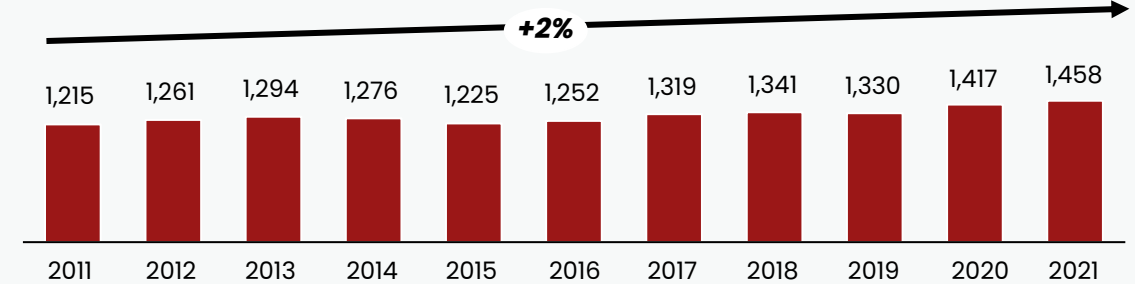
Factors Causing Decline



Low Revenue Growth

Total Revenue

In Mn USD, 2011-2021

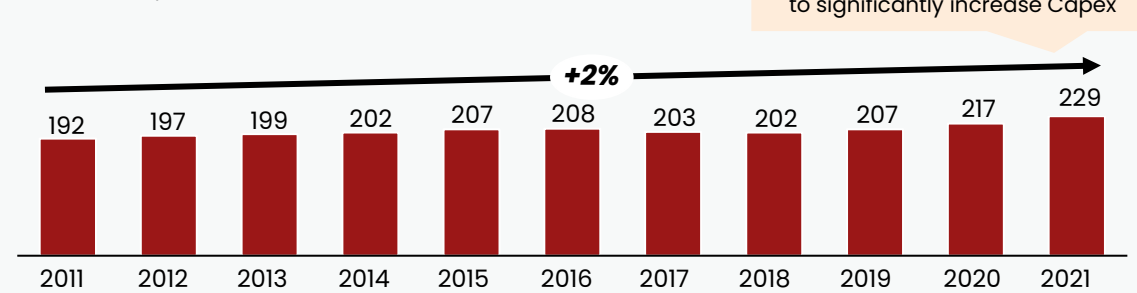


Revenue growth 2020-2025E : 1%

Increase in Capex Investment

Total Capex

In Mn USD, 2011-2021



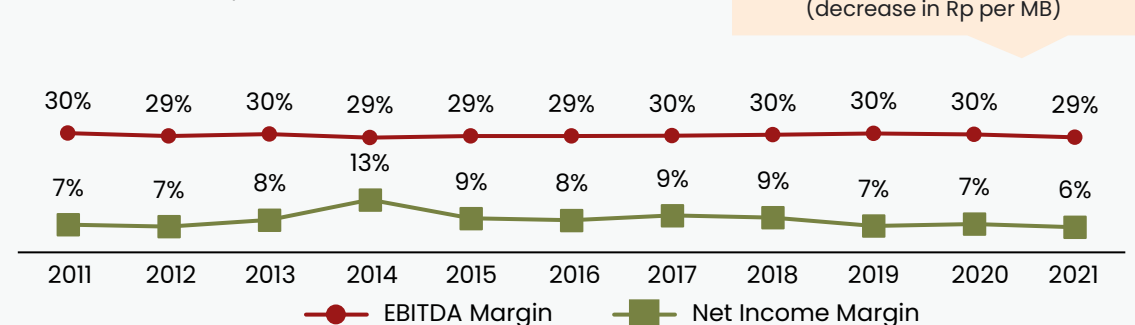
Going forward, the implementation of 5G is expected to significantly increase Capex

