



PT XL AXIATA TBK. (XL) 1H 13

Disclaimer

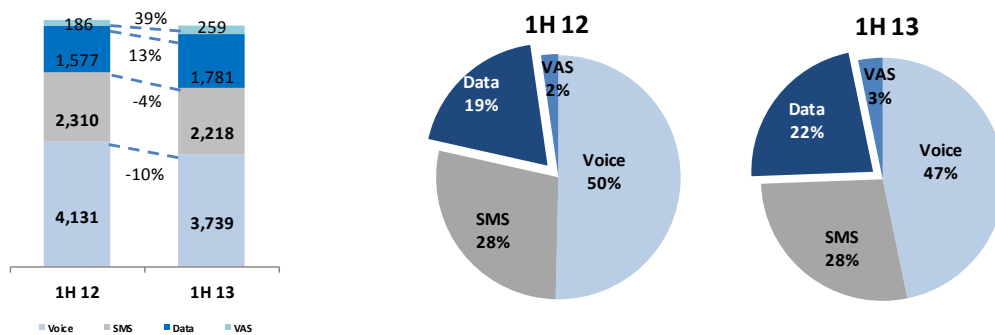
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OVERVIEW

XL's continued focus on data and efforts to improve its positioning since 4Q 12 has shown continued momentum into 1H 13. Overall revenue grew by 1% YoY and QoQ turnaround of 5% with positive growth in all segments. Data remains the fastest growing segment with increased contribution to revenue. The strategy to improve XL's positioning has continued into 2Q 13 as both subscribers and traffic have showed continued traction. The positive momentum on operational improvements coupled with gradual price optimisation started in mid 1Q 13 has resulted in a successful turnaround in the 2Q 13.

Overall, data grew by 13% YoY while Voice and SMS declined by 10% and 4% respectively. QoQ saw a positive increase of 7% for Data, 6% for Voice and SMS respectively. With the continued growth in Data, non-voice revenue now contributes 53% of XL's total usage revenue.

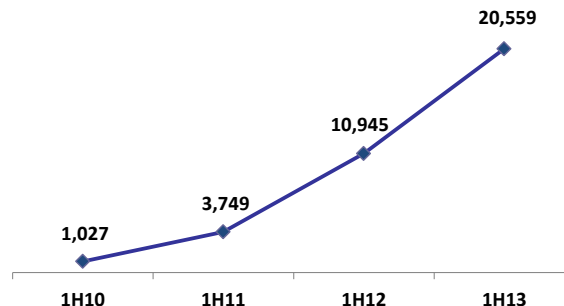
Usage revenue YoY (Rp Bn)



Data and VAS Business

- Data has continued to grow as the adoption of data remains strong. Data traffic grew 88% YoY with data subscribers reached 32.1 million subscribers or about 59% of the total base. The trend in shifting consumer behavior towards data has resulted in higher data revenue contribution from 19% a year ago to 22% of total usage revenue.

Total Data Traffic (TB)

