



# PT XL AXIATA TBK. (XL) 1Q 13

## 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.

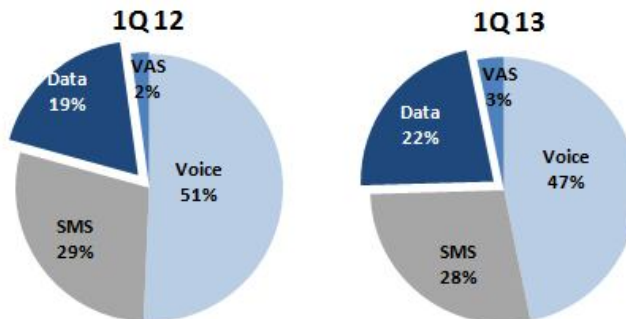
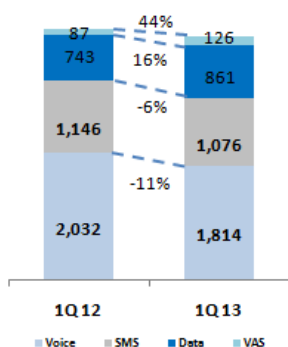
## OVERVIEW

The tactical strategy to improve XL's positioning which started in the 4Q 12 has continued into 1Q 13 with further encouraging results of underlying operational improvements and traction in the market.

Despite the changes in industry dynamics and competition, 1Q 13 saw XL achieving YoY revenue growth of 2% which was driven mainly by growth in Data services. With an aim to improve XL's positioning amongst customers, price changes were made beginning in the 4Q 12 price and continued in the first half of 1Q 13 while in the second half of quarter we have started to bring price points up again gradually, which we anticipate will continue to be done in the second quarter. As such whilst, operational metrics of subscribers and traffic have recorded improved momentum, the price changes have had impact to the revenue base. This tactical approach is aimed at improving XL's positioning and with the continued traction, revenue improvements will follow.

As such, compared to the corresponding period a year ago, Data grew by 16% while Voice and SMS declined by 11% and 6% respectively. With the continued growth in Data, non-voice revenue now contributes 53% of XL's total usage revenue.

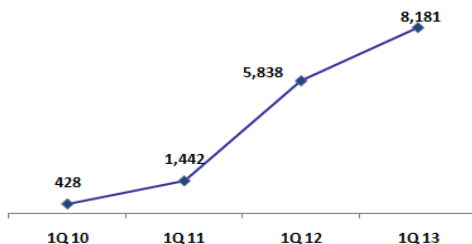
Usage revenue YoY (Rp Bn)



## Data and VAS Business

- Data remains the key engine of growth as the adoption of data continues to be strong amongst Indonesians. Data traffic grew 40% compared to 1Q 12 with data subscribers reached 29.1 million subscribers or close to 60% 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%.

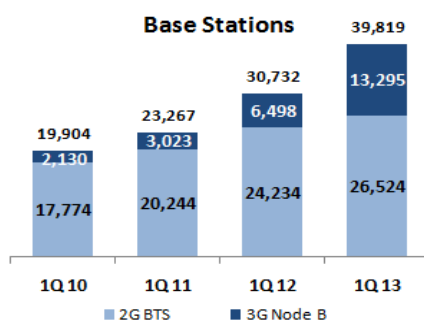
Total Data Traffic (TB)





- With an aim to improve affordability of data and appeal to new or incidental data users, XL launched starter pack “**XL BEBAS**” which offers 150MB/month with monthly cost of Rp. 5000/month for 6 months active period.
- Continuing “XL home for Android” campaign in 2012, XL established **XL Rally Android Hotrod 3G+** in Medan and Surabaya. This program strengthened XL’s position as a strong Data provider through Hotrod3G+ by providing a fast and stable experience.
- XL is the first operator to launch the newest mobile advertising service that can be used by marketers to send commercial messages to XL subscriber on a localised basis, called **Location Based Advertising (LBA)**. Through LBA, marketers are able to interact directly with their target market in a certain location and time in all areas of Indonesia.
- Integrating with social networking, XL launched “my**XL** store” that combines network data with Facebook, where XL subscribers (also FB users) are able to access XL information currently used (subscriber profile such as XL number, active internet package, remaining balance, etc), and also purchase other available XL’s services.
- XL collaborated with **KakaoTalk** in providing data packages, where XL users are able to use KakaoTalk with affordable tariff. Users are able to buy emoticons, themes and stickers using their balance.
- BlackBerry XL users are now able to enjoy their favorite songs by downloading “**Xlalu Musik**” in BlackBerry App World with access to affordable quality music.

