



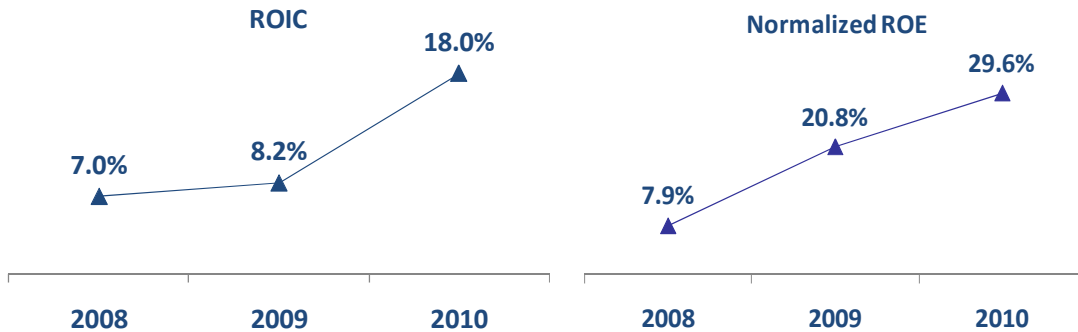
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This document contains certain financial information and results of operations, and may also contain certain projections, plans, strategies and objectives of XL, that are not statements of historical fact which would be treated as forward looking statements 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**

XL's revenue grew by 27% YoY and 4% QoQ, as EBITDA increased by 50% YoY and 6% QoQ with EBITDA margin of 53%, while RoIC increased to 18% YoY and normalized ROE grew to 29.6% YoY. In 2010, XL was able to harvest from various strategic initiatives over the last four years.

These encouraging results reflected the successful execution of XL's profitable growth strategy, which centers around balanced improvement of shareholders' value creation levers, i.e. top line growth, operating profitability, and asset productivity.




**Voice and SMS Business**

In December 2010, XL enhanced its voice plan by launching the 'Rp 0' campaign offered to both new and existing subscribers in order to further stimulate voice usage. Existing subscribers can easily switch to this offering by accessing XL's UMB portal of \*123# for a nominal fee without the hassle of recurring registrations.


XL has also taken the lead in offering attractive international roaming tariffs by cutting the tariff by up to 90% for voice and up to 50% for SMS in 7 destination countries (Singapore, Malaysia, Sri Lanka, Cambodia, Bangladesh, Hong Kong and Japan). This promotion can be enjoyed by XL's prepaid and postpaid subscribers by selecting XL partner networks in the destination countries (e.g. M1 in Singapore or Smartone in Hong Kong).

In Q4, XL was recognized as the Best Innovation in GSM by Gadget Magazine for its innovative products and services throughout the year.

**Mobile Data Services**

- On November 3<sup>rd</sup>, XL launched its mobile data services platform,  which features account balance information, instant access to social networking activities, and up-to-date news. This is a one-page destination which makes it easy and simple for the subscribers to enjoy mobile data service, enhance their experience and helps XL to stimulate more adoption. The platform achieved 1 million users in just three weeks after the launch date.



- A range of innovative Value Added Services (VAS) was introduced in Q4 to provide more relevant choices to XL subscribers and improve adoption:
  - XL Music Live: A music service where subscribers can download original Indonesian or International songs with per minute or per day charging.
  - XL Cuaps: A voice blog where subscribers can share their thoughts in audio form and invite their friends to listen and follow them. This service also allows subscribers to follow the voice-blog of their celebrity idols, a similar concept to Twitter.One of XL's most favorite VAS, 'XL RBT', won the Sony Music Award in 2010 as it set a record for the number of downloads of its RBT tunes.
- XL introduced free international roaming for its BlackBerry service in 7 destination countries, the first such offer in the world. XL will continue to expand the list of destination countries to accommodate the increasing needs of its subscribers for data service mobility.
- XL's number of small-screen data service users has significantly improved from 7.8 million in 2009 to 20.8 million in 2010. To drive data-capable handset adoption by its subscribers, XL and Nokia developed a bundling package (Nokia X3) with add-on Glee content, riding on the popularity of the TV show. The handset is exclusively sold by XL and equipped with one-touch button for direct access to 

