



PT EXCELCOMINDO PRATAMA, TBK. (XL) 1H09

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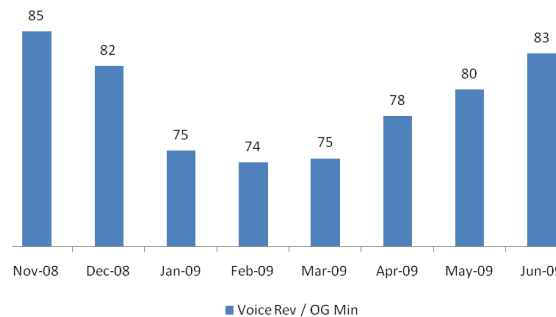
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INTRODUCTION

In the second quarter, we realized a 7% YoY and 14% QoQ increase in revenue. EBITDA grew by 31% QoQ. EBITDA margin also improved QoQ, but declined YoY as a result of the policy shift of new site developments from 100% self-build to partial lease. EBITDA would have grown 4% YoY without this policy shift.

Revenue

Minutes traffic grew 113% YoY and 6% QoQ and SMS traffic increased 170% YoY and 48% QoQ. Voice revenue/minute has increased by around 12% after bottoming in February '09.



We continue to reenergize our brand and inject “Fun and Excitement” elements as part of our efforts in delivering a more complete customer experience. A variety of attractive programs and value added services (VAS) were introduced.

Blackberry and GPRS services have also shown massive improvements during the last 6 months, growing more than twofold in revenue. This growth has resulted in a 2% of total revenue contribution. Our number of Blackberry subscribers grew more than sixfold over the last 6 months and by the end of June 2009 the number stood at around 113 thousand subscribers.

Distribution and subscriber base quality

During 2Q09 we continued with initiatives to further improve the quality of our subscriber base. Prepaid revenue generating base (RGB) subscribers improved 9% YoY from 19.9 million in 1H08 to 21.8 million in 1H09. We have started to simplify our distribution model by rationalizing the number of distributors and dealers and expanding their operational areas. By doing so, it is expected that better product monitoring can be achieved. Through close channel monitoring we have managed to selectively reduce the over-supply of SIM cards to the market in order to better match supply to demand and reduce “calling cards”. As a consequence, SIM card supply to the market has been reduced by about 36% since December 2008 with a corresponding reduction in costs.

In contrast to our improved prepaid RGB, our total number of subscribers slightly decreased due to a reduction in grace period starting this quarter from 30 days to 25 days.



Capital productivity

Having reached approximately 90% population coverage throughout Indonesia and more than tripled network capacity with around 70% utilization rate during peak hours over the last 2 years, we now put more focus on improving utilization of our network and monetizing our traffic, while maintaining specific targeted expansion.

Capex spending for 2009 will be materially lower than 2008 and in the following years is expected to remain relatively moderate. New capex for 2009 will be around USD 300 million, while total cash out is expected around USD 600 million.

FINANCIAL MEASURES

Income Statement (Audited)

Income Statement (In Rp Billion)	1H08	1H09	Growth
Cellular Telecommunication Service:			
Voice	3,174	3,208	1%
Non Voice	1,554	1,740	12%
Total Cellular Telecommunication Service	4,728	4,948	5%
Cellular Interconnection and International Roaming Service	726	750	3%
Other Telecommunication Services:			
Leased lines	245	225	-8%
Leased Towers	87	288	231%
Others	50	43	-14%
Total Other Telecommunication Services	382	557	46%
Revenue	5,836	6,254	7%
Less: Discount	(49)	(44)	-11%
Revenue Net of Discount	5,787	6,211	7%
COGS and Interconnection Charges	1,145	982	-14%
Labor Cost (Permanent & Temporary)	327	390	19%
Sales & Marketing Expenses	648	493	-24%
Network Infrastructure Expenses	718	1,262	76%
Rental Site and Tower	104	241	132%
Support & Overhead Expenses	239	275	15%
Total OPEX	3,181	3,643	15%
EBITDA	2,606	2,568	-1%
EBITDA Margin	45%	41%	N/A
Depreciation & Amortization	1,324	1,819	37%
EBIT	1,281	749	-42%
Other (Expenses) / Income			
Interest expense	(431)	(714)	65%
Interest income	16	27	69%
Forex gain - net	218	425	95%
Gain on lease transaction	-	464	N/A
Others	(145)	22	N/A
Total Other (Expenses)/Income	(343)	224	N/A
Profit Before Tax	939	973	4%
Income Tax Expense	(308)	(267)	-13%
Profit After Tax	631	706	12%

