The information set out in this website, which may contain information not previously publicly disclosed, is provided by the Company to ensure equal distribution of information to the Company's shareholders in relation to the proposed assistance to be provided by the Company to Indocel Holding Sdn. Bhd. as set out in the disclosure of information, with respect to Bapepam-LK's Rule No. IX.E.1. concerning Affiliated Transaction and Conflict of Interest of Certain Transaction, announced at the website of PT Bursa Efek Indonesia on 15 March 2010.

The information set out in this website may be subject to some changes, deletions and/or additions from time to time, and the Company/ each member of the Board of Directors and the Board of Commissioners, including parties assisting in the preparation of this information, shall not be responsible for the truthfulness and/or accuracy of the information set out in this website. Anyone who has received this information is advised to consult with his financial or legal advisor in connection with the decision to be made with respect to the information contained herein.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Document, when we refer to:

- “XL,” we are referring to PT XL Axiata Tbk.;
- the “Company,” “we,” “our” or “us,” we are referring to XL and its subsidiaries, collectively or XL, individually, in each case as the context requires;
- “Axiata,” we are referring to Axiata Group Berhad (formerly known as TM International Berhad), our indirect majority shareholder;
- “Indonesia,” we are referring to the Republic of Indonesia;
- the “Government,” we are referring to the Government of the Republic of Indonesia;
- “MCIT”, we are referring to the Minister of Communications and Information Technology of the Government;
- “Rupiah” and “Rp.,” we are referring to the lawful currency of Indonesia;
- “U.S. dollar” and “US$,” we are referring to the lawful currency of the United States of America; and
- “U.S.” and “United States,” we are referring to the United States of America.

We use certain terms and present certain statistical and operating data in this Document which are used in the telecommunication industry in Indonesia and in the telecommunication industry in general to analyze companies, although they may be defined or calculated in different ways, including various statistical and operating data relating to our subscriber base and to usage of our cellular telecommunication services. We have described the manner in which we calculated these data in this Document, including our methods of determining our number of subscribers, market share, market penetration, MOU, MOU Per Subscriber, ARPM, SMS, SMS Per Subscriber, ARPS, ARPU, Blended ARPU, Average Monthly Churn and non-GAAP performance measures such as EBITDA, EBITDA margin, debt to EBITDA, operating margin and capital expenditures. You should note, however, that other companies in the cellular telecommunication industry may calculate and present these data in a different manner and therefore, you should use caution in comparing our data with data presented by other companies, as the data may not be directly comparable.

The statistical and operating terms used by us in this Document are defined and calculated as follows:

“Average Monthly Churn” presented for any period means the total number of deactivations from our network, either voluntary or involuntary, in the period divided by the number of subscribers at the end of the period, divided by the number of months in the period, expressed as a percentage.

“Average Revenue Per Minute” or “ARPM” for prepaid and postpaid subscribers presented for any period means voice revenue net of discount from prepaid and postpaid subscribers in the period divided by the MOU for prepaid and postpaid subscribers in the period.

“Average Revenue Per SMS” or “ARPS” for prepaid and postpaid subscribers presented for any period means SMS revenue net of discount from prepaid and postpaid subscribers in the period divided by the SMS for prepaid and postpaid subscribers in the period.

“Average Revenue Per User” or “ARPU” for prepaid or postpaid subscribers presented for any period means the sum of outgoing gross revenue (voice and non-voice) from either prepaid or postpaid subscribers, as the case may be, for each month in the period divided by the sum of the average number of prepaid or postpaid subscribers, as the case may be, for each month in the period.

“Blended ARPU” presented for any period is (i) the sum of outgoing gross revenue (voice and non-voice) from prepaid and postpaid subscribers divided by (ii) the sum of the average number of prepaid and postpaid subscribers for each month in the period.

"CAGR" or "Compound Annual Growth Rate" means the year-over-year growth rate of investment over a specified period of time.

"MOU" or "Outgoing Minutes of Use" for prepaid and postpaid subscribers presented for any period means the total minutes of outgoing call usage from both prepaid and postpaid subscribers for such period.

"MOU Per Subscriber" for prepaid and postpaid subscribers presented for any period means the MOU for the period divided by the sum of the average number of prepaid and postpaid subscribers for each month in the period.

"number of subscribers" means the aggregate number of our prepaid subscribers and postpaid subscribers, as calculated from time to time.

"postpaid subscriber" means a subscriber whose postpaid account has been registered with us and for whom there are no unpaid invoices which are outstanding for more than 71 days.

"prepaid subscriber" means a subscriber who has purchased a prepaid SIM card which has been activated, and which has not subsequently been deactivated. SIM cards used by our prepaid subscribers are deemed deactivated upon the expiration of a grace period commencing from the date of expiry of the validity period for the voucher, unless the prepaid SIM card has been reloaded with a new voucher before the expiration of such grace period. The grace period for such deemed deactivation may be less than the grace period that is allowed prior to actual deactivation of the subscriber from our GSM network. During the grace period prior to actual deactivation of the subscriber from our GSM network, the prepaid subscriber may receive incoming calls but may not make outgoing calls. In addition, we have from time to time increased and decreased the grace period applicable to our calculation of prepaid subscribers. Increasing the grace period applicable to our calculation of prepaid subscribers has the effect of increasing our number of subscribers, and decreasing our MOU Per Subscriber, SMS Per Subscriber, ARPU for prepaid subscribers, Blended ARPU and Average Monthly Churn. Decreasing the grace period applicable to our calculation of prepaid subscribers has the effect of decreasing our number of subscribers, and increasing our MOU Per Subscriber, SMS Per Subscriber, ARPU for prepaid subscribers, Blended ARPU and Average Monthly Churn. For this reason, our number of subscribers, MOU Per Subscriber, SMS Per Subscriber, Average Monthly Churn, ARPU for prepaid subscribers and Blended ARPU do not reflect our revenue generating base and are not comparable between periods and, accordingly, you should not place undue reliance on comparison of this data from period to period.

"SBI" means the Certificate of the Bank of Indonesia.

"SMS" or "Outgoing SMS" for prepaid and postpaid subscribers presented for any period means the total outgoing SMS usage from both prepaid and postpaid subscribers for such period.

"SMS Per Subscriber" for prepaid and postpaid subscribers presented for any period means the SMS for the period divided by the sum of the average number of prepaid and postpaid subscribers for each month in the period.

"subscriber" means either a prepaid subscriber or a postpaid subscriber.

Share Ownership

On October 27, 2005, we became a consolidated subsidiary of Axiata (then known as TM International Sdn Bhd and a wholly-owned subsidiary of Telekom Malaysia Berhad) through its indirect acquisition of a majority interest in our issued share capital from Telekomindo Primabhakti ("Telekomindo"). In December 2007, Emirates Telecommunication Corporation ("Etisalat") indirectly acquired a minority interest in our issued share capital from an affiliate of Telekomindo. On April 25, 2008, Axiata demerged from Telekom Malaysia Berhad and listed on Bursa Malaysia. As of December 31, 2009, Axiata and Etisalat indirectly owned approximately 86.5% and 13.3% of our issued share capital, respectively, with the remaining approximate 0.2% of our issued share capital being held by the public. See "Principal Shareholders."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

You should read the summary consolidated financial information and operating data presented below in conjunction with our consolidated financial statements, related notes to the consolidated financial statements, and other financial information, included elsewhere in this Document. You should also read the section of this Document entitled "Management's Discussion and Analysis of Our Financial Condition and Results of Operations."

We have derived our summary consolidated financial information presented in Rupiah in the tables below from our audited consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009. Our consolidated financial statements included herein have been audited by Kantor Akuntan Publik Haryanto Sahari & Rekan (a member firm of PricewaterhouseCoopers), independent public accountants in Indonesia.

We have prepared and presented our consolidated financial statements in accordance with Indonesian GAAP, which differs in certain material respects from U.S. GAAP. You should read the section of this Document entitled "Certain Principal Differences between Indonesian GAAP and U.S. GAAP" for a description of certain principal differences between Indonesian GAAP and U.S. GAAP.

We have translated the Rupiah amounts of our consolidated financial information for the year ended and as of December 31, 2009 into U.S. dollars for convenience only based on the middle exchange rate announced by Bank Indonesia, the Indonesian central bank, for December 31, 2009, which was Rp. 9,400.00 = US$1.00. See "Exchange Rate Information"

To measure our operating performance, we track our number of subscribers, MOU, SMS, MOU Per Subscriber, SMS Per Subscriber, ARPM, ARPS, ARPU, Blended ARPU and Average Monthly Churn for both our prepaid and postpaid services. We have, from time to time, changed the method by which we calculate our number of prepaid subscribers, which has the effect of changing our subscriber numbers and our MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn. Consequently, our number of subscribers, MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn set forth in this Document are not comparable between certain periods. See "Risk Factors — Risks Relating to Our Business and the Cellular Telecommunication Industry — Our subscriber related operating data may not be comparable between periods."

	For the years ended December 31,			
	2007	2008	2009	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)	(US$ millions)
CONSOLIDATED INCOME STATEMENT DATA:				
Revenue				
Gross Revenue	8,364.7	12,156.0	13,879.5	1,476.5
Discount	(375.2)	(94.8)	(173.5)	(18.5)
Gross Revenue net of discount	7,989.5	12,061.2	13,706.0	1,458.1
Operating Expenses				
Depreciation expenses	1,705.4	3,335.3	3,701.9	393.8
Infrastructure expenses	1,076.7	1,988.6	3,089.1	328.6
Interconnection and telecommunications service charges	1,529.7	2,296.4	2,027.8	215.7
Sales and marketing expenses	913.8	1,374.5	1,030.4	109.6
Salaries and employee benefits	573.9	722.5	777.8	82.7
Supplies and overhead expenses	386.1	547.7	575.7	61.2
Others	44.0	43.2	39.6	4.2
Total operating expenses	6,229.7	10,308.2	11,242.2	1,196.0
Operating income	1,759.8	1,753.0	2,463.8	262.1
Other income (expenses)				
Interest expense	(694.4)	(1,122.3)	(1,274.1)	(135.5)
Interest income	50.7	27.6	55.8	5.9
Foreign exchange gain (loss), net	(204.4)	(332.2)	744.6	79.2
Gain on finance lease transaction	—	—	465.0	49.5
Others	(393.7)	(401.4)	(105.0)	(11.2)
Total other income (expenses)	(1,241.8)	(1,828.2)	(113.6)	(12.1)
Income (loss) before income tax expense	518.0	(75.2)	2,350.3	250.0
Income tax (expense)/benefit				
Current	(0.7)	—	(10.8)	(1.1)
Deferred	(266.6)	60.1	(630.0)	(67.0)
	(267.3)	60.1	(640.8)	(68.2)
Net income (loss)	250.8	(15.1)	1,709.5	181.9

	As of December 31,			
	2007	2008	2009	2009
	(Rp. billions, except percentages and financial ratios)	(Rp. billions, except percentages and financial ratios)	(Rp. billions, except percentages and financial ratios)	(US$ millions, except percentages and financial ratios)
CONSOLIDATED BALANCE SHEET DATA:				
Total current assets	1,679.3	3,200.8	2,007.3	213.5
Total non-current assets	17,121.2	25,192.2	25,372.8	2,699.2
Total assets	18,800.6	28,393.0	27,380.1	2,912.8
Total current liabilities	7,019.5	5,677.8	6,008.9	639.2
Total non-current liabilities	7,316.2	18,407.2	12,568.1	1,337.0
Total liabilities	14,335.7	24,085.1	18,577.0	1,976.3
Total equity	4,464.8	4,307.9	8,803.1	936.5
Total liabilities and equity	18,800.6	28,393.0	27,380.1	2,912.8
OTHER FINANCIAL DATA:				
EBITDA(1)	3,509.2	5,131.5	6,205.3	660.1
EBITDA margin (%)(2)	42.0%	42.2%	44.7%	44.7%
Total debt/EBITDA(4)	2.8	3.5	2.2	2.2
Operating margin (%)(3)	21.0%	14.4%	17.8%	17.8%
Capital expenditures	7,087.7	10,844.9	4,197.2	446.5
CONSOLIDATED CASH FLOW DATA:				
Net cash provided by operating activities	3,986.1	4,709.5	7,718.3	821.1
Net cash used in investing activities	(7,154.0)	(11,514.0)	(5,123.4)	(545.0)
Net cash provided by (used in) financing activities	3,382.9	7,263.3	(3,010.9)	(320.3)
Net increase (decrease) in cash and cash equivalents	215.0	458.7	(416.0)	(44.3)
Cash and cash equivalents at period end	805.8	1,170.2	748.0	79.6
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Gain on finance lease transaction (5)	—	—	465.0	49.5
Acquisition of respective period fixed assets through incurrence of payables(6)	219.3	—	—	—

Notes:

(1) We calculate our EBITDA by adding depreciation and amortization expenses to operating income as calculated under Indonesian GAAP. EBITDA is not a standard measure under U.S. GAAP or Indonesian GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) We calculate our EBITDA margin by dividing EBITDA by total gross operating revenue.

(3) We calculate our operating margin by dividing the operating income by total gross operating revenue. Our operating margins for the periods before and after April 1, 2007 are not comparable, as we were no longer providing discounts on starter pack sales. Prior to April 1, 2007, we recorded Rp. 10,000 of revenue and a discount for the same amount for every starter pack sold. Since April 1, 2007, we have recorded revenue of Rp. 1 for every starter pack sold and a discount of the same amount for every starter pack sold. This resulted in lower gross operating revenues, and therefore a relatively higher operating margin for the period after April 1, 2007.

(4) Based on 12-month EBITDA calculation.

(5) Gain on finance lease transaction represents gain on annual lease of core capacity where the entire lease is term equal to the useful of the leased assets.

(6) Acquisition of respective period fixed assets through incurrence of payables represents fixed assets capitalized in a given period for which payables are not due in such period.

	For the years ended and as of December 31,		
	2007	2008	2009
SELECTED OPERATING DATA:(1)			
Number of subscribers (thousands):			
Prepaid	14,988	25,599	31,101
Postpaid	481	417	337
Total number of subscribers	15,469	26,016	31,438
MOU (millions)			
Total	6,815	54,886	87,579
MOU Per Subscriber (minutes)			
Blended	50	212	279
ARPM (Rp.)			
Blended	540	120	80
SMS (millions)			
Total	12,599	17,778	63,564
SMS Per Subscriber (sms)			
Blended	92	69	203
ARPS (Rp)			
Blended	153	126	41
ARPU (Rp. thousands)			
Prepaid	43	35	34
Postpaid	155	152	167
Blended	47	37	36
Average Monthly Churn			
Prepaid	13.5%	16.8%	16.4%
Postpaid	4.8%	4.6%	3.3%
Number of BTS			
Total	11,157	16,729	19,349
Tower Spaces Leased			
Total	—	3,325	4,306

(1) Due to changes in the method used to calculate the number of our prepaid subscribers, our numbers of subscribers, MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn set forth in this Document are not comparable between certain periods. See "Risk Factors — Risks Relating to Our Business and the Cellular Telecommunication Industry — Our subscriber related operating data may not be comparable between periods."

RISK FACTORS

Risks Relating to Our Business and the Cellular Telecommunication Industry

We are exposed to competition in the Indonesian cellular industry

The Indonesian cellular telecommunication market is highly competitive. Competition in the Indonesian telecommunications industry has had, and is expected to continue to have, a significant impact on our financial condition and results of operations. Competition between ourselves and all other operators is primarily driven by continued affordable pricing, as well as network coverage and quality of services. Competition in the future may increase as a result of industry consolidation, the entry of new competitors, regulations, foreign investment in existing competitors and the development of new technologies, products and services.

We compete with established incumbents, Telkomsel and Indosat, on affordability of pricing and quality of services. Both of these established incumbents are larger in terms of gross revenue and total subscribers, and have been allocated greater spectrum for their GSM 900/1800 networks. In particular, Telkomsel, which is the largest cellular operator in Indonesia, has a greater number of BTS installed and total subscribers on its GSM 900/1800 network, which potentially allow it to design and implement affordable product offerings that will offer access to a larger on-net community of subscribers.

We also compete with several smaller GSM and CDMA operators in the Indonesian cellular telecommunications industry, including NTS/Axis, Hutchison, Bakrie Telecom, Mobile 8, Smart and Sampoerna Telecom. Although we believe that our larger subscriber base (and on-net community) gives us an advantage over these cellular operators since our product offerings allow access to a wider on-net community of subscribers, we still remain exposed to aggressive product offerings from smaller operators seeking to increase their subscriber market share. In addition, CDMA technology is less capital-intensive and therefore has historically been more price competitive than GSM cellular technology.

We expect competition in the Indonesian cellular telecommunication industry to intensify, which could adversely affect our market share and results of operations. While we believe that we have been successful in maintaining our market share to date by emphasizing affordability at comparable quality, we cannot assure you that we will be successful in competing in the Indonesian cellular telecommunications industry in the future. Competition from existing and new operators has resulted in greater price competition, with operators lowering tariffs and offering more attractive product and service packages. Such intensified competition could result in a higher Average Monthly Churn, lower ARPU, lower ARPM and slower growth in subscribers and increased subscriber acquisition costs.

The cellular telecommunication industry is characterized by rapid and significant changes in technology. We may also face increasing competition from alternative communication providers using technologies currently under development or which may be developed in the future. For example, internet-based carriers, such as Google Voice, Yahoo Voice and Skype, allow users to make calls, send SMS, and offer other advanced features such as the ability to route calls to multiple handsets and access to internet services. Any of these alternative providers may offer products and service packages with which we are unable to compete. There can be no assurance that we will be successful in responding in a timely and cost-effective manner to these developments. We also may not be awarded any license or spectrum that may be required or necessary to make use of such technologies and may not be able to obtain financing that may be required or necessary to implement such new technologies on terms acceptable to us or at all.

Our product offerings may not result in profits

Our product offerings are intended to increase our revenue generating base and our gross cellular revenue during periods when network utilization is high, while increasing subscriber usage and revenue generation when network utilization is low. Our product offerings are intended to stimulate demand for our cellular services in alignment with our network capacity. We analyze subscriber usage and network utilization, and then develop, design and implement targeted product offerings among focus groups in our subscriber base. Our conclusions drawn from statistical analysis of subscriber usage and network utilization may not be accurate, and any new product or service that we launch may not be delivered on a price-competitive basis because of our misreading utilization, demand or sentiment or for other reasons. In addition, many of our prepaid subscribers own multiple SIM cards and their behavior may at any time be influenced by product offerings introduced by any of our competitors. We cannot assure you that we will design and implement our product offerings at a time or in a manner that will increase our revenue, and our failure to do so may adversely affect our financial condition, results of operations and profitability.

Our success depends on our ability to efficiently utilize our current spectrum as well as our ability to acquire additional spectrum

Our cellular telecommunication network capacity is limited by the amount of spectrum allocated to us by the relevant Governmental authorities. We have been allocated 2 x 7.5 MHz for our GSM 900 (2G/2.5G) and 2 x 7.5 MHz GSM 1800 (2G/2.5G) and 2 x 5 MHz for our W-CDMA 2100 (3G) services. In addition, we are currently negotiating with the Government for additional W-CDMA 2100 (3G) spectrum. Our incumbent competitor Telkomsel has been allocated 2 x 7.5 MHz for GSM 900 (2G/2.5G) cellular telecommunication services and 2 x 22.5 MHz for GSM 1800 (2G/2.5G) cellular telecommunication services. The other incumbent competitor Indosat has been allocated 2 x 10 MHz for GSM 900 (2G/2.5G) cellular telecommunication services and 2 x 20 MHz for GSM 1800 (2G/2.5G) cellular telecommunication services.

Most cellular services provided to subscribers in Indonesian utilize 2G/2.5G spectrum. Since we have been allocated less 2G/2.5G spectrum than these incumbents, we are required to deploy a greater number of BTS in order to provide comparable cellular service quality for equal traffic density in the same geographic area. We have therefore incurred greater capital expenditure than our incumbent competitors in building network capacity required to provide cellular service quality of comparably dependable quality, particularly in dense urban areas. Should our subscriber base grow significantly, particularly in areas of high network utilization, there can be no assurance that current spectrum will continue to be sufficient to maintain service quality, or that we will not be required to make greater capital expenditures in order to maintain and improve service quality based on our current spectrum capacity.

Increased numbers of subscribers and MOU can lead to cellular network congestion, particularly in dense urban areas. We use certain radio frequency engineering techniques, including a combination of macro, micro and in-building cellular designs, to increase the average traffic density on our cellular network and to maintain cellular network quality despite radio frequency interference and tighter radio frequency re-use patterns. However, due to our high number of subscribers and MOU, these techniques are sometimes insufficient to maintain cellular service quality that is comparable to our competitors. We have made significant capital expenditures for the installation of additional BTS in areas of high network utilization in order to maintain cellular service quality that is comparable to our competitors, however we cannot be certain that the level of service quality can be maintained depending on the level of cellular network congestion.

We cannot assure you that our currently allocated spectrum will be sufficient to continue to allow us to offer cellular service quality to our subscribers that is comparable to that of our competitors and our failure to do so could adversely affect our call quality, reputation, lower our rate of growth in, or reduce, our number of subscribers and MOU, decrease our market share, decrease our ARPM and ARPU, increase our Average Monthly Churn and materially and adversely affect our business, prospects, profitability, financial condition and results of operations.

Certain new technologies such as cellular broadband services (CBS) require significant available spectrum and capital investment. If we are not able to continue to utilize our spectrum capacity efficiently and successfully or in a timely manner, or if we cannot finance the requisite incremental capital expenditure to utilize such spectrum capacity successfully as and when needed, or obtain additional spectrum from the Government authorities for future growth, we may experience difficulty in implementing these new technologies and attracting and retaining subscribers. This could have a material adverse effect on our results of operations and financial condition.

We may be unable to maintain our rate of growth

We have experienced significant growth in our subscriber base and demand for our cellular services during recent periods. We believe that our recent capital expenditures have expanded our network capacity and transmission infrastructure to a level sufficient to accommodate our current levels of MOU and provide cellular services that are of comparable quality to those of our competitors. However, our ability to maintain or increase our MOU at comparable quality levels may be constrained by our spectrum allocation and network capacity. Our spectrum allocation and BTS coverage capacity also may be insufficient to meet increased demand for data services. Introduction of new mobile applications and content offerings could result in network congestion which could have a negative impact on the quality of our other cellular services, and in particular our voice services, and cause our gross cellular revenue to decline. We could also be required to make additional capital expenditures, and incur additional indebtedness, in order to relieve network congestions, which would increase our depreciation expense and interest expense and adversely affect our profitability.

We also expect our rate of growth to place significant demands on our management and other resources and will require us to continue developing and improving our operational, financial and other internal controls. Larger operations also will increase our fixed operating costs and there can be no assurance that we will experience a sustained increase in revenues or derive operational synergies to offset these higher costs. Our inability to manage our growth could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may not be able to maintain and increase profitability

We intend to continue to provide affordable and dependable voice, SMS and data services to our subscribers in a manner that maximizes revenue generation and utilization of our network capacity, while controlling our capital expenditures and operating expenses, in order to maximize profitability and return on equity. However, despite spending significant financial resources to grow our subscriber base and expand our network coverage areas, we may not be able to achieve sustained profitability. Our ability to achieve sustained profitability depends on a number of factors, including:

- The growth rate of the cellular telecommunication industry in Indonesia;
- The competitiveness of our promotional pricing programs;
- Our ability to maximize our revenue and optimize network utilization;
- Our ability to control capital expenditures and operating expenses;
- Pricing policies of our competitors; and
- Government regulations.

We cannot assure you that our affordable product offerings will increase our revenue, that we will successfully control our capital expenditures or operational expenses, or that we will be able to achieve sustained profitability in the future. Our failure to successfully implement our business strategy could have a material adverse effect on our business, prospects, financial condition and results of operations.

We experience a high churn rate

Like other Indonesian telecommunication operators providing cellular services to the prepaid market, we experience a high churn rate. We had an Average Monthly Churn of 16.4% among prepaid subscribers, who comprised approximately 99% of our total subscriber base as of December 31, 2009. We believe that our high churn rate is exacerbated by the fact that many of our prepaid subscribers own multiple SIM cards, and therefore may be dividing their spending for cellular services among two or more cellular telecommunications operators. Our high churn rate may result in loss of revenue as subscribers switch to other operators or terminate their subscriptions with us and increase our subscriber acquisition costs. Any increase in our churn rate may lead to fluctuations in our cash flow from operations and uncertainty in the amount of capital expenditure needed to fund expansion of our network capacity. This, in turn, could inhibit our ability to plan and implement strategies, monitor and maintain billing and credit control systems, forecast future financial earnings and expenses or raise new capital on favorable terms. The foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

The telecommunications industry is subject to rapid technological change

Future development or application of new or alternative technologies, services or standards could require significant changes to our business model, the development of new products, the provision of additional services and substantial new capital investments by us. New products and services may be expensive to develop and may result in the introduction of additional competitors into the marketplace. We cannot accurately predict how emerging and future technological changes will affect our operations or the competitiveness of our services. We cannot assure you that our technologies will not become obsolete, or be subjected to competition from new technologies in the future, or that we will be able to acquire new technologies necessary to compete in changed circumstances on commercially acceptable terms, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Further, we may choose new technologies that may prove to be unprofitable, inadequate or incompatible with the customers' devices or the technologies developed by other carriers. In addition, our competitors may implement new technologies before us, allowing them to provide lower priced, enhanced or better quality services than those which we provide, which could have a material adverse effect on our ability to compete effectively. We may not be successful in modifying and modernizing our network infrastructure in a timely and cost effective manner to facilitate integration and innovation, which could have a material adverse effect on our quality of services, business, prospects, results of operations and financial condition.

We are exposed to risks relating to the maintenance and expansion of our network

Our ability to maintain or increase our subscriber base and maximize our revenue is dependent in part on our ability to expand and upgrade our cellular telecommunications network on a timely basis. The continued expansion and upgrading of our network is subject to risks and uncertainties, including the ability to install a sufficient number of suitably located BTS, as well as to retain and maintain our existing BTS sites.

We have experienced local opposition to the building of certain BTS due to concerns about alleged health risks and environmental factors. As a result of such opposition, we have from time to time experienced local community interference with the operation and maintenance of our BTS and telecommunication towers, and, in certain instances, we have been required by the local authorities to remove or relocate certain BTS. If we are forced to remove BTS from certain optimal locations, we may need to replace such BTS in areas which are less than optimal which may thereby reduce our revenue.

We rely on third parties for the construction and maintenance of our towers and cellular network, and there can be no assurance that such third parties will continue to construct towers or maintain our network on a timely basis, or on commercially favorable terms or at all. In addition, new policies or guidelines from state and local governments on tower site leasing arrangements could be imposed on the construction or leasing of telecommunication towers. Such policies and guidelines may provide that the establishment and operation of tower sites may only be carried out by certain companies approved by the relevant state authorities and that operators will have to lease the tower sites from such companies. There can be no assurance that we would be an approved tower leasing company or such policies or guidelines will not increase our site operating costs.

Further, as a result of our rapid deployment of telecommunication towers to increase our installed BTS, we have constructed a significant number of towers in advance of our receipt of required approvals from the local authorities. This follows common practice among telecommunication operators in Indonesia, given that the lead time generally required for the approval of tower construction by local authorities often exceeds the time required for tower construction. The lack of such approvals has in certain cases resulted in the local authorities requiring us to delay construction or dismantle the towers, and consequently we were required to relocate our BTS to alternate sites which may be less optimal for purposes of network capacity and coverage. There can be no assurance that local authorities will not require us to delay construction or dismantle towers at any time in the future. Any delay in construction or dismantling of towers, and the consequent delay in installation or relocation of BTS, may potentially result in loss of network quality and coverage and potential loss of reputation among subscribers in the affected locations, and therefore may adversely affect our financial condition and results of operations.

Our businesses depends on interconnection and roaming agreements with other operators

Our cellular telecommunication services, and those of other telecommunication operators, depend to a large extent on interconnection and roaming agreements with other telecommunication operators. Our cellular network is interconnected to all other fixed and cellular operators in Indonesia, and we have roaming agreements with cellular operators outside Indonesia, so as to allow access to voice and data services to and from any fixed line or cellular telephone anywhere in the world. To date, we have not experienced any material disruption under such interconnection or roaming arrangements. However, any disruption under such interconnection or roaming arrangements in the future as a result of natural events, accidents, failure by other operators to perform their contractual obligations or regulatory, technological, competitive or other reasons could cause service disruptions, which could have a material adverse effect on our business, financial condition and results of operations. In addition, adverse changes to the terms for current interconnection or roaming agreements or our failure to enter into or renew commercially acceptable interconnection or roaming agreements in the future could result in higher interconnection or other operating expenses and hinder the planned expansion of our businesses.

The Government established the current domestic interconnection regime through Interconnection Regulation No. 08/Per/M.KOMINFO/02/2006, dated February 8, 2006, which became effective on January 1, 2007 and introduced a cost-based scheme for interconnection charges under which the operator of the network on which calls terminate receives interconnection fees based on a formula stipulated under the regulation which is based on the cost of carrying such calls. As our number of subscribers and MOU have increased, an increase in MOU of outgoing "off-net" calls from our subscribers to customers of other telecommunication operators has caused our interconnection charges paid to other telecommunication operators to increase. We have sought to offset this by the establisment of a greater number of points of interconnection (POI) with other cellular operator networks, particularly the incumbent operators with large subcriber bases, in order to decrease the distance that calls are carried on other cellular operator's networks, and thereby reduce the interconnection fees payable to other cellular operators for carrying such calls. We cannot assure that our strategy to increase POI will be successful to reduce our interconnection fees, or that the interconnection fee regulations will not change again in the future to our disadvantage, which could adversely affect our business, prospects, financial condition and results of operations.

Our existing operations and planned investments require significant funding

Our operations are capital intensive in nature. In order to continue to be competitive and provide services and technologies that are comparable with other Indonesian telecommunications operators in terms of quality and dependability, we must make significant capital expenditures to increase our network capacity. Our capital expenditures were Rp. 7,087.7 billion, Rp. 10,844.9 billion and Rp. 4,197.2 billion (US$446.5 million) for the years ended December 31, 2007, 2008 and 2009, respectively. Although we plan to limit our capital expenditures during the years ended December 31, 2010, 2011 and 2012, and focus on increasing our revenue per BTS, we cannot assure you that changes in technology, increases in MOU or increased subscriber demand for mobile applications or content offerings will not require additional capital expenditures.

Historically we have funded, and will continue to fund, such capital investments primarily from cash flows from operations, debt financing and vendor financing. Although we plan to fund future capital expenditures principally through cashflow from operations, there can be no assurance that we will be able to do so, and our operations and expansion plans could in the future become dependent upon our ability to secure additional financing, in which event we may not be able to secure such financing on commercially favorable terms or at all. If adequate financing is not available when required, our business prospects could be adversely affected.

We depend on the reliability and security of our network infrastructure

We provide cellular voice, SMS and data services over our GSM cellular telecommunications network. Our provision of these services to our subscribers depends on the reliability and security of our cellular network. Any failure of our cellular network that results in a major interruption in operations or provision of any service over prolonged periods could diminish the value of our brand, reduce our ability to attract and retain subscribers and could have a material adverse effect on our results of operations and financial condition. We have built in some degree of diversity and resiliency into certain areas of our network through decentralization and duplication of critical components to provide diversity of the transmission trunk network at the outset. Notwithstanding these measures, our network is potentially vulnerable to damage or interruptions in operations due to natural disasters, fire, power loss, telecommunications failures, network software flaws, transmission cable cuts, breaches of security, interference with access to telecommunication towers and similar events.

Radio frequency interference as a result of various factors, including out-of-band emissions from other domestic cellular operators, illegal radio frequency transmitters or jammers, co-channel interference from neighboring countries, or emissions from equipment not complying with spectrum band plan requirements may have an impact on the quality of services of our network, and adversely affect our reputation for service reliability and quality. Any consequential decrease in subscribers or network usage as a result of this could have a material adverse effect on our financial condition and results of operations.

We may not be able to successfully extend and/or launch existing or new products and services into new markets

As part of our strategy, we intend to introduce, and to continue to develop, a number of products, services and service experiences for our customers, and in particular, data services including mobile applications and localized content offerings. There can be no assurance that we will be able to successfully extend and/or launch existing or new products and services.

We may not identify market trends correctly, and any new product or services we launch may not be provided in a cost-effective manner or on a price-competitive basis because we may misread consumer demand or sentiment. If we fail to successfully extend and/or launch new products and services, our results of operations, financial condition and business prospect may be materially and adversely affected.

We depend significantly on our national distribution network

We sell our prepaid services principally through a national network of non-exclusive dealers that oversee over 228,000 retail outlets nationwide. As such, we are highly dependent on our dealers for our prepaid product sales, especially since our customers are predominantly prepaid subscribers. Our Marketing Unit continuously monitors our non-exclusive dealers' revenue generation and other key performance indicators in order to ensure advocacy of our products at retail outlets. Any failure to manage, or any dispute with, our non-exclusive dealers, may cause them to favor our competitors products, disrupt sales and have an adverse effect on our revenues and profitability.

We rely upon a limited number of principal suppliers

We rely upon a few principal vendors to supply our network components as most of the network equipment cannot be sourced locally. We rely upon a limited number of leading international mobile equipment manufacturers, primarily Ericsson AB, Huawei Technologies Company Limited and Alcatel Lucent, for the equipment required to maintain and expand our cellular network. We depend on equipment and other supplies and services from such vendors to maintain and replace key components of our cellular network and to operate our business. If we are unable to obtain adequate supplies or services in a timely manner or on commercially acceptable terms, or if there are significant increases in the cost of such supplies or services, our ability to maintain and to expand our cellular network, and our business, prospects, financial condition and results of operations may be adversely affected.

