



PT XL AXIATA TBK. (XL) 1H 14

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OVERVIEW

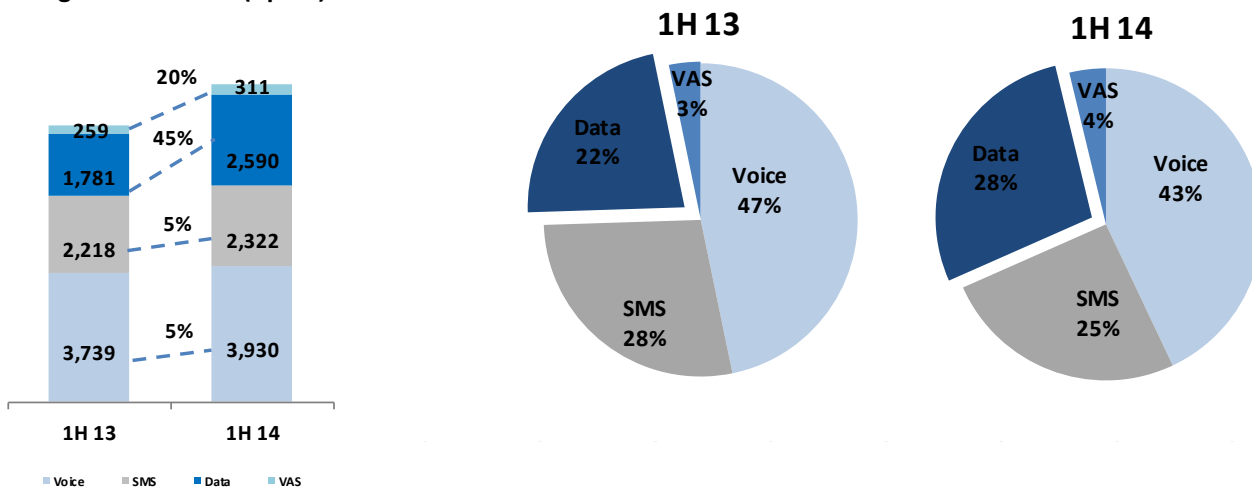
The first half of 2014 saw XL recorded a strong performance with total revenue increased by 12% YoY and 10% QoQ. Usage revenue grew by 14% YoY and 16% QoQ, driven by double digit growth in Data through execution in capturing the data opportunity. The 2nd Quarter also marked the first full quarter impact on financials since the completion of acquisition of Axis where efforts on integration remained well on track.

The current data pricing in Indonesia is one of the lowest among the region, XL sees the need for data to be priced appropriately. XL has successfully managed to reduce the rate of decline in data yield in the 2nd Quarter and has taken certain re-pricing measures in the 3rd Quarter.

Post-acquisition of Axis, the integration process has been well executed and managed. By leveraging XL's cost structure in Axis' operation and rigorous efforts on cost reduction, XL managed to reduce Axis' standalone operating expenses by about 60% since October 2013.

Overall, XL's total revenue reached Rp11.6 trillion which was contributed largely by growth in Data services. Voice and SMS revenue showed a positive performance with 5% growth in each service. Overall, Non-voice revenue contributed 57% of XL's total usage revenue, an increase from 53% a year ago.

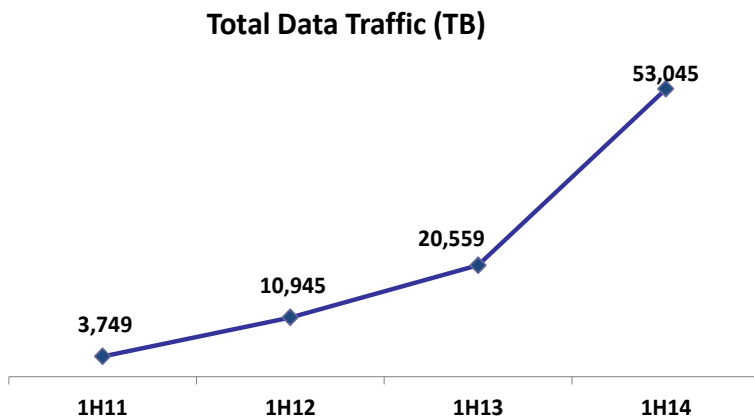
Usage revenue YoY (Rp Bn)





Data and VAS Business

- Data take up remained strong in Indonesia as traffic grew by 158% YoY with total Data users reached 32.2 million or represent 51% of total base. As of 1H14, Data services contributed 28% to total usage revenue, an increase from 22% a year ago.



