

# PT XL AXIATA TBK. (XL)

## 9M 16

### Disclaimer

This document contains certain financial information and results of operations, and may also contain certain projections, plans, strategies and objectives of XL, that are not statements of historical fact which would be treated as forward looking statements within the meaning of applicable law. Forward looking statements are subject to risks and uncertainties that may cause actual events and XL's future results to be materially different than expected or indicated by such statements. No assurance can be given that the results anticipated by XL, or indicated by any such forward looking statements, will be achieved.

### OVERVIEW

In building a sustainable data business, XL has continued to execute its long term value accretive “3R –Revamp, Rise, Reinvent” Transformation Agenda. The aim of XL’s transformation is to become the preferred data service provider to capture the value opportunity as Indonesia is on the cusp of a data explosion. Through the first nine months of the year, XL has stepped up in deploying a wider, stronger and better network to provide a superior data experience to customers across Indonesia and thus be well positioned in the data led and digital arena.

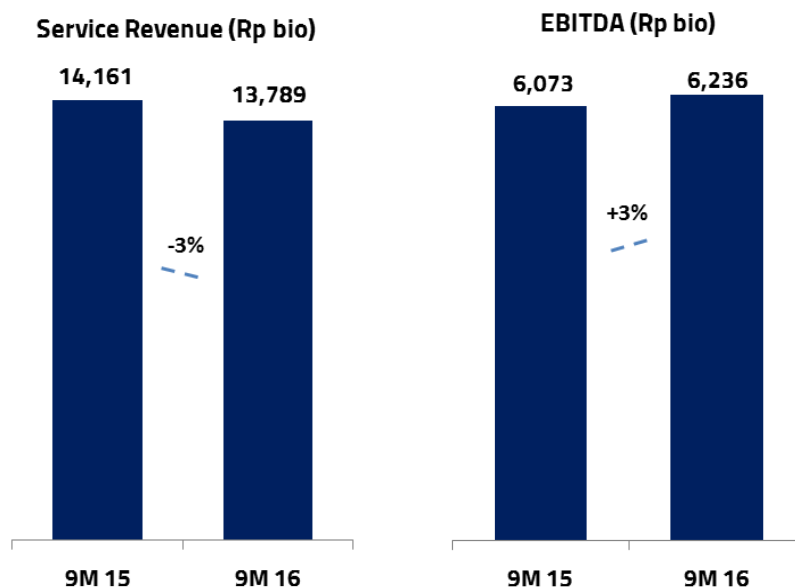
XL remains focused on its vision of becoming the leader in mobile internet in Indonesia with the advent of 4G-LTE. Underpinned by continued network roll-out of more than 7,000 4G e Node Bs in 88 cities and areas across Indonesia, this firmly positions the company to ride the demand for high-speed and reliable internet in Indonesia as one of the leading providers of 4G-LTE services.

In tandem, XL has started to roll-out U900 which is the utilization of 900MHz spectrum for 3G services which significantly improves XL’s Data services on 3G through better experience and better in-building coverage especially in areas outside of Java, narrowing the coverage and service gap with the market leader. This deployment utilising a lower band has enabled XL to provide a wider data coverage in a cost efficient manner and these sites are readily upgradable to 4G.

Indonesia’s data savvy customers have responded well to this move as smartphone subscribers now at 60% of XL’s subscriber base, and with a significant number of 4G-LTE subscribers, it is evident that XL is well on its way to achieving its long term vision of a mobile data leader.

In 3Q 16, Service Revenue grew 2% QoQ reversing the declining trend over the last 2 quarters, driven by growth in Data revenue which is offsetting the continued decline in Legacy Services revenue mainly due to substitution to Data. However, Gross Revenue is flat QoQ in 3Q 16 due to the foregone tower lease revenue from the completion of the sale and leaseback of towers to Protelindo completed in the previous quarter.

