

PT XL AXIATA TBK. (XL)

9M 15



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OVERVIEW

During the current quarter, XL has seen further positive momentum and is starting to reap the benefits from its "3R – Revamp, Rise & Reinvent" transformation agenda implemented at the start of 2015. The improving financial performance and operating metrics underpins XL's belief that it is on the right path to delivering value.

In tandem with the transformation, the management of XL had set out a clear and concrete plan to proactively strengthen the company's financial position through a series of Balance Sheet Management initiatives. As of today, XL has repaid or refinanced a total of US\$580m of unhedged external USD debt over the past few months. Thus all of XL's remaining external USD debt is fully hedged until maturity.

XL has continued its positive momentum with a 4% QoQ revenue growth improving upon the 2% QoQ recorded in Q2. This was driven by growth in usage revenue of 5% QoQ with a solid performance recorded by both Voice (up 11% QoQ) and Data (up 5% QoQ) segments.

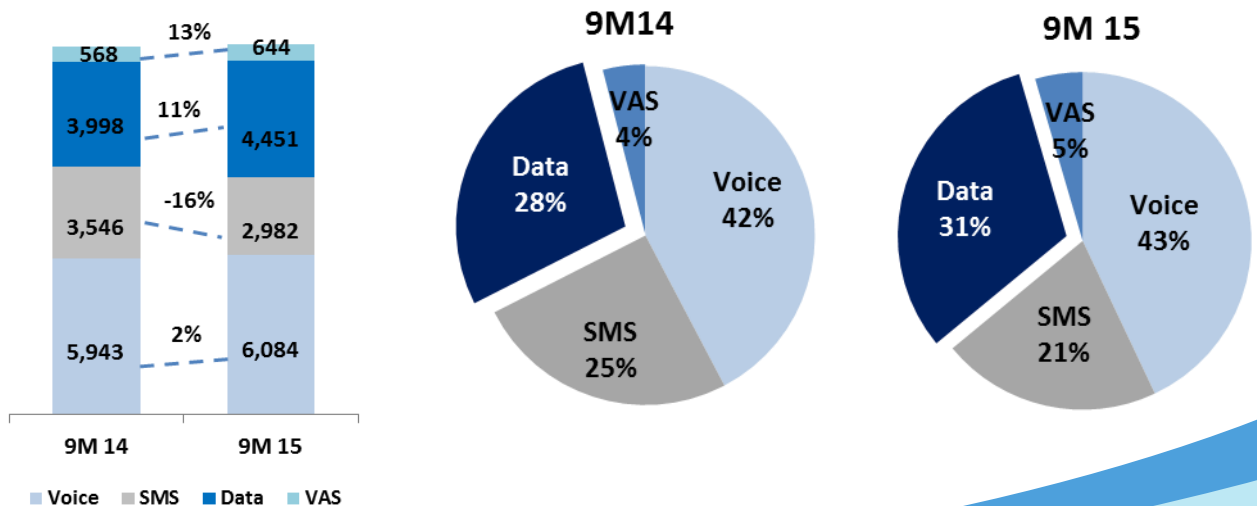
Most importantly, EBITDA has improved markedly during the quarter rising 10% QoQ as EBITDA margins rose 200 bps from 35.5% in Q2 to 37.5% in Q3. This is a result of XL's focus on the higher value subscribers and improved product pricing as well as a focus on cost controls.

The leading indicators that XL has talked about previously have continued to trend positively during the latest quarter. These include an improving subscriber mix; a joiner ARPU which is significantly higher than churner ARPU; rising reloads per sub; and an increased share of modern distribution channels versus traditional.

XL saw an increase in its core usage revenue of 1% YoY in 9M 15 driven by a solid performance of Data and VAS revenues (up 12% YoY) as well as Voice (up 2% YoY) despite slower SMS revenue growth (down 16% YoY). The shift of focus to the higher-value customers is also evidenced by a 28% increase in blended ARPU from Rp 25,000 in 9M 14 to Rp 32,000 as of 9M 15.

Importantly the decline in gross revenue for 9M 15 of 4% YoY is a result of foregone leased tower revenue following the sale and lease back of 3,500 towers to STP which was completed in December 2014.