## Infrastructure



- Continued focus on data execution saw 13,295 Nodes Bs were installed as at 1Q 13, a 105% increase from a year ago. This brings total number of 2G and 3G BTS to 39,819 BTS.
- With the accelerated rollout of Node Bs and investment in data infrastructure peaked in 2012, this year will see XL focus on capacity management and efforts to further increase network utilisation. Investments will be further prioritised to enhance service experience in data potential areas.
- XL remains as flexible as before in carefully executing investments, in line with the potential data demand in the Indonesian market.



### **Voice and SMS Business**

- Following the efforts to win back customers and improve its positioning with competitive offers, XL has continued its attractive XLKU, Paket Serbu. This has resulted in continued momentum in stimulating subscribers usage with further quarterly growth of minutes and SMS at 8% and 23 % QoQ respectively.
- Overall annual growth of SMS usage has been impacted by the introduction of SMS interconnection in June. Differentiated price between on-net and off-net has resulted in decline in total outgoing SMS by 24% YoY.
- Efforts to improve positioning saw a tactical decision to adjust prices which led to revenue pressure. Nevertheless, as usage momentum continues, the lagging effect of revenue will improve over time.

### **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 their daily lifestyle. To cater for such needs, XL remains innovative in developing digital services in the areas of mobile finance, commerce and M2M.

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

- M-finance: XL Tunai expands the benefit for XL subscriber, not only for money remittance and online payment, XL Tunai can be used for online shopping (e.g. multiply.com, blibli.com, alphaonline.com), payment to PLN, purchase airline ticket (Garuda and Lion Air), First Media payment, and m-Insurance for Cigna Insurance
- M-Ads: XL launched "Location Based Advertising" in Indonesia. The technology is used to pinpoint consumers location and provide location-specific advertisements on their mobile devices.



## FINANCIAL MEASURES

### Income Statement (Audited)

Financial Statement (in Rp Billion)	1Q12	1Q13	Growth
<b>Gross Revenue</b>			
Voice	2,032	1,814	-11%
SMS	1,146	1,076	-6%
Data and VAS*	831	987	19%
Cellular Interconnection and International Roaming Service	426	749	76%
Others	55	62	13%
<b>Cellular Telecommunication Service</b>	<b>4,489</b>	<b>4,687</b>	<b>4%</b>
<b>Other Telecommunications Services</b>	<b>436</b>	<b>360</b>	<b>-18%</b>
<b>Gross Revenues</b>	<b>4,925</b>	<b>5,047</b>	<b>2%</b>
Less: Discount	(59)	(25)	-58%
<b>Gross Revenue Net of Discount</b>	<b>4,866</b>	<b>5,022</b>	<b>3%</b>
Interconnection and other direct expenses	539	942	75%
Salaries & Employee Benefits (Permanent & Temporary) **	256	235	-8%
Sales and Marketing Expense	290	326	12%
Infrastructure Expenses	1,216	1,366	12%
Supplies and Overhead expenses	172	127	-26%
<b>Total OPEX</b>	<b>2,474</b>	<b>2,996</b>	<b>21%</b>
<b>EBITDA</b>	<b>2,391</b>	<b>2,025</b>	<b>-15%</b>
<b>EBITDA Margin</b>	<b>49%</b>	<b>40%</b>	<b>-8%</b>
Depreciation & Amortization	1,213	1,326	9%
<b>EBIT</b>	<b>1,178</b>	<b>699</b>	<b>-41%</b>
Other Expenses			
Finance cost - net	(163)	(205)	26%
Forex loss - net	(74)	(26)	-65%
Others	(23)	(24)	4%
<b>Total Other Expenses</b>	<b>(260)</b>	<b>(255)</b>	<b>-2%</b>
<b>Income before income tax</b>	<b>918</b>	<b>443</b>	<b>-52%</b>
Income Tax Expense	(251)	(128)	-49%
<b>Profit for the period</b>	<b>667</b>	<b>316</b>	<b>-53%</b>
<b>Earnings Per Share (full amount)</b>	<b>78</b>	<b>37</b>	<b>-53%</b>