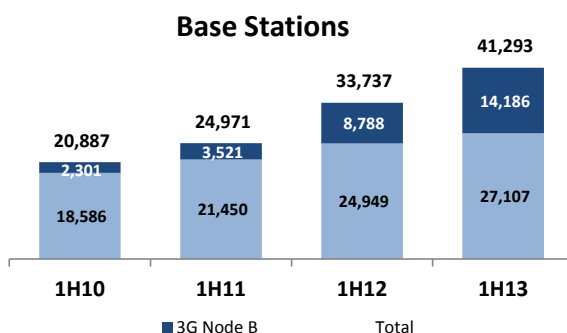




- As XL continue with its strategy to improve data affordability and expand its data penetration, XL launched starter pack **XL BEBAS** with monthly cost of Rp5,000/month for 6 months active period. This has shown continued traction into the 2Q 13.
- In order to strengthen XL's position as a strong Data provider through **Hotrod 3G+**, XL has established **XL Rally Android Hotrod 3G+** in Medan and Surabaya in 1Q 13.
- XL introduced **XL Nonton**, which allows subscribers to watch movie via streaming online. **XL Nonton** adds further inovative offerings to the growing data usage amongst consumers.
- XL is the first operator to launch the newest mobile communication service that can be used to have information about users' vehicle condition and performance, called **XL-VAST (Vehicle Assistant)**.
- XL collaboration with **KakaoTalk** is aimed at strengthening XL's data position in the social networking community. The packages allow XL users to use **KakaoTalk** at an affordable tariff and further driving data usage.
- XL introduced new packages for Blackberry users called **BB Full BIS Lite** which allows BB users to experience BBM, e-mail, social media and internet browsing at a fixed price (Rp59,000/month)

With the continued focus on data, smartphones or data feature phones will be one of the key drivers for strong data growth. With efforts on data execution, Smartphone devices grew significantly 54% compared to the first half last year, reached around 9 million users or 16% of the total base. XL continues to collaborate with several handset dealers and banks to offer affordable bundling handsets for several smartphones such as Blackberry, iPhone, Samsung - Androids and others.

Infrastructure



- With the accelerated rollout of Node Bs and investment in data infrastructure peaked in 2012, the 1H 13 saw XL focus on capacity management and efforts to further increase network utilisation. Investments are being prioritised to enhance service experience in data potential areas.
- Collectively 14,186 Nodes Bs were installed as of 30 June 2013, a 61% increase from a year ago. This brings total number of 2G and 3G BTS to 41,293 BTS.



- With the increased traffic expected in the upcoming Lebaran, XL has stepped up its effort in network deployment to ensure the good quality and service experience to customers during this peak season.

XL continues to enhance its network quality and capacity through Network Modernization. Since 2011, XL has carried out 2G and 3G modernization in areas of Kalimantan, Sumatra, Sulawesi, Bali and greater Jakarta. The modernization projects upgraded its 2G and 3G BTS to single RAN and LTE-ready aimed at improving better network speed, capacity and energy efficiency. As of 1H 13, XL has completed 2G & 3G modernization for close to 4,000 sites across Indonesia.

Voice and SMS Business

- Efforts to improve positioning saw a tactical decision to adjust prices to improve affordability but led to revenue pressure. Nevertheless, as usage momentum continues to give a positive trend since 1Q 13, the lagging effect of revenue is expected to improve over time.
- Voice and SMS declined YoY with lower revenue and traffic from the changing behaviour of consumers increasingly substituting to data and introduction of new packages to improve positioning which started in 4Q 12.
- The introduction of innovative and affordable packages such as the XL Ku and Serbu together with gradual price optimisation has helped to boost Voice and SMS in 2Q 13 which saw a revenue growth of 6% QoQ respectively.

Digital Service

XL continuously seeks to explore further opportunities in data beyond traditional telecommunication services. With the continued strong demand for data, there is growing trend of behaviour that is integrating data as part of subscribers daily lifestyle. To cater for such needs, XL remains innovative in developing digital services in the areas of mobile finance, m-commerce and M2M.

Below are some products/services that XL has developed throughout the second quarter:

- As of 2Q 13, XL has collaborated with Telkomsel & Indosat for *P2P transfer* which enable users to transfer across operators via **XL TUNAI**.
- AdReach (**XL M-Advertising**) has collaborated with Telkomsel and Indosat to deliver commercial mobile advertising campaign from several top Brands across operators. The 3 operators had successfully worked with top brands such as Unilever and Indofood Pop Mie, and currently serving 12 top brands' mobile campaigns.
- **M-Insurance** was introduced in April 2013 to allow XL users buy insurance for 14 days by paying Rp10,000 via **XL TUNAI**. This new service is introduced in collaboration between XL and Cigna Insurance.
- XL collaborated with Sinarmas Bank by launching its new services to allow XL users buy data package via Electronic channel Sinarmas Bank.
- XL, together with PLN and PT. SMC, introduced new partnership in prepaid electrical system. This service will allow XL users to refill its household electricity via SMS.