Usage revenue YoY (Rp Bn)



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XL Transformation Agenda Updates

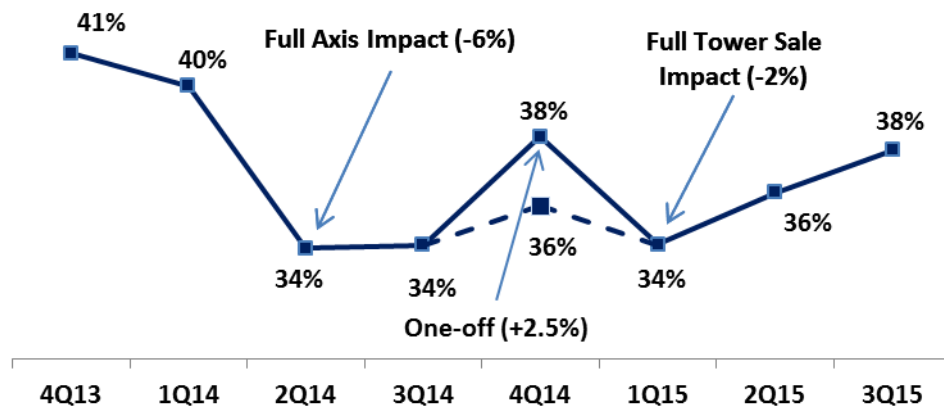
XL continues to see positive momentum from its “3R – Revamp, Rise & Reinvent” transformation agenda implemented at the start of 2015. To recap, the transformation involves: **Revamp** - to shift subscriber acquisition (from largely ‘no value’ to ‘value’ subs) & distribution strategies as well as a total overhaul of the product portfolio to improve yields. **Rise** – moving the XL brand up the value ladder and via a dual-brand strategy with Axis to address different segments of the market. **Reinvent** – going beyond today’s business model.

The rationale for this transformation is to adapt to the changing market dynamics and focus on value creation as XL seeks to build a more sustainable business for the future. The whole transformation process is expected to take 12-18 months to complete.

Following the positive initial results seen in Q2, this quarter has seen further improved momentum resulting in, an improving customer mix with a bigger share of higher value subs and an increase in amount of reloads per subscriber, a 19% rise in blended ARPU from Rp 32,000 as of 2Q 15 to Rp 38,000 as of 3Q 15 and a continued rise in modern distribution share.

This has translated to improving financial performance of which the biggest improvement is the sharp 10% QoQ rise in EBITDA and 200bps increase in EBITDA margins to 37.5% from 35.5% in Q2. Revenue momentum has also shown further improvement rising 4% QoQ as usage revenue rose 5.3% QoQ.

EBITDA Margin trending up



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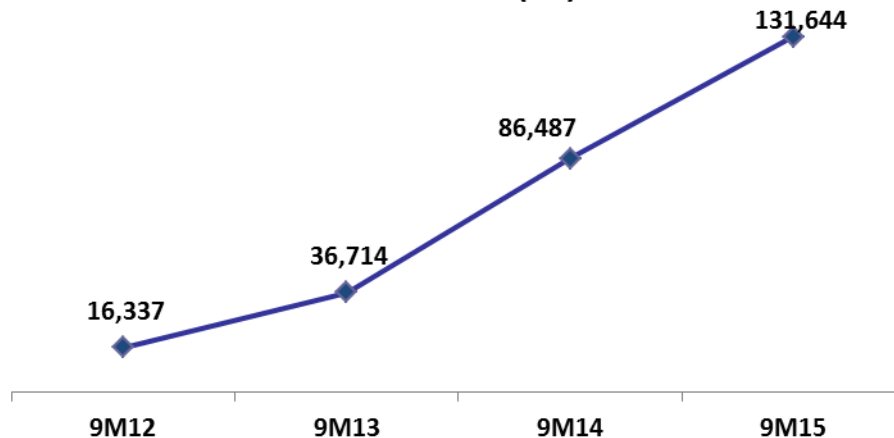
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Data and VAS Business

- XL continues to remain focused on being the leader of mobile internet in Indonesia. In line with this and the increased adoption of data enabled phones and reason to use have led to continued strong growth in data traffic. Data traffic grew by 52% YoY in 9M 15 compared with the same period last year with total Data users at 20 million or 49% of the total base.

