



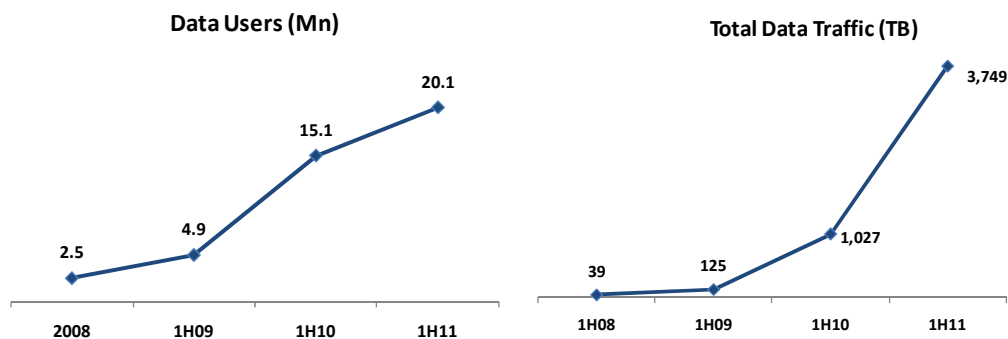
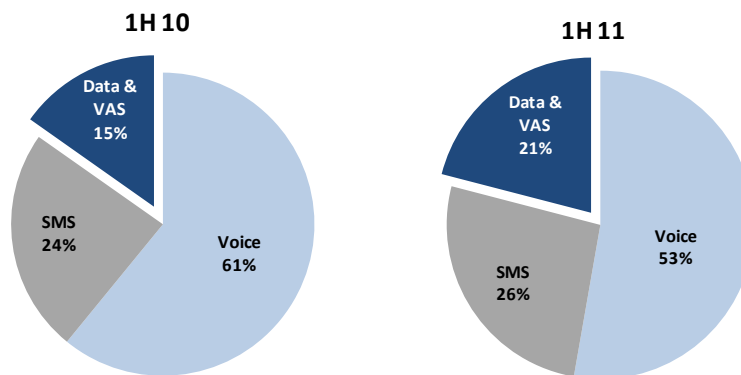
# PT XL AXIATA TBK. (XL) 1H11

## Disclaimer

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 increased by 8% YoY, and EBITDA increased by 7% YoY with EBITDA margin stable at 52%, mainly driven by increase in data services revenue while RoIC increased to 18%. The data services revenue increased by 47% YoY and contributed 21% to total usage revenue. The revenue composition has changed as follows:




XL has been recognized by Frost and Sullivan Asia Pacific ICT Awards 2011 as The Wireless Service Provider of the Year, Service Provider of the Year and CEO of the Year. XL is the only company in the APAC region that won 3 awards. Meanwhile, in Indonesia Cellular Award 2011, XL was awarded The Best Data Package, The Best Customer Growth, The Best Operator GSM, and The Best BlackBerry Service. In this event, XL was the only operator that received 4 award categories.

As XL is seeing healthy opportunities in data services in terms of revenue growth and contribution, going forward XL will continue to focus on developing the data business by enhancing MDS and service management. XL has decided to accelerate the rollout of the data network footprint as we see a steady growth in 3G handset penetration as well as usage.