EBITDA decreased slightly QoQ in 3Q 16 due to the impact of the tower sale from higher leasing costs and also due to increased efforts on the Sales & Marketing front to build awareness with the U900 & 4G rollout and for better trade visibility. Whilst XL continues to build upon the modern channels in line with its long term strategy, in the short term, the company has seen to need to make enhancements to remain competitive on the traditional front. However, on a 9M 16 basis, EBITDA has increased 3% YoY while margins have increased 290 bps to 38.6% as a result of XL’s focus on profitability which is the crux of the Transformation Agenda.



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### Network Investment to Achieve Mobile Internet Leadership

Year 2 of its “3R – Revamp, Rise & Reinvent” transformation agenda, saw a continued focus on the “Rise” phase - moving the XL brand up the value ladder anchored on a superior data infrastructure. Establishing XL as the brand of choice for high-value customers who are typically heavy data consumers requires high-speed and reliable data services

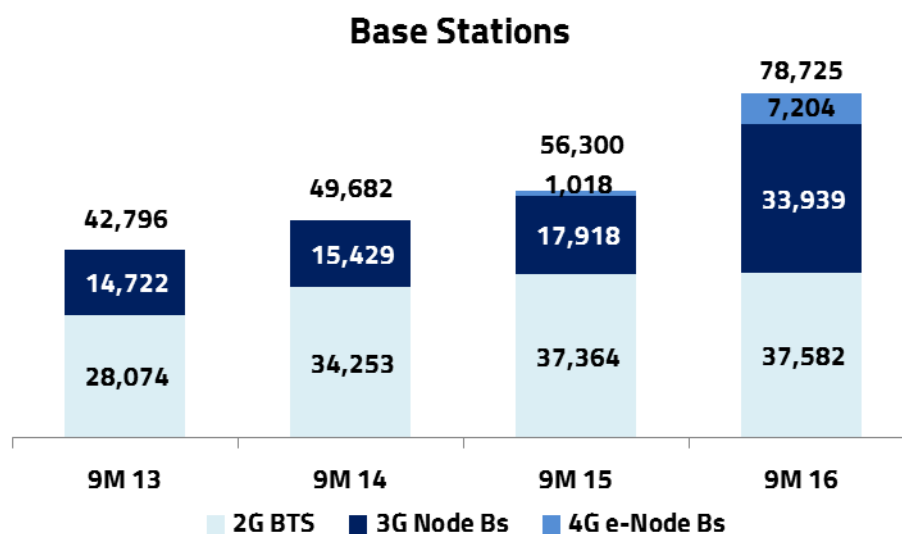
Network quality is essential to achieve this and thus XL continues to ensure top-notch quality of data experience to its customers with continued roll-out and upgrades of its network. XL’s total BTS count is now above 78,000 BTS with 3G totaling more than 33,000 and 4G now more than 7,000 across Indonesia. XL’s 4G-LTE service is now available in 88 cities and areas across Indonesia.

As recently as September, XL has pioneered the implementation of 4.5G services which offers speeds of up to 300MBps which is double the theoretical speeds of XL’s existing 4G services of up to 150MBps. This is made possible by XL’s successfully use of “4T4R” technology to increase speed and stability of data services on 4G.

During this quarter, XL has also started rolling-out U900 services across the country which utilized the 900MHz frequency for 3G Data services leading to the sharp increase in 3G BTS count this quarter and these are readily upgradable to 4G. This will allow for better 3G Data services for XL’s customers both from improved network coverage as well as in-building coverage in a cost-efficient manner. Data customers will experience 6x better coverage, 2x stronger in-building signal strength and data speeds of up to 21Mbps. This will not only translate to a higher quality data service but better overall voice and SMS experience from optimum use of network capacity from this network layer which well complements XL’s expanding 4G footprint. In addition more than 80% of handset ecosystem is now ready to support the 3G U900.

The main advantage to rolling out U900 is that it will greatly improve XL’s Data network outside of Java significantly narrowing the coverage and quality gap between XL and the market leader in those areas and presents market share opportunities for XL.

XL also continues to invest in transmission, backhaul, network modernization and upgrades to support the rising data traffic across its network and to deliver stability, expand network capacity and improve quality of its data services.



