

PT XL AXIATA TBK. (XL) 1H 15



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OVERVIEW

XL is beginning to see positive signs from its transformation agenda that was started at the beginning of 2015. XL seeks to build a more sustainable and profitable business for the future with a focus on value creation, the total transformation will take 12-18 months to implement but the first phases are already starting to show early promising signs and results.

This is evident from several positive leading indicators such as a materially improving subscriber mix; rising reloads per sub; joiner ARPU significantly higher than churner ARPU and an increased share of modern distribution versus traditional.

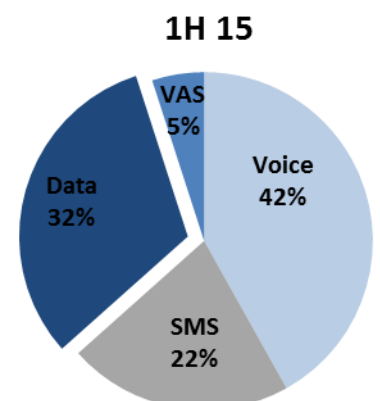
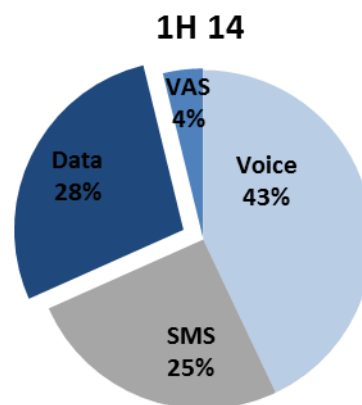
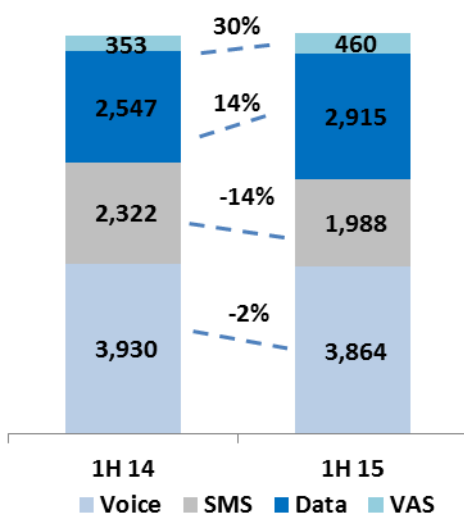
As a result, XL recorded positive growth momentum in 2Q 15 with 2.4% QoQ revenue growth, the first positive QoQ growth number since 2Q14. This was driven by usage revenue growth of 3.1% QoQ with a solid performance recorded by both Voice (up 7% QoQ) and Data & VAS (up 2% QoQ) segments.

One of the key objectives of the transformation agenda is improved profitability from better subscriber composition and product portfolio as well as a focus on cost controls. Focus on higher value subscribers and rationalization of products and price plans led to the improvement in EBITDA of 6.6% QoQ and EBITDA margins rising 140 bps from 34.1% in Q1 to 35.5% in Q2.

XL saw an increase in its core usage revenue of 1% YoY in 1H 15 driven by a 14% YoY increase in Data revenue and 30% YoY increase in VAS revenue despite slower Voice (down 2% YoY) and SMS revenue growth (down 14% YoY). The shift of focus to the higher-value customers is also evidenced by a 25% rise in ARPUs from Rp 24,000 in 1H 14 to Rp 30,000 as of 1H 15.

Importantly, the decline in gross revenue for 1H15 of 4% YoY is a result of foregone leased tower revenue following the sale and lease back of 3,500 towers to STP which was completed in December 2014.

Usage revenue YoY (Rp Bn)



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XL Transformation Agenda Updates

XL is beginning to see positive signs and initial results from its “3R – Revamp, Rise & Reinvent” transformation agenda implemented at the start of 2015. To recap, the transformation involves: **Revamp** - to shift subscriber acquisition (from largely ‘no value’ to ‘value’ subs) & distribution strategies as well as a total overhaul of the product portfolio to improve yields. **Rise** – moving the XL brand up the value ladder and via a dual-brand strategy with Axis to address different segments of the market. **Reinvent** – building on XL’s adjacency businesses.

The rationale for this transformation is to adapt to the changing market dynamics and focus on value creation as XL seeks to build a more sustainable business for the future. The whole transformation process is expected to take 12-18 months to complete.

