



# SARANA MENARA NUSANTARA

## ANNUAL GENERAL MEETING OF SHAREHOLDERS 2018 AND EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

### Agenda and Explanation

Hereby is the explanation of agenda for the Annual General Meeting of Shareholders Year 2018 (“**AGMS**”) and Extraordinary General Meeting of Shareholders (“**EGMS**”) (AGMS and EGMS, collectively referred to as the “**Company’s GMS**”) of PT Sarana Menara Nusantara Tbk (the “**Company**” or “**we**”) which will be held on Wednesday, 9 May 2018.

#### AGMS Agenda No. 1

Approval and ratification of

- (i) The Annual Report of the Company for the financial year ended December 31, 2017, including the Company’s annual report and the supervisory report of the Board of Commissioners for the financial year ended December 31, 2017, and
- (ii) The Financial Statement of the Company for the financial year ended December 31, 2017 consisting of the Balance Sheet Profit/Loss Statements of the Company for the financial year ended December 31, 2017, along with the request for approval of a full release and discharge of responsibilities of the Board of Commissioners and the Board of Directors for their supervision and actions during the financial year ended December 31, 2017 (*acquit et decharge*)

### A. BACKGROUND

This agenda is in compliance with (i) Article 19 paragraph 2 letter a and Article 19 paragraph 3 of the Articles of Association of the Company; and (ii) Article 69 and Article 78 of Law No. 40 of 2007 regarding Limited Liability Companies (“**Law No. 40/2007**”).

### B. EXPLANATION

#### Report from the Board of Directors

#### Our Success Today is the Result of Our Solid Foundation to Support Growth

Dear Shareholders,

We are pleased to report that 2017 was another successful year for the Company. After a period of relatively low organic growth in 2015 and 2016, we enjoyed a strong increase in new co-location orders in 2017 that we believe indicates a new cycle of expansion by the major telco operators.

Steady growth in new business throughout the year led to the Company operating a total 14,854 tower sites with 25,011 tenancies at year end 2017. Revenue grew by 5.6% from IDR5,053.1 billion to IDR5,337.9 billion while EBITDA grew by 4.4% from IDR4,408.0 billion to IDR4,603.6 billion. This growth was achieved even with the negative impact of the non-renewal of more than 500 sites by one of the top 5 telco operators.

With solid revenue growth, cost efficiency measures and better balance sheet management, the Company booked net income of IDR2,100.1 billion in 2017. Balance sheet management included better matching of Company liabilities with revenues by increasing local currency debt as a portion of the total debt and paying down foreign exchange debt and while capitalizing on the Company's international investment grade ratings to reduce the cost of financing.

Throughout 2017, SMN/Protelindo maintained the Company's position as the leading independent tower company in Indonesia with the largest tower portfolio, healthiest balance sheet and strongest credit rating amongst the industry peers. SMN/Protelindo remains the only tower company in Indonesia to receive investment grade credit ratings from all three major international rating agencies with a BBB-/Stable rating from Standard & Poor's, Fitch International and Fitch Indonesia ratings of BBB- and AAA, respectively, and a Moody's corporate credit rating of Baa3. In addition, the Company's leverage ratio, as measured by net debt to annualized EBITDA, declined from 1.6x in 2016 to 1.4x at the end of 2017 as a result of the repayment of USD loans.

As part of management's commitment to our 'Buy, Build, Return' strategy, we plan to increase the total dividend payment for 2017 to IDR1.2 trillion, a strong increase from the IDR700 billion that the company distributed for financial year 2016. We announced an interim dividend payment of IDR306 billion for financial year 2017 that was distributed to shareholders in December 2017. The final total 2017 dividend includes the interim dividend paid in December and will be distributed after shareholder approval at the 2018 AGM.

The Company continues to focus on Good Corporate Governance ("GCG") practices in accordance with Indonesian GCG standards. The Company is in the forefront of implementing the recent changes in OJK's directives to improve implementation of GCG in Indonesia. As a result, the Company was recognized as a having the highest levels of adherence to GCG principles of the top 50 biggest market capitalization publicly listed companies by the Indonesian Institute of Corporate Directorship in November 2017.