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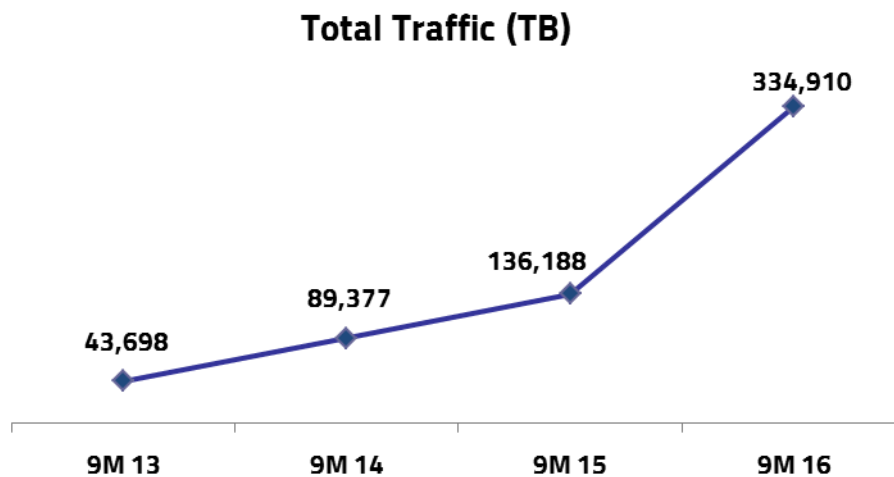
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### Gaining the right customers

On the back of the strengthened network, XL's smartphone penetration has risen 21 percentage points to 60% compared to the same period in the previous year. This means that XL now has 27.1 million smartphone subscribers at the end of 9M 16, a 71% YoY increase from the same period a year ago.

The growth in smartphone customers is meaningful as the average data consumption of smartphone users has also increased significantly which has more than doubled compared to the previous year. Contributing to this is the increased sophistication of XL's smartphone customers driving up usage on XL's 4G-LTE network where traffic has increased by almost 30x since the commercial launch of 4G services in November 2015.

Total traffic across XL's networks, which has seen a 146% YoY increase in 9M 16 compared to the same period previous year mainly driven by growth in Data traffic which has risen compared to a decline in traffic from Legacy Services. As of the end of 9M 2016, XL ended the quarter with Data users at 65% of the subscriber base.



### Innovative Products, Increased Postpaid Traction & Mobile Broadband Launch

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

- Increased the suite of combo-plans with the launch of **HotRod XTRA** which combines a basic internet quota on 2G/3G/4G as well as an "Any-Net" minutes quota.
- As part of XL's ongoing handset bundling efforts, the **Smartphone XTRA Hemat** plan was introduced which offers customers a smartphone bundled with a **Combo Xtra** plan for a stipulated period.
- To encourage and increase customer awareness of distribution through modern channels, XL offered bonuses for customers who reload at convenience stores such as **Alfamart**.

XL continues to see strong traction on **XL Prioritas**, which is XL's revamped Postpaid product, through significant customer additions and higher ARPU YoY. In addition, high-value customers have responded well to this premium-positioned brand and overall better service experience. During the quarter, **XL Prioritas** has launched:

- **PRIO Broadband** which offers High Speed Broadband through Mi-Fi for customers who are big consumers of data.

XL has also recently launched a Mobile Broadband (MBB) solution for customers termed as **XL Go** which utilizes a Mi-Fi device or router on XL's leading 4G LTE network offering high speeds and allows customers to connect multiple devices. There are a variety of packages suitable for different types of use with **XL Go** for individuals while **XL Home** is for families and **XL Biz** for Small and Medium Enterprises (SMEs). These offer sizeable Data quotas on XL's leading 4G LTE network to capture demand for MBB solutions given the low Fixed Broadband penetration in Indonesia.