Our foreign ownership could limit our ability to grow our business

Pursuant to Presidential Decree No. 77 of 2007, as amended by Presidential Decree No. 111 of 2007 (the "Presidential Decree"), the telecommunication industry is among a list of industries and business fields in which foreign investment in Indonesia is prohibited, restricted or subject to the fulfillment of certain conditions as stipulated by the applicable Government authorities. The Presidential Decree stipulates a list of businesses closed or opened with reservation to foreign investment (the "Negative List"). The Negative List is issued as the implementation of Law No. 25 of 2007 on Capital Investment (the "Investment Law") and is further implemented by the Indonesian Investment Coordinating Board (the "BKPM"). Foreign investment in the telecommunications industry is subject to various limitations on foreign shareholdings. Limitations on foreign holdings in companies engaged in the telecommunication network business range from 49%-65%, and limitations on foreign shareholdings in Indonesian companies engaged in the provision of telecommunication and multimedia services (including data communication such as broadband cellular service) range from 49%-95%.

We also believe that, pursuant to the elucidation of Article 2 of Law No. 25 of 2007 concerning Investment (the "Investment Law"), the Investment Law is only applicable to foreign direct investment and does not apply to indirect or portfolio investments. The purchases of our shares by foreign investors are also portfolio investments which should be exempt from foreign ownership restrictions of the Investment Law.

Accordingly, although we are engaged in the telecommunication network business and our foreign shareholding (not including our public float) is greater than 65%, we believe that since the investment in our company by Axiata, our controlling shareholder, was approved by the Investment Coordinating Board ("BKPM") prior to the effective date of the Presidential Decree, the restrictions set forth in the Presidential Decree should not apply to Axiata.

Under Section 38(2) of BKPM´s Investment Guidelines (Chairman of BKPM´s Regulation No. 12/2009), BKPM´s approval is required for changes in a controlling shareholder´s share ownership in a publicly-listed company. In this regard, we inquired of BKPM whether, in light of the fact that we are publicly-listed company, its approval is required for the increase in the amount and percentage of our controlling shareholder's share ownership in XL since our BKPM Approval Letter No. 853/III/PMA/2005 dated July 28, 2005 (the "2005 BKPM Approval"), as well as any future changes in our controlling shareholder's share ownership. By its letter No. 205/A.8/2010, dated March 5, 2010 addressed to XL, BKPM stated that it is of the view that any changes in our shareholder´s share ownership after the 2005 BKPM Approval are under the authority of BAPEPAM by virtue of the fact that we are a public company. Accordingly, we believe that the absence of registration of any change in our controlling shareholder´s share ownership with BKPM should not affect the legality and rights attached to the shares.

The Presidential Decree is valid for a period of 3 years and will expire on July 3, 2010. In the event that the relevant regulatory authorities were to impose restrictions which would be unfavorable to foreign shareholdings in our company or seek to require our controlling or other foreign shareholders to reduce their shareholdings in our company, the resulting share sales could reduce the trading price for our shares and could have a material adverse effect on our business, financial condition, results of operations and prospects. Further, if the foreign ownership limitation stipulated in the Presidential Decree is applied to us, regulatory authorities may prohibit us from participating in bidding for or obtaining further licenses or additional spectrum, which would adversely affect our business, prospects, financial condition and results of operations.

We also require the approval of relevant regulatory authorities to obtain licenses to provide additional telecommunication services or additional spectrum from the operation of our cellular telecommunication network. We may not be successful in bidding for or obtaining further licenses to provide telecommunication services or additional spectrum, since the relevant regulatory authorities may prefer to award such licenses or spectrum to domestic telecommunication operators in preference to us due to our high percentage of foreign ownership. If this occurs, our failure to obtain such licenses or additional spectrum could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are one of six Indonesian telecommunication operators to have been found liable for SMS price fixing

On November 1, 2007, the Commission for the Supervision of Business Competition (Komisi Pengawas Persaingar Usaha or "KPPU") issued a decision regarding a preliminary investigation of eight telecommunication companies (including us) based on allegations of price-fixing of SMS and breach of Article 5 of Law No. 5 Year 1999 on Prohibition of Monopolistic Practices and Unfair Business Competition ("Anti-Monopoly Law"). On June 18, 2008, we and five other telecommunication companies were found liable for price-fixing. We were ordered by the KPPU to pay a fine of Rp. 25.0 billion and revise our SMS charges. We have filed an appeal before the district court of South Jakarta with respect to our objection on the decision of the KPPU, while other telecommunication operators have also filed an appeal before the district courts of other jurisdictions with their separate objections on the same KPPU decision. The Indonesian Supreme Court is currently considering the proper jurisdiction for a joint hearing of the common appeals of the telecommunication operators against the same KPPU decision. We have as a consequence revised our SMS charges and made a provision in our financial statements for the fine ordered by the KPPU; however, any other legal actions arising from the KPPU decision could subject us to legal damages and other substantial liabilities which could lead to a decrease in our revenue and affect our business, reputation and profitability.

Our subscriber related operating data may not be comparable between periods

We calculate the number of our prepaid subscribers based on the number of prepaid SIM cards sold that we have activated and have not subsequently deemed deactivated. We deem prepaid SIM cards to be deactivated upon the expiration of a grace period commencing from the expiry date of the voucher, unless the prepaid SIM card has been reloaded with a new voucher prior to the expiry of such grace period.

The grace period for deemed deactivation, which we use to calculate our reported number of prepaid subscribers, may be less than the period that we allow prior to actual deactivation of the prepaid subscriber from our GSM network. During the period from the expiry date of the voucher to the date of actual deactivation, the prepaid subscriber may still receive incoming calls (and may indirectly contribute to our revenue from domestic interconnection service when incoming calls are received from the PSTN or customers of other cellular service operators) but may not make outgoing calls (and will not contribute to our MOU).

We have from time to time increased or decreased the grace period applicable to our calculation of prepaid subscribers. When we increased the grace period, we intended to allow ourselves additional time for marketing efforts intended to retain those prepaid subscribers who had not yet purchased reloads during the grace period. When we decreased the grace period, we believed that our efforts to retain prepaid subscribers in the grace period were unsuccessful, and we intended that our number of subscribers should more accurately reflect those subscribers whom were most likely to reload with a new voucher, continue to make outgoing calls and continue to contribute to our MOU. Increasing the grace period also had the effect of increasing our number of subscribers, and decreasing our MOU Per Subscriber, ARPU for prepaid subscribers, Blended ARPU and Average Monthly Churn. Decreasing the grace period had the effect of decreasing our number of subscribers, and increasing our MOU Per Subscriber, ARPU for prepaid subscribers, Blended ARPU and Average Monthly Churn.

There also can be no assurance whether subscribers in the grace period have and recently generated revenue and therefore form part of our revenue generating base.

As a result of the foregoing, our number of subscribers, MOU Per Subscriber, ARPU for prepaid subscribers, Blended ARPU and Average Monthly Churn do not reflect completely our revenue generating base, may not reflect the actual number of subscribers on our GSM network and are not comparable between periods. Accordingly, you should not place undue reliance on the accuracy of this data or comparison of this data from period to period.

Our operating data may not be comparable to that of other cellular telecommunication operators

Telecommunication market practices for the calculation of MOU, ARPU, ARPM and number of prepaid subscribers may be applied differently between various telecommunication operators. For example, we calculate MOU based on outgoing minutes of use for any given period, while other telecommunication operators may calculate MOU based on both outgoing and incoming minutes of use, with the result that each call minute originating and terminating on the same cellular telecommunication network will be counted twice, once for the outgoing call and once for the incoming call. We base our ARPM calculation on gross voice revenue for any given period, while other telecommunication operators may calculate ARPM based on net revenue for any given period. Our grace period prior to deactivation of prepaid subscribers may be different from those of other telecommunication operators. Further, when we offer our subscribers incentive programs involving free minutes of call usage, we include these free minutes of call usage in our MOU calculation, while other telecommunication operators may offer such incentive programs and then either include or exclude the free minutes offered to their customers when calculating MOU. In addition, our calculation of MOU includes only minutes of voice call usage and does not recognize SMS usage, while other telecommunication operators may convert SMS into MOU (e.g. one SMS equals one MOU) in their calculation of MOU. As a result of these and other potential differences in calculation of subscribers, MOU, ARPU and ARPM, our calculation of subscribers, MOU, SMS Per Subscriber, ARPU, MOU Per Subscriber, ARPM and Average Monthly Churn may not be precisely comparable to those of other telecommunication operators. Accordingly, you should not place undue reliance on comparisons between us and our competitors based on these operational metrics.

We rely on management and employee expertise, and our business may be adversely affected by any inability to recruit, train, retain and motivate experienced management and employees

Our ability to maintain our competitive position is dependent to a large degree on management expertise. The loss of services of one or more of these members of our management team could hinder our ability to effectively manage our business and implement our growth and development strategies. There is significant competition in Indonesia for experienced management personnel and competition for these individuals is likely to increase as Indonesia's telecommunications industry expands. We cannot assure you that any member of our management team will remain with us. If one or more of our key management personnel are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, we may not be able to replace them easily, or at all. Our business may be significantly disrupted and our financial condition and results of operations may be materially and adversely affected.

Our success also depends in large part on our ability to attract, retain, train, manage and motivate skilled employees, particularly engineers. There is also significant competition in Indonesia for employees with the skills required to work at the telecommunications industry and competition for these individuals is likely to increase as we and our competitors continue to expand operations. We cannot assure you that a sufficient number of skilled employees will continue to be available or that we will be successful in training, retaining and motivating current or future employees. If we are unable to attract, retain and train skilled employees, our ability to adequately manage and staff our operations could be impaired, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business relies on sophisticated billing and credit control systems, and any problems with these systems could interrupt our operations

Sophisticated billing and credit control systems and successful fraud prevention policies are critical to our ability to increase revenue streams, avoid revenue losses, monitor costs and potential credit problems, reduce bad debts and bill our subscribers properly and in a timely manner. Any damage or interruptions in operation or failure of our servers which are used for the billing and credit control systems, could result in an interruption in our operations, and this may materially and adversely affect our business, financial condition and results of operations.

In addition, we are dependent on several complex software packages which record minutes used, calculate the appropriate charge and then deduct charged amounts from prepaid subscriber credits or deliver a bill to postpaid subscribers. Any failure to properly capture the services provided and to charge the appropriate fees will have a material adverse effect on our revenue. No system or process can ensure total capture and some loss of revenue is normal. However, if our revenue leakages increase, or are greater than those of our competitors, then our business, results of operations, financial condition and prospects could be negatively impacted.

We depend on our licenses to provide cellular telecommunication services

We rely on licenses issued by the MCIT for the provision of our cellular telecommunication services as well as for the utilization of our allocated spectrum frequencies. Any breach of the terms and conditions of our licenses or failure to comply with applicable regulations could result in our licenses being cancelled or suspended or fines being imposed on us by the Government. The MCIT, with due regard to prevailing laws and regulations, may amend the terms of our licenses at its discretion. Any revocation or unfavorable amendment of the terms of the licenses, or any failure to renew them on comparable terms, could constitute a default under the terms of our licenses and have a material adverse effect on our business, prospects, financial condition and results of operations.

Our costs are subject to global commodity and equipment prices

We purchase commodities such as copper and steel to support the maintenance, expansion and roll-out of our networks. The volatility of global commodity prices, especially metals prices and fuel costs, has adversely impacted the cost of equipment for our network maintenance and expansion. The volatility of such prices also has adversely impacted roll-out plans and timing. Not only is the cost and availability of critical items of network equipment influenced by global commodity prices, but prices and availability also are affected by the demand in other countries for such equipment. We are unable to pass on these increased costs to our subscribers because competition has driven down the tariffs. Continued increases and volatility in global commodity and equipment prices could adversely impact our costs and could have a material adverse effect on our business, results of operations, financial condition and prospects.

We have indebtedness which contains restrictive covenants

We currently have indebtedness which contains covenants that limit our operating and financing activities. See "Management's Discussion and Analysis of Our Financial Condition and Results of Operations — Description of Material Indebtedness." In addition, this indebtedness has increased our leverage and could result in higher interest expenses going forward and may lead to higher future costs of borrowing. Events of default under our indebtedness could give rise to a right by a creditor to accelerate the relevant indebtedness or enforce any security granted in relation to that indebtedness, and may result in a cross default on other indebtedness, which would have a material adverse effect on our financial condition and results of operations.

We may not be able to successfully manage our foreign exchange risk

Changes in exchange rates have affected and may continue to affect our results of operations and cash flows. Some of our debt obligations and a majority of our capital expenditures are, and we expect will continue to be, denominated in U.S. dollars. Most of our revenues are denominated in Rupiah. The Rupiah-U.S. dollar exchange rate was Rp. 9,419.00 = US$1.00 on December 31, 2007, Rp. 10,950.00 = US$1.00 on December 31, 2008 and Rp. 9,400.00 = US$1.00 on December 31, 2009. We may also incur additional long-term indebtedness in currencies other than the Rupiah, including the U.S. dollar, to finance further capital expenditures.

We currently hedge a portion of our foreign currency exposure principally because our annual US$-denominated operating revenue is less than the sum of our US$-denominated capital expenditures and annual payments of US$-denominated principal and interest payments. In an effort to manage our foreign currency exposure and lower our overall funding costs, we enter into forward foreign currency contracts and cross currency swap contracts with international financial institutions. For the forward foreign currency contracts, we typically pay a fixed rate premium. As a result of these contractual arrangements, we believe that we have reduced some of our foreign currency risk exposure although not all our foreign exchange exposure is hedged and replacement hedging agreements may not be available when our current hedging agreements expire. We recorded a foreign exchange loss of approximately Rp. 204.4 billion for the year ended 2007, a foreign exchange loss of approximately Rp. 332.2 billion for the year ended 2008, and a foreign exchange gain of approximately Rp. 744.6 billion for the year ended 2009. These gains and losses were primarily due to translation gains and losses due to our monetary assets and liabilities denominated in U.S. dollars, and to a lesser extent due to transaction gains and losses on our capital expenditures, the majority of which are denominated in U.S. dollars. We recorded translation losses of approximately Rp. 192.3 billion for the year ended 2007, translation gains of approximately Rp. 126.8 billion for the year ended 2008, and translation gains of approximately Rp. 461.1 billion for the year ended 2009. As of December 31, 2009, we had monetary assets of Rp. 1,020.6 billion (US$108.6 million) and monetary liabilities of Rp. 6,042.5 billion (US$642.8 million) subject to foreign currency exposure. We cannot assure you that we will be able to manage our currency exchange rate risk successfully in the future or that our business, financial condition, results of operations and prospects will not be adversely affected by our exposure to currency exchange risk.

Concerns about electromagnetic radiation from cellular handsets or base stations may result in litigation or other claims against us

Research reports have in the past suggested that radio emission from cellular handsets might have an adverse effect on the health of cellular telephone users and others. Such concerns have adversely affected share prices of certain cellular telecommunications companies in the United States in the past. Although the findings in such reports are disputed, the issuances of such reports in the future could adversely affect the market price of the shares of cellular operators, including ourselves, and the actual or perceived risk of cellular telecommunications devices could adversely affect cellular operators such as ourselves through reduced subscriber growth, reduction in subscribers, reduced MOU Per Subscriber or MOU, or increased costs arising from the location or relocation of BTS.

Reports have suggested that radio emissions and electromagnetic radiation inherent in the operation of base stations and towers may also cause health problems for those people who live or spend significant time near such base stations or towers. There is also some concern that these emissions may interfere with the operation of certain electronic equipment, including automobile braking and steering systems. We may receive claims in relation to such matters. There can be no assurance that we will be able to successfully defend these claims. Many of our base stations are located in populated areas or buildings, so it is difficult to predict how many such claims we may face. Likewise, we cannot say with any certainty how much it would cost to defend or settle such claims, nor how much we might be obliged to pay should the court award damages or other remedies against us. Such claims could therefore adversely affect our financial condition and results of operations. In addition, such actual or perceived risks relating to the operation of base stations and towers may make it difficult to find suitable sites for our BTS.

Risks Relating to Indonesia

We are incorporated in Indonesia and all of our operations and substantially all of our assets are located in Indonesia. As a result, future political, economic and social conditions in Indonesia, as well as certain actions and policies which the Government may take or adopt, or omit from taking or adopting may have a material adverse effect on our business, financial condition, results of operations and prospects.

Domestic, regional or global economic changes may adversely affect our business, financial condition, results of operations or prospects

The economic difficulties faced by Indonesia during the Asian economic crisis that began in 1997 resulted in, among other things, volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. The interest rate for one-month Bank Indonesia certificates has declined from a peak of 70.8% in late July 1998 to 6.5% in August 2009. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the Indonesian financial markets and inhibit or reverse the growth of the Indonesian economy. These conditions had a material adverse effect on Indonesian businesses, including our business and financial condition. Indonesia entered a recessionary phase with relatively low levels of growth in 1999 through 2002. The rate of growth has increased in recent years from 5.7% in 2005, 5.5% in 2006, 6.3% in 2007, 6.1% in 2008 and 4.55% in 2009. Any such increased volatility, slowdown or negative growth, whether in the Indonesian or global economies, could materially and adversely affect our business, financial condition, results of operations and prospects.

Outside of Indonesia, recent difficulties affecting the global financial sectors, adverse conditions and volatility in the United States and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general. In 2007, credit markets in the United States began to experience difficult conditions and volatility that in turn affected worldwide financial markets. In 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. These developments resulted in reduced liquidity and greater volatility in the United States and global credit and financial markets. In 2009, these concerns and volatility were heightened by government assistance and incentives to several major non-financial U.S. and European companies, and additional requests for such assistance.

The global economic downturn has also adversely affected developing markets, including Indonesia and other Association of Southeast Asian Nations (“ASEAN”) countries. In particular, there have been capital outflows from some developing markets and reductions in their exports and export revenues and throughout Asia, stock market indices declined sharply. The eventual duration, magnitude and scope of these extremely negative economic developments remain unknown and economic conditions in developed markets are not expected to improve substantially in the near term. Indonesia and other ASEAN countries have also been negatively affected, along with developing market countries globally, by the unprecedented financial and economic conditions in developed markets.

The Government has adopted a number of measures to respond to these unprecedented conditions with the aim of maintaining economic stability and public confidence in the Indonesian economy; however, continuation of these unprecedented conditions may negatively impact economic growth, the Government´s fiscal position, the Rupiah´s exchange rate and other facets of the Indonesian economy. In addition, the Government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from high levels of non-performing loans. Government funding requirements to areas affected by the December 2004 tsunami and other natural disasters, as well as increasing oil prices, may increase the Government´s fiscal deficits.

Political and social instability may adversely affect us

Since the collapse of President Soeharto´s regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia´s changing political landscape. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Wahid, former President Megawati, and current President Yudhoyono as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, decentralization and provincial autonomy and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some had turned violent. In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 30.0% increase in fuel prices. Similar demonstrations occurred in January 2003, when the Government again tried to increase fuel prices, as well as electricity rates and telephone charges. In both instances, the Government was forced to drop or substantially reduce the proposed increases. In March 2005, the Government implemented an approximately 29.0% increase in fuel prices. In October 2005, the Government implemented a new policy that resulted in an approximate 120.0% increase in fuel prices. In response, several non-violent mass protests were organized in opposition to the increases in domestic fuel prices, and political tensions have resulted from the Government´s decision. There can be no assurance that this situation will not lead to further political and social instability.

Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of those separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents, in the province of Malukus, clashes between religious groups have resulted in casualties and displaced persons, and in the province of Kalimantan, clashes between ethnic groups have produced fatalities and refugees over the past several years. In recent years, the Government has made progress in negotiations with these troubled regions (including the memorandum of understanding signed in August 2005 between the Government and the leaders of the Aceh separatist movement), but there is no guarantee that the terms of any agreement reached between the Government and the separatists will be upheld. Human rights violators, including those from high-ranking military positions, have recently begun to be more actively prosecuted in Indonesia, most notably with respect to alleged violations occurring in Timor Leste (formerly East Timor), Aceh, Papua and the Malukus. However, the success of these prosecutions has been mixed, and many public commentators and demonstrators have criticized the Government´s failure to prosecute human rights violations in Indonesia more vigorously.

In 2004, Indonesians directly elected the President, Vice-President and representatives in the Indonesian parliament for the first time through proportional voting with an open list of candidates. At the lower governmental level, Indonesians have started directly electing their respective heads of local governments. In 2009, another set of elections were held in Indonesia to elect the President, Vice-President and representatives in the Parliament. Increased political activity can be expected in Indonesia. Although the 2004 and 2009 elections were conducted peacefully, political campaigns in Indonesia may bring a degree of political and social uncertainty to Indonesia. Political and social unrest may occur if the results of future elections are disputed or unpopular.

Political and social developments in Indonesia have been unpredictable in the past and, as a result, confidence in the Indonesian economy has remained low. Any resurgence of political instability could adversely affect the Indonesian economy, which could adversely affect our business. There can be no assurance that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not, directly or indirectly, materially and adversely, affect our business, financial condition, results of operations and prospects.

Terrorist attacks and activities could cause economic and social volatility

The terrorist attacks on the United States on September 11, 2001, together with the military response and continuing military activities in Iraq and Afghanistan have resulted in substantial and continuing economic volatility and social unrest in Southeast Asia. Recent terrorist attacks in Southeast Asia have exacerbated this volatility. Further developments stemming from these events or other similar events could cause further volatility. Any additional significant military or other response or any further terrorist activities could also materially and adversely affect international financial markets and the Indonesian economy.

In Indonesia during the last few years, there have been various bombing incidents directed towards the Government and foreign governments and public and commercial buildings frequented by foreigners, including the Jakarta Stock Exchange Building and Jakarta´s Soekarno-Hatta International Airport. On October 12, 2002, over 200 people were killed in a bombing at a tourist area in Bali. On August 5, 2003, a bomb exploded at the JW Marriott Hotel in Jakarta, killing at least 13 people and injuring 149 others. On September 9, 2004, a car bomb exploded at the Australian Embassy in Jakarta, killing more than six people. On May 28, 2005, bomb blasts in Central Sulawesi killed at least 21 people and injured at least 60 people. On October 1, 2005, bomb blasts in Bali killed at least 23 people and injured at least 101 others. Most recently, on July 17, 2009, bomb blasts at the JW Marriott Hotel and Ritz-Carlton Hotel in Jakarta killed a total of nine people and wounded 53 people. Indonesian, Australian and U.S. government officials have indicated that these bombings may be linked to an international terrorist organization. Demonstrations have also taken place in Indonesia in response to plans for and subsequent to U.S., British and Australian military action in Iraq. The Indonesian authorities are still investigating these incidents, but have suggested that they may be linked to the activities of certain Islamic militant groups.

Further terrorist acts may occur in the future. Following the military involvement of the United States and its allies in Iraq, a number of governments have issued warnings to their citizens in relation to a perceived increase in the possibility of terrorist activities in Indonesia, targeting foreign interests. Such terrorist acts could destabilize Indonesia and increase internal divisions within the Government as it considers responses to such instability and unrest, thereby adversely affecting investors´ confidence in Indonesia and the Indonesian economy. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and in turn our business.

Downgrades of credit ratings of the Government or Indonesian companies could adversely affect our business

In 1997, certain recognized statistical rating organizations, including Moody´s Investors Service, Inc. ("Moody´s") and Standard & Poor´s Ratings Group, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor´s") downgraded Indonesia´s sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. As of the date hereof, Indonesia´s sovereign foreign currency long-term debt is rated "Ba2" by Moody´s, upgraded from "Ba3" on September 16, 2009, "BB-" by Standard & Poor´s, upgraded from "B+" on July 26, 2006, and "BB+" by Fitch Ratings Ltd ("Fitch"), upgraded from "BB" on January 25, 2010, and its short-term foreign currency debt is rated "NP" by Moody´s, "B" by Standard & Poor´s and "B" by Fitch. On June 11, 2009, Moody´s revised its outlook on the sovereign rating for Indonesia from stable to positive, on October 23, 2009, Standard and Poor´s revised its outlook on the sovereign rating for Indonesia from stable to positive and on January 20, 2009, Fitch revised its outlook on the sovereign rating for Indonesia from positive to stable. These ratings reflect an assessment of the Government´s overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

However, Moody´s, Standard & Poor´s, Fitch or any other statistical rating organization may downgrade the credit ratings of Indonesia or Indonesian companies. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including ourselves, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could in turn have a material adverse effect on our financial condition, liquidity and results of operations.

Depreciation or volatility in the value of the Rupiah may adversely affect our business, financial condition, results of operations and prospects

One of the most important immediate causes of the economic crisis which began in Indonesia in mid-1997 was the depreciation and volatility of the value of the Rupiah, as measured against other currencies, such as the U.S. dollar. Although the Rupiah has appreciated considerably from its low point of approximately Rp. 17,000 per U.S. dollar in January 1998, the Rupiah continues to experience significant volatility. See "Exchange Rate Information" for further information on changes in the value of the Rupiah as measured against the U.S. dollar in recent periods. We cannot assure you that the Rupiah will not be subject to depreciation and continued volatility, that the current exchange rate policy will remain the same, or that the Government will, or will be able to, act when necessary to stabilize, maintain or increase the value of the Rupiah, and will not act to devalue the Rupiah, or that any such action, if taken, will be successful.

The Rupiah has generally been freely convertible and transferable (except that Indonesian banks may not transfer Rupiah to persons outside of Indonesia and may not conduct certain transactions with non-residents). However, from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Rupiah or by using its foreign currency reserves to purchase Rupiah. We cannot assure you that the current floating exchange rate policy of Bank Indonesia will not be modified, that additional depreciation of the Rupiah against other currencies, including the U.S. dollar, will not occur, or that the Government will take additional action to stabilize, maintain or increase the value of the Rupiah, or that any of these actions, if taken, will be successful.

Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders. This could result in a reduction of economic activity, an economic recession, loan defaults or declining usage by our subscribers, and as a result, we may also face difficulties in funding our capital expenditures and in implementing our business strategy. Any of the foregoing consequences could have a material adverse effect on our business, financial conditions, results of operations and prospects.

Labor activism and unrest may adversely affect our business

On August 4, 2000, the Government enacted Law No. 21 Year 2000 on Worker/Labor Union (the "Labor Union Law") and implemented regulations which allow employees to unionize. The liberalization of regulations permitting the formation of labor unions combined with weak economic conditions has resulted, and will likely continue to result in, labor unrest and activism in Indonesia.

Laws and regulations which facilitate the formation of labor unions, combined with weak economic conditions, have resulted, and may in the future result, in labor unrest and activism in Indonesia. The Labor Union Law, which took effect in August 2000, permits employees to form unions without intervention from their employers.

On March 25, 2003, the Government enacted Law No. 13 Year 2003 on Manpower (the "Labor Law") which adopted elements of severance pay, long service pay and compensation of rights as the components of termination payment payable to an employee upon termination. These elements had also been provided for in a previous ministerial decree. However, the severance pay component payable to a terminated employee was increased under this Labor Law. Employees have the right to refuse to continue their employment if there is a change of status, change of ownership, merger or consolidation of the company. If employment is terminated based on these reasons, the employees will be entitled to severance pay, long service pay and compensation of rights, amounts of which are calculated based on their basic salary and fixed allowance, as well as their length of employment with the company.

In April 2006, thousands of workers across Indonesia protested against parliamentary revisions to the Labor Law which, if implemented would have curbed the ability of workers to strike and softened regulations on termination payments for dismissed workers, amongst others. In response to these protests, President Yudhoyono called upon Government officials and representatives of labor unions and employers to meet and agree on mutually acceptable revisions to the proposed law.

In January 2007, the Government attempted to formulate a draft Government Regulation on termination payments which would have redefined the entitlement of employees to termination payments by introducing certain salary limitations that would entitle employees to the termination payments under the Labor Law. The attempt failed due to disagreements amongst the Government, the labor unions and the employers' association on the specified salary limitation. It is uncertain whether any revisions to the Labor Law or any Government Regulation with regard to termination payments will be passed. In the absence of any changes to the labor laws and regulations currently in effect, businesses in Indonesia, including our company, will be limited in their ability to maintain flexible labor policies.

As of December 31, 2009, we had a total of 2,038 employees. We cannot assure you that we will not experience disruptions to our operations due to disputes or other problems with our work force. Furthermore, efforts by labor unions to organize our employees may divert management's attention and increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to union-initiated work stoppages, including strikes. Such labor unrest and activism could also disrupt our operations and could adversely affect the financial condition of Indonesian companies in general and the value of the Rupiah relative to other currencies, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Increases in the cost of essential items may reduce our subscribers' purchasing power

In 2009, the annualized inflation rate in Indonesia was 2.8%, while annualized GDP was 4.6%. The Government's official targets for GDP growth and inflation in 2010 are 5.5% and 5.0%, respectively. Any increases in the cost of essential items could reduce the purchasing power of our subscribers and lead to decreased spending by our subscribers on telecommunication services, which may lower our rate of growth in, or reduce, our number of subscribers and MOU, decrease our ARPM and ARPU, increase our Average Monthly Churn, and materially and adversely affect our business, financial condition, results of operations and prospects.

Indonesia is located in an earthquake zone and is subject to significant geological risk that could lead to social unrest and economic loss

The Indonesian archipelago is one of the most volcanically active regions in the world. Because it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive earthquakes, tsunamis or tidal waves. On December 26, 2004, an underwater earthquake off the coast of Sumatra caused a tsunami that devastated coastal communities in Indonesia, Thailand and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded missing in the disaster which caused billions of U.S. Dollars in damages. In May 2006, a 6.3 magnitude earthquake struck roughly 30 miles southwest of Mount Merapi in Central Java, killing at least 6,000 people and leaving at least 200,000 people homeless in the Yogyakarta region, and prompted eruption of the volcano. In July 2006, a 7.7 magnitude earthquake that struck approximately 220 miles south of Jakarta and the resulting tsunami that followed killed at least 500 people and left at least 35,000 people homeless. A 7.9 magnitude earthquake struck Bengkulu and West Sumatra on September 12, 2007, resulting in 25 deaths, numerous injuries and the evacuation of some 115,000 people. Most recently, in September 2009, two major earthquakes struck West Java and West Sumatra, with magnitudes of 7.0 and 7.6, respectively, leading to the death of more than 600 people. In addition, in January and February 2007, many parts of Jakarta and its surrounding areas suffered extensive flooding. Approximately 100 people were killed and 100,000 people in Jakarta and its surrounding areas were evacuated to safe and dry areas due to the flood. This 2007 flood resulted in more damage, deaths and victims left homeless than prior floods in Jakarta. Flooding and landslides in Central and East Java that occurred between the end of 2007 to early 2008 caused 100 deaths and estimated damage amounting to Rp. 2 trillion.

In addition, future geological occurrences may significantly impact the Indonesian economy. A significant earthquake or other geological disturbance in any of Indonesia´s more populated cities and financial centers could severely disrupt the Indonesian economy and undermine investor confidence, thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

Regional autonomy may adversely affect our business through imposition of local restrictions, taxes and levies

Indonesia is a large and diverse nation covering a multitude of ethnicities, languages, traditions and customs. During the administration of the former President Soeharto, the central government controlled and exercised decision making authorities on almost all aspects of national and regional administration, including the allocation of revenues generated from extraction of national resources in the various regions. This led to a demand for greater regional autonomy, in particular with respect to the management of local economic and financial resources. In response to such demand, the Indonesian Parliament in 1999 passed Law No. 22 Year 1999 regarding Regional Autonomy and Law No. 25 Year 1999 regarding Fiscal Balance Between The Central Government and The Regions, which have since been revoked and replaced by the provisions of regional autonomy Law No. 8 Year 2005 and Law No. 32 Year 2004, respectively. Under these regional autonomy laws, regional autonomy was expected to give the regions greater powers and responsibilities over the use of ´national assets´ and to create a balanced and equitable financial relationship between central and local governments. However, under the pretext of regional autonomy, certain regional governments have put in place various restrictions, taxes and levies which may differ from restrictions, taxes and levies put in by other regional governments and/or are in addition to restrictions, taxes and levies stipulated by the central government. Our business and operations are located throughout Indonesia and may be adversely affected by conflicting or additional restrictions, taxes and levies that may be imposed by the applicable regional authorities.

We prepare our consolidated financial statements in accordance with Indonesian GAAP, which differs in certain significant respects from U.S. GAAP

Our consolidated financial statements and other financial information included in this Document were prepared in accordance with Indonesian GAAP, which differ in certain significant respects from U.S. GAAP. This Document does not contain a reconciliation of our financial statements to U.S. GAAP, and we cannot assure you that such reconciliation would not reveal material differences. Prospective investors should consult their professional advisers for an understanding of such difference and how they might affect the financial information contained in this Document.

Outbreak of an infectious disease, or fear of an outbreak, or any other serious public health concerns in Asia (including Indonesia) and elsewhere may adversely impact our business and financial condition

The outbreak of an infectious disease in Asia (including Indonesia) or elsewhere, or fear of an outbreak, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy and business activity in Indonesia and thereby adversely impact our revenue. Examples include the outbreak in 2003 of Severe Acute Respiratory Syndrome ("SARS") in Asia, the outbreak in 2004 and 2005 of Avian influenza, or bird flu, in Asia and the recent outbreak in 2009 of influenza H1N1. The World Health Organization ("WHO") has raised the level of the influenza alert for influenza H1N1 from phase 5 to phase 6. According to WHO, as of December 31, 2009, more than 208 countries and overseas territories or communities have reported laboratory confirmed cases of pandemic influenza H1N1, including over 11,500 deaths. There can be no assurance that any precautionary measures taken against infectious diseases would be effective. Any intensification of the recent influenza H1NI in the U.S., Europe and Asia and any recurrence of SARS or outbreak of bird flu or other contagious disease may adversely affect our business and financial condition. A future outbreak of an infectious disease or any other serious public health concern in Indonesia may adversely affect our business and financial condition.

