



PT XL AXIATA TBK. (XL) 1H10

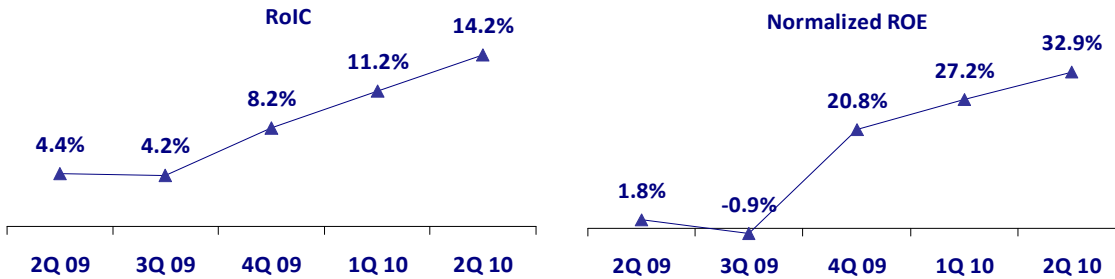
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This document contains certain financial information and results of operations, and may also contain certain projections, plans, strategies and objectives of XL, that are not statements of historical fact which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements are subject to risks and uncertainties that may cause actual events and XL's future results to be materially different than expected or indicated by such statements. No assurance can be given that the results anticipated by XL, or indicated by any such forward looking statements, will be achieved.

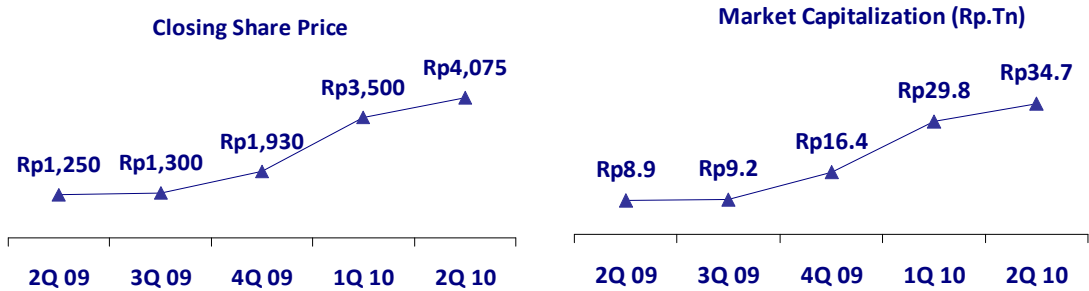
OVERVIEW

XL's revenue grew by 35% YoY and 3% QoQ, EBITDA increased by 73% YoY and 7% QoQ with EBITDA margin of 52% while RoIC increased to 14.2% and normalized ROE grew to 32.9%. These results were derived from the continuous growth based on XL's balanced business model that focuses on 3 value drivers i.e. top line growth, operating profitability, and asset productivity. In 2007 and 2008 XL has increased its business scale and managed profitability in order to gain market share. In 2009, XL started to focus on the third element i.e. asset productivity as well by balancing network load and spent capex prudently, which resulted in an increase in its return on investment. Going forward, XL will continue to grow its business in a balanced way. XL's achievement has recently been recognized by Finance Asia Magazine as a Top 5 Best Managed Companies in Indonesia.

For the last five quarters, XL's RoIC and ROE have improved as shown below:



Leading to a material increase in shareholders' value





Core Business

In 2Q10 XL introduced a new package “Nelpon Gila”, in which we offer a bundle of free minutes, SMS and data after a threshold amount of spend.

We also introduced a range of boosters "Paket Gila" which enables our subscribers to buy limited minutes or SMS which they can consume over a period of several days. They can also buy boosters for combined minutes and SMS.

XL offers a suite of relevant tariff choices which can be easily accessed through our single portal of *123#, without the need for any recurring registration.

Improved Customers’ Experience

In order to enhance customers’ experience and improve advocacy, XL has invested time and efforts in looking at the root causes of customer complaints and addressing these problems. A reduction between 20% and 40% in the number of complaints has been recorded across all services including VAS, GPRS, BlackBerry, and SMS services. Based on the survey conducted by SWA magazine, XL was awarded the Net Promoter Score Excellence Award 2010 and the Word of Mouth Marketing Award.

Data Service

◆ **Mobile Internet**

In line with the increasing trend of blackberry usage, XL has reduced its monthly full service BlackBerry tariff from Rp 150k/month to Rp 99k/month in order to provide a more affordable BlackBerry service.