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### Digital Initiatives

XL has outlined Digital Initiatives to unleash Indonesia's mobile internet market potential

Below are some selected activities that were achieved in 9M 16:

- **Digital Entertainment** – In continuing its collaboration with Tribe, for movies and TV shows and demand, and Yonder, for music, XL has seen the number of customers for each of these services increase in tandem with improved 4G availability
- **XL Cloud** – Despite increased competition, at the end of 3Q 16, XL Cloud manages to keep its 290 customers in which more than 30% of them are big corporate customers. The team has been shortlisted for several awards at Frost & Sullivan's Indonesia Excellence Awards 2016.
- **m-ADS** – The Mobile Ads division has increased the number of clients to over 250 as the demand for mobile advertising in Indonesia continues to grow at a rapid pace with rising smartphone proliferation.
- **Internet of Things (XL IoT)** – The focus of XL IoT in this quarter is to co-create the solutions and to collaborate with many partners as possible. This is necessary because many enterprises start asking for IOT solutions which can play the role as business enabler rather than just a sensor. In addition, we managed to increase our subscriber base by 2% to now more than 380,000 connections.
- **elevenia** – By the end of 3Q 2016, elevenia now has more than 45,000 sellers. It is an increment of 15% compared to end of June 2016. AT the same time, the monthly average visitors have increased by 28% compared to last quarter.
- **XL Tunai** – XL Tunai's service was recognized by Bank Indonesia as the best e-money service amongst Telco operators. XL's electronic money service has 1.8m users and its number of merchants is now at 205 with over 85 million transactions done so far in 9M 16.

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### FINANCIAL MEASURES

#### Income Statement

Financial Statement (in Rp Billion)	9M15	9M16	Growth
<b>Gross Revenue</b>			
Service Revenue	14,161	13,789	-3%
Others*	2,047	1,524	-26%
<b>Cellular Telecommunication Service</b>	<b>16,208</b>	<b>15,313</b>	<b>-6%</b>
<b>Other Telecommunications Services</b>	<b>778</b>	<b>825</b>	<b>6%</b>
<b>Gross Revenues</b>	<b>16,986</b>	<b>16,137</b>	<b>-5%</b>
Less: Discount	(64)	(54)	-15%
<b>Gross Revenue Net of Discount</b>	<b>16,922</b>	<b>16,083</b>	<b>-5%</b>
Interconnection and other direct expenses	1,764	1,348	-24%
Salaries & Employee Benefits (Permanent & Temporary)	806	867	8%
Sales and Marketing Expense	788	986	25%
Infrastructure Expenses	6,975	6,280	-10%
Supplies and Overhead expenses	516	367	-29%
<b>Total OPEX</b>	<b>10,849</b>	<b>9,847</b>	<b>-9%</b>
<b>EBITDA</b>	<b>6,073</b>	<b>6,236</b>	<b>3%</b>
<b>EBITDA Margin</b>	<b>36%</b>	<b>39%</b>	<b>3%</b>
Depreciation & Amortization	5,254	5,761	10%
<b>EBIT</b>	<b>819</b>	<b>475</b>	<b>-42%</b>
Other Expenses			
Finance income/(cost) - net	(963)	(1,289)	34%
Forex gain/(loss) - net**	(3,026)	431	N/A
Share of results from jointly controlled entity	(75)	(169)	125%
Others	1,936	676	-65%
<b>Total Other Income/(Expenses)</b>	<b>(2,128)</b>	<b>(350)</b>	<b>-84%</b>
<b>Income (Loss) before income tax</b>	<b>(1,309)</b>	<b>125</b>	<b>N/A</b>
Income Tax (Expense) Benefit	802	35	-96%
<b>Profit (Loss) for the period</b>	<b>(507)</b>	<b>160</b>	<b>N/A</b>
<b>Earnings (Loss) Per Share (full amount) (Rp)</b>	<b>(59)</b>	<b>15</b>	<b>N/A</b>

Normalized Profit (Loss) (In Rp Billion)	9M15	9M16	Growth
Profit (Loss) for the year	(507)	160	N/A
Unrealized forex (gain)/loss	2,860	(330)	-112%
Accelerated depreciation	76	372	389%
Gain/(Loss) from Capital Lease	(1,622)	(484)	-70%
Severance Payment	-	59	N/A
Tax Impact	(734)	(25)	-97%
<b>Normalized Profit (Loss) for the year</b>	<b>74</b>	<b>(250)</b>	<b>-438%</b>
<b>Normalized Earnings (Loss) Per Share (full amount) (Rp)</b>	<b>9</b>	<b>(23)</b>	<b>-370%</b>

\*Others mainly comprises Cellular Interconnect and International Roaming Services

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

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### Operational Results

In 9M 16, XL recorded gross revenue of Rp 16.1 trillion, a decrease of 5% YoY.

