

PT XL AXIATA TBK. (XL)

1H 16

Disclaimer

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OVERVIEW

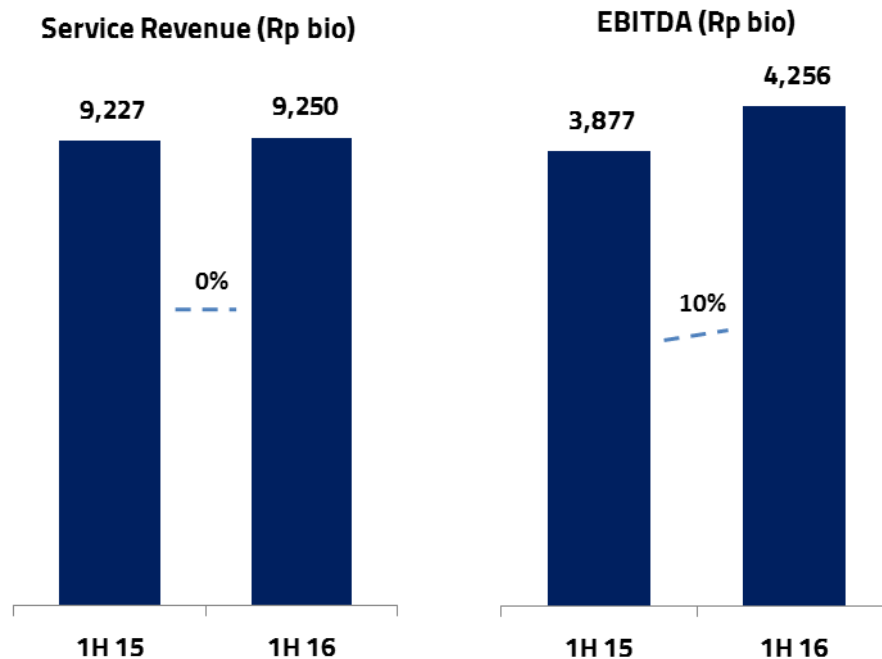
As XL continues to focus on executing its "3R – Revamp, Rise, Reinvent" Transformation Agenda, which is now in year 2, it has endured a financially challenging 1H 16 due to the accelerated shift from Legacy Services to Data.

Service Revenue grew slightly in 1H 16 compared to the same period a year ago due to the strong growth in Data revenue however, this was offset by a decline in revenue from Legacy Services. Overall Gross Revenue is down 2% YoY mainly due to the decrease in Interconnect Revenue as a result of lower traffic.

Positively, EBITDA continues to grow increasing 10% YoY in 1H 16 with margins up 430bps YoY to 39.1% from the same period a year ago. This reflects XL's continued focus on acquiring the higher value subscribers as well as continued cost efficiencies. EBITDA margins added another 40bps in 2Q 16 to 39.3% which means it is the 5th consecutive quarter of EBITDA margin improvement since XL started this transformation process.

XL also remains focused on its vision of becoming the leader in mobile internet in Indonesia with the advent of 4G-LTE. Thus with smartphone subscribers now at 53% of XL's subscriber base and a significant number of 4G-LTE subscribers, it is clear that XL is well on its way to achieving this vision. Underpinned by continuous network roll-out where XL's 5,250 4G sites in 58 cities and areas across Indonesia positions the company strongly to ride the demand for high-speed and reliable internet in Indonesia as one of the leading providers of 4G-LTE services.

In tandem, XL has successfully executed its Balance Sheet Management Initiatives with the completion of both the Rights Issue and the second Tower Sale and Leaseback transaction in 1H 16. This means that XL's leverage position is now back to pre-Axis levels and gives XL the adequate balance sheet strength and flexibility.