Total Data Traffic (TB)



- As part of the transformation efforts in improving the data portfolio and abuser management, XL has successfully maintained data yields as of 3Q 15.
- To encourage customers to reload, XL introduced a competition - **60 Mazda, 60 Days, 60 Winners** - wherein customers with the biggest daily reload stand a chance to win a Mazda2 every day for 60 days.
- XL continues to drive adoption of 4G enabled handsets by offering different bundling options with various smartphones from **Samsung, Xiaomi, Alcatel, Lenovo, LG, and Sharp** for both prepaid and postpaid customers.
- In on-going efforts to increase distribution to modern retail channels, XL introduced '**Harga Pas**' at sales through convenience stores such as **7-Eleven** and **Indomaret** whereby reloads are sold at face value.

The growth of smartphones has successfully driven the increase in Data adoption in Indonesia. XL's smartphone penetration has grown to a penetration of 38% of its base as at end 9M 15. XL smartphone users grew 7% YoY and reached 15.6 million users.

4G LTE

XL continues to focus on mobile internet leadership in Indonesia and 4G LTE is a key part of this strategy to meet consumer's demand for high-speed internet.

XL has already begun rolling out its 4G LTE footprint with 1,018 sites as of end 9M 15 with XL's initial 4G LTE footprint now extending to 8 areas/cities, Medan, Bogor, Jogjakarta, Lombok, Surabaya, Bandung, Bali and Jakarta. Significant network additions are being made ahead of the commercial LTE launch targeted for November upon completion of the 1800 MHz spectrum rearrangement.

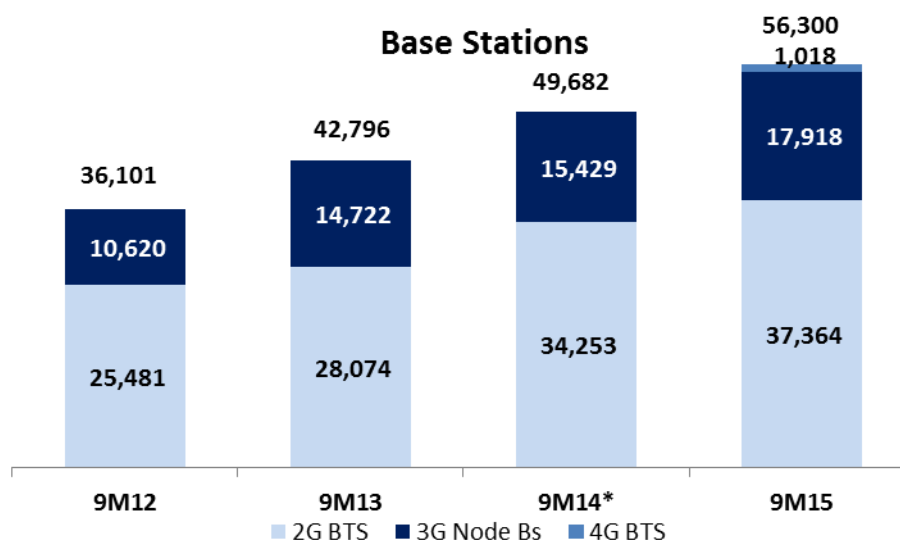
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In line with this, XL continues to expand its offering on 4G LTE products with its various HotRod 4G packages that offer 4G LTE quotas to fulfill customer demands for high-speed quality internet. Further, through various collaboration and offers of handset bundling packages this is aimed at increasing customer adoption of 4G enabled handsets to develop the 4G LTE ecosystem in Indonesia

Infrastructure



*Number of BTS from XL standalone

As XL seeks to maintain the quality of data experience to its customers, network deployment remains a key thrust, with just under 18,000 3G Node Bs at the end of 9M 15 and a total of 56,300 BTS. As of 9M 15, XL has also rolled-out 1,018 4G BTS in preparation for the commercial launch of 4G before year-end.

XL continues to invest in network modernization and upgrades to support the rising data traffic across its network and to deliver stability, expand network capacity and improve quality for both voice and data services.

Voice and SMS Business

Voice revenues rose 2% YoY while SMS revenues dropped 16% YoY in 9M 15 respectively due to the on-going substitution to Data. However, efforts on price optimization has helped mitigate the revenue decline despite a steeper drop in total outgoing minutes of 26% YoY and total outgoing SMS of 39% YoY.