In 1H15, XL focused predominantly on **Revamp**:

- Improving the quality of acquired subs
- Abuser management
- Total overhaul of the product portfolio and weed out structurally unprofitable subs
- Strengthening the foothold in modern retail channels
- Relaunch of the Axis brand

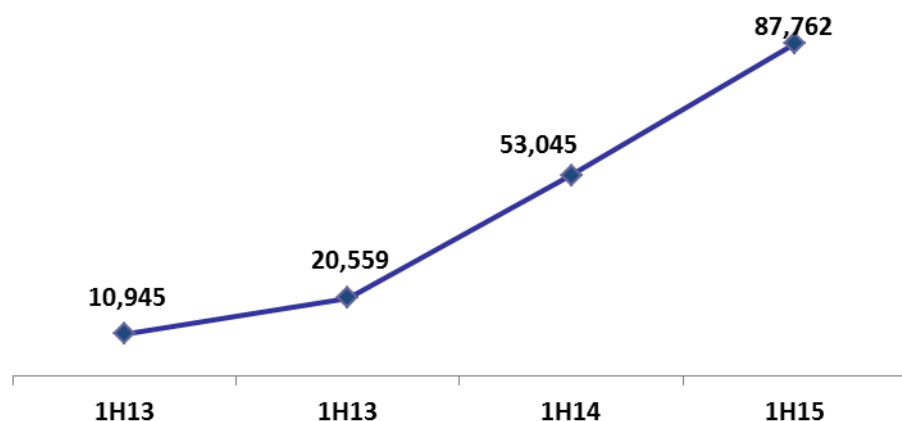
Initial results are, an increasing share of higher value subs and an increase in amount of reloads per subscriber, a 15% rise in ARPU from Rp 27,000 as of 4Q 14 to Rp 31,000 as of 2Q 15 and modern distribution share rising with XL Tunai’s share of reload purchases increasing to 13% of total as of Q2 compared to c. 0.2% at the start of the year.

These efforts along with the revamp of the product portfolio to simplify and increase profitability has led to QoQ revenue growth of 2% QoQ (with usage revenue rising 3% QoQ) as well as a 140 bps improvement in EBITDA margins to 35.5% in Q2 from 34.1% in Q1. One of the key cost savings resulted from a renegotiation of fees under a contract with Research in Motion (RIM).

Data and VAS Business

- XL continues to remain focused on being the leader of mobile internet in Indonesia. In line with this and the increased adoption of data enabled phones and reason to use have led to continued strong growth in data traffic. Data traffic grew by 65% YoY in 1H 15 compared with the same period last year with total Data users at 28 million or 61% of the total base.

Total Data Traffic (TB)



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- As part of the transformation efforts in improving the data portfolio and abuser management, XL has successfully stabilized the decline in data yields in 2Q 15.
- To drive customer adoption of 4G enabled handsets in-line with its transformation agenda of targeting higher-value subscribers, XL also offered bundling options with various smartphones from **Samsung, Xiaomi, Alcatel, Lenovo, LG, and Sharp**
- To increase the share of modern distribution, XL has tied-up with convenience store operator, **7-Eleven** with various promotions during the month designed to entice customers to reload through more modern channels.

The growth of smartphones has successfully driven the increase in Data adoption in Indonesia. XL's smartphone penetration has grown to a penetration of 36% of its base as at end 1H 15. XL smartphone users grew 23% YoY and reached 16.3 million users.

4G LTE

XL continues to focus on mobile internet leadership in Indonesia and 4G LTE is a key part of this strategy to meet consumer's demand for high-speed internet. With the initial spectrum rearrangement and redesignation for commercial use completed in Lombok on July 6th, the spectrum rearrangement process continues to progress on schedule with a target completion in November 2015.

