

PT XL AXIATA TBK. (XL) FY14



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OVERVIEW

The year 2014 was a transformational year for XL as XL embarked on an in country consolidation journey to further strengthen its market position; and monetize part of its tower portfolio to focus on its core business, enhance costs competitiveness and capital structure.

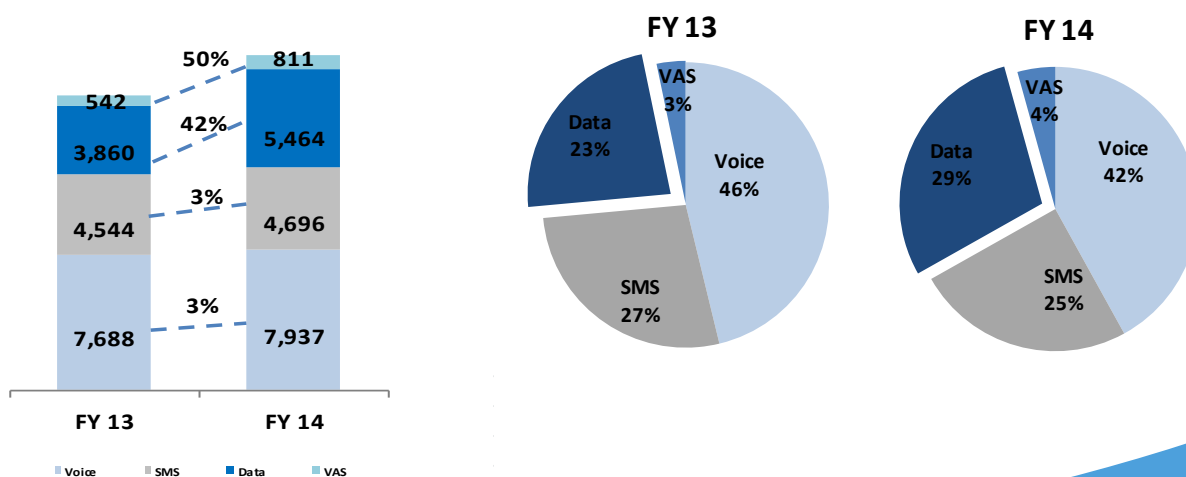
The acquisition of Axis is a strategic one to enhance XL's competitiveness in the mobile industry of Indonesia. Following the completion of the transaction in March, XL had set out a clear timeline of 12 months for integration and has successfully completed the exercise well ahead of schedule. Careful execution with minimum disruption to customers and operations saw billing, service, traffic, channel and network fully integrated with clear focus on cost reduction and leveraging on XL's cost structure. The integration efforts and diligence focus on costs has improved Axis' cost structure with about 70% monthly cost reduction or approximately IDR 2 trillion annual savings achieved since the signing of CSPA in October 2013.

The focus on managing costs in integrating the network has resulted in careful deployment of base stations to minimize redundancy and focus on network reuse. As such, the slower network rollout has had some impact to the overall operations.

XL recorded a gross revenue of Rp23.6 trillion for the FY14 with a YoY growth of 10%, primarily driven by a surge in Data and VAS revenue of 42% and 50% YoY respectively. As compared to the previous year, the continuous increase in smartphone penetration and encouraging growth in data traffic drove Data revenue contribution to XL's total usage revenue of 29%, surpassing SMS revenue contribution of 25% in FY14. In addition, XL recorded a 3% growth YoY in Voice and SMS respectively.

Diligent efforts to drive costs at Axis and further managing costs at XL has among others contributed to the improvement of the 4th Quarter EBITDA margins and ending the year at 37%.

