



# PT XL AXIATA TBK. (XL) FY12

## Disclaimer

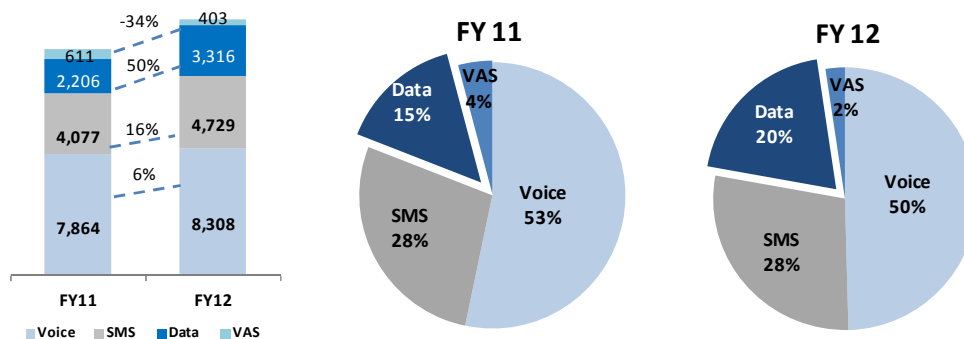
This document contains certain financial information and results of operations, and may also contain certain projections, plans, strategies and objectives of XL, that are not statements of historical fact which would be treated as forward looking statements within the meaning of applicable law. Forward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

XL had started the year with an aim to enhance its data infrastructure and drive price optimisation as a market discipline to support industry growth. The year ended with XL in a stronger position as one of the key mobile data providers and provides a solid foundation for the future growth and opportunities in data in Indonesia. XL recorded a positive performance across all services compared to a year ago, with gross revenue increased 15% YoY supported by strong growth in data as well as Voice and SMS. XL's focus on data led to a 50% data revenue growth YoY. EBITDA grew 4% YoY with margin at 46%, impacted by the introduction of SMS interconnection, infrastructure cost for the data investment as well as changes in revenue mix from Voice and SMS to Data.

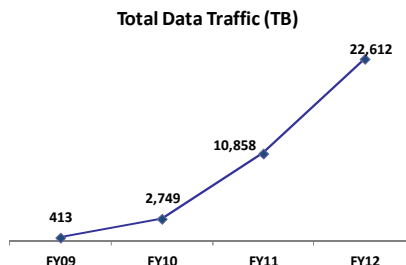
Efforts in price optimisation at XL were echoed by the industry in the first half of the year. However in the last 2 quarters, further price optimization and some changes in industry dynamics affected XL's relative positioning in the market led to pressure in subscribers and revenue. With the recognition of the cause, key actions were taken by XL to stabilise the situation and efforts to improve its position are on-going. Encouraging signs were recorded in the fourth quarter with a reverse in the declining trend in subscribers and increased usage.

Usage revenue YoY (Rp Bn)



## Data and VAS Business

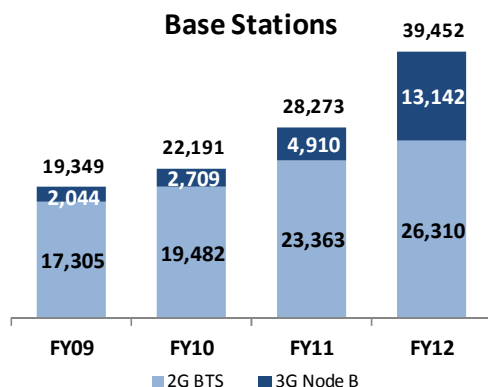
- Data remains the key engine of growth as the adoption of data continues to be strong amongst Indonesians.
- Data usage more than doubled in 2012 and data subscribers reached 25.6 million subscribers. The trend in shifting consumer behavior towards data has resulted in higher data revenue contribution from 15% a year ago to 20%.