Digital Services

XL Digital Services (DS) organization continues to be the driver of XL efforts in unleashing the Indonesian mobile internet market potential.

Below are some selected activities that XL Digital Services achieved throughout the 3rd quarter:

- **Gudang Aplikasi** – a product of XL DS Digital Entertainment team – managed to increase its content & applications for download to more than 25,000. There are more than 3.2 million users registered on this application platform.
- **Internet of Things (XL IoT)** - XL IoT has launched XL Pay Point as an innovative solution to the customers without bank accounts who wish to pay bills or reload their prepaid numbers.

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- **elevenia** – the market place owned by XL and SK Planet – continues to grow its number of sellers to more than 25,000 and local live listing products to more than 400,000.
- **XL Tunai** – The team has successfully soft launched android based mobile application for the e-Money. They also managed to expand their reach to 11,000 Indomaret stores across Indonesia as their fulfillment point.
- **Xmart Village** – a corporate sustainability program to improve the villager’s life by introducing XL Digital Services solution into their daily life. By September 2015, Xmart Village 2.0 was completed. Two of the main highlights of the program are: (i) to support women and children digital empowerment by providing e-commerce and digital photo training, and (ii) to produce the 1st Smart Village Maturity Model framework in the world

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FINANCIAL MEASURES

Income Statement

Financial Statement (in Rp Billion)	9M14*	9M15	Growth
Gross Revenue			
Voice	5,943	6,084	2%
SMS	3,546	2,982	-16%
Data and VAS	4,566	5,095	12%
Cellular Interconnection and International Roaming Service	2,317	1,837	-21%
Others	147	210	43%
Cellular Telecommunication Service	16,519	16,208	-2%
Other Telecommunications Services	1,117	778	-30%
Gross Revenues	17,636	16,986	-4%
Less: Discount	(95)	(64)	-33%
Gross Revenue Net of Discount	17,541	16,922	-4%
Interconnection and other direct expenses	2,569	1,764	-31%
Salaries & Employee Benefits (Permanent & Temporary)	883	806	-9%
Sales and Marketing Expense	1,013	788	-22%
Infrastructure Expenses	6,280	6,975	11%
Supplies and Overhead expenses	473	516	9%
Total OPEX	11,218	10,849	-3%
EBITDA	6,323	6,073	-4%
EBITDA Margin	36%	36%	0%
Depreciation & Amortization	5,089	5,254	3%
EBIT	1,234	819	-34%
Other Expenses			
Finance income/(cost) - net	(1,089)	(963)	-12%
Forex gain/(loss) - net*	(1,058)	(3,026)	186%
Share of results from jointly controlled entity	(65)	(75)	15%
Others	(38)	1,936	N/A
Total Other Expenses	(2,250)	(2,128)	-5%
Income (Loss) before income tax	(1,016)	(1,309)	29%
Income Tax (Expense) Benefit	178	802	351%
Profit (Loss) for the period	(838)	(506)	-40%
Earnings (Loss) Per Share (full amount)	(99)	(59)	-40%

Normalized Profit (Loss) (In Rp Billion)	9M14*	9M15	
Profit (Loss) for the year	(838)	(506)	-40%
Unrealized forex (gain)/loss	869	2,860	229%
Accelerated depreciation	-	76	N/A
Gain/(Loss) from Capital Lease	-	(1,622)	N/A
Tax Impact	(217)	(734)	238%
Normalized Profit (Loss) for the year	(186)	74	N/A
Normalized Earnings (Loss) Per Share (full amount)	(22)	9	N/A

* 9M 14 numbers have been restated to reflect a more accurate disclosure. For details, please refer to the 9M 15 Financial Statements.

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

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Operational Results

For the 9M 15, XL recorded gross revenue of Rp17 trillion, a decrease of 4% YoY.

- Cellular Telecommunication Service revenues decreased by 2% YoY to Rp16.2 trillion and contributed 95% to total revenue driven by Data revenue growth of 11% YoY. Voice revenue reached Rp6.1 trillion up 2% YoY while SMS revenue was Rp3.0 trillion, down 16% YoY. Revenue from Data and VAS increased 12% YoY and contributed 33% to usage revenue, an increase from 27% last year. Revenue from Cellular Interconnect and International Roaming decreased by 21% YoY to Rp 1.8 trillion in 9M 15.
- Other telecommunications services revenue, which comprises mainly of leased towers, leased lines and national roaming, decreased by 30% to Rp778 billion mainly driven by foregone tower revenue which contributed approximately 3% of gross revenue, due to the sale and lease back transaction to Solusi Tunas Pratama (STP) completed in December 2014. Other telecommunications services revenue contributed 5% to total revenue during the quarter.