#### **Customer Lifecycle Management (CLM)**

XL has been proactively managing customer loyalty to enhance subscriber stickiness and value contribution. Various relevant and timely offers are introduced within the customer lifecycle based on their behavior profiles and preferences. In Q4, XL has intensified its CLM operational activities by delivering thousands of campaign offers and near real time reward fulfillment with the objective to control churn and drive activity as well as for better customer experience.

#### **Customer Experience**

As part of relentless efforts in improving customer experience, XL launched Outreach program whereby XL's employees from various levels and departments contacted or met XL's subscribers to better understand and anticipate the needs from the customers' point of view. XL has committed to continue this initiative as part of a long-term program to continuously improve customer satisfaction.

#### **Network**

- In December, XL and PT. Ericsson Indonesia conducted an LTE trial through the first live report and live streaming music show in Indonesia broadcasted through one of the local television channels.
- XL launched an initiative to drive its return on investment through demand-based capacity planning, and prudent capital expenditure plan by balancing investment between 2G and 3G technology.
- XL has embarked upon a network modernization program for Kalimantan (2010-2011) and Sumatera (2010-2012).



## FINANCIAL MEASURES

### Income Statement (Audited)

Financial Statement (in Rp. Billion)	FY09	FY10	Growth
Voice	7,064	8,457	20%
SMS	2,703	3,477	29%
Data and VAS	1,259	2,332	85%
Cellular Interconnection and International Roaming Service	1,551	1,727	11%
Others	194	158	-19%
<b>Cellular Telecommunication Service</b>	<b>12,771</b>	<b>16,150</b>	<b>26%</b>
<b>Infrastructure Revenue</b>	<b>1,109</b>	<b>1,487</b>	<b>34%</b>
<b>Total Revenues</b>	<b>13,880</b>	<b>17,637</b>	<b>27%</b>
Less: Discount	(173)	(178)	3%
<b>Revenue Net of Discount</b>	<b>13,706</b>	<b>17,459</b>	<b>27%</b>
COGS and Interconnection Charges	2,028	2,304	14%
Labor Cost (Permanent & Temporary)	778	904	16%
Sales Commission & Marketing Expenses	1,030	1,291	25%
Network Costs and Frequency Fees	3,089	3,121	1%
Support & Overhead Expenses	576	551	-4%
<b>Total OPEX</b>	<b>7,501</b>	<b>8,172</b>	<b>9%</b>
<b>EBITDA</b>	<b>6,205</b>	<b>9,287</b>	<b>50%</b>
<b>EBITDA Margin</b>	<b>45%</b>	<b>53%</b>	<b>N/A</b>
Depreciation & Amortization	3,741	4,122	10%
<b>EBIT</b>	<b>2,464</b>	<b>5,164</b>	<b>110%</b>
Other (Expenses) / Income			
Interest expense - net	(1,205)	(780)	-35%
Forex gain / (loss) - net	745	(167)	N/A
Gain on lease transaction	465	-	N/A
Others	(105)	(349)	232%
<b>Total Other Expenses</b>	<b>(101)</b>	<b>(1,297)</b>	<b>1186%</b>
<b>Profit Before Tax</b>	<b>2,363</b>	<b>3,868</b>	<b>64%</b>
Income Tax Expense	(654)	(977)	49%
<b>Net Income</b>	<b>1,709</b>	<b>2,891</b>	<b>69%</b>
<b>Earnings Per Share (full amount)</b>	<b>237</b>	<b>340</b>	<b>43%</b>

Normalized Net Income (In Rp Billion)	FY09	FY10	Growth
Net Income	1,709	2,891	69%
Unrealized forex loss/(gain), net of tax	(346)	43	N/A
Accelerated depreciation, net of tax*)	-	101	N/A
<b>Normalized Net Income</b>	<b>1,364</b>	<b>3,036</b>	<b>123%</b>
<b>Normalized Earnings Per Share (full amount)</b>	<b>189</b>	<b>357</b>	<b>89%</b>

\*) Resulted from accelerated depreciation expense in relation with modernization project.



