

PT XL AXIATA TBK. (XL)

1Q 17

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OVERVIEW

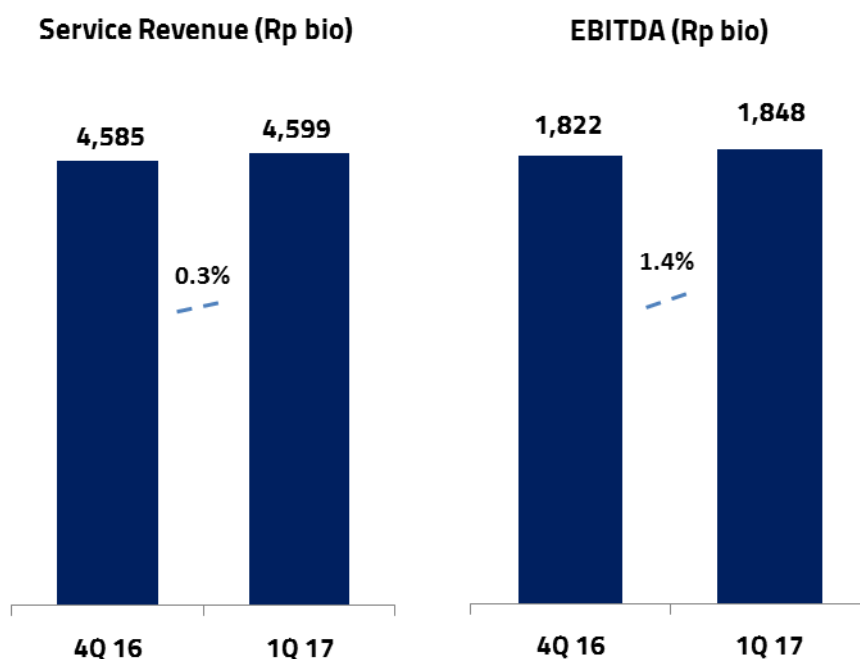
XL saw a strong start to 2017 building on the Transformation Agenda that aims to position the company as a Data-centric business. For the first time since 2014, XL managed to see sequential revenue and EBITDA growth in a Q1 which is a seasonally weaker quarter as evidenced by the decline in sequential growth numbers released by XL's competitors. This is due to XL's singular focus in building a Data-led business in 2016 whereby the sequential growth this quarter was driven by strong Data revenue growth. This indicates that XL has reached the tipping point in Data Revenue growth outpacing the Legacy Revenue decline well ahead of its peers as Data revenue now constitutes the majority of XL's service revenues.

Data consumption across XL's network continues to grow as smartphone penetration increases adding another 2 percentage points since the end of 2016 to 65% this quarter as XL continues to capture Data savvy smartphone customers. Data consumption has also been rising steadily with XL's Traffic exhibiting rapid growth and accelerating consumption per sub helped by XL's innovative Data-led product offers. More importantly, XL's has further stepped up efforts to better monetize Data by reducing bonus quotas without sacrificing appeal through attractive value propositions which in turn will further drive positive Data revenue growth.

XL's sustained network investments to capture the Data opportunity in 2016 has continued in 2017 which continues to gain positive recognition from customers. Thus, XL's 4G network now covers 181 cities and areas across Indonesia with over 10,300 4G BTS in addition to more than 39,000 3G BTS. The 3G U900 roll-out which has been carried out since the 2H of last year has contributed to improving traffic and revenue trends in the ex-Java region.

In 1Q 17, XL's Service Revenue grew sequentially 0.3% QoQ fuelled by growth in Data revenue which increased 8.9% QoQ. Data now accounts for the majority or 63% of service revenue compared to 41% in the same quarter a year ago. EBITDA grew sequentially as well, rising 1.4% QoQ driven by the improvement in revenues and focus on cost efficiencies.

Following the successful completion of the Balance Sheet Management Initiatives in 2016, XL's balance sheet remains strong with a net debt to EBITDA at 1.7x and the company remains free-cash flow positive.