FINANCIAL MEASURES

Income Statement (Audited)

Financial Statement (in Rp Billion)	1H12	1H13	Growth
Gross Revenue			
Voice	4,131	3,739	-10%
SMS	2,310	2,218	-4%
Data and VAS*	1,763	2,040	16%
Cellular Interconnection and International Roaming Service	1,049	1,522	45%
Others	106	106	0%
Cellular Telecommunication Service	9,359	9,625	3%
Other Telecommunications Services	880	719	-18%
Gross Revenues	10,240	10,344	1%
Less: Discount	(118)	(53)	-55%
Gross Revenue Net of Discount	10,121	10,291	2%
Interconnection and other direct expenses	1,258	1,915	52%
Salaries & Employee Benefits (Permanent & Temporary) **	479	473	-1%
Sales and Marketing Expense	582	667	15%
Infrastructure Expenses	2,530	2,807	11%
Supplies and Overhead expenses***	335	264	-21%
Total OPEX	5,184	6,127	18%
EBITDA	4,938	4,164	-16%
EBITDA Margin	48%	40%	
Depreciation & Amortization	2,470	2,712	10%
EBIT	2,468	1,452	-41%
Other Expenses			
Finance cost - net	(253)	(323)	28%
Forex loss - net	(223)	(113)	-49%
Others	(17)	(83)	385%
Total Other Expenses	(494)	(519)	5%
Income before income tax	1,974	933	-53%
Income Tax Expense	(513)	(263)	-49%
Profit for the period	1,461	670	-54%
Earnings Per Share (full amount)	171	79	-54%

Normalized Profit (In Rp Billion)	1H12	1H13	Growth
Profit for the period	1,461	670	-54%
Unrealized forex (gain)/loss	49	69	42%
Accelerated depreciation in Sumatera, Java and Bali	59	35	-41%
Tax Impact	(27)	(26)	-3%
Normalized Profit for the period	1,543	749	-51%
Normalized Earnings Per Share (full amount)	181	88	-52%

* Net VAS revenue

** Implementation of PSAK 24 (Revise 2010) "Employee Benefits", recognition actuarial gains or losses, through other comprehensive income

*** Facilities Expenses and Professional Fees in 1H 12



Operational Results

XL recorded gross revenue of Rp10.3 trillion, a 1% YoY increase.

- Cellular Telecommunication Service revenues increased by 3% to Rp9.6 trillion and contributed 93% to total revenue driven largely by data growth. Voice revenue declined by 10% to Rp3.7 trillion with outgoing minutes decreased by 6% YoY. SMS revenue decreased by 4% whilst Revenue from Data and Value Added Services (VAS) was up by 16%. Improvement in data adoption by users resulted in data growth by 13% YoY.
- The presentation of VAS revenue is now on a net basis to reflect changes in the Audited Financial Statement. Previously, XL reported VAS on a gross basis where gross VAS revenue was recognized whilst related costs recorded under Interconnection and other direct expenses. The change was made retrospectively to the comparative period.
- Other telecommunications services revenue comprised of mainly leased towers, leased lines and national roaming, declined by 18% to Rp 719 billion, mainly due to termination of the national roaming agreement with Axis in August 2012 as well as lower leased line revenue. Other telecommunications services revenue contributed 7% to total revenue.

Operating Expenses

Total operating expenses increased by 18% YoY to Rp6.1 trillion.

- Interconnection and other direct expenses increased by 52% YoY.
This increase was mainly due to impact of SMS interconnect costs with the introduction of SMS interconnection that started in June 2012.
- Sales and Marketing expenses increased by 15% YoY.
The increase was partly due to higher Sales Commissions, in line with the increase in sales, as well as higher Advertising and Promotion with efforts to improve positioning through new offerings since 1Q 13.
- Infrastructure expenses increased by 11% YoY.
The increase was mainly due to Rental site and tower increased 27% YoY in line with the expansion of infrastructure to continue support data business and higher managed service fee as a result of a full 6 months impact in 1H 13 as compared to a 3 months impact in 1H 12 as the outsourcing was carried out in April 2012.
- Supplies and Overhead expenses decreased by 21% YoY.
The decrease was mainly due to decrease in G&A expenses.

