

PT XL AXIATA TBK. (XL)

9M 14



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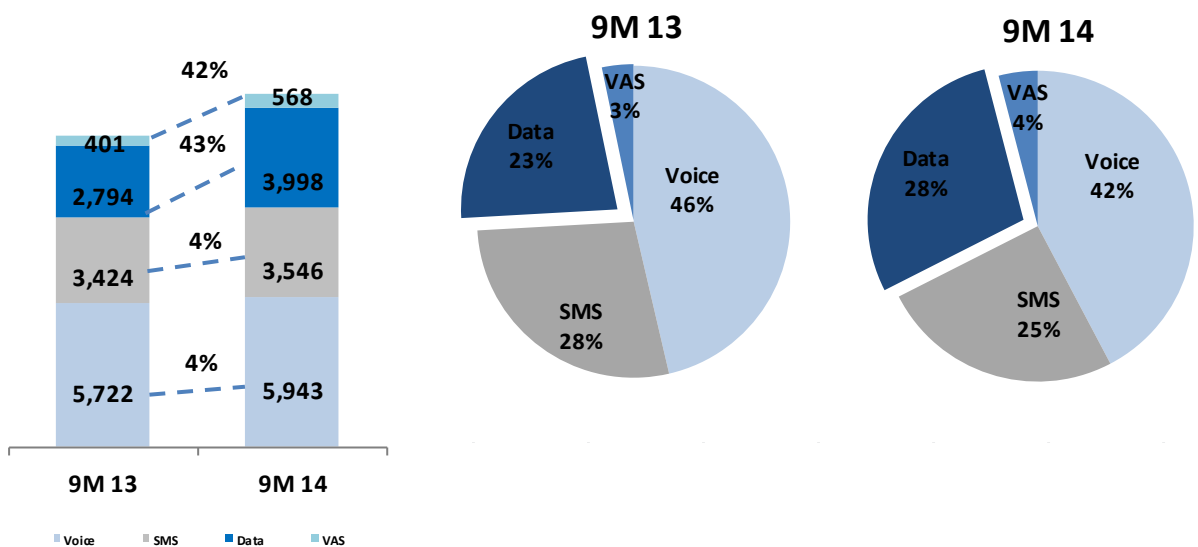
OVERVIEW

The data centric focus in capturing the growing data market in Indonesia has yielded positive results, with Data revenue growth of 43% YoY. This fastest growing segment has fuelled the overall YoY revenue growth of 11% with usage revenue increased 14% compared to a year ago. XL's total revenue reached Rp17.6 trillion with Data & VAS up by 43% while Voice and SMS revenue showed a positive performance with 4% growth respectively. Non-voice revenue accounted 58% of XL's total usage revenue, higher than 54% a year ago signaling the importance of data in the changing behavior of data centric customers moving forward.

XL has successfully completed the integration of Axis at the end of third quarter of 2014, well ahead of schedule. With the final phase of network integration and traffic migration done, XL will focus on equipment re-use and dismantling to optimize its asset. Prior to this, the billing migration, integration of employees and distributions were carried out and completed. Careful execution of initiatives to reduce Axis' cost structure since October 2013 has resulted in 70% cost reduction as at 9M 14.

With an aim to further unlock value to its shareholders, XL has signed an agreement to monetize part of its tower portfolio by selling 3,500 towers to PT Solusi Tunas Pratama Tbk. ("STP") with a consideration of Rp 5.6 trillion at an attractive implied multiple and overall NPV positive transaction. The proceeds will be used to repay XL's outstanding debt and improve its capital structure.

Usage revenue YoY (Rp Bn)



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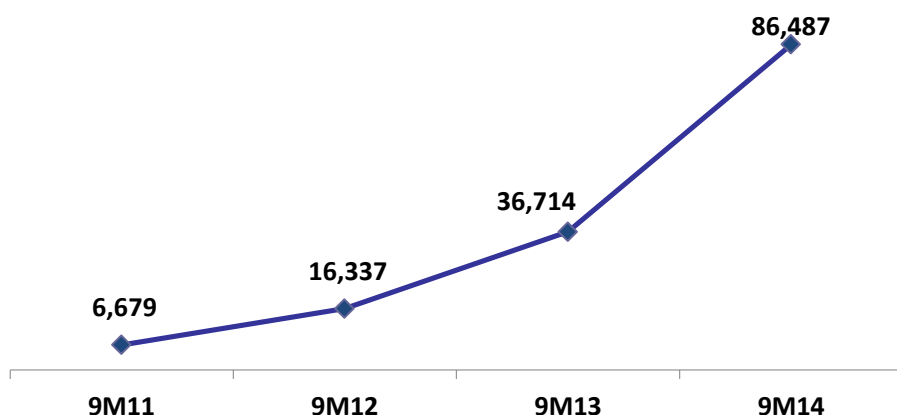
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Data and VAS Business

- The increased adoption of data enabled phones and reason to use have led to continued strong growth in data traffic. Data traffic grew by 136% YoY with total Data users reached 31.2 million or 53% of the total base. As of 9M14, Data services contributed 28% to total usage revenue, an increase from 23% a year ago.