We at SMN/Protelindo support the Company's partners in the telecommunications industry by providing wireless and data network services for their businesses. In this capacity, the Company works closely with telco companies to plan and execute the expansion and improvement of their wireless networks. We believe that there are two drivers of organic telecommunications growth in Indonesia; firstly is the operator's need to expand their coverage to underserved areas outside the island of Java, and secondly is the need to improve industry capacity to handle the huge increase in data demand particularly in urban areas. In addition to organic growth opportunities, we note that we have made two significant acquisitions in the last 3 years and believe there are further opportunities for consolidation in the tower industry in Indonesia. We intend to be an active participant in these business opportunities.

We are pleased to report that our strategy of diversification of our business model bodes well for the Company's future growth. With the iForte acquisition in 2015, we are capturing growth potential in the broader telecommunications infrastructure sector by offering fiber optic as well as VSAT services to a broad array of customers. We believe there is strong growth potential in the broader market given the demographics of Indonesia and the geographic spread of the archipelago. In order to reflect our new business strategy, we have introduced a revised mission

statement from being “Indonesia’s Premier Tower Company” to becoming “Indonesia’s Premier Telecommunications Infrastructure Company”. With Protelindo and iForte, the Company is a unified single entity that can provide the most complete and innovative services to meet the diverse telecommunication infrastructure needs of our clients.

In closing, as a result of the solid recovery in organic business experienced 2017, we have achieved the revenue and EBITDA targets that we set for the year. Going forward, we will continue to strengthen our position as the market leader in the telecommunication infrastructure industry by maintaining our disciplined approach to investing and expansion. Our strategies for 2018 can be summarized as follows:

- a) To maintain our position as the leading telecommunications infrastructure company in Indonesia;
- b) To maintain Protelindo’s investment grade ratings from all three global rating agencies thereby allowing for financial flexibility and cost efficiency;
- c) To capitalize on our strong balance sheet for organic and inorganic growth opportunities; and
- d) To continue returning capital to shareholders through dividends and possible other means under the prevailing rules and regulations in Indonesia.

Finally, we would like to thank the shareholders, the Board of Commissioners, the Audit Committee, the management team and the employees of the Company and its subsidiaries for all their support in making 2017 a great year. We believe that with our solid effort and the continuous support of our shareholders, management, and employees, we will achieve our mission of: “Great Infrastructure, Great Service”.

## **Report from the Board of Commissioners**

### **Preparing for Future Growth through Diversification and Financial Strength**

We are pleased to report that during 2017 PT Sarana Menara Nusantara Tbk (the "**Company**" or "**SMN**") recorded solid organic business growth in uncertain macro-economic conditions. Growth was supported by various industry specific events that directly impacted the telco operators in Indonesia. The major market uncertainties throughout 2015 and 2016, including potential regulatory changes and the auction of additional spectrum, were resolved in 2017. With these uncertainties resolved, the industry began to invest again in the expansion of services outside of Java and on improving capacity within Java.

Throughout the year, telco operators continued their rollout of 4G equipment particularly in Java but increasingly in major cities throughout the country. SMN/Protelindo benefits from this expansion as the addition of new 4G equipment results in additional new lease orders. We estimate that the rollout of 4G equipment is approximately 15 to 20 percent complete. The continued enhancement of 4G services was a steady driver of business growth this year. With many of the uncertainties that impacted the market resolved, we experienced a substantial increase in additional new tower builds and colocations accompanied by additional equipment leases as the operators expanded 4G services over their current network footprint. Growth in 2017 was driven by new lease contracts of more than 2,300 tenancy leases as well as revenues from 3,700 additional equipment leases and strong growth in microcell poles, VSAT and corporate internet connections.

The Board of Commissioners sees a positive trend going into 2018 as telco operators strive to provide better quality service to their customers. We expect that the telco operators will continue to expand their coverage outside of Java and will improve capacity in Java. Capital expenditures by operators are supported by increasing operator profitability and rational pricing policies. The regulatory framework in Indonesia also continues to be supportive of growth for Indonesia's tower industry.