Capex growth 2020-2025E : 3-5%

Stagnant Profitability

Average EBITDA Margin and Net Income Margin

As % of Revenue, 2011-2021

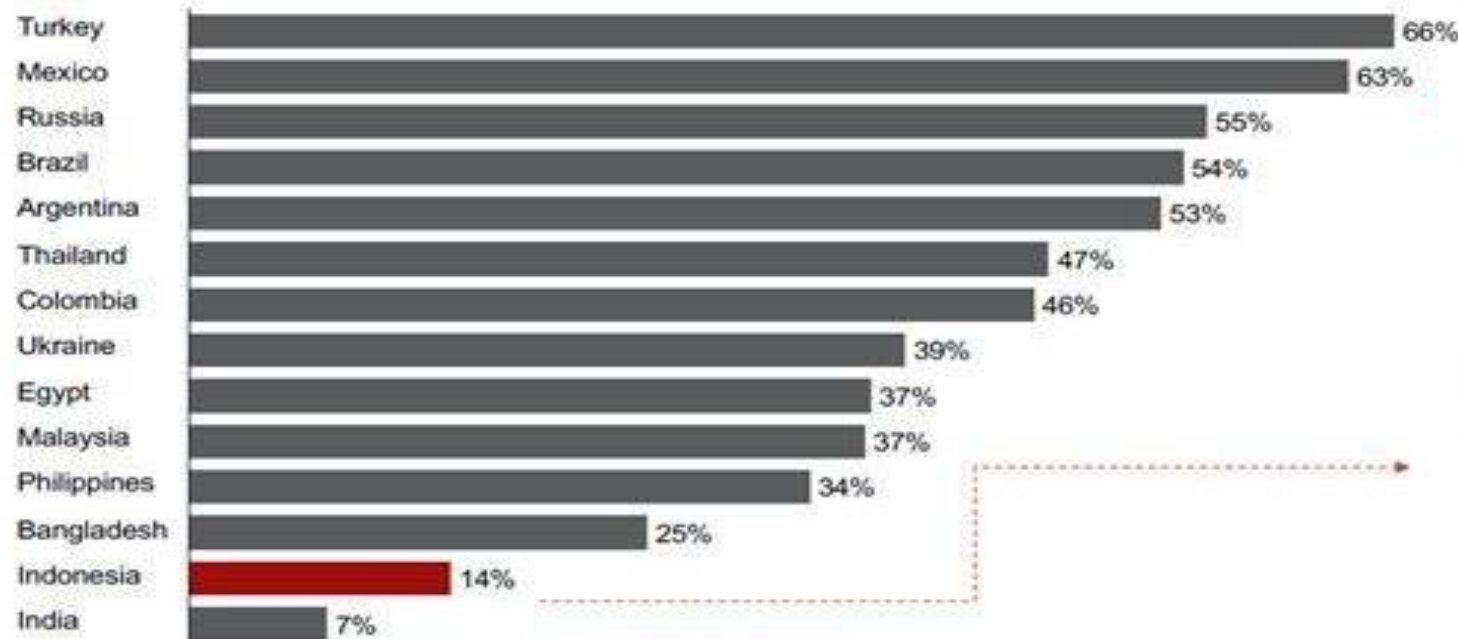


1. Based on top 30 global telecommunications by revenue in 2021
Source: Capital IQ, Telkom, Kearney

Telecommunication sector is facing various fundamental challenges

Fixed Broadband penetration in Indonesia still lower than other countries, although fiber coverage already spread well