- Aimed at increasing mobile data adoption and appeal to the growing Android users, XL collaborated with Google in launching and promoting experience centres named, “**XL home for Android**” at several XL Centres in Jakarta and other major cities. The centres help to educate the growing Android users in Indonesia creating further reasons to use data and experience it on XL’s network.
- Aimed at smartphone users, XL introduced affordable and attractive bundling packages of Data, Voice and SMS for different type of Smartphone such as “**Xmartplan Android**” and “**Xmartplan iPhone**”. Not only limited to high end smartphones, combo packages of social networking services for Nexian phone are also available considering the vast number of users.
- Providing better experience and ease for its subscribers, XL launched **MyXL**, an applicaton in Google Play which subscribers can get information on their credit balance, remaining quota and purchase packages through their devices.
- XL collaborated with 12 record labels and launched RBT and iRing party through UMB \*919# to encourage the use of RBT (Ring Back Tone) and support VAS revenue.

#### Infrastructure



- With a single aim to better serve subscribers by providing seamless and stable connectivity especially for data, XL has invested in end-to-end network infrastructure, from the access to the transmission layer of the network. XL has successfully rolled out 11,179 BTS in a single year compared to only 6,082 in the year before. Focused on data execution, 8,232 Nodes Bs were installed bringing to a total of node Bs of 13,142, a 168% increase from a year ago.
- 3G coverage was also expanded to the northern region of Papua (Jayapura and Sorong) and Ambon catering for data demand in those areas.
- Coverage without capacity will result in unreliable experience for data users. XL’s focus on transmission is to cater for the potential high data traffic related to the growing demand in data. This enhancement was done through fiberization and IP migration throughout the year.
- Network modernization continued in 2012 to upgrade both 2G and 3G network in Sumatera, Aceh, Bali, as well as some parts of the north region such as Kalimantan, and Sulawesi.



### **Voice and SMS Business**

- To stabilize the challenges faced in the third quarter on its relative positioning, XL has taken steps to improve its positioning and ensure its offering are relatively competitive. Initiatives such as XLKU, Paket Serbu, and also reload bonus are aimed to stabilise, win back subscribers and encourage more usage.
- The growth of SMS usage has been impacted by the introduction of SMS interconnection in June. Differentiated price between on-net and off-net has resulted in decline in total outgoing SMS by 5% YoY though SMS revenue grew 16% YoY. Recent promotions in the fourth quarter with more bonuses have lifted SMS usage by 1% QoQ.

### **Digital Service**

With the growing data business, and increasing adoption of devices, XL continuously seeks to expand its services beyond traditional telecommunication services. Integrated product and services were introduced to cater subscribers need, in the areas of mobile finance, commerce and m2m. Though still at its infancy and incubation stage, the seeding of this new business potential has started. Below are some products/services that XL has developed throughout the year:

- m-finance and m-commerce: XL Tunai for money remittance and online payment. There is also secure application for credit card purchase, m-credit card.
- M-Ads: application to advertise products to mobile subscribers
- Machine-to-machine: Offer XL Xurveillance, surveillance camera using mobile technology as well as XL cloud computing or database.



## FINANCIAL MEASURES

### Income Statement (Audited)

Financial Statement (in Rp Billion)	FY11	FY12	Growth
<b>Gross Revenue</b>			
Voice	7,864	8,308	6%
SMS	4,077	4,729	16%
Data and VAS*	2,817	3,718	32%
Cellular Interconnection and International Roaming Service	1,762	2,641	50%
Others	196	199	2%
<b>Cellular Telecommunication Service</b>	<b>16,715</b>	<b>19,595</b>	<b>17%</b>
<b>Other Telecommunications Services</b>	<b>1,754</b>	<b>1,683</b>	<b>-4%</b>
<b>Gross Revenues</b>	<b>18,468</b>	<b>21,278</b>	<b>15%</b>
Less: Discount	(208)	(309)	48%
<b>Gross Revenue Net of Discount</b>	<b>18,260</b>	<b>20,970</b>	<b>15%</b>
Interconnection and other direct expenses	2,011	3,097	54%
Salaries & Employee Benefits (Permanent & Temporary)	1,199	941	-22%
Sales and Marketing Expense	1,238	1,306	6%
Infrastructure Expenses	3,866	5,206	35%
Supplies and Overhead expenses	598	673	13%
<b>Total OPEX</b>	<b>8,912</b>	<b>11,224</b>	<b>26%</b>
<b>EBITDA</b>	<b>9,348</b>	<b>9,745</b>	<b>4%</b>
<b>EBITDA Margin</b>	<b>51%</b>	<b>46%</b>	<b>-5%</b>
Depreciation & Amortization	4,683	5,066	8%
<b>EBIT</b>	<b>4,665</b>	<b>4,679</b>	<b>0%</b>
Other (Expenses) / Income			
Finance cost - net	(579)	(601)	4%
Forex loss - net	(144)	(299)	108%
Others	(78)	(27)	-65%
<b>Total Other Expenses</b>	<b>(800)</b>	<b>(928)</b>	<b>16%</b>
<b>Income before income tax</b>	<b>3,865</b>	<b>3,751</b>	<b>-3%</b>
Income Tax Expense	(1,035)	(987)	-5%
<b>Profit for the year</b>	<b>2,830</b>	<b>2,765</b>	<b>-2%</b>
<b>Earnings Per Share (full amount)</b>	<b>332</b>	<b>324</b>	<b>-2%</b>