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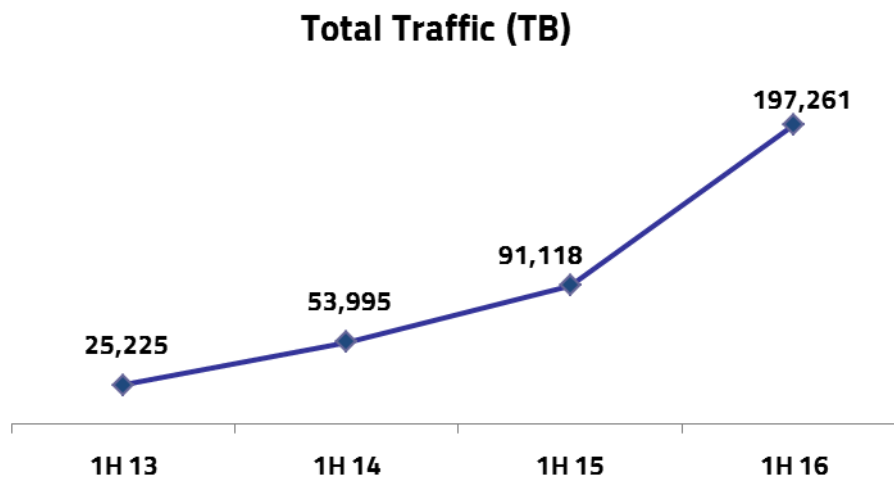
Establishing Mobile Internet Leadership

In year 2 of its “3R – Revamp, Rise & Reinvent” transformation agenda, the focus is on the “Rise” phase - moving the XL brand up the value ladder and via a dual-brand strategy with Axis, to address different customer segments. Establishing XL as the brand of choice for high-value customers who are typically heavy data consumers and require high-speed and reliable internet is one of the key tenets under the “Rise” phase.

As a result of this push and the increasing affordability of smartphone handsets, XL’s smartphone penetration has risen 17 percentage points to 53% compared to the same period in the previous year. This means that XL now has 23.3 million smartphone subscribers at the end of 1H 16, a 43% YoY increase from the same period a year ago.

The growth in smartphone customers is meaningful as the average data consumption of smartphone users has also increased significantly. Contributing to this is the increased sophistication of XL’s smartphone customers and increased usage on XL’s 4G-LTE network since the commercial launch of 4G services in November 2015.

This has driven an increase in total traffic across XL’s networks, which has seen a 116% YoY increase in 1H 16 compared to the same period in the previous year mainly been driven by growth in Data traffic which has risen compared to a decline in traffic from Legacy Services. As of the end of 1H of 2016, XL ended the quarter with 24.0 million Data users or 54% of the total base.



Products and Promotions

During the quarter, XL launched its first Data-led combo package, **Combo Xtra** which is an attractively-priced plan combining a basic internet quota (on 2G/3G/4G) bundled with an “any-net” minutes allocation as well as a bonus 4G quota.

The benefits of the plan are:

- Helps drive 4G adoption as the bonus quota can only be enjoyed on a 4G device
- Gives customers peace of mind with an allocation of “any-net” minutes for Voice calls
- ARPU accretive as the packages with bonus 4G quotas start at Rp59,000

Other products launched during the quarter include:

- **XL Pass** which allows customers to buy a time-based pass in order to use their HotRod or Combo Xtra internet quota while travelling to other countries – targeted at high-end customers who travel frequently.
- **Yonder Music** – as part of XL’s efforts to build a content ecosystem, the **Yonder Music** app is a music streaming service with a music library more geared to local artists.

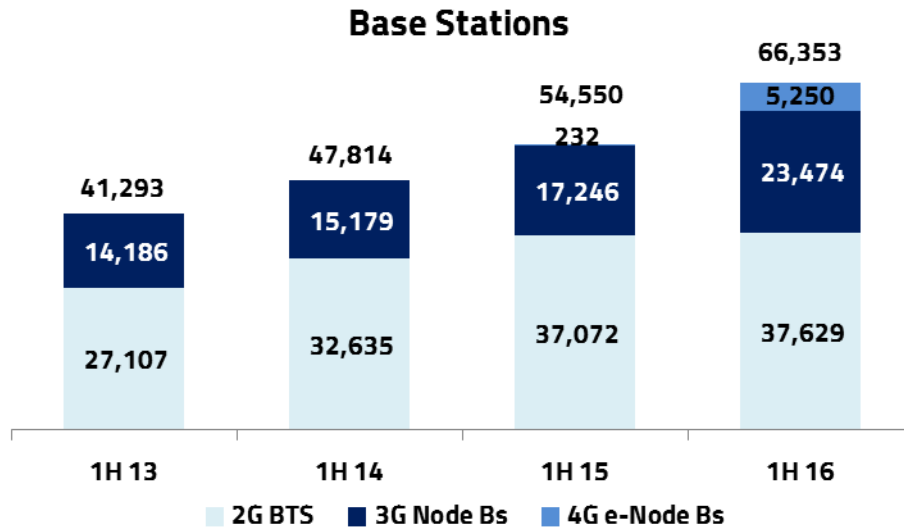
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Infrastructure

Network quality is essential and thus XL continues to ensure top-notch quality of data experience to its customers with continued roll-out and upgrades of its network. Thus, XL's total BTS count is now above 66,000 sites with 3G totaling more than 23,000 sites and 4G now at 5,250 sites across Indonesia.