EBITDA

The lower EBITDA in 1H 13 compared to 1H 12 was largely due to the expansion of leased sites impacting infrastructure costs and the introduction of SMS interconnect. XL strategy for price adjustments to reposition the company in market has led to some pressure in revenue and thus EBITDA compared to last year. EBITDA was lower by 16% YoY to Rp4.2 trillion in 1H 13 and EBITDA margin by 8 percentage points to 40%. QoQ has showed an increase 6% in EBITDA which grew in line with revenue growth. Excluding the impact of SMS interconnection, EBITDA margin was at 44%.



Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 10% YoY due to continuous investment in data to support data growth as well as an accelerated depreciation of Rp35 billion due to network modernization on 2G and 3G.

Other (Expenses)/Income

Other expenses in 1H 13 increased 5% to Rp519 billion due to unrealized forex loss in 1H 13 increased by 42% YoY. However, realized forex loss in 1H 13 decreased 75% YoY.

Profit for the period

Profit for the period for 1H13 amounted to Rp670 billion with normalized profit recorded at Rp749 billion.

Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	1H12	1H13	Growth
Current Assets			
Cash and cash equivalents	883	1,902	115%
Others	2,622	3,464	32%
Total Current Assets	3,505	5,366	53%
Non-Current Assets	30,756	33,065	8%
Total Assets	34,261	38,431	12%
Current Liabilities			
Current maturity of long term loans and bonds	2,774	4,310	55%
Others	5,504	4,121	-25%
Total Current liabilities	8,278	8,431	2%
Non-Current Liabilities			
Long term loans and bonds	9,945	12,773	28%
Others *	1,980	2,289	16%
Total Non-Current Liabilities	11,925	15,062	26%
Total Liabilities	20,203	23,492	16%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,298	6,338	1%
Retained earnings *	7,761	8,600	11%
Total Equity	14,059	14,938	6%
Total Liabilities and Equity	34,261	38,431	12%

* Implementation of PSAK 24 (Revise 2010) "Employee Benefits", recognition actuarial gains or losses, through other comprehensive income

In 1H 13, total assets increased by 12% to Rp38.4 trillion, as a result of XL's continuous Capex spending mainly to support data business.

- Non-current assets increased by 8% mainly from investment in data and Current assets increased by 53% YoY mainly due to increase in cash and cash equivalent.
- Total liabilities increased by 16% YoY mainly due to increase in borrowings of 34% from Rp12.7 trillion to Rp17.1 trillion.



Capital Expenditure (Audited)

Capital Expenditure (In Rp Billion)	1H12	1H13	Growth
Capitalized capex	5,345	3,353	-37%
Paid capex	5,272	4,048	-23%
Commitments entered into*	5,265	1,273	-76%

* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 30 June 2012 and 2013. The exchange rate Rupiah against USD as of 30 June 2012 and 2013 were Rp9,480/USD and Rp9,929/USD, respectively.

Cash Flow (Audited)

Cash Flow (In Rp Billion)	1H12	1H13	Growth
Net cash flow generated from operating activities	4,601	3,645	-21%
Net cash flow used in investing activities	(5,157)	(4,477)	-13%
Free cash flow	(556)	(832)	50%
Net cash flow generated from financing activities	440	1,939	341%
Net increase/(decrease) in cash and cash equivalents	(116)	1,107	n.a
Cash and cash equivalents at the beginning of the period	998	792	-21%
Effect of exchange rate changes on cash and cash equivalents	2	3	108%
Cash and cash equivalents at the end of the period	883	1,902	115%

- Net cash flow generated from operating activities decreased by 21% to Rp3.6 trillion mainly due to increase in payments for suppliers and other expenses as well as decrease in receipt from customers and other operators.
- Net cash flow used in investing activities decreased by 13% to Rp4.5 trillion mainly due to lower Capital Expenditures related to infrastructure investment in data and payment of 3G spectrum license upfront fee.
- Net cash flow generated from financing activities was at Rp1.9 trillion, a significant increase 341% due to the repayment in IDR bond in 1H 12 amounted Rp1.5 trillion and higher proceed from long term loans, offsetting with repayment of long term loans.