Risks Relating to an Investment in Our Shares

Conditions in the Indonesian securities market may affect the price or liquidity of our shares

The Indonesian capital markets are less liquid and have different reporting standards than markets in the United States and many other countries. Also, prices in the Indonesian capital markets are typically more volatile than in such other markets. In the past, Indonesian stock exchanges have experienced some problems which, were they to continue or recur, could affect the market price and liquidity of the securities of Indonesian companies, including our shares. These problems have included closures of exchanges, broker defaults and strikes, settlement delays, and the bombing of the Jakarta Stock Exchange building. In addition, the governing bodies of the Indonesian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. The levels of regulation and monitoring of the Indonesian securities markets and the activities of investors, brokers and other market participants are not the same as in certain other countries. In addition, the ability to sell and settle trades on the IDX may be subject to delays. In light of the foregoing, we cannot assure you that a holder of our shares will be able to dispose of such shares at prices or at times at which such holder would be able to do so in more liquid markets or at all.

The price of our shares may fluctuate widely

The price of our shares may fluctuate widely, depending on many factors, including:

- perceived prospects for our business and operations;
- differences between our actual financial and operating results and those expected by investors and analysts;
- announcements by us of strategic alliances or joint ventures;
- changes in analysts' recommendations or perceptions of us or Indonesia;
- changes in general economic, social, political or market conditions in Indonesia and which generally affect the Indonesian telecommunication industry;
- changes in prices of equity securities of foreign (particularly Asian) companies in emerging markets;
- additions or departures of key personnel;
- involvement in litigation; and
- broad stock market price fluctuations.

Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures

The amount of our future dividend payments, if any, will depend on our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. We cannot assure you that we will be able to pay dividends or that our Board of Directors will recommend or our shareholders will approve the payment of dividends. Additionally, we may be restricted by the terms of our existing and future credit financing agreements to make dividend payments only after a certain time period as will be agreed with the lenders. We may also enter into similar financing agreements in the future which could further limit our ability to pay dividends, and we may incur expenses or liabilities that would reduce or eliminate the cash available for distribution of dividends. Furthermore, any dividends that we do pay will be declared and paid in Rupiah, and you may be unable to convert such Rupiah dividends to your preferred currency at a favorable exchange rate or at all. We cannot assure you that dividends will be paid at the same rate as in prior years or at all. As a result, capital appreciation, if any, of our shares may be our shareholders' only source of gain.

Future changes in the value of the Rupiah against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of our shares and any dividends

Fluctuations in the exchange rate between the Rupiah and other currencies will affect the foreign currency equivalent of the Rupiah price of our shares on the IDX. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Rupiah by us on, and the Rupiah proceeds received from any sales of, our shares, as well as the book value of foreign currency assets and liabilities, and income and expenses and cash flows in our financial statements.

Indonesian law may operate differently from the laws of other jurisdictions with regards to the convening of, and the right of shareholders to attend and vote at, general meetings of shareholders

We are subject to Indonesian law and the applicable listing requirements of the IDX. In particular, the convening and conduct of general meetings of our shareholders will continue to be governed by Indonesian law. The procedure and notice periods in relation to the convening of special meetings of our shareholders, as well as the ability of our shareholders to attend and vote at such general meetings, may be different from those of jurisdictions outside Indonesia. For instance, our shareholders who would be entitled to attend and vote at general meetings of shareholders are, by operation of Indonesian law, those shareholders appearing in our register of shareholders on the market day immediately preceding the day (the "Record Date"), on which the notice of general meeting is issued, regardless of whether such shareholders may have disposed of their shares following the Record Date and prior to the general meeting of the shareholders. In addition, investors who may have acquired their shares after the Record Date (any before the day of the general meeting) would not be entitled to attend and vote at the general meeting. Accordingly, potential investors should note that they may be subject to procedures and rights with regards to general meetings of our shareholders that are different from those to which they may be accustomed in other jurisdictions.

Indonesian law contains provisions that could discourage a takeover of our company

Under BAPEPAM regulations, if there is any change of control of an Indonesian publicly listed company, the new controlling party must carry out a tender offer of the remaining shares (public shares, not including shares of the other controlling shareholders, if any). Under BAPEPAM Regulation No. IX.H.1, Attachment of Decision of the Chairman of BAPEPAM No. KEP-259/BL/2008, dated June 30, 2008, regarding Takeover of Publicly listed Companies, a takeover of a publicly listed company is defined as an action which directly or indirectly changes the controlling party of that publicly listed company. A controlling party of a publicly listed company is:

- a party that owns 50% or more of the total issued capital of the publicly listed company; or
- a party that has direct or indirect ability to determine the management and/or policy of the publicly listed company.

Although such take-over provisions are intended to protect the interests of shareholders by requiring any acquisitions of our shares that may involve or threaten a change in control to also be extended to all shareholders on the same terms, these provisions may discourage or prevent such transactions from taking place at all.

The application of BAPEPAM conflict of interest rules may cause us to forego transactions that are in our best interests

In order to provide more legal certainty and protection to the shareholders, in particular the independent shareholders, in connection with affiliated party transaction or conflict of interest transaction conducted by an issuer or an Indonesian public company, in November 2009, BAPEPAM issued Rule No. IX.E.1 on Affiliated Party Transaction and Conflict of Interest of Certain Transaction which replaced the previous rule issued in 2008.

BAPEPAM Rule No. IX.E.1 required the issuer or the Indonesian public company to disclose information to the public or to submit report to BAPEPAM of its affiliated party transaction latest by the end of the second working days following such transaction and further stipulates that any conflict of interest transaction conducted by Indonesian public companies would require prior independent shareholders approval of the issuer or the said Indonesian public company, unless such affiliated party transaction or conflict of interest transaction meets certain exemption stipulated under this rule.

Transactions between us and other persons could constitute an affiliated party transaction or conflict of interest transactions under the BAPEPAM rule. If such transaction falls under the conflict of interest transaction, the approval of holders of a majority of shares owned by the independent shareholders would have to be obtained prior to conducting such transaction. BAPEPAM has the power to enforce this rule and our shareholders may also be entitled to seek enforcement or bring enforcement actions based on this BAPEPAM rules.

The requirement to obtain independent shareholder approval could be burdensome to us in terms of time and expense and could cause us to forego entering into certain transactions which we might otherwise consider to be in our best interests. Moreover, we cannot assure you that approval of the independent shareholders would be obtained if sought.

Your right to participate in future rights offerings could be limited, which would cause dilution to your holdings

To the extent that in the future we offer our shareholders rights to purchase or subscribe for shares or otherwise distribute shares to our shareholders, U.S. holders may be unable to exercise such rights for our shares unless a registration statement under the U.S. Securities Act is effective with respect to the new shares or an exemption from registration under the U.S. Securities Act is available.

Whenever we make a rights or similar offering of our shares, we will evaluate the costs and potential liabilities associated with, and our ability to comply with, U.S. regulations, for any such registration statement and any other factors we consider appropriate. However, we may choose not to file any such registration statement. If we do not file a registration statement and no exemption from registration under the U.S. Securities Act is available, then U.S. holders of our shares would be unable to participate in rights or similar offerings and would suffer dilution of their shareholdings. Also, there may be similar restrictions in other jurisdictions that affect our ability to offer rights and make other share offerings in these jurisdictions. Consequently, we cannot assure you that you will be able to maintain your proportional equity interests in us. Also, as rights issues in Indonesia generally enable participants to purchase shares at a discount to the recent trading price, your inability to participate in such rights offerings could cause you material economic harm.

Our controlling shareholder´s interests may differ from those of our other shareholders and there may be conflicts of interest between us and Axiata or other affiliates

Nominees of Axiata may hold positions on our Board of Commissioners and Board of Directors, and Axiata has the ability to exercise a controlling influence over our business. Axiata may cause us to take actions that are not in, or may conflict with, our other shareholders' best interests, including matters relating to our management and policies. We cannot assure you that our controlling shareholder will elect or be able to influence our business in a way that benefits our other shareholders.

We have entered into transactions with Axiata and other affiliates. These transactions may involve conflicts of interest which may be detrimental to us. Some of our Commissioners and Directors are also officers and directors of our affiliates and, with respect to transactions with our affiliates, may individually or in the aggregate, have conflicts of interest.

We believe the services offered by Axiata and its affiliates and by companies associated with our Commissioners or Directors are not in competition with the services that we offer. However, there can be no assurance that competition between us and Axiata, companies associated with Axiata or with our Commissioners or Directors will not arise in the future or that there will not be any other direct or indirect competition and conflicts of interest. In circumstances involving a conflict of interest between us and Axiata, there can be no assurance that Axiata would not exercise their power to influence us in a manner inconsistent with the interests of our other shareholders.

You may not be able to enforce a judgment of a foreign court against us

We are a limited liability company incorporated under the laws of Indonesia. All of our commissioners, directors and executive officers reside in Indonesia or Malaysia. A substantial portion of our assets and the assets of such persons are located in Indonesia. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against us or such persons judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States. Judgments of U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States, are not enforceable in Indonesian courts, and there is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability provisions of the federal securities laws of the United States. As a result, holders of our shares may be required to pursue claims against us in Indonesia under Indonesian law.

The claims and remedies available under Indonesian law may not be as extensive as those available in other jurisdictions. We cannot assure you that the Indonesian courts will protect the interests of investors in the same manner or to the same extent as would U.S. courts.

Indonesia's legal system is a civil law system based on written statutes, and decided legal cases do not constitute binding precedent and are not systematically published. The administration of laws and regulations by courts and government agencies may be subject to considerable discretion. In addition, because relatively few disputes relating to commercial matters and modern financial transactions and instruments are brought before Indonesia's courts, such courts do not necessarily have the experience of courts in other countries. There is uncertainty as to how long it will take for proceedings in Indonesian courts to be concluded and the outcome of proceedings in Indonesian courts may be more uncertain than that of similar proceedings in other jurisdictions. Accordingly, it may not be possible for investors to obtain swift and equitable enforcement of their legal rights.

In addition, purchasers of our shares may have more difficulty in protecting their interests against actions by our commissioners, directors or principal shareholders than they might have as investors in shares in a corporation established under the laws of other jurisdictions.

You may be subject to limitations on minority shareholders' rights

The obligations under Indonesian law of majority shareholders, commissioners and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or the United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Indonesian law to the same extent as in certain other countries. Principles of corporate law relating to such matters as the validity of corporate procedures, the fiduciary duties of our management, directors, commissioners and controlling shareholders, and the rights of our minority shareholders are governed by Indonesian law and our articles of association. Such principles of law differ from those that would apply if we were incorporated in a jurisdiction in the United States or in other jurisdictions. In particular, concepts relating to the fiduciary duties of management are untested in Indonesian courts. Derivative actions have almost never been brought on behalf of companies or been tested in Indonesian courts, and minority shareholders' rights have only been defined since 1995 and are unproven in practice. Accordingly, we cannot assure you that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

There may be less company information available, and corporate governance standards may differ, for public companies listed on Indonesian securities markets as compared with those listed on securities markets in more developed countries

The IDX and BAPEPAM have different reporting standards than securities exchanges and regulatory regimes in the United States, the United Kingdom and many other countries. There is a difference between the level of regulation and monitoring of the Indonesian securities markets and the activities of investors, brokers and other participants and that of markets in the United States and other developed economies. BAPEPAM and the IDX are the Indonesian governmental entities responsible for improving disclosure and other regulatory standards for the Indonesian securities markets. BAPEPAM has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indonesian companies than is regularly made available by public companies in other countries. As a result, as a shareholder you may not receive the same amount of information or receive information with the same frequency as you may for companies listed in the United States, the United Kingdom and many other countries.

In addition, corporate governance standards and practices may not be as strict, including with regard to the independence of boards of directors and audit and other committees. Because of this, the directors of Indonesian companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

DIVIDEND POLICY

Under Indonesian law and our articles of association, our payment of dividends must be approved by our shareholders at our annual general meeting based upon the recommendation of our Board of Directors. Holders of our shares on the applicable record dates will be entitled to the full amount of dividends approved, subject to Indonesian withholding tax, if any.

We intend to establish a dividend rate that will provide our shareholders with a regular income stream, while simultaneously allowing us to retain a substantial portion of our earnings for reinvestment into our business. It is our current dividend policy to pay a dividend of approximately of 15% to 20 #% of adjusted net profits each year, with adjusted net profits equal to net incomes adjusted for unrealized gains and losses and any extraordinary transactions, with the exact dividend amount to be determined at the annual general meeting of shareholders based on a recommendation from our Board of Directors. However, there can be no assurance that we will pay dividends in respect of the current or any future financial year. The decision of our Board of Directors to recommend a dividend payment is subject to a number of factors which include, among others, our net profits, availability of reserves, working capital requirements and capital expenditure requirements for the applicable period. To the extent a decision is made to pay dividends, dividends will be paid in Rupiah.

In respect of the years ended December 31, 2006 and 2007, we paid aggregate dividends of Rp. 67.2 billion and Rp. 141.8 billion respectively. We did not pay any dividends in respect of the year ended December 31, 2008.

Dividends received by non-Indonesian holders of our shares will be subject to Indonesian withholding tax.

	Dividend (Rp)		
	per share	**total**	**Payment Date**
Calendar Period			
2006	9.47	67.2 billion	June 11, 2007
2007	20	141.8 billion	May 16, 2008
2008	—	—	—

PRICE RANGE OF OUR SHARES

Our shares are listed on the IDX under the symbol "EXCL". Our shares were first listed on the IDX on September 29, 2005.

The table below sets forth, for the periods indicated, the high and low closing prices and the average daily trading volume on the IDX for our shares.

Rp. per share	Closing Price on the IDX for our shares High	Low	Average daily trading volume
Calendar Period			
2007	2,700	1,800	177,651
2008			
First Quarter	2,150	1,760	135,237
Second Quarter	2,275	2,000	327,586
Third Quarter	2,550	1,925	60,333
Fourth Quarter	1,850	810	32,759
2009			
First Quarter	1,220	850	5,119
Second Quarter	1,400	980	10,290
Third Quarter	1,500	1,000	6,178
Fourth Quarter	2,150	1,200	41,410

Source: IDX (formerly the Jakarta Stock Exchange and the Surabaya Stock Exchange, which merged on November 30, 2007)

As of March 1, 2010, approximately 0.2% of our issued share capital is publicly held. The average daily trading volumes and the price of our shares may be affected by the relative lack of liquidity in our shares.

CAPITALIZATION AND INDEBTEDNESS

The following table shows our capitalization (including current maturities of long-term loans) and our cash and cash equivalents as of December 31, 2009. You should read this table in conjunction with our financial statements and related notes included elsewhere in this Document and the sections in this Document entitled "Selected Consolidated Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Use of Proceeds."

	As at December 31, 2009	
	Rp.	**US$**
	(Rp. In millions and US$ thousands)	
Cash and cash equivalents	747,965.0	79,570.7
Current maturities of long-term debt	2,475,426.1	263,343.2
Long-term debt — net of current maturities:		
Bank loan	9,491,907.4	1,009,777.4
Bonds	1,496,329.5	159,184.0
Total long-term debt	10,988,236.9	1,168,961.4
Total debt(1) (2) (3)	13,463,663.0	1,432,304.6
Shareholders' equity:		
Share capital — par value Rp. 100 per share		
Authorized capital — 22,650,000,000 shares		
Issued and fully paid — 8,508,000,000 shares	850,800.0	90,510.6
Additional paid in capital	5,335,632.1	567,620.4
Retained earnings	2,616,681.5	278,370.4
Total shareholder's equity	8,803,113.6	936,501.5
Total capitalization	22,266,776.6	2,368,806.0

Notes:

(1) Includes current maturities of long-term loans.

(2) Includes our relevant balance sheet accounts.

(3) As of February 28, 2010, our outstanding indebtedness was Rp.12,921.1 billion. We subsequently incurred an additional Rp.250 billion of outstanding indebtedness on existing credit facility with The Bank of Tokyo — Mitsubishi UFJ, Ltd. on March 1, 2010.

EXCHANGE RATE INFORMATION

Exchange Rates

Bank Indonesia is the sole issuer of the Rupiah and is responsible for maintaining its stability. Since 1970, Indonesia has implemented three exchange rate systems: a fixed rate between 1970 and 1978, a managed floating exchange rate system between 1978 and 1997 and a free-floating exchange rate system since August 14, 1997. Under the managed floating rate system, Bank Indonesia maintained the stability of the Rupiah through a trading band policy, pursuant to which Bank Indonesia would enter the foreign currency market and buy or sell Rupiah, as required, when trading in the Rupiah exceeded bid and offer prices announced by Bank Indonesia on a daily basis. On August 14, 1997, Bank Indonesia terminated the trading band policy and instituted the current free-floating exchange rate system, allowing the Rupiah to float without an announced level at which it would intervene, which resulted in a substantial decrease in the value of the Rupiah relative to the U.S. dollar. Under the current system, the exchange rate of the Rupiah is determined by the market, reflecting the interaction of supply and demand in the market. Bank Indonesia may take measures, however, to maintain a stable exchange rate.

The following table shows the Rupiah-U.S. dollar exchange rate based on the middle exchange rate at the end of each month or day, as the case may be, for the periods indicated. The Rupiah middle exchange rate is calculated based on Bank Indonesia's buying and selling rates. We do not make any representations that the Rupiah or U.S. dollar amounts referred to in this Document could have been or could be converted into U.S. dollars or Rupiah, as the case may be, at the rate indicated or any other rate or at all.

	Low(1)	**High(1)**	**Average(2)**	**Period end**
	Rp. per US$1.00			
2004	8,323	9,430	8,935	9,290
2005	9,133	10,800	9,711	9,830
2006	8,720	9,795	9,167	9,020
2007	8,672	9,479	9,136	9,419
2008	9,051	12,400	9,680	10,950
2009	9,293	12,065	10,394	9,400
2010				
January	9,130	9,408	9,275	9,365
February	9,280	9,413	9,348	9,335

Source: Bank Indonesia.
Notes:

(1) For full years, the high and low amounts are determined based upon the month-end middle exchange rate announced by Bank Indonesia during the year indicated. The high and low figures for January 2010 to February 2010 are determined based on the daily middle exchange rates during the month indicated.

(2) For full years, the average shown is calculated based on the middle exchange rate announced by Bank Indonesia on the last day of each month during the year indicated. For monthly averages from January 2010 to February 2010, the average shown is calculated based on the daily middle exchange rates during the month indicated.

The middle exchange rate on December 31, 2009 was Rp. 9,400.00 = US$1.00.

The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Rupiah.

Exchange Controls

There are currently no foreign exchange control restrictions in Indonesia. Foreign currency is generally freely transferable to, from and within Indonesia. However, in order to maintain the stability of the Rupiah and to prevent the utilization of the Rupiah for speculative purposes by non-Indonesian residents, Bank Indonesia has introduced regulations to prohibit the movement of Rupiah from banks within Indonesia to banks domiciled outside Indonesia, or to an offshore branch or office of an Indonesian bank, or any investment in Rupiah denomination with foreign parties and/or Indonesian citizens domiciled or permanently residing outside Indonesia, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or plan to be domiciled in Indonesia for at least one year. Bank Indonesia regulations also require companies that have total assets or total annual gross revenue of at least Rp. 100 billion to report to Bank Indonesia all data concerning their foreign currency activities, if the relevant foreign currency transaction is not conducted through a domestic bank or domestic non-bank financial institution (such as insurance companies, securities companies, finance companies or venture capital companies). If certain transactions are conducted via a domestic bank or domestic non-bank financial institution, such financial institution is required to report the transaction to Bank Indonesia. The transactions that must be reported include receipts and payments through bank accounts outside of Indonesia.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

You should read the selected consolidated financial information and operating data presented below in conjunction with our consolidated financial statements, related notes to the consolidated financial statements. You should also read the section of this Document entitled "Management's Discussion and Analysis of Our Financial Condition and Results of Operations."

We have derived our selected consolidated financial information presented in Rupiah in the tables below from our audited consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009. Our consolidated financial statements have been audited by Kantor Akuntan Publik Haryanto Sahari & Rekan (a member firm of PricewaterhouseCoopers), independent public accountants in Indonesia.

We have prepared and presented our consolidated financial statements in accordance with Indonesian GAAP, which differs in certain material respects from U.S. GAAP. You should read the section of this Document entitled "Certain Principal Differences between Indonesian GAAP and U.S. GAAP" for a description of certain principal differences between Indonesian GAAP and U.S. GAAP.

We have translated the Rupiah amounts of our consolidated financial information as of and for the year ended December 31, 2009 into U.S. dollars solely for convenience based on the middle exchange rate announced by Bank Indonesia, the Indonesian central bank, for December 31, 2009, which was Rp. 9,400.00 = US$1.00. See "Exchange Rate Information"

To measure our operating performance, we track our number of subscribers, MOU, SMS, MOU Per Subscriber, SMS Per Subscriber, ARPM, ARPS, ARPU, Blended ARPU and Average Monthly Churn for both our prepaid and postpaid services. We have, from time to time, changed the method by which we calculate our number of prepaid subscribers, which has the effect of changing our subscriber numbers and our MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn. Consequently, our number of subscribers, MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn set forth in this Document are not comparable between certain periods. See "Risk Factors — Risks Relating to Our Business and the Cellular Telecommunication Industry — Our subscriber related operating data may not be comparable between periods."

	For the years ended December 31,			
	2007	2008	2009	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)	(US$ millions)
CONSOLIDATED INCOME STATEMENT DATA:				
Revenue				
Gross Revenue	8,364.7	12,156.0	13,879.5	1,476.5
Discount	(375.2)	(94.8)	(173.5)	(18.5)
Gross Revenue net of discount	7,989.5	12,061.2	13,706.0	1,458.1
Operating Expenses				
Depreciation expenses	1,705.4	3,335.3	3,701.9	393.8
Infrastructure expenses	1,076.7	1,988.6	3,089.1	328.6
Interconnection and telecommunications service charges	1,529.7	2,296.4	2,027.8	215.7
Sales and marketing expenses	913.8	1,374.5	1,030.4	109.6
Salaries and employee benefits	573.9	722.5	777.8	82.7
Supplies and overhead expenses	386.1	547.7	575.7	61.2
Others	44.0	43.2	39.6	4.2
Total operating expenses	6,229.7	10,308.2	11,242.2	1,196.0
Operating income	1,759.8	1,753.0	2,463.8	262.1
Other income (expenses)				
Interest expense	(694.4)	(1,122.3)	(1,274.1)	(135.5)
Interest income	50.7	27.6	55.8	5.9
Foreign exchange gain (loss), net	(204.4)	(332.2)	744.6	79.2
Gain on finance lease transaction	—	—	465.0	49.5
Others	(393.7)	(401.4)	(105.0)	(11.2)
Total other income (expenses)	(1,241.8)	(1,828.2)	(113.6)	(12.1)
Income (loss) before income tax expense	518.0	(75.2)	2,350.3	250.0
Income tax (expense)/benefit				
Current	(0.7)	—	(10.8)	(1.1)
Deferred	(266.6)	60.1	(630.0)	(67.0)
	(267.3)	60.1	(640.8)	(68.2)
Net income (loss)	250.8	(15.1)	1,709.5	181.9

	As of December 31,			
	2007	2008	2009	2009
	(Rp. billions, except percentages and financial ratios)	(Rp. billions, except percentages and financial ratios)	(Rp. billions, except percentages and financial ratios)	(US$ millions, except percentages and financial ratios)
CONSOLIDATED BALANCE SHEET DATA:				
Total current assets	1,679.3	3,200.8	2,007.3	213.5
Total non-current assets	17,121.2	25,192.2	25,372.8	2,699.2
Total assets	18,800.6	28,393.0	27,380.1	2,912.8
Total current liabilities	7,019.5	5,677.8	6,008.9	639.2
Total non-current liabilities	7,316.2	18,407.2	12,568.1	1,337.0
Total liabilities	14,335.7	24,085.1	18,577.0	1,976.3
Total equity	4,464.8	4,307.9	8,803.1	936.5
Total liabilities and equity	18,800.6	28,393.0	27,380.1	2,912.8
OTHER FINANCIAL DATA:				
EBITDA(1)	3,509.2	5,131.5	6,205.3	660.1
EBITDA margin (%)(2)	42.0%	42.2%	44.7%	44.7%
Total debt/EBITDA(4)	2.8	3.5	2.2	2.2
Operating margin (%)(3)	21.0%	14.4%	17.8%	17.8%
Capital expenditures	7,087.7	10,844.9	4,197.2	446.5
CONSOLIDATED CASH FLOW DATA:				
Net cash provided by operating activities	3,986.1	4,709.5	7,718.3	821.1
Net cash used in investing activities	(7,154.0)	(11,514.0)	(5,123.4)	(545.0)
Net cash provided by (used in) financing activities	3,382.9	7,263.3	(3,010.9)	(320.3)
Net increase (decrease) in cash and cash equivalents	215.0	458.7	(416.0)	(44.3)
Cash and cash equivalents at period end	805.8	1,170.2	748.0	79.6
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Gain on finance lease transaction(5)	—	—	465.0	49.5
Acquisition of respective period fixed assets through incurrence of payables(6)	219.3	—	—	—

Notes:

(1) We calculate our EBITDA by adding depreciation and amortization expenses to operating income as calculated under Indonesian GAAP. EBITDA is not a standard measure under Indonesian GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as revenue and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

(2) We calculate our EBITDA margin by dividing EBITDA by total gross operating revenue.

(3) We calculate our operating margin by dividing the operating income by total gross operating revenue. Our operating margins for the periods before and after April 1, 2007 are not comparable, as we were no longer providing discounts on starter pack sales. Prior to

April 1, 2007, we recorded Rp. 10,000 of revenue and a discount for the same amount for every starter pack sold. Since April 1, 2007, we have recorded revenue of Rp. 1 for every starter pack sold and a discount of the same amount for every starter pack sold. This resulted in lower gross operating revenues, and therefore a relatively higher operating margin for the period after April 1, 2007

(4) Based on 12-month EBITDA calculation.

(5) Gain on finance lease transaction represents gain on annual lease of core capacity where the entire lease is term equal to the useful of the leased assets.

(6) Acquisition of respective period fixed assets through incurrence of payables represents fixed assets capitalized in a given period for which payables are not due in such period.

	For the years ended and as of December 31,		
	2007	**2008**	**2009**
SELECTED OPERATING DATA: [(1)]			
Number of subscribers (thousands):			
Prepaid	14,988	25,599	31,101
Postpaid	481	417	337
Total number of subscribers	15,469	26,016	31,438
MOU (millions)			
Total	6,815	54,886	87,579
MOU Per Subscriber (minutes)			
Blended	50	212	279
ARPM (Rp.)			
Blended	540	120	80
SMS (millions)			
Total	12,599	17,778	63,564
SMS Per Subscriber (sms)			
Blended	92	69	203
ARPS (Rp)			
Blended	153	126	41
ARPU (Rp. thousands)			
Prepaid	43	35	34
Postpaid	155	152	167
Blended	47	37	36
Average Monthly Churn			
Prepaid	13.5%	16.8%	16.4%
Postpaid	4.8%	4.6%	3.3%
Number of BTS			
Total	11,157	16,729	19,349
Tower Spaces Leased			
Total	—	3,325	4,306

Notes:

(1) Due to changes in the method used to calculate the number of our prepaid subscribers, our numbers of subscribers, MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn set forth in this Document are not comparable between certain periods. See “Risk Factors — Risks Relating to Our Business and the Cellular Telecommunication Industry — Our subscriber related operating data may not be comparable between periods.”

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are the third largest cellular telecommunications operator in Indonesia as measured by revenue and total subscribers based on publicly available data. We provide cellular telecommunication services to prepaid and postpaid subscribers across our GSM 900/1800 (2G/2.5G) and W-CDMA 2100 (3G) cellular telecommunications network under our *XL* brand, generating gross revenue of Rp. 13,879.5 billion (US$1,476.5 million), Rp. 12,156.0 billion and Rp. 8,364.7 billion for the years ended December 31, 2009, 2008 and 2007, respectively.

Our subscriber base was approximately 31.4 million total subscribers as of December 31, 2009, which was an increase from approximately 26.0 million and approximately 15.5 million total subscribers as of December 31, 2008 and 2007, respectively. Our total MOU was approximately 87.6 billion minutes for the year ended December 31, 2009, which was an increase from approximately 54.9 billion minutes and 6.8 billion minutes for the years ended December 31, 2008 and 2007, respectively. Our MOU Per Subscriber was approximately 279 minutes for the year ended December 31, 2009, which was an increase from approximately 212 minutes and approximately 50 minutes for the years ended December 31, 2008 and 2007, respectively.

Our capital expenditures were Rp. 4,197.2 billion (US$446.5 million), Rp. 10,844.9 billion and Rp. 7,087.7 billion for the years ended December 31, 2009, 2008 and 2007, respectively. As of December 31, 2009, our cellular telecommunications network was comprised of 19,349 BTS and approximately 12,700 kilometers of inland and submarine cable in our fiber optic transmission network.

Factors Affecting Our Financial Condition and Results of Operations

Our financial condition and results of operations have been, and are expected to continue to be, affected by the performance of the Indonesian economy, as well as the competitive and regulatory environment. Our results of our operations, like those of other telecommunication operators, are dependent upon our number of subscribers, the level of subscriber usage, product offerings and pricing, ARPU levels, the amount of capital expenditures, financing costs and foreign exchange volatility.

Industry Growth

According to Frost & Sullivan, cellular subscription penetration in Indonesia was 80.9% as at December 31, 2009 and is expected to reach 113.0% by December 31, 2015. The market for cellular subscribers is increasingly competitive and subscriber growth is expected to be driven by continued affordability and quality of services. We expect incumbent operators to emphasize quality and variety of services, while smaller operators will rely on pricing tactics.

As cellular penetration rates increase, telecommunication operators are expected to focus increasingly on the expansion of data services to support revenue growth. The anticipated growth in data services is expected to be driven primarily by the current low fixed broadband penetration in Indonesia, which encourages mobile internet adoption, as well as innovative and increasingly affordable offerings from cellular operators, and the popularity of social networking applications and multimedia-capable handsets.

The growth of the Indonesian cellular telecommunications market influences our ability to expand our subscriber base, increase our total MOU and gross cellular revenue, and control capital expenditures and operating expenses. We could be required to increase our capital expenditures for network capacity in order to meet increased demand for data services. We could be also required to increase sales and marketing expenses for subscriber acquisition in response to reduced demand for cellular telecommunication services.

Competition

We believe that the Indonesian telecommunications industry is highly competitive and that recent competition has been, and is expected to continue to be, primarily driven by continued affordable pricing, as well as network coverage, quality of services and scale of subscriber base. A larger scale of subscriber base allows a cellular operator to deliver product offerings that reach a wider "on-net community" of subscribers. Since product offerings for on-net voice usage are frequently more attractive than those for off-net voice usage — because off-net calls require payment of an interconnection fee to the cellular operator whose subscriber is receiving the off-net call — a larger on-net community can allow subscribers to utilize more affordable on-net product offerings for a greater proportion of their voice usage.

We compete with established incumbents, Telkomsel and Indosat, principally on affordability of pricing and quality of services. According to estimates by Frost & Sullivan, Telkomsel, Indosat and ourselves had an aggregate subscriber market share of 75.0% as of December 31, 2009. Both of these established incumbents are larger in terms of gross revenue and total subscribers, and have been allocated greater spectrum for their GSM 900/1800 networks. In particular, Telkomsel, which is the largest cellular operator in Indonesia, has greater numbers of BTS installed and total subscribers on its GSM 900/1800 network, which potentially allow it to design and implement affordable product offerings that will offer access to a larger on-net community of subscribers.

We also compete with several smaller GSM and CDMA operators in the Indonesian cellular telecommunications industry. CDMA cellular technology is less capital-intensive and therefore has historically been more price competitive than GSM cellular technology. We believe that our larger subscriber base affords us an advantage over cellular operators with smaller subscriber bases, since our larger on-net community can allow our subscribers to utilize more affordable on-net product offerings for a greater proportion of their voice usage.

We believe that competition in the Indonesian telecommunications industry has had, and it is expected to continue to have, an impact on our financial condition and the results of operations.

Products and Pricing

The Government, through the MCIT, prescribes the formula for maximum tariffs for voice and SMS services and allows cellular service providers to offer promotional tariff programs to subscribers at rates that are less than the maximum tariffs. This has led to a more competitive pricing environment, with cellular operators utilizing promotional tariff programs to increase subscriber growth and usage levels, particularly for prepaid customers. Historically, this has resulted in reduced tariffs, increased MOU Per Subscriber, total subscribers and MOU.

We currently price and charge our prepaid cellular services under promotional tariff programs at rates that are less than the maximum tariffs set by the MCIT. In areas where we have achieved relatively high subscriber penetration, our product offerings are principally comprised of promotional tariff programs for on-net voice calls in order to increase the frequency of revenue generating events from on-net calls, for which we do not pay an interconnection fee. In areas of relatively low subscriber penetration, our product offerings frequently include promotional tariff programs for off-net calls, for which we pay an interconnection fee, in order to increase the general frequency of calls and revenue generating events. Our promotional tariff programs for off-net voice calls are always priced to allow us to recover any interconnection fee payable for such off-net call.