- Cellular Telecommunication Service revenues decreased by 6% YoY to Rp 15.3 trillion and contributed 95% to total revenue. Service Revenue declined 3% YoY to Rp 13.8 trillion as growth in Data service revenue was not enough to offset the decline in Legacy Services revenue. Revenue from Others declined by 26% to Rp 1.5 trillion mainly due to lower interconnect revenue which is due to lower incoming off-net traffic.
- Other telecommunications services revenue, which comprises mainly of leased towers, leased lines and national roaming, increased by 6% to Rp 825 billion mainly driven by higher tower leasing revenue. Other telecommunications services revenue contributed 5% to total revenue during the year.

### Operating Expenses

Total operating expenses decreased by 9% YoY to Rp 9.8 trillion.

- Interconnection and other direct expenses decreased by 24% YoY. This was mainly due to lower interconnect costs (for both voice and SMS) as a result of lower off-net traffic as well as from a renegotiation of fees under a contract with Research in Motion (RIM).
- Salary and Employee Benefits increased by 8% YoY. The increase was mainly due to severance payments for staff and accruals for the new LTI (2016-2020) program.
- Sales and Marketing expenses increased by 25% YoY. The higher sales and marketing expenses is due to lower expenses in 1Q 15 prior to the implementation of the transformation agenda and higher expenses in 9M 16 due to focus on 4G-LTE, U900, better trade visibility and competitiveness as well as postpaid campaigns in-line with the "Rise" phase initiatives.
- Infrastructure expenses decreased by 10% YoY. This is mainly due to lower tower rental costs as XL has renewed some of its tower lease contracts that have come up for renewal.

### EBITDA

In 9M 16, EBITDA increased 3% YoY to Rp 6.2 trillion and also resulting in a higher EBITDA margin of 38.6% up 290 basis points YoY. The increase was mainly due to a reshape of the customer base as well as efforts on cost controls which contributed to the improvement in EBITDA margins.

### Depreciation and Amortization Expenses

Depreciation and amortization expenses grew by 10% YoY driven by the expanded network infrastructure but also due to an accelerated depreciation charge taken during 2Q 16.

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### Other Expenses/Income

Other expenses declined 84% YoY to Rp 350 billion as of 9M 16, due to XL recording a gain on sale from the tower sale and leaseback transaction of Rp 484 billion and a forex gain of Rp 431 billion over 9M 16 as opposed to a forex loss of Rp 3.0 trillion a year ago. Higher net interest costs (up 34% YoY) are a function of the refinance of XL's debt to IDR.

### Profit (Loss) for the period

In 9M 16, XL recognized a Rp 160 billion net profit compared to a Rp507 billion net loss a year ago.