Fixed Broadband Household Penetration in 2021¹
%

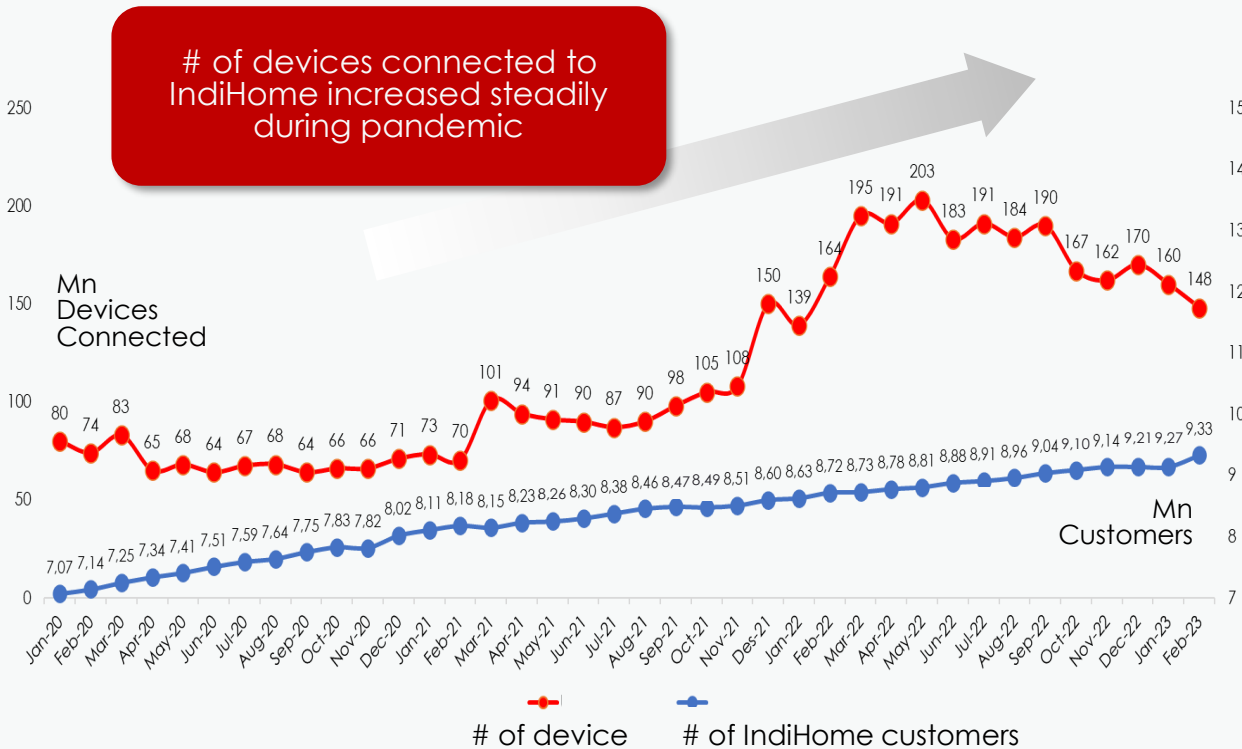


Indonesia GDP per HH is expected to grow at ~6% CAGR, increase in HH income from \$51K to \$70K in 2027 (in terms of USD PPP) is expected to drive broadband penetration from 14% to ~23% (or 10 to 17 million lines) in 2027

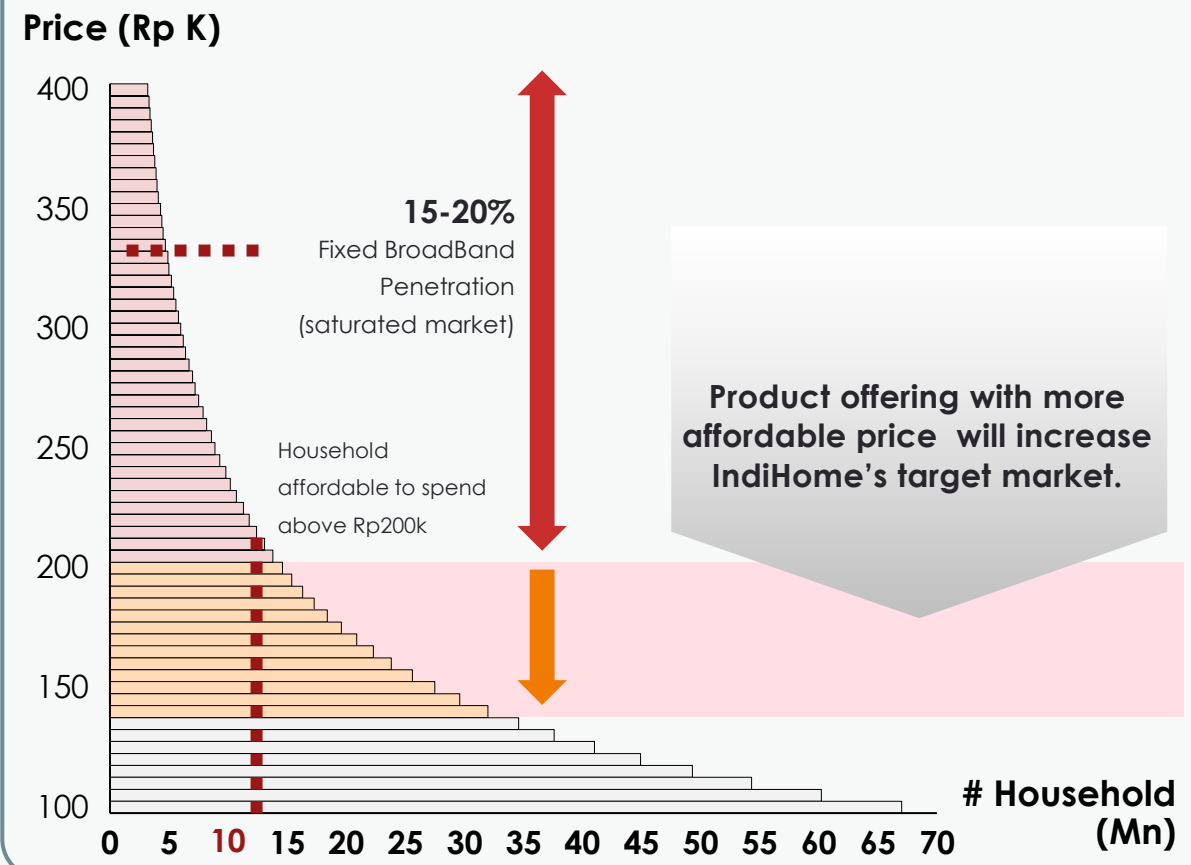
¹ Fixed broadband includes FTTx, xDSL and other technologies

More devices connected to wi-fi, potentially maintained to apply Smart Offering (FWA-FMC) & maximize broadband market potential

of unique devices connected to IndiHome Wi-Fi (Mn Devices)



Potential of household demand based on price level (2020; Mn households)



Source: Big Data Telkom Group, Kearney

Telkom Group has a complete package to stay relevant with various customer needs to become a prosperous & sustainable growth company

Cellular



Current Pricing Starts from: **Rp 23K**
 Ideal for mid-lower segment/ usage but **limited quota for households.**

FTTH

Fiber To The Home



Current Pricing Starts from: **Rp 300K**
 Ideal to drive IndiHome price point to all customers with the available affordability.