Since 2007, we have utilized promotional tariff programs intended to increase our MOU Per Subscriber, number of total subscribers and MOU. We believe that, for our affordable pricing strategy to be successful, any decrease in our ARPM resulting from our strategy must be offset by a corresponding increase in our MOU Per Subscriber, number of subscribers and MOU. Our ARPM decreased from approximately Rp. 540 in 2007 to Rp. 120 in 2008 and Rp. 80 (US$ 0.008) in 2009. During the same period, our MOU Per Subscriber has increased from 50 minutes in 2007, to 212 minutes in 2008 and to 279 minutes in 2009, representing a CAGR of 136.8% for this period. Our number of prepaid subscribers increased from approximately 15.0 million as of December 31, 2007 to approximately 25.6 million as of December 31, 2008 and to 31.1 million as of December 31, 2009, representing a CAGR of 44.1% for the same period. Our affordable pricing strategy has also increased our MOU, from 6.8 billion minutes in 2007 to 54.9 billion minutes in 2008 and to 87.6 billion minutes in 2009.

We expect that affordable pricing will continue to be an important competitive feature of the cellular telecommunications industry in Indonesia and will continue to drive our growth in MOU Per Subscriber, number of subscribers and MOU.

Capital expenditure

The cellular telecommunications business is capital intensive in nature. In order to remain competitive and provide affordable and quality services to our subscribers, we will require continued capital investment for network capacity in order to continue to grow our cellular voice revenue during periods of high subscriber demand. We increased our capital expenditures during the three-year period ended December 31, 2009, as we closely coordinated an expansion of our network capacity with our affordable pricing strategy, in order to accommodate our increases in our MOU Per Subscriber, number of subscribers and MOU. During the years ended December 31, 2009, 2008 and 2007, we incurred capital expenditures Rp. 4,197.2 billion (US$446.5 million), Rp. 10,844.9 billion and Rp. 7,087.7 billion, respectively. Capital expenditures increase our fixed asset base recorded on our balance sheet and as a result, increase the depreciation expense in our income statement.

We believe our substantial capital expenditures during the three-year period ended December 31, 2009 have enabled us to continue to deliver cellular voice, SMS and data services to our subscribers that are comparable to our competitors in terms of quality and dependability. We funded these significant capital expenditures principally through cash flows from operations, the issuance of U.S. dollar and Rupiah-denominated bonds, and U.S. dollar and Rupiah-denominated loans from banks. Because we have historically funded a portion of our capital expenditures through increased borrowings, our interest expense has also increased significantly during this period.

We do not intend to further expand our cellular network coverage, which currently allows us to offer cellular telecommunications services to over 90% of the population of Indonesia. We plan to closely monitor network utilization and focus our future capital expenditures on the installation of additional BTS where subscriber demand is high and network congestion is limiting revenue growth and cannot otherwise be relieved by network optimization, and as necessary to support the expected growth of revenue from data services. We would expect that, as a result of reduced capital expenditures our depreciation expense would increase at a slower rate than in recent years. We would also expect that as our capital expenditure requirements reduce, and we continue to use free cash flow to repay our borrowings, our interest expense should also decrease.

However, significant changes in technology or increased subscriber demand for mobile applications, content and other offerings that increase our network capacity requirements may necessitate an increase in our capital expenditures in order to remain competitive, and there can be no assurance that we will be able to reduce our capital expenditures, slow any increases in our depreciation expense, reduce our outstanding indebtedness or reduce our interest expense.

See "— Capital Expenditures" for a description of our planned capital expenditures.

Government regulation and tariffs

Growth in the Indonesian cellular telecommunications market has been, and will continue to be influenced by regulation by the Government through the MCIT — which currently is the principal regulator of the telecommunication industry in Indonesia. Since 2000, regulatory reforms introduced by the Government have liberalized the cellular telecommunications industry in Indonesia and facilitated the entry of new market participants and changes to the competitive structure of the industry.

Government regulations affect our financial condition and results of operations. The Government, through the MCIT, prescribes the formula for maximum tariffs for voice and SMS services, and allows cellular service providers to offer promotional tariff programs to subscribers at rates that are less than the prescribed maximum tariffs. The MCIT also periodically sets the interconnection fees charged for "off-net" calls between telecommunication operators based on cost information provided by the various telecommunication operators.

Under current Government regulations, all telecommunication operators are charged a telecommunication service fee, a frequency fee and a universal service obligation fee. The telecommunication service fee is calculated as 0.5% of gross revenue less bad debts and interconnection charges. Frequency fees are calculated based on the number of TRU in the BTS comprising our 2G telecommunication network and allocated spectrum for our 3G telecommunication network. The universal service obligation fee is calculated as 1.25% of gross revenue less bad debts and interconnection charges. Any additional fees or increases by the Government of the existing fees could adversely affect our financial position and results of operations.

Telecommunication operators utilizing 3G telecommunication network licenses are also required to make the following contributions from revenue earned from 3G telecommunication services: 1% to research and development; 1% to human resource development; and 30% on domestic capital expenditures for 3G telecommunication network and content development. In addition, 50% of operating expenses for 3G telecommunications services must accrue to local industry.

Performance of the Indonesian economy

We conduct substantially all our operations in Indonesia. Accordingly, our results of operations are dependent on the disposable income of our subscribers, which in turn is driven by the health of the overall Indonesian economy. Indonesia's gross domestic product, or GDP, grew at an annual rate of approximately 6.4% in 2007, 6.0% in 2008 and 4.6% in 2009 according to *Biro Pusat Statistik* estimates. Inflation has remained high, with an annual inflation rate of approximately 6.6% in 2007, 11.6% in 2008 and 2.8% in 2009 according to *Biro Pusat Statistik*. We believe that increasing affluence in Indonesia will result in increased usage of cellular services.

Foreign exchange volatility

Our functional and reporting currency is the Rupiah and accordingly, we are exposed to exchange rate risk with respect to fluctuations in the U.S. dollar — Rupiah exchange rate, primarily due to our U.S. dollar-denominated capital expenditures for network transmission equipment priced in foreign currency, our debt obligations under U.S. dollar-denominated borrowings, and our accounts receivable and payable to foreign telecommunication operators for international roaming charges. We translate foreign currency transactions into Rupiah at the exchange rates prevailing on the date of the transaction. In addition, we translate trade receivables and payables denominated in foreign currencies due to and from foreign telecommunication operators for international roaming into Rupiah at the exchange rates prevailing on the invoice date, and translate payments received or made by us with respect to such invoices into Rupiah at the exchange rates prevailing on the date on which we receive or make such payments. We translate our monetary assets and liabilities denominated in foreign currencies outstanding on the date of any balance sheet into Rupiah at the exchange rates prevailing on the balance sheet date.

We currently hedge a portion of our foreign currency exposure principally because our annual U.S. dollar-denominated operating revenue is less than the sum of our U.S. dollar-denominated capital expenditures and annual payments of U.S. dollar-denominated principal and interest payments. Our current policy is to hedge approximately half of our foreign currency exposure on our U.S. dollar-denominated debt obligations. Accordingly, in order to manage our foreign currency exposure, we entered into cross currency swap and forward foreign currency agreements with several international financial institutions for an aggregate notional amount of US$ 391.7 million.

We recorded a foreign exchange loss of approximately Rp. 204.4 billion in 2007, a foreign exchange loss of approximately Rp. 332.2 billion in 2008 and a foreign exchange gain of approximately Rp. 744.6 billion in 2009. These gains and losses were primarily due to translation gains and losses due to our monetary assets and liabilities, as well as our capital expenditures, denominated in U.S. dollars. We recorded translation losses of approximately Rp. 192.3 billion in 2007, translation gains of approximately Rp. 126.8 billion in 2008 and translation gains of approximately Rp. 461.1 billion in 2009.

Our monetary assets subject to foreign currency exposure consist of cash and cash equivalents, other assets and trade receivables denominated principally in U.S. dollars which are due from foreign telecommunication carriers for in-bound and out-bound calls by their subscribers roaming on our network, which are offset to a limited extent by trade payables due from us to foreign telecommunication carriers for in-bound and out-bound roaming calls by our subscribers roaming on their networks. Our monetary liabilities subject to foreign currency exposure consist principally of trade payables for capital expenditures to purchase network transmission equipment priced primarily in U.S. dollars and debt denominated in U.S. dollars. As our capital expenditure requirements stabilize, we expect that our exposure to foreign currency volatility from foreign currency borrowings and asset acquisitions will reduce.

Critical Accounting Policies

Our consolidated financial statements included elsewhere in this Document were prepared in accordance with Indonesian GAAP. Note 2 to our consolidated financial statements includes a summary of the significant accounting policies we adopted in preparing these consolidated financial statements. Our actual results may differ significantly under different assumptions or conditions. The accounting policies that we believe are the most critical to a full understanding and evaluation of our reported financial results include the following:

Revenue recognition

We recognize revenue from the sale of starter packs for prepaid services, which consist principally of SIM cards, upon sale to distributors and dealers or directly to subscribers net of value-added taxes. We do not recognize revenue from the sale of vouchers for prepaid services at the time of sale. When we sell a voucher, we credit the full amount of voucher sold, without deduction for any commissions, to our "Deferred Revenue" account. As our prepaid subscribers use the prepaid voice usage or upon expiration of the voucher, we debit the charges from the "Deferred Revenue" account and recognize the amount used or expired as GSM telecommunication revenue in our income statement.

We recognize revenue for the use of our network by postpaid subscribers, including charges for voice usage, local interconnection, domestic long distance, international long distance and roaming, based on applicable tariffs and charges, as well as the duration of successful calls made through our network. We recognize voice revenue at the time the service is rendered based on the actual voice usage of our network by our subscribers. We recognize non-voice revenue, such as monthly service charges and value-added services, based on the amount billed to each subscriber during each period.

We recognize revenue from interconnection with other operators at the time the service is rendered on the basis of actual recorded traffic.

We recognize revenue from inbound roaming subscribers at the time the service is rendered. We charge telecommunication providers for calls made by their subscribers originating on our network based upon applicable tariffs.

We recognize revenue from leased lines, leased towers and ISP revenue at the end of each month based on agreed prices with our subscribers. When we receive advance payments, we record the amounts we received as deferred revenue and record the amounts as revenue when we provide the services.

We recognize revenue from our VoIP services at the time the service is rendered based on applicable tariffs.

3G license fees

We account for our 3G spectrum license at cost less accumulated amortization. We amortize license fees paid using the straight-line method over the 10-year estimated useful life of the license, commencing on the date when the assets are available for use.

Indonesian GAAP does not provide clear and explicit guidance on whether annual license fees payable with respect to such licenses should be considered a liability or as part of the acquisition cost of such licenses. Based in part on written confirmation from the Directorate General of Post and Telecommunication (the "DGPT"), our management takes the view that annual license fees should not be considered as part of the acquisition cost of the license because we have the right to terminate our 3G license without further obligation to pay annual fees, and accordingly, annual license fees payable with respect to our 3G license have been recorded as infrastructure expenses.

If, in the future, the regulations and conditions with regard to payment of the annual fees are changed with the consequence that payment of remaining outstanding annual fees cannot be avoided upon termination of our 3G license, we will then recognize the fair value of the annual fees as an intangible asset and the corresponding liability at the present value of the remaining annual fees, thereby increasing our total assets, increasing our total liabilities, and decreasing our operating expenses due to a reduction in our usage fees for 3G, which may however be offset by amortization expenses for intangible assets and interest expenses from the accretion of the liability.

Depreciation

The values of our fixed assets, including our network equipment and our software, are recorded in our consolidated financial statements at their acquisition cost and depreciated using the straight line method over their estimated useful lives, except for land which is not depreciated. Our total depreciation expenses were Rp. 1,705.4 billion in 2007, Rp. 3,335.3 billion in 2008 and Rp. 3,701.9 billion (US$393.8 million) in 2009. If technological or other changes were to occur more rapidly, the useful lives assigned to these assets may need to be shortened, resulting in recognition of increased depreciation expenses or losses in future periods.

Employee benefits

Short-term employee benefits are recognized when they accrue to our employees. Post-employment benefits such as retirement, severance, service payments and other benefits are calculated based on Labor Law No. 13 of 2003 on Manpower. With respect to pension benefits, we entered into a defined contribution pension plan organized by PT Asuransi Jiwa Manulife Indonesia, which is provided to all permanent employees who were under 50 years of age at the date of commencement of the program in April 2002. Contributions to the plan of 10% of the salary of each employee comprise a contribution of 7% from us and 3% from our employees. Each employee or his beneficiary is entitled to benefits from the pension plan, comprising pension fund contributions and accumulated interest on retirement, disability or death. Other long term employee benefits such as deferred compensation paid twelve (12) months or more after service period are calculated based on our policy using the same methodology applied to post-employment benefits.

In accordance with prevailing regulations, we have further defined benefit obligations if the benefits provided by the existing pension plan do not adequately cover our statutory obligations under Labor Law No. 13 of 2003 on Manpower.

Liabilities recognized in our consolidated balance sheet reflect the present values of defined benefit obligations as at the date of our consolidated balance sheet in accordance with prevailing regulations or the collective agreement, whichever calculation is higher, less the fair value of plan assets and adjusted for unrecognized actuarial gains or losses and past service costs taking into account the contributions made to our defined contribution pension plan organized by PT Asuransi Jiwa Manulife Indonesia.

Management's use of estimates

Our consolidated financial statements have been prepared in accordance with Indonesian GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Certain Income Statement Items

Gross revenue

Our gross revenue is principally comprised of gross cellular revenue and gross revenue from other telecommunication services. The following table shows the breakdown of certain key items comprising our gross revenue and each item as a percentage of gross revenue for the periods indicated:

	Year ended December 31,						
	2007		2008		2009		2009
	(Rp. billions, except percentages)		(Rp. billions, except percentages)		(Rp. billions, except percentages)		(US$ millions)
Cellular Telecommunication Service:							
Voice	3,866.3	46.2%	6,622.6	54.5%	7,058.9	50.9%	750.9
Non voice [(1)]	2,632.5	31.5%	3,140.7	25.8%	4,152.6	29.9%	441.8
Monthly service charge	1.9	0.0%	4.4	0.0%	8.7	0.1%	0.9
Total cellular communications service	6,500.7	77.7%	9,767.7	80.4%	11,220.2	80.8%	1,193.6
Cellular Interconnection Service:							
Domestic interconnection	887.0	10.6%	1,036.9	8.5%	942.4	6.8%	100.3
International Roaming	465.3	5.6%	483.5	4.0%	588.1	4.2%	62.6
SMS Interconnection[(2)]	25.9	0.3%	13.8	0.1%	16.4	0.1%	1.7
Others	5.4	0.1%	3.2	0.0%	3.7	0.0%	0.4
Total cellular interconnection service	1,383.6	16.5%	1,537.4	12.6%	1,550.7	11.2%	165.0
Gross Cellular Revenue	7,884.3	94.3%	11,305.1	93.0%	12,770.9	92.0%	1,358.6
Gross Revenue from other telecommunication services:							
Leased lines	408.7	4.9%	478.5	3.9%	427.0	3.1%	45.4
Leased tower	—	0.0%	276.7	2.3%	600.4	4.3%	63.9
ISP service	58.8	0.7%	63.9	0.5%	52.3	0.4%	5.6
Others	12.9	0.2%	31.9	0.3%	28.9	0.2%	3.1
Total gross revenue from other telecommunication service	480.4	5.7%	850.9	7.0%	1,108.6	8.0%	117.9
Gross Revenue	8,364.7	100.0%	12,156.0	100.0%	13,879.5	100.0%	1,476.5

Notes:

(1) Includes unused stored value of expired vouchers, value-added services, sales of starter packs and replacement of SIM cards and revenue from handsets.

(2) Includes Incoming bulk-rate SMS sold to corporate customers and Incoming International SMS.

Gross Cellular Revenue

Our gross cellular revenue consists of revenue from our cellular telecommunication service and revenue from our cellular interconnection service.

Cellular Telecommunication Service.

Revenue from our cellular telecommunication services is our principal source of revenue and includes revenue from voice services, non-voice services and monthly service charges.

Voice. Our voice revenue includes revenue from prepaid and postpaid subscribers for voice usage on our GSM 900/1800 and W-CDMA 2100 networks.

Non-voice. Our non-voice revenue principally includes revenue from prepaid and postpaid subscribers for SMS, value added services and starter packs.

Monthly service charge. Our monthly service charge includes fixed monthly revenue from postpaid subscribers for certain products packages.

Cellular Interconnection Service.

Revenue from our cellular interconnection services includes revenue from domestic interconnection services, international roaming, SMS interconnection and other services.

Domestic interconnection services. Revenue from our domestic interconnection services comprises revenue from calls from the PSTN and calls from subscribers of other cellular service providers from local, long distance and international calls to our subscribers. Interconnection fees are determined by the MCIT, based on cost information provided to the MCIT by all telecommunication operators.

International roaming. We receive payments in respect of in-bound roaming charges from service providers outside Indonesia in respect of calls made and received by visitors to Indonesia while roaming on our network during visits to Indonesia. Our roaming agreements with these service providers establish the charges for these services. We receive payments from service providers outside Indonesia for these services in U.S. dollars. As a result, fluctuations in the value of the Rupiah against the U.S. dollar affect the amount of revenue from our in-bound roaming services which we recognize in Rupiah terms. See "Business" for a more detailed description of our international roaming charges.

SMS interconnection. Revenues from SMS interconnection services includes revenue earned from interconnection with certain foreign operators, and SMS broadcast services provided to corporate customers. Our roaming agreements with these service providers establish the charges for these services. We receive payments from service providers outside Indonesia for these services in U.S. dollars. As a result, fluctuations in the value of the Rupiah against the U.S. dollar affect the amount of revenue from our SMS Interconnection revenue which we recognize in Rupiah terms.

Gross Revenue from other Telecommunication Service

Gross revenue from our other telecommunication services comprises revenue from our leased tower services, leased line services, ISP services and other services.

Leased Tower. We recognize revenue from lease of space on our telecommunication towers to other telecommunication operators on a monthly basis.

Leased line. We recognize revenue from our leased line services when we sell to corporate customers, either directly or through a reseller, to other cellular telecommunication operators and corporate users on a monthly basis.

ISP services. We recognize revenue from our ISP services when we sell to corporate customers, either directly or through a reseller, to other cellular telecommunication operators and corporate users on a monthly basis.

Others. We recognize revenue from other services, principally VoIP service, which we sell, either directly or through a reseller, to other cellular telecommunication operators and corporate users on a monthly basis.

Discounts

Our discounts include discounts on our gross cellular revenue, which consist of subscriber loyalty programs and discounts given at time of subscriber reload for customer loyalty programs, as well as discounts on our gross revenue from other telecommunication service. The following table shows the breakdown of these discounts, including as a percentage of gross revenue for the period indicated:

	Year ended December 31,						
	2007		2008		2009		2009
	(Rp. billions, except percentages)		(Rp. billions, except percentages)		(Rp. billions, except percentages)		(US$ millions)
Discount:							
Discount on gross cellular revenue	(375.1)	-4.5%	(94.8)	-0.8%	(173.5)	-1.2%	(18.5)
Discount on gross other telecommunication revenue	(0.1)	0.0%	(0.0)	0.0%	—	0.0%	—
Total Discount	(375.2)	-4.5%	(94.8)	-0.8%	(173.5)	-1.2%	(18.5)

Gross Revenue Net of Discount

Our gross revenue net of discount comprises gross cellular revenue less discounts and gross revenue from other telecommunications services less discounts. The following table shows our gross revenue net of discount and as a percentage of gross revenue for the period indicated:

	Year ended December 31,						
	2007		2008		2009		2009
	(Rp. billions, except percentages)		(Rp. billions, except percentages)		(Rp. billions, except percentages)		(US$ millions)
Gross Revenue Net of Discount	7,989.5	95.5%	12,061.2	99.2%	13,706.0	98.8%	1,458.1

Our Operating Expenses

The following table shows the breakdown of our operating expenses and each item as a percentage of our gross revenue for the periods indicated:

	Year ended December 31,						
	2007		2008		2009		2009
	(Rp. billions, except percentages)		(Rp. billions, except percentages)		(Rp. billions, except percentages)		(US$ millions)
Operating Expenses							
Depreciation expenses	1,705.4	20.4%	3,335.3	27.4%	3,701.9	26.7%	393.8
Infrastructure expenses	1,076.7	12.9%	1,988.6	16.4%	3,089.1	22.3%	328.6
Interconnection and telecommunications service charges	1,529.7	18.3%	2,296.4	18.9%	2,027.8	14.6%	215.7
Sales and marketing expenses	913.8	10.9%	1,374.5	11.3%	1,030.4	7.4%	109.6
Salaries and employee benefits	573.9	6.9%	722.5	5.9%	777.8	5.6%	82.7
Supplies and overhead expenses	386.1	4.6%	547.7	4.5%	575.7	4.1%	61.2
Others	44.0	0.5%	43.2	0.4%	39.6	0.3%	4.2
Total operating expenses	6,229.7	74.5%	10,308.2	84.8%	11,242.2	81.0%	1,196.0

Depreciation expenses

Depreciation expenses consist of depreciation of our network and other fixed assets, including installation and related construction costs, over the useful life of the assets.

Infrastructure expenses

Infrastructure expenses consist of frequency fees that we pay to the Government, rental expense, utilities expense, repair and maintenance expense and others. Frequency fees are calculated based on the number of TRU in the BTS comprising our 2G telecommunication network and allocated spectrum for our 3G telecommunication network. Repair and maintenance expenses consist primarily of maintenance fees for our network equipment. Utilites expenses include network-related electricity and fuel for gensets. Rental expenses consist primarily of land lease expenses for telecommunication tower sites that we do not own, as well as tower rental expenses where we lease space on telecommunication towers from other telecommunication operators.

Interconnection and telecommunication service charges

Interconnection and telecommunication service charges are comprised of interconnection charges, other cellular telecommunication charges, and other telecommunication service cost. The following table shows the breakdown of our interconnection and telecommunication service charge and each item as a percentage of gross revenue for the periods indicated:

	Year ended December 31,						
	2007		2008		2009		2009
	(Rp. billions, except percentages)		(Rp. billions, except percentages)		(Rp. billions, except percentages)		(US$ millions)
Interconnection and telecommunication service charges:							
Interconnection charges	(1,120.3)	-13.4%	(1,555.3)	-12.8%	(1,403.7)	-10.1%	(149.3)
Other cellular telecommunication charges	(338.8)	-4.1%	(601.1)	-4.9%	(537.5)	-3.9%	(57.2)
Other telecommunication service cost	(70.6)	-0.8%	(140.0)	-1.2%	(86.6)	-0.6%	(9.2)
Total Interconnection and telecommunication service charges	(1,529.7)	-18.3%	(2,296.4)	-18.9%	(2,027.8)	-14.6%	(215.7)

Interconnection charges. Our interconnection charges are comprised of domestic interconnection fees which we pay to other Indonesian telecommunication service providers for voice and data services used by our subscribers while connecting onto their networks, and out-bound international roaming fees which we pay to international telecommunication service providers for calls and SMS made by our subscribers while roaming on their networks overseas.

Other cellular telecommunication charges. Our other cellular telecommunication charges consist of lease expenses for telecommunications satellites, the cost of producing SIM cards and vouchers, as well as the telecommunication service fee and the universal service obligation fee that we are required to pay to the Government. The telecommunication service fee is calculated as 0.5% of gross revenue less bad debts and interconnection charges. The universal service obligation fee is calculated as 1.25% of gross revenue less bad debts and interconnection charges.

Other telecommunication services cost. Our other telecommunication services costs consist of cost of services sold for leased lines, ISPs and VOIP.

Sales and marketing expenses

Sales and marketing expenses consist primarily of sales commissions and advertising and promotion expenses. We pay sales commission for the sale of our vouchers for reloading prepaid SIM cards and for starter pack sales. Advertising and promotional expenses are paid in connection with our brand advocacy programs.

Salaries and employee benefits

Salaries and employee benefits include salaries, bonuses, allowances, medical and hospitalization benefits, long-term incentives and contributions to our defined contribution pension plan and mandatory social security plan. PT Asuransi Jiwa Manulife Indonesia manages our defined contribution plan. We have a defined contribution pension plan program applicable for all permanent employees who are under the age of 56 years. Contributions to the plan of 10.0% of the salary of each employee comprise a contribution of 7.0% from us and 3.0% from our employees. Employees or their beneficiaries as applicable are entitled to the pension benefits of the pension funds which comprise pension fund contributions and accumulated interest on retirement, disability or death. In accordance with prevailing regulations, we have further defined benefit

obligations if the benefits provided by the existing pension plan do not adequately cover our statutory obligations under Labor Law No. 13 of 2003 on Manpower.
Post employment benefits were determined by comparing the amounts determined by using calculations made pursuant to the Collective Agreement and calculations made pursuant to the Labor Law No. 13 of 2003 on Manpower, and using the higher amount calculated. This calculation was made with the assistance of an independent actuary, PT Mercer Indonesia under the projected unit credit method. We also maintain a mandatory social security plan for all employees. We contribute 4.5% of the net base salary of each employee and each employee contributes 2.0% of his net base salary to the social security plan.

Supplies and overhead expenses

Supplies and overhead expenses include expenses for non-network related utilities such as office premises, supplies, insurance, travel and corporate communications, bad debt expense, professional fees and rent for our principal executive offices at Jalan Mega Kuningan, our branch offices located in provincial capitals and cities in Indonesia and XL Centers, freight and delivery, security costs and other miscellaneous expenses. Professional fees include fees for lawyers, accountants and other advisers.

Others

Others consist of expenses primarily relating to amortization of upfront fee payments.

Other (expense) income

Other (expense) income consists primarily of interest expense, foreign exchange differences, finance costs, and one-time gain on finance lease transaction.

Income tax (expense) benefit

Income tax (expense) benefit consists primarily of current and deferred income tax.

Key Operational Data

To measure our operating performance, we track our number of subscribers, MOU, SMS, MOU Per Subscriber, SMS Per Subscriber, ARPM, ARPS, ARPU, Blended ARPU and Average Monthly Churn. We have, from time to time, changed the method by which we calculate our number of prepaid subscribers, which has the effect of changing our subscriber numbers and our MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn. Consequently, our number of subscribers, MOU Per Subscriber, SMS Per Subscriber, ARPU (for prepaid subscribers), Blended ARPU and Average Monthly Churn set forth in this Document are not comparable between certain periods. See "Risk Factors — Risks Relating to Our Business and the Cellular Telecommunication Industry — Our subscriber related operating data may not be comparable between periods."

The following table shows certain information relating to our operating performance operations for the periods indicated:

	Years ended and as of December 31,		
	2007	**2008**	**2009**
SELECTED OPERATING DATA: [1]			
Number of subscribers (thousands):			
Prepaid	14,988	25,599	31,101
Postpaid	481	417	337
Total number of subscribers	15,469	26,016	31,438
MOU Per Subscriber (minutes)			
Blended	50	212	279
MOU (millions)			
Total	6,815	54,886	87,579
ARPM (Rp.)			
Blended	540	120	80
SMS (millions)			
Total	12,599	17,778	63,564
SMS Per Subscriber (sms)			
Blended	92	69	203
ARPS (Rp)			
Blended	153	126	41
ARPU (Rp. thousands)			
Prepaid	43	35	34
Postpaid	155	152	167
Blended	47	37	36
Average Monthly Churn			
Prepaid	13.5%	16.8%	16.4%
Postpaid	4.8%	4.6%	3.3%
Number of BTS			
Total	11,157	16,729	19,349
Tower Spaces Leased			
Total	—	3,325	4,306

Notes:

(1) Due to changes in the method used to calculate the number of our prepaid subscribers, our numbers of subscribers, MOU Per Subscriber, SMS Per Subscriber, ARPU, Blended ARPU and Average Monthly Churn set forth in this Document are not comparable between certain periods. See “Risk Factors — Risks Relating to Our Business and the Cellular Telecommunication Industry — Our subscriber related operating data may not be comparable between periods.”

Since the introduction of our affordable pricing strategy in 2007, the decreases in ARPM and ARPU for prepaid subscribers resulting from our strategy have been offset by a corresponding increases in our MOU Per Subscriber, number of prepaid subscribers and MOU, which in turn have led to an increase in our revenue from cellular telecommunication service.

Our ARPM decreased from approximately Rp. 540 in 2007 to Rp. 120 in 2008 and Rp. 80 (US$ 0.008) in 2009. ARPU for prepaid subscribers decreased to approximately Rp. 34,000 (US$ 3.62) in 2009, from Rp. 35,000 in 2008 and Rp. 43,000 in 2007. During the same period, our MOU Per Subscriber has increased from 50 minutes in 2007, to 212 minutes in 2008 and to 279 minutes in 2009, representing a CAGR of 136.8% for this period. Our number of prepaid subscribers increased from approximately 15.0 million as of December 31, 2007 to approximately 25.6 million as of December 31, 2008 and to 31.1 million as of December 31, 2009, representing a CAGR of 44.1% for the same period. Our affordable pricing strategy has also increased our MOU, from 6.8 billion minutes in 2007 to 54.9 billion minutes in 2008 and to 87.6 billion minutes in 2009.

As a result of our significant capital expenditures, our number of BTS was 19,349 as of December 31, 2009, increased from 16,729 as of December 31, 2008 and 11,157 as of December 31, 2007. We commenced leasing space on our telecommunication towers to other telecommunication operators in 2008. As of December 31, 2009, we had 4,306 tower spaces leased, compared to 3,325 tower spaces leased as of December 31, 2008.

Results of Operations

Year ended December 31, 2009 compared to year ended December 31, 2008

Gross cellular revenue. Gross cellular revenue increased 13.0% to Rp. 12,770.9 billion in the year ended December 31, 2009 from Rp. 11,305.1 billion in the year ended December 31, 2008, primarily due to increased revenue from cellular telecommunication service.

Cellular telecommunication service. Revenue from cellular telecommunication service increased 14.9% to Rp. 11,220.2 billion in the year ended December 31, 2009 from Rp. 9,767.7 billion in the year ended December 31, 2008, primarily due to increases in voice and non-voice revenue.

Voice. Voice revenue increased 6.6% to Rp. 7,058.9 billion in the year ended December 31, 2009 from Rp. 6,622.6 billion in the year ended December 31, 2008, primarily due to a 20.8% increase in total subscribers to 31.4 million and a 31.6% increase in MOU Per Subscriber to 279, each as of December 31, 2009. This increase in MOU Per Subscriber was offset by a 33.3% decrease in ARPM to Rp. 80 in the year ended December 31, 2009 from Rp. 120 in the year ended December 31, 2008 as a result of our affordable product offerings.

Non-voice. Non-voice revenue increased 32.2% to Rp. 4,152.6 billion in the year ended December 31, 2009 from Rp. 3,140.7 billion in the year ended December 31, 2008, due to an 87.4% increase in value-added services to Rp. 1,297.2 billion in the year ended December 31, 2009 from Rp. 692.2 billion in the year ended December 31, 2008, as we introduced new affordable product offerings for our data and Blackberry services, as well as a 18.7% increase in SMS revenue to Rp. 2,669.8 billion in the year ended December 31, 2009 from Rp. 2,248.6 billion in the year ended December 31, 2008. SMS revenue increased due to a 20.8% increase in total subscribers to 31.4 million as of December 31, 2009 from 26.0 million as of December 31, 2008 and a 194.2% increase in number of SMS per subscriber to 203 per month in the year ended December 31, 2009 from 69 per month in the year ended December 31, 2008, as we increased our affordable SMS product offerings.

Monthly service charge. Monthly service charge increased 98.9% to Rp. 8.7 billion in the year ended December 31, 2009, from Rp. 4.4 billion in the year ended December 31, 2008, primarily due to an increase in corporate bundling programs for voice, SMS and data services.

Cellular interconnection service. Revenue from cellular interconnection service increased 0.9% to Rp. 1,550.7 billion in the year ended December 31, 2009 from Rp. 1,537.4 billion in the year ended December 31, 2008, as an increase in international roaming revenue was offset by a decrease in domestic interconnection revenue.

Domestic interconnection. Domestic interconnection revenue decreased 9.1% to Rp. 942.4 billion in the year ended December 31, 2009 from Rp. 1,036.9 billion in the year ended December 31, 2008, primarily due to an increase in the number of our POI (points of interconnection) with other telecommunication operators which decreased the amount of traffic from subscribers of other telecommunication operators carried on our cellular network in long distance services.

International roaming. International roaming revenue increased 21.6% to Rp. 588.1 billion in the year ended December 31, 2009 from Rp. 483.5 billion in the year ended December 31, 2008. This increase was primarily due to an increase in terminations of VOIP calls from international operators and an increase in international visitors to Indonesia roaming on our cellular network, which were offset by appreciation of the Rupiah against the U.S. dollar, which decreased the Rupiah value of our U.S. dollar-denominated international roaming revenue. The exchange rates were Rp. 9,400.00 to US$1.00 as of December 31, 2009 and Rp. 10,950.00 to US$1.00 as of December 31, 2008.

SMS interconnection. SMS interconnection revenue increased 19.1% to Rp. 16.4 billion in the year ended December 31, 2009 from Rp. 13.8 billion in the year ended December 31, 2008, primarily due to an increase in usage by customers using our SMS bulk products as a result of an increase in corporate subscribers and accounts.

Other. Other cellular interconnection revenue increased 16.3% to Rp. 3.7 billion in the year ended December 31, 2009 from Rp. 3.2 billion in the year ended December 31, 2008, primarily due to an increase in the number of content providers using our Short Dial Code (SDC) services.

