



# PT XL AXIATA TBK. (XL) 1H12

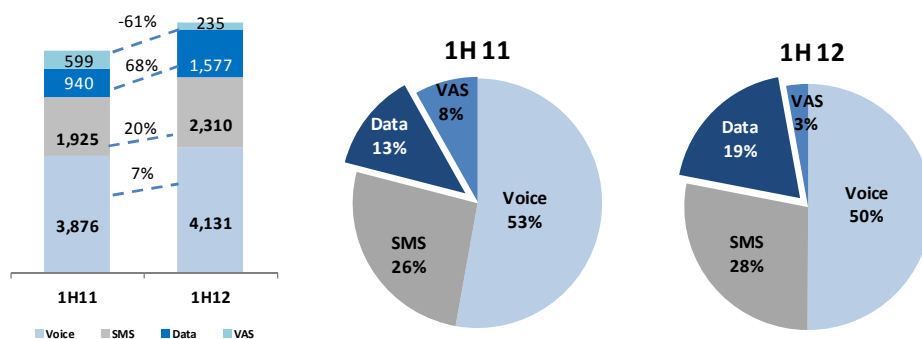
## Disclaimer

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

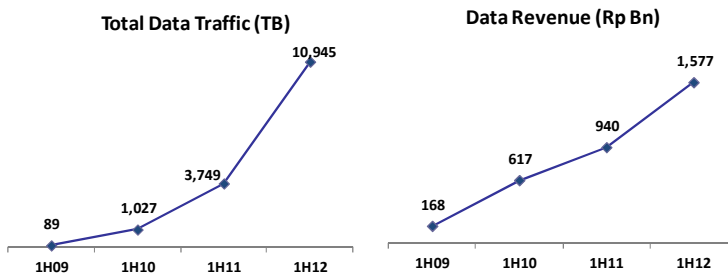
XL's focus on the growing data business has led to strong data traction and increasing contribution to overall revenue. Overall revenue grew by 13% YoY and 8% QoQ driven by the data segment, SMS and efforts to mitigate voice decline. XL continued to accelerate infrastructure deployment in Q2'12 to support the demand for data and prepare for higher traffic in the upcoming Lebaran season to ensure quality of service to customers.

Usage revenue YoY (Rp Bn)



## Data Business

- As the fastest growing segment, Data traction remained strong, as revenue grew by 68% YoY and traffic by 192% YoY. As of 1H12, Data contributed 19% to total usage revenue compared to 13% a year ago.
- The appetite for data is evident as Data users grew by 32% reaching 26.5 mn subscribers with most of our subscribers are on either Pay per use or Volume based data plans.

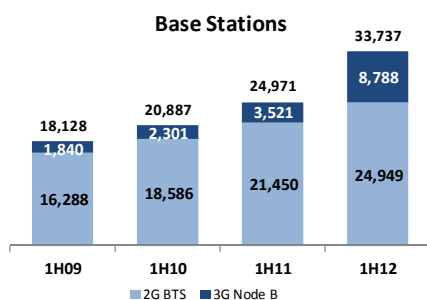


- With the growing demand in data through higher usage and subscription coupled with the aim to ensure good service experience during the Ramadhan and Lebaran season, XL has accelerated the roll out of 3G network deploying 2,290 new Node B in Q2'12, the highest ever roll out, bringing a total of 8,788 Node B in 1H12.



- Targeting small screen data users especially smartphone users, XL introduced **XmartPlan** which offers reliable high-speed data bundled with Voice and SMS. It is made available for different type of Smartphones through daily or monthly plans.
  - Rp5,000/day: 15 MB + 15 minutes on-net voice + 15 on-net SMS
  - Rp49,000/month: 250 MB + 100 on-net voice + 100 on-net SMS
  - Rp90,000/month: 500 MB + 200 on-net voice + 200 on-net SMS
- With an aim to create greater data awareness, XL introduced **XL XPLOR**, the first live experience centre in Indonesia which showcases a variety of advanced communication devices and XL's data experience to consumers.