Description of Debts

The detail of debts as of 30 June 2012 and 2013 are as follows:

Description	(in Original Amount)		Year of Maturity
	1H 12	1H 13	
USD Loan (mn)	US\$ 169	US\$ 121	Amortizing semi annually, final repayment is in 2015
	US\$ 117	US\$ 29	2013
	US\$ -	US\$ 110	Amortizing annually, final repayment in 2016
	US\$ -	US\$ 50	Bullet repayment in 2018
	US\$ 286	US\$ 310	
IDR Bank Loan (bn)	Rp 1,250	Rp 1,250	2013
	Rp 3,000	Rp 2,100	Amortizing annually, final repayment is in 2014
	Rp 2,800	Rp 2,500	Amortizing annually, final repayment is in 2015
	Rp 3,000	Rp 5,200	Amortizing annually, final repayment is in 2017
	Rp -	Rp 3,000	Amortizing annually, final repayment is in 2018
	Rp 10,050	Rp 14,050	
Unamortized Loan Issuance Cost (bn)	Rp (41)	Rp (43)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 12,719	Rp 17,083	

* The USD portion was converted to IDR using closing rate 30 June 2012 and 2013. The exchange rate Rupiah against USD as of 30 June 2012 and 2013 were Rp9,480/USD and Rp9,929/USD, respectively.

Gearing Ratios	1H12	1H13
Debt/Equity	0.9 x	1.1 x
Net Debt/Equity	0.8 x	1.0 x
Debt/EBITDA	1.3 x	1.9 x
Net Debt/EBITDA	1.2 x	1.7 x

During 1H 2013, XL made a repayment amounted Rp400 billion and USD68 million. XL signed new USD loan agreements with Standard Chartered Bank in May 2013 amounted USD50 million which has been fully drawdown. In addition, XL also has fully drawdown Rp2.5 trillion from loan agreements with Bank Mandiri that was signed in January 2013.

As of 30 June 2013, XL had hedged about 92% of USD debt, and increase from 88% in 1Q 13.



OPERATING MEASURES

	1H12	1H13	Growth
Total O/G Minutes of Usage (billion minutes)	57.7	54.5	-6%
Total Minutes (billion minutes)	115.6	109.3	-6%
Total O/G SMS (billion SMS)	148.0	126.5	-14%
Total data traffic (Petabyte)	10.7	20.1	88%
Total BTS	33,737	41,293	22%
2G	24,949	27,107	9%
3G	8,788	14,186	61%
Number of Employees (permanent & contract with permanent position)	1,873	2,021	8%
Postpaid users (000)	328	328	0%
Prepaid sim cards (active and grace / million)	45.5	53.8	18%
Total user base (million)	45.9	54.2	18%
ARPU blended (Rp 000)	30	27	-10%
Postpaid revenue/sub (Rp 000)	151	133	-12%
Prepaid revenue/sim card (Rp 000)	29	27	-7%

RECENT DEVELOPMENT

In 22 May 2013, XL paid dividend that was approved by shareholders at the AGM on April 2013 with a total payout amount of Rp 1.15 trillion.

ACHIEVEMENTS

- XL received two awards in Finance Asia's award amongst Asia's Best Companies 2013 for "Best Managed Company" and "Best Investor Relations".
- XL was awarded as one of "Indonesia Most Admired Companies 2013" by Warta Ekonomi magazine.
- XL was awarded as "Provider with Best Data Services" by SINDO newspaper.
- XL's CEO was awarded as "Digital Business Leader" in Bubu Awards 2013.

GUIDANCE

	2013
Revenue growth	Mid-single digit
EBITDA margin	Low 40's
Cash out capex	Between Rp 8 - 9 trillion

ABOUT XL

XL is a major cellular provider in Indonesia which is 66.5% owned by Axiata Group through Axiata Investments (Indonesia) Sdn. Bhd., and the remaining stakes are held by public including restricted stock (33.5%).

Date: 1 August 2013