Gross revenue from other telecommunication services. Revenue from other telecommunication services increased 30.3% to Rp. 1,108.6 billion in the year ended December 31, 2009 from Rp. 850.9 billion in the year ended December 31, 2008, primarily due to increased leased towers revenue, which offset decreases in lease lines revenue, ISP services revenue and other revenue.

Leased towers. Leased towers revenue increased 117% to Rp. 600.4 billion in the year ended December 31, 2009 from Rp. 276.7 billion in the year ended December 31, 2008, primarily due to a 29.5% increase in the number of tower spaces leased to 4,306 as of December 31, 2009 from 3,325 as of December 31, 2008, as well as the full-year of rental received from towers leased in the second half of 2008.

Leased line. Leased line revenue decreased 10.8% to Rp. 427.0 billion in the year ended December 31, 2009 from Rp. 478.5 billion in the year ended December 31, 2008, primarily due to lower prices charged to our customers as a result of increased competition, and to a lesser extent, from a long-term lease of core capacity in our fiber optic transmission network to Moratel and Hutchison in 2009 which resulted in reduction of leased line revenue in 2009 from Moratel and Hutchison and instead resulted in a one-time gain recognized under Other income.

ISP services. ISP services revenue decreased 18.2% to Rp. 52.3 billion in the year ended December 31, 2009 from Rp. 63.9 billion in the year ended December 31, 2008, primarily due to lower prices charged to our customers as a result of increased competition for ISP services.

Other. Other revenue from other telecommunication services decreased 9.3% to Rp. 28.9 billion in the year ended December 31, 2009 from Rp. 31.9 billion in the year ended December 31, 2008, primarily due to lower prices charged to our customers as a result of increased competition for VOIP services.

Gross revenue. As a result of the above changes in gross cellular revenue and gross revenue from other cellular telecommunication services, gross revenue increased 14.2% to Rp. 13,879.5 billion in the year ended December 31, 2009 from Rp. 12,156.0 billion in the year ended December 31, 2008.

Discount. Discount, which is comprised of discounts on gross cellular revenue and on gross revenue from other telecommunication service, increased 83.0% to Rp. 173.5 billion in 2009 from Rp. 94.8 billion in 2008 primarily due to increase in discount on gross cellular revenue.

Discount on gross cellular revenue. Discount on gross cellular revenue increased 83.0% to Rp. 173.5 billion in 2009 from Rp. 94.8 billion in 2008, primarily due to subscriber loyalty programs commenced in August 2009.

Gross revenue net of discount. As a result of the foregoing, gross revenue net of discount increased 13.6% to Rp. 13,706.0 billion in the year ended December 31, 2009 from Rp. 12,061.2 billion in the year ended December 31, 2008.

Operating expenses. Operating expenses increased 9.1% to Rp. 11,242.2 billion in the year ended December 31, 2009 from Rp. 10,308.2 billion in the year ended December 31, 2008, primarily due to increases in depreciation expenses and infrastructure expenses which were partially offset by decreases in interconnection and telecommunication service charges and sales and marketing expenses.

Depreciation expenses. Depreciation expenses increased 11.0% to Rp. 3,701.9 billion in the year ended December 31, 2009 from Rp. 3,335.3 billion in the year ended December 31, 2008, primarily due to an increased number of BTS installations in 2008 for which we incurred a full year of depreciation commenced in 2009.

Infrastructure expenses. Infrastructure expenses increased 55.3% to Rp. 3,089.1 billion in the year ended December 31, 2009 from Rp. 1,988.6 billion in the year ended December 31, 2008, primarily due to increased license fees and rental expense.

License fee. License fee increased 73.4% to Rp. 1,145.4 billion in the year ended December 31, 2009 from Rp. 660.4 billion in the year ended December 31, 2008, primarily due to increased frequency fees as a result of the increase in our number of BTS.

Rental expense. Rental expense increased 66.8% to Rp. 865.7 billion in the year ended December 31, 2009 from Rp. 519.1 billion in the year ended December 31, 2008, primarily due to full-year of rental expenses for an increased number of spaces on towers leased for BTS installations in 2008 as well as increased number of tower spaces leased for BTS installations in 2009.

Utilities and power expense. Utilities and power expense increased 54.4% to Rp. 599.5 billion in the year ended December 31, 2009 from Rp. 388.3 billion in the year ended December 31, 2008, primarily due to increase in the number of BTS.

Repair and maintenance expense. Repair and maintenance expense increased 48.9% to Rp. 450.4 billion in the year ended December 31, 2009 from Rp. 302.5 billion in the year ended December 31, 2008, primarily due to an increase in the number of BTS.

Others. Other expense decreased 76.2% to Rp. 28.1 billion in the year ended December 31, 2009 from Rp. 118.3 billion in the year ended December 31, 2008, primarily due to fees for landlord consents paid in 2008.

Interconnection and telecommunication service charges. Interconnection and telecommunication service charges decreased 11.7% to Rp. 2,027.8 billion in the year ended December 31, 2009 from Rp. 2,296.4 billion in the year ended December 31, 2008 primarily due to decreases in our interconnection charges, other cellular telecommunication charges and other telecommunication service cost.

Interconnection charges. Interconnection charges decreased 9.8% to Rp. 1,403.7 billion in the year ended December 31, 2009 from Rp. 1,555.3 billion in the year ended December 31, 2008, primarily due to a decrease in off-net traffic resulting from increased promotion of our on-net services, and an increase in our local traffic instead of our long distance services, due to an increase in the number of our POI (points of interconnection) with other telecommunications operators.

Other cellular telecommunication charges. Other cellular telecommunication charges decreased 10.6% to Rp. 537.5 billion in the year ended December 31, 2009 from Rp. 601.1 billion in the year ended December 31, 2008, primarily due to lower expense for starter packs and physical vouchers as a result of our supply chain management programs.

Other telecommunication service cost. Other telecommunication service cost decreased 38.1% to Rp. 86.6 billion in the year ended December 31, 2009 from Rp. 140.0 billion in the year ended December 31, 2008, primarily due to swaps of core transmission capacity with other telecommunication operators on our respective fiber optic transmission networks which reduced our cost of leased lines for additional core transmission capacity.

Sales and marketing expenses. Sales and marketing expenses decreased 25.0% to Rp. 1,030.4 billion in December 31, 2009 from Rp. 1,374.5 billion in the year ended December 31, 2008, primarily due to lower aggregate commissions (as a percentage of revenue) paid to our non-exclusive dealers in connection with our reorganization of the dealers in our indirect marketing network into "area clusters".

Salaries and employee benefits. Salaries and employee benefits increased 7.7% to Rp. 777.8 billion in the year ended December 31, 2009 from Rp. 722.5 billion in the year ended December 31, 2008, primarily due to annual salary increases and accrual of a long-term employee incentive plan commenced in 2009 in respect of the period from 2007 to 2008.

Supplies and overhead expenses. Supplies and overhead expenses increased 5.1% to Rp. 575.7 billion in the year ended December 31, 2009 from Rp. 547.7 billion in the year ended December 31, 2008, primarily due to increased non-network expense for BTS sites and office premises, which was partially offset by a reduction in bad debts as we reduced the number of our postpaid subscribers.

Others. Others decreased 8.5% to Rp. 39.6 billion in the year ended December 31, 2009 from Rp. 43.2

billion in the year ended December 31, 2008, primarily due to completion in 2008 of the amortization of an upfront fee paid to an international telecommunications operator under a strategic cooperation agreement.
Operating income. As a result of the foregoing, operating income increased 40.6% to Rp. 2,463.8 billion in the year ended December 31, 2009 from Rp. 1,753.0 billion in the year ended December 31, 2008.

Other (expense) income. Other expense decreased 93.8% to Rp. 113.6 billion in the year ended December 31, 2009 from Rp. 1,828.2 billion in the year ended December 31, 2008. This change was primarily due to foreign exchange gains resulting from the appreciation of the Rupiah against the U.S. dollar in 2009 — the exchange rates were Rp. 9,400.00 to US$1.00 as of December 31, 2009 and Rp. 10,950.00 to US$1.00 as of December 31, 2008, respectively — which resulted in translation gains on our monetary liabilities, particularly U.S. dollar denominated bonds and long term loans; as well as one-time gains recognized on long-term leases of core capacity in our fiber optic transmission network to Moratel and Hutchison. These gains were partially offset by higher interest expenses on higher average outstanding indebtedness in 2009 as compared to 2008.

Income tax (expense) benefit. We had an income tax expense of Rp. 640.8 billion in the year ended December 31, 2009 as compared to an income tax benefit of Rp. 60.1 billion in the year ended December 31, 2008, primarily due to corporate income tax payable in 2009, as well as deferred tax primarily caused by timing differences in the deductibility of depreciation for tax purposes versus accounting purposes.

Net income (loss). As a result of the foregoing, net income increased to Rp. 1,709.5 billion in 2009 from a net loss of Rp. 15.1 billion in 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

Gross cellular revenue. Gross cellular revenue increased 43.4% to Rp. 11,305.1 billion in the year ended December 31, 2008 from Rp. 7,884.3 billion in the year ended December 31, 2007, primarily due to increased revenue from cellular telecommunication service.

Cellular telecommunication service. Revenue from cellular telecommunication service increased 50.3% to Rp. 9,767.7 billion in the year ended December 31, 2008 from Rp. 6,500.7 billion in the year ended December 31, 2007, primarily due to an increase in voice revenue.

Voice. Voice revenue increased 71.3% to Rp. 6,622.6 billion in the year ended December 31, 2008 from Rp. 3,866.3 billion in the year ended December 31, 2007 primarily due to a 68.2% increase in total subscribers to 26.0 million and a 324.0% increase in MOU Per Subscriber to 212, each as of December 31, 2008. This increase in MOU Per Subscriber was offset by a 77.8% decrease in ARPM to Rp. 120 in the year ended December 31, 2008 from Rp. 540 in the year ended December 31, 2007.

Non-voice. Non-voice revenue increased 19.3% to Rp. 3,140.7 billion in the year ended December 31, 2008 from Rp. 2,632.5 billion in the year ended December 31, 2007, due to an 11.0% increase in SMS revenue to Rp. 2,248.6 billion in the year ended December 31, 2008 from Rp. 2,025.9 billion in the year ended December 31, 2007, as well as a 66.3% increase in revenue from value-added services to Rp. 692.2 billion in the year ended December 31, 2008 from Rp. 416.1 billion in the year ended December 31, 2007. SMS revenue increased due to a 68.2% increase in the number of total subscribers to approximately 26.0 million subscribers as of December 31, 2008 from 15.5 million subscribers as of December 31, 2007, which partially offset a 25.0% decrease in SMS per subscriber to 69 in the year ended December 31, 2008 from 92 in the year ended December 31, 2007. Non-voice revenue increased due to the increase in number of subscribers which was partially offset by a decrease in revenue from starter packs when, on April 1, 2007, we changed the revenue recognized upon sale of each starter pack from Rp. 10,000 to Rp. 1.

Monthly service charge. Monthly service charge revenue increased 128.2% to Rp. 4.4 billion from Rp. 1.9 billion in the year ended December 31, 2007, primarily due to corporate bundling programs which commenced in October 2007.

Cellular interconnection service. Revenue from cellular interconnection service increased 11.1% to Rp. 1,537.4 billion in the year ended December 31, 2008 from Rp. 1,383.6 billion in the year ended December 31, 2007, primarily due to an increase in domestic interconnection revenue.

Domestic interconnection. Domestic interconnection revenue increased 16.9% to Rp. 1,036.9 billion in the year ended December 31, 2008 from Rp. 887.0 billion in the year ended December 31, 2007, primarily due to a 68.2% increase in the number of total subscribers to approximately 26.0 million subscribers as of December 31, 2008 from 15.5 million subscribers as of December 31, 2007, which increased the amount of traffic from subscribers of other telecommunication operators carried on our cellular network.

International roaming. International roaming revenue increased 3.9% to Rp. 483.5 billion in the year ended December 31, 2008 from Rp. 465.3 billion in the year ended December 31, 2007, primarily due to increased usage of international roaming on our cellular network by visitors to Indonesia and depreciation of the Rupiah against the U.S. dollar, which increased the Rupiah value of our U.S. dollar-denominated international roaming revenue. The exchange rates were Rp. 10,950.00 to US$1.00 as of December 31, 2008 and Rp. 9,419.00 to US$1.00 as of December 31, 2007.

SMS interconnection. SMS interconnection revenue decreased 46.7% to Rp. 13.8 billion in the year ended December 31, 2008 from Rp. 25.9 billion in the year ended December 31, 2007, primarily due to a decrease in usage by corporate customers using our SMS bulk products.

Other. Other cellular interconnection revenue decreased 40.4% to Rp. 3.2 billion in the year ended December 31, 2008 from Rp. 5.4 billion in the year ended December 31, 2007, primarily due to a decrease in the number of content providers using our SDC services.

Gross revenue from other telecommunication services. Revenue from other telecommunication services increased 77.1% to Rp. 850.9 billion in the year ended December 31, 2008 from Rp. 480.4 billion in the year ended December 31, 2007, primarily due to increased revenue from leased towers, leased lines, ISP services and other revenue.

Leased towers. Leased towers revenue was Rp. 276.7 billion in the year ended December 31, 2008 and nil in the year ended December 31, 2007, as we commenced our tower leasing business in 2008. We had leased 3,325 tower spaces as of December 31, 2008.

Leased line. Leased line revenue increased 17.1% to Rp. 478.5 billion in the year ended December 31, 2008 from Rp. 408.7 billion in the year ended December 31, 2007, primarily due to an increase in utilization of our leased line services among corporate customers which was partially offset by a decline in prices due to increased competition.

ISP services. ISP services revenue increased 8.7% to Rp. 63.9 billion in the year ended December 31, 2008 from Rp. 58.8 billion in the year ended December 31, 2007, primarily due to an increase in utilization of ISP services among corporate customers.

Other. Other revenue from other telecommunication services increased 147.1% to Rp. 31.9 billion in the year ended December 31, 2008 from Rp. 12.9 billion in the year ended December 31, 2007, primarily due to an increased number of corporate customers for our VOIP services.

Gross revenue. As a result of the above changes in gross cellular revenue and gross revenue from other cellular telecommunication services, gross revenue increased 45.3% to Rp. 12,156.0 billion in the year ended December 31, 2008 from Rp. 8,364.7 billion in the year ended December 31, 2007.

Discount. Discount, which comprises discounts on gross cellular revenue and on gross revenue from other telecommunication service, decreased 74.7% to Rp. 94.8 billion in 2008 from Rp. 375.2 billion in 2007, primarily due to decrease in discount on gross cellular revenue.

Discount on gross cellular revenue. Discount on gross cellular revenue decreased 74.7% to Rp. 94.8 billion in 2008 from Rp. 375.1 billion in 2007, primarily due to replacement of discounts with reduced prices in connection with our affordable pricing programs introduced in June 2007.

Gross revenue net of discount. As a result of the foregoing, gross revenue net of discount increased 51.0% to Rp. 12,061.2 billion in the year ended December 31, 2008 from Rp. 7,989.5 billion in the year ended December 31, 2007.

Operating expenses. Operating expenses increased 65.5% to Rp. 10,308.2 billion in the year ended December 31, 2008 from Rp. 6,229.7 billion in the year ended December 31, 2007, primarily due to increase

in depreciation expenses, infrastructure expenses, interconnection and telecommunication service charges, sales and marketing expenses, salaries and employee benefits and supplies and overhead expenses.
Depreciation expenses. Depreciation expenses increased 95.6% to Rp. 3,335.3 billion in the year ended December 31, 2009 from Rp. 1,705.4 billion in the year ended December 31, 2008, primarily due to an increased number of BTS installations in 2007 for which depreciation commenced in 2008, as well as accelerated depreciation for some mobile switching centers (MSC) which were replaced in 2008.

Infrastructure expenses. Infrastructure expenses increased 84.7% to Rp. 1,988.6 billion in the year ended December 31, 2008 from Rp. 1,076.7 billion in the year ended December 31, 2007, due to increases in license fees, rental expense, utilities expense, repair and maintenance expense and other expense.

License fee. License fee increased 40.0% to Rp. 660.4 billion in the year ended December 31, 2008 from Rp. 471.8 billion in the year ended December 31, 2007, primarily due to increased frequency fees as a result of the increase in our number of BTS.

Rental expense. Rental expense increased 176.3% to Rp. 519.1 billion in the year ended December 31, 2008 from Rp. 187.9 billion in the year ended December 31, 2007, primarily due to increased in BTS installations which in turn led to increased land lease expenses for construction of our own towers and increased rental expenses for spaces on towers leased from third parties.

Utilities expense. Utilities expense increased 112.8% to Rp. 388.3 billion in the year ended December 31, 2008 from Rp. 182.5 billion in the year ended December 31, 2007, primarily due to an increase in the number of BTS.

Repair and maintenance expense. Repair and maintenance expense increased 29.0% to Rp. 302.5 billion in the year ended December 31, 2008 from Rp. 234.5 billion in the year ended December 31, 2007, primarily due to an increase in the number of BTS.

Other expense. Other expense was Rp. 118.3 billion in the year ended December 31, 2008 as compared to nil for the year ended December 31, 2007, primarily due to fees paid to landlords of our tower sites for consent to lease agreement amendments in 2008.

Interconnection and telecommunication service charges. Interconnection and telecommunication service charges increased 50.1% to Rp. 2,296.4 billion in the year ended December 31, 2008 from Rp. 1,529.7 billion in the year ended December 31, 2007, in line with increases in our interconnection charges, other cellular telecommunication charges and other telecommunication service cost.

Interconnection charges. Interconnection charges increased 38.8% to Rp. 1,555.3 billion in the year ended December 31, 2008 from Rp. 1,120.3 billion in the year ended December 31, 2007 primarily due to a 68.2% increase in the number of total subscribers to approximately 26.0 million subscribers as of December 31, 2008 from 15.5 million subscribers as of December 31, 2007, which increased the amount of traffic from our subscribers on other telecommunication operators' cellular networks.

Other cellular telecommunication charges. Other cellular telecommunication charges increased 77.4% to Rp. 601.1 billion in the year ended December 31, 2008 from Rp. 338.8 billion in the year ended December 31, 2007, primarily due to the increase in the number of starter packs and the increase in telecommunication service cost and universal service obligation (USO) paid to the Government in line with our increased revenue.

Other telecommunication service cost. Other telecommunication service cost increased 98.2% to Rp. 140.0 billion in the year ended December 31, 2008 from Rp. 70.6 billion in the year ended December 31, 2007, primarily due to increased demand for our leased line, ISP and other non-GSM services.

Sales and marketing expenses. Sales and marketing expenses increased 50.4% to Rp. 1,374.5 billion in December 31, 2008 from Rp. 913.8 billion in the year ended December 31, 2007, primarily due to increased advertising and promotional expenses following the commencement of our affordable pricing strategy in June 2007, as well as higher commissions on the sales of prepaid starter packs and reloads.

Salaries and employee benefits. Salaries and employee benefits expenses increased 25.9% to Rp. 722.5 billion in the year ended December 31, 2008 from Rp. 573.9 billion in the year ended December 31, 2007, primarily due to annual increases in salaries and higher bonuses and severance payments, which were partially offset by a reduction in employee headcount.

Supplies and overhead expenses. Supplies and overhead expenses increased 41.9% to Rp. 547.7 billion in the year ended December 31, 2008 from Rp. 386.1 billion in the year ended December 31, 2007, primarily due to professional fees paid in connection with structuring and launching our affordable pricing strategy.

Others. Others decreased 1.8% to Rp. 43.2 billion in the year ended December 31, 2008 from Rp. 44.0 billion in the year ended December 31, 2007, primarily due final amortization of an upfront fee paid for installation of fiber optic cables in 2007.

Operating income. As a result of the foregoing, operating income decreased 0.4% to Rp. 1,753.0 billion in the year ended December 31, 2008 from Rp. 1,759.8 billion in the year ended December 31, 2007.

Other (expense)/income. Other expense increased 47.2% to Rp. 1,828.2 billion in the year ended December 31, 2008 from Rp. 1,241.8 billion in the year ended December 31, 2007. This change was primarily due to higher interest expense due on higher outstanding average indebtedness and foreign exchange losses resulting from the depreciation of the Rupiah against the U.S. dollar — the exchange rates were Rp. 10,950.00 to US$1.00 as of December 31, 2008, Rp. 9,419.00 to US$1.00 as of December 31, 2007 — which resulted in translation losses on our monetary liabilities, particularly U.S. dollar denominated bonds and long term loans.

Income tax (expense) benefit. We had an income tax benefit of Rp. 60.1 billion in the year ended December 31, 2008 as compared to an income tax expense of Rp. 267.3 billion in the year ended December 31, 2007, primarily due to tax loss carryforwards and a current year taxable loss.

Net income (loss). As a result of the foregoing, we had net loss of Rp. 15.1 billion in 2008 as compared to net income of Rp. 250.8 billion in 2007.

Liquidity and Capital Resources

Our principal use of cash has been for our network expansion. Our main source of liquidity has been cash generated from our operating activities, and U.S. dollar and Rupiah-denominated bonds and loans ranging from 2 years to 7 years in maturity. Historically, we have relied on cash generated from operations and debt financing, including vendor financing from our suppliers, to fund our working capital and capital expenditure requirements. As our capital expenditure requirements stabilize, we expect to rely primarily on cash generated from operations to fund our working capital and capital expenditure requirements.

Condensed Consolidated Statements of Cash Flows

	Year ended December 31,			
	2007	2008	2009	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)	(US$ millions)
Net cash provided by (used in) operating activities:				
Receipts from customers and other operators	8,039.0	12,165.6	13,765.2	1,464.4
Payments for suppliers and operating expenses	(3,602.8)	(6,619.8)	(5,412.3)	(575.8)
(Payments)/refund to employees	(460.2)	(650.8)	(682.5)	(72.6)
Cash generated from operations	3,976.0	4,895.0	7,670.4	816.0
Interest income received	51.2	26.3	57.2	6.1
Payments of corporate income tax — net	(41.1)	(211.8)	(9.3)	(1.0)
Total	3,986.1	4,709.5	7,718.3	821.1
Net cash provided by (used in) investing activities:				
Acquisition of fixed assets	(6,868.4)	(11,381.7)	(5,282.7)	(562.0)
Realization/(additions) of other assets	(290.7)	(233.2)	135.6	14.4
Proceeds from sale of fixed assets and insuranceclaims	5.1	100.9	23.7	2.5
Total	(7,154.0)	(11,514.0)	(5,123.4)	(545.0)
Net cash provided by (used in) financing activities:				
Payment of short-term loan interest	—	(65.5)	(12.0)	(1.3)
Cash dividends paid	(67.2)	(141.8)	—	—
Repayment of long-term loans	—	(400.0)	(5,216.7)	(555.0)
Payment of bond interest	(494.1)	(444.5)	(267.9)	(28.5)
Receipts from Limited Public Offering	—	—	2,785.7	296.4
Payment of long-term loan interest	(51.4)	(649.1)	(1,017.5)	(108.2)
Repayment of short-term loans	—	(1,000.0)	(547.5)	(58.2)
Repayment of 2013 Notes	—	(4,460.0)	(761.3)	(81.0)
Proceeds from short-term loans	—	1,471.0	—	—
Proceeds from long-term loans	2,503.5	12,953.1	2,026.1	215.5
Proceeds from long-term bonds	1,500.0	—	—	—
Bond issue costs	(7.9)	—	—	—
Total	3,382.9	7,263.3	(3,010.9)	(320.3)
Net increase (decrease) in cash and cash equivalents	215.0	458.7	(416.0)	(44.3)
Non-cash investing and financing activities:				
Gain on finance lease transaction	—	—	465.0	49.5
Acquisition of respective period fixed assets through incurrence of payables	219.3	—	—	—

Net Cash Provided by Operating Activities

Net cash provided by operating activities consists of cash received from our subscribers and other operators, net of payments for suppliers, operating expenses, payments to employees and cash inflows and outflows reflecting receipts and payments of interest and tax.

In 2009, cash from subscribers and other operators totaled Rp. 13,765.2 billion (US$1,464.4 million) and payments for suppliers and operating expenses totaled Rp. 5,412.3 billion (US$575.8 million). After taking into account net cash from interest income and income taxes, our net cash provided by operating activities amounted to Rp. 7,718.3 billion (US$ 821.1 million) in 2009.

In 2008, cash from subscribers and other operators totaled Rp. 12,165.6 billion (US$ 1,294.2 million) and payments for suppliers and operating expenses totaled Rp. 6,619.8 billion (US$ 704.2 million). After taking into account net cash from interest income and income taxes, our net cash provided by operating activities amounted to Rp. 4,709.5 billion (US$ 501.0 million) in 2008.

In 2007, cash from subscribers and other operators totaled Rp. 8,039.0 billion (US$ 855.2 million) and payments for suppliers and operating expenses totaled Rp. 3,602.8 billion (US$ 383.3 million). After taking into account net cash from interest income and income taxes, our net cash provided by operating activities amounted to Rp. 3,986.1 billion (US$ 424.1 million) in 2007.

Net Cash Used in Investing Activities

Net cash used in investing activities consists primarily of our capital expenditures.

Our net cash used in investing activities was Rp. 5,123.4 billion (US$545.0 million) in 2009, Rp. 11,514.0 billion in 2008 and Rp. 7,154.0 billion in 2007 which consisted, in each case, primarily of payments for the purchase and installation of BTS principally to expand our network capacity and, to a lesser extent, our network coverage.

See "— Capital Expenditures" for a further description of our capital expenditures during these periods.

Net Cash Provided by (Used in) Financing Activities

Our net cash used in financing activities was Rp. 3,010.9 billion (US$320.3 million) in 2009, primarily resulting from repayment of long term loans with our cash flow from operations and the Rp. 2.8 trillion rights proceeds from our rights offering for the issuance of 1,418 million new shares at Rp. 2,000 per share. The proceeds of our rights offering were used to reduce our outstanding indebtedness.

Our net cash provided from financing activities was Rp. 7,263.3 billion in 2008, primarily resulting from additional indebtedness incurred under long term loans, partially offset by repayment of U.S. dollar denominated bonds.

Our net cash provided from financing activities was Rp. 3,382.9 billion in 2007, primarily resulting from additional indebtedness incurred under long term loans, partially offset by payment of bond interest.

Capital Expenditures

We have made substantial investments in our network infrastructure during the period from 2007 to the present. We expect to focus our capital expenditures in the near term on increasing network capacity to accommodate future increases in our MOU. Historically, we have funded our capital expenditures through a combination of cashflows from operations, long-term and short-term debt financing, and vendor financing for our network equipment. The majority of our capital expenditures were made to improve our network capacity, network coverage and cellular service quality. Capital expenditure refers to the cost of additions to the relevant class of fixed assets. We include the cost of these items on our balance sheet when we receive the equipment from our suppliers. The following table summarizes our historical capital expenditures relating to our network and other property, plant and equipment for the periods indicated:

	Year ended December 31,			
	2007	**2008**	**2009**	**2009**
	(Rp. billions)	(Rp. billions)	(Rp. billions)	(US$ millions)
Network equipment	6,935.0	10,615.6	3,955.5	420.8
Office machinery and equipment	70.6	111.6	98.5	10.5
Support systems	52.4	88.9	45.5	4.8
Land, buildings and leasehold improvement	18.4	16.8	83.6	8.9
Furniture, fixtures and motor vehicles	11.3	12.1	14.1	1.5
Total	7,087.7	10,844.9	4,197.2	446.5

The following table summarizes our planned capital expenditures for the periods indicated:

	Year ended December 31,	
	2010	2011
	(Rp. billions)	
Total	3,760.0	3,478.0

We expect to fund such capital expenditures principally through cashflows from operations. Our actual capital expenditures may differ from the amounts set out above due to various factors, including our future cash flows, results of operations and financial condition, changes in the Indonesian economy, changes in technology, the availability of vendor or other financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in the regulatory environment in Indonesia, changes in our business plans and strategies and changes in the exchange rates between the U.S. dollar and Rupiah which would affect the cost of our equipment purchases.

Capital Expenditure Commitments and Operating Lease Commitments

The following table summarizes our non-debt capital expenditure commitments and operating lease commitments as of December 31, 2009:

	Payment due by period end				
	Total	2010	2011	2012	After 2012
	(Rp. billions)				
Capital expenditure commitments	1,224.3	1,210.3	14.0	—	—
Operating lease commitments	210.7	18.8	18.8	18.8	154.1
Total	1,435.0	1,229.2	32.8	18.8	154.1

We have included as capital expenditure commitments in the table above amounts we are obligated to pay to suppliers in respect of purchase orders we have issued, but which have not been completed. Our actual expenditures for these periods may differ from the amounts shown above. We have not included in the table above our obligations to banks in respect of bank guarantees issued on our behalf in the ordinary course of business.

Description of Material Indebtedness

Our total debt outstanding was Rp. 13,463.7 billion (US$ 1,432.3 million) as of December 31, 2009, Rp. 18,721.0 billion as of December 31, 2008 and 9,663.9 billion as of December 31, 2007.

Our debt outstanding under long term loans as of December 31, 2009 is follows:

Long-Term Loans	**As of December 31, 2009** (billions of Rp.)
Exportkreditnämnden (EKN)	3,237.0
PT Bank Mandiri (Persero) Tbk	3,200.0
PT Bank Central Asia Tbk	3,000.0
Standard Chartered Bank	470.0
PT Bank DBS Indonesia	700.0
PT Bank Sumitomo Mitsui Indonesia	300.0
JPMorgan Chase Bank, N.A.	282.0
PT ANZ Panin Bank	250.0
	11,439.0
Less: unamortized debt issue cost	(25.5)
	11,413.5
Less: current portion	(1,921.6)
Long term portion	9,491.9

Our debt outstanding under long-term notes as of December 31, 2009 is as follows:

Long-Term Notes	**Rp./US$ amount outstanding as of December 31, 2009**
Rp. 1.5 trillion Notes	Rp. 1.5 trillion
2013 Notes	US$59.4 million

As of February 28, 2010, our outstanding indebtedness was Rp.12,921.1 billion. We subsequently incurred an additional Rp.250 billion of outstanding indebtedness our existing credit facility with The Bank of Tokyo — Mitsubishi UFJ, Ltd. on March 1, 2010. The following describes certain agreements governing our material indebtedness.

2013 Notes

On January 18, 2010, we redeemed the entire outstanding balance of US$59.4 million of our 7.125% Guaranteed Notes due 2013 issued by our wholly-owned subsidiary, Excelcomindo Finance Company B.V. ("XL Finance") on January 18, 2006 and guaranteed by us (the "2013 Notes") at 103.563% of the outstanding principal amount, plus accrued and unpaid interest, in accordance with the terms of the governing indenture.

JPMorgan Chase Bank, N.A. Credit Facility

On January 29, 2010 and February 8, 2010, we prepaid the outstanding balance of US$30.0 milllion under our credit facility agreement with JPMorgan Chase Bank, N.A..

PT Bank Sumitomo Mitsui Indonesia

On January 13, 2010, we increased our amount outstanding under our credit facility with PT. Bank Sumitomo Mitsui Indonesia from Rp. 300 billion to Rp. 800.0 billion.

Rp. 1.5 trillion Notes

On April 26, 2007, we issued Rp. 1.5 trillion principal amount of Rupiah denominated bonds at an interest rate at 10.35% per annum payable quarterly in arrears, maturing on April 26, 2012, with PT Bank Permata Tbk, as trustee (the "Rp. 1.5 trillion Notes"). The Rp. 1.5 trillion Notes include various covenants which we are required to comply with, such as limitations on asset sales or leaseback transactions, and limitations on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0. The Rp. 1.5 trillion Notes were rated idAA- by PT Pemeringkat Efek Indonesia and AA(idn) by FITCH Ratings when they were issued and changed to idA+ and AA-(idn), respectively, on March 11, 2009.

Standard Chartered Bank Credit Facility

On March 17, 2006, we entered into a credit facility agreement with Standard Chartered Bank which has subsequently been amended. This credit facility includes covenants which limit on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0, and requires that the share ownership of Axiata in our company not be reduced below 51%.

The outstanding balance under this facility as of December 31, 2009 was US$50.0 million maturing in August and December 2010. Interest rate is one-month SIBOR plus 1.05% margin per annum currently payable monthly in arrears. In the event of disruption in the interbank interest rate or any currency, Standard Chartered Bank will be allowed to apply its cost of funds as a replacement for SIBOR. "SIBOR" or "Singapore Interbank Offered Rate" refers to a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the Singapore wholesale money market or interbank market.

PT Bank DBS Indonesia Credit Facility

On April 19, 2007, we entered into a credit facility agreement with PT Bank DBS Indonesia which has subsequently been amended. This credit facility includes covenants which limit certain asset sales or transfers, limit on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0, and require that the share ownership of Axiata in our company not be reduced below 51%. The outstanding balance under this facility as of December 31, 2009 was Rp. 700.0 billion, with a maturity of three years from the first drawdown date, which was January 15, 2008. Interest rate is one-month SBI plus 1.10% margin per annum payable monthly in arrears.

PT Bank Central Asia Tbk Credit Facility

On January 25, 2006, we entered into a credit facility agreement with PT Bank Central Asia Tbk, which was subsequently amended. This credit facility include various covenants which we are required to comply with, such as limitations on certain asset sales or transfers, limitations on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0, and requires that the majority ownership of our shares is held directly or indirectly by Axiata.