XL also continues to invest in transmission, backhaul, network modernization and upgrades to support the rising data traffic across its network and to deliver stability, expand network capacity and improve quality of its data services.



A bulk of the capex is focused on 4G and thus XL's 4G-LTE service is now available in 58 cities and areas across Indonesia with 5,250 e-Node Bs to ensure consistent and high quality coverage.

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Digital Initiatives

XL has outlined Digital Initiatives to unleash Indonesia's mobile internet market potential.

Below are some selected activities that were achieved in 1H 16:

- **Digital Entertainment** – In May 2016, XL Axiata in collaboration with Yonder Music has launched music entertainment platform to continue developing ecosystem of 4G LTE services. Yonder is music service that brings music lovers closer to their favorite artist by offering exclusive and personal experiences connecting fans to the artist. Through this service, subscribers can download songs, playing it offline and share it to other users. Yonder is exclusively available for XL and Axis subscribers.
- **XL Cloud** – At the end of 2Q 16, XL Cloud serves 290 customers in which more than 30% of them are big corporate customers including banking.
- **Internet of Things (XL IoT)** - By the end of first half 2016, XL IoT has more than 376K registered connection. This is an increment of 4% compared to the number by the end of 1st quarter 2016.
- **elevenia** – By the end of 1H 16, the number of sellers on elevenia has increased 32% compared to the end of 2015 taking it to 40,000 sellers with a total of 42m number of visits.
- **XL Tunai** – XL's electronic money service has increased its subscribers to 1.8m and its number of merchants increased to 205. XL supported the launching of Greenback 2.0 project in Lombok, which aims at increasing efficiency in international remittance market through innovative approaches.
- **Sisternet** – Still at early stage of development, and now has 8,300 unique users with 17% registered users. Sisternet can be accessed through IOS apps, Android apps, and web browser. Sisternet has engaged with several communities and 7 corporate partnerships

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FINANCIAL MEASURES

Income Statement

Financial Statement (in Rp Billion)	1H15	1H16	Growth
Gross Revenue			
Service Revenue	9,227	9,250	0%
Others*	1,389	1,032	-26%
Cellular Telecommunication Service	10,617	10,282	-3%
Other Telecommunications Services	514	605	18%
Gross Revenues	11,131	10,887	-2%
Less: Discount	(39)	(33)	-15%
Gross Revenue Net of Discount	11,091	10,854	-2%
Interconnection and other direct expenses	1,230	822	-33%
Salaries & Employee Benefits (Permanent & Temporary)	528	607	15%
Sales and Marketing Expense	485	601	24%
Infrastructure Expenses	4,613	4,315	-6%
Supplies and Overhead expenses	359	252	-30%
Total OPEX	7,215	6,597	-9%
EBITDA	3,877	4,256	10%
EBITDA Margin	35%	39%	4%
Depreciation & Amortization	3,573	3,961	11%
EBIT	304	296	-3%
Other Expenses			
Finance income/(cost) - net	(625)	(934)	49%
Forex gain/(loss) - net**	(1,227)	411	N/A
Share of results from jointly controlled entity	(40)	(108)	168%
Others	340	551	62%
Total Other Income/(Expenses)	(1,553)	(80)	-95%
Income (Loss) before income tax	(1,249)	215	N/A
Income Tax (Expense) Benefit	398	9	-98%
Profit (Loss) for the period	(851)	225	N/A
Earnings (Loss) Per Share (full amount) (Rp)	(100)	21	N/A

Normalized Profit (Loss) (In Rp Billion)	1H15	1H16	Growth
Profit (Loss) for the year	(851)	225	N/A
Unrealized forex (gain)/loss	1,171	(295)	-125%
Accelerated depreciation	76	372	389%
Gain/(Loss) from Capital Lease	-	(484)	N/A
Severance Payment	-	46	N/A
Tax Impact	(312)	(31)	-90%
Normalized Profit (Loss) for the year	84	(168)	-300%
Normalized Earnings (Loss) Per Share (full amount) (Rp)	10	(16)	-260%

*Others mainly comprises Cellular Interconnect and International Roaming Services

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

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Operational Results

In 1H 16, XL recorded gross revenue of Rp 10.9 trillion, a decrease of 2% YoY.