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Transformation Yielding Results, Addressing Challenges

XL's Transformation Agenda which was implemented in 2015 had aimed to position the company as a Data-centric business in order to build a more profitable and sustainable business model. Operating metrics have been positive over the past two years as XL has been seeing explosive growth in Data revenue and traffic as well as a meaningful increase in smartphone customers since 2015. However, in this quarter, XL is also seeing the benefits from an improved financial performance having reached the tipping point where Data Revenue growth is able to offset the stabilizing decline in Legacy Services.

XL has effectively addressed the earlier challenges on distribution whereby on the traditional distribution front, various measures were implemented to ensure effectiveness of XL's distribution strategy as well as to remain competitive by spending on advocacy and availability of XL product. These measures have been fairly successful with these channels now performing well and XL continues to monitor the effectiveness of these channels going forward. Modern distribution continues to progress well and XL remains committed to building out more modern channels for distribution to cater for customer needs.

The implementation of the dual-brand strategy has seen positive traction with the perception of both brands showing improvement. Thus XL is gaining share as the brand of choice for edgy professionals amongst both blue and white collar workers while AXIS is resonating well in the youth segment as a playful brand. Both brands continue to grow in their respective market segments with the differentiated value proposition addressing the different needs of the various customer segments.

Finally, new products continue to grow with the revamp of Postpaid as well as XL's Mobile Broadband (MBB) offering have seen continued good traction. XL Prioritas, as XL's rebranded postpaid offering, continues to see rising sub numbers as well as ARPU while XL's Home and Go offering are seeing increased customer demand as a solution to Indonesia's low fixed broadband penetration.

Rapidly rising Data consumption and Smartphone Penetration

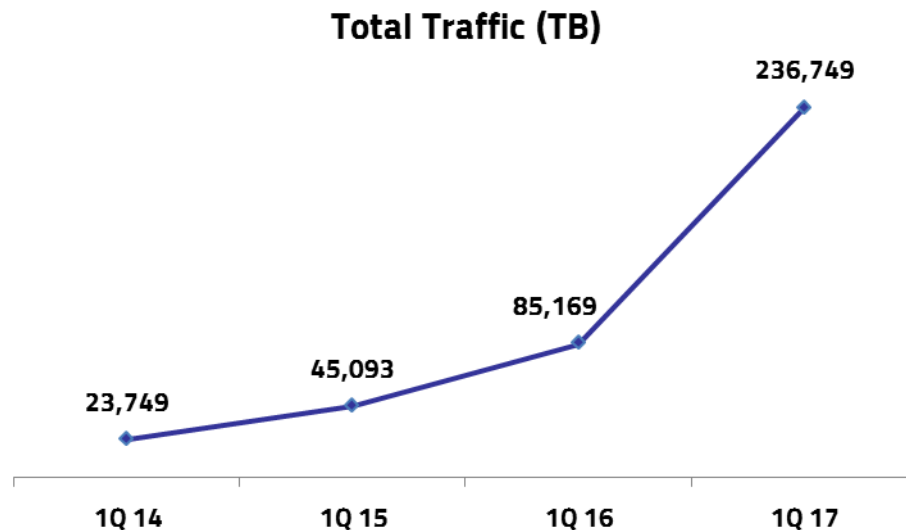
On the back of a strengthened network and attractive data offerings, XL's smartphone penetration has risen 17 percentage points to 65% compared to the same period in the previous year as more data savvy customers prefer the XL network. This means that XL now has 31.2 million smartphone subscribers at the end of 1Q 17, a 52% 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, more than double compared to the previous year. Contributing to this is the increased sophistication of XL's smartphone customers driving up usage on XL's 4G-LTE network where monthly consumption of a 4G user is 1.5x the average consumption of a smartphone user.

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Total traffic across XL's network has seen a 178% YoY increase in 1Q 17 compared to the same period previous year mainly driven by growth in Data traffic which has risen compared to a decline in traffic from Legacy Services. As of the end of 1Q 17, XL recorded total Data users at 68% of the total subscriber base.