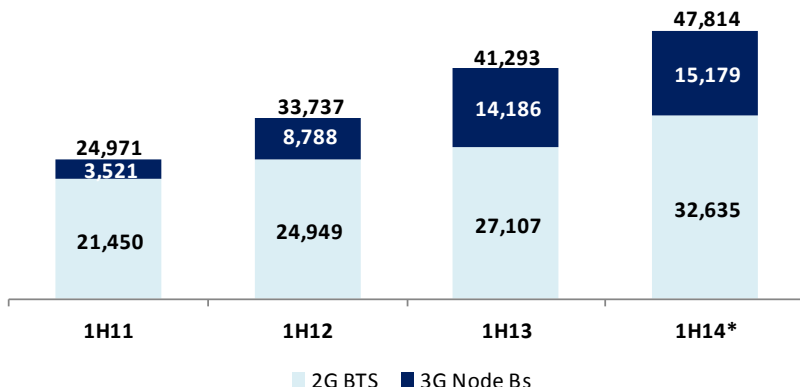
- XL's Data package, **Internet Unlimited**, which is aimed at new entry users, saw positive traction in the 1H 14. This package comes with fair usage limits and allows new users to experience Data with flat periodic rate and subsequently move up to more advance Data or volume based plans for better experience.
- Efforts on managing yield through balancing traffic and pricing have seen encouraging results. Several initiatives such as price plan assessment as well as traffic control on a daily basis by adjusting daily usage speed on high traffic packages, limiting access several FTP sites and adjusting fair usage policy were initiated which resulted in a lower rate of decline in Data yield in the second quarter 2014.
- XL continued to offer various bundling packages in 1H 14 to encourage further Data usage with various handsets such as **HTC One Mini**, **Blackberry Z3**, **Samsung Galaxy Trend Lite** and others. One of the efforts is by having exclusive partnership with **Samsung** with various collaborations such as exclusive handset bundling, join-roadshows/exhibitions, customer loyalty program and others.
- XL is always committed to give the best service for its subscribers. In order to provide convenience for subscribers to buy packages, XL collaborated with several non-traditional merchants as well as online shops to facilitate subscribers to reload and buy Data packages anytime and anywhere.

Data penetration has increased over the years and smartphones has continued to become one of the key drivers for strong data growth. As of 1H 14, XL smartphone users grew 49% YoY and reached 13.3 million users or 21% of the total base.



Infrastructure

Base Stations



* Number of BTS from XL standalone

In 1H 14, XL has deployed more than 6,500 new BTS including additional 993 Node Bs. This has led to a total of 15,179 Node Bs or 7% growth YoY with total BTS of 47,814. XL's 2G coverage in Indonesia stands at more than 90% while 3G at more than 40% with focus area remains on areas with high demand and opportunity for Data.

In order for XL to prepare the rising in Data traffic in sub urban or rural areas, XL is reviewing the possibility for using U900 frequency. The technology will benefit XL to expand its Data services coverage in selected areas as an extension to the higher frequency currently used in dense area. The trials have been completed in the areas of Karawang and Gresik, and data points are currently being reviewed. While technically possible, the interference in the 900 band leads to an inferior data experience and therefore XL would likely use this solution in selected areas with no interference only, if at all.

XL's network transformation in key cities that has been implemented in first quarter has delivered a 150% faster Data speed than before, higher capacity and better quality of services for its Data customers.