### Balance Sheet

Balance Sheet (In Rp Billion)	9M15	9M16	Growth
<b>Current Assets</b>			
Cash and cash equivalents	3,644	3,343	-8%
Others	6,127	3,867	-37%
<b>Total Current Assets</b>	<b>9,771</b>	<b>7,210</b>	<b>-26%</b>
<b>Non-Current Assets</b>			
Fixed assets - net of accumulated depreciation	33,716	32,387	-4%
Intangible asset	6,397	6,157	-4%
Goodwill	6,681	6,681	0%
Others	2,300	2,109	-8%
<b>Total Non-Current Assets</b>	<b>49,094</b>	<b>47,334</b>	<b>-4%</b>
<b>Total Assets</b>	<b>58,865</b>	<b>54,544</b>	<b>-7%</b>
<b>Current Liabilities</b>			
Current maturity of long term loans and bonds	3,338	4,138	24%
Others	12,257	9,932	-19%
<b>Total Current liabilities</b>	<b>15,595</b>	<b>14,070</b>	<b>-10%</b>
<b>Non-Current Liabilities</b>			
Long term loans and bonds	16,382	11,019	-33%
Shareholder loan	7,329	-	-100%
Others	5,939	8,511	43%
<b>Total Non-Current Liabilities</b>	<b>29,650</b>	<b>19,529</b>	<b>-34%</b>
<b>Total Liabilities</b>	<b>45,245</b>	<b>33,600</b>	<b>-26%</b>
<b>Equity attributable to owners of the parent entity</b>			
Share capital & additional paid-in capital	6,483	13,201	104%
Retained earnings	7,137	7,743	9%
<b>Total Equity</b>	<b>13,620</b>	<b>20,945</b>	<b>54%</b>
<b>Total Liabilities and Equity</b>	<b>58,865</b>	<b>54,544</b>	<b>-7%</b>

In 9M 16, total assets were Rp 54.5 trillion, 7% lower compared to the previous year due to a decrease in other current assets relating to the sale and leaseback of towers to Protelindo.

- Current assets was down 26% in 9M16 compared to the end of 9M 15 due to a 37% decrease in other assets which was due the sale and leaseback of towers to Protelindo and an 8% decrease in cash which was used to pare down debt.
- Non-current assets decreased by 4% YoY mainly due to the lower fixed assets position which was 4% lower than in 9M16. This is due to the sale and leaseback transaction with Protelindo as well the accelerated depreciation during the previous quarter

Total liabilities decreased by 26% YoY as a result of the repayments of loans including the repayment of the shareholder's loan from Axiata.

- Current liabilities decreased 10% compared to 9M 16 due to lower payables.

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- Non-current liabilities decreased by 34% due to the repayment of the shareholder loan from Axiata as well as a 33% decrease in long-term loans and bonds through loan repayments

### Capital Expenditure

Capital Expenditure (In Rp Billion)	9M15	9M16	Growth
Capitalized capex	4,330	3,450	-20%
Paid capex	2,964	4,391	48%
Commitments entered into*	2,319	3,890	68%

\* The USD portion was converted to IDR using closing rate of September 2015 and 2016. The Rupiah exchange rate against the USD as of September 2015 and 2016 were Rp14,657/USD and Rp12,998/USD, respectively.

### Cash Flow

Cash Flow (In Rp Billion)	9M15	9M16	Growth
Net cash flow generated from operating activities	6,766	7,167	6%
Net cash flow used in investing activities	(3,311)	(2,730)	-18%
<b>Free cash flow</b>	<b>3,455</b>	<b>4,437</b>	<b>28%</b>
Net cash flow used in financing activities	(6,789)	(4,353)	-36%
Net increase/(decrease) in cash and cash equivalents	(3,333)	83	-102%
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,951</b>	<b>3,312</b>	<b>-52%</b>
Effect of exchange rate changes on cash and cash equivalents	26	(52)	-301%
<b>Cash and cash equivalents at the end of the period</b>	<b>3,644</b>	<b>3,343</b>	<b>-8%</b>

Net cash flow generated from operating activities increased by 6% to Rp 7.2 trillion mainly due to a decrease of 16% in cash payments to suppliers.

Net cash flow used in investing activities decreased by 18% to Rp 2.7 trillion due to the proceeds from the sale and leaseback transaction.

Net cash flow used in financing activities was Rp 4.4 trillion a 36% decrease from 9M 15 due to the proceeds of the rights issue and tower sale.