Operating Expenses

Total operating expenses decreased by 3% YoY to Rp10.8 trillion.

- Interconnection and other direct expenses decreased by 31% YoY. This was mainly due to lower SMS interconnect costs as a result of lower off-net SMS traffic as well as lower service access payments to RIM.
- Salary and Employee Benefits decreased by 9% YoY. The decrease was mainly due to lower employee numbers YoY as the majority of Axis' contract staff are no longer with the company post-completion of the integration.
- Sales and Marketing expenses decreased by 22% YoY. The lower sales and marketing expenses was largely due to a more effective commissions structure in-line with the transformation strategy to improve the traditional channels and grow modern channels.
- Infrastructure expenses increased by 11% YoY. This is mainly due to higher frequency costs as a result of the additional spectrum acquired as part of the Axis acquisition. Further, higher rental expenses from network expansion as well as the sale of towers to STP completed in December 2014 also contributed to the increase.

EBITDA

In 3Q 15, EBITDA increased 10% QoQ resulting in an EBITDA margin of 38% up 2 percentage points QoQ. The increase was mainly due to a reshape of the customer base to focus on the more profitable subscribers as well as efforts to improve profitability of the product portfolio. Further, efforts on cost controls also contributed to the improvement in EBITDA margins.

For the 9M 15, EBITDA declined 4% YoY to Rp6.1 trillion but EBITDA margin held steady at 36%, flat from the same period last year. The decline in absolute EBITDA was largely due to the impact of the consolidation of AXIS as this acquisition was completed on the 19th of March 2014 thus the impacts were not fully reflected in the previous year's period. Further, the tower sale and lease back completed in December 2014 resulted in lower tower revenue and higher leasing costs. This sale and lease back resulted in an EBITDA compression of approximately 120bps.

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Depreciation and Amortization Expenses

Depreciation and amortization expenses grew by 3% YoY driven by the expanded network infrastructure.

Other Expenses/Income

Other expenses declined 5% YoY to Rp2.1 trillion as the impact from the weakening of the Rupiah which resulted in a bigger forex loss compared to a year ago was offset by the recognition of the gain from the tower sale completed in Dec 2014.

Unrealized forex losses were Rp 2.9 trillion compared to Rp 0.9 trillion during the same period previous year.

Profit (Loss) for the period

In 9M 15, XL recognized an Rp 507 billion loss mainly due to the weakening of the Rupiah. However, the loss is smaller YoY due to the recognition of the gain from the tower sale and lower taxes.

Balance Sheet

Balance Sheet (In Rp Billion)	9M14	9M15	Growth
Current Assets			
Cash and cash equivalents	3,147	3,644	16%
Others	6,671	6,127	-8%
Total Current Assets	9,818	9,771	0%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	33,018	33,716	2%
Intangible asset	6,208	6,397	3%
Goodwill	6,681	6,681	0%
Others	2,044	2,300	13%
Total Non-Current Assets	47,951	49,094	2%
Total Assets	57,769	58,865	2%
Current Liabilities			
Current maturity of long term loans and bonds	4,954	3,338	-33%
Others	10,885	12,257	13%
Total Current liabilities	15,839	15,595	-2%
Non-Current Liabilities			
Long term loans and bonds	19,353	16,382	-15%
Shareholder loan	6,106	7,329	20%
Others	2,444	5,939	143%
Total Non-Current Liabilities	27,903	29,650	6%
Total Liabilities	43,742	45,245	3%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,450	6,483	1%
Retained earnings	7,578	7,137	-6%
Total Equity	14,028	13,620	-3%
Total Liabilities and Equity	57,769	58,865	2%

In 9M 15, total assets reached Rp 58.9 trillion, 2% higher compared to the previous year due to an increase in non-current assets related to a revaluation of assets from the Axis acquisition.

- Current assets remained flat YoY as higher cash balances was offset by a decline in other current assets – relating to assets held for sale.
- Non-current assets increased by 2% YoY mainly due to a revaluation of the assets acquired from Axis.