◆ **Content**

Various data contents have been introduced in order to address the popularity of social networking applications, including Facebook and Twitter via SMS, Facebook Zero, E-Buddy Unlimited Chat, and Nexian and Nokia Messenger.

XL has begun to monetize Funbook – XL’s own social network application by applying a charge for premium access and providing space for advertisements.

Other applications include VuClip, for users to download video clip from various sources with compressed file feature, and MMS news for XL subscribers who would like to get an update on important news including World Cup news.

Network

In June 2010, XL and Ericsson were recognized by Global Telecoms Business in the Core Network Innovation category, with the most extensive MSC (Mobile Switching Center) Pool in the world. In a pooled network, several MSCs work together to handle the total traffic load during peak hours and balance the peak load per individual MSC.



FINANCIAL MEASURES

Income Statement (Audited)

Financial Statement (in Rp. Billion)	1H09	1H10	Growth
Voice	3,208	4,171	30%
SMS	1,144	1,612	41%
Data, VAS, and others	596	1,150	93%
Cellular Interconnection and International Roaming Service	750	845	13%
Cellular Telecommunication Service	5,698	7,778	37%
Infrastructure Revenue	557	692	24%
Total Revenues	6,254	8,471	35%
Less: Discount	(44)	(103)	136%
Revenue Net of Discount	6,211	8,368	35%
COGS and Interconnection Charges	982	1,048	7%
Labor Cost (Permanent & Temporary)	390	413	6%
Sales Commission & Marketing Expenses	493	564	14%
Network Costs and Frequency Fees	1,503	1,679	12%
Support & Overhead Expenses	275	234	-15%
Total OPEX	3,643	3,938	8%
EBITDA	2,568	4,430	73%
EBITDA Margin	41%	52%	N/A
Depreciation & Amortization	1,819	1,946	7%
EBIT	749	2,483	231%
Other Income / (Expenses)			
Interest expense - net	(680)	(416)	-39%
Forex gain / (loss) - net	425	(97)	N/A
Gain on lease transaction	464	-	N/A
Others	22	(157)	N/A
Total Other Income / (Expenses)	230	(670)	N/A
Profit Before Tax	980	1,813	85%
Income Tax Expense	(273)	(490)	79%
Net Income	706	1,324	87%

Certain accounts in the 30 June 2009 consolidated financial statements have been reclassified to conform with the presentation of the latest audited financial statement.

Normalized Net Income (In Rp Billion)	1H09	1H10	Growth
Net Income	706	1,324	87%
Less: unrealized forex (gain) / loss, net of tax	(500)	8	N/A
Normalized Net Income	207	1,332	544%



Operational Results

XL recorded gross revenue of Rp 8.5 trillion, a 35% YoY increase.

- Cellular Telecommunication Service revenues, which contributes 92% to total revenue, increased by 37% to Rp 7.8 trillion. The voice revenues, with 49% contribution to total revenue, grew 30% to Rp 4.2 trillion as a result of various promotional tariff plans launched in 1H10. The increase in SMS revenues by 41% was mainly due to the lower SMS price which stimulated SMS usage. Revenue from Data, Value Added Services, and others grew by 93% and contributed 14% to total revenues. The growth was mainly driven by the popularity of social networking application, such as Facebook and instant messaging supported by the affordable smart phone. Revenue from cellular interconnection and international roaming services increased by 13%, mainly due to increase in interconnection revenue.
- Infrastructure revenue, is comprised of leased lines, leased towers, national roaming, and ISP revenues, grew 24% to Rp 692 billion, mainly due to 32% increase in leased towers revenues, which contributed 5% to the total revenue.

Operating Expenses

Total operating expenses increased 8% YoY to Rp 3.9 trillion, a modest increase compared to the revenue growth of 35%.

- COGS and Interconnection Charges increased by 7% YoY.
The increase was mainly due to increase in the licensing fee paid out to Research In Motion associated with 233% YoY increase of XL BlackBerry subscribers. In addition, there was also increase in Value Added Service cost which was in line with its revenues. These were partially offset by reduced interconnection and starter pack costs. XL managed interconnection cost payout through proper offer structuring and interconnection routing. Furthermore, the lower starter pack costs resulted from starter pack redesign and supply reduction initiatives.
- Labor Cost increased by 6% YoY.
The increase in labor cost was mainly due to annual salary increase, severance payment with regards to early retirement program, Long Term Incentives, and higher performance bonuses accrual.
- Sales Commission and Marketing Expenses increased by 14% YoY.
The main contributor of this cost element was Sales Commission which increased 28% to Rp 341 billion as a result of higher revenue and restructuring distribution channels. More advertisement activities also led to a slight increase in Advertising and Promotion expenses.
- Network Costs and Frequency Fees increased by 12% YoY.
This cost element mainly consists of frequency fees which accounted for 42% of network cost and frequency fees, increased by 30% YoY. Furthermore, higher rental site and tower expenses impacted higher network cost and frequency fees.
- Support and Overhead Expenses decreased by 15% YoY.
The decrease in this cost element is a result of tight cost management across all components.