Normalized Profit (In Rp Billion)	1Q12	1Q13	Growth
Profit for the period	667	316	-53%
Unrealized forex (gain)/loss	64	33	-49%
Accelerated depreciation in Sumatera	39	-	-100%
Tax Impact	(26)	(8)	-68%
<b>Normalized Profit for the period</b>	<b>745</b>	<b>340</b>	<b>-54%</b>
<b>Normalized Earnings Per Share (full amount)</b>	<b>87</b>	<b>40</b>	<b>-54%</b>

\* Net VAS revenue

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



## Operational Results

XL recorded gross revenue of Rp5.0 trillion, a 2% YoY increase.

- Cellular Telecommunication Service revenues increased by 4% to Rp4.7 trillion and contributed 93% to total revenue. Voice revenue declined by 11% to Rp1.8 trillion with outgoing minutes decreased by 14% YoY. SMS revenue decreased by 6% whilst Revenue from Data and Value Added Services (VAS) was up by 19% and contributed 25% to total usage revenues. Data alone showed a robust growth of 16% driven by increased adoption of data and supported by our investment in data infrastructure.
- 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 Rp0.4 trillion, mainly due to termination of agreement with Axis in August 2012. Other telecommunications services revenue contributed 7% to total revenue.

## Operating Expenses

Total operating expenses increased by 21% YoY to Rp3.0 trillion.

- Interconnection and other direct expenses increased by 75% YoY.  
This increase was mainly due to recognition of SMS interconnect costs with the introduction of SMS interconnection that started in June 2012.
- Salaries and Employee Benefits decreased by 8% YoY.  
The decrease in salaries and employee benefits was partly due to the transfer of employees in April 2012 to Huawei related to the Managed Service agreement.
- Sales and Marketing expenses increased by 12% YoY.  
The increase was mainly due to higher advertising and promotion with new offerings introduced in 1Q 13.
- Infrastructure expenses increased by 12% YoY.  
The increase was in line with our expansion in 3G network coverage to support data business with increase in rental sites and towers, partially offset by decrease in Utilities expense that was transferred to Huawei under the Managed Services since April 2012. In addition Managed Service fee was recognised from 2Q12 onwards.
- Supplies and Overhead expenses decreased by 26% YoY.  
The decrease was mainly due to decrease in G&A expense and utilities&power – non network

## EBITDA

EBITDA decreased by 15% YoY to Rp2.0 trillion in 1Q 13 and EBITDA margin was down by 8 percentage points to 40%. This was partly due to the introduction of SMS interconnect and also reflects the changes in our business model with the expansion of the data infrastructure on a lease model thus impacting network costs as we continue to roll out. In addition further impact on revenue from price adjustments to improve positioning. Changes in revenue mix will further add to the changes in EBITDA margin moving forward. Excluding the impact of SMS interconnection, EBITDA margin was at 44%.



### Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 9% YoY due to increased investment in data to support the business strategy to capture growth in data.

### Other (Expenses)/Income

Other expenses in 1Q 13 decreased 2% to Rp255 billion, due to:

- Forex gain in 1Q 13 of Rp6.4 billion compared to a loss of Rp10 billion from a year ago.
- Unrealized forex loss in 1Q 13 decreased by 49% compared to 1Q 12.
- Higher interest expense due to additional debt in 1Q 13.