Voice and SMS Business

Voice and SMS revenue continued to grow by 5% respectively YoY through effort through a combination of price optimization and product offerings to mitigate the decline in from substitution to Data over time. Total outgoing SMS increased 6% YoY while total outgoing minutes decreased 10% YoY.



Digital Services

XL has continued to explore further opportunities to expand its Data services beyond traditional telecommunication services through its Digital Services.

XL has collaborated with Telkomsel and Indosat to deliver an easiness to buy electric train e-ticket via **XL Tunai**. With this service, customers will be able to buy a multi trip ticket that will be deducted from customers' balance automatically.

XL is committed to contribute in the rise of local industry by establishing a number of Digital Services to support the Micro, Small and Medium Enterprises (SMEs) as well as creative industries. These services are primarily in **M-Ads**, **M2M** and **XCloud**. As a result of this commitment, **M-Ads** service has been utilized by more than 500 SMEs and the number has been growing with the development of SMEs in Indonesia.

Xmart Village has been launched to create a transformative, innovative and effective solution to improve rural communities' welfare in Indonesia. Several digital solutions such **M-Ads**, **Mobile Farmers**, **M-Banking**, **XCloud** and others were integrated in this community service program.

Axis Update

Axis integration process has continued in second quarter and execution is well on track with minimum disruption to customers and operations. In the second quarter, all Axis' subscribers have been successfully migrated to XL's billing system while traffic migration has been completed in over 60% of Axis' footprint. As at 1H 14, XL has successfully achieved key integration milestones of channel & distribution, employee and billing system.

The integration is expected to complete by the end of 2014. Further improvement on cost reduction from Axis continued in second quarter by leveraging XL's cost structure and rigorous efforts on cost reduction. As a result, XL managed to reduce Axis' operating cost by about 60% since October 2013. While the 2nd Quarter was the first quarter with full impact from the Axis acquisition, XL expects further cost reductions on Axis standalone going forward resulting from closure of locations and switching off sites, mostly by the 4th Quarter 2014.

Note that the official acquisition of Axis was completed on 19 March 2014 and followed by merger on 8 April 2014.



FINANCIAL MEASURES

Income Statement

Financial Statement (in Rp Billion)	1H13	1H14	Growth
Gross Revenue			
Voice	3,739	3,930	5%
SMS	2,218	2,322	5%
Data and VAS	2,040	2,901	42%
Cellular Interconnection and International Roaming Service	1,522	1,556	2%
Others	106	97	-9%
Cellular Telecommunication Service	9,625	10,805	12%
Other Telecommunications Services	719	791	10%
Gross Revenues	10,344	11,595	12%
Less: Discount	(53)	(48)	-9%
Gross Revenue Net of Discount	10,291	11,547	12%
Interconnection and other direct expenses	1,915	1,721	-10%
Salaries & Employee Benefits (Permanent & Temporary)	473	578	22%
Sales and Marketing Expense	667	635	-5%
Infrastructure Expenses	2,807	4,015	43%
Supplies and Overhead expenses	264	335	27%
Total OPEX	6,127	7,285	19%
EBITDA	4,164	4,262	2%
EBITDA Margin	40%	37%	-3%
Depreciation & Amortization	2,712	3,267	20%
EBIT	1,452	995	-31%
Other Expenses			
Finance income/(cost) - net	(406)	(727)	79%
Forex gain/(loss) - net*	(30)	(657)	2088%
Share of results from jointly controlled entity	-	(44)	N/A
Others	(83)	(62)	-24%
Total Other Expenses	(519)	(1,490)	187%
Income before income tax	933	(495)	N/A
Income Tax Expense	(263)	12	N/A
Profit (Loss) for the period	670	(483)	N/A
Earnings Per Share (full amount)	79	(57)	N/A

Normalized Profit (In Rp Billion)	1H13	1H14	Growth
Profit for the year	670	(483)	-172%
Unrealized forex (gain)/loss	69	(25)	N/A
Accelerated depreciation	35	-	N/A
Tax Impact	(26)	6	N/A
Normalized Profit for the year	749	(501)	N/A
Normalized Earnings Per Share (full amount)	88	(59)	N/A

* For Info Memo disclosure, hedging gain/ (loss) will be accounted under Forex gain/ (loss) - net



Operational Results

XL recorded gross revenue of Rp11.6 trillion, a 12% YoY increase.