The outstanding balance under this facility as of December 31, 2009 was Rp. 3.0 trillion with Rp. 1.0 trillion maturing three years from March 25, 2008, Rp. 1.0 trillion maturing three years from June 20, 2008 and Rp. 1.0 trillion maturing three years from June 26, 2008. Interest rate is three-months' JIBOR (Jakarta Interbank Offered Rate) plus 1.25% margin per annum payable quarterly in arrears. "JIBOR" or "The Jakarta Interbank Offered Rate" refers to the average interest rate at which term deposits are offered between banks in the Indonesian wholesale money market or interbank market.

PT Bank Mandiri (Persero) Tbk Credit Facility

On December 19, 2007, we entered into a Rp. 4.0 trillion principal amount credit facility agreement with PT Bank Mandiri (Persero) Tbk. This credit facility includes various covenants which we are required to comply with, such as limitations on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0.

Loan amortization is 10% of the original principal amount in each of the first four years after drawdown and the remaining 60% of the original principal amount in the fifth year. The outstanding balance under this facility as of December 31, 2009 was Rp. 3.2 trillion. Interest rate is one-month JIBOR plus 1.50% margin per annum payable monthly in arrears.

PT Bank Sumitomo Mitsui Indonesia Credit Facility

On July 28, 2008, we entered into a Rp. 300.0 billion principal amount credit facility agreement with PT Bank Sumitomo Mitsui Indonesia. The loan will mature on December 30, 2011. Interest rate is one-month SBI rate plus 1.50% margin per annum payable monthly in arrears. This credit facility includes various covenants which we are required to comply with, such as limitations on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0, and requires that the share ownership of Axiata in our company not be reduced below 51%.

The outstanding balance under this facility as of December 31, 2009 was Rp. 300.0 billion. On January 7, 2010, we increased the outstanding principal amount by Rp. 500.0 billion and agreed to pay monthly interest at floating interest rate of SBI plus 2% margin per annum payable monthly in arrears. The loan will mature in 36 months from drawdown on January 13, 2010.

PT ANZ Panin Bank Credit Facility

On September 22, 2008, we entered into a Rp. 250.0 billion credit agreement with PT ANZ Panin Bank. This credit facility includes various covenants which we are required to comply with, such as limitations on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0, and requires that the share ownership of Axiata in our company not be reduced below 51%.

The outstanding balance under this facility as of December 31, 2009 was Rp. 250.0 billion with a maturity of 2 years from the drawdown date or not later than December 3, 2010. Interest rate is cost of funds plus 2.15% margin per annum payable monthly in arrears.

Exportkreditnämnden (EKN) Credit Facility

On December 12, 2008, we entered into a credit facility agreement with EKN Buyer Credit Facility for US$213.9 million, for payment of equipment supply from Ericsson, Sweden. ABN AMRO Bank N.V., Stockholm and Standard Chartered Bank acted as arrangers. Loan amortization of outstanding balance is US$15.3 million on January 15 and July 15 of each year until July 15, 2015. Interest rate is six-month LIBOR plus 0.35% margin per annum and SEK Funding Cost, payable semi-annually in arrears. "LIBOR" or "The London Interbank Offered Rate" refers to a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the London wholesale money market or interbank market.

On March 23, 2009, we entered into another credit facility agreement with EKN Buyer Credit Facility for US$214.4 million, with ABN AMRO Bank N.V., Hong Kong branch and Standard Chartered Bank acting as arrangers. This credit facility consists of two facilities: Facility A and Facility B. Facility A is for an aggregate principal amount of US$123.6 million, amortizing in the amount of US$8.8 million on April 1 and October 1 of each year until October 1, 2015. Interest rate is six-month LIBOR plus 0.35% margin per annum and SEK Funding Cost payable semi-annually in arrears. Facility B is for an aggregate principal amount of US$90.8 million, amortizing in the amount of US$6.5 million on January 15 and July 15 each year until July 15, 2016. Interest rate on Facility B is Commercial Interest Reference Rate plus 0.30% margin per annum payable semi-annually in arrears.

These credit facilities include various covenants which we are required to comply with, such as hedging, limitations on certain asset sales or transfers, and maintaining our debt to EBITDA ratio such that it does not exceed 4.5 to 1.0 over the period of the borrowings.

The outstanding balance under our EKN Credit Facilities as of December 31, 2009 was US$344.4 million.

The Bank of Tokyo-Mitsubishi UFJ, Ltd. Credit Facility

On September 30, 2009, we entered into a Rp. 500.0 billion credit agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Jakarta branch. This credit facility includes various covenants which we are required to comply with, such as limitations on our ability to incur additional indebtedness that would cause our debt to EBITDA ratio to exceed 4.5 to 1.0, and requires that the share ownership of Axiata in our company not be reduced below 51%.

This facility will mature 36 months from the date of the agreement. We have agreed to pay a floating interest rate on a monthly or quarterly basis at the SBI rate plus a certain margin. As of March 1, 2010, we have a Rp. 250 billion outstanding balance under this facility.

Other Credit Facilities

The following describes certain other credit facilities which we have entered into, but under which we have not made any drawdowns.

PT Bank Negara Indonesia (Persero) Tbk and PT Bank CIMB Niaga Tbk Syndicated Loan Facility

On October 12, 2009, we entered into a Rp. 1.6 trillion syndicated credit agreement with PT Bank Negara Indonesia (Persero) Tbk ("BNI") and PT Bank CIMB Niaga Tbk with BNI acting as facility agent. As of February 28, 2010, we have not made any drawdown on this facility. The availability period under this facility will expire on April 12, 2010.

Taxes

The maximum corporate tax rate in Indonesia is 28% in 2009 and 30% in 2007 and 2008.

For tax purposes, we depreciate property, plant and equipment, other than buildings, under the double-declining balance method and depreciate buildings using the straight-line method. For financial reporting purposes, we depreciate property, plant and equipment using the straight-line method based on the estimated useful lives of the related assets. Under current Indonesian regulations, tax losses can be carried forward for up to five years after the tax loss was incurred. As of December 31, 2009, we do not have freely available balance of tax loss carryforwards.

Our effective corporate tax rate was approximately 27.3% in 2009. The difference between our effective corporate tax rate and the maximum corporate tax rate of 28% in 2009 is due to changes in tax rate applied to temporary differences, which is partially offset by non-deductible expenses.

We recognize deferred income tax assets and liabilities relating to temporary differences between the accounting and tax treatment of certain expenses. These temporary differences relate principally to depreciation of fixed assets and amortization of deferred charges.
We are required to charge a 10% value-added tax to our subscribers. We are allowed to offset value-added taxes paid to our suppliers for payment of goods and services against the value-added taxes we charge our subscribers.

Market Risk Disclosures

Our major market risk exposures include changes in currency exchange rates, interest rates and inflation.

Foreign Currency Risk

Our foreign currency exposure gives rise to market risk associated with exchange rate movements against the Rupiah, our functional and reporting currency. As of December 31, 2009, we had monetary assets of Rp. 1,020.6 billion (US$108.6 million), consisting principally of foreign currency denominated cash and cash equivalents and other assets, and monetary liabilities of Rp. 6,042.5 billion (US$642.8 million), consisting principally of foreign currency denominated debt, subject to foreign currency exposure. As of December 31, 2009, 40.0% of our cash and cash equivalents were denominated in Rupiah and the remaining 60.0% were denominated in U.S. dollars.

Our foreign currency denominated liabilities as of December 31, 2009, comprised mainly accounts payable and borrowings denominated in U.S. dollars including our 2013 Notes and loan facilities from certain banks. Our revenue is principally denominated in Rupiah, and we are exposed to fluctuations in foreign exchange rates resulting mainly from our debt denominated in U.S. dollars. Our U.S. dollar indebtedness is partially hedged by forward foreign currency contracts and cross currency swap contracts with certain banks for a total notional amount of US$ 391.7 million. To the extent the Rupiah declines in value relative to the U.S. dollar, the value of our monetary assets and liabilities denominated in U.S. dollars will increase in Rupiah terms.

Interest Rate Risk

Our interest rate exposure gives rise to market risk associated with variable interest rates tied to LIBOR and certain other interbank benchmark interest rates. We currently hedge a portion of our interest rate risk under US$ — denominated debt from a variable interest rate to a fixed interest under interest rate swap agreements. Our exposure to interest rate risk relates primarily to our U.S. dollar and Rupiah-denominated bank facilities which bear interest at floating rates as follows:

Facility	Amount outstanding as of December 31, 2009 (US$/Rp.)	Interest Rate
Exportkreditnämnden (EKN) Tranche I	US$183.4 million	6 months´ LIBOR plus 0.35% margin p.a. and SEK Funding Cost
Exportkreditnämnden (EKN) Tranche II (Facility A)	US$105.9 million	6 months´ LIBOR plus 0.35% margin p.a. and SEK Funding Cost
Exportkreditnämnden (EKN) Tranche II (Facility B)	US$55.1 million	Commercial Interest Reference Rate (CIRR) plus 0.30% margin p.a
PT Bank Mandiri (Persero) Tbk	Rp. 3,200.0 billion	1 month´s JIBOR plus 1.50% margin p.a.
PT Bank Central Asia Tbk	Rp. 3,000.0 billion	3 months´ JIBOR plus 1.25% margin p.a.
Standard Chartered Bank	US$50.0 million	cost of fund or 1 month´s SIBOR plus 1.05% margin p.a.
PT Bank DBS Indonesia	Rp. 700.0 billion	1 month´s SBI plus 1.10% margin p.a.
PT Bank Sumitomo Mitsui Indonesia	Rp. 300.0 billion	1 month´s SBI plus 1.50% margin p.a.
JPMorgan Chase Bank, N.A.	US$30.0 million	1 month´s LIBOR plus 1.00% margin p.a.
PT ANZ Panin Bank	Rp. 250.0 billion	cost of fund plus 2.15% margin p.a.

Bonds	Amount outstanding as of December 31, 2009 Rp./US$	Interest Rate
Rp. 1.5 trillion Notes	Rp. 1.5 trillion	10.35%
2013 Notes	US$59.4 million	7.125%

Effects of Inflation

Indonesia had an annual inflation rate of 2.8% in 2009, 11.6% in 2008 and 6.6% in 2007 according to *Biro Pusat Statistik* estimates. We do not consider inflation in Indonesia, where all of our operations are currently located, to have had a material impact on the results of our operations. Inflation in Indonesia could adversely affect our net income and cash flow to the extent we are unable to increase our revenue to cover any increases in our operating expenses resulting from inflation. We have in the past, and may in the future be constrained in our ability to raise subscriber charges in response to inflation because of competition and Government regulation, among other factors.

Seasonality

Our business operations are affected by seasonal changes during the Muslim holy month of Ramadan, when we typically experience an increase in subscriber usage of our cellular services.

Non-GAAP financial measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before the following items:

- interest income/expense;

- foreign exchange rate gain/loss;
- income tax expense;
- depreciation and amortization; and
- other non-operating income/expense.

EBITDA is not a standard measure under either U.S. GAAP or Indonesian GAAP. As the telecommunication business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the net income of companies with similar operating results.

As a measure of our operating performance, we believe that the most directly comparable Indonesian GAAP and U.S. GAAP measure to EBITDA is net income. We use EBITDA in addition to net income because net income includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as interest income and interest expense and foreign exchange gains and losses. These accounting items may vary between companies depending on the method of accounting adopted by each company. Funds depicted by EBITDA may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our net income under Indonesian GAAP to our definition of EBITDA for the periods indicated:

	As of December 31,			
	2007	**2008**	**2009**	**2009**
	(Rp. billions)	**(Rp. billions)**	**(Rp. billions)**	**(US$ millions)**
EBITDA	3,509.2	5,131.5	6,205.3	660.1
Adjustments:				
Depreciation	(1,705.4)	(3,335.3)	(3,701.9)	(393.8)
Amortization	(44.0)	(43.2)	(39.6)	(4.2)
Foreign exchange (loss) gain, net	(204.4)	(332.2)	744.6	79.2
Interest expense	(694.4)	(1,122.3)	(1,274.1)	(135.5)
Interest income	50.7	27.6	55.8	5.9
Others, net	(393.7)	(401.4)	360.1	38.3
Income tax benefit (expense)	(267.3)	60.1	(640.8)	(68.2)
Net (loss) income	250.8	(15.1)	1,709.5	181.9

You should not consider our definition of EBITDA in isolation or construe it as an alternative to net income, or as an indicator of operating performance or any other standard measure under Indonesian GAAP or U.S. GAAP.

THE TELECOMMUNICATION INDUSTRY IN INDONESIA

In this section, we have included data relating to the telecommunication industry, Indonesian economy and other statistics, including information relating to us and our competitors' relative positions in the Indonesian telecommunication industry. This information is based on industry publications, published sources or other publicly available information. We believe that the sources used are reliable. However, we cannot ensure the accuracy of the information, and we have not independently verified this information.

Overview

According to data published by Frost & Sullivan, Indonesia is the third largest cellular telecommunications market in Asia behind China and India. Indonesia's total number of cellular subscribers increased from approximately 103.6 million as at December 2007 to approximately 192.8 million as at December 2009, while population increased from approximately 234.4 million as at December 2007 to approximately 240.4 million as at December 2009. This represented an increase in the cellular subscriber penetration rate from approximately 44.2% as at December 31, 2007 to approximately 80.2% as at December 31, 2009. Based on data published by Frost & Sullivan, Indonesia's cellular subscriber growth was approximately 47.4% in 2009, one of the highest in the Asia Pacific region. The rapid growth in cellular subscribers is being primary driven by the prepaid segment, which accounts for the majority of Indonesia's net added cellular subscribers. According to Frost & Sullivan, Indonesia's cellular telecommunications market added approximately 89.2 million subscribers from December 2007 to December 2009, and prepaid subscribers accounted for approximately 87.8 million, or approximately 98.5% of this number. As of December 2009, prepaid subscribers accounted for approximately 97.5% of Indonesia's total cellular subscribers. We believe that prepaid subscribers are popular among Indonesia's cellular subscribers as they provide access to cellular services without having to undergo a credit review, allow subscribers to more closely manage their expenditures for cellular services and are more flexible and convenient to use relative to postpaid subscribers.

Based on Frost & Sullivan estimates, total cellular service revenues in Indonesia increased from approximately, Rp. 66.6 trillion (US$7.3 billion) as at December 2007 to approximately Rp. 80.4 trillion (US$7.7 billion) as at December 2009. Voice services continue to account for the majority of cellular service revenues, but data service revenues are increasing, driven by the popularity of SMS, and, more recently, mobile broadband service. By technology, Indonesia's cellular telecommunications market continues to be dominated by 2/2.5G services. According to Frost & Sullivan estimates, 2/2.5G services accounted for approximately 87.1% of Indonesia's total cellular subscribers as of December 2009.

The following table sets out certain information on cellular subscribers and market penetration in the telecommunication industry in Indonesia as of and for the periods indicated:

	Indonesia — For the year ended December 31				
	2005	**2006**	**2007**	**2008**	**2009**
Population (mm)	228.9	231.7	234.4	237.5	240.4
Cellular subscribers (mm)[1]	50.9	69.2	103.6	162.9	192.8
Cellular penetration (%)[1, 2]	22.3	29.9	44.2	68.6	80.2
Cellular subscribers by type					
Prepaid (%)	94.2	95.2	96.6	97.6	97.5
Postpaid (%)	5.8	4.8	3.4	2.4	2.5
Cellular market revenues (US$bn)					
Voice	2.6	3.9	5.1	5.4	5.4
SMS and other data	1.0	1.5	2.2	2.1	2.4
Cellular market subscribers by technology (%)					
2G/2.5G	100.0	98.1%	94.5%	90.2%	87.1%
3G	—	1.9%	5.5%	9.8%	12.9%

1) *Source:* Frost & Sullivan.

(2) Cellular penetration is the number of cellular subscribers as a percentage of the Indonesian population.

Indonesia's large population and strong economic growth provide a favorable outlook for products and services in general and the cellular telecommunications industry in particular. With a total population of approximately 240.4 million as at December 2009, Indonesia is the most populated country in Southeast Asia and the fourth most populated country in the world. According to *Biro Pusat Statistik*, Indonesia recorded robust GDP growth in the range of approximately 5.7% to 4.6% between 2005 and 2009, primarily driven by strong domestic consumption and growth in key economic sectors, including natural and industrial resources, automotives, consumer products and property development. Recent strong economic growth in Indonesia has resulted in an increasing level of affluence amongst Indonesia's population. We believe that this increasing affluence in the Indonesian population, coupled with a large potential market for prepaid subscribers, has driven recent demand for cellular telecommunication services in Indonesia.

The following table sets out certain key information on the economy in Indonesia as of and for the periods indicated:

	Indonesia — For the year ended December 31				
	2005	**2006**	**2007**	**2008**	**2009**
Population (mm)	228.9	231.7	234.4	237.5	240.4
Real GDP yoy (%)	5.7	5.5	6.4	6.0	4.6
Inflation (%)	17.1	6.6	6.6	11.1	2.8

Source: Frost & Sullivan, Biro Pusat Statistik

In addition to a strong economic environment and the increasing affluence of Indonesia's population, since 2007 price competition among Indonesian cellular telecommunication operators targeting prepaid subscribers has increased the affordability of prepaid voice, SMS and data services, making these prepaid services more affordable to a greater proportion of Indonesia's population, and driving the overall growth in cellular subscribers and the corresponding increase in cellular penetration in Indonesia.

Despite recent growth, we believe that there is still potential for further growth in the Indonesian cellular telecommunications market and corresponding increases in cellular penetration rates in Indonesia. We believe that it is important to note that multiple subscriptions per subscriber are a common phenomenon in the Indonesian market, where the average user has at least two cellular subscriptions (SIM cards), meaning that the actual number of cellular users is significantly lower than subscriber numbers indicated. Although Frost & Sullivan calculates that Indonesia's cellular subscriber penetration rate reached approximately 80.2% in 2009, it estimates that actual cellular user penetration was only approximately 47.7% in that year.

Furthermore, penetration rates in Indonesia's rural areas are typically lower than reported rates for Indonesia as a whole. We believe that the combination of these factors indicate a strong potential for increased cellular services demand. According to Frost & Sullivan, the recent strong growth in Indonesia's cellular services sector is expected to continue in the future, and by 2015, the Indonesian market is likely to have approximately 291.7 million cellular subscribers with a corresponding cellular penetration rate of approximately 113.0%.

The following table highlights some key macroeconomic and telecommunication indicators for Indonesia and neighboring Asia Pacific countries as of December 2009:

	Population (mm)[1]	**2009 GDP per capita (US$)**[2]	**Cellular subcriber penetration rate (%)**[1]
Hong Kong	7.0	42,573.88	136
Singapore	4.9	49,433.48	137
South Korea	48.6	27,790.60	98
Taiwan	23.2	29,828.50	112
Malaysia	27.8	13,551.39	106
Thailand	67.1	7,998.45	102
Philippines	92.2	3,536.22	82
China	1,334.3	6,546.30	56
India	1,203.3	2,932.49	49
Indonesia	240.4	4,149.38	80

(1) *Source:* Frost & Sullivan

(2) International Monetary Fund

Competition

Indonesia has 10 telecommunication operators utilizing GSM and CDMA networks to provide cellular telecommunications services which, according to Frost & Sullivan, is more than any other Asian market with the exception of India. There are currently five GSM operators, including XL, Telkomsel, Indosat, Hutchison CP Telecom Indonesia (3) and Natrindo Telepon Seluar (Axis). The three major GSM incumbents together account for approximately 75.0% of total cellular subscribers in Indonesia as at December 2009 according to Frost & Sullivan. There are also CDMA operators including Bakrie Telecom, Mobile-8, Smart Telecom, Flexi (Telkom), StarOne (Indosat), Hepi (Mobile-8), and Sampoerna Telecom. The following table sets forth the competitive landscape of the Indonesian cellular telecommunications market as of 2009:

Cellular service provider	**Number of subscribers (millions)**[1]		**Market share (%)**[1]		**Network Technologies**
	2008	**2009**	**2008**	**2009**	
XL	26.0	31.4	16.0%	16.3%	GSM
Telkomsel	65.3	81.7	40.1%	42.4%	GSM
Indosat	36.9	31.4	22.6%	16.3%	GSM
Others GSM operators (Axis, 3)	7.7	14.3	4.7%	7.4%	GSM
CDMA operators	27.0	34.0	16.6%	17.6%	CDMA

(1) *Source:* Frost & Sullivan

Frost & Sullivan has identified the following key features of the Indonesian cellular competitive landscape:

- Competition among Indonesia's cellular telecommuncation operators is principally driven by affordability, quality and variety of services offered, as well as network coverage and the threat from alternative modes of services.

- Telkomsel, Indosat, and XL are the largest cellular operators in the Indonesian cellular market, with XL having gained significant market share as a result of a very strong pricing strategy initiated in 2007, which has led to significant price competition in the Indonesian prepaid market. XL's initial strategy was to lower pricing in areas outside of Java island, such as Sulawesi and Sumatra, and then to expand this price strategy to major cities throughout Indonesia. The price competition soon included per second billing, and significant reduction in tariffs. Pricing innovations extended to the introduction of time-targeted prices for voice services for different times of day, and later extended to SMS pricing as well.

- Since 2007, several new competitors, Hutchison, Smart Telecom, and NTS (under the brand name Axis), as well as fixed wireless service providers, have increased the number of participants in the Indonesian cellular telecommunications market. Industry consolidation is expected in the near term, as a result of pricing pressure.

- Telkomsel, Indosat and XL have also extended price competition to the cellular broadband space by introducing competitive pricing for fixed broadband alternatives, and have been able to garner a substantial number of subscribers in a short time.

We believe that Indonesian cellular operators can be expected to continue to compete principally on the basis of price and affordability, although subscribers will increasingly come to demand higher network quality as the use of data services increases.

We also believe that the Indonesian cellular services industry exhibits significant barriers to the development of significant scale of operations due to its capital intensive nature, numerous licensing requirements, scarce spectrum allocation, wider network coverage requirements across the archipelagic state, and occupation by a high number of market participants. Additionally, we believe that the relatively strong brand affinity amongst Indonesian cellular subscribers for the incumbents, Telkomsel, Indosat and XL, a result of many years of brand development, could act as a further barrier to the development of scale of operation by other participants and new entrants in Indonesia's cellular services industry.

Relevant Laws and Regulations

The Government, through the MCIT, has extensive regulatory authority and supervisory control over the telecommunication sector. The Government monopoly over telecommunication services within Indonesia was largely terminated by regulations that came into effect on September 8, 2000, and since that time the Government has attempted to create a regulatory framework to promote competition and accelerate infrastructure investment in telecommunication facilities. The regulatory reform of the Indonesian telecommunication sector initiated by the Government has, to a certain extent, resulted in the liberalization of the telecommunication industry, including facilitation of new market entrants and changes to the competitive structure of the telecommunication industry. However, in recent years, the volume and complexity of regulatory changes affecting the telecommunication industry has created a regulatory environment of considerable uncertainty. For a description of these reforms, see "Regulation of the Telecommunication Industry in Indonesia."

Industry Trends

We believe that the Indonesian telecommunication market is growing and is likely to continue growing in the coming years. We believe that a number of trends can be identified:

- *Seek to preserve affordability and dependability to drive continued growth in cellular voice and SMS services.* Telecommunications operators are expected to seek to preserve the affordability of cellular voice and SMS services at current levels through promotional tariff programs that are designed to grow their number of subscribers and levels of MOU. Consistent with this strategy, telecommunications operators are also expected to continue capital expenditure in order to increase network capacity to meet subscriber demands for quality and dependability in cellular services. It is expected that the continued focus on affordability and dependability of voice and SMS services will further drive growth in cellular subscribers and cellular penetration in the medium term, particularly in regions outside Java, as Indonesia continues to develop and penetration of cellular telecommunication services increases in rural population areas.

- *Growth of revenue from cellular data services*. Given the relatively low fixed broadband penetration rate in Indonesia, which according to Frost & Sullivan, is below 2% of Indonesia's population, there is significant potential for cellular data services in Indonesia. According to Frost & Sullivan estimates, cellular data revenues are expected to increase from Rp. 24.7 trillion (US$2.4 billion) in 2009 to Rp. 40.4 trillion (US$3.9 billion) by 2015. We believe that the limited penetration of fixed broadband services in Indonesia will result in an increasing focus on designing applications to allow users to access popular data content via their cellular handsets. For example, social networking services such as Facebook and Twitter are playing a key role in the growth in usage of cellular data services and have resulted in the development of device specific applications to make it convenient for users to quickly access these social networks via cellular handsets. Additionally, we expect the affordability of both cellular data services and multi-media-capable handsets to increase in the coming years, which, coupled with new and innovative data offerings, will drive demand for, and revenues from cellular data services.

- *Potential consolidation among smaller operators*. We believe there will be continued competition among the top three incumbent operators as they further expand their network capacity and subscribers bases. We also believe that the current low levels of ARPM and ARPU will provide sustainability only for those operators who enjoy large scale operations in terms of both network capacity and total subscribers, which will allow them to earn revenue from cellular voice and SMS services while maintaining affordability and attractive levels of quality and dependability. We believe that, given the high number of telecommunication operators in the Indonesian industry, as well as benefits of scale enjoyed by the top three incumbents, consolidation is likely to occur among the smaller telecommunication operators in order to achieve the scale necessary for long term profitable growth in this market.

- *Increased revenue generation from network infrastructure*. Given the large number of competitors in the Indonesian cellular industry, we expect an increasing trend toward utilization of excess network capacity and infrastructure as cellular operators seek to increase revenue from other cellular telecommunication services, particularly through tower sharing and regional domestic roaming agreements. In this manner, cellular operators might monetize excess tower space and network capacity in order to increase revenue from other telecommunication services.

We cannot assure you that such developments will occur, that we will benefit from such developments or that other developments adverse to the Indonesian telecommunication industry or our business will not occur.

REGULATION OF THE TELECOMMUNICATION INDUSTRY IN INDONESIA

The Government, through the MCIT, exercises both regulatory authority and supervisory control over the telecommunication industry in Indonesia. The legal framework for the telecommunication industry is based on specific laws, Government regulations and ministerial decrees enacted and issued from time to time. Prior to March 1998, the Ministry of Tourism, Post and Telecommunication was responsible for the regulation of telecommunication in Indonesia. Following the 1999 general elections and a change of government in 2001, the Ministry of Tourism, Post and Telecommunication was granted regulatory responsibility over the telecommunication industry in Indonesia. Following 2005, these functions were carried out by the MCIT. The Government regulates the radio frequency spectrum allocation for all operators through the Directorate General of Post and Telecommunication, a directorate under the MCIT, Operators are required to obtain a license from the MCIT for each of their services utilizing radio frequency spectrum.

The deregulation of the telecommunication sector is closely linked with Indonesia's national economic recovery program. In September 17, 1999, the Government issued the Blueprint of the Indonesian Government Policy on Telecommunication, as set forth in the Decree of the Minister of Transportation No. KM. 72/1999 ("Telecommunications Blueprint") which states that the following components of the economic recovery program as mentioned in the Government "Memorandum of Economic and Financial Policies" is to stabilize the economy through:

- deregulation;
- promoting competition;
- liberalization;
- restructuring;
- improving market access; and
- introducing market-oriented regulations.

The Government's telecommunication reform policy, which is stated in the Telecommunications Blueprint, is to:

- increase the telecommunication sector's performance;
- liberalize the telecommunication sector with a competitive structure by removing monopolistic controls;
- increase transparency and predictability of the regulatory framework;
- facilitate new job opportunities throughout Indonesia;
- create opportunities for national telecommunication operators to form strategic alliances with foreign partners; and
- create business opportunities for small and medium-sized enterprises and cooperatives.

The Telecommunication Law

Law No. 36 Year 1999 on Telecommunication (the "Telecommunication Law") came into effect on September 8, 2000, amending the telecommunications law set forth in Law No. 3 Year 1989. The Telecommunication Law provides key guidelines for industry reforms, including industry liberalization, facilitation of new entrants and enhanced competition. The Telecommunication Law outlines the framework and substantive principles for the liberalization of the Indonesian telecommunication industry. The Government implements regulations and guidelines through Government regulations, ministerial decrees and other directives by Government bodies including the regional governments.

- Government Regulation No. 52 Year 2000 on Telecommunication Operations (the "Telecommunication Operations Regulation"),

- Government Regulation No. 53 Year 2000 on Radio Frequency Spectrum and Satellite Orbits Utilization (the "Frequency and Satellite Orbits Regulation"),

- MCIT regulations No.01/PER/M.KOMINFO/01/2010 (the "Telecommunication Network Decree"),

- Ministry of Communications Decree No. KM.21 Year 2001 on Telecommunication Services Operation as lastly amended by the MCIT Regulation No. 07/P/M.KOMINFO/04/2008 (the "Telecommunication Services Decree"),

- Ministry of Communications Decree No. KM.31 Year 2003 on the Indonesian Telecommunication Regulatory Body, as amended by MCIT Regulation No. 25/P/M.KOMINFO/11/2005 as has been revoked by MCIT Regulation No. 36/PER/M.KOMINFO/10/2008 dated October 31, 2008, and further amended by MCIT Regulation No. 31/PER/M KOMINFO/8/2009 dated August 28, 2009 (the "Telecommunication Regulatory Body Decree"), and

- Joint Decree between the Ministry of Domestic Affair, Ministry of Public Works, MCIT and BKPM as set forth in Decree No. 018 Year 2009, No. 07/PRT/M/2009, No. 19/PER/M.KOMINFO/03/2009 and No. 3/P/2009, on telecommunication tower sharing ("Tower Sharing Regulation").

Authority Over the Industry

The Telecommunication Law grants the Government, through the MCIT, the power to make policies, and to regulate, supervise and control the telecommunication industry in Indonesia. The MCIT has authority over the telecommunication sector in Indonesia, issues regulations pursuant to decrees, issues policies and licenses and formulates tariffs. On July 11, 2003, the MCIT promulgated the Telecommunication Regulatory Body Decree, pursuant to which the MCIT delegated authority to regulate, supervise and control the Indonesian telecommunication sector to the Indonesian Telecommunication Regulatory Body (the "BRTI"), while maintaining the authority to formulate policies over the industry.

The BRTI consists of the DGPT, which is a governmental agency under the MCIT, and the Telecommunication Regulatory Committee which consists of seven members, five of whom shall be elected from the public representatives and the remaining two from the government representatives. The committee would be chaired by the DGPT. Members of the Telecommunication Regulatory Committee are appointed by the MCIT. All members of the Telecommunication Regulatory Committee must fulfill, among others the following requirements (i) must be Indonesian citizens; (ii) have professional expertise in telecommunication, information technology, economics, law or any social science; (iii) not have any direct ownership and/or direct business relationship in and/or with any of telecommunication operators; and (iv) not be appointed as a director or commissioner of any of the telecommunication operators.

The BRTI exercises regulatory and supervisory control over the industry which was previously exercised by the Ministry of Communications or through the DGPT, including licensing for telecommunication network and service operations, regulating the standards for telecommunication equipment and devices, and supervising the performance of telecommunication network and service providers.

Classification of Telecommunication Providers

The Telecommunication Law classifies telecommunication operations into three categories: telecommunication network providers, telecommunication services providers and special telecommunication providers. The Telecommunication Operations Regulation further classifies telecommunication network operators into two categories: fixed telecommunication network operators and cellular telecommunication network operators. Fixed telecommunication network operators consist of local fixed network operators, fixed network operators for long distance direct dialing, fixed network operators for international direct dialing, and closed fixed network operators. Cellular telecommunication network operators consist of terrestrial mobile network operators, cellular mobile network operators and satellite mobile network operators. Local fixed network operators, cellular mobile network operators, and satellite mobile network operators are required to provide basic telephony services. The Telecommunication Operations Regulation also classifies telecommunication services operations into three categories: basic telephony service operations, value-added telephony service operations, and multimedia service operations.

Under the Telecommunication Law, licenses are required for operations in each category of telecommunication services. A telecommunication network provider is licensed to own and/or operate a telecommunication network. A telecommunication service provider license entitles the provider to provide services but does not require a provider to own a network. Special telecommunication licenses are required for providers of private telecommunication services or purposes relating to broadcasting and national security interests. The Telecommunication Network Decree provides that telecommunication network operating licenses shall be issued by the MCIT. The Telecommunication Services Decree differentiates the basic telephony service operating license to be issued by the MCIT from the other value-added telephony and multimedia service operating licenses issued by the DGPT. Upon establishment of the BRTI, licensing of telecommunication network and basic telephony services will fall within the review and approval of the BRTI.

Termination of Exclusivity Rights

In 1995, Telkom was granted a monopoly to provide local fixed-line telecommunication services until December 31, 2010, and domestic long distance direct dialing services until December 31, 2005. Indosat and Satelindo were granted a duopoly for exclusive provision of basic international telecommunication services until 2004.

The Telecommunication Law prohibits monopolistic and other unfair business practices. As a consequence of promulgating the Telecommunication Law and the Telecommunication Services Operation Decree, the Government terminated the exclusive rights of Telkom and the duopoly previously given to Indosat and Satelindo. The Government has adopted a duopoly policy for Telkom and Indosat to compete with each other as full network and service providers.

Tariffs

Our maximum prepaid and postpaid voice tariffs are prescribed by the Government through the BRTI, which is the principal regulator of the telecommunication industry in Indonesia and is responsible for setting the formulas that determine tariffs which can be charged by an Indonesian cellular operator.

Consumer Protection

Under the Telecommunication Law, each operator must provide guarantees to subscribers in relation to certain matters including quality of service, usage and service fees and compensation. The law also allows subscribers who are injured or damaged to file claims against negligent providers. Operators are also subject to operate under Law No. 8 of 1999 regarding Customer Protection.