- Cellular Telecommunication Service revenues decreased by 3% YoY to Rp 10.3 trillion and contributed 94% to total revenue. Service Revenue grew from Rp 9.2 trillion to Rp 9.3 trillion as growth in Data service revenue was offset by decline in Legacy Services revenue. Revenue from Others declined by 26% to Rp 1.0 trillion mainly due to lower interconnect revenue which is due to lower off-net traffic.
- Other telecommunications services revenue, which comprises mainly of leased towers, leased lines and national roaming, increased by 18% to Rp 605 billion mainly driven by higher tower leasing revenue. Other telecommunications services revenue contributed 6% to total revenue during the year.

Operating Expenses

Total operating expenses decreased by 9% YoY to Rp 6.6 trillion.

- Interconnection and other direct expenses decreased by 33% YoY. This was mainly due to lower interconnect costs (for both voice and SMS) as a result of lower off-net traffic as well as from a renegotiation of fees under a contract with Research in Motion (RIM).
- Salary and Employee Benefits increased by 15% YoY. The increase was mainly due to a one-off reduction of around 100 staff in 1H 16 and accruals for the new LTI (2016-2020) program.
- Sales and Marketing expenses increased by 24% YoY. The higher sales and marketing expenses is due to lower expenses in 1Q 15 prior to the implementation of the transformation agenda and higher expenses in 1H 16 due to focus on LTE and postpaid campaigns and dual-brand strategy in-line with the "Rise" phase initiatives.
- Infrastructure expenses decreased by 6% YoY. This is mainly due to lower tower rental costs as XL has renewed some of its tower lease contracts that have come up for renewal.

EBITDA

In 1H 16, EBITDA increased 10% YoY to Rp 4.3 trillion and also resulting in a higher EBITDA margin of 39.1% up 410 basis points YoY. The increase was mainly due to a reshape of the customer base to focus on the more profitable subscribers as well as product pricing optimization. Further, efforts on cost controls also contributed to the improvement in EBITDA margins.

Depreciation and Amortization Expenses

Depreciation and amortization expenses grew by 11% YoY driven by the expanded network infrastructure but also due to an accelerated depreciation charge taken during this current quarter.

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Other Expenses/Income

Other expenses declined 95% YoY to Rp 80 billion as of 1H 16, due to XL recording a gain on sale from the tower sale and leaseback transaction of Rp 484 bio and a forex gain of Rp 411 billion in 1H 16 as opposed to a forex loss of Rp 1,227 billion a year ago.

Profit (Loss) for the period

In 1H 16, XL recognized a Rp 225 billion net profit compared to a Rp 851 billion net loss a year ago.

Balance Sheet

Balance Sheet (In Rp Billion)	1H15	1H16	Growth
Current Assets			
Cash and cash equivalents	5,500	6,217	13%
Others	6,914	4,539	-34%
Total Current Assets	12,415	10,756	-13%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	34,593	32,983	-5%
Intangible asset	6,460	6,205	-4%
Goodwill	6,681	6,681	0%
Others	2,258	2,149	-5%
Total Non-Current Assets	49,992	48,018	-4%
Total Assets	62,407	58,774	-6%
Current Liabilities			
Current maturity of long term loans and bonds	4,042	5,560	38%
Others	11,908	11,285	-5%
Total Current liabilities	15,950	16,844	6%
Non-Current Liabilities			
Long term loans and bonds	18,491	12,329	-33%
Shareholder loan	6,666	-	-100%
Others	8,058	8,583	7%
Total Non-Current Liabilities	33,215	20,912	-37%
Total Liabilities	49,165	37,756	-23%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,480	13,197	104%
Retained earnings	6,761	7,821	16%
Total Equity	13,242	21,018	59%
Total Liabilities and Equity	62,407	58,774	-6%

In 1H 16, total assets reached Rp 58.8 trillion, 6% lower compared to the previous year due to a decrease in other current assets relating to the sale and leaseback of towers to Protelindo.