FWA

Fixed Wireless Access



Current Pricing Starts from: **Rp 90K**
 It is worth considering in area without FTTH since it offers flexibility for connectivity (plug-and-play).

Satellite



LEO Satellite



Targeted for B2B segment. Mostly for marine & aviation purpose. If introduced to B2C, it's important for Telkom to **target areas without FTTH.**



All of the above options provide access to internet for households

Benefits of the Proposed Transaction



Integration of fixed & mobile communications services is expected to improve product innovation, service, and customer loyalty, as well as create new room for new business growth and driving group management efficiency in order to drive value creation for all stakeholders



For customers

- ✓ Improved customer service with seamless experience
- ✓ Easier and more equitable access to digital services
- ✓ Prioritizing value for money



For the industry

- ✓ Accelerate broadband penetration
- ✓ Greater industry efficiency and productivity
- ✓ Promotes healthy competition



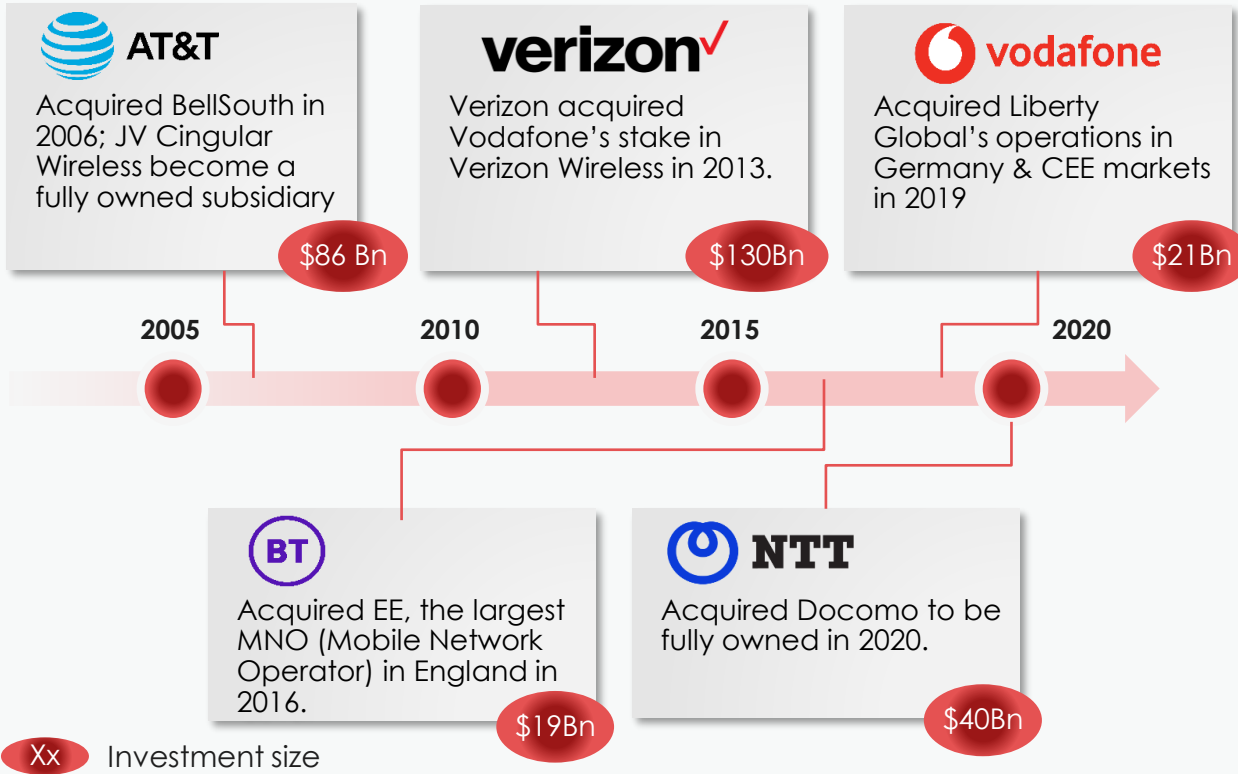
For Telkom Group

- ✓ Potential efficiencies from fixed & mobile broadband network collaboration
- ✓ Strengthening Telkom Group's positioning as a market leader in digital telco
- ✓ Improving Telkom Group's prospects and adaptability to industry dynamics

FMC

as a global telco trend

M&A of Fixed-Mobile Telco Company (Example)