- Cellular Telecommunication Service revenues increased by 12% to Rp10.8 trillion and contributed 93% to total revenue. Operationally, XL's usage revenue has performed well as a result of positive improvement in each service mainly driven by Data growth. Voice & SMS revenue continued to increase by 5% each to Rp3.9 trillion and Rp2.3 trillion respectively. Data alone continued to show growth by 45% YoY. As of 1H 14, revenue from Data and Value Added Services (VAS) contributed 25% of total revenue, an increase from 20% last year.
- Other telecommunications services revenue comprised mainly of leased towers, leased lines and national roaming, increased by 10% to Rp791 billion mainly due to an increase in national roaming revenue from the reactivation of national roaming prior to the acquisition of Axis. Other telecommunications services revenue contribution was stable at 7% to total revenue.

Operating Expenses

Total operating expenses increased by 19% YoY to Rp7.3 trillion.

- Interconnection and other direct expenses decreased by 10% YoY. This was mainly due to lower interconnect costs as a result of lower off-net SMS traffic. In addition, cost to Research in Motion (RIM) has decreased by 15% compared last year from ongoing efforts of cost reduction and a strategy shift to focus on all other types of smartphones
- Salary and Employee Benefits increased by 22% YoY. The increase was mainly due to transfer of employees from Axis, resulted in higher number of employees in 1H 14.
- Sales and Marketing expenses decreased by 5% YoY. XL continued to focus on delivering effective Advertising and Promotion in 1H 14 resulted in lower Advertising and Promotion expenses by 36% YoY.
- Infrastructure expenses increased by 43% YoY. The increase was in line with the expansion of infrastructure on lease model by increasing XL's number of leased sites in addition of additional Axis' rental expense that has taken account into XL. Furthermore, higher expenses driven by higher license fee due to additional spectrum XL has received from Axis.

EBITDA

EBITDA increased by 2% YoY to Rp4.3 trillion with EBITDA margin declined from 40% to 37%. The decline was largely due to full impact from Axis' negative EBITDA that XL has accounted since 19 March 2014. XL has continued its effort to create further improvement on cost management to turnaround Axis' negative performance going forward. Since October 2013, XL has managed to reduce Axis' operating expenses by about 60%.



Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 20% YoY driven by continuous investment in data infrastructure as well as additional impact arising from Axis' acquisition.

Other Expenses/Income

Other expenses increased by 187% to Rp1.5 trillion mainly from non-operational factors of the weakening of Rupiah and higher interest expense from the loans related to the acquisition of Axis.

Realized Forex loss increased into Rp542 billion. In addition, hedging gain/(loss) has been accounted under Forex gain/(loss) starting 2Q 2014 with total hedging cost in 1H 14 amounted Rp 141billion compared to hedging gain amounted to Rp 83 billion last year. As a result of additional loan related to the acquisition of Axis, Finance cost – net increased 79% YoY with total interest expenses amounted to Rp671 billion as at 1H 14.

Profit for the period

In 1H 14, XL recognized Rp483 billion loss, mainly contributed by higher Forex loss in related to the weakening of the Rupiah and higher Finance cost from additional loan for Axis' acquisition.