Below is the normalized net income:

Normalized Net Income (In Rp Billion)	1H08	1H09	Growth
Net Income	631	706	12%
Less: unrealized forex (gain), net of tax	(185)	(500)	171%
SMS Cartel (net of tax)	19	-	N/A
Normalized Net Income	465	207	-56%



Revenue

First half-year revenues increased 7% YoY from Rp 5.8 trillion in 1H08 to Rp 6.3 trillion in 1H09 mainly due to the 5% YoY increase in cellular telecommunication service revenue, which almost made up 80% of our total revenue. The revenue from the tower business, which increased 231% YoY, contributed 5% of the total revenues.

Cellular Telecommunication Service

Revenues from cellular telecommunications service, which is comprised of voice and non-voice revenue, increased 5% YoY from Rp 4.7 trillion in 1H08 to Rp 4.9 trillion in 1H09. This increase was driven mostly by higher outgoing minutes, which grew 113% YoY. The revenue that came from non-voice services also improved 12% YoY and contributed 28% of our total revenue.

Cellular Interconnection and International Roaming Service

Cellular interconnection and international roaming service revenue that is comprised of revenues from domestic interconnection, international roaming, SMS interconnection and others improved 3% YoY from Rp 726 billion in 1H08 to Rp 750 billion in 1H09. The increase was mostly driven by the 28% YoY increase in the international roaming revenue, which contributed 38% of total cellular interconnection service revenue, and partially offset by the interconnection tariff reduction that was applied in April 2008.

Other Telecommunication Services

Total revenue that came from other telecommunication services grew 46% YoY from Rp 382 billion in 1H08 to Rp 557 billion in 1H09. The contribution of this revenue pool to total revenue expanded from 7% in 1H08 to 9% in 1H09 due to the growing tower business. Leased tower revenue strengthened 231% YoY and its contribution rose from 1% of the total revenue in 1H08 to 5% in 1H09.

Discount

Discount that consists of sales discount for handsets, starter pack, data card, international roaming, VoIP and sales discount for postpaid and prepaid subscriber usage decreased 11% YoY due to the decline in VoIP sales discount.

Operating Expenses

Operating expenses increased 15% YoY to Rp 3.6 trillion in 1H09 mainly due to 76% YoY increase in network infrastructure expenses, which was driven by higher frequency fees, network utilities, repair maintenance, and operating network rental, and 132% YoY growth in rental sites and towers. This increased network infrastructure expense was offset by lower COGS and interconnection charges as well as lower sales commissions and marketing expenses. The portion of network infrastructure and rental sites and towers expenses accounted for 41% of total operating expenses.

COGS and Interconnection Charges

COGS and interconnection charges, which are comprised of interconnection charges, other cellular telecommunication charges and other telecommunication service cost, decreased 14% from Rp 1.1 trillion in 1H08 to Rp 982 billion in 1H09 mainly due to lower interconnection tariff, which was applied starting April 2008, as well as lower SIM card costs that resulted from the SIM supply reduction initiative.

Labor Cost

Labor cost grew 19% YoY from Rp 327 billion in 1H08 to Rp 390 billion in 1H09. This increase was mostly due to a Long Term Incentives Plan (LTIP) accrual of 26.3 billion. The total number of permanent employees declined slightly to 2,047 in 1H09 from 2,140 in the previous year.