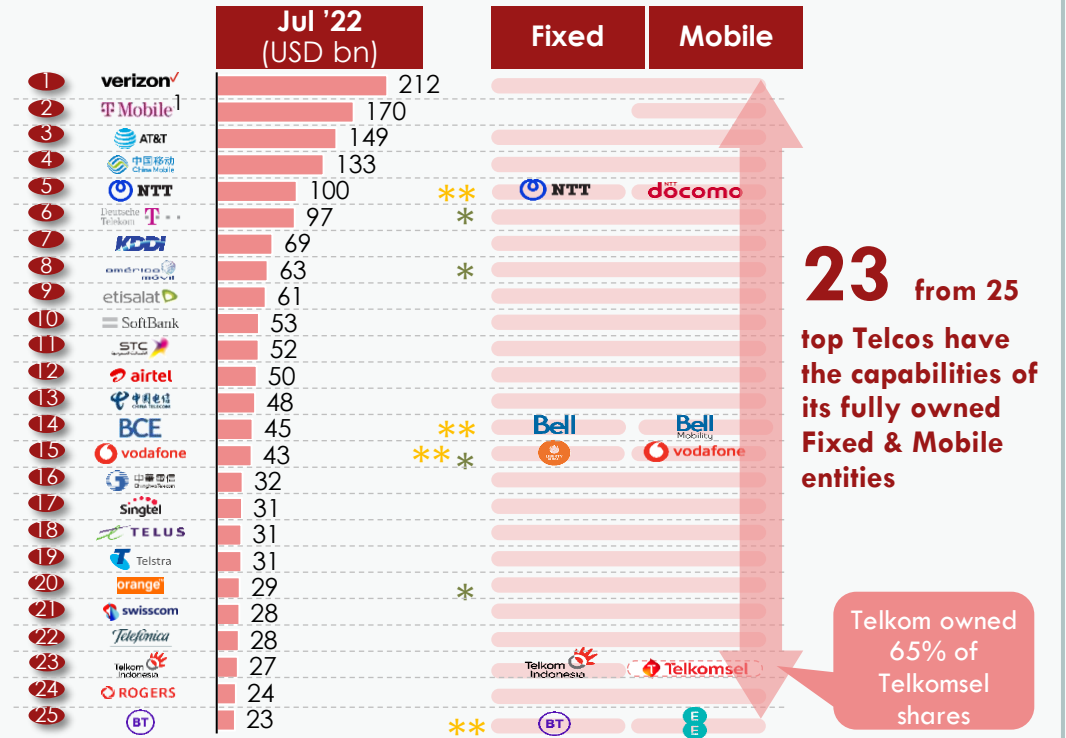
* These companies conduct their businesses in several countries. Some of their subsidiaries in certain countries are not fully owned.

** These telecommunication companies serve fixed & mobile business in different entities.

1. T-Mobile only operates fixed wireless for their fixed service.
Source: CapIQ, Company's Reports, Kearney

Top 25 Telco by Market Cap

The capability of its fully owned Fixed & Mobile entities



FMC integration in Telkomsel needs approval from another Telkomsel's shareholder (Singtel), who has pre-emptive right/minority protection on its potentially diluted ownership

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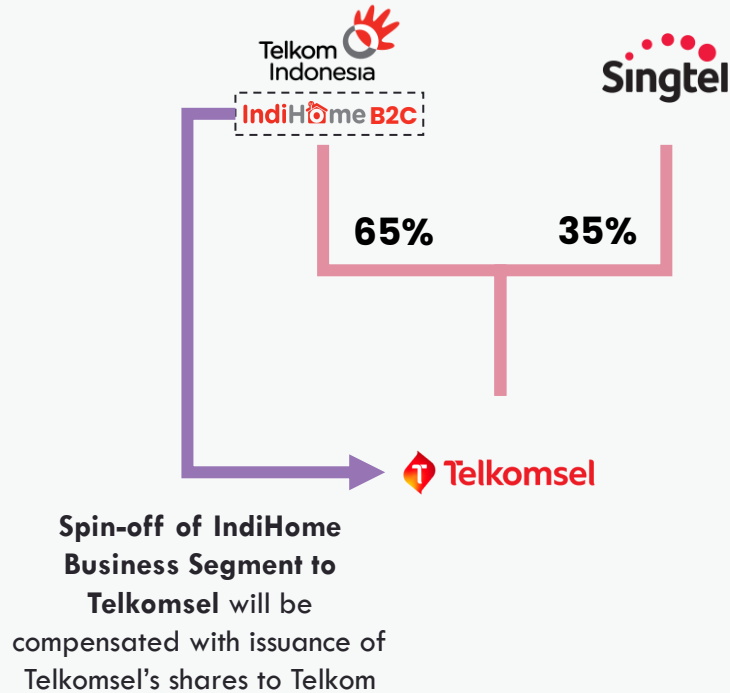
Potential Synergies