## Operational Results

XL recorded gross revenue of Rp 17.6 trillion, a 27% YoY increase.

- Cellular Telecommunication Service revenues increased by 26% to Rp 16.2 trillion and contributed 92% to total revenue. This was mainly due to tariff optimization during 2010. Although total outgoing minutes decreased by 7%, voice revenue increased by 20% to Rp 8.5 trillion, which contributed 48% to total revenue, as a result of various promotional tariff plans launched during FY10. The increase in SMS revenues by 29% was mainly due to more promotions on SMS which stimulated SMS usage. Revenue from Data and Value Added Services grew by 85% and contributed 13% to total revenues. The growth was mainly driven by the popularity of social networking applications, such as Facebook and instant messaging and an increase of data usage. Revenue from cellular interconnection and international roaming services increased by 11%, mainly due to increase in domestic interconnection and international roaming revenue.
- Infrastructure revenue comprising of leased lines, leased towers, national roaming, and ISP revenues, grew by 34% to Rp 1.5 trillion, mainly due to an increase in leased towers and national roaming revenues, which both contributed 6% to total revenue.

## Operating Expenses

Total operating expenses increased by 9% YoY to Rp 8.2 trillion. However, as percentage of total revenue, the total opex decreased from 54% in FY09 to 46% in FY10 due to our persistent cost management strategy that has been applied since 2007.

- COGS and Interconnection Charges increased by 14% YoY.  
This was mainly due to an increase in the licensing fee paid out to Research In Motion associated with significant YoY increase of XL BlackBerry subscribers. In addition, there was also increase in Value Added Service cost in line with XL's intention to grow VAS and data services. These were partially offset by reduced interconnection and physical voucher costs as the top-ups were done more through electronic channel. XL managed interconnection cost payout through proper offer structuring and interconnection routing.
- Labor Cost increased by 16% YoY.  
The increase in labor cost was due to the growth in number of employees as well as a higher variable remuneration portion linked to performance.
- Sales Commission and Marketing Expenses increased by 25% YoY.  
This cost element mainly consists of Sales Commission and Advertising and Promotion expenses, as a result of higher revenue and more advertisement activities during the year. The increase in this expense was in line with increase in cellular revenue of 26%.
- Network Costs and Frequency Fees increased by 1% YoY.  
Rental sites and towers increased by 19%, while maintenance expense increased by 10%. These higher expenses were partially offset by decrease in operating rental of network facilities and slight decrease in frequency fee as a consequence of the implementation of the new 2G frequency fee mechanism.
- Support and Overhead Expenses decreased by 4% YoY.  
The decrease in this cost element is a result of rigorous cost management across all components.



### EBITDA

EBITDA increased by 50% YoY to Rp 9.3 trillion resulting from the 27% YoY revenue growth and lean cost management that has been applied since 2007. The EBITDA margin in 2010 improved to 53% from 45% in 2009.

### Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 10% YoY due to the increased fixed assets, mainly driven by new BTS, and accelerated depreciation due to network modernization.

### Other (Expenses)/Income

Other expenses in FY10 increased to Rp 1.3 trillion, due to:

- Lower interest expenses due to repayment made during 2010.
- In FY09, XL recorded forex gain while in FY10, XL experienced forex loss due to “mark-to-market revaluation” of our hedging position.
- Others consist of adjustment made on 2009 income taxes based on the 2008 tax assessment and lower income in 2010 from unwinding hedging transactions.