Sales and Marketing Expenses

Sales and marketing expenses that consist of sales commissions, advertising & promotion and marketing fees decreased 24% from Rp 648 billion in 1H08 to Rp 493 billion in 1H09, due to a 26% reduction in advertising and promotion expenses as a result of optimization initiatives that were started early this year and a 25% decrease in sales commissions mainly associated with our commission scheme transformation.

Network Infrastructure Expenses

Network infrastructure expenses, which is comprised primarily of frequency fee (43% of total network infrastructure expenses), utilities fees, repair & maintenance, as well as operating rental leased network facilities, grew 76% YoY from Rp 718 billion in 1H08 to 1,262 billion in 1H09 associated with the 35% increase in the number of BTS.

Rental Sites and Tower Expenses

Rental site and tower expense mainly consists of rental expenses for BTS sites leased from third parties. As we continued moving away from nearly 100% self-build to a mix of self-build and lease, this expense rose 132% YoY from Rp 104 billion to Rp 241 billion associated with a 601 % increase in the number of leased towers from 242 towers in 1H08 to 1,696 towers in 1H09.

Support and Overhead Expenses

Support and overhead expenses grew 15% YoY from Rp 239 billion in 1H08 to Rp 275 billion in 1H09 mainly due to increases in professional fees and non-network related rental expenses.

EBITDA

Our EBITDA was stable with a 1% YoY decrease and 31% QoQ improvement from Rp 2,606 billion in 1H08 to Rp 2,568 billion in 1H09 while EBITDA margin was at 41%.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased 37% from Rp 1,324 billion in 1H08 to Rp 1,819 billion in 1H09, primarily associated with a 35% increase in number of BTS.

Other Income

In 1H09, we realized a total of Rp 224 billion in other income mostly from the following:

- Gain on lease transaction of our core network that commenced in 2009 amounting to Rp 464 billion.
- 95% higher foreign exchange gain compared to 1H08 attributable to the strengthening Rupiah against U.S. dollar by end of June 2009. The closing rate of Rupiah/USD as of 30 June 2008 and 31 December 2007 were Rp 9,225/USD and Rp 9,419 respectively whereas the closing rate of Rupiah/USD as of 30 June 2009 and 31 December 2008 were Rp 10,225/USD and Rp 10,950/USD respectively.
- Other income resulting from “mark-to-market revaluation” of our hedging position that was closed in early January 2009, which generated Rp 80 billion, as well as from mark-to-market gain of our open hedging positions.
- Interest income that increased 69% YoY from Rp 16 billion in 1H08 to Rp 27 billion in 1H09.
- Higher interest expense incurred from our 56% increase in interest bearing debt, from Rp 12,101 billion in 1H08 to Rp 18,899 billion in 1H09.

Profit After Tax

For this first half-year result, we recorded profit after tax of Rp 706 billion, an increase of 12% from the previous year.

Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	1H08	1H09	Growth
Current Assets			
Cash and cash equivalents	382	972	154%
Trade and other receivables - net	411	405	-2%
Prepayments	763	1,363	79%
Others	245	170	-31%
Total Current Assets	1,802	2,909	61%
Non-Current Assets	21,231	26,214	23%
Total Assets	23,033	29,123	26%
Current Liabilities			
Trade payables and others	4,065	3,017	-26%
Taxes payable	138	147	7%
Deferred revenue	749	770	3%
Short term loan and current maturity of long term loan	1,193	2,034	71%
Others	-	72	N/A
Total current liabilities	6,144	6,041	-2%
Non-Current Liabilities			
Trade payables	190	269	41%
Long term loan	8,252	14,113	71%
Deferred tax liabilities	757	820	8%
Long term bonds	2,656	2,752	4%
Others	80	114	43%
Total Non-Current Liabilities	11,935	18,067	51%
Total Liabilities	18,079	24,109	33%
Equity			
Share capital & capital surplus	3,401	3,401	N/A
Retained earnings	1,554	1,614	4%
Total Equity	4,954	5,014	1%
Total Liabilities and Equity	23,033	29,123	26%

Total assets increased 26% from Rp 23,033 billion in 1H08 to Rp 29,123 billion in 1H09.