Normalized Net Income (In Rp Billion)	FY11	FY12	Growth
Profit for the year	2,830	2,765	-2%
Unrealized forex (gain)/loss	(3)	51	N/A
Accelerated depreciation in Sumatera, Bali, Kalimantan, Sulawesi	185	100	-46%
Severance Payment	269	-	-100%
Tax Impact	(113)	(38)	-66%
<b>Normalized Profit for the Year</b>	<b>3,168</b>	<b>2,878</b>	<b>-9%</b>
<b>Normalized Earnings Per Share (full amount)</b>	<b>372</b>	<b>338</b>	<b>-9%</b>

\* Net VAS revenue



## Operational Results

XL recorded gross revenue of Rp21.3 trillion, a 15% YoY increase.

- Cellular Telecommunication Service revenues increased by 17% to Rp19.6 trillion and contributed 92% to total revenue. Voice grew by 6% to Rp8.3 trillion with outgoing minutes increased by 15% YoY. SMS revenue increased by 16% whilst Revenue from Data and Value Added Services (VAS) was up by 32% and contributed 22% to total usage revenues. Data alone showed a robust growth of 50% driven by increased adoption of data and supported by our investment in data infrastructure.
- The presentation of VAS revenue is now on a net basis to reflect changes in the Audited Financial Statement. Previously, XL reported VAS on a gross basis where gross VAS revenue was recognized whilst related costs recorded under Interconnection and other direct expenses. The change was made retrospectively to the comparative period.
- Other telecommunications services revenue comprised of mainly leased towers, leased lines and national roaming, declined by 4% to Rp1.7 trillion, mainly due to the decline in National Roaming service revenue by 43% due to termination of agreement with Axis in August and lower tower revenue due to collection issues from one of the operators. Other telecommunications services revenue contributed 8% to total revenue.

## Operating Expenses

Total operating expenses increased by 26% YoY to Rp11.2 trillion.

- Interconnection and other direct expenses increased by 54% YoY.  
This increase was mainly due to recognition of SMS interconnect costs with the introduction of SMS interconnection that started in Jun'12 and increase in cost to Research in Motion related to the 46% increase in BlackBerry subscribers.
- Salaries and Employee Benefits decreased by 22% YoY.  
The decrease in salaries and employee benefits was partly due to the transfer of employees in April 2012 to Huawei related to the Managed Service agreement.
- Sales and Marketing expenses increased by 6% YoY.  
The increase was mainly due to higher sales commission by 16% especially due to higher sales of XL's starter pack and reload. Marketing expense decreased by 5%.
- Infrastructure expenses increased by 35% YoY.  
The increase was in line with our expansion in 3G network coverage to support data business with increase in rental sites, towers, and leased lines expense. In addition, FY12 included a managed service fee related to the partnership agreement with Huawei since April 2012.
- Supplies and Overhead expenses increased by 13% YoY.  
The increase was mainly due to an increase in provision for bad debt from tower lease, license and permit fee and higher rental expense for business operations.

## EBITDA

EBITDA increased by 4% YoY to Rp9.7 trillion in FY12 however EBITDA margin was down by 5 percentage points to 46%. This was partly due to the the introduction of SMS interconnect and also reflects the changes in our business model with the expansion of the data infrastructure on a lease model thus impacting network costs as we continue to roll out. Changes in revenue mix will further add to the changes in EBITDA margin moving forward. Excluding the impact of SMS interconnection, EBITDA margin was at 48%.



### Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 8% YoY due to increased investment in data. To better support the overall network ecosystem, upgrade in equipment and transmission resulted in Rp100 billion accelerated depreciation booked in FY12 related to this network modernization.

### Other (Expenses)/Income

Other expenses in FY12 increased 16% to Rp928 billion, due to:

- Higher forex loss which increased by Rp102 billion from a year ago.
- Unrealized forex loss in FY12 of Rp50.7 billion compared to a gain of Rp2.8 billion in FY11.
- Higher interest expense due to additional loans in FY12.

### Net Income

Net Income for FY12 amounted to Rp2.8 trillion. Normalized net income excluding the impact of unrealized forex transactions, provision for severance payment, and accelerated depreciation decreased by 9% to Rp2.9 trillion.

### Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	FY11	FY12	Growth
<b>Current Assets</b>			
Cash and cash equivalents	998	792	-21%
Others	2,389	2,867	20%
<b>Total Current Assets</b>	<b>3,387</b>	<b>3,659</b>	<b>8%</b>
<b>Non-Current Assets</b>	<b>27,783</b>	<b>31,797</b>	<b>14%</b>
<b>Total Assets</b>	<b>31,171</b>	<b>35,456</b>	<b>14%</b>
<b>Current Liabilities</b>			
Current maturity of long term loans and bonds	3,820	4,307	13%
Others	4,908	4,433	-10%
<b>Total Current liabilities</b>	<b>8,728</b>	<b>8,740</b>	<b>0%</b>
<b>Non-Current Liabilities</b>			
Long term loans and bonds	6,906	9,213	33%
Others	1,844	2,132	16%
<b>Total Non-Current Liabilities</b>	<b>8,750</b>	<b>11,346</b>	<b>30%</b>
<b>Total Liabilities</b>	<b>17,478</b>	<b>20,086</b>	<b>15%</b>
<b>Equity attributable to owners of the parent entity</b>			
Share capital & additional paid-in capital	6,266	6,307	1%
Retained earnings	7,427	9,063	22%
<b>Total Equity</b>	<b>13,693</b>	<b>15,370</b>	<b>12%</b>
<b>Total Liabilities and Equity</b>	<b>31,171</b>	<b>35,456</b>	<b>14%</b>

In FY12, total assets increased by 14% to Rp35.5 trillion, due to higher investment in network equipment, 3G access and transmission to support the data business.

- Current assets increased by 8% YoY due to increase in prepayment of 26% and prepaid taxes. This was partially offset by lower trade receivables of 22%.
- Total liabilities increased by 15% YoY mainly due to increase in borrowing of 26% from Rp10.7 trillion to Rp13.5 trillion.



### Capital Expenditure

Capital Expenditure (In Rp Billion)	FY11	FY12	Growth
Capitalized capex	7,052	9,036	28%
Paid capex	6,522	10,176	56%
Commitments entered into*	7,669	10,578	38%

\* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 31 December 2011 and 2012. The exchange rate Rupiah against USD as of 31 December 2011 and 2012 were Rp9,068/USD and Rp9,670/USD, respectively.

### Cash Flow

Cash Flow (In Rp Billion)	FY11	FY12	Growth
Net cash flow generated from operating activities	8,433	8,985	7%
Net cash flow used in investing activities	(6,683)	(10,001)	50%
<b>Free cash flow</b>	<b>1,750</b>	<b>(1,015)</b>	<b>N/A</b>
Net cash flow (used in)/generate from financing activities	(1,118)	806	N/A
Net increase/(decrease) in cash and cash equivalents	632	(209)	N/A
<b>Cash and cash equivalents at the beginning of the period</b>	<b>366</b>	<b>998</b>	<b>173%</b>
Effect of exchange rate changes on cash and cash equivalents	(0)	2	N/A
<b>Cash and cash equivalents at the end of the period</b>	<b>998</b>	<b>792</b>	<b>-21%</b>

- Net cash flow generated from operating activities increased by 7% to Rp9.0 trillion due to increase in receipt from customers and other operators by 13%. This was offset by increase in payment to suppliers and for other expenses by 27%.
- Net cash flow used in investing activities increased by 50%, mainly due to increase in capital expenditures related to data infrastructure deployment.
- Net cash flow generated from financing activities was at Rp806 billion because of higher cash proceeds from long term loan, related to new bank loan in 2012 of Rp6.5 trillion. This was partially offset by repayment of IDR bond in April 2012 amounted to Rp1.5 trillion.