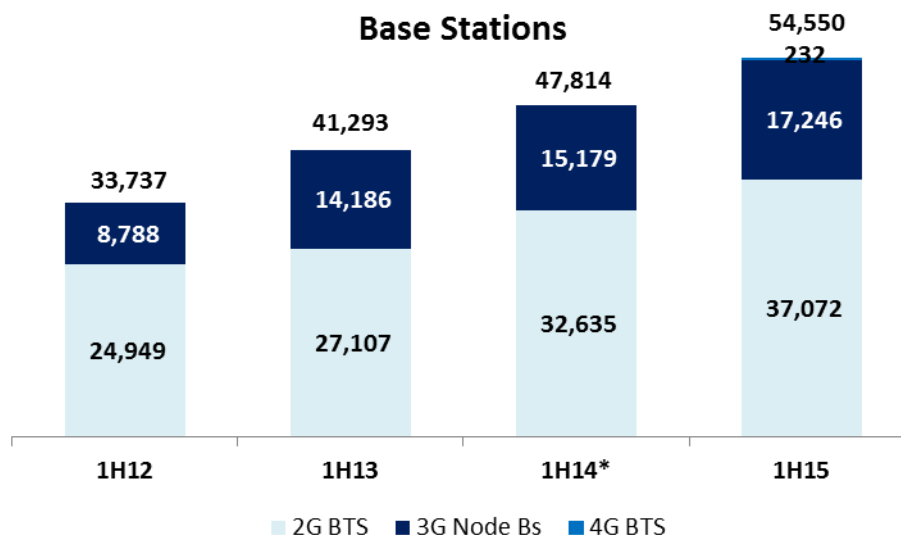
XL has already begun rolling out its 4G LTE footprint with 232 sites as of end 1H 15 with XL's initial 4G LTE footprint now extending to 8 areas/cities, Medan, Bogor, Jogjakarta, Lombok, Surabaya, Bandung, Bali and Jakarta. Significant network additions will be done in 2H 15 in line with the readiness of the 1800MHz spectrum rearrangement program.

In line with this, XL continues to expand its offering on 4G LTE products with its various Super HotRod packages that offer 4G LTE quotas to fulfill customer demands for high-speed quality internet. Further, through various collaboration and offers of handset bundling packages this is aimed at increasing customer adoption of 4G enabled handsets to develop the 4G LTE ecosystem in Indonesia

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Infrastructure



*Number of BTS from XL standalone

As XL seeks to maintain the quality of data experience to its customers, network deployment remains a key thrust, with over 17,000 3G Node Bs at the end of 1H 15 and a total of 54,550 BTS. In 1H of 2015, XL has also rolled-out 232 4G BTS to start catering for growing customer demand for faster and better quality mobile internet services.

XL continues to invest in network modernization and upgrades to support the rising data traffic across its network and to deliver stability, expand network capacity and improve quality for both voice and data services.

Voice and SMS Business

Both Voice and SMS revenues declined by 2% YoY and 14% YoY in 1H 15 respectively due to the on-going substitution to data. However, efforts on price optimization has helped mitigate the revenue decline despite a steeper drop in total outgoing minutes of 20% YoY and total outgoing SMS of 28% YoY.

Digital Services

XL Digital Services (DS) organization continues to be the driver of XL efforts in unleashing the Indonesian mobile internet market potential.

Below are some selected activities that XL Digital Services achieved throughout the 2nd quarter:

- **Gudang Aplikasi** – a product of XL DS Digital Entertainment team – managed to host more than 24,000 content & applications for download. This application platform has more than 3.0 million user registered.
- **Mobile Banking & Mobile Advertising (M-Ads)** – there are 50 banks and financial services industry players signed up with XL DS Mobile Banking solution. The team also shows a good progress in their pilot project to create a credit scoring system. In June, the M-Ads team launched a massive national Ramadhan campaign to support XL M-Ads clients.
- **elevenia** – the market place owned by XL and SK Planet – currently have more than 24,000 sellers and more than 300,000 local live listing products

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- **XL Tunai** – the team has successfully supported XL e-channel digitalization program. By the end of June, all required infrastructure has been upgraded and ready to support high demand for this type of transaction in the 2nd half.
- **M-Fish** – an exclusive application endorsed by Tone – the team received a very good feedback from both the Ministry of Maritime and Fisheries Affairs and the Ministry of Communication and Information. The area covered now is extended from West part of Lombok to the East part of Lombok, Singaraja Bali, and Karangasem Bali.