Usage revenue YoY (Rp Bn)



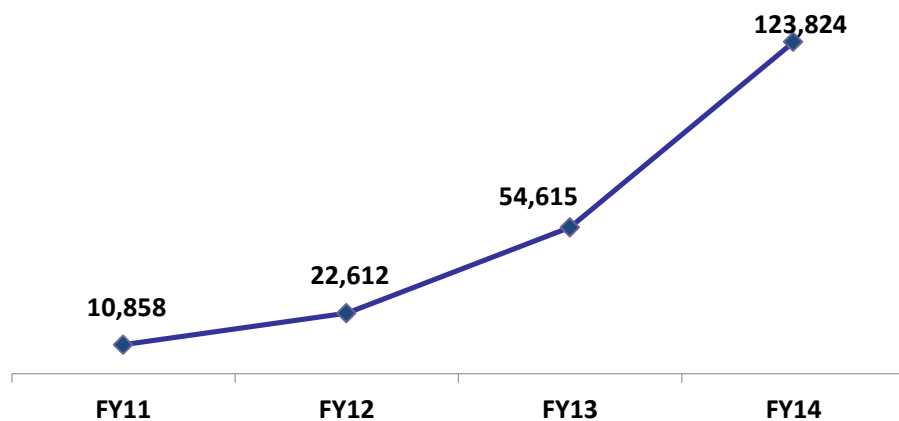
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Data and VAS Business

- Data traffic growth of 127% YoY was strongly buoyed by XL's focus on driving smartphone adoption and usage of mobile internet through a wide variety of affordable devices and service bundles.

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.
- Throughout 2014, XL continued to collaborate and offer handset bundling packages with smartphone manufacturers such as Apple, ASUS, Samsung, Blackberry, LG, Sony and Nokia. These bundling packages; coupled with XL's network coverage and quality, offers a compelling value proposition to XL's subscribers to experience an affordable and enhance internet experience.
- In October 2014, XL was the first mobile service provider to conduct trials on 4G (LTE) with connection speeds of up to 100Mbps in Indonesia in preparation to introduce this service to its customers. In December 2014, XL added 4G (LTE) services in four (4) major cities being Jakarta, Yogyakarta, Bogor and Medan. XL is taking proactive strategies by introducing new bundled plans (such as **HotRod**) with 4G (LTE) enabled devices and free digital content (streaming songs on **Guvera**, English Premier League video content, **VIKI's** video streaming and Muslim contents) to take the forefront data position and capture the growth from internet.

XL's continuous efforts to introduce mobile internet services as part of its core offerings and increasingly affordable smartphones in the market are the driving force behind the rise in smartphone users. In FY14, XL's smartphone users grew to 16.1 million users or 58% YoY. This has increased smartphone penetration by 9.0 pp to 27% versus the previous year.

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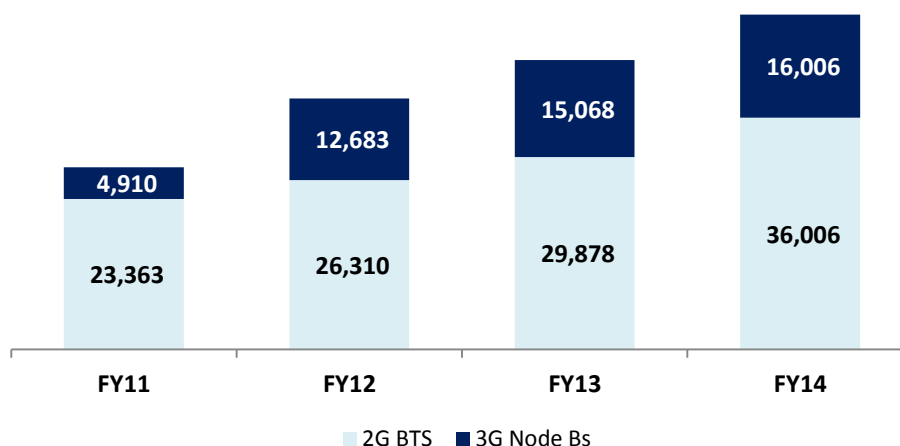


Voice and SMS Business

Voice and SMS revenue saw a modest growth of 3% YoY respectively despite a drop YoY in total outgoing minutes of 13% and total outgoing SMS of 2%. Challenges on the rising data shift trends are managed through a combination of periodic usage campaigns and price optimization.