Universal Service Obligations

Under the Telecommunication Law and MCIT Regulation No.32/PER/M.KOMINFO/10/2008 as amended by MCIT regulation No.03/PER/M.KOMINFO/02/2010 on Telecommunication Universal Service Obligations all telecommunication network operators and telecommunication services providers are bound by universal service obligations, which requires such operators and providers to contribute towards providing universal telecommunication facilities and infrastructure for access in universal service areas or other forms of compensation. Pursuant to MCIT Regulation No.05/PER/M.KOMINFO/2/2007, as amended by MCIT Regulation No. 26/PER/M.KOMINFO/07/ 2008 every operator who owns a license for operating a telecommunication network must submit Universal Service Obligation contribution amounting to a certain percentage of the gross revenue of the operator per annum. Network operators can propose to build the USO in our area in which they are interested. The USO operators will be decided based on a selection process by the Director General of the MCIT. The selection process will be conducted based on the prevailing regulations and the USO Operators will be responsible for network installation within their respective USO areas. Other network operators who do not participate in the selection process to become USO operators, such as ourselves, will be responsible for contributing USO Fund, such as free access fees and subsidies for tariffs. The amount of the USO agreed is 1.25% of the sum of the revenue comprising our gross revenue less bad debts and interconnection charges as stipulated in Memorandum of Understanding dated May 3, 2007 between MCIT and telecommunication operators, and as further stipulated in the Government Regulation No. 7 of 2009 on Types and Tariff of Non-Tax State Income Prevailing at MCIT. The arrangement is that telecommunication operators must give USO contributions to the Government, and by using the collected money, the Government will hold a tender for selecting an operator to perform the necessary telecommunication construction in a certain USO area as a USO contractor. Accordingly, there will be no distribution of funds to a USO "licensee." Hence, the telecommunication operators do not have the obligation to perform any telecommunication construction in a USO area.

Interconnection Arrangements

The Government established the current interconnection regime through Interconnection Regulation No. 08/Per/M.KOMINFO/02/2006, dated February 8, 2006, which became effective on January 1, 2007 and introduced a cost-based scheme for interconnection charges under which the operator of the network on which calls terminate receives interconnection fees based on a formula stipulated under the regulation which is based on the cost of carrying such calls. As our number of subscribers and MOU have increased, an increase in MOU of outgoing "off-net" calls from our subscribers to customers of other telecommunication operators has caused our interconnection charges paid to other telecommunication operators to increase. We have sought to offset this by the establisment of a greater number of points of interconnection (POI) with other cellular operator networks, particularly the incumbent operators with large subcriber bases, in order to decrease the distance that calls are carried on other cellular operator's networks, and thereby reduce the interconnection fees payable to other cellular operators for carrying such calls. We cannot assure that our strategy to increase POI will be successful to reduce our interconnection fees, or that the interconnection fee regulations will not change again in the future to our disadvantage, which could adversely affect our business, prospects, financial condition and results of operations.

Voice Over Internet Protocol (VoIP)

The MCIT regulates the operation of VoIP for public use through Decree No. 23 Year 2002 as lastly amended by MCIT Regulation No. 07/P/M.KOMINFO/5/2005 on the Operation of Internet Telephony For Public Use ("VoIP Decree"), which requires the operation of VoIP for public use to be carried out by Indonesian legal entities having specific license to do so from the DGPT. To the best of our knowledge, currently there are several licensed VoIP operators, namely *XL*, Telkom, Indosat, Satelindo, Gaharu Sejahtera, PT Corbec Communication, PT Mobicom Selularindo Gemilang, PT Jasnita Telekomindo, PT Indopratama Teleglobal and Atlasat Solusindo, while other VoIP operators may provide VoIP services in cooperation with these licensed VoIP operators. A VoIP operator may determine the VoIP tariff using a cost basis approach.

Fee Regime

Based on the Telecommunication Law and its implementing regulations, each telecommunication operator is required to pay to the Government a license concession fee (BHP) and frequency fee and satellite orbit fee, as applicable.

Pursuant to the Government Regulation No. 7 of 2009 on Types and Tariff of Non-Tax State Income Prevailing at MCIT, the concession fee for each telecommunication operator is approximately 0.5% of gross revenue, adjusted for items such as revenue from leasing of networks, interconnection charges, activation of new subscribers, air time charges, roaming charges and SIM cards. Telecommunication Operators are currently required to pay frequency fees based on the number of TRU for GSM telecommunication networks and on allocated spectrum for 3G telecommunication networks. Frequency fees for our GSM telecommunication network are payable periodically in advance based on invoices received from the Government. Frequency fees for 3G telecommunication networks are payable annually in advance in a lump sum amount, based on a formula prescribed by the Government.

BKPM and Department of Finance

Prior to December 30, 2005, the BKPM issued licenses which permitted us to claim an import duty exemption for equipment required to serve a designated number of subscribers. On December 30, 2005, the Ministry of Finance issued Regulation No. 139/PMK.010/2005 regarding custom duty fee payable on the import of information communication technology product. Based on this regulation, our custom duty fee on imported equipment became 0%.

Foreign Ownership Limitation

Pursuant to the Presidential Decree, the telecommunication industry is among a list of industries and business fields in which foreign investment in Indonesia is prohibited, restricted or subject to the fulfillment of certain conditions as stipulated by the applicable Governmental authorities. The Negative List is implemented by the BKPM. Foreign investment in the telecommunications industry is subject to various limitations on foreign shareholdings. The limitations on foreign holdings in companies engaging in the telecommunication network business range from 49%-65%, and the limitations on foreign shareholdings in Indonesian companies engaged in the provision of telecommunication and multimedia services (including data communication such as broadband cellular service) range from 49%-95%. However, Article 5 of the Presidential Decree provides that these restrictions do not apply to investments approved prior to effectiveness of the Presidential Decree; provided that such investments are substantiated by a letter of approval issued by the BKPM as the authorized agency.

BUSINESS

Overview

We are the third largest cellular telecommunications operator in Indonesia as measured by revenue and total subscribers based on publicly available data. As of December 31, 2009, we accounted for approximately 16.3% of the estimated 192.8 million cellular subscribers in Indonesia, according to Frost & Sullivan. We provide cellular telecommunication services to prepaid and postpaid subscribers across our GSM 900/1800 (2G/2.5G) and W-CDMA 2100 (3G) cellular telecommunications network. As of December 31, 2009, our cellular telecommunications network comprised of 19,349 BTS and approximately 12,700 kilometers of fiber optic transmission network, allowing us to cover 90% of the total population of Indonesia.

We believe that Indonesia's cellular telecommunications industry has strong potential for continued growth. Based on estimates published by Frost & Sullivan, the total number of subscribers in Indonesia is expected to increase from 192.8 million in 2009 to approximately 291.7 million in 2015.

We believe that our strategy, which was implemented in 2007, has positioned, and will continue to position us, to capitalize on growth in the Indonesian cellular telecommunications industry. Our strategy has involved significant investment to expand the scale of our cellular network capacity while simultaneously stimulating and monetizing increased subscriber usage to grow our revenues and maximize our profitability. In particular, we have adopted a pricing strategy for prepaid subscribers designed to capitalize on demand for affordable cellular services in Indonesia and stimulate subscriber usage, as measured by our number of subscribers, MOU and MOU Per Subscriber. Through this coordinated approach, we have been able to maintain comparable quality of cellular services while achieving significant increases in both our number of subscribers and their usage. We have begun tracking subscribers in our "revenue generating base" and now develop product offerings targeted to these subscribers which continue to emphasize affordability while increasing revenue, maximizing profitability and optimizing network utilization.

Our strategy has increased both our number of subscribers and their levels of usage. Our number of total subscribers has increased to approximately 31.4 million as of December 31, 2009, from approximately 26.0 million and approximately 15.5 million as of December 31, 2008 and 2007, respectively. Our MOU has increased to approximately 87.6 billion minutes for the year ended December 31, 2009, from approximately 54.9 billion minutes and approximately 6.8 billion minutes for the years ended December 31, 2008 and 2007, respectively. Our MOU Per Subscriber has increased to approximately 279 minutes for the year ended December 31, 2009, from approximately 212 minutes and approximately 50 minutes for the years ended December 31, 2008 and 2007, respectively.

We also utilize our cellular network and passive infrastructure to provide other telecommunication services, including leasing space on our telecommunication towers and transmission capacity in our fiber optic transmission network. We believe that we operate one of the largest tower leasing operations in Indonesia, with approximately 4,300 spaces on our telecommunications towers leased to other cellular operators as of December 31, 2009.

We believe that our strategy has improved our financial performance. Our gross revenue was Rp. 13,879.5 billion (US$1,476.5 million) for the year ended December 31, 2009, as compared to Rp. 12,156.0 billion and Rp. 8,364.7 billion for the years ended December 31, 2008 and 2007, respectively. Our EBITDA was Rp. 6,205.3 billion (US$660.1 million) and our EBITDA margin was 44.7%, for the year ended December 31, 2009, compared to EBITDA of Rp. 5,131.5 billion (US$545.9 million) and an EBITDA margin of 42.2% for the year ended December 31, 2008 and EBITDA of Rp. 3,509.2 billion (US$373.3 million) and an EBITDA margin of 42.0% for the year ended December 31, 2007.

Our Competitive Strengths

We believe that we have built the following competitive strengths:

- *Established market position and large scale of cellular operations*. As a result of our strategy, we have established a strong market position and a large scale of cellular operations. As of December 31, 2009, our total number of subscribers was approximately 31.4 million and for the year ended December 31, 2009, our gross cellular revenue was Rp. 12,770.9 billion (US$1,358.6 million). According to Frost & Sullivan estimates, we had a subscriber market share of approximately 16.3% in

2009. Based on publicly available data, we are the third largest cellular telecommunications operator in Indonesia in terms of total subscribers and gross revenue, and we believe that we are the second largest cellular telecommunications operator in Indonesia based on number of BTS. We believe that our large scale subscriber base allows us to attract new subscribers with affordable product offerings that provide access to a wide "on-net community" of subscribers. We also believe that, as a result of our established a strong market position, large scale and strong network capacity, we are well positioned to compete in the Indonesian cellular telecommunications industry.

- *Strong brand awareness focused on affordability and dependability.* We have consolidated multiple brands into a single *XL* brand and believe that, as a result, we enjoy strong brand awareness among cellular subscribers in Indonesia. We believe that our focus on a single *XL* brand has allowed us to establish a reputation among subscribers for affordable cellular services offering network quality, dependability and coverage that is comparable to our major competitors, Telkomsel and Indosat. We also believe that we have established a fun and exciting business image through our creative brand campaigns and product offerings. We believe that, as a result of our strong brand awareness, we are well positioned to capitalize on growth in the Indonesian cellular industry.

- *Broad network coverage and high network capacity.* We believe that we are the second largest cellular telecommunication service provider in Indonesia based on number of installed BTS. As of December 31, 2009, we had installed 19,349 BTS, which we believe allows us to offer cellular network coverage to over 90% of the total population of Indonesia. We believe that our cellular network coverage allows us to offer cellular services that are comparable to our major competitors, Telkomsel and Indosat, in terms of quality and dependability. We also believe that our high level of cellular network capacity provides a strong foundation for growing and stimulating demand amongst our revenue generating base. We also believe that, as a result of our broad network coverage, we are well positioned to capitalize on future growth in the demand for cellular services in rural areas of Indonesia.

- *Targeted product offerings driven by comprehensive data analytics.* We believe the growth in our business has been driven in part by a strong focus on statistical analysis of subscriber usage and network utilization, as well as timely development of new product offerings. Our Customer Analytics Unit is comprised of over 60 persons who analyze subscriber data in our data warehouse and who develop, design and implement targeted product offerings among focus groups in our subscriber base. Our product offerings are constantly being updated, based on statistical analysis of subscriber usage and network utilization, with the objective of maximizing revenue when network utilization is high, while increasing subscriber usage and revenue generation when network utilization is low. We believe that our Customer Analytics Unit provides us flexibility and improved time to market in developing targeted new product offerings that allow us to increase network utilization and maximize profitability.

- *Well-structured distribution network that ensures product advocacy at retail outlets.* We operate a hybrid distribution system comprised of direct sales through 173 XL Centers and other distribution points, as well as indirect marketing through 134 non-exclusive dealers who manage over 228,000 retail outlets nationwide. We utilize a multi-channel approach to manage our indirect marketing and distribution network throughout Indonesia. Each non-exclusive dealer is assigned sole responsibility for managing retail outlets within a designated "area cluster" and is incentivized primarily on the basis of revenue generation for the area cluster. We only provide starter packs and reloads, and pay sales commissions, to a single dealer for each area cluster. We closely monitor dealer inventories of our products, as well as revenue generation in each area cluster, and periodically require our dealers to expand retail outlet advocacy or penetration as necessary, in order to increase revenue within each area cluster. We also directly monitor retail outlets to ensure an acceptable level of advocacy of XL products. We believe that our area cluster structure allows us to maintain profitability for our dealers by delivering an optimal supply of our products to market, while allowing us to control the quality of our subscriber acquisitions, reduce our aggregate sales commissions as a percentage of gross revenue and thereby increase our profitability. In this regard, we believe that the structure of our distribution network aligns our dealer's interests with our own.

- *Proactive and agile management culture.* Our management team has broad experience in the cellular telecommunications industry within Indonesia and globally. We have sought to cultivate a proactive and agile management culture that clearly communicates our business objectives and incentivizes our employees primarily on the basis of performance in meeting these business objectives. We believe that the operational skills and industry experience of our management team, combined with our proactive management culture, have allowed us to be a first mover in initiating trends in the Indonesian cellular telecommunications industry such as affordable pricing for voice, SMS and data services, domestic roaming arrangements and leasing space on our towers.

Our Business Strategy

Our strategic goal is to continue to provide affordable and dependable voice, SMS and data services to our subscribers in a manner that maximizes revenue generation and utilization of our network capacity, while controlling our capital expenditures and operating expenses, with a view towards maximizing our profitability and return on equity. To achieve this goal, we intend to:

- *Design product offerings to optimize network utilization and increase profitability.* We believe our established market position and scale of operations, together with continued demand for cellular services in Indonesia, provide a strong platform from which to increase our profitability. We continually design new product offerings with targeted pricing plans intended to increase our revenue generating base and our gross cellular revenue while optimizing utilization of our cellular network. We plan to increase our profitability by maximizing revenue when network utilization is high, while stimulating subscriber usage and increasing revenue generation when network utilization is low. For example, when network utilization is high, we may increase our tariffs or increase the minimum spending levels before we provide free minutes in order to maximize revenue. Similarly, when our network utilization is low, we may introduce discounted tariffs or reduce the minimum spending levels before we provide free minutes in order to stimulate subscriber usage and increase revenue.

- *Manage the growth of revenues from data services.* We intend to leverage our experience in voice and SMS services to effectively manage the growth of revenue from data access and content services by utilizing our Customer Analytics Unit to design data product offerings that complement and enhance our subscriber data usage patterns, while optimizing network utilization. We also intend to prudently manage our capital expenditures for additional data-related network capacity, and maintain the quality and dependability of our overall cellular services, while expanding our presence in the data access and content services market.

- *Prudent and focused approach to ongoing capital investment.* We intend to focus our future capital expenditures on increasing our network capacity and quality, as well as our ability to grow revenue from voice SMS and data services. We do not intend to significantly expand our cellular network coverage, which currently allows us to offer cellular telecommunications services to over 90% of the population of Indonesia. We plan to closely monitor network utilization and install additional BTS only where network congestion is limiting revenue growth and cannot otherwise be relieved by network optimization. We also expect to enter into infrastructure sharing agreements with other telecommunications operators to more cost-effectively expand the scope and capacity of our network.

- *Continue to improve cost efficiency.* We intend to continue to improve our operational cost efficiency in a variety of areas. We intend to focus our advertising and corporate communications programs on long-term and effective high-profile media placements. In order to better manage our utilities expense, we intend to increase our use of direct utility connections and decrease our use of generator sets in order to better manage our electrical power requirements for our towers. We also intend to periodically review the cost effectiveness of our leased line arrangements, in order to reduce our expenses for leased lines as a percentage of gross revenue.

- *Increase revenue from non-traditional sources.* We believe that we currently operate one of the largest tower leasing operations in Indonesia, with approximately 4,300 spaces on our telecommunication towers leased to other telecommunication operators. We plan to continue to increase our revenue generated from other telecommunication services, such as leasing of space on our telecommunication towers, leasing of excess capacity in our fiber optic transmission network, and entering into domestic roaming arrangements in areas where our cellular network capacity is underutilized. We will continue to explore opportunities for increasing our revenue from non-traditional sources, in order more fully utilize our network capacity.

History

We were founded on October 6, 1989, under the name PT Grahametropolitan Lestari, and commenced commercial operations in 1996, providing cellular services primarily covering the Jakarta, Bandung and Surabaya metropolitan areas, as the first private company in Indonesia to provide cellular mobile telephony services. From 1996 through 2005, under the guidance of our principal shareholder, the Rajawali Group, we grew our cellular business, changing our name to PT Excelcomindo Pratama.

In September 2005, we became a public company and listed our shares on the IDX (formerly known as the Jakarta Stock Exchange) and, in October 2005, Axiata (formerly known as TM International Sdn Bhd) became the majority shareholder in our company. In December 2007, Emirates Telecommunications Corporation (Etisalat) through Etisalat International Indonesia Ltd., became a significant shareholder in our company. In December 2009, we changed our name to PT. XL Axiata Tbk.

We currently operate GSM 900/1800 (2G/2.5G) and W-CDMA 2100 (3G) networks, and utilize our Cellular Mobile Network License, Closed Regular Network License, Internet Service Provider (ISP) License, Voice over Internet Protocol (VoIP) License, and Internet Connections Services License (NAP) to provide voice, data and other value-added cellular telecommunications services to retail customers and business solutions to corporate customers.

Our Business

Our gross revenue principally consists of gross cellular revenue from voice and SMS services marketed to prepaid subscribers under our *XL* brand across our GSM 900/ 1800 (2G/2.5G) and W-CDMA 2100 (3G) cellular telecommunications network. As of December 31, 2009, we had approximately 31.1 million prepaid subscribers and 337,000 postpaid subscribers. We also generate gross cellular revenue from data and value-added services delivered to subscribers and interconnection services with other telecommunications operators. In addition, we generate gross revenue from other telecommunications services including leasing space on our telecommunication towers to other telecommunications operators, as well as leased line, internet, VoIP, and other value-added services marketed to corporate customers.

We believe that we have significant opportunity for growth in both number of subscribers and MOU, particularly considering the strong expected growth for Indonesia's cellular industry. According to estimates published by Frost & Sullivan, the total number of cellular subscribers in Indonesia is expected to rise from 192.8 million in 2009 to approximately 291.7 million in 2015.

Our Product Offerings

We design our product offerings to maximize revenue generation when network utilization is high, while increasing subscriber usage and revenue generation when network utilization is low. Our Customer Analytics Unit performs statistical analysis on subscriber usage data and, in coordination with our other business units, develop, design and implement trial product offerings distributed by SMS broadcast to focus groups in our subscriber database. Focus group responses to trial product offerings are then compared against a control group to determine the effectiveness of the trial product offering. Successful trial product offerings may then be implemented across our entire subscriber base, our revenue generating base, or only a portion of either, depending on the specified objective of the new product offering. The objectives of our product offerings, among others, include the following:

- attracting new subscribers — both generally and in targeted geographic areas — by emphasizing our reputation for affordability and dependability;
- offering existing subscribers new plans that will stimulate increased revenue generation based on their existing usage patterns;
- appealing to the price sensitivity of our customers and utilizing targeted product offerings to incentivize calls during certain time periods in certain geographic areas;
- increasing promotional tariffs to the maximum extent consistent with price competitiveness during periods where network utilization is high; and

- stimulating increased network traffic volumes through discounted promotional tariffs during periods where network utilization is low.

Since 2007, we have used our product offerings to increase our MOU Per Subscriber, number of total subscribers and MOU. We believe that, for our affordable pricing strategy to be successful, any decrease in our ARPM resulting from our strategy must be offset by a corresponding increase in our MOU Per Subscriber, number of subscribers and MOU. Our ARPM decreased from approximately Rp. 540 in 2007 to Rp. 120 in 2008 and Rp. 80 (US$0.008) in 2009. During the same period, our MOU Per Subscriber has increased from 50 minutes in 2007, to 212 minutes in 2008 and to 279 minutes in 2009, representing a CAGR of 136.8% for this period. Our number of prepaid subscribers increased from approximately 15.0 million as of December 31, 2007 to approximately 25.6 million as of December 31, 2008 and to 31.1 million as of December 31, 2009, representing a CAGR of 44.1% for the same period. Our affordable pricing strategy has also increased our MOU, from 6.8 billion minutes in 2007 to 54.9 billion minutes in 2008 and to 87.6 billion minutes in 2009.

For information on the increases in our gross revenue from cellular telecommunication services, see "Our Telecommunications Services" below.

Our Telecommunication Services

Our telecommunication services are comprised of our cellular telecommunication service, our cellular interconnection service and our other telecommunication service. As a result of our affordable pricing strategy, our gross revenue from cellular telecommunication service increased by a CAGR of 31.4% during the three year period ended December 31, 2009. The following table shows the breakdown of the contribution of each of these three categories to our gross revenue for the periods indicated:

	Year ended December 31,			
	2007	2008	2009	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)	(US$ millions)
Cellular telecommunication service	6,500.7	9,767.7	11,220.2	1,193.6
Cellular interconnection service	1,383.6	1,537.4	1,550.7	165.0
Other telecommunication service	480.4	850.9	1,108.6	117.9
Gross revenue	8,364.7	12,156.0	13,879.5	1,476.5

Cellular Telecommunication Service

A substantial proportion of our gross revenue is principally derived from our cellular telecommunication service. Our cellular telecommunication service revenue is derived from our sale of starter packs and reloads to prepaid subscribers and from payments made by postpaid subscribers. Our prepaid subscribers purchase reloads that contain fixed amounts of stored value, and do not make deposits or pay monthly minimum charges. Our postpaid subscribers pay deposits and certain minimum monthly charges.

The following table shows the contribution of voice services and non-voice services, as well as monthly charges, to our revenue from cellular telecommunication service for the periods indicated:

	Year ended December 31,			
	2007	2008	2009	2009
	(Rp billions)	(Rp billions)	(Rp billions)	(US$ millions)
Revenue from cellular telecommunication service:				
Voice	3,866.3	6,622.6	7,058.9	750.9
Non voice	2,632.5	3,140.7	4,152.6	441.8
Monthly service charge	1.9	4.4	8.7	0.9
Total	6,500.7	9,767.7	11,220.2	1,193.6

Voice Services

Our cellular voice communications services allow our subscribers to make and receive "on-net" voice calls to and from other XL subscribers on our own telecommunication network, as well as "off-net" voice calls to and from customers of other telecommunication operators on their fixed or cellular telecommunication networks.

The Government, through the MCIT, prescribes the formula to calculate maximum tariffs for voice services and allows Indonesian cellular operators to offer promotional tariff programs to subscribers at rates that are less than the maximum tariffs. The MCIT also periodically sets the interconnection fees charged for "off-net" calls between telecommunication operators based on cost information provided by the various telecommunication operators.

Product offerings for on-net voice usage are frequently more attractive than those for off-net voice usage because off-net calls require payment of an interconnection fee to the cellular operator whose subscriber is receiving the off-net call. We currently price and charge our prepaid cellular voice services under promotional tariff programs at rates that are less than the prescribed maximum tariffs. In areas where we have achieved relatively high subscriber penetration, our product offerings are principally comprised of promotional tariff programs for on-net voice calls in order to increase the frequency of revenue generating events from on-net calls, for which we do not pay an interconnection fee. In areas of relatively low subscriber penetration, our product offerings frequently include promotional tariff programs for off-net calls, for which we pay an interconnection fee, in order to increase the general frequency of calls and revenue generating events. Our promotional tariff programs for off-net voice calls are always priced to allow us to recover any interconnection fee payable for such off-net call.

We may from time to time adjust our voice tariffs and charges as described in this Document in a material manner in order to maximize revenue generation when network utilization is high, increase subscriber usage and frequency of revenue generating events when network utilization is low, and maintain the price competitiveness and affordability of our prepaid and postpaid services within the Indonesian telecommunication industry, in each case subject to applicable regulations.

Prepaid Voice Services. As of December 31, 2009, we had approximately 31.1 million prepaid subscribers, representing approximately 99% of our total subscriber base. A person becomes a prepaid subscriber by purchasing a starter pack, which includes a SIM card. Starter packs have a suggested retail price of Rp. 2,000, which includes a reload voucher with the same amount. We do not charge our subscribers an activation fee to activate their SIM cards. Starter packs include an initial balance so subscribers can immediately make or receive calls.

Prepaid subscribers can reload their balance by purchasing electronic reload vouchers or physical reload vouchers. Prepaid subscribers may purchase electronic reload vouchers at all XL Centers and XL Center outlets, at ATMs of various major banks throughout Indonesia, through mobile banking and from certain of our direct and indirect distribution channels. Physical reload vouchers are also available at XL Centers, XL Center outlets and at many independent retailers. Approximately 94% of the value of all reloads occur electronically and we expect that proportion to increase in the future.

Our prepaid subscribers can purchase electronic reloads in denominations of Rp. 5,000, Rp. 10,000, Rp. 25,000, Rp. 50,000, Rp. 100,000 and Rp. 200,000 or they can purchase physical reload vouchers in denominations of Rp. 5,000, Rp. 10,000, Rp. 25,000, Rp. 50,000 and Rp. 100,000. The active period of these reloads range from 15 to 120 days.

Our prepaid subscribers enjoy service portability within our network. We allow our prepaid subscribers to switch to our postpaid service, and vice versa, without changing their phone number, paying additional charges or purchasing a new SIM card. Our prepaid customers can also roam internationally outside of Indonesia in Saudi Arabia, Singapore, United Arab Emirates, Taiwan, Hong Kong, Belgium, England, India, Spain, China, Ukraine, Malaysia, Thailand, France, Japan, and New Zealand.

Postpaid Voice Services. As of December 31, 2009, we had approximately 337,000 postpaid subscribers, representing approximately 1% of our total subscriber base. Postpaid subscribers, other than corporate users, are required to place a deposit and adhere to a monthly minimum payment requirement. Our postpaid services are typically used by individual subscribers with higher income levels and heavier usage needs, such as corporate subscribers.

Postpaid subscribers can make and receive calls while traveling outside of Indonesia in countries in which we have roaming arrangements with other cellular service providers. As of December 31, 2009, we had entered into roaming agreements with approximately 350 cellular service providers operating in approximately 140 countries. As with our prepaid services, our postpaid subscribers also enjoy service portability within our network. We allow our postpaid subscribers to switch to our prepaid service without changing their phone number, paying additional charges or purchasing a new SIM card.

Non-Voice Services — SMS

We also offer our prepaid and postpaid subscribers a number of data and other value-added services, including SMS. SMS allows our subscribers to send short text messages of up to 160 characters on cellular handsets which support this function. Our subscribers can send SMS to domestic cellular subscribers of each cellular service provider in Indonesia, or to cellular subscribers of foreign cellular service providers.

The Government, through the MCIT, prescribes the formula to calculate maximum tariffs for SMS services and allows Indonesian cellular operators to offer promotional tariff programs to subscribers at rates that are less than the maximum tariffs. As part of our affodable pricing strategy, we currently price and charge our SMS services under promotional tariff programs at rates that are less than the prescribed maximum tariffs. Following the extension of our affordable pricing strategy to SMS in 2008, our SMS Per Subscriber increased to 203 per month in 2009 from 69 per month in 2008. Our SMS Per Subscriber in 2007 was 92 per month.

Non-Voice Services — Data and Other Value-Added Features

We provide certain data services and certain other value-added features and services to all our prepaid and postpaid subscribers free of charge including caller identification, call holding, call waiting, call forwarding and our **123#* universal product and content menu. We also offer our a number of other value-added services for which we charge varying fees including:

- Data and fax cellular service;
- Voicemail;
- *Mobile Banking*, a service offered in cooperation with major banks which enables subscribers to conduct banking transactions through their cellular phones;
- *Sim Tools Kit (STK)*, which allows subscribers to receive information such as ring tones and pictures, as well as other interactive services through their cellular phones;
- *Location Based Service*, which assists subscribers in locating the whereabouts of family members or friends who also subscribe to this service;
- MMS, which allows SMS messages to include graphics, audio or video components;
- GPRS, for sending and receiving e-mail and large volumes of data; and
- Ring Back Tone.

We plan to continue to develop mobile applications and customized content offerings with the goal of creating continuing relevance for XL products in our subscribers' lifestyle.

Cellular Interconnection Services

We provide cellular interconnection services including domestic and international interconnection and international roaming services under interconnection and international roaming agreements with other telecommunication operators that enable interconnection between our cellular network and the PSTN, the international gateways operated by Telkom, Indosat and Bakrie Telecom, as well as domestic and international networks operated by other cellular and fixed-line operators. These interconnection and international roaming agreements enable our subscribers to call, and to receive calls, from subscribers of other telecommunication operators, as well as enable our subscribers to enjoy our services outside our Indonesia coverage.

Domestic Interconnection and IDD

We currently have interconnection arrangements with other telecommunication operators and IDD service providers in Indonesia, pursuant to which we receive domestic and international interconnection fees when their subscribers connect onto our network. For calls from the PSTN to our subscribers, and calls from subscribers of other cellular operators to our subscribers, we collect domestic interconnection fees and we pay interconnection charges. For international calls from overseas to our subscribers, the IDD service providers collect the applicable IDD tariff and remit a portion to us.

The Government established the current domestic interconnection regime through Interconnection Regulation No. 08/Per/M.KOMINFO/02/2006, dated February 8, 2006, which became effective on January 1, 2007 and introduced a cost-based scheme for interconnection charges under which the operator of the network on which calls terminate receives interconnection fees based on a formula stipulated under the regulation which is based on the cost of carrying such calls. As our number of subscribers and MOU have increased, an increase in MOU of outgoing "off-net" calls from our subscribers to customers of other telecommunication operators has caused our interconnection charges paid to other telecommunication operators to increase. We have sought to offset this by the establisment of a greater number of points of interconnection (POI) with other cellular operator networks, particularly the incumbent operators with large subcriber bases, in order to decrease the distance that calls are carried on other cellular operator's networks, and thereby reduce the interconnection fees payable to other cellular operators for carrying such calls. We cannot assure that our strategy to increase POI will be successful to reduce our interconnection fees, or that the interconnection fee regulations will not change again in the future to our disadvantage, which could adversely affect our business, prospects, financial condition and results of operations.

International Roaming

Our international roaming agreements with operators in other countries permit visitors to Indonesia, such as tourists and business travelers, to use their cellular handsets through our network while in Indonesia. We also have roaming agreements with other cellular operators in respect of international in-bound roaming charges for calls and SMS made by, and received by, their subscribers while roaming on our network. Our roaming agreements with these operators establish the charges for these services. The charges for international in-bound roaming are denominated principally in U.S. dollars, and we receive payments from operators outside Indonesia for these services in U.S. dollars.

Other Telecommunication Services

We provide leased line, VoIP and ISP services to business customers utilizing our nationwide transmission inland and submarine network. Our other telecommunication service from services sold to corporate customers, either directly or through resellers, is principally comprised of fixed communication services such as domestic and international leased line, VoIP, broadband access and collocation services; cellular communication services such as push mail and other mobile data communications; and convergence communication services such as vehicle location and use of ATMs through cellular phones. As of December 31, 2009, we had approximately 530 customers for our leased line, VoIP and ISP services.

We also lease space on our telecommunication towers to other telecommunication operators, including Hutchison, Bakrie Telecom, Mobile-8, NTS/Axis, Telkom/Flexi and Sampoerna Telecom under long-term contracts that provide for payment of a fixed lease fee and an inflation-adjusted maintenance fee for each tower space, subject to certain volume discounts. As of December 31, 2009, we had 6 customers for our telecommunication towers leasing business.

The following table shows our revenue from other telecommunication services, and its contribution to our gross revenue for 2007, 2008 and 2009.

	Year ended December 31,						
	2007		2008		2009		2009
	(Rp. billions, except percentages)		(Rp. billions, except percentages)		(Rp. billions, except percentages)		(US$ millions)
Gross Revenue from other telecommunication services:							
Leased lines	408.7	4.9%	478.5	3.9%	427.0	3.1%	45.4
Leased tower	—	0.0%	276.7	2.3%	600.4	4.3%	63.9
ISP service	58.8	0.7%	63.9	0.5%	52.3	0.4%	5.6
Others	12.9	0.2%	31.9	0.3%	28.9	0.2%	3.1
Total	480.4	5.7%	850.9	7.0%	1,108.6	8.0%	117.9

Our Telecommunication Network

Our telecommunication network operates on a radio frequency spectrum allocated to us under licenses issued by the Government and is principally comprised of our network transmission and BTS capacity, as well as our billing system.

Spectrum

We operate our GSM 900, 1800 and 1900 telecommunication network under cellular network licenses issued by the Government through the MCIT which allocated us frequency of 2 x 7.5 MHz at 907.5-915 MHz and 952.5-960 MHz frequency for 2G/2.5G cellular telecommunication services, frequency of 2 x 7.5 MHz at 1710-1717.5 MHz and 1805-1812.5 MHz for 2G/2.5G telecommunication services, and frequency of 2 x 5 MHz at 1945-1950 MHz and at 2135-2140 MHz for 3G telecommunication services.