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Total liabilities increased by 3% YoY as a result of higher lease payables relating to the sale and leaseback of towers to STP.

- Current liabilities growth was down 2% YoY due to a 33% decrease in current maturities of long-term loans as XL executed several loan repayments over the 9M 15 period.
- Non-current liabilities increased by 6% mainly due to an increase in lease liabilities relating to the sale and leaseback of the tower transaction to STP

Capital Expenditure

Capital Expenditure (In Rp Billion)	9M 14	9M15	Growth
Capitalized capex	4,359	4,330	-1%
Paid capex	5,294	2,964	-44%
Commitments entered into*	2,260	2,319	3%

* The USD portion was converted to IDR using closing rate of September 2014 and 2015. The exchange rate Rupiah against USD as of September 2014 and 2015 were Rp12,212/USD and Rp14,657/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	9M14	9M15	Growth
Net cash flow generated from operating activities	6,566	6,766	3%
Net cash flow used in investing activities	(15,193)	(3,311)	-78%
Free cash flow	(8,627)	3,455	-140%
Net cash flow generated from financing activities	10,455	(6,789)	-165%
Net increase/(decrease) in cash and cash equivalents	1,829	(3,333)	-282%
Cash and cash equivalents at the beginning of the period	1,318	6,951	427%
Effect of exchange rate changes on cash and cash equivalents	(0)	26	N/A
Cash and cash equivalents at the end of the period	3,147	3,644	16%

- Net cash flow generated from operating activities increased by 3% to Rp 6.8 trillion mainly relating to a decrease in payments to suppliers by 11%.
- Net cash flow used in investing activities decreased by 78% to Rp 3.3 trillion as a result of the Axis transaction completed in the previous year's period and a lower capex spend so far this year compared to previous year.
- Net cash flow used in financing activities was Rp 6.8 trillion which is lower than in the previous year due to the repayments of loans this year made by XL.

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Description of Debts

The detail of debts as of 30 September 2014 and 2015 are as follows:

Description	(in Original Amount)		Year of Maturity
	9M 14	9M 15	
USD Loan (mn)	US\$ 57	US\$ 9	Amortizing semi annually, final repayment is in 2015
	US\$ 189	US\$ 88	Amortizing annually, final repayment in 2016
	US\$ 900	US\$ 650	Bullet repayment in 2017
	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ 400	US\$ 400	Bullet repayment in 2019
	US\$ 1,596	US\$ 1,197	
IDR Bank Loan (bn)	Rp 1,050	Rp -	Amortizing annually, final repayment is in 2014
	Rp 2,000	Rp -	Amortizing annually, final repayment is in 2015
	Rp 900	Rp 1,925	Amortizing annually, final repayment is in 2016
	Rp 4,400	Rp 3,500	Amortizing annually, final repayment is in 2017
	Rp 2,700	Rp 1,500	Amortizing annually, final repayment is in 2018
	Rp -	Rp 2,650	Amortizing annually, final repayment is in 2020
	Rp 11,050	Rp 9,575	
Unamortized Loan Issuance Cost (bn)	Rp (128)	Rp (78)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 30,413	Rp 27,049	

* The USD portion was converted to IDR using closing rate of September 2014 and September 2015. The exchange rate Rupiah against USD as of September 2014 and 2015 were Rp12,212/USD and Rp14,657/USD, respectively.

Gearing Ratios	9M 14	9M15	Growth
Debt/Equity	2.2	2.0	(0.2)
Net Debt/Equity	1.9	1.7	(0.2)
Debt/EBITDA	3.6	3.2	(0.3)
Net Debt/EBITDA	3.2	2.8	(0.4)

During 9M 15, XL made repayment of debts amounting to Rp 3.1 trillion and USD 390 million.