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### Description of Debts

The detail of debts as of 30 September 2015 and 2016 are as follows:

Description	(in Original Amount)		Year of Maturity
	9M 15	9M 16	
USD Loan (mn)	US\$ 9	US\$ -	Amortizing semi annually, final repayment is in 2015
	US\$ 88	US\$ -	Amortizing annually, final repayment in 2016
	US\$ 650	US\$ -	Bullet repayment in 2017
	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ 400	US\$ 300	Bullet repayment in 2019
	<b>US\$ 1,197</b>	<b>US\$ 350</b>	
IDR Bank Loan (bn)	Rp 1,925	Rp -	Amortizing annually, final repayment is in 2016
	Rp 3,500	Rp 3,050	Amortizing annually, final repayment is in 2017
	Rp 1,500	Rp 1,950	Amortizing annually, final repayment is in 2018
	Rp 2,650	Rp 4,150	Amortizing annually, final repayment is in 2020
	<b>Rp 9,575</b>	<b>Rp 9,150</b>	
IDR Sukuk (bn)	Rp -	Rp 494	Series A - Due in 2016
	Rp -	Rp 258	Series B - Due in 2018
	Rp -	Rp 323	Series C - Due in 2020
	Rp -	Rp 425	Series D - Due in 2022
	<b>Rp 0</b>	<b>Rp 1,500</b>	
Unamortized Loan Issuance Cost (bn)	<b>Rp (78)</b>	<b>Rp (42)</b>	
<b>TOTAL INTEREST BEARING DEBT (in Rp. Bn)*</b>	<b>Rp 27,049</b>	<b>Rp 15,157</b>	

\* The USD portion was converted to IDR using closing rate of September 2015 and 2016. The Rupiah exchange rate against the USD as of September 2015 and 2016 were Rp14,657/USD and Rp12,998/USD, respectively.

Gearing Ratios (x)	9M15	9M16	Growth
Debt/Equity	2.0	0.7	(1.3)
Net Debt/Equity	1.7	0.6	(1.1)
Debt/EBITDA	3.2	1.8	(1.5)
Net Debt/EBITDA	2.8	1.4	(1.4)

During 9M 16, XL made repayment of debts amounting to Rp 3,425 billion and USD 588 million.

As of 30 September 2016, all of XL's external USD loans are fully hedged until maturity.

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### OPERATING MEASURES

	9M15	9M16	Growth
Total Traffic (Petabyte)	133.0	327.1	146%
Total BTS	56,300	78,725	40%
2G	37,364	37,582	1%
3G	17,918	33,939	89%
4G	1,018	7,204	608%
Number of Employees (permanent & contract with permanent position)	2,050	1,956	-5%
Postpaid users (000)	431	511	18%
Prepaid sim cards (active and grace / million)	41.0	44.5	8%
Total user base (million)	41.5	45.0	8%
ARPU blended (Rp 000)	32	36	13%
Postpaid revenue/sub (Rp 000)	105	116	10%
Prepaid revenue/sim card (Rp 000)	32	35	10%

### ACHIEVEMENT

- XL was recognized as *"The Fifth Best Managed Company in Indonesia"* by renowned financial magazine, FinanceAsia, in its annual poll of Asia's Best Companies.
- XL received the *"Indonesia's Most Trusted Company"* award in the Indonesian Good Corporate Governance Awards and Conference 2015.
- XL won the *"Best Data Plan"* for its high-speed 4G-LTE internet packages at the Indonesian Cellular Awards 2016.
- XL IOT received the *"Best M2M Services"* award while Chief Service Management Officer, Yessie D. Yosetya received the *"Excellence in Performance"* award at the 13<sup>th</sup> Annual Cellular Awards 2016 held by the Cellular Media Group in Indonesia.

### CONSOLIDATED GUIDANCE

2016

Revenue growth	Challenging
EBITDA margin	High 30's
EBITDA growth	Better than revenue growth
Cash out capex	Not exceeding Rp 7.0 trillion

### ABOUT XL

PT XL Axiata Tbk. is one of the major cellular providers in Indonesia. PT XL Axiata Tbk. is (66.4%) owned by Axiata Group Berhad ("Axiata" or "the Group") through Axiata Investments (Indonesia) Sdn Bhd and public (33.6%), and is part of Axiata. The Group's mobile subsidiaries and associates operate under the brand name 'Celcom' in Malaysia, 'Dialog' in Sri Lanka, 'Robi' in Bangladesh, 'Smart' in Cambodia, 'Ncell' in Nepal, 'Idea' in India and 'M1' in Singapore.

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