### Infrastructure



- Focusing on data/3G, XL continued to expand data coverage and experience by rolling out 5,464 Base stations (BTS) in 1H12 of which 71% were Node Bs. 3G Node Bs grew by 150% to 8,788 as compared to a year ago. This brings total number of 2G and 3G BTS to 33,737 BTS.
- Modernization Project on 2G and 3G network in Sumatera, including Nangroeh Aceh Darusalam, Bali and some parts of West and North region, continued in 1H12.
- As of 1 April 2012, XL successfully moved to a Network Managed Services Solution with the outsourcing of XL's network operations and network field operations to Huawei. Through this solution XL will be able to focus on improving network quality and experience for its customers.

### Voice and SMS Business

- Mitigation of the declining Voice trend continued to show encouraging results in 1H12 with Voice grew 7% YoY and minutes of usage increased by 53% YoY.
- With continued focus on the customers' share of wallet, XL introduced **Tariff Ampuh Hot Rod 24 hours**, which offered a bucket of free minutes or SMS after certain usage. XL also introduced **Combo Gila**, giving a combined benefit of Voice, SMS and data after a minimum usage of Voice and SMS.
- SMS remained robust with an 20% YoY growth with a 30% increase in outgoing SMS despite the introduction of SMS interconnection rate which came into effect 1<sup>st</sup> of June 2012. XL restructured its SMS offering focusing on more on-net with limited bonus for off-net SMS.

### New Business

In XL's transformation to data, XL has started to explore beyond traditional data services, moving towards adjacent data business, such as M-finance, M-commerce, M-ads, and other M2M services. Some initial incubation initiatives were taken such as launching **XL Tunai**-domestic money remittance service; **XLocate**-tracking and monitoring system; **XCloud**-hosting, data storage and server service.



## FINANCIAL MEASURES

### Income Statement (Audited)

Financial Statement (in Rp Billion)	1H11	1H12	Growth
Voice	3,876	4,131	7%
SMS	1,925	2,310	20%
Data and VAS	1,540	1,813	18%
Cellular Interconnection and International Roaming Service	855	1,050	23%
Others	90	106	17%
<b>Cellular Telecommunication Service</b>	<b>8,285</b>	<b>9,409</b>	<b>14%</b>
<b>Other Telecommunications Services</b>	<b>852</b>	<b>880</b>	<b>3%</b>
<b>Gross Revenues</b>	<b>9,138</b>	<b>10,289</b>	<b>13%</b>
Less: Discount	(100)	(118)	18%
<b>Gross Revenue Net of Discount</b>	<b>9,038</b>	<b>10,171</b>	<b>13%</b>
Interconnection and other direct expenses	1,220	1,307	7%
Salaries & Employee Benefits (Permanent & Temporary)	483	480	-1%
Sales Commission, Advertising & Promotion Expenses	512	582	14%
Infrastructure Expenses	1,787	2,530	42%
Facilities Expenses and Professional Fees	278	335	20%
<b>Total OPEX</b>	<b>4,279</b>	<b>5,234</b>	<b>22%</b>
<b>EBITDA</b>	<b>4,758</b>	<b>4,937</b>	<b>4%</b>
<b>EBITDA Margin</b>	<b>52%</b>	<b>48%</b>	<b>-4%</b>
Depreciation & Amortization	2,352	2,470	5%
<b>EBIT</b>	<b>2,406</b>	<b>2,467</b>	<b>3%</b>
Other (Expenses) / Income			
Interest expense - net	(305)	(258)	-15%
Forex (loss)/gain - net	38	(193)	N/A
Others	(75)	(42)	-44%
<b>Total Other Expenses</b>	<b>(342)</b>	<b>(494)</b>	<b>44%</b>
<b>Income before income tax</b>	<b>2,064</b>	<b>1,973</b>	<b>-4%</b>
Income Tax Expense	(541)	(513)	-5%
<b>Net Income</b>	<b>1,523</b>	<b>1,461</b>	<b>-4%</b>
<b>Earnings Per Share (full amount)</b>	<b>179</b>	<b>171</b>	<b>-4%</b>