Innovative Products, Increased Postpaid Traction & Mobile Broadband

During the quarter, XL launched several innovative products to entice customers including:

- XL's revamped **Combo XTRA** package which offers a bonus quota for **YouTube** as well as a free access to English Premier League content on **Genflix** in addition to existing 4G bonus and Any-Net quotas. Without sacrificing appeal, XL has started to monetize data offerings by reducing the 4G bonus quota
- Launch of **Axis HITZ** starter pack appealing to the youth where usage of WhatsApp, LINE and Blackberry Messenger is unlimited for daily usage.
- To drive customer awareness of availability of data packets at ATMs, offering bonus airtime for any Data packets bought at ATMs such as **Panin Bank**, **CIMB Niaga** and **OCBC NISP**.
- **XL Prioritas** ran various promotional activities for **Prioritas** customers such as free entry to Musicfest with Indonesian artistes performing at venues across Indonesia.

Network Investment to Achieve Mobile Internet Leadership

Establishing XL as the brand of choice for high-value customers who are typically heavy data consumers requires high-speed and reliable data services and network quality is essential to achieve this. Thus XL continues to ensure top-notch quality of data experience to its customers with continued roll-out and upgrades of its network. XL's total BTS count is now above 87,000 BTS with 3G totaling more than 39,000. XL's 4G-LTE service is now available in 181 cities and areas across Indonesia and with over 10,300 4G BTS.

The roll-out of U900 services across the country utilizing the 900MHz frequency for 3G Data services in the 2H of last year has greatly improved XL's Data network outside of Java. This has significantly narrowed the coverage and quality gap between XL and the market leader in those areas and thus far has seen improved traffic and revenue trends for XL.

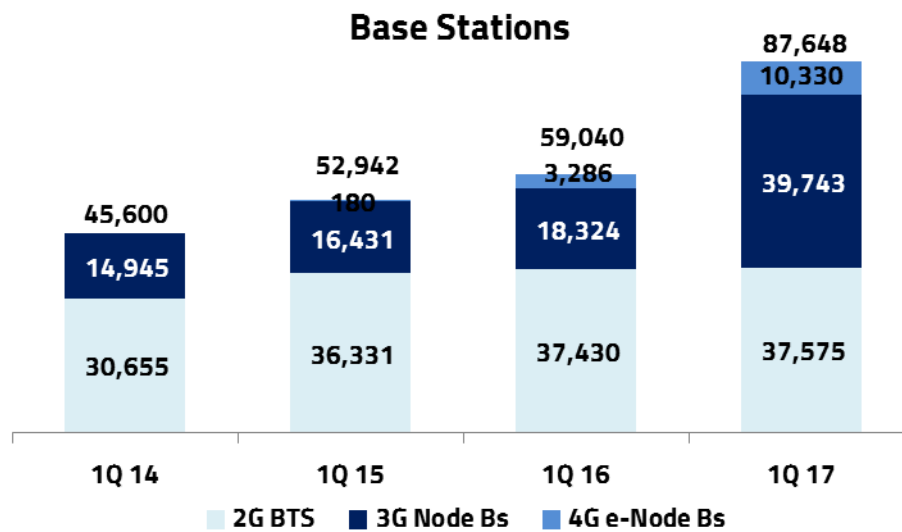
These significant network investments for data in both 4G and 3G have meant that even though XL has seen strong traffic growth, there is still ample capacity to cater for the rising demand for high-speed internet in Indonesia.

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Recently, XL has also started conducting outdoor trials for 5G which is the first by any operator in Indonesia. 5G allows for speeds of up to 20GBps which is much faster than existing 4G LTE speeds. XL has been preparing for the launch of 5G through: 1) Spectrum – implementing various technologies to further improve/optimize spectrum 2) Core – network and IT convergence 3) Transport – Widening of the fibre-optic backbone across Indonesia 4) Ecosystem – Actively encouraging the utilization of Wireless Broadband in the home with XL Go and XL Home.

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.