### Data Business

- To improve data users' experience, XL has been encouraging people to upgrade their handsets from 2G to 3G. XL collaborated with several handset dealers and banks to offer affordable bundling 3G handsets with installment payment basis. For example:
  - XL launched bundling package of **iPhone 4** for both prepaid and postpaid subscribers with installment payment scheme.
  - In addition to iPhone 4 package, XL also has bundling packages of **smartphone** such as BlackBerry Bold 9780 and Torch, Samsung Nexus S, Nokia E7, Nokia X7, Nokia C2-01, HTC android, Motorola Defy, and Nexian Speed W701 (the cheapest 3G handset of Rp 399k with direct button to XLgo!).
  - Meanwhile for **tablets** XL has bundling packages with Samsung Galaxy Tab and Dell Streak.
  - In addition to XL's main focus on small-screen data services, XL currently offers Huawei 3G USB modem, a solution for wide-screen data service users.
- Since May, XL BlackBerry prepaid users can enjoy BlackBerry roaming service in the US using AT&T network and in Australia using Telstra network. Currently, XL BlackBerry prepaid users can enjoy **free BlackBerry roaming** service in 10 countries and a flat tariff of BlackBerry roaming service in 13 countries (Philippines postpaid only).
-  Wap portal users is increasing significantly and by the end of 1H11, the number of users has reached 10 million.
- In May, XL launched **XL RBT (Ring Back Tone) Plus**, or reversed RBT, the first ever in the world. RBT is an audible song that is heard by the caller while waiting for their call to be connected. The song is selected by the person that they are calling. Reversed RBT allows the subscribers to listen to their own selected song that they purchased instead of others. XL offers two types of packages, a playlist; which consist of 3 RBT that will play in shuffle mode, and ala carte; which subscribers can choose any RBT to become RBT Plus.
- XL has started the move into adjacent data businesses such as Mobile Advertising and M to M (Machine to Machine), etc. XL has successfully gained traction by attracting some major brands to XL.
- To support data traffic growth, over the last 12 months XL has extended its 3G BTS deployment by 53% with additional 1,220 Node B in major cities across Indonesia.

### Voice and SMS Business

In May, XL introduced Paket Super Hemat (Super Saver Package), various affordable bundling packages of Voice only, or SMS only or combination of Voice and SMS. There are many packages that can be selected such as:

- "Nelpon Akrab" (Voice package) - unlimited on-net call to two registered XL numbers for weekly or monthly package.
- "SMS Tanpa Batas" (Unlimited SMS package) – Unlimited SMS to all numbers valid for a day or a week.
- "Nelpon & SMS Kapan Aja" (Voice & SMS package) – Various packages of on-net call and SMS which can be used anytime of the day that valid for a certain period of time.

### Network

XL continued to further enhance the 3G network quality and capacity to support the growth of data business through Network Modernization. The modernization involves "Single RAN" concept implementation and reduced power consumption. XL has completed the 2G modernization project in Kalimantan while continuing the 2G modernization project in Sumatera and the 3G modernization project in Jakarta. Power savings realized in Kalimantan are in the range of 40-50%.



## FINANCIAL MEASURES

### Income Statement (Audited)

Financial Statement (in Rp. Billion)	1H10	1H11	Growth
Voice	4,175	3,876	-7%
SMS	1,637	1,925	17%
Data and VAS	1,045	1,540	47%
Cellular Interconnection and International Roaming Service	845	855	1%
Others	76	90	18%
<b>Cellular Telecommunication Service</b>	<b>7,778</b>	<b>8,285</b>	<b>6%</b>
<b>Infrastructure Revenue</b>	<b>692</b>	<b>852</b>	<b>23%</b>
<b>Total Revenues</b>	<b>8,471</b>	<b>9,138</b>	<b>8%</b>
Less: Discount	(103)	(100)	-3%
<b>Revenue Net of Discount</b>	<b>8,368</b>	<b>9,038</b>	<b>8%</b>
Interconnection and Telecommunications Service Charges	1,048	1,220	16%
Salaries & Employee Benefits (Permanent & Temporary)	413	483	17%
Sales Commission, Advertising & Promotion Expenses	564	512	-9%
Infrastructure Expenses	1,679	1,787	6%
Facilities Expenses and Professional Fees	234	278	19%
<b>Total OPEX</b>	<b>3,938</b>	<b>4,279</b>	<b>9%</b>
<b>EBITDA</b>	<b>4,430</b>	<b>4,758</b>	<b>7%</b>
<b>EBITDA Margin</b>	<b>52%</b>	<b>52%</b>	<b>0%</b>
Depreciation & Amortization	1,946	2,352	21%
<b>EBIT</b>	<b>2,483</b>	<b>2,406</b>	<b>-3%</b>
Other (Expenses) / Income			
Interest expense - net	(416)	(305)	-27%
Forex (loss)/gain - net	(97)	38	N/A
Others	(157)	(75)	-52%
<b>Total Other Expenses</b>	<b>(670)</b>	<b>(342)</b>	<b>-49%</b>
<b>Profit Before Tax</b>	<b>1,813</b>	<b>2,064</b>	<b>14%</b>
Income Tax Expense	(490)	(541)	11%
<b>Net Income</b>	<b>1,324</b>	<b>1,523</b>	<b>15%</b>
<b>Earnings Per Share (full amount)</b>	<b>156</b>	<b>179</b>	<b>15%</b>