EBITDA

EBITDA rose 73% YoY to Rp 4.4 trillion resulting from the 35% YoY revenue growth and lean cost management. The EBITDA margin improved to 52%.

Depreciation and Amortization Expenses

The depreciation and amortization expenses grew 7% YoY due to increased number of BTS.

Other (Expenses)/Income

Other expenses in 1H10 were Rp 670 billion, due to:

- Forex loss in 1H10 due to “mark-to-market revaluation” of our hedging position that was closed in 1Q10 and partially offset with forex gain from prepayments of loans.
- Lower interest expenses as a result of lower debts compared to previous period.

Net Income

XL recorded Rp 1.3 trillion of net income, an increase of 87% compared to the previous period.

Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	1H09	1H10	Growth
Current Assets			
Cash and cash equivalents	972	924	-5%
Others	1,938	1,722	-11%
Total Current Assets	2,909	2,647	-9%
Non-Current Assets	26,214	24,857	-5%
Total Assets	29,123	27,504	-6%
Current Liabilities			
Current maturity of long term loan	2,034	3,881	91%
Others	3,994	4,155	4%
Total current liabilities	6,028	8,036	33%
Non-Current Liabilities			
Long term loan and bond	16,865	7,544	-55%
Others	1,216	1,786	47%
Total Non-Current Liabilities	18,081	9,330	-48%
Total Liabilities	24,109	17,367	-28%
Equity			
Share capital & additional paid-in capital	3,401	6,196	82%
Retained earnings	1,614	3,940	144%
Total Equity	5,014	10,137	102%
Total Liabilities and Equity	29,123	27,504	-6%

Certain accounts in the 30 June 2009 consolidated financial statements have been reclassified to conform with the presentation of the latest audited financial statement.

In 1H10, total assets decreased 6% to Rp 27.5 trillion, which improved normalized ROA from 0.3% in 1H09 to 8.8% in 1H10.

- Current assets decreased by 9% YoY due to decrease in Cash and Cash Equivalents by 5% and prepaid taxes.
- Non-current assets decreased by 5% YoY due to prudent CapEx spending in order to improve asset productivity.



- Total current liabilities grew by 33% resulting from an increase in current portion of long term loan.
- Total non-current liabilities decreased by 48% due to the paid off remaining USD bonds as well as significant debts repayments made in 2H 2009 and during 1H 2010.

Capital Expenditure

Capital Expenditure (In Rp Billion)	1H09	1H10	Growth
Capitalized capex	2,871	1,658	-42%
Paid capex	3,614	1,789	-51%
Commitments entered into*	1,711	1,974	15%

* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 30 June 2009 and 2010. The exchange rate Rupiah against USD as of 30 June 2009 and 2010 were Rp 10,225/USD and Rp 9,083/USD, respectively.

Prudent CapEx spending continued to be implemented as XL has completed its coverage and capacity expansion. This year, around 25 – 30% of the CapEx will be allocated to data services and the remaining for improving customer experience, regular maintenance, and upgrading software and hardware.

Cash Flow (Audited)

Cash Flow (In Rp Billion)	1H09	1H10	Growth
Net cash flow provided from operating activities	3,070	4,289	40%
Net cash flow used in investing activities	(3,512)	(1,643)	-53%
Free cash flow	(441)	2,646	N/A
Net cash flow provided from / (used in) financing activities	244	(2,465)	N/A
Net decrease in cash and cash equivalents	(197)	181	N/A
Cash and cash equivalents at the beginning of the period	1,170	748	-36%
Effect of exchange rate changes on cash and cash equivalents	(2)	(5)	190%
Cash and cash equivalents at the end of the period	972	924	-5%

- Net Cash Flow from Operating Activities increased by 40% YoY mainly due to increase in cash received from customers' payments and other operators, which was offset by payments made to suppliers and corporate income tax.
- Net Cash Flow Used in Investing Activities decreased by 53% due to significantly less investment made this year as XL started to improve asset productivity.
- XL continued to generate positive Free Cash Flow with the total amount of Rp 2.6 trillion by end of June 2010.
- Net Cash Flow Used in Financing Activities was Rp 2.5 trillion due to the combination of prepayments of debts and new long-term loan borrowing.