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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 1Q 17:

- **Business Development** – XL signed an agreement with the Ministry of Marine and Fisheries (Kementrian Kelautan dan Perikanan) to support the roll out of Nelayan Pintar (Nelpin) or *Smart Fishermen* application as part of XL's long-term commitment to advancing Indonesia. It is a mobile app to support fishermen and help them become more efficient in their daily fishing activities.
- **Sisternet** - Number of partners grew to more than double compared to the end of 2016. The team officially launched SisterFood program in March 2017 as part of endeavors to support women to become entrepreneur in food & beverage industry. The total Sisternet membership has now has increase to 11K.
- **XL Tunai** –The total number of XL Tunai subscribers at the end of this quarter is 1.84 million users. The monthly average transaction is at the level of 5.3 mio.
- **elevenia** - By the end of this quarter, elevenia has more than 63,000 sellers. The monthly average visitors also increased by 39% compared to end of 2016.
- **Mobile Advertising (m-ADS)** – For 1Q 17, there are 277 partner advertisers engaged; recording total campaigns of 708 with inventory ads delivered amounting to 664 million ads.

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FINANCIAL MEASURES

Income Statement

Financial Statement (in Rp Billion)	1Q16	1Q17	Growth
Gross Revenue			
Service Revenue	4,781	4,599	-4%
Others*	532	440	-17%
Cellular Telecommunication Service	5,313	5,039	-5%
Other Telecommunications Services	322	237	-27%
Gross Revenues	5,636	5,275	-6%
Less: Discount	(19)	(10)	-51%
Gross Revenue Net of Discount	5,616	5,266	-6%
Interconnection and other direct expenses	404	659	63%
Salaries & Employee Benefits (Permanent & Temporary)	327	257	-22%
Sales and Marketing Expense	329	274	-17%
Infrastructure Expenses	2,217	2,107	-5%
Supplies and Overhead expenses	147	121	-18%
Total OPEX	3,425	3,417	0%
EBITDA	2,191	1,848	-16%
EBITDA Margin	39%	35%	-4%
Depreciation & Amortization	1,871	1,679	-10%
EBIT	320	169	-47%
Other Expenses			
Finance income/(cost) - net	(496)	(348)	-30%
Forex gain/(loss) - net**	405	43	-89%
Share of results from jointly controlled entity	(60)	(44)	-27%
Others	73	107	47%
Total Other Income/(Expenses)	(78)	(242)	209%
Income (Loss) before income tax	241	(73)	-130%
Income Tax (Expense) Benefit	(72)	119	-265%
Profit (Loss) for the period	169	47	-72%
Earnings (Loss) Per Share (full amount) (Rp)	20	4	-78%

Normalized Profit (Loss) (In Rp Billion)	1Q16	1Q17	Growth
Profit (Loss) for the year	169	47	-72%
Unrealized forex (gain)/loss	(463)	(49)	-89%
Severance Payment	26	14	-46%
Tax Impact	109	9	-92%
Normalized Profit (Loss) for the year	(159)	20	-113%
Normalized Earnings (Loss) Per Share (full amount) (Rp)	(19)	2	-110%

*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 1Q 17, XL recorded gross revenue of Rp 5.3 trillion, a decrease of 6% YoY. Positively on a QoQ basis, there was a slight increase in gross revenue driven by Data revenue growth.

- Cellular Telecommunication Service revenues decreased by 5% YoY to Rp 5.0 trillion and contributed 96% to total revenue. Service Revenue declined 4% YoY to Rp 4.6 trillion as growth in revenue from Data Services was not enough to offset the decline in Legacy Services revenue. Revenue from Others declined by 17% to Rp 440 billion mainly due to lower interconnect revenue which is due to lower incoming off-net traffic.
- Other telecommunications services revenue, which comprises mainly of leased towers, leased lines and national roaming, decreased by 27% to Rp 237 billion mainly driven by foregone tower leasing revenue which was completed at the end of Q2 2016. Other telecommunications services revenue contributed 4% to total revenue during the year.

Operating Expenses

Total operating expenses declined slightly to Rp 3.4 trillion in 1Q 17 versus the same period last year.

- Interconnection and other direct expenses increased by 63% YoY.
This was mainly due to higher interconnect costs (for voice only) as a result of higher off-net traffic given the success of the Any-Net minutes allocation that XL currently offers as part of its data-led combo products.
- Salary and Employee Benefits decreased by 21% YoY.
The decrease was mainly due to the lower staff count and lower severance payments.
- Sales and Marketing expenses decreased by 17% YoY.
The lower sales and marketing expense is due to timing of the marketing spend.
- Infrastructure expenses decreased by 5% YoY.
This is mainly due to lower expenses from XL's Managed Services.