Normalized Net Income (In Rp Billion)	1H10	1H11	Growth
Net Income	1,324	1,523	15%
Unrealized forex loss/(gain), net of tax	8	(29)	N/A
Accelerated depreciation for Sumatera and Jakarta, net of tax	-	85	N/A
<b>Normalized Net Income</b>	<b>1,332</b>	<b>1,579</b>	<b>18%</b>
<b>Normalized Earnings Per Share (full amount)</b>	<b>157</b>	<b>185</b>	<b>18%</b>



## Operational Results

XL recorded gross revenue of Rp 9.1 trillion, an 8% YoY increase.

- Cellular Telecommunication Service revenues increased by 6% to Rp 8.3 trillion and contributed 91% to total revenue. Voice revenue decreased by 7% to Rp 3.9 trillion as the total outgoing minutes decreased by 8%. SMS revenue increased by 17%, stimulated by SMS promotions which results in 55% number of SMS increase. Revenue from Data and Value Added Services grew by 47% and contributed 21% to total usage revenues as a lot of voice and SMS traffic is moving towards data. The growth was mainly driven by the increasing popularity of RSS news feed and social networking applications such as Facebook, Twitter, and instant messaging as data enabled mobile phones have become more affordable.
- Infrastructure revenue comprising of leased lines, leased towers, national roaming, and ISP revenues, grew by 23% to Rp 852 billion, mainly due to an increase in national roaming and leased tower revenues, which contributed 7% to total revenue.

## Operating Expenses

Total operating expenses increased by 9% YoY to Rp 4.3 trillion

- Interconnection and Telecommunication Service Charges increased by 16% YoY.  
This was mainly due to an increase in VAS cost for various VAS programs launched. In addition, there was also increase in licensing fee paid out to Research In Motion associated with 145% YoY increase of XL BlackBerry subscribers and cost for revenue sharing with Motricity for the XLgo! portal which was launched in Nov 2010, in line with XL's intention to grow its data services. These were partially offset by a reduction in interconnection cost as voice usage declined.
- Salaries and Employee Benefits increased by 17% YoY.  
The increase in salaries and employee benefits was mainly due to the 9% growth in number of employees with regards to data business.
- Sales Commission, Advertising and Promotion expenses decreased by 9% YoY.  
The decrease was mainly from Sales commission which decreased by 25% and which partially offset by 14% increase in advertising and promotion driven by more marketing campaigns.
- Infrastructure expenses increased by 6% YoY.  
The increase was due to increase in rental sites and towers, repair and maintenance and utilities expenses in line with deployment of new BTS. However, the increase was partially offset by reduction in licensing fee due to reversal of 2010 frequency fee accrual based on latest reconciliation update.
- Facilities Expenses and Professional Fees increased by 19% YoY.  
The increase in this cost was due to increase in rental expense for business operation.

## EBITDA

EBITDA increased by 7% YoY to Rp 4.8 trillion. The EBITDA margin in 1H11 was stable at 52%.



### Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 21% YoY mainly driven by additional BTS deployment, and accelerated depreciation of Rp 113.4 billion due to the network modernization on 2G Sumatera and on 3G in Greater Jakarta.

### Other (Expenses)/Income

Other expenses in 1H11 decreased by 49% to Rp 342 billion, due to:

- In 1H10, XL recorded forex loss while in 1H11, XL experienced forex gain due to appreciation of Rupiah and less forex loss from mark-to-market revaluation of derivative transactions.
- Lower interest expenses due to debt repayments made since 1H10.

### Net Income

XL recorded Rp 1.5 trillion of net income, an increase of 15% compared to 1H10.

### Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	1H10	1H11	Growth
<b>Current Assets</b>			
Cash and cash equivalents	924	637	-31%
Others	1,722	2,030	18%
<b>Total Current Assets</b>	<b>2,647</b>	<b>2,667</b>	<b>1%</b>
<b>Non-Current Assets</b>	<b>24,857</b>	<b>25,747</b>	<b>4%</b>
<b>Total Assets</b>	<b>27,504</b>	<b>28,414</b>	<b>3%</b>
<b>Current Liabilities</b>			
Current maturity of long term loans and bonds	3,881	2,358	-39%
Others	4,155	4,229	2%
<b>Total current liabilities</b>	<b>8,036</b>	<b>6,587</b>	<b>-18%</b>
<b>Non-Current Liabilities</b>			
Long term loans and bonds	7,544	7,629	1%
Others	1,786	1,824	2%
<b>Total Non-Current Liabilities</b>	<b>9,330</b>	<b>9,453</b>	<b>1%</b>
<b>Total Liabilities</b>	<b>17,367</b>	<b>16,040</b>	<b>-8%</b>
<b>Equity</b>			
Share capital & additional paid-in capital	6,196	6,254	1%
Retained earnings	3,940	6,119	55%
<b>Total Equity</b>	<b>10,137</b>	<b>12,373</b>	<b>22%</b>
<b>Total Liabilities and Equity</b>	<b>27,504</b>	<b>28,414</b>	<b>3%</b>

In 1H11, total assets increased by 3% to Rp 28.4 trillion, as a result of XL's continuous prudent capex spending, and prepayment which improved normalized ROA from 8.8% in 1H10 to 11.7% in 1H11.

- Current assets increased by 1% YoY due to increase in prepayment by 63% and increase in trade receivables by 29%.
- Total liabilities decreased by 8% YoY due to prepayment of debts amounting to Rp 4.9 trillion as well as repayment of debts amounting to USD 48.2 million for the last one year using our internal cash flows.



### Capital Expenditure

Capital Expenditure (In Rp Billion)	1H10	1H11	Growth
Capitalized capex	1,658	3,005	81%
Paid capex	1,789	2,586	45%
Commitments entered into*	2,429	3,692	52%

\* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 30 June 2010 and 2011. The exchange rate Rupiah against USD as of 30 Jun 2010 and 2011 were Rp 9,083/USD and Rp 8,597/USD, respectively.

### Cash Flow (Audited)

Cash Flow (In Rp Billion)	1H10	1H11	Growth
Net cash flow provided from operating activities	4,289	4,308	0%
Net cash flow used in investing activities	(1,643)	(2,688)	64%
<b>Free cash flow</b>	<b>2,646</b>	<b>1,620</b>	<b>-39%</b>
Net cash flow used in financing activities	(2,465)	(1,349)	-45%
Net increase in cash and cash equivalents	181	271	49%
<b>Cash and cash equivalents at the beginning of the period</b>	<b>748</b>	<b>366</b>	<b>-51%</b>
Effect of exchange rate changes on cash and cash equivalents	(5)	(0)	-93%
<b>Cash and cash equivalents at the end of the period</b>	<b>924</b>	<b>637</b>	<b>-31%</b>

- Net Cash Flow from Operating Activities has been stable at Rp 4.3 trillion because the increase in receipt from customer and other operators has been offset by increase in payment for corporate income tax and increase in payment to suppliers and operating expenses.
- Net Cash Flow used in Investing Activities increased by 64%, mainly due to increase in capital expenditure to acquire fixed assets aligned with the strategy to enhance network quality for 2G and increase coverage for 3G.
- XL continued to generate positive Free Cash Flow with the total amount of Rp 1.6 trillion by end of 1H11.
- Net Cash Flow used in Financing Activities was Rp 1.3 trillion, lower than previous year, due to combination of less repayment of long term loans compared to 1H10 and bond redemption in 1Q10 which was partially offset with dividend payment of Rp 911.5 billion in May'11.