Description of Debts

The detail of debts as of 30 June 2009 and 2010 are as follows:

Description	(in original amount)		Year of Maturity
	1H09	1H10	
USD Bank Loan (mn)	\$ 190	\$ -	Paid
	\$ 280	\$ -	Paid
	\$ 347	\$ 265	Amortizing semi annually, final repayment is in 2016
USD Bond (mn)	\$ 124	\$ -	Paid
	\$ 941	\$ 265	
IDR Bank Loan (bn)	Rp 250	Rp 250	2010
	Rp 4,000	Rp 3,500	2011
	Rp 3,600	Rp 2,800	Amortizing annually, final repayment is in 2012
	Rp -	Rp 500	2013
	Rp -	Rp 500	2012
IDR Bond (bn)	Rp 1,500	Rp 1,500	2012
	Rp 9,350	Rp 9,050	
Unamortized Loan Issuance Cost (bn)	Rp (68)	Rp (34)	
TOTAL INTEREST BEARING DEBT (in Rp.Bn)*	Rp 18,899	Rp 11,425	

* The USD portion was converted to IDR using closing rate 30 June 2009 and 2010. The exchange rate Rupiah against USD as of 30 June 2009 and 2010 were Rp 10,225/USD and Rp 9,083/USD, respectively.

Gearing Ratios	1H09	1H10
Debt/Equity	3.7 x	1.1 x
Net Debt/Equity	3.5 x	1.0 x
Debt/EBITDA	3.7 x	1.4 x
Net Debt/EBITDA	3.5 x	1.3 x

During 1H10, XL made prepayment of USD 190.6 million and Rp 900 billion of debts using internal cash flow.

As of 30 June 2010, XL had hedged about 82% of USD debt.

In July 2010, XL entered into new loan facilities with total of Rp 2 trillion, which have not been drawn down yet until end of July 2010. The Rp 500 billion loan will be due in July 2013, while the remaining of Rp 1.5 trillion will be due over 5 years after the draw down date.

XL's latest credit ratings issued are as follows:

	Local Currency	Outlook
Fitch Ratings	AA-(idn)	Stable
Pefindo	id AA-	Stable



OPERATING MEASURES

	1H09	1H10	Growth
Total O/G Minutes of Usage (billion minutes)	41.0	41.3	1%
Total Minutes (billion minutes)	82.1	82.8	1%
Total O/G SMS (billion SMS)	23.9	73.8	209%
Total BTS (2G/3G)	18,128	20,887	15%
Number of Employees (permanent)	2,047	2,120	4%
Postpaid subscribers (000)	372	304	-18%
Prepaid sim cards (active and grace / million)	24.3	34.9	44%
Total subscribers base (million)	24.7	35.2	43%
ARPU blended (Rp 000)	32	34	6%
Postpaid revenue/sub (Rp 000)	156	187	20%
Prepaid revenue/sim card (Rp 000)	30	33	10%

RECENT DEVELOPMENTS

◆ Mobile Internet

In 2Q10, XL has signed a partnership agreement with Motricity – a mobile internet service and solution provider that will assist XL to enhance customers' experience.

◆ Technology

- ◆ XL has signed a cooperation agreement with Ericsson for a trial test of LTE (Long Term Evolution).
- ◆ In order to anticipate rapid growth of broadband services as well as to adopt with the latest technology, XL has been migrating its IP address from IPv4 to IPv6 since 2007 and will be expected to have this completed by end of this year. This new IP address will also support LTE technology implementation. Furthermore, IPv6 will enable XL to have faster configuration and integration to internet gateways.

- ◆ Effective from 6 July 2010, XL's major shareholder, Indocel Holding Sdn Bhd, has changed its name to Axiata Investments (Indonesia) Sdn Bhd.

GUIDANCE

2010

Revenue growth	Expected more than 20%
EBITDA margin	Around 50%
Cash out capex	Approximately Rp 4.5 - 5 trillion, of which about 25 – 30% for data service, internally funded

ABOUT XL



XL is a major cellular provider in Indonesia which is majority owned by Axiata Group through Axiata Investments (Indonesia) Sdn Bhd (formerly known as Indocel Holding Sdn Bhd) (66.7%), the remaining stakes are held by Emirates Telecommunications Corporation (Etisalat) International Indonesia Ltd., a wholly owned subsidiary of Etisalat (13.3%), and the public (20%).

Date: 2 August 2010