Balance Sheet

Balance Sheet (In Rp Billion)	1H13	1H14	Growth
Current Assets			
Cash and cash equivalents	1,902	2,490	31%
Others	3,464	6,335	83%
Total Current Assets	5,366	8,825	64%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	30,336	34,682	14%
Intangible asset	836	6,528	680%
Goodwill	-	6,105	N/A
Others	1,892	2,283	21%
Total Non-Current Assets	33,065	49,597	50%
Total Assets	38,431	58,422	52%
Current Liabilities			
Current maturity of long term loans and bonds	4,310	3,810	-12%
Others	4,121	12,167	195%
Total Current liabilities	8,431	15,977	90%
Non-Current Liabilities			
Long term loans and bonds	12,773	20,490	60%
Shareholder loan	-	5,985	N/A
Others	2,289	2,918	27%
Total Non-Current Liabilities	15,062	29,392	95%
Total Liabilities	23,492	45,369	93%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,338	6,337	0%
Treasury Stock	-	(1,209)	N/A
Retained earnings	8,600	7,925	-8%
Total Equity	14,938	13,053	-13%
Total Liabilities and Equity	38,431	58,422	52%



In 1H 14, total assets increased by 52% to Rp58.4 trillion as a result of XL's acquisition to Axis and continuous acceleration in rolling out investment to support Data business.

- Current assets increased by 64% YoY due to increase in cash and cash equivalents by 31% and trade receivables by 124% as well as an increase in advances and prepayment by 34% and the recognition of indemnification assets related to Axis amounted Rp994 billion.
- Non-current assets increased by 50% YoY mainly due to recognition of intangible asset as well as recognition of goodwill from Axis' acquisition.

Total liabilities increased by 93% YoY mainly due to high borrowings at Rp30.3 trillion related to the recent transaction of the Axis acquisition.

- Current liabilities increased by 90% YoY mainly due to increase in trade payables by 148% as well as higher provision.
- Non-current liabilities increased by 95% YoY mainly due to increase of long term loan by 60% and recognition of loan from Axiata.

Total Equity decreased by 13% YoY mainly due to recognition of treasury stock of Rp1.2 trillion related to mandatory buyback from dissenting shareholders on the merger with Axis in February 2014.

Capital Expenditure

Capital Expenditure (In Rp Billion)	1H13	1H14	Growth
Capitalized capex	3,353	3,065	-9%
Paid capex	4,048	3,602	-11%
Commitments entered into*	1,273	1,903	50%

* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate of June 2013 and 2014. The exchange rate Rupiah against USD as of June 2013 and 2014 were Rp9,929/USD and Rp11,969/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	1H13	1H14	Growth
Net cash flow generated from operating activities	3,645	4,963	36%
Net cash flow used in investing activities	(4,477)	(13,568)	203%
Free cash flow	(832)	(8,605)	934%
Net cash flow generated from financing activities	1,939	9,779	404%
Net increase/(decrease) in cash and cash equivalents	1,107	1,174	6%
Cash and cash equivalents at the beginning of the period	792	1,318	66%
Effect of exchange rate changes on cash and cash equivalents	3	(2)	N/A
Cash and cash equivalents at the end of the period	1,902	2,490	31%

- Net cash flow generated from operating activities increased by 36% to 5.0 trillion mainly driven by an increase in receipts from customers and other operators by 15% but partially offset by the increase in payments for suppliers and other expenses by 8%.
- Net cash flow used in investing activities increased by 203% to Rp13.6 trillion mainly driven by payment related to Axis acquisition.



- Net cash flow generated from financing activities was at Rp9.8 trillion, as a result of higher cash proceeds from long term loan as well as recognition loan related to Axis from Axiata but partially offset by the recognition of treasury stock amounting Rp1.2 trillion.

Description of Debts

The detail of debts as of 30 June 2013 and 2014 are as follows:

Description	(in Original Amount)		Year of Maturity
	1H 13	1H 14	
USD Loan (mn)	US\$ 29	US\$ -	2013
	US\$ 121	US\$ 72	Amortizing semi annually, final repayment is in 2015
	US\$ 110	US\$ 199	Amortizing annually, final repayment in 2016
	US\$ -	US\$ 100	Bullet repayment in 2016
	US\$ -	US\$ 850	Bullet repayment in 2017
	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ -	US\$ 300	Bullet repayment in 2019
	US\$ 310	US\$ 1,571	
IDR Bank Loan (bn)	Rp 1,250	Rp -	2013
	Rp 2,100	Rp 1,050	Amortizing annually, final repayment is in 2014
	Rp 2,500	Rp 2,200	Amortizing annually, final repayment is in 2015
	Rp -	Rp 1,000	Amortizing annually, final repayment is in 2016
	Rp 5,200	Rp 4,650	Amortizing annually, final repayment is in 2017
	Rp 3,000	Rp 2,700	Amortizing annually, final repayment is in 2018
	Rp 14,050	Rp 11,600	
Unamortized Loan Issuance Cost (bn)	Rp (43)	Rp (122)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 17,083	Rp 30,285	