Normalized Net Income (In Rp Billion)	1H11	1H12	Growth
Net Income	1,523	1,461	-4%
Unrealized forex (gain)/loss	(39)	49	N/A
Accelerated depreciation in Padang, Aceh, Bali, Kalimantan, Sulawesi	113	59	-48%
Tax Impact	(19)	(27)	45%
<b>Normalized Net Income</b>	<b>1,579</b>	<b>1,542</b>	<b>-2%</b>
<b>Normalized Earnings Per Share (full amount)</b>	<b>185</b>	<b>181</b>	<b>-2%</b>



## Operational Results

XL recorded gross revenue of Rp10,289 billion, a 13% YoY increase.

- Cellular Telecommunication Service revenues increased by 14% to Rp9.4 trillion and contributed 91% to total revenue. XL's effort in mitigating decline in voice trend continue to succeed in 1H12 with voice revenue increased by 7% to Rp4,1 trillion. Robust growth in SMS revenue by 20% despite introduction of SMS interconnection, stimulated by strategic offering, including bundling package with other services resulted in an increase in number of SMS by 30%. Revenue from Data and Value Added Services grew by 18% and contributed 22% to total usage revenues. Data grew by 68% YoY driven by strong demand supported by improved experience with extensive rollout of 3G infrastructure. SMS Premium regulation remained challenged thus impacting Value Added Services.
- Other telecommunications services revenue comprising mainly of leased towers, leased lines and national roaming, grew by 3% to Rp880 billion, mainly due to an increase in leased tower revenue with a 19% increase in number of tower being leased as well as leased line revenues. Other telecommunications services revenue contributed 9% to total revenue.

## Operating Expenses

Total operating expenses increased by 22% YoY to Rp5.2 trillion.

- Interconnection and other direct expenses increased by 7% YoY. This was mainly due to introduction of SMS interconnection since 1<sup>st</sup> of June, and increase in cost to Research in Motion related to the 94% increase in BlackBerry subscribers. This is partially offset by the decrease in VAS related cost in line with the decline in VAS subscription post the SMS Premium regulation.
- Salaries and Employee Benefits decreased by 1% YoY. The decrease in salaries and employee benefits was mainly due to the transfer of employees to Huawei related to Managed Service Partnership agreement which took place in April'12.
- Sales Commission, Advertising and Promotion expenses increased by 14% YoY. The increase was mainly due to higher sales commission by 29% especially due to higher sales of XL's sim card and reload. Advertising and Promotion was fairly stable, with an increase of 1%.
- Infrastructure expenses increased by 42% YoY. The managed service partnership agreement which took effect in Q2'12 saw a fee for managed service amounted Rp393 bn recorded in this cost line. Rental sites, towers, leased lines expense, and network license fee also increased in line with the rollout of BTS and 3G infrastructures to support data business. The increase was offset by a 42% decline in utilities expense.
- Facilities Expenses and Professional Fees increased by 20% YoY. The increase was mainly due to higher rental and business license fee for non network related business operation as well as general and administration expense.

## EBITDA

EBITDA increased by 4% YoY to Rp4.9 trillion in 1H12 and EBITDA margin at 48%. Lower margin compared to a year ago was largely due to the accelerated investment for data infrastructure to support data growth and the impact of managed services since Q2 12.



### Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 5% YoY due to the accelerated rolled out of Node Bs and BTS as well as accelerated depreciation of Rp59 billion due to the network modernization on 2G and 3G.

### Other (Expenses)/Income

Other expenses in 1H12 increased 44% to Rp494 billion, due to:

- XL's realized forex loss increased by Rp143 billion in 1H12.
- XL has unrealized forex loss in 1H12 of Rp49 billion compared to forex gain of Rp39 billion in 1H11.

Interest expense is lower due to lower cost of fund after retirement of IDR Bond Rp1.5 trillion in April 2012.