### Profit for the period

Profit for the period for 1Q13 amounted to Rp316 billion. Normalized profit for the period excluding the impact of unrealized forex transactions, and accelerated depreciation recorded at Rp340 billion.

### Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	1Q12	1Q13	Growth
<b>Current Assets</b>			
Cash and cash equivalents	1,886	517	-73%
Others	2,797	3,860	38%
<b>Total Current Assets</b>	<b>4,683</b>	<b>4,377</b>	<b>-7%</b>
<b>Non-Current Assets</b>	<b>29,136</b>	<b>32,714</b>	<b>12%</b>
<b>Total Assets</b>	<b>33,819</b>	<b>37,091</b>	<b>10%</b>
<b>Current Liabilities</b>			
Current maturity of long term loans and bonds	3,837	4,183	9%
Others	7,193	4,527	-37%
<b>Total Current liabilities</b>	<b>11,031</b>	<b>8,710</b>	<b>-21%</b>
<b>Non-Current Liabilities</b>			
Long term loans and bonds	7,622	10,477	37%
Others *	1,940	2,278	17%
<b>Total Non-Current Liabilities</b>	<b>9,562</b>	<b>12,755</b>	<b>33%</b>
<b>Total Liabilities</b>	<b>20,593</b>	<b>21,465</b>	<b>4%</b>
<b>Equity attributable to owners of the parent entity</b>			
Share capital & additional paid-in capital	6,282	6,313	1%
Retained earnings *	6,944	9,313	34%
<b>Total Equity</b>	<b>13,226</b>	<b>15,626</b>	<b>18%</b>
<b>Total Liabilities and Equity</b>	<b>33,819</b>	<b>37,091</b>	<b>10%</b>

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

In 1Q 13, total assets increased by 10% to Rp37.1 trillion, due to higher investment in network equipment, 3G access and transmission to support the data business.

- Current assets decreased by 7% YoY mainly due to decrease in cash and cash equivalent by 73% and partially offset by higher advances and other prepayments of 38%.
- Total liabilities increased by 4% YoY mainly due to increase in borrowings of 28% from Rp11.5 trillion to Rp14.7 trillion.



## Capital Expenditure

Capital Expenditure (In Rp Billion)	1Q12	1Q13	Growth
Capitalized capex	2,528	1,791	-29%
Paid capex	2,037	1,982	-3%
Commitments entered into*	3,078	296	-90%

\* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 31 March 2012 and 2013. The exchange rate Rupiah against USD as of 31 March 2012 and 2013 were Rp9,180/USD and Rp9,719/USD, respectively.

## Cash Flow

Cash Flow (In Rp Billion)	1Q12	1Q13	Growth
Net cash flow generated from operating activities	2,428	1,268	-48%
Net cash flow used in investing activities	(2,089)	(2,466)	18%
<b>Free cash flow</b>	<b>339</b>	<b>(1,197)</b>	<b>N/A</b>
Net cash flow generated from financing activities	549	922	68%
Net increase/(decrease) in cash and cash equivalents	888	(276)	N/A
<b>Cash and cash equivalents at the beginning of the period</b>	<b>998</b>	<b>792</b>	<b>-21%</b>
Effect of exchange rate changes on cash and cash equivalents	0	1	N/A
<b>Cash and cash equivalents at the end of the period</b>	<b>1,886</b>	<b>517</b>	<b>-73%</b>

- Net cash flow generated from operating activities decreased by 48% to Rp1.3 trillion due to decrease in receipt from customers and other operators by 6% and increase in payments to supplier and other expenses by 36%.
- Net cash flow used in investing activities increased by 18% due to Payment of Upfront 3G for the new 5 MHz block spectrum in 2100 MHz.
- Net cash flow generated from financing activities was at Rp922 billion due to higher cash proceeds from long term loan, related to new bank loan in 2013 of Rp1.6 trillion.