* The USD portion was converted to IDR using closing rate of June 2013 and 2014. The exchange rate Rupiah against USD as of June 2013 and 2014 were Rp9,929/USD and Rp11,969/USD, respectively.

Gearing Ratios	1H13	1H14	Growth
Debt/Equity	1.1	2.3	1.2
Net Debt/Equity	1.0	2.1	1.1
Debt/EBITDA	1.9	3.5	1.6
Net Debt/EBITDA	1.7	3.2	1.5

During 1H 14, XL made repayment of debts amounting Rp700 billion and USD35 million. In addition, XL signed a new USD loan agreement with RBS in April 2014 and UOB in June 2014 with total of USD200 million which has been partially drawdown amounted USD150 million.

As of 30 June 2014, XL hedged 67% of external USD loan.



OPERATING MEASURES

	1H13	1H14	Growth
Total O/G Minutes of Usage (billion minutes)	54.5	49.1	-10%
Total Minutes (billion minutes)	109.3	98.5	-10%
Total O/G SMS (billion SMS)	126.5	133.9	6%
Total data traffic (Petabyte)	20.1	51.8	158%
Total BTS*	41,293	47,814	16%
2G	27,107	32,635	20%
3G	14,186	15,179	7%
Number of Employees (permanent & contract with permanent position)	2,019	2,243	11%
Postpaid users (000)	328	391	19%
Prepaid sim cards (active and grace / million)	53.8	62.5	16%
Total user base (million)	54.2	62.9	16%
ARPU blended (Rp 000)	27	24	-11%
Postpaid revenue/sub (Rp 000)	133	126	-5%
Prepaid revenue/sim card (Rp 000)	27	24	-11%

* Number of BTS from XL standalone

RECENT DEVELOPMENT

- XL has completed its merger process with Axis in April 2014. The signing of the deed of merger marks the completion of the merger process with XL and Axis now formally becoming a single business entity.
- XL announced its intention to sell its treasury shares amounting to 231 million shares related to the mandatory buyback shares from dissenting shareholders arising from the merger between XL and Axis in February 2014.
- XL announced its intention to sell a part of its telecommunications tower portfolio through a tender process that will be initiated in the second half of 2014. The proceeds from this proposed transaction will be used to repay a part of the Company's debt.

ACHIEVEMENTS

- XL was presented with two awards at the Fortune Indonesia's Most Admired Companies Award 2014 for the "Best 20 of Most Admired Companies in Indonesia" and the "Third Winner in Infrastructure, Utilities and Transportation Industry" categories.
- XL was awarded the "Best Emerging Markets Carrier" during 17th Annual Telecom Asia Awards 2014.
- XL received an award from Frost & Sullivan 2014 Asia Pacific ICT Award for the "Most Innovative Telecom Service Provider of the Year."

CONSOLIDATED GUIDANCE

2014

Revenue growth	Low teens
EBITDA margin	Mid 30's
Cash out capex	Around Rp 7 trillion

ABOUT XL

PT XL Axiata Tbk. is one of the major cellular providers in Indonesia. PT XL Axiata Tbk. is (66.5%) owned by Axiata Group Berhad through Axiata Investments (Indonesia) Sdn Bhd and public (33.5%), and is part of Axiata Group with Robi (Bangladesh), Smart (Cambodia), Idea (India), Celcom (Malaysia), M1 (Singapore), SIM (Thailand) and Dialog (Sri Lanka).

Date: 21 August 2014