FMC Go-to-market Strategy

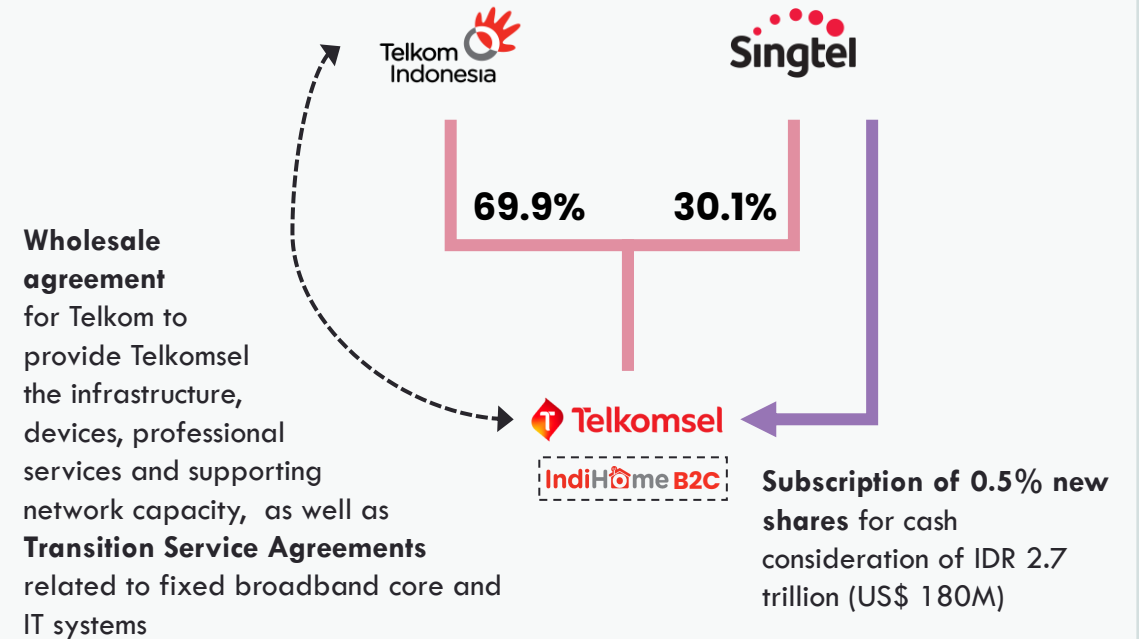
B2B Strengthening Program

Transaction Structure

Prior to transaction



Post-transaction



- Agreed valuation of Indihome amounts to IDR 58.3 trillion (~US\$ 3.9 billion)
- Agreed valuation of Telkomsel of IDR 319.4 trillion (~US\$ 21.4 billion) prior to IDR 2.7 trillion (~US\$ 180 million) capital injection by Singtel
- Transfer by way of spin-off is intended to fulfill the transaction criteria to receive the tax facility according to PMK 56 (the application of which can only be done post spin-off)

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FMC is expected to increase revenue from potential commercial synergies

Potential Synergies



Cross-selling mobile communication services to Indihome subscribers which have not used Telkomsel



Increase the portion of Telkomsel in household which has already used Indihome and Telkomsel through convergent of household package products



Cross-selling of Indihome to households which have already used Telkomsel but have not used Indihome services



Acquire new households which have not used either Indihome or Telkomsel services (i.e., truly greenfield homes)










Lower the churn rate as the result of increasing product ownership and customer engagement

The spin-off of Indihome into Telkomsel is expected to accelerate revenue growth.

The value for Telkom Group will be derived from **higher subscriber growth** (driven primarily by cross-sell and higher mobile communication service usage in households) as well as **increasing customer loyalty** (by reducing churn rate).

FMC will also help Telkom Group be more efficient in operational expenses and capital expenditures

| Area | Initiatives for OPEX and CAPEX efficiencies | |
|--|---|--|
|  | A Marketing, Product & Sales | <ol style="list-style-type: none"> <li data-bbox="670 375 2453 451">1 Unification of Marketing, Sales and Service offices to serve retail customers of both mobile and fixed broadband, fixed line and IPTV services |
|  | B Customer Service | <ol style="list-style-type: none"> <li data-bbox="670 496 2479 572">2 Integration of customer call center services by increasing service capabilities to serve mobile and fixed broadband, fixed line and IPTV services <li data-bbox="670 582 2186 629">3 Transfer of transactions from physical services to digital through digitization of customer service |
|  | C Information Technology | <ol style="list-style-type: none"> <li data-bbox="670 686 1900 722">4 Optimization of information technology service operations and infrastructure |
|  | D Network | <ol style="list-style-type: none"> <li data-bbox="670 779 1837 815">5 Network infrastructure sharing for mobile and fixed broadband services |
|  | E Facilities | <ol style="list-style-type: none"> <li data-bbox="670 865 2232 908">6 Integration of shared assets for mobile and fixed broadband services such as vehicles <li data-bbox="670 936 2232 979">7 Integration of shared costs between mobile and fixed broadband services such as warehouse rental |
|  | F Human Resources | <ol style="list-style-type: none"> <li data-bbox="670 1022 2466 1093">8 Organizational restructuring and consolidation of human resources to support the integrated business without the impact of reducing the number of employees and ensuring that there is no decrease in employee remuneration |
|  | G CAPEX | <ol style="list-style-type: none"> <li data-bbox="670 1129 1939 1165">9 No duplication of investment for the deployment of cellular and fixed networks <li data-bbox="670 1208 2466 1300">10 Potential efficiencies through deploying cellular-based WiFi services for households (Telkomsel Orbit) prior to fiber-optic internet in new expansion areas |