EBITDA

In 1Q 17, EBITDA decreased 16% YoY to Rp 1.8 trillion due the revenue decline over the same period and only slightly lower opex on a YoY basis. EBITDA margins also declined 380 bps over the same period due to the aforementioned factors. Positively, on a QoQ basis, EBITDA increased 1% QoQ driven by growth in revenue and a 50bps improvement in margins

Depreciation and Amortization Expenses

Depreciation and amortization expenses declined by 10% YoY mainly due to lower depreciation charges taken during the quarter for network equipment.

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Other Income/Expenses

Other Expenses increased to Rp 242 billion in 1Q 17 compared to an expense of Rp 78 billion in the prior year, due to an 89% decline in the forex gain recorded of Rp 43 billion compared to Rp 405 billion in the prior year period. Lower net interest costs (down 30% YoY) are a function of XL's smaller debt.

Profit (Loss) for the period

XL recorded a profit of Rp 47 billion in 1Q 17 down 73% from Rp 169 billion recorded in the prior year's quarter. This is due to a forex gain from XL's USD denominated borrowings recorded in the prior year's quarter. On a normalized basis, XL's recorded a normalized net profit of Rp 20 billion in 1Q 17 compared to a normalized net loss of Rp 159 billion in the prior year's quarter.

Balance Sheet

Balance Sheet (In Rp Billion)	1Q16	1Q17	Growth
Current Assets			
Cash and cash equivalents	2,222	1,730	-22%
Others	6,446	5,468	-15%
Total Current Assets	8,668	7,199	-17%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	32,441	32,527	0%
Intangible asset	6,253	6,060	-3%
Goodwill	6,681	6,681	0%
Others	1,977	1,908	-3%
Total Non-Current Assets	47,353	47,177	0%
Total Assets	56,021	54,376	-3%
Current Liabilities			
Current maturity of long term loans and bonds	2,710	5,071	87%
Shareholder loan	6,638	-	-100%
Others	10,558	10,815	2%
Total Current liabilities	19,906	15,886	-20%
Non-Current Liabilities			
Long term loans and bonds	15,881	9,489	-40%
Others	5,964	7,745	30%
Total Non-Current Liabilities	21,845	17,233	-21%
Total Liabilities	41,752	33,120	-21%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,496	13,213	103%
Retained earnings	7,774	8,043	3%
Total Equity	14,270	21,256	49%
Total Liabilities and Equity	56,021	54,376	-3%

In 1Q 17, total assets were Rp 54.4 trillion, 3% lower compared to the previous year due to lower cash balances which was used to pare down debt.

- Current assets were down 17% in 1Q 17 compared to the end of 1Q 16 due to a 22% decrease in cash which was used to pare down debt.
- Non-current assets remain flat YoY.

Total liabilities decreased by 21% YoY as a result of the repayments of loans including the repayment of the shareholder's loan from Axiata.

- Current liabilities decreased 20% compared to 1Q 16 due to the repayment of the shareholder loan from Axiata.

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- Non-current liabilities decreased by 21% due to the 40% decrease in long-term loans and bonds through loan repayments.

Capital Expenditure

Capital Expenditure (In Rp Billion)	1Q16	1Q17	Growth
Capitalized capex	1,048	971	-7%
Paid capex	1,124	1,306	16%
Commitments entered into*	231	840	264%

* The USD portion was converted to IDR using closing rate of March 2016 and 2017. The Rupiah exchange rate against the USD as of March 2016 and 2017 were Rp13,276/USD and Rp13,321/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	1Q16	1Q17	Growth
Net cash flow generated from operating activities	1,943	2,434	25%
Net cash flow used in investing activities	(1,255)	(1,239)	-1%
Free cash flow	688	1,195	74%
Net cash flow used in financing activities	(1,729)	(862)	-50%
Net increase/(decrease) in cash and cash equivalents	(1,041)	333	-132%
Cash and cash equivalents at the beginning of the period	3,312	1,400	-58%
Effect of exchange rate changes on cash and cash equivalents	(49)	(2)	-95%
Cash and cash equivalents at the end of the period	2,222	1,730	-22%

Net cash flow generated from operating activities increased by 25% to Rp 2.4 trillion mainly due to a decrease of 5% in cash payments to suppliers and other expenses.