One of our primary competitors, Telkomsel, has been allocated 2 x 7.5 MHz for GSM 900 cellular telecommunication services and 2 x 22.5 MHz for GSM 1800 cellular telecommunication services and the other primary competitor, Indosat, has been allocated 2 x 10 MHz for GSM 900 cellular telecommunication services and 2 x 20 MHz for GSM 1800 cellular telecommunication services. Since we have been allocated less spectrum for 2G/2.5G cellular telecommunication services than Telkomsel and Indosat, we are required to deploy a greater number of BTS in areas of high cellular traffic density in order to maintain comparable cellular service quality for the equal traffic density in the same geographic area. We may therefore be required to incur greater capital expenditure than Telkomsel and Indosat, in order to fund the deployment of additional BTS in areas of high cellular traffic density.

Government has allocated additional 3G spectrum for 3G operators, XL has applied to take the additional spectrum at the offered price and has requested consecutive spectrum of 2 x 10 MHz. We intend to utilize this additional 3G spectrum for data services.

Network Transmission and BTS Capacity

The principal components of our network infrastructure consist of:

- base transceiver stations or BTS: electronic equipment that connects cellular telephone calls to the GSM system;
- base station controllers or BSC: devices that manage radio resources such as the BTS;
- mobile switching centers or MSC: hubs that control the BSC and the routing of voice calls and SMS;
- HSDPA hotspots: areas that provide broadband cellular internet access to our postpaid subscribers;
- home location registers: registers that contain the profile of each subscriber and constantly update the location of each subscriber on our network; and
- inland and submarine fiber optic transmission cables.

Signal transmission through fiber optic cable can deliver higher bandwidth compared with microwave technology. Fiber optic transmission cables are connected BSC and MSC and other concentrator network assets.

As of December 31, 2009, we had 19,349 BTS (including 2,044 Node B for 3G access) installed throughout Indonesia. We generally locate our BTS sites in a regular grid pattern. The grid pattern allows us to redirect cellular traffic from one BTS to another, which enables us to utilize our BTS more efficiently across our entire network. The grid pattern also enables us to better utilize our available spectrum without sacrificing network quality. We are also exploring new frequency reuse techniques to increase our network capacity and have implemented various radio network features to maintain the quality of voice transmission.

As of December 31, 2009, we had installed approximately 12,700 kilometers of inland and submarine fiber-optic cable. Our inland fiber-optic network consists of approximately 9,800 kilometers of inland fiber optic cable comprised of a network transmission backbone along both sides of the northern railroad from Western Java to Surabaya in Eastern Java also from Surabaya across to Madura Island via the Suramadu Bridge, as well as eight additional fiber optic rings connected to our network transmission backbone to increase network redundancy and to access telecommunication traffic from the cities in the middle and southern part of Java and three fiber optic rings on the Jakarta Inner and Outer Ring Road as well as a fishbone fiber optic network to serve the Jakarta and surrounding areas. Other cities that we deploy for inner ring road fiber optics are Bandung, Surabaya, Medan and Denpasar Bali. In addition, we have installed and operate an inland fiber optic cable on Sumatra connecting the cities of Medan, Padang, Pekanbaru, Jambi, Palembang and Bandar Lampung, as well as for other islands such as Kalimantan, Sulawesi, Madura and Sumbawa we operate inland fiber optics. We have also deployed our large capacity submarine fiber optic cable Batam-Rengit Cable System (BRCS), which is our main international network, linking Batam with Johor (Malaysia), and supported by a microwave transmission network connecting Batam with Singapore, and Batam with Penggarang (Malaysia). We have established submarine cable links between Java, Bali, Nusa Tenggara, Sulawesi, Sumatera and Kalimantan. We also operate microwave transmission network outside Java backed by VSAT links to provide network capacity and coverage in certain remote areas of Indonesia.

The following table sets forth certain information relating to the growth of our network infrastructure:

	As of year ended December 31,		
	2007	**2008**	**2009**
Subscribers (in million)	15.5	26.0	31.4
BTS	11,157	16,729	19,349
Fiber optic transmission (km)	9,430	11,668	12,731
Network capital expenditures (Rp. billions)	6,935	10,616	3,956

We have established a network operations center in Jakarta which monitors our network 24 hours a day, seven days a week by utilizing an integrated network management system that enables us to monitor our entire network infrastructure through a single platform. We purchase most of our BTS and other network infrastructure from Ericsson AB, Huawei Technologies Company Limited, and Alcatel Lucent. The majority of our BTS are situated on ground sites owned or leased by us for periods ranging from five to 20 years, and the remainder are situated within or on top of buildings owned or leased by us for similar periods. We have incorporated network redundancy into our network infrastructure to provide backup systems to keep our network operational in the event of the failure of a network device. See "— Business Continuity and Disaster Recovery."

Billing System

Our billing system undergoes frequent upgrades and allows us to integrate our prepaid and postpaid billing, network, data warehouse and customer service capabilities on one integrated platform. Our billing system provides us with the ability to integrate data on our voice, data and content offerings, thereby affording us greater flexibility in structuring and billing subscribers for our various service packages. We believe that our billing system improves the time to market new product offerings and provides us the ability to analyze subscriber usage patterns and implement new product offerings in a timely manner. Our billing system enables us to obtain a detailed segmentation of our subscriber base and to track subscriber usage so that we can offer services that are better suited to the needs of our subscribers.

Marketing, Sales and Distribution

Marketing Department

We spent Rp. 451.6 billion (US$ 48.0 million) in 2009, Rp. 655.2 billion in 2008 and Rp. 433.0 billion in 2007 on advertising and promotional activities. We intend to focus our advertising and corporate communications programs on long-term and effective, high-profile media placements, in an effort to improve the cost effectiveness of our brand management programs. We seek to position our single XL brand as a fun and exciting provider of affordable cellular services, while increasing consumer awareness of the quality and dependability of our services.

Sales and Distribution

Our distribution system is structured as a hybrid direct distribution and indirect distribution system.

Our indirect distribution system is comprised of non-exclusive dealers with responsibility for 193 "area clusters" managing over 228,000 independent retail outlets across Indonesia as of December 31, 2009. We utilize a multi-channel approach to manage our indirect marketing and distribution network throughout Indonesia. Each dealer is assigned sole responsibility for managing retail outlets within a designated "area cluster", and is incentivized primarily on the basis of revenue generation in the area cluster. In addition, we only provide starter packs and reloads, and only pay sales commissions, to a single dealer in respect of each area cluster. Our Marketing Unit monitors our dealers' revenue generation and number of inventory days of XL products on a daily basis, develops key performance indicators (KPI) for dealers, and periodically requires our dealers to increase retail outlet advocacy or retail outlet penetration in their area clusters as necessary to address low BTS utilization. Our Marketing unit also separately performs direct monitoring of retail outlets across Indonesia, and provides performance bonuses (including cash and travel) directly to high performing retail outlets, in order to ensure an acceptable level of advocacy of XL products. We believe that, through these and similar initiatives, we have increased our gross revenue, as well as the net sales commissions earned by our dealers, and improved the overall advocacy of XL products at retail outlets, while decreasing aggregate sales commissions paid to our dealers as a percentage of revenue.

We also distribute products directly to end-users through our XL Centers and XL Center outlets. We operated 100 owned XL Centers and 73 XL Center outlets as of December 31, 2009. XL Centers are an important part of our customer service and distribution functions. We own and manage our XL Centers. XL Center outlets are operated by third parties under franchise agreements with us. At our XL Centers and XL Center outlets, subscribers may subscribe for postpaid services, purchase physical or electronic reload vouchers, buy starter packs and obtain information on our products and services.

Many independent retailers also sell XL starter packs and reloads. Our prepaid subscribers can also reload electronically at our dealers, XL Centers and XL Center outlets, and through ATMs and phone banking at various major banks, and at certain hypermarkets. Approximately 94% of all reloads occur electronically and we expect that proportion to increase in the future.

For our corporate clients, we use direct sales techniques and offer them a variety of services such as leased line, VoIP, ISP and other corporate services.

Competition

We believe that we have a number of competitive strengths that have enabled us to compete successfully in the Indonesian cellular telecommunication market in the past and that will enable us to continue to compete successfully in this market in the future.

We believe that the Indonesian telecommunications industry is highly competitive and that recent competition has been, and is expected to continue to be, primarily driven by continued affordable pricing, as well as network coverage, quality of services and scale of subscriber base. A larger scale of subscriber base allows a cellular operator to deliver product offerings that reach a wider "on-net community" of subscribers. Since product offerings for on-net voice usage are frequently more attractive than those for off-net voice usage — because off-net calls require payment of an interconnection fee to the cellular operator whose subscriber is receiving the off-net call — a larger on-net community can allow subscribers to utilize more affordable on-net product offerings for a greater proportion of their voice usage.

We compete with established incumbents, Telkomsel and Indosat, principally on affordability of pricing and quality of services. According to estimates by Frost & Sullivan, Telkomsel, Indosat and ourselves had an aggregate subscriber market share of 75% as of December 31, 2009. Both of these established incumbents are larger in terms of gross revenue and total subscribers, and have been allocated greater spectrum for their GSM 900/1800 networks. In particular, Telkomsel, which is the largest cellular operator in Indonesia, has greater numbers of BTS installed and total subscribers on its GSM 900/1800 network, which potentially allow it to design and implement affordable product offerings that will offer access to a larger on-net community of subscribers.

We also compete with several smaller GSM and CDMA operators in the Indonesian cellular telecommunications industry. CDMA cellular technology is less capital-intensive and therefore has historically been more price competitive than GSM cellular technology. We believe that our larger subscriber base affords us an advantage over cellular operators with smaller subscriber bases, since our larger on-net community can allow our subscribers to utilize more affordable on-net product offerings for a greater proportion of their voice usage.

We believe that the Indonesian cellular telecommunications industry will continue to be competitive. To minimize the impact of competition on our business, our key strategies have been, and will continue to be based on ensuring revenue growth, improving profitability and maximizing return on equity. See "Risk Factors — Risks Relating to Our Business — We are exposed to competition in the Indonesian cellular industry."

Intellectual Property

We have registered, and have in process, trademarks for various *XL* brands in Indonesia and have registered, and have in process, copyright on various product offerings in Indonesia.

Billing and Credit Management

Billings

We send bills by mail to postpaid subscribers on a monthly basis through courier services. Our subscribers may settle their bills by payment through ATMs, direct debit, credit card payment, bank transfer or in person at our XL Centers**.**

Customer Service

Our XL Centers and walk-in-centers are important components of our customer service. XL Centers provide convenient access to trained customer service representatives who can provide information about products and services, handle requests and complaints, activate prepaid and postpaid services, make payments and for electronic reloads. Our call centers are also open to prepaid subscribers 24 hours each day, seven days a week. At our call center, subscribers speak directly to our customer service operators who are trained to provide information regarding a subscriber's bill, promotions or service features.

Credit Management and Deactivation

Depending on our evaluation of the credit worthiness of our postpaid subscribers, we allocate credit limits of between Rp. 100.000 to Rp. 200 million, depending on the method of payment and grade of credit card used.

Postpaid subscribers have 26 days from the billing date to pay their bill before it is overdue. If a subscriber's bill is not paid on time, actions that we may take include sending SMS reminders, blocking outgoing call services, sending written reminders, blocking incoming and outgoing calls and finally, after 45 days overdue, deactivating the account.

Revenue Assurance and Fraud Prevention

We have implemented a fraud management system to assist us in preventing fraud in both prepaid and postpaid services. A dedicated revenue assurance group consisting of representatives of each functional group within our organization monitors areas where there are revenue leakages or lost opportunities and attempt to either eliminate or minimize them. The revenue assurance group checks whether subscribers using our network are actually registered in our switches and billing system, whether calls made by our registered subscribers on our network are recorded by the switches, and whether call records from switches are fully and completely transferred from the switches to the billing system and are accurately calculated in accordance with the prevailing tariff. In addition, our integrated system checks whether bills are sent out to the postpaid subscribers and collected within a specified time and whether prepaid subscribers' voucher balances are deducted appropriately on a real time basis. New products and services go through a revenue assurance testing exercise before commercial launch.

We have also adopted fraud prevention measures to evaluate subscribers who migrate from prepaid to postpaid plans. We cross-check these subscribers against our database, which verifies subscriber data including credit card usage, home and office telephone numbers and other personal information. We have not experienced material revenue loss associated with fraud in the past.

Business Continuity and Disaster Recovery

We have a disaster recovery plan which covers both technical and operation-related business interruption. We back up all critical data on a daily basis. We have set up network redundancy to help ensure that, in the event of the failure of a network device, there are backup systems in place to keep the network running. Traffic can be rerouted through our network transmission backbone to other MSC and BSC in the event of a failure at one of the BSC or MSC. We have set up backup power supplies which we believe are able to produce sufficient electricity for our computer systems at our head office for between four to eight hours. Most of our BTS are equipped with power generator sets.

Employees

The table below sets out the number of employees, by category, as of December 31, 2009:

	As of December 31, 2009
President Office	64
President Director Office	3
Corporate Secretary	20
Corporate Communication	9
Corporate Strategy & Business Development	16
Internal Audit	12
Intentional Customer Experience	4
Finance	149
Network Services	1,021
Corporate Services	85
Consumer Marketing	115
Commerce	604
Commerce Office	3
Customer Service	70
Region West	103
Region Central	78
Region Jabodetabek	82
Region East	100
Enterprise and Carrier	139
Channel Strategy & Management	29
Total	2,038

We focus on the training and development of our employees, and have adopted a merit-based pay policy that rewards our most productive employees. In addition, we are committed to expanding our business without any appreciable increases in employee levels. Most of our employees spend an average of 2 days per year attending training courses. We allocate approximately 0.8% of our total labor costs to training and development. We have a defined contribution pension plan program applicable for all permanent employees who are under the age of 56 years. We contribute approximately 7.0% of the salary of each employee under the program to a pension plan and each employee contributes 3.0% of salary to the pension plan. Additionally, we have a mandatory social security plan for all employees. We contribute 4.54% of the salary of each employee and each employee contributes 2.0% of his salary to the social security plan. Approximately 30% to 35% of our employees belong to labor unions. Currently, we do not have a collective bargaining agreement. We believe that we enjoy a healthy relationship with our employees.

Insurance

We maintain property and business interruption insurance against losses which might arise from damage to our cellular telecommunication infrastructure. As of December 31, 2009, our telecommunication infrastructure had total coverage of US$ 2.612 billion, which includes coverage for business interruption. Certain of our insurance policies have exclusions, including in relation to losses resulting from war or terrorist acts. We carry a comprehensive general liability insurance policy covering public liability and product liability insurance of US$ 10 million, employer liability insurance of US$500 thousand and automobile liability insurance of US$250 thousand each of which cover any single occurrence or a series of incidents. The coverage of our comprehensive general liability insurance is not limited to Indonesia but also includes worldwide jurisdictions. We carry additional motor vehicle and motorcycle insurance covering damages to our vehicles and third party claims. We also have group medical insurance for our employees which covers accidents, permanent disablement, medical expenses and death. Each of our insurance policies is subject to deductibles and have exclusions which may prevent us from recovering in full, or at all, for any loss we may suffer. In addition, we also carry terrorism and sabotage insurance to cover our head office including several main branch offices.

Properties

We own approximately 547,000 square meters of land which we utilize for offices, our BTS and XL Centers. We lease most of the properties we occupy, including our head office in Jakarta, and most of the properties upon which we have constructed telecommunication towers for our BTS.

Legal Proceedings

On November 1, 2007, the KPPU issued a decision regarding a preliminary investigation of eight telecommunication companies (including us) based on allegations of price-fixing of SMS and breach of Article 5 of the Anti-Monopoly Law. On June 18, 2008, we and five other telecommunication companies were found liable for price-fixing. We were ordered by the KPPU to pay a fine of Rp. 25.0 billion and revise our SMS charges. Although we have appealed the KPPU decision before the District Court or South Jakarta, we may be exposed to consumer class action suits as a result of the KPPU decision. Any consumer class actions arising from the KPPU decision could subject us to substantial liability which could lead to a decrease in our revenue and affect our business, reputation and profitability. We and other telecommunication operators have also filed an appeal before the district courts in separate jurisdictions on the same KPPU decision. The Indonesian Supreme Court is currently considering the proper jurisdiction for a joint hearing of the common appeals of the telecommunication operators against the same KPPU decision. See “Risk Factors — Risks Relating to Our Business and the Cellular Telecommunication Industry — We are one of six Indonesian telecommunication operators to have been found liable for SMS price fixing”.

Except as set forth above, we are not currently involved in any material litigation or regulatory actions, the outcome of which would, in our management’s judgment, have a material adverse effect on our results of operations or financial condition, nor is management aware of any such litigation or regulatory actions threatened against us.

TRANSACTIONS WITH AFFILIATES

The following discussion is a summary of the significant transactions with our affiliates in the years ended December 31, 2007, 2008 and 2009.

International Roaming Agreements

Pursuant to international roaming agreements we provide international roaming services to several of our affiliates. Revenue earned from our affiliates pursuant to these agreements for the years ended December 31, 2007, 2008 and 2009 are as indicated in the following table:

Affiliate	Year ended December 31,		
	2007	2008	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)
MobileOne Ltd	17.0	21.1	11.4
Celcom Axiata Berhad	10.6	14.8	24.5
Emirates Telecommunications Corporation	—	3.2	2.3
Etihad Etisalat	—	1.6	0.9
Others (individual amounts less than Rp 1)	0.2	0.4	0.4
TOTAL	27.8	41.1	39.5

VoIP Agreements

Pursuant to VoIP agreements we provide VoIP services to several of our affiliates. Revenue earned from our affiliates pursuant to these agreements for the years ended December 31, 2007, 2008 and 2009 are as indicated in the following table:

Affiliate	Year ended December 31,		
	2007	2008	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)
Celcom Axiata Berhad	88.1	1.7	16.8
Telekom Malaysia Berhad	17.8	118.3	131.6
Telekom Malaysia (S) Pte. Ltd.	1.2	6.0	0.8
Mobile One Ltd	—	0.4	1.0
Others (individual amounts less than Rp 1)	0.5	—	—
TOTAL	107.6	126.3	150.3

Leased Line Agreements

Pursuant to leased line agreements we provide leased line services to several of our affiliates. Revenue earned from our affiliates pursuant to these agreements for the years ended December 31, 2007, 2008 and 2009 as indicated in the following table:

Affiliate	Year ended December 31,		
	2007	2008	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)
Telekom Malaysia Berhad	7.5	7.8	3.8
Telekom Malaysia — Hong Kong	2.0	0.4	—
PT Bank CIMB Niaga Tbk (formerly PT Bank CIMB Niaga Tbk and Lippo Bank)	14.1	31.3	2.9
TOTAL	23.6	39.5	6.7

Interconnection Agreements

Interconnection charges paid to our affiliates pursuant to these agreements for the years ended December 31, 2007, 2008 and 2009 are as indicated in the following table:

Affiliate	Year ended December 31,		
	2007	2008	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)
Telekom Malaysia Berhad	3.8	9.2	9.0
MobileOne Ltd	3.7	5.8	7.2
Telekom Malaysia (S) Pte. Ltd	2.5	2.3	2.2
Celcom Axiata Berhad	2.0	11.4	25.5
Etihad Etisalat	0.2	1.7	1.1
Emirates Telecommunications Corporation	0.1	2.8	0.9
Others (individual amounts less than Rp. 1.0)	0.3	0.4	0.3
TOTAL	12.6	33.6	46.2

Other Telecommunication Services Cost

Pursuant to our Leased Line Agreements, we made payments to our affiliates in the years ended December 31, 2007, 2008 and 2009 as indicated in the following table:

Affiliate	Year ended December 31,		
	2007	2008	2009
	(Rp. billions)	(Rp. billions)	(Rp. billions)
Telekom Malaysia Berhad	17.9	21.9	15.2
TOTAL	17.9	21.9	15.2

MANAGEMENT

Board of Commissioners and Board of Directors

Our Board of Commissioners consists of seven members (including three Independent Commissioners) and the Board of Directors consists of six members.

The Board of Directors is responsible for our overall management and day-to-day operations under the supervision of the Board of Commissioners. The obligation and authority of each member of the Board of Commissioners and Board of Directors are regulated by our articles of association.

The composition of our Board of Commissioners and Board of Directors is as follows:

Board of Commissioners

Name	Age	Position
Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor	68	President Commissioner
Dato' Sri Jamaludin bin Ibrahim	50	Commissioner
Dato' Yusof Annuar bin Yaacob	44	Commissioner
Ahmad Abdulkarim Mohd Julfar	48	Commissioner
Peter J. Chambers	54	Independent Commissioner
Dr. Ir. Giri Suseno Hadihardjono	68	Independent Commissioner
Elisa Lumbantoruan	49	Independent Commissioner

Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor (*Malaysian*) was appointed as our President Commissioner in May 2006. Currently, he is also Chairman and Director of Menara Kuala Lumpur Sdn Bhd and Kumpulan Fima Berhad, Director of Pos Malaysia Berhad and Multimedia Development Corporation ("MDeC") Sdn. Bhd., and Pro-Chancellor of Multimedia University, Malaysia. He served as Group Chairman of Telekom Malaysia Berhad from July 1999 until July 2009. He graduated with a Diploma in Electrical Engineering in 1962 from Faraday House Engineering College, London and a Master of Science Degree (Technological Economics) from the University of Stirling, Scotland, in 1975. He has extensive experience in the telecommunication industry for more than 40 years.

Dato' Sri Jamaludin bin Ibrahim (*Malaysian*) was appointed as our Commissioner in July 2008. He concurrently holds the position of *President* and *Group Chief Executive Officer* of Axiata Group Berhad ("Axiata") (previously known as TM International Berhad) and has served in this position since March 2008. Dato' Sri Jamaludin is also a Board Member of Axiata and *Chairman* of Celcom Axiata Berhad. His previous experience includes prominent positions with Maxis Communications Berhad, which he joined in 1997 as the Chief Operating Officer, and subsequently rose to become the Chief Executive Officer in 1998 where he was also reappointed as the Group's CEO in 2006. He retired from Maxis in July 2007 but remained a Board member until February 2008. Prior to joining Maxis, he spent 16 years in the IT industry. Dato' Sri Jamaludin also previously served as a Managing Director and CEO of Digital Equipment for 4 years and spent 12 years with IBM. He graduated from California State University in 1978 with a Bachelor of Science degree, Major in Business Administration and Minor in Mathematics; and in 1980 he was awarded a Master of Business Administration, Major in Quantitative Method, from Portland State University, Oregon AS.

Dato' Yusof Annuar bin Yaacob (Malaysian) was appointed as our Commissioner in May 2006. Aside from his telecommunications industry experience, Dato' Yusof Annuar has extensive experience in investment banking and corporate management of international firms such as S.G. Warburg & Co (now UBS Warburg), ING Barings Securities Singapore, and the Merrill Lynch & Co affiliate in Malaysia. He completed his Chartered Institute of Management Accountants professional examination at the London School of Accountancy in 1987. Dato' Yusof Annuar has served as the Group Chief Financial Officer of Axiata since March 2008 and previously served as the Chief Executive Officer of TM International Sdn Bhd from June 2005. He concurrently serves as the Board and Executive Committee member of Celcom Axiata Berhad and as a Board member for several subsidiaries of Axiata including Dialog Telekom Plc (Sri Lanka), Spice Communications Limited (India), and MobileOne Ltd (Singapore).

Ahmad Abdulkarim Mohd Julfar (United Arab Emirates) was appointed as our Commissioner in April 2008. He has over 20 years´ experience in the telecommunications industry. He graduated from Gonzaga University, USA, in 1985 with a Bachelor of Science in Civil Engineering and a minor in Computer Science. He has been the Chief Operating Officer (COO) of Etisalat, a telecommunications company based in the United Arab Emirates, since 2006 and has held several key positions in Etisalat since 1986. He has also been actively involved in Etisalat Group's major projects.

Peter J. Chambers (Australian) was appointed as our Independent Commissioner in April 2008. He previously served as our Commissioner since May 2006. He graduated from the Royal Melbourne Institute of Technology in Melbourne, Australia with a Bachelor of Business and has more than 20 years´ experience in the finance and telecommunications industries. Throughout his career, Peter J. Chambers has held a number of key positions in various international companies, including Sperry New Holland, Coopers and Lybrand, the South East Asian Telecommunications Consulting Practice, LHS Communications, Redfern Broadband Networks, and Affinity Internet. He joined XL in 1996 as a Vice President Director and left XL in 1999 with his last position as Chief Financial Officer. He concurrently holds, since 2005, the position of Managing Director and Company Director of PT. Rajawali Corpora.

Dr. Ir. Giri Suseno Hadihardjono (Indonesian) was appointed as our Independent Commissioner in July 2008. He graduated from the Bandung Institute of Technology (ITB) in 1964 with an Engineering degree major in Construction, obtained his Master of Science in Engineering — Mechanical Engineering (MSEME) from the University of Michigan, USA in 1966 and obtained his Doctorate in Technical Science from ITB in 2005. He previously served as Indonesia's Minister of Communications (Development VII and the Development Reform Cabinets from 1998 to 1999) and as the Director General of Land Transportation (1984 to 1991). He is currently serving as a Senior Advisor to PT Jababeka Tbk., and as a senior lecturer with the Faculty of Industrial Technology at ITB.

Elisa Lumbantoruan (Indonesian) was appointed as our Independent Commissioner in July 2008. He graduated from the Bandung Institute of Technology (ITB) in 1985, majoring in Mathematics. He has over 20 years of extensive experience in sales, marketing and information technology. He has held various key management positions in a number of prominent companies, including as the Director of Marketing at PT Digital Astra Nusantara and PT Compaq Computer Indonesia, and as President Director of PT Hewlett-Packard Indonesia. He is currently serving as the EVP of Corporate Strategy and IT with PT Garuda Indonesia and is also a Commissioner of PT Gapura Angkasa.

Board of Directors

Name	Age	Position
Hasnul Suhaimi	52	President Director
Joris De Fretes	56	Director
P. Nicanor V. Santiago III	44	Director
Joy Wahjudi	38	Director
Willem Lucas Timmermans	46	Director
Dian Siswarini	41	Director

Hasnul Suhaimi (Indonesian) was appointed as our President in September 2006. He has previously served in various directorship positions in Indosat (in 1997-1998 and 2002-2006) with his last position as its President Director. Hasnul Suhaimi has also served as the President Director of Indosat Multi Media Mobile (IM3) in 2001-2002 and as the Director of Commerce with Telkomsel in 1998-2000. He graduated from the Bandung Institute of Technology (ITB) in 1981 with a degree in Electrical Engineering and has a Master of Business Administration degree from the University of Hawaii, USA, in 1992.

Joris de Fretes *(Indonesian)* was appointed as our Director of Human Capital Development (HCD) in November 2003. Having extended roles and responsibilities, the HCD Directorate later changed its name to Corporate Services. He previously served as the General Manager of Human Resources of XL (1999-2003). Joris de Fretes graduated with a degree in Psychology from the University of Indonesia, and has over 20 years´ experience in human resources with both local and multinational companies.

P. Nicanor V. Santiago III (Filipino) was appointed as our Marketing Director in June 2005. He has extensive experience in product sales and marketing and has occupied various executive positions for a number of companies in the Philippines, including consumer goods and oil companies. Prior to joining XL, he served as the Vice President of Service Creation/New Product Development with Globe Telecom Inc. He graduated from the Ateneo de Manila University in 1987 with a Bachelor of Science degree in Business Management.

Joy Wahjudi *(Indonesian)* was appointed as our Director of Commerce in September 2006. He previously held various senior positions in XL since 1997, whereby his last position prior to his appointment to the Board of Directors was as Vice President for the Jabodetabek Region. Prior to joining XL, Joy Wahjudi worked with PT General Motors and PT Mobile Seluler Indonesia. He graduated with a Bachelor of Science in Business Management degree from California State University, USA, in 1992 and has a Master of Business Administration degree from the same university in 1993.

Willem Lucas Timmermans *(Dutch)* was appointed as our Finance Director in December 2006. He has over 20 years experience in Finance and Investor Relations. He previously served as Vice President of Business Control & Investor Relations at PT Telekomunikasi Seluler Indonesia (Telkomsel) from 2003 until November 2006 and as the Finance Director of PT Bakrie Elektronik (Indonesia) until the end of 2000. He also has held various strategic senior positions at KPN, a Dutch telecommunications company, until 1997. He graduated from the University of Groningen, Netherlands, in 1988, majoring in Business Economics and Financing.

Dian Siswarini *(Indonesian)* was appointed as our Director of Network Services in April 2007. She has more than 15 years´ experience in the telecommunications industry, mainly in Network and Engineering. She joined XL in 1996 and previously served as Manager of Radio Network Design Engineering and other key positions in the XL Network and Engineering Department, with her last as Senior Vice President of Network Planning & Development. She graduated from the Bandung Institute of Technology in 1991, majoring in Telecommunications.

Term of Office

Our Board of Commissioners and Board of Directors were elected for a three-year terms, without prejudice to the rights of the General Meeting of Shareholders to dismiss a Commissioner or a Director during their term of office or to reappoint a Commissioner or Director whose term of office has expired. All current members of the Board of Directors and the Board of Commissioners were reappointed at the Annual General Meeting of Shareholders held on April 4, 2008 to serve office until the closing of the Annual General Meetings of Shareholders to be convened in 2011. In any case, the term of office of members of the Board of Directors and the Board of Commissioners appointed after the Annual General Meeting of Shareholders held on April 4, 2008, shall accordingly follow the incumbent Board of Directors and Board of Commissioners.

Compensation

The total compensation paid to our Board of Directors in 2007, 2008 and 2009 was Rp. 16.7 billion, Rp. 31.8 billion and Rp. 29.9 billion, respectively.

Corporate Governance Process

Our Board of Commissioners acts as the overall supervisory and monitoring body of the Company, which includes providing guidance and advice to the Board of Directors. Decisions above certain materiality thresholds have to be referred by our Board of Directors to our Board of Commissioners or General Meeting of Shareholders for their review and further approval. Our Board of Directors has full responsibility for managing the Company in accordance with the Company's objectives, as well as to represent the Company for both within and outside the law courts.

Our corporate governance framework provides checks and balances while allowing our management flexibility for prompt decision making in the ordinary course of business. Post implementation audits of significant expenditures are conducted and reviewed by designated committees and by our Board of Directors.

Under BAPEPAM regulations, XL must submit to BAPEPAM an annual report within four months after its financial year-end. XL must also submit to BAPEPAM periodical consolidated financial statements, i.e. quarterly, half-yearly and annually, within 30 days (unaudited) or 90 days (audited) subsequent to the relevant financial period end. XL must also make a public announcement within two working days of any material fact or information or the occurrence of any decision or event that may affect the price of our shares or affect an investor's decision to invest in our shares.

Business Processes

We monitor all capital expenditure projects using our enterprise resource planning system provided by SAP. In addition, we follow the enhanced Telecom Operations Map ("eTOM") guidelines established by a group of international telecommunication operators, which outlines the best practices for identification and implementation of business processes for the telecommunication industry.

PRINCIPAL SHAREHOLDERS

As of December 31, 2009, our authorized share capital was Rp. 2,265,000,000,000 divided into 22,650,000,000 shares of Rp. 100 par value each and our issued share capital was Rp. 850,800,000,000 consisting of 8,508,000,000 shares of Rp. 100 par value each. The following table sets forth certain information with respect to the beneficial ownership of our ordinary shares as of December 31, 2009.

Name	**Number of shares held**	**Percentage of total outstanding shares**
Indocel Holding Sdn Bhd [(1)]	7,358,709,290	86.492%
Emirates Telecommunications Corporation (ETISALAT) International Indonesia Ltd.	1,132,497,500	13.311%
Public	16,793,210	0.197%
Total	8,508,000,000	100%

(1) Indocel Holding Sdn. Bhd. is indirectly 100%-owned by Axiata Group Berhad.

Axiata Group Berhad and Subsidiaries

Axiata is a company incorporated on June 12, 1992 under the laws of Malaysia. Originally, Axiata was incorporated in the name of "Telekom Malaysia International Sdn Bhd" and subsequently on October 16, 2001 changed its name to "TM International Sdn Bhd." TM International Sdn Bhd was a wholly-owned subsidiary of Telekom Malaysia Berhad ("TM"), a company listed on the Main Market of Bursa Malaysia Securities Berhad, and part of the "TM Group" of companies. On December 12, 2007, TM International Sdn Bhd was converted to a public company and became TM International Berhad. TM International Berhad was subsequently demerged from TM through a demerger process in which TM International Berhad became the holding company of all of TM Group's mobile and non-Malaysian businesses effective from April 25, 2008. TM also distributed all of its holding in TM International Berhad to its shareholders and TM International Berhad was listed on the Main Market of Bursa Securities on April 28, 2008. TM International Berhad later changed its name to "Axiata Group Berhad" on March 31, 2009.

Indocel, a wholly-owned subsidiary of Axiata was incorporated in Malaysia on October 25, 1995 and is a private limited liability company.

Emirates Telecommunication Corporation

Emirates Telecommunication Corporation (ETISALAT) International Indonesia Ltd. is 100% owned by Emirates Telecommunication Corporation ("Etisalat"). Etisalat is the incumbent telecommunication services provider in the United Arab Emirates since 1976 and has operations and investments across 18 countries worldwide.

Axiata — Etisalat Shareholders Agreement

Pursuant to a Shareholders Agreement dated December 11, 2007, Axiata and Etisalat have agreed that Etisalat shall have the right to appoint one member of our Board of Directors and one member of our Board of Commissioners, as well as certain rights relating to transfers of our shares under certain circumstances. We are not a party to the Shareholders Agreement.