Total Data Traffic (TB)



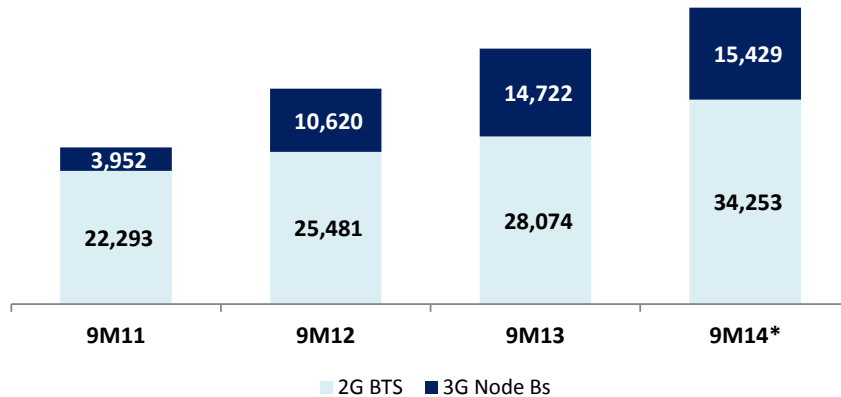
- Following the success of **Internet Unlimited** package, XL launched a new starter pack called **Internet Super Unlimited** aimed at new Data entry users. This package allows new users to experience Data through a simple data package with fair usage limits. As they have experienced the data service and require better experience and higher consumption, XL aims to manage them upwards in Data offerings through volume based Hot Rod 3G+ plans for better experience.
- XL managed to reduce the decline of Data yield in the third quarter 2014 through careful traffic balancing and pricing adjustment. Initiatives carried out include traffic control on a daily basis through daily usage speed adjustment on high traffic packages, limiting access to several FTP sites and adjusting fair usage policy. This is aimed at the challenging objective of balancing traffic load and monetization of traffic.
- Bundling packages with various handsets continued to see encouraging results with higher Data usage in 9M14. Latest collaboration with **Nokia Lumia** was introduced in the third quarter 2014 with attractive handset bundling to attract customers using Data services. The collaboration with **Nokia Lumia** complements the existing partnership with different smartphones such as **HTC One Mini, Blackberry Z3, Samsung Galaxy Trend Lite** and others.
- XL collaborated with **Facebook** and **Ericsson** to improve network performance for better coverage and experience in several areas. This is in line with XL's commitment to deliver a consistently better Data experience through customers. The collaboration will improve network performance up to 70 percent for the Facebook application on XL's network.

The growth of smartphones has successfully driven the increase in Data adoption in Indonesia. XL's smartphone penetration has grown to a penetration of 25% of its base as at 9M14. XL smartphone users grew 58% YoY and reached 14.6 million users.

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Infrastructure



* Number of BTS from XL standalone

Aimed at providing superior data experience to its customers, XL has deployed more than 15,000 Node Bs as at 9M 2014 and a total BTS of 49,682, excluding BTS from Axis, pending completion of the network integration. The investment was carefully executed based on a framework of potential Data demand and opportunities in the market.

Network transformation implemented starting 2014 in key cities has delivered positive results especially during heightened traffic consumption. During the Lebaran season, XL succeeded to manage the traffic increase as evident by lower customer complaint by as much as 20% compared to the previous year and higher successful rate of connection as high as 99.94%.

Voice and SMS Business

The Voice and SMS services increased 4% respectively YoY post merger with Axis and through efforts to mitigate the decline as a result of substitution to data. Price optimization has helped voice revenue grew positively despite the decline in total outgoing minutes of 12% YoY. Total outgoing SMS increased positively 2% YoY, in line with the growth in SMS revenue.

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Digital Services

Through XL Digital Services, XL continues to expand its business beyond traditional telecommunication services.

XL launched **SIMPLY, Smart Electric Two-Way Meter Service**, which is an innovative **M2M** service to simplify corporate customers for recharging the electric token. Since the launch in July 2014, the service has proven to bring benefits to its customers and minimize excessive use of electricity.