### Net Income

XL recorded Rp 2.9 trillion of net income, an increase of 69% compared to 2009.

### Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	FY09	FY10	Growth
<b>Current Assets</b>			
Cash and cash equivalents	748	366	-51%
Others	1,259	1,862	48%
<b>Total Current Assets</b>	<b>2,007</b>	<b>2,228</b>	<b>11%</b>
<b>Non-Current Assets</b>	<b>25,373</b>	<b>25,023</b>	<b>-1%</b>
<b>Total Assets</b>	<b>27,380</b>	<b>27,251</b>	<b>0%</b>
<b>Current Liabilities</b>			
Current maturity of long term loans and bonds	2,475	977	-61%
Others	3,533	3,586	1%
<b>Total current liabilities</b>	<b>6,009</b>	<b>4,563</b>	<b>-24%</b>
<b>Non-Current Liabilities</b>			
Long term loans and bonds	10,988	9,202	-16%
Others	1,580	1,771	12%
<b>Total Non-Current Liabilities</b>	<b>12,568</b>	<b>10,973</b>	<b>-13%</b>
<b>Total Liabilities</b>	<b>18,577</b>	<b>15,536</b>	<b>-16%</b>
<b>Equity</b>			
Share capital & additional paid-in capital	6,186	6,207	0%
Retained earnings	2,617	5,508	110%
<b>Total Equity</b>	<b>8,803</b>	<b>11,715</b>	<b>33%</b>
<b>Total Liabilities and Equity</b>	<b>27,380</b>	<b>27,251</b>	<b>0%</b>

In FY10, total assets was stable at Rp 27.3 trillion, as a result of XL’s continuous prudent capex spending, which improved normalized ROA from 4.9% in FY09 to 11.1% in FY10.

- Current assets increased by 11% YoY due to increase in prepayments and partially offset with decrease in cash and cash equivalents by 51%.



- Total liabilities decreased by 16% YoY due to prepayment of debts amounting to USD 190.6 million and Rp 4.9 trillion as well as repayment of debts amounting to USD 52.2 million due in FY10 using mainly our internal cash flow.

#### Capital Expenditure

Capital Expenditure (In Rp Billion)	FY09	FY10	Growth
Capitalized capex	4,197	3,709	-12%
Paid capex	5,283	4,848	-8%
Commitments entered into*	3,325	4,768	43%

\* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 31 December 2009 and 2010. The exchange rate Rupiah against USD as of 31 December 2009 and 2010 were Rp 9,400/USD and Rp 8,991/USD, respectively.

#### Cash Flow (Audited)

Cash Flow (In Rp Billion)	FY09	FY10	Growth
Net cash flow provided from operating activities	7,718	8,795	14%
Net cash flow used in investing activities	(5,123)	(5,057)	-1%
<b>Free cash flow</b>	<b>2,595</b>	<b>3,738</b>	<b>44%</b>
Net cash flow used in financing activities	(3,011)	(4,119)	37%
Net decrease in cash and cash equivalents	<b>(416)</b>	<b>(381)</b>	-8%
<b>Cash and cash equivalents at the beginning of the period</b>	1,170	748	-36%
Effect of exchange rate changes on cash and cash equivalents	(6)	(1)	-84%
<b>Cash and cash equivalents at the end of the period</b>	<b>748</b>	<b>366</b>	<b>-51%</b>

- Net Cash Flow from Operating Activities increased by 14% YoY mainly due to increase in cash received from customers' payments and other operators, which was offset by payments made to suppliers and corporate income tax.
- Net Cash Flow Used in Investing Activities slightly decreased by 1%.
- XL continued to generate positive Free Cash Flow with the total amount of Rp 3.7 trillion by end of 2010.
- Net Cash Flow Used in Financing Activities was Rp 4.1 trillion due to the combination of prepayments of debts and long-term loan borrowing.