We closed the year with 14,854 towers and 25,011 tenants with 2,351 new tenancy orders. We maintained our leverage to net debt to annualized EBITDA of 1.4x at year end 2017, slightly lower than the 1.6x level reported at the end of 2016. The international rating agencies continue to recognize the solid strength of our balance sheet and capital management activities by awarding the Company with investment grade debt ratings. Moody's affirmed our Baa3/Stable rating in March, while Fitch International and Fitch Indonesia affirmed our ratings at BBB-/Stable and AAA(idn)/Stable in May and S&P affirmed our rating at BBB-/Stable in December. We are now among the best rated independent tower companies in the world and one of the top rated companies among all private sector corporations in Indonesia.

We continue to focus on growing our business without sacrificing good corporate governance. As a significant player in Indonesia's capital markets, we observe the requirements of the OJK and other regulatory bodies on corporate governance and maintain compliance to the highest standards in Indonesia. One of our achievements in 2017 was to be named again as Frost & Sullivan Indonesia Telecoms Tower Company of the Year. We will work to maintain this distinction.

The Board of Commissioners is responsible for supervising the business management performance of the Board of Directors. We conduct regular joint meetings with the Board of Directors to coordinate and align the roles of the Board of Commissioners and Board of Directors in carrying out our duties and to achieve the objectives of the Company. We believe we can continue to maximize value for our shareholders by exploring the various opportunities in the Indonesian tower space while our solid capital structure will allow us to maintain significant operational and financial momentum in the coming years.

We extend our warmest appreciation to the Board of Directors, the employees, all stakeholders, and all parties who have contributed and worked so hard during the year to make the Company as successful as we are today. We believe that solid teamwork among the employees and members of the Board of Directors is key to this remarkable achievement. As members of the Board of Commissioners, it is our duty to work with members of the Company's management team to ensure that we act in accordance with the industry's best practices and our own core values of integrity and transparency. We believe that our shareholders will continue to be well rewarded as a result.

### **C. SUPPORTING DATA**

Shareholders may view and download the 2017 Annual Report of the Company and the 2017 Consolidated Financial Statements on our web site by using the following links:

Link 1: [2017 Annual Report of the Company](#)

Link 2: [2017 Consolidated Financial Statements of the Company](#)

**AGMS Agenda No. 2**

Approval of the allocation plan of the Company's net profit for the financial year ended December 31, 2017

**A. BACKGROUND**

This agenda is in compliance with (i) Article 19 paragraph 2 letter b and Article 24 of the Articles of Association of the Company; and (ii) Article 70 and Article 71 of Law No. 40/2007.

**B. EXPLANATION**

The Company will propose to AGMS to approve the appropriation of the Company's net profit for the year ended on December 31, 2017, with allocation for each portion of the net profits for cash dividends, and reserve funds and the remaining balance will be kept to retained earnings. The total amount of the net profit for the year ended on December 31, 2017 allocated for cash dividends is Rp1,2 trillion. On December 2017, the Company has distributed an interim cash dividends in the amount of Rp305 billion to the shareholders. Further, the remaining cash dividends in the amount of approximately Rp894 billion will be distributed no later than 30 days after the announcement of the summary of minutes of the AGMS.

**AGMS Agenda No. 3**

Determination of the remuneration and allowance for members of the Board of Directors and Board of Commissioners of the Company for the financial year of 2018.

**A. BACKGROUND**

This agenda is in compliance with (i) Article 11 paragraph 6 and Article 14 paragraph 6 of the Articles of Association of the Company; and (ii) Article 96 and Article 113 of Law No. 40/2007.

**B. EXPLANATION**

The remuneration paid to the Board of Directors and the Board of Commissioners for the prior year amounted to IDR17,130,816,407 and IDR3,424,329,414, respectively. In order to determine the salaries of the members of our Board of Directors and Board of Commissioners this year, effective from the closing of today's AGMS up to the closing of next year's AGMS, the Company is proposing that shareholders delegate the final determination of compensation to the Company's controlling shareholder i.e., PT Saptia Adhikari Investama. The controlling shareholder of the Company will determine such remuneration by taking into consideration the proposal from the Board of Commissioners. The Board of Commissioners will base its proposal pursuant to the Remuneration and Nomination Committee's recommendation. The total remuneration for the coming year will be based on, among other things, the Indonesian inflation rate in 2017, as measured by the Indonesia Bureau of Statistics (BPS), the applicable remuneration for similar positions within the Company's industry, and the duties and responsibilities of the members of the Board in connection with the Company's performance.