FMC Transaction Rationale

FMC Transaction Structure

Potential Synergies

FMC Go-to-market Strategy

B2B Strengthening Program

Go-to-market prep – Business, Commercial, HCM (Human Capital Management) & Working culture

Businesses & Commercial

- **Telkomsel established FMC Commercial Team**, with 2 main tasks, namely **Joint Operations and Joint Sales Services**
- **Telkomsel have competitive advantage and able to leverage existing asset, scale, and maximize data analytics** tools to provide differentiation and remain relevant to the market. Thus, we are focusing on 3 strategies:
 1. **Cross-selling** through more for more and bundling product
 2. **Retention**, by giving FMC more content to maintain loyalties and create stickiness
 3. **Acquisition**, by offering comprehensive set of product (Fixed, FWA, Mifi, Mobile) and value-added differentiation
- **Pre Day-1** we are preparing all initiative to be ready including understanding and alignment initiative.
- **Post Day-1** Telkomsel strategy is to get additional accretive value from FMC, potential uplift business and realization of synergy initiatives which directing into determinations indicators/KPI/key drivers
- To maximize synergy value, several new things and services can become a mainstay after the merger of Indihome and Telkomsel, namely:
 1. **Unbreakable Internet** supported by Fiber and Fixed wireless access (4G/5G)
 2. **Implementation of Smart Connection** with various bundling solution and services which more economical and practical
 3. **Seamless experience** that keeps household members connected anywhere at any time.

Organization, HCM & Working Culture

1. In **Organizational Aspects** a series of mutually agreed upon principles have been established, which continue to prioritize **business continuity, integration of functions** with **no duplication** in the preparation of the **organizational structure**.
2. In the **HR Aspect**, the principles used also **pay attention to business continuity, productivity, labor law provisions, employee willingness** to be transferred and ensuring employees' rights aspects.
3. In the **working culture aspect**, the assessment process have been **carried out through an Organizational Health Index** survey which in the end is to **ensure that this combination will produce a healthy culture** and not cause friction between employees.

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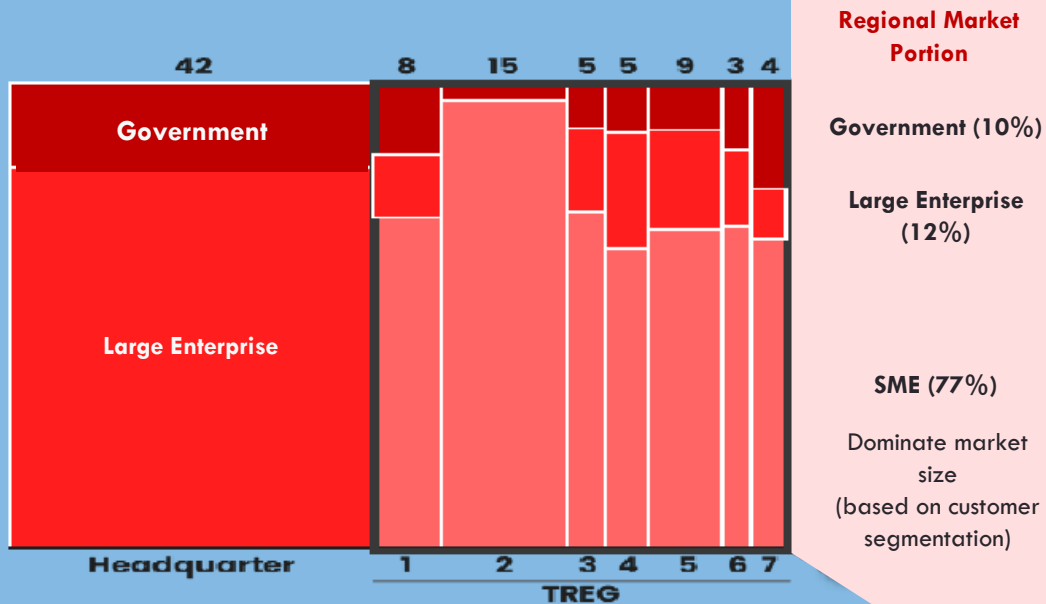
B2B Strengthening Program