### Net Income

Normalized Net Income excluding the impact of unrealized forex transactions and accelerated depreciation decreased by 2% YoY to Rp1.5 trillion. Net income decreased by 4% in 1H12 compared to 1H11.

### Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	1H11	1H12	Growth
<b>Current Assets</b>			
Cash and cash equivalents	637	883	39%
Others	2,030	2,622	29%
<b>Total Current Assets</b>	<b>2,667</b>	<b>3,505</b>	<b>31%</b>
<b>Non-Current Assets</b>	<b>25,747</b>	<b>30,756</b>	<b>19%</b>
<b>Total Assets</b>	<b>28,414</b>	<b>34,261</b>	<b>21%</b>
<b>Current Liabilities</b>			
Current maturity of long term loans and bonds	2,358	2,774	18%
Others	4,229	5,504	30%
<b>Total Current liabilities</b>	<b>6,587</b>	<b>8,278</b>	<b>26%</b>
<b>Non-Current Liabilities</b>			
Long term loans and bonds	7,629	9,945	30%
Others	1,824	1,961	7%
<b>Total Non-Current Liabilities</b>	<b>9,453</b>	<b>11,905</b>	<b>26%</b>
<b>Total Liabilities</b>	<b>16,040</b>	<b>20,183</b>	<b>26%</b>
<b>Equity attributable to owners of the parent entity</b>			
Share capital & additional paid-in capital	6,254	6,298	1%
Retained earnings	6,119	7,780	27%
<b>Total Equity</b>	<b>12,373</b>	<b>14,078</b>	<b>14%</b>
<b>Total Liabilities and Equity</b>	<b>28,414</b>	<b>34,261</b>	<b>21%</b>

In 1H12, total assets increased 21% to Rp34.3 trillion, as a result of XL's acceleration in rolling out investment to support its data business as well as increase in prepayment.

- Current assets increased 31% YoY due to increase in advances and prepayment of 35%, cash and prepaid taxes. This was partially offset by lower trade receivables of 20%.
- Total liabilities increased 26% YoY mainly due to increase in borrowing of 27% from Rp9.99 trillion to Rp12.72 trillion and trade payable of 54%.



### Capital Expenditure

Capital Expenditure (In Rp Billion)	1H11	1H12	Growth
Capitalized capex	3,005	5,345	78%
Paid capex	2,586	5,272	104%
Commitments entered into*	3,692	5,265	43%

\* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 30 June 2011 and 2012. The exchange rate Rupiah against USD as of 30 June 2011 and 2012 were Rp8,597/USD and Rp9,480/USD, respectively.

### Cash Flow (Audited)

Cash Flow (In Rp Billion)	1H11	1H12	Growth
Net cash flow generated from operating activities	4,308	4,601	7%
Net cash flow used in investing activities	(2,688)	(5,157)	92%
<b>Free cash flow</b>	<b>1,620</b>	<b>(556)</b>	<b>N/A</b>
Net cash flow (used in)/generate from financing activities	(1,349)	440	N/A
Net increase (decrease) in cash and cash equivalents	271	(116)	N/A
<b>Cash and cash equivalents at the beginning of the period</b>	<b>366</b>	<b>998</b>	<b>173%</b>
Effect of exchange rate changes on cash and cash equivalents	(0)	2	N/A
<b>Cash and cash equivalents at the end of the period</b>	<b>637</b>	<b>883</b>	<b>39%</b>

- Net cash flow generated from operating activities increased 7% to Rp4.6 trillion due to increase in receipts from customers and other operators as well as lower corporate tax payment. The increase was offset by higher payment to suppliers and for other expense.
- Net cash flow used in investing activities increased 92%, mainly due to increase in capital expenditures related to acceleration in infrastructure deployment to support data business.
- Net cash flow from financing activities was at Rp440 billion due to higher cash proceed from long term loan amounted Rp4 trillion and less repayment of long term loan in 1H12 compared a year ago. This was partially offset by repayment of IDR bond Rp1.5 trillion that was due in April 2012.