- Current assets increased 61% from Rp 1,802 billion to Rp 2,909 billion in 1H09 mainly due to higher cash and cash equivalents which rose 154% from Rp 382 billion in 1H08 to Rp 972 billion in 1H09.
- Non-current assets went up 23% from Rp 21,231 billion in 1H08 to Rp 26,214 billion in 1H09 resulting from higher net fixed assets position related to additional 4,720 BTS (2G/3G) that were deployed between 1H08 and 1H09.
- Current liabilities decreased 2% from Rp 6,144 billion as of 1H08 to Rp 6,041 billion as of 1H09 due to lower trade and other payables as well as USD 50 million short-term loan repayments to RBS, which was paid in March 2009. This decrease was also offset by the increase in short term loan and current maturity of long term loan related to USD 157 million second EKN facility that was drawn down in March 2009 and June 2009.
- Non-current liabilities rose 51% from Rp 11,935 billion to Rp 18,067 billion in 1H09, mainly because of 71% higher long-term loan position despite the EKN loan installment payments that we made in January 2009 and April 2009, amounting to USD 24 million.

Capital Expenditure

Capital Expenditure (In Rp Billion)	1H08	1H09	Growth
Capitalized capex	5,284	2,871	-46%
Paid capex	5,025	3,614	-28%
Commitments entered into**	8,227	1,711	-79%

** The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 30 June 2008 and 2009. The exchange rate Rupiah against USD as of 30 June 2008 and 2009 were Rp 9,225/USD and Rp 10,225/USD, respectively.

Cash Flow (Audited)

Cash Flow (In Rp Billion)	1H08	1H09	Growth
Net cash flow provided from operating activities	2,886	3,070	6%
Net cash flow used in investing activities	(5,123)	(3,512)	-31%
Free cash flow	(2,237)	(441)	-80%
Net cash flow provided from financing activities	1,817	244	-87%
Net decrease in cash and cash equivalents	(421)	(197)	-53%
Cash and cash equivalents at the beginning of the period	806	1,170	45%
Effect of exchange rate changes on cash and cash equivalents	(3)	(2)	-37%
Cash and cash equivalents at the end of the period	382	972	154%

- Net cash flow generated from operating activities in 1H09 increased 6% from Rp 2,886 billion in 1H08 to Rp 3,070 billion in 1H09. The increase was mostly due to 6% increase in receipts from customers and other operators despite 5% increase in payments for suppliers and operating expenses.
- Net cash flow used in investing activities decreased 31% from Rp 5,123 billion in 1H08 to Rp 3,512 billion in 1H09, mainly due to a 28% decrease in fixed asset acquisition despite the 35% increase in the number of BTS. This was also as a result of our strategy to improve capital productivity using the existing network capacity.
- Net cash flow provided from financing activities decreased 87% from Rp 1,817 billion in 1H08 to Rp 244 billion in 1H09, predominantly because of the repayments of long-term debts, amounting to USD 24 million, and lower proceeds from our loan commitment in 1H09 compare to 1H08.

Description of Debts

The detail of debts as of 30 June 2008 and 2009 are as follows:

Description	Original Amount of Bond / Bank Loan	(In Rp bn)		Year of Maturity
		1H08	1H09	
USD Bond	USD 127.7 mn	1,162	-	2013
	USD 124.1 mn	-	1,257	2013
IDR Bond	IDR 1,500 bn	1,494	1,496	2012
USD Bank Loan	USD 280 mn	-	2,862	2010
	USD 230 mn	2,122	-	2010
	USD 100 mn	923	-	2009
	USD 190 mn	-	1,922	2011
	USD 371* mn	-	3,516	Amortizing semi annually, final repayment is in 2016
IDR Bank Loan	IDR 4,000 bn	2,700	3,600	Amortizing every year, final repayment is in 2012
	IDR 4,000 bn	3,700	3,997	2011
	IDR 250 bn	-	249	2010
TOTAL INTEREST BEARING DEBT		12,101	18,899	

*we still have bank loan facility amounting to USD 58 mn that has not been drawn down

In June 2009, we drew down USD 33 million from the remaining USD 91 million EKN facilities, leaving another USD 58 million facility that has not been drawn down.