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FINANCIAL MEASURES

Income Statement

Financial Statement (In Rp Billion)	1H14*	1H15	Growth
Gross Revenue			
Voice	3,930	3,864	-2%
SMS	2,322	1,988	-14%
Data and VAS	2,901	3,375	16%
Cellular Interconnection and International Roaming Service	1,556	1,256	-19%
Others	97	134	38%
Cellular Telecommunication Service	10,805	10,617	-2%
Other Telecommunications Services	791	514	-35%
Gross Revenues	11,595	11,131	-4%
Less: Discount	(48)	(39)	-19%
Gross Revenue Net of Discount	11,547	11,091	-4%
Interconnection and other direct expenses	1,721	1,230	-29%
Salaries & Employee Benefits (Permanent & Temporary)	578	528	-9%
Sales and Marketing Expense	635	485	-24%
Infrastructure Expenses	4,015	4,613	15%
Supplies and Overhead expenses	335	359	7%
Total OPEX	7,285	7,215	-1%
EBITDA	4,262	3,877	-9%
EBITDA Margin	37%	35%	-2%
Depreciation & Amortization	3,217	3,573	11%
EBIT	1,046	304	-71%
Other Expenses			
Finance income/(cost) - net	(709)	(625)	-12%
Forex gain/(loss) - net*	(703)	(1,227)	75%
Share of results from jointly controlled entity	(44)	(40)	-9%
Others	(47)	339	N/A
Total Other Expenses	(1,504)	(1,553)	3%
Income (Loss) before income tax	(458)	(1,249)	173%
Income Tax (Expense) Benefit	14	398	2743%
Profit (Loss) for the period	(445)	(851)	91%
Earnings (Loss) Per Share (full amount)	(53)	(100)	89%

Normalized Profit (Loss) (In Rp Billion)	1H14*	1H15	
Profit (Loss) for the year	(445)	(851)	91%
Unrealized forex (gain)/loss	436	1,171	169%
Accelerated depreciation	-	76	N/A
Tax Impact	(109)	(312)	186%
Normalized Profit (Loss) for the year	(118)	84	N/A
Normalized Earnings (Loss) Per Share (full amount)	(14)	10	N/A

* 1H 14 numbers have been restated to reflect a more accurate disclosure. For details, please refer to the 1H 15 Audited Financial Statements.

**Hedging gain/ (loss) will be accounted under Forex gain/ (loss) - net

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Operational Results

For the 1H 15, XL recorded gross revenue of Rp11.1 trillion, a decrease of 4% YoY.

- Cellular Telecommunication Service revenues decreased by 2% YoY to Rp10.6 trillion and contributed 95% to total revenue driven by Data revenue growth of 14% YoY. Voice revenue reached Rp3.9 trillion declining 2% YoY while SMS revenue was Rp2.0 trillion, down 14% YoY. Revenue from Data and VAS increased 16% and contributed 37% to usage revenue, an increase from 32% last year. Revenue from Cellular Interconnect and International Roaming decreased by 19% YoY to Rp 1.3 trillion in 1H 15.
- Other telecommunications services revenue, which comprises mainly of leased towers, leased lines and national roaming, decreased by 35% to Rp514 billion mainly driven by foregone tower revenue which contributed approximately 3% of gross revenue, due to the sale and lease back transaction to Solusi Tunas Pratama (STP) completed in December 2014. Other telecommunications services revenue contributed 5% to total revenue during the quarter.

Operating Expenses

Total operating expenses decreased by 1% YoY to Rp7.2 trillion.

- Interconnection and other direct expenses decreased by 29% YoY. This was mainly due to lower SMS interconnect costs as a result of lower off-net SMS traffic as well as lower service access payments to RIM.
- Salary and Employee Benefits decreased by 9% YoY. The decrease was mainly due to lower employee numbers YoY as the majority of Axis' contract staff are no longer with the company post-completion of the integration.
- Sales and Marketing expenses decreased by 24% YoY. The lower sales and marketing expenses was largely due to a more effective commissions structure in-line with the transformation strategy to improve the traditional channels and grow modern channels.
- Infrastructure expenses increased by 15% YoY. This is due to higher rental expenses from network expansion to cater for the rise in data demand as well as the sale of towers to STP completed in December 2014. Frequency costs were also higher due to the Axis acquisition and integration.

EBITDA

In 2Q 15, EBITDA increased 7% QoQ resulting in an EBITDA margin of 36% up 2 percentage points QoQ. The increase was mainly due to a reshape of the customer base to focus on the more profitable subscribers as well as efforts to improve profitability of the product portfolio. Further, efforts on cost reductions particularly the reduced service access payments to RIM also contributed to the improvement in EBITDA margins.