## **AGMS Agenda No. 4**

Appointment of the new members of the Company's Board of Commissioners and Board of Directors.

### **A. BACKGROUND**

This agenda is in compliance with (i) Article 11 paragraph 5 and Article 14 paragraph 5 of the Articles of Association of the Company; and (ii) Article 94 paragraph 1 and Article 111 paragraph 1 of Law No. 40/2007, and the Financial Services Authority ("OJK") Regulation No. 33/POJK.04/2014 regarding the Board of Directors and the Board of Commissioners of Public Companies and the suggestions from the Remuneration and Nomination Committee based on the Minutes of the Meeting of the Remuneration and Nomination Committee dated 12 April 2018.

### **B. EXPLANATION**

In relation to the ending of the Company's Board of Directors and Board of Commissioners tenure at the closing of the 2018 AGMS, the Company asks the approval from AGMS to appoint the members of the Board of Directors and Board of Commissioners of the Company with the following composition:

#### **Board of Directors**

President Director	:	Ferdinandus Aming Santoso
Vice President Director	:	Adam Gifari
Vice President Director	:	Stephen Duffus Weiss
Director	:	Eko Santoso Hadiprodjo
Director	:	Kenny Harjo
Director	:	Indra Wijaya
Independent Director	:	Anthony Elam

#### **Board of Commissioners**

President Commissioner	:	Tonny Kusnadi
Commissioner	:	Ario Wibisono
Independent Commissioner	:	Alexander Rusli

The shareholders may view each member's profile on our website using the following links:

Link 3: [Director's Profile](#)

Link 4: [Board of Commissioners' Profile](#)

## **AGMS Agenda No. 5**

Appointment of the Registered Public Accountant to audit the Company's consolidated financial statements for the financial year ended December 31, 2018 and delegation of authority to the Board of Directors of the Company to determine the amount of compensation for the Independent Public Accountant and other requirements relating to such appointment.

## **A. BACKGROUND**

This agenda is in compliance with (i) Article 17 and Article 19 paragraph 2 letter c of the Articles of Association of the Company; (ii) Article 68 of Law No. 40/2007; and (iii) Article 36A of OJK Regulation No. 10/POJK.04/2017 regarding an Amendment to Regulation No.32/POJK.04/2014 on General Meetings of Shareholders of Public Companies.

## **B. EXPLANATION**

The Company will propose to the AGMS to grant the power and authority to the Company's Board of Commissioners to appoint including to fix the amount of fees and other requirements, of the Registered Public Accounting Firm having international reputation (including the Registered Public Accountants belonging to that Registered Public Accounting Firm) which will audit the Company's Consolidated Financial Statements for the financial year ended on December 31, 2018 with due observance of recommendation from the Audit Committee and the prevailing laws and regulations in Indonesia, including, among others, Capital Markets regulations.

### **AGMS Agenda No. 6**

Grant of powers and authority to the Board of Directors to pay interim dividends for the financial year ended 31 December 2018.

## **A. BACKGROUND**

This agenda item is in compliance with (i) Article 19 paragraph 2 letter b and Article 24 of the Articles of Association of the Company; and (ii) Article 71 – 72 of Law No. 40/2007.

## **B. EXPLANATION**

During the discussion about this agenda item, the Company will propose that the AGM grant powers and authority to the Board of Directors of the Company, subject to the approval of the Board of Commissioners of the Company, if the Company's financial condition permits, to stipulate and pay interim dividends/the dividends for the financial year 2018.

### **EGMS Agenda**

Approval on the Company's plan to conduct shares Stock Split with ratio of 1:5, including grant authority to the Board of Directors to execute and determine the schedule for Stock Split and to amend the Company's Articles of Association in relation to the Stock Split.

## **BACKGROUND AND EXPLANATION**

This agenda item aims to increase the liquidity of shares of the Company. Further, the change of Articles of Association of the Company in connection with the implementation of Stock Split determined by the Company's GMS is in compliance with (i) Article 26 of the Articles of Association of the Company; and (ii) Article 19 of Law No. 40/2007.