## Description of Debts

The detail of debts as of 31 December 2011 and 2012 are as follows:

Description	(in original amount)		Year of Maturity
	FY11	FY12	
USD Loan (mn)	US\$ 193	US\$ 145	Amortizing semi annually, final repayment is in 2015
	US\$ 161	US\$ 73	2013
	<b>US\$ 354</b>	<b>US\$ 218</b>	
IDR Bank Loan (bn)	Rp 1,250	Rp 1,250	2013
	Rp 3,000	Rp 2,100	Amortizing annually, final repayment is in 2014
	Rp 1,800	Rp 2,600	Amortizing annually, final repayment is in 2015
	-	Rp 5,500	Amortizing annually, final repayment is in 2017
IDR Bond (bn)	Rp 1,500	Rp -	Paid
	<b>Rp 7,550</b>	<b>Rp 11,450</b>	
Unamortized Loan Issuance Cost (bn)	Rp (32)	Rp (36)	
<b>TOTAL INTEREST BEARING DEBT (in Rp.Bn)*</b>	<b>Rp 10,726</b>	<b>Rp 13,520</b>	

\* The USD portion was converted to IDR using closing rate 31 December 2011 and 2012. The exchange rate Rupiah against USD as of 31 December 2011 and 2012 were Rp9,068/USD and Rp9,670/USD, respectively.

Gearing Ratios	FY11	FY12
Debt/Equity	0.8 x	0.9 x
Net Debt/Equity	0.7 x	0.8 x
Debt/EBITDA	1.1 x	1.4 x
Net Debt/EBITDA	1.0 x	1.3 x

During FY12, XL made repayment of debts amounting to Rp3.9 trillion. XL signed a new IDR loan agreement with Mandiri in August 2012 amounted Rp2.5 trillion in addition to Rp4 trillion loan from BCA and BTMU in March and April 2012. The whole facility has been drawn down as of December 2012.

As of 31 December 2012, XL had hedged about 87% of USD debt.





## OPERATING MEASURES

	FY11	FY12	Growth
Total O/G Minutes of Usage (billion minutes)	92.5	106.1	15%
Total Minutes (billion minutes)	185.6	212.8	15%
Total O/G SMS (billion SMS)	257.1	244.3	-5%
Total data traffic (Petabyte)	10.6	22.1	108%
Total BTS	28,273	39,452	40%
2G	23,363	26,310	13%
3G	4,910	13,142	168%
Number of Employees (permanent & contract with permanent position)	2,390	1,955	-18%
Postpaid users (000)	306	355	16%
Prepaid sim cards (active and grace / million)	46.1	45.4	-1%
Total user base (million)	46.4	45.8	-1%
ARPU blended (Rp 000)	31	31	0%
Postpaid revenue/sub (Rp 000)	179	145	-19%
Prepaid revenue/sim card (Rp 000)	30	31	3%

## RECENT DEVELOPMENT

- XL is applying for the third carrier for 3G of 5 Mhz in the 2100 MHz spectrum to support the data growth for the long term.
- XL proposed to increase the dividend payment to 40% of 2012 normalized net income. It is subject to be approved at the upcoming AGMS.

## Achievements

- XL was awarded as Indonesia Telecom Service Provider of the Year in Frost & Sullivan Indonesia Excellence Awards for its excellence in product development strategy, customer service as well as leadership in running the business.
- XL has been recognized as one of 28 best entities in Indonesia and was awarded as Indonesia Best Companies 2012 for the category of The Biggest Growing Equity Telecommunication Company in telecommunication industry by Warta Economy magazine.
- Investor Relations Magazine awarded XL as the Best Investor Relations for the category of Indonesian company. This award was a culmination of feedback and support from of XL's analysts and investors.

## GUIDANCE

2013

Revenue growth	In line or better than market
EBITDA margin	Low 40's
Cash out capex	Between Rp 8 - 9 trillion

## ABOUT XL

XL is a major cellular provider in Indonesia which is 66.5% owned by Axiata Group through Axiata Investments (Indonesia) Sdn. Bhd., and the remaining stakes are held by public including restricted stock (33.5%).

Date: 1 February 2013