For the 1H 15, EBITDA declined 9% YoY to Rp3.9 trillion resulting in a lower EBITDA margin of 35%, down 2 percentage points from the same period last year. The decline was largely due to the impact of the consolidation of AXIS as this acquisition was completed on the 19th of March 2014 thus the impacts were not fully reflected in the previous year's period. Further, the tower sale and lease back completed in December 2014 resulted in lower tower revenue and higher leasing costs. This sale and lease back resulted in an EBITDA compression of approximately 120bps.

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Depreciation and Amortization Expenses

Depreciation and amortization expenses grew by 11% YoY driven by the impact arising from the Axis acquisition as well as the expanded network infrastructure.

Other Expenses/Income

Other expenses grew 4% YoY to Rp1.6 trillion as a result of the weakening of the Rupiah which resulted in a bigger forex loss compared to a year ago.

Unrealized forex losses were Rp 1.2 trillion compared to Rp 436 billion during the same period previous year.

Profit (Loss) for the period

In 1H 15, XL recognized an Rp 851 billion loss mainly due to the weakening of the Rupiah. The lower profit YoY from the same period last year stems from a larger forex impact and also due to the impact of the Axis acquisition and integration which was completed in late Q1 of 2014.

Balance Sheet

Balance Sheet (In Rp Billion)	1H14	1H15	Growth
Current Assets			
Cash and cash equivalents	2,490	5,500	121%
Others	6,335	6,914	9%
Total Current Assets	8,825	12,415	41%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	33,964	34,593	2%
Intangible asset	6,528	6,460	-1%
Goodwill	6,681	6,681	0%
Others	2,283	2,258	-1%
Total Non-Current Assets	49,456	49,992	1%
Total Assets	58,280	62,407	7%
Current Liabilities			
Current maturity of long term loans and bonds	3,810	4,042	6%
Others	12,167	11,908	-2%
Total Current liabilities	15,977	15,950	0%
Non-Current Liabilities			
Long term loans and bonds	20,490	18,491	-10%
Shareholder loan	5,985	6,666	11%
Others	2,738	8,058	194%
Total Non-Current Liabilities	29,213	33,215	14%
Total Liabilities	45,190	49,165	9%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,337	6,480	2%
Treasury Stock	(1,209)	-	N/A
Retained earnings	7,963	6,761	-15%
Total Equity	13,091	13,242	1%
Total Liabilities and Equity	58,280	62,407	7%

In 1H 15, total assets reached Rp 62.4 trillion, 7% higher compared to the previous year mainly due to the increase in current assets as a result of the sale and leaseback of towers transaction.

- Current assets increased by 41% YoY mainly driven by an increase in cash and cash equivalents by 121% relating to the sale and leaseback of towers transaction.
- Non-current assets increased by 1% YoY mainly due to a 2% YoY increase in fixed assets

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Total liabilities increased by 9% YoY as a result of higher lease payables relating to the sale and leaseback of towers to STP.

- Current liabilities growth was flat YoY due to the slight increase in current maturities of loans offset by movement in other current liabilities.
- Non-current liabilities increased by 14% mainly due to an increase in lease liabilities relating to the sale and leaseback of the tower transaction to STP

Capital Expenditure

Capital Expenditure (In Rp Billion)	1H14	1H15	Growth
Capitalized capex	3,065	2,890	-6%
Paid capex	3,602	2,282	-37%
Commitments entered into*	1,347	1,752	30%

* The USD portion was converted to IDR using closing rate of June 2014 and 2015. The exchange rate Rupiah against USD as of June 2014 and 2015 were Rp11,969/USD and Rp13,332/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	1H14	1H15	Growth
Net cash flow generated from operating activities	4,963	3,532	-29%
Net cash flow used in investing activities	(13,568)	(2,509)	-82%
Free cash flow	(8,605)	1,023	-112%
Net cash flow generated from financing activities	9,779	(2,484)	-125%
Net increase/(decrease) in cash and cash equivalents	1,174	(1,461)	-224%
Cash and cash equivalents at the beginning of the period	1,318	6,951	427%
Effect of exchange rate changes on cash and cash equivalents	(2)	10	N/A
Cash and cash equivalents at the end of the period	2,490	5,500	121%

- Net cash flow generated from operating activities decreased by 29% to Rp 3.5 trillion mainly driven by a decrease in receipts from customers and other operators by 6% and an increase in payments to suppliers by 18%
- Net cash flow used in investing activities decreased by 82% to Rp 2,5 trillion as a result of the Axis transaction completed in the previous year's period and a lower capex spend so far this year compared to previous year.
- Net cash flow used in financing activities was Rp 2.5 trillion which is lower than in the previous quarter due to the higher cash proceeds from the drawdown of a long term loan as well as recognition of a loan from Axiata both related to the Axis acquisition that was completed in the prior quarter.