## Description of Debts

The detail of debts as of 30 June 2010 and 2011 are as follows:

Description	(in original amount)		Year of Maturity
	1H10	1H11	
USD Loan (mn)	US\$ 265	US\$ 217	Amortizing semi annually, final repayment is in 2015
	US\$ -	US\$ 59	Amortizing semi annually, final repayment is in 2013
	<b>US\$ 265</b>	<b>US\$ 276</b>	
IDR Bank Loan (bn)	Rp 4,250	Rp -	Paid
	Rp 2,800	Rp 2,400	Amortizing annually, final repayment is in 2012
	Rp 500	Rp 500	2012
	Rp -	Rp 1,250	2013
	Rp -	Rp 2,000	Amortizing annually, final repayment is in 2015
IDR Bond (bn)	Rp 1,500	Rp 1,500	2012
<b>Total IDR Loan and Bond (bn)</b>	<b>Rp 9,050</b>	<b>Rp 7,650</b>	
Unamortized Loan Issuance Cost (bn)	<b>Rp (34)</b>	<b>Rp (32)</b>	
<b>TOTAL INTEREST BEARING DEBT (in Rp.Bn)*</b>	<b>Rp 11,425</b>	<b>Rp 9,987</b>	

\* The USD portion was converted to IDR using closing rate 30 June 2010 and 2011. The exchange rate Rupiah against USD as of 30 June 2010 and 2011 were Rp 9,083/USD and Rp 8,597/USD, respectively.

Gearing Ratios	1H10	1H11	Growth
Debt/Equity	1.1	0.8	-28%
Net Debt/Equity	1.0	0.8	-27%
Debt/EBITDA	1.4	1.0	-27%
Net Debt/EBITDA	1.3	1.0	-25%

During 1H11, XL made prepayment of debts amounting Rp 900 billion as well as repayment of debts amounting USD 24.1 million due in January and April 2011, using internal cash flow.

In 1H11, XL has drawdown IDR loan facility amounting Rp 500 billion. On top of that XL has signed new USD loan agreement in June 2011 and drawdown the facility amounting USD 59 million. By end of June 2011, XL still has committed IDR loan facility of Rp 500 billion.

As of 30 June 2011, XL had hedged about 84% of USD debt.

XL's latest credit ratings issued are as follows:

	Local Currency	Outlook
Fitch Ratings	AA(idn)	Stable
Pefindo	idAA+	Stable



## OPERATING MEASURES

	1H10	1H11	Growth
Total O/G Minutes of Usage (billion minutes)	41.3	37.8	-8%
Total Minutes (billion minutes)	82.8	75.9	-8%
Total O/G SMS (billion SMS)	73.8	114.0	55%
Total data traffic (Petabyte)	1.0	3.7	265%
Total BTS	20,887	24,971	20%
2G	18,586	21,450	15%
3G	2,301	3,521	53%
Number of Employees (permanent & contract with permanent position)	2,204	2,408	9%
Postpaid users (000)	304	296	-3%
Prepaid sim cards (active and grace / million)	34.9	38.6	10%
Total user base (million)	35.2	38.9	10%
ARPU blended (Rp 000)	34	32	-6%
Postpaid revenue/sub (Rp 000)	187	195	4%
Prepaid revenue/sim card (Rp 000)	33	31	-6%

## RECENT DEVELOPMENT

With the objective to reinforce integration of marketing, commerce, and network going forward, in May 2011, XL has done an organization restructuring. Wim Timmermans (former CFO) has been appointed as Chief Operational Officer (COO) and responsible for Marketing, Commerce, and Services & Technology. As part of the restructuring, there has been a rotation between the Director of Commerce and Director of Marketing.

## GUIDANCE

2011

<b>Revenue growth</b>	In line with or better than the market
<b>EBITDA margin</b>	Above 50%
<b>Cash out capex</b>	Around Rp 6 trillion of which more than half for data/3G services.

## ABOUT XL

XL is a major cellular provider in Indonesia which is 66.6% owned by Axiata Group through Axiata Investments (Indonesia) Sdn Bhd (formerly known as Indocel Holding Sdn Bhd), the remaining stakes are held by Emirates Telecommunications Corporation (Etisalat) International Indonesia Ltd., a wholly owned subsidiary of Etisalat (13.3%), and the public excluding restricted stock (19.98%).

Restricted Stock (only) held by management under the Long Term Incentive (LTI) scheme is 10.4 million shares (0.12%)

Date: 29 July 2011