## Description of Debts

The detail of debts as of 30 June 2011 and 2012 are as follows:

Description	(in original amount)		Year of Maturity
	1H11	1H12	
USD Loan (mn)	US\$ 217	US\$ 169	Amortizing semi annually, final repayment is in 2015
	US\$ 59	US\$ 117	2013
	<b>US\$ 276</b>	<b>US\$ 286</b>	
IDR Bank Loan (bn)	Rp 2,900	Rp -	Paid
	Rp 1,250	Rp 1,250	2013
	Rp -	Rp 3,000	Amortizing annually, final repayment is in 2014
	Rp 2,000	Rp 2,800	Amortizing annually, final repayment is in 2015
	Rp -	Rp 3,000	Amortizing annually, final repayment is in 2017
IDR Bond (bn)	Rp 1,500	Rp -	Paid
	<b>Rp 7,650</b>	<b>Rp 10,050</b>	
Unamortized Loan Issuance Cost (bn)	<b>Rp 32</b>	<b>Rp 41</b>	
<b>TOTAL INTEREST BEARING DEBT (in Rp Bn)*</b>	<b>Rp 9,987</b>	<b>Rp 12,719</b>	

\* The USD portion was converted to IDR using closing rate 30 June 2011 and 2012. The exchange rate Rupiah against USD as of 30 June 2011 and 2012 were Rp8,597/USD and Rp9,480/USD, respectively.

Gearing Ratios	1H11	1H12
Debt/Equity	0.8 x	0.9 x
Net Debt/Equity	0.8 x	0.8 x
Debt/EBITDA	1.0 x	1.3 x
Net Debt/EBITDA	1.0 x	1.2 x

During 1H12, XL made repayment of debts amounting to Rp2.1 trillion. XL signed a new IDR loan agreement with BCA in March 2012 amounted Rp3 trillion and BTMU amounted Rp1 trillion and has drawn down the whole facility.

As of 30 June 2012, XL had hedged about 88% of USD debt.



## OPERATING MEASURES

	1H11	1H12	Growth
Total O/G Minutes of Usage (billion minutes)	37.8	57.7	53%
Total Minutes (billion minutes)	75.9	115.6	52%
Total O/G SMS (billion SMS)	114.0	148.0	30%
Total data traffic (Petabyte)	3.7	10.7	192%
Total BTS	24,971	33,737	35%
2G	21,450	24,949	16%
3G	3,521	8,788	150%
Number of Employees (permanent & contract with permanent position)	2,408	1,873	-22%
Postpaid users (000)	296	328	11%
Prepaid sim cards (active and grace / million)	38.6	45.5	18%
Total user base (million)	38.9	45.9	18%
ARPU blended (Rp 000)	32	30	-6%
Postpaid revenue/sub (Rp 000)	195	152	-22%
Prepaid revenue/sim card (Rp 000)	31	29	-6%

## RECENT DEVELOPMENT

- XL has terminated the National Roaming services agreement with Axis and will take effect on 31 August 2012. As such, XL will be able to maximize its network capacity and improve the service quality to more than 46 million subscribers.

## Achievements

- XL's Customer Service was awarded 3 awards in the Customer Relationship Excellence Awards 2011 by APCSC (Asia Pacific Customer Service Consortium), which were for the category of Contact Center of the Year above 500-seat, Best Use of Technology of the Year and CRM Manager of the Year.
- XL won several awards in Indonesia Cellular Award (ICA) for the category of Best GSM Operator, Best Customer Growth, Best Value Added Service, and Best BlackBerry Package.
- XL won 3 awards in Cellular Award 2012 event in the category of Best CEO of The Year 2011, Best Customer Care Service, and Most Innovative Product.

## GUIDANCE

2012

Revenue growth

In line or better than market

EBITDA margin

Higher 40's

Cash out capex

Between Rp 7 - 8 trillion and around 60% is for data or 3G network

## ABOUT XL

XL is a major cellular provider in Indonesia which is 66.5% owned by Axiata Group through Axiata Investments (Indonesia) 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 including restricted stock (20.2%).

Date: 1 August 2012