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Description of Debts

The detail of debts as of 30 June 2014 and 2015 are as follows:

Description	(in Original Amount)		Year of Maturity
	1H 14	1H 15	
USD Loan (mn)	US\$ 72	US\$ 24	Amortizing semi annually, final repayment is in 2015
	US\$ 199	US\$ 178	Amortizing annually, final repayment in 2016
	US\$ 100	US\$ -	Bullet repayment in 2016
	US\$ 850	US\$ 900	Bullet repayment in 2017
	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ 300	US\$ 400	Bullet repayment in 2019
	US\$ 1,571	US\$ 1,552	
IDR Bank Loan (bn)	Rp 1,050	Rp -	Amortizing annually, final repayment is in 2014
	Rp 2,200	Rp 1,200	Amortizing annually, final repayment is in 2015
	Rp 1,000	Rp 900	Amortizing annually, final repayment is in 2016
	Rp 4,650	Rp 4,100	Amortizing annually, final repayment is in 2017
	Rp 2,700	Rp 2,400	Amortizing annually, final repayment is in 2018
	Rp 11,600	Rp 8,600	
Unamortized Loan Issuance Cost (bn)	Rp (43)	Rp (94)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 30,285	Rp. 29,198	

* The USD portion was converted to IDR using closing rate of June 2014 and June 2015. The exchange rate Rupiah against USD as of June 2014 and 2015 were Rp11,969/USD and Rp13,332/USD, respectively.

Gearing Ratios	1H14	1H15	Growth
Debt/Equity	2.3	2.2	(0.1)
Net Debt/Equity	2.1	1.8	(0.3)
Debt/EBITDA	3.5	3.5	0.1
Net Debt/EBITDA	3.2	2.9	(0.3)

During 1H 15, XL made repayment of debts amounting to Rp 1.4 trillion and USD 35 million.

As of 30 June 2015, XL hedged 62% of external USD loans.

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OPERATING MEASURES

	1H14	1H15	Growth
Total O/G Minutes of Usage (billion minutes)	49.1	39.1	-20%
Total Minutes (billion minutes)	98.5	78.5	-20%
Total O/G SMS (billion SMS)	133.9	96.4	-28%
Total data traffic (Petabyte)	51.8	85.7	65%
Total BTS	47,814	54,550	14%
2G	32,635	37,072	14%
3G	15,179	17,246	14%
4G		232	
Number of Employees (permanent & contract with permanent position)	2,243	2,069	-8%
Postpaid users (000)	391	428	10%
Prepaid sim cards (active and grace / million)	62.5	45.6	-27%
Total user base (million)	62.9	46.0	-27%
ARPU blended (Rp 000)	24	30	25%
Postpaid revenue/sub (Rp 000)	117	104	-11%
Prepaid revenue/sim card (Rp 000)	24	29	21%

ACHIEVEMENT

- XL was recently recognized as *"The Fifth Best Managed Company in Indonesia"* by renowned financial magazine, FinanceAsia, in its annual poll of Asia's Best Companies.
- XL won three awards at the 12th edition of the Cellular Media Group's Cellular Awards 2015, *"Best Customer Care Service"*, *"Best Prepaid Product"* and a *"Lifetime Achievement Award"* for recently retired CEO Hasnul Suhaimi.
- XL won *"The Best Champion of Jakarta Service Excellence Award"* in the MarkPlus WOW Service Excellence Awards (WOW South-East Asia) 2015 Cellular Operator Category.

CONSOLIDATED GUIDANCE

2015

Revenue growth	Flat
EBITDA margin	Mid to high 30's
Cash out capex	Around Rp 6.5 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 ("Group"). The Group's mobile subsidiaries and associates operate under the brand name 'Celcom' in Malaysia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia, 'Idea' in India and 'M1' in Singapore.

Date: 14 Aug 2015