XL Gudang Aplikasi, an entertainment portal with various types of content such as Apps, Games, Music and Video, has received positive respond in the market with more than 1 million users as of 9M 14.

In an effort to increase public awareness to use non-cash transactions Bank of Indonesia recently launched its program called "**Cashless National Movement**" to educate cashless transactions as easy, safe and efficient. **XL Tunai**, as a mobile virtual wallet service, is actively supporting this new program.

In addition, the cloud business of XL, **XCloud** has successfully received the **ISO 27001 The Management of Information Security** certification.

Axis Update

XL has completed the Axis integration ahead of its planned target with minimum disruption to its customers and operations. This brings a successful closure of integration milestones such as the completion of billing system migration, Human Resource synergies, channel and distribution integration as well as network & traffic migration. Post-completion, XL will focus on equipment re-use and dismantling to further optimize its assets.

Integration efforts and diligence on costs reduction has improved Axis' cost structure. As of 9M14, 70% cost reduction has been achieved since October 2013.

The acquisition of Axis was completed on 19 March 2014 and followed by merger on 8 April 2014.

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FINANCIAL MEASURES

Income Statement

Financial Statement (in Rp Billion)	9M13	9M14	Growth
Gross Revenue			
Voice	5,722	5,943	4%
SMS	3,424	3,546	4%
Data and VAS	3,196	4,566	43%
Cellular Interconnection and International Roaming Service	2,292	2,317	1%
Others	160	147	-8%
Cellular Telecommunication Service	14,794	16,519	12%
Other Telecommunications Services	1,090	1,117	2%
Gross Revenues	15,884	17,636	11%
Less: Discount	(75)	(95)	27%
Gross Revenue Net of Discount	15,808	17,541	11%
Interconnection and other direct expenses	2,863	2,569	-10%
Salaries & Employee Benefits (Permanent & Temporary)	707	883	25%
Sales and Marketing Expense	1,041	1,013	-3%
Infrastructure Expenses	4,378	6,280	43%
Supplies and Overhead expenses	401	473	18%
Total OPEX	9,389	11,218	19%
EBITDA	6,419	6,323	-1%
EBITDA Margin	40%	36%	4%
Depreciation & Amortization	4,285	5,174	21%
EBIT	2,134	1,149	-46%
Other Expenses			
Finance income/(cost) - net	(663)	(1,026)	55%
Forex gain/(loss) - net*	(192)	(1,058)	450%
Share of results from jointly controlled entity	18	(65)	N/A
Others	(103)	(75)	-27%
Total Other Expenses	(940)	(2,224)	137%
Income before income tax	1,194	(1,075)	N/A
Income Tax Expense	(277)	173	N/A
Profit (Loss) for the period	917	(901)	N/A
Earnings Per Share (full amount)	107	(107)	N/A

Normalized Profit (In Rp Billion)	9M13	9M14	Growth
Profit for the year	917	(901)	N/A
Unrealized forex (gain)/loss	581	869	50%
Accelerated depreciation	192	-	N/A
Tax Impact	(193)	(217)	12%
Normalized Profit for the year	1,497	(250)	N/A
Normalized Earnings Per Share (full amount)	175	(29)	N/A

* For Info Memo disclosure, hedging gain/(loss) will be accounted under Forex gain/(loss) - net

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Operational Results

XL recorded gross revenue of Rp17.6 trillion, an 11% YoY increase.

- Cellular Telecommunication Service revenues increased by 12% to Rp16.5 trillion and contributed 94% to total revenue driven by Data growth. Voice revenue reached Rp5.9 trillion while SMS revenue reached Rp3.5 trillion, both grew 4% respectively YoY. Revenue from Data and VAS increased 43% and contributed 26% to total revenue, an increase from 20% last year while Data alone grew 43% YoY.
- Other telecommunications services revenue comprised mainly of leased towers, leased lines and national roaming, grew by 2% to Rp1.1 trillion mainly driven by the recognition in national roaming revenue from the reactivation of national roaming with Axis in 9M14. Other telecommunications services revenue contributed 6% to total revenue.

Operating Expenses

Total operating expenses increased by 19% YoY to Rp11.2 trillion.

- Interconnection and other direct expenses decreased by 10% YoY. This was mainly due to lower interconnect costs as a result of lower off-net SMS traffic. In addition, cost to Research in Motion (RIM) continued to decline by 15% compared last year with less emphasis on Blackberry and higher adoption of Android devices in the market.
- Salary and Employee Benefits increased by 25% YoY. The increase was mainly due to higher number of employees in 9M14 relative to a year ago.
- Sales and Marketing expenses decreased by 3% YoY. XL's ongoing effort for effective sales and marketing continued in 9M14 resulted in lower Advertising and Promotion expenses by 28% YoY.
- Infrastructure expenses increased by 43% YoY. Rental sites & towers repair & maintenance expense as well as license fee increased as XL continued to rollout network infrastructure to support the ever growing Data business. Higher license fee was a result of additional spectrum post acquisition of Axis.