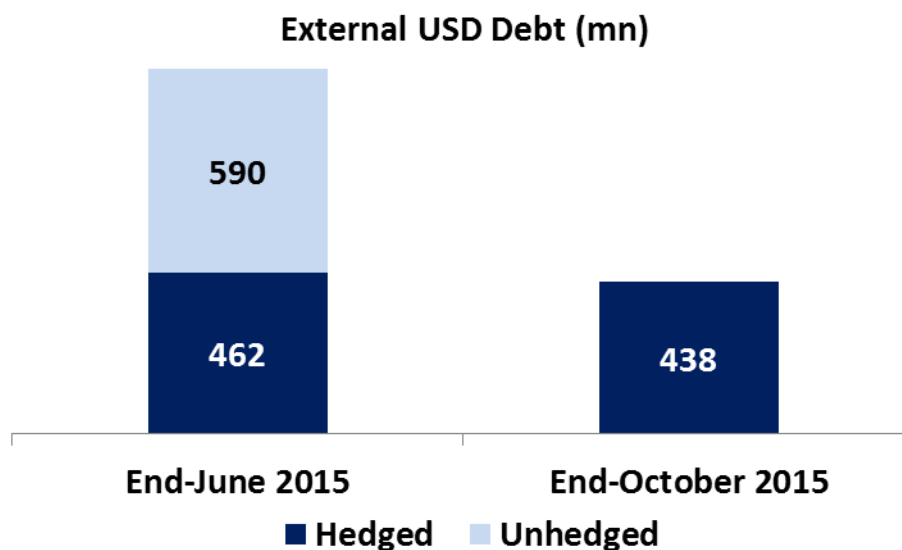
As of 30 September 2015, XL hedged 64% of external USD loans until maturity.

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Balance Sheet Management Updates

As part of the proactive Balance Sheet Management initiatives to reduce the forex exposure and volatility, in October 2015, XL has made further repayments and refinance of unhedged external USD debt amounting to US\$250 million. Thus as of 28th October 2015, XL has fully repaid and refinanced all its unhedged external USD debt which means that all external USD debt is 100% hedged until maturity.



The details of XL's debt as of 30 June 2015 and 28 October 2015 is as follows:

Description	30-Jun-15		28-Oct-15	
USD Loans (mn)	US\$	1,552	US\$	938
IDR Bank Loans (bn)	Rp.	8,600	Rp.	12,575
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp.	29,293	Rp.	25,356

* The USD portion was converted to IDR using closing rate of June 2015 and October 2015. The exchange rate of the Rupiah against the USD as of June 2015 and October 2015 were Rp 13,332/USD and Rp13,626/USD, respectively. The total interest bearing debt amount excludes loan amortization costs.

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OPERATING MEASURES

	9M14	9M15	Growth
Total O/G Minutes of Usage (billion minutes)	71.7	52.9	-26%
Total Minutes (billion minutes)	143.9	106.2	-26%
Total O/G SMS (billion SMS)	196.8	119.8	-39%
Total data traffic (Petabyte)	84.5	128.6	52%
Total BTS	49,682	56,300	13%
2G	34,253	37,364	9%
3G	15,429	17,918	16%
4G		1,018	
Number of Employees (permanent & contract with permanent position)	2,190	2,050	-6%
Postpaid users (000)	412	431	5%
Prepaid sim cards (active and grace / million)	57.8	41.0	-29%
Total user base (million)	58.3	41.5	-29%
ARPU blended (Rp 000)	25	32	28%
Postpaid revenue/sub (Rp 000)	118	105	-11%
Prepaid revenue/sim card (Rp 000)	25	32	28%

ACHIEVEMENT

- XL was recently recognized as *"The Fifth Best Managed Company in Indonesia"* by renowned financial magazine, FinanceAsia, in its annual poll of Asia's Best Companies.
- XL won two awards at the 12th edition of the Cellular Media Group's Cellular Awards 2015, *"Best Customer Care Service"* & *"Best Prepaid Product."*
- XL won *"The Best Champion of Jakarta Service Excellence Award"* in the MarkPlus WOW Service Excellence Awards (WOW South-East Asia) 2015 Cellular Operator Category.

CONSOLIDATED GUIDANCE

2015

Revenue growth	Flat
EBITDA margin	Mid to high 30's
Cash out capex	Around Rp 6.5 trillion

With the transformation agenda, the company remains confident of delivering EBITDA margin guidance of "mid to high 30s" though revenue guidance of "flat growth" for 2015 looks challenging at this juncture. In addition, through efficiently managing the company's capex, the total cash out capex is likely to come in below guided range of "Around Rp 6.5 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 ("Group"). The Group's mobile subsidiaries and associates operate under the brand name 'Celcom' in Malaysia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia, 'Idea' in India and 'M1' in Singapore.

Date: 28 Oct 2015