Net cash flow used in investing activities decreased by 1% to Rp 1.2 trillion.

Net cash flow used in financing activities was Rp 862 billion a 50% decrease from 1Q 16 due to the timing of loan repayments.

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Description of Debts

The detail of debts as of 31 March 2016 and 2017 are as follows:

Description	(in Original Amount)		Year of Maturity
	1Q 16	1Q 17	
USD Loan (mn)	US\$ 500	US\$ -	Bullet repayment in 2017
	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ 300	US\$ 300	Bullet repayment in 2019
	US\$ 850	US\$ 350	
IDR Bank Loan (bn)	Rp 800	Rp -	Amortizing annually, final repayment is in 2016
	Rp 3,725	Rp 3,050	Amortizing annually, final repayment is in 2017
	Rp 2,325	Rp 1,875	Amortizing annually, final repayment is in 2018
	Rp 5,650	Rp 4,000	Amortizing annually, final repayment is in 2020
	Rp 12,500	Rp 8,925	
IDR Sukuk (bn)	Rp 494	Rp -	Series A - Due in 2016
	Rp 258	Rp 258	Series B - Due in 2018
	Rp 323	Rp 323	Series C - Due in 2020
	Rp 425	Rp 425	Series D - Due in 2022
	Rp 1,500	Rp 1,006	
Unamortized Loan Issuance Cost (bn)	Rp (55)	Rp (33)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 25,229	Rp 14,560	

*The USD portion was converted to IDR using closing rate of March 2016 and 2017. The Rupiah exchange rate against the USD as of March 2016 and 2017 were Rp13,276/USD and Rp13,321/USD, respectively.

Gearing Ratios (x)	1Q16	1Q17	Growth
Debt/Equity	1.8	0.7	(1.1)
Net Debt/Equity	1.6	0.6	(1.0)
Debt/EBITDA	2.9	1.9	(1.0)
Net Debt/EBITDA	2.6	1.7	(1.0)

During 1Q 17, XL made repayment of debts amounting to Rp 75 billion.

As of 31 March 2017, all of XL's external USD loans are fully hedged until maturity.

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OPERATING MEASURES

	1Q16	1Q17	Growth
Total Traffic (Petabyte)	83.2	231.2	178%
Total BTS	59,040	87,648	48%
2G	37,430	37,575	0%
3G	18,324	39,743	117%
4G	3,286	10,330	214%
Number of Employees (permanent & contract with permanent position)	1,946	1,888	-3%
Postpaid users (000)	438	540	23%
Prepaid sim cards (active and grace / million)	42.0	47.4	13%
Total user base (million)	42.5	48.0	13%
ARPU blended (Rp 000)	39	33	-15%
Postpaid revenue/sub (Rp 000)	127	124	-2%
Prepaid revenue/sim card (Rp 000)	38	32	-16%

ACHIEVEMENT

- XL Axiata was ranked 1st in the Telecommunications category at the Indonesian Corporate Social Responsibility Awards 2017 jointly organized by Majalah Indonesia, Asia Institute Economic Review and Ideku Group.
- XL Axiata was the winner of the *Indonesia Most Innovative Award 2017 Telecommunications Category* at the Indonesia Most Innovative Business Awards 2017 organised by Warta Ekonomi.
- XL Axiata was picked as one of the top 10 Corporate Innovators, out of a field of more than 130 candidates, at the *Outstanding Corporate Innovator Indonesia Award 2017* organized by PPM Manajemen, SWA magazine and the Product Development Management Association.
- XL Axiata won the “*Brand Used Most Often*” in the Mobile Phone Operator category for the XL brand and Internet Service Provider category for the Axis brand at the Indonesia Prestige Brand Awards 2017 .

CONSOLIDATED GUIDANCE

2017

Revenue growth	In-line with market
EBITDA margin	High 30's
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.

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