EBITDA

EBITDA declined by 1% YoY to Rp6.3 trillion while EBITDA margin stood at 36%, down 4 percentage points from last year. The decline was largely due to the full impact from Axis' negative EBITDA that XL has accounted since 19 March 2014. In order to mitigate the decline, XL has continued its effort to turnaround Axis' negative performance.

Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 21% YoY driven by the impact arising from Axis acquisition as well as continuous investment in Data infrastructure in 9M14.

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Other Expenses/Income

Other expenses increased by 137% to Rp2.2 trillion as a result of weakening of Rupiah and higher interest expense from the loans related to the acquisition of Axis.

Realized Forex loss recorded by Rp188.8 billion while Unrealized Forex loss increased by 50% into Rp869 billion. As a result of additional loan related to the acquisition of Axis, total interest expense increased 57% YoY amounting to Rp1.1 trillion as at 9M 14.

Profit for the period

In 9M 14, XL recognized Rp901 billion loss due to higher Forex loss from the weakening of the Rupiah and higher Finance cost from additional debt compared to a year ago.

Balance Sheet

Balance Sheet (In Rp Billion)	9M13	9M14	Growth
Current Assets			
Cash and cash equivalents	2,117	3,147	49%
Others	3,328	6,671	100%
Total Current Assets	5,445	9,817	80%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	30,339	33,701	11%
Intangible asset	806	6,208	671%
Goodwill		6,105	N/A
Others	2,579	2,044	-21%
Total Non-Current Assets	33,724	48,058	43%
Total Assets	39,169	57,876	48%
Current Liabilities			
Current maturity of long term loans and bonds	3,082	4,954	61%
Others	4,169	10,885	161%
Total Current liabilities	7,251	15,839	118%
Non-Current Liabilities			
Long term loans and bonds	14,459	19,353	34%
Shareholder loan		6,106	N/A
Others	2,255	2,615	16%
Total Non-Current Liabilities	16,714	28,074	68%
Total Liabilities	23,965	43,912	83%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,341	6,450	2%
Retained earnings	8,863	7,514	-15%
Total Equity	15,204	13,963	-8%
Total Liabilities and Equity	39,169	57,876	48%

In 9M 14, total assets reached Rp57.9 trillion, 48% higher compared to the previous year due to the acquisition of Axis, continued investment in infrastructure as well as increase in cash from financing activities.

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- Current assets increased by 80% YoY driven by an increase in cash and cash equivalents by 49% and an increase in advances and prepayment by 48% as well as the recognition of indemnification assets related to Axis. In addition, post the announcement of the tower sale and leaseback transaction, XL recognized assets held for sale amounted to Rp865 billion as of 9M14.
- Non-current assets increased by 43% YoY mainly due to higher fixed assets that increased by 11% as well as recognition of intangible asset and goodwill from Axis acquisition.

Total liabilities increased by 83% YoY as a result of higher borrowings at Rp30.4 trillion mainly related to the Axis acquisition.

- Current liabilities increased by 118% driven by higher trade payables by 75% as well as higher provision.
- Non-current liabilities increased by 68% mainly due to increase of long term loan by 34% related to the Axis acquisition.

Capital Expenditure

Capital Expenditure (In Rp Billion)	9M13	9M14	Growth
Capitalized capex	4,899	4,359	-11%
Paid capex	5,841	5,294	-9%
Commitments entered into*	3,290	4,163	27%

* The USD portion was converted to IDR using closing rate of September 2013 and 2014. The exchange rate Rupiah against USD as of September 2013 and 2014 were Rp11,613/USD and Rp12,212/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	9M13	9M14	Growth
Net cash flow generated from operating activities	6,153	6,566	7%
Net cash flow used in investing activities	(6,438)	(15,193)	136%
Free cash flow	(285)	(8,627)	2927%
Net cash flow generated from financing activities	1,587	10,455	559%
Net increase/(decrease) in cash and cash equivalents	1,302	1,829	40%
Cash and cash equivalents at the beginning of the period	792	1,318	66%
Effect of exchange rate changes on cash and cash equivalents	23	(0)	N/A
Cash and cash equivalents at the end of the period	2,117	3,147	49%

- Net cash flow generated from operating activities increased by 7% to 6.6 trillion mainly driven by an increase in receipts from customers and other operators by 21% but partially offset by the increase in payments for suppliers and other expenses by 36%.
- Net cash flow used in investing activities increased by 136% to Rp15.2 trillion as a result of the Axis acquisition amounting to Rp10.1 trillion.
- Net cash flow generated from financing activities was at Rp10.5 trillion, increased by 559% mainly driven by higher cash proceeds from long term loan and sale of treasury shares.