- Current assets was down 13% in 1H16 compared to the end of 1H 15 mainly due to a 34% decrease in other assets which was due the sale and leaseback of towers to Protelindo.
- Non-current assets decreased by 4% YoY mainly due to the lower fixed assets position which was 5% lower than in 1H15. This is due to the sale and leaseback transaction with Protelindo as well the accelerated depreciation during the quarter.

Total liabilities decreased by 23% YoY as a result of the repayments of loans including the repayment of the shareholder's loan from Axiata.

- Current liabilities increased 6% compared to 1H 15 due to the maturity profile of XL's loans.

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- Non-current liabilities decreased by 37% due to the repayment of the shareholder loan from Axiata as well as a 33% decrease in long-term loans and bonds outstanding as loans were repaid in 2H 15 as well as the maturity profile.

Capital Expenditure

Capital Expenditure (In Rp Billion)	1H15	1H16	Growth
Capitalized capex	2,890	2,263	-22%
Paid capex	2,282	1,870	-18%
Commitments entered into*	1,752	2,870	64%

* The USD portion was converted to IDR using closing rate of June 2015 and 2016. The Rupiah exchange rate against the USD as of June 2015 and 2016 were Rp13,332/USD and Rp13,180 /USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	1H15	1H16	Growth
Net cash flow generated from operating activities	3,532	4,469	27%
Net cash flow used in investing activities	(2,509)	(273)	-89%
Free cash flow	1,023	4,196	310%
Net cash flow used in financing activities	(2,484)	(1,234)	-50%
Net increase/(decrease) in cash and cash equivalents	(1,461)	2,962	N/A
Cash and cash equivalents at the beginning of the period	6,951	3,312	-52%
Effect of exchange rate changes on cash and cash equivalents	10	(57)	-644%
Cash and cash equivalents at the end of the period	5,500	6,217	13%

- Net cash flow generated from operating activities increased by 27% to Rp 4.5 trillion due to a 3% increase in cash receipts from customers and a decrease in cash payments to suppliers by 19%.
- Net cash flow used in investing activities decreased by 89% to Rp 273 billion as a result of lower capex payments compared to 1H 15 and the proceeds from the sale and leaseback transaction.
- Net cash flow used in financing activities was Rp 1.2 trillion a 50% decrease from 1H 15 due to the proceeds of the rights issue and tower sale.

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Description of Debts

The detail of debts as of 30 June 2015 and 2016 are as follows:

Description	(in Original Amount)		Year of Maturity
	1H 15	1H 16	
USD Loan (mn)	US\$ 24	US\$ -	Amortizing semi annually, final repayment is in 2015
	US\$ 178	US\$ -	Amortizing annually, final repayment in 2016
	US\$ 900	US\$ -	Bullet repayment in 2017
	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ 400	US\$ 300	Bullet repayment in 2019
	US\$ 1,552	US\$ 350	
IDR Bank Loan (bn)	Rp 1,200	Rp -	Amortizing annually, final repayment is in 2015
	Rp 900	Rp 800	Amortizing annually, final repayment is in 2016
	Rp 4,100	Rp 3,425	Amortizing annually, final repayment is in 2017
	Rp 2,400	Rp 1,950	Amortizing annually, final repayment is in 2018
	Rp -	Rp 5,650	Amortizing annually, final repayment is in 2020
	Rp 8,600	Rp 11,825	
IDR Sukuk (bn)	Rp -	Rp 494	Series A - Due in 2016
	Rp -	Rp 258	Series B - Due in 2018
	Rp -	Rp 323	Series C - Due in 2020
	Rp -	Rp 425	Series D - Due in 2022
	Rp 0	Rp 1,500	
Unamortized Loan Issuance Cost (bn)	Rp (94)	Rp (49)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 29,198	Rp 17,888	

* The USD portion was converted to IDR using closing rate of June 2015 and 2016. The Rupiah exchange rate against the USD as of June 2015 and 2016 were Rp13,332/USD and Rp13,180/USD, respectively.

Gearing Ratios (x)	1H15	1H16	Growth
Debt/Equity	2.2	0.9	(1.4)
Net Debt/Equity	1.8	0.6	(1.2)
Debt/EBITDA	3.5	2.0	(1.5)
Net Debt/EBITDA	2.9	1.3	(1.5)

During 1H 16, XL made repayment of debts amounting to Rp 750 billion and USD 588 million.