B2B Strengthening

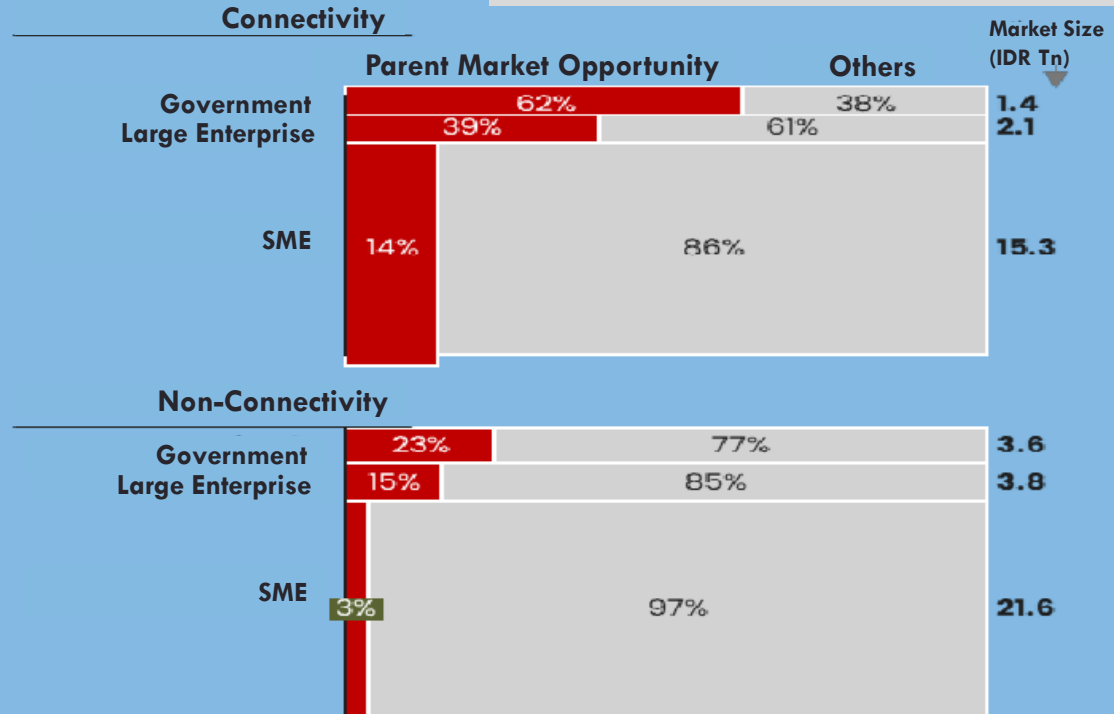
Market Opportunity

Market opportunities B2B segment still huge especially for Telkom Regional

Market Size – Based on Customer Segmentation
(2021; IDR Tn)



TREG Potential Market – Based on Customer Segmentation
(2021A ; IDR Tn)



Source: Telkom

B2B Strengthening

B2B Strategy

To win regional market, Telkom will be focusing on SME, Local Conglomeration, and Local Government

| Winning Strategy on 3 Segments | | |
|---|---|--|
| SME Segment | Local Conglomeration | Local Government |
| SME Champion Product | Industry ecosystem solution mastery | Government digital solution |
| SME Market Mapping vs Infrastructure Readiness | Building strategic relationship | Telkom products offering in government e-Proc |
| SME Channel Management enrichment (incl. Digital Touch Point) | Identification and prioritization solution needed | Building strategic relationship |
| SME Digital Platform Enablement | Create ecosystem digital hub | Optimize Telkom's digital platform utilization |
| Building partnership (startups, local & global partners) | Develop business model for Reciprocal Opportunity | Develop smart society |

REGIONAL STRENGTHENING

| PEOPLE |
|--|
| <ul style="list-style-type: none"> ✓ Empowering regional employees ✓ Enhance capability thru reskilling & upskilling ✓ New sales incentive focus on collected profitability |
| PRODUCT |
| <ul style="list-style-type: none"> ✓ Enhance B2B connectivity product ✓ Create digital solution based on vertical industry ✓ Develop digital platform |
| PARTNERSHIP |
| <ul style="list-style-type: none"> ✓ Develop product readiness (start-ups, local & global partners) ✓ Enrich channel management ✓ Build vertical industry expertise collaboration |
| WINNING MARKET |
| <ul style="list-style-type: none"> ✓ Identify and detailing market opportunity ✓ Mapping infrastructure readiness & competitor movement ✓ Massive market penetration |

Support Needed from Investor

01

Attend Telkom's GMS / Provide proxy for the GMS on 30 May 2023

02

Approve the resolution for spin-off in the GMS on 30 May 2023

Glossary

| | |
|-------------|---------------------------------|
| FMC | Fixed Mobile Convergence |
| FWA | Fixed Wireless Access |
| FTTH | Fiber to the Home |
| IPTV | Internet Protocol Television |
| GMS | General Meeting of Shareholders |
| HH | Household |



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