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Description of Debts

The detail of debts as of 30 September 2013 and 2014 are as follows:

Description	(in Original Amount)		Year of Maturity
	9M 13	9M 14	
USD Loan (mn)	US\$ 105	US\$ 57	Amortizing semi annually, final repayment is in 2015
	US\$ 210	US\$ 189	Amortizing annually, final repayment in 2016
	US\$ -	US\$ -	Bullet repayment in 2016
	US\$ -	US\$ 900	Bullet repayment in 2017
	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ -	US\$ 400	Bullet repayment in 2019
	US\$ 365	US\$ 1,596	
IDR Bank Loan (bn)	Rp 2,100	Rp 1,050	Amortizing annually, final repayment is in 2014
	Rp 2,300	Rp 2,000	Amortizing annually, final repayment is in 2015
	Rp 1,000	Rp 900	Amortizing annually, final repayment is in 2016
	Rp 4,950	Rp 4,400	Amortizing annually, final repayment is in 2017
	Rp 3,000	Rp 2,700	Amortizing annually, final repayment is in 2018
	Rp 13,350	Rp 11,050	
Unamortized Loan Issuance Cost (bn)	Rp (51)	Rp (128)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 17,541	Rp 30,413	

* The USD portion was converted to IDR using closing rate of September 2013 and 2014. The exchange rate Rupiah against USD as of September 2013 and 2014 were Rp11,613/USD and Rp12,212/USD, respectively.

Gearing Ratios	9M13	9M14	Growth
Debt/Equity	1.2	2.2	1.0
Net Debt/Equity	1.0	2.0	0.9
Debt/EBITDA	2.0	3.6	1.6
Net Debt/EBITDA	1.8	3.2	1.4

During 9M 14, XL made repayment of debts amounting to Rp1.25 trillion and USD60 million. In addition, XL has drawdown the rest of UOB loan amounted USD50 million that was signed in June 2014.

As of 30 September 2014, XL hedged 63% of external USD loan.

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OPERATING MEASURES

	9M13	9M14	Growth
Total O/G Minutes of Usage (billion minutes)	81.5	71.7	-12%
Total Minutes (billion minutes)	163.6	143.9	-12%
Total O/G SMS (billion SMS)	192.2	196.8	2%
Total data traffic (Petabyte)	35.9	84.5	136%
Total BTS*	42,796	49,682	16%
2G	28,074	34,253	22%
3G	14,722	15,429	5%
Number of Employees (permanent & contract with permanent position)	2,011	2,190	9%
Postpaid users (000)	332	412	24%
Prepaid sim cards (active and grace / million)	57.8	57.8	0%
Total user base (million)	58.1	58.3	0%
ARPU blended (Rp 000)	27	25	-7%
Postpaid revenue/sub (Rp 000)	136	118	-13%
Prepaid revenue/sim card (Rp 000)	26	25	-4%

* Number of BTS from XL standalone

RECENT DEVELOPMENT

- XL has completed the entire sale of 231,114,140 treasury shares done in the open market, representing 2.7% of the share capital. The sale of treasury shares was related to the mandatory share buyback from dissenting shareholders arising from the merger between XL and Axis in February 2014.
- XL announced the completion of the tender process to sell a 3,500 of its telecommunications tower portfolio on 30 September 2014 to PT Solusi Tunas Pratama Tbk.

ACHIEVEMENT

- XL received an award from Frost & Sullivan 2014 for the "Indonesia Mobile Digital Service Provider of The Year."

CONSOLIDATED GUIDANCE

2014

Revenue growth	Low teens
EBITDA margin	Mid 30's
Cash out capex	Around Rp 7 trillion

ABOUT XL

PT XL Axiata Tbk. is one of the major cellular providers in Indonesia. PT XL Axiata Tbk. is (66.5%) owned by Axiata Group Berhad through Axiata Investments (Indonesia) Sdn Bhd and public (33.5%), and is part of Axiata Group with Robi (Bangladesh), Smart (Cambodia), Idea (India), Celcom (Malaysia), M1 (Singapore), SIM (Thailand) and Dialog (Sri Lanka).

Date: 29 October 2014