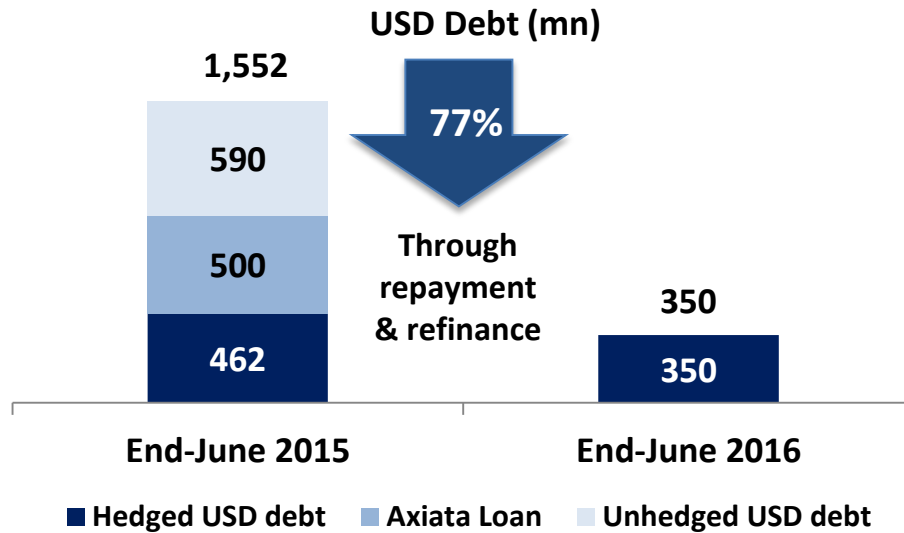
As of 30 June 2016, all of XL's external USD loans are fully hedged until maturity.

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Balance Sheet Management Updates

As part of the proactive Balance Sheet Management initiatives to reduce the forex exposure and volatility, XL has significantly reduced its USD exposure via repayment & refinance of all unhedged external USD debt. Thus all of XL's remaining outstanding external USD debt is fully hedged until maturity.



At the end of the quarter, XL had received the proceeds from its right issue and fully repaid the US\$500m shareholder loan from Axiata thereby fully eliminating its unhedged USD exposure. XL also received the proceeds from the sale and leaseback of towers to Protelindo amounting to Rp 3.6 trillion which will be used to repay IDR debt.

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OPERATING MEASURES

	1H15	1H16	Growth
Total Traffic (Petabyte)	89.0	192.6	116%
Total BTS	54,550	66,353	22%
2G	37,072	37,629	2%
3G	17,246	23,474	36%
4G	232	5,250	2163%
Number of Employees (permanent & contract with permanent position)	2,069	1,978	-4%
Postpaid users (000)	428	490	14%
Prepaid sim cards (active and grace / million)	45.6	43.5	-5%
Total user base (million)	46.0	44.0	-4%
ARPU blended (Rp 000)	30	37	23%
Postpaid revenue/sub (Rp 000)	104	108	4%
Prepaid revenue/sim card (Rp 000)	29	36	24%

ACHIEVEMENT

- XL was recognized as *"The Fifth Best Managed Company in Indonesia"* by renowned financial magazine, FinanceAsia, in its annual poll of Asia's Best Companies.
- XL received the *"Indonesia's Most Trusted Company"* award in the Indonesian Good Corporate Governance Awards and Conference 2015.
- XL won the *"Best Data Plan"* for its high-speed 4G-LTE internet packages at the Indonesian Cellular Awards 2016.
- XL IOT received the *"Best M2M Services"* award while Chief Service Management Officer, Yessie D. Yosetya received the *"Excellence in Performance"* award at the 13th Annual Cellular Awards 2016 held by the Cellular Media Group in Indonesia.

CONSOLIDATED GUIDANCE

2016

Revenue growth (revised)	Challenging
EBITDA margin	High 30's
EBITDA growth	Better than revenue growth
Cash out capex	Not exceeding Rp 7.0 trillion

ABOUT XL

PT XL Axiata Tbk. is one of the major cellular providers in Indonesia. PT XL Axiata Tbk. is (66.4%) owned by Axiata Group Berhad ("Axiata" or "the Group") through Axiata Investments (Indonesia) Sdn Bhd and public (33.6%), and is part of Axiata. 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, 'Ncell' in Nepal, 'Idea' in India and 'M1' in Singapore.

Date: 23 August 2016