## Description of Debts

The detail of debts as of 31 March 2012 and 2013 are as follows:

Description	(in Original Amount)		Year of Maturity
	1Q 12	1Q 13	
USD Loan (mn)	US\$ 178	US\$ 129	Amortizing semi annually, final repayment is in 2015
	US\$ 132	US\$ 44	2013
	US\$ -	US\$ 110	Amortizing annually, final repayment is in 2016
	<b>US\$ 309</b>	<b>US\$ 283</b>	
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 1,800	Rp 2,600	Amortizing annually, final repayment is in 2015
	Rp 1,100	Rp 5,500	Amortizing annually, final repayment is in 2017
	Rp -	Rp 500	Amortizing annually, final repayment is in 2018
IDR Bond (bn)	Rp 1,500	Rp -	Paid
	<b>Rp 8,650</b>	<b>Rp 11,950</b>	
Unamortized Loan Issuance Cost (bn)	<b>Rp (30)</b>	<b>Rp (43)</b>	
<b>TOTAL INTEREST BEARING DEBT (in Rp. bn)*</b>	<b>Rp 11,459</b>	<b>Rp 14,660</b>	

\* The USD portion was converted to IDR using closing rate 31 March 2012 and 2013. The exchange rate Rupiah against USD as of 31 March 2012 and 2013 were Rp9,180/USD and Rp9,719/USD, respectively.

Gearing Ratios	1Q12	1Q13
Debt/Equity	0.9 x	0.9 x
Net Debt/Equity	0.7 x	0.9 x
Debt/EBITDA	1.2 x	1.6 x
Net Debt/EBITDA	1.0 x	1.5 x

During 1Q 13, XL signed new IDR loan agreements with Bank Mandiri in January 2013 amounted Rp500 billion and Rp2.5 trillion. The Rp500 billion facility has been fully drawdown as of 31 March 2013. XL also signed new USD loan agreement with BTMU in March 2013. The USD loan facility has been fully drawdown which amounted to USD 110 million.

As of 31 March 2013, XL had hedged about 88% of USD debt.





## OPERATING MEASURES

	1Q12	1Q13	Growth
Total O/G Minutes of Usage (billion minutes)	30.6	26.4	-14%
Total Minutes (billion minutes)	61.3	52.9	-14%
Total O/G SMS (billion SMS)	77.6	59.4	-24%
Total data traffic (Petabyte)	5.7	8.0	40%
Total BTS	30,732	39,819	30%
2G	24,234	26,524	9%
3G	6,498	13,295	105%
Number of Employees (permanent & contract with permanent position)	2,458	1,978	-20%
Postpaid users (000)	313	354	13%
Prepaid sim cards (active and grace / million)	46.1	48.7	6%
Total user base (million)	46.4	49.1	6%
ARPU blended (Rp 000)	29	27	-7%
Postpaid revenue/sub (Rp 000)	155	127	-18%
Prepaid revenue/sim card (Rp 000)	28	27	-4%

## RECENT DEVELOPMENT

- XL was awarded the third carrier for 3G of 5 MHz in the 2100 MHz spectrum which is strategic and puts XL in a strong position in long run for Data business.
- AGMS 2013 held on 11 April 2013 approved to increase the dividend payment to 40% of 2012 normalized profit.

## Achievements

- XL was awarded in Selular Award 2013 for "Most Innovative Program (Paket Serbu), Best Data Services, and CEO of The Year 2012" for CEO XL Hasnul Suhaimi.
- In annual event of Euromoney Best Managed Companies in Asia 2013, XL was awarded as "Best Managed Company in Indonesia".
- XL was awarded as "Excellent Service Experience Award (ESEA) 2013" in cellular operator category by Carre Center for Customer Satisfaction and Loyalty (CCSL) and Bisnis Indonesia.
- XL received two awards in Indonesia Brand Champion Award 2013 – Silver Brand Champion of Most Widely Used Brand, for Telecommunication & ICT Gadget category Mobile GSM Internet Provider and GSM Operator, held by MarkPlus Insight.
- XL was awarded as "Best Operator in Emerging Market" in the 16th TelecomAsia Awards

## GUIDANCE

2013

Revenue growth	In line or better than market
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 May 2013