## Description of Debts

The detail of debts as of 31 December 2009 and 2010 are as follows:

Description	(in original amount)		Year of Maturity
	FY09	FY10	
USD Loan (mn)	US\$ 80	US\$ -	Paid
	US\$ 344	US\$ 241	Amortizing semi annually, final repayment is in 2016
USD Bond (mn)	US\$ 59	US\$ -	Paid
	<b>US\$ 484</b>	<b>US\$ 241</b>	
IDR Bank Loan (bn)	Rp 4,000	Rp -	Paid
	Rp 3,200	Rp 2,800	Amortizing annually, final repayment is in 2012
	Rp -	Rp 500	2012
	Rp 250	Rp 1,750	2013
	Rp -	Rp 1,500	Amortizing annually, final repayment is in 2015
IDR Bond (bn)	Rp 1,500	Rp 1,500	2012
	<b>Rp 8,950</b>	<b>Rp 8,050</b>	
Unamortized Loan Issuance Cost (bn)	<b>Rp (34)</b>	<b>Rp (39)</b>	
<b>TOTAL INTEREST BEARING DEBT (in Rp.Bn)*</b>	<b>Rp 13,464</b>	<b>Rp 10,179</b>	

\* The USD portion was converted to IDR using closing rate 31 December 2009 and 2010. The exchange rate Rupiah against USD as of 31 December 2009 and 2010 were Rp 9,400/USD and Rp 8,991/USD, respectively.

Gearing Ratios	FY09	FY10
Debt/Equity	1.5 x	0.9 x
Net Debt/Equity	1.4 x	0.8 x
Debt/EBITDA	2.2 x	1.1 x
Net Debt/EBITDA	2.0 x	1.1 x

During FY10, XL made prepayment of debts amounting to USD 190.6 million and Rp 4.9 trillion as well as repayment of debts amounting to USD 52.2 million due in 2010, using mainly internal cash flow.

As of 31 December 2010, XL had hedged about 80% of USD debt.

In January 2011, XL has made a prepayment of its IDR debt amounting to Rp 400 billion using internal cash flows.

XL's latest credit ratings issued are as follows:

	Local Currency	Outlook
Fitch Ratings	AA-(idn)	Stable
Pefindo	id AA-	Stable



## OPERATING MEASURES

	FY09	FY10	Growth
Total O/G Minutes of Usage (billion minutes)	87.6	81.9	-7%
Total Minutes (billion minutes)	175.4	164.2	-6%
Total O/G SMS (billion SMS)	63.6	188.0	196%
Total BTS (2G/3G)	19,349	22,191	15%
Number of Employees (permanent & contract with permanent position)	2,076	2,360	14%
Postpaid subscribers (000)	337	290	-14%
Prepaid sim cards (active and grace / million)	31.1	40.1	29%
Total subscriber base (million)	31.4	40.4	28%
ARPU blended (Rp 000)	36	34	-6%
Postpaid revenue/sub (Rp 000)	167	192	15%
Prepaid revenue/sim card (Rp 000)	34	32	-6%

## DIVIDENDS

XL has decided the new dividend policy with a minimum payout of 30% of the normalized net income of the previous year with the intention to progressively increase the payout ratio in the future.

XL management will propose to the AGMS a dividend to be paid in 2011 of 30% of 2010 normalized net income.

## GUIDANCE

### 2011

<b>Revenue growth</b>	In line with or better than the market
<b>EBITDA margin</b>	Above 50%
<b>Cash out capex</b>	Around Rp 5 trillion of which approximately 1/3 for data/3G service

## ABOUT XL



XL is a major cellular provider in Indonesia which is 66.7% owned by Axiata Group through Axiata Investments (Indonesia) Sdn Bhd (formerly known as Indocel Holding Sdn Bhd), the remaining stakes are held by Emirates Telecommunications Corporation (Etisalat) International Indonesia Ltd., a wholly owned subsidiary of Etisalat (13.3%), and the public (20%).

Date: 31 January 2011