As of 30 June 2009, we had hedged about 27% of our USD debt. Our debt/EBITDA ratio stood at 3.7 and our EBITDA/Interest Expense ratio was 3.7.

XL latest credit ratings issued are as follows:

	Foreign Currency	Local Currency	Outlook
Moody's	Ba2	-	Negative
Standard & Poor's	BB-	-	Negative
Fitch Ratings	-	AA-(jdn)	Stable
Pefindo		idA+	Stable

OPERATING MEASURES

Operating Key Performance Indicator	1H08	1H09	Growth
Total O/G Minutes of Usage (billion minutes)	19.3	41.0	113%
Total Minutes (billion minutes)	38.2	82.1	115%
Total O/G SMS (billion SMS)	8.9	23.9	170%
Total BTS (2G/3G)	13,408	18,128	35%
Number of Employees (permanent)	2,140	2,047	-4%

Other Parameters	1H08	1H09	Growth
Postpaid subscribers (000)	475	372	-22%
Prepaid RGB (million)	19.9	21.8	9%
Prepaid sim cards (active and grace / million)*	22.4	24.3	8%
ARPU blended (Rp 000)	41	32	-23%
Postpaid revenue/sub	157	156	-1%
Prepaid revenue/sim card	38	30	-21%

*at 25 days grace period

MoU

Total outgoing MoU increased 113% YoY from 19.3 billion minutes in 1H08 to 41 billion minutes in 1H09. The outgoing MoU/subs/month grew 58% from 169 minutes to 268 minutes in 1H09, while total MoU/subs/month increased 60% YoY from 335 minutes to 537 minutes in 1H09.

RGB

Continuing on our focus to improve the quality of our subscriber base, our prepaid Revenue Generating Base (RGB) number of subscribers increased 9% YoY from 19.9 million in 1H08 to 21.8 million in 1H09 or 2% QoQ, from 21.3 million in 1Q09. Total prepaid sim cards also grew by 8% YoY, from 22.4 million in 1H08 to 24.3 million in 1H09.

RECENT DEVELOPMENTS

Rights Issue

On 4 August 2009, XL announced the plan to conduct a right issuance to raise proceeds of approximately USD 300 million in 4Q09. Axiata Group Berhad and Emirates Telecommunications Corporation International Indonesia Ltd have both agreed to fully subscribe to their right entitlement under the Right Issue. The proceeds of this transaction will be used to repay debts and deleverage the balance sheet. A shareholders meeting will also be held later this year to obtain shareholders approval for the transaction.



Other Events

- **Synergy with Axiata Group Berhad**

During 1H09, we launched a number of programs that would benefit Axiata and its subsidiaries' subscribers, some of which are as follows:

- Cheap International Direct Dialing program that is supported by some sister companies
- Instant transfer program for Indonesian migrant workers in Malaysia to send money to their relatives. This program was a result of XL's collaboration with Celcom Malaysia (Celcom), a subsidiary of Axiata Group Berhad.

- **Partnership with TM in the development of network infrastructure**

In April 2009, XL and TM signed a partnership agreement in the development of a submarine fiber optic network infrastructure linking Batam, Dumai, and Malaka. This program aims to optimize our bandwidth capacity in order to support XL services, such as IPLC, Internet, VoIP, and interconnection with overseas partners.

ABOUT XL



XL is a major cellular provider in Indonesia which is majority owned by Axiata Group Berhad (formerly known as TM International Berhad) through Indocel Holding Sdn Bhd (83.8%), the remaining stakes are held by Emirates Telecommunications Corporation (Etisalat) International Indonesia Ltd., a wholly owned subsidiary of Etisalat (16%), and the public (0.2%).

Date: 10 August 2009