Infrastructure

Base Stations



XL deployed over 7,000 new BTS and Node Bs or a 16% increase YoY with over 16,000 Node Bs strategically positioned to cater to consumer's demand for Data. XL embarked on its network modernization in key cities with the modernized network expected to deliver greater stability, expand network capacity and improve quality for both voice and data services.

In October 2014, XL was the first mobile service provider to conduct trials on 4G (LTE) in Indonesia in preparation to introduce this service to its customers. In December 2014, XL added 4G (LTE) services in four (4) major cities being Jakarta, Yogyakarta, Bogor and Medan as part of its overall suite of internet service offerings to meet consumer's demand for high speed internet connection.

Tower Sale

On 23 December 2014, XL has completed the 3,500 tower sale to PT Solusi Tunas Pratama Tbk. ("STP") and will lease back these towers from STP under favorable conditions for a period of 10 years, in line with XL's ambition to focus on its core business. The proceeds received of Rp5.6 trillion will be used to pare down debt and improve its capital position.

Following the assessment of the accounting treatment of this sale and leaseback transaction by the auditors, most of the leasing of towers will be treated as a finance lease contract opposed to an operating lease and will have an expected EBITDA compression of approximately 120bps compared to 200bps as previously announced.

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Digital Services

XL continues to expand its business beyond traditional telecommunication services to provide rich digital content and applications. Digital Service's revenue contribution to XL increased 51% YoY through the eight lines of Digital service which are **Digital Entertainment, Mobile Advertising, Mobile Payment, Mobile Banking, Machine to Machine, Cloud, Business Development** and **Elevenia**.

Digital Entertainment - **Gudang Aplikasi** platform has more than 1.3 million users registered with over 18,000 applications for download. XL received more than 50,000 transactions per month and is on an increasing trend.

Mobile Payment through **XL Tunai** has over 130 registered merchants and customer base of 1.3 million, an increase of 63% YoY. Mobile Banking saw active subscribers grew 38% YoY. XL has increased its Bank partnerships to 50 from 40 in the preceding year and launched Debit Credit Card VISA & MASTERCARD payment method in July 2014.

Mobile Advertising - **XL MAds** also expanded its solutions into the Small Medium Enterprises (SME) market with more than 500 SMEs currently using this service. Machine to Machine - Serves more than 509,000 subscribers. XL via collaboration with PT PLN (Persero) became the first mobile operator to provide a two-way smart metering system (**SIMPLY, Smart Electric Two-Way Meter Service**).

Cloud - **XCloud** maintains its position as the top 3 Cloud & Data Center service providers in Indonesia, currently serving more than 40 corporate clients whilst **Elevenia** has more than 18,000 sellers and more than 2 million live listing products.

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FINANCIAL MEASURES

Income Statement

Financial Statement (In Rp Billion)	FY13	FY14	Growth
Gross Revenue			
Voice	7,688	7,937	3%
SMS	4,544	4,696	3%
Data and VAS	4,402	6,275	43%
Cellular Interconnection and International Roaming Service	3,033	3,007	-1%
Others	208	197	-5%
Cellular Telecommunication Service	19,874	22,112	11%
Other Telecommunications Services	1,476	1,457	-1%
Gross Revenues	21,350	23,569	10%
Less: Discount	(85)	(109)	29%
Gross Revenue Net of Discount	21,265	23,460	10%
Interconnection and other direct expenses	3,726	3,356	-10%
Salaries & Employee Benefits (Permanent & Temporary)	937	1,160	24%
Sales and Marketing Expense	1,355	1,424	5%
Infrastructure Expenses	6,027	8,229	37%
Supplies and Overhead expenses	561	667	19%
Total OPEX	12,606	14,837	18%
EBITDA	8,659	8,623	0%
EBITDA Margin	41%	37%	-4%
Depreciation & Amortization	5,759	6,958	21%
EBIT	2,901	1,666	-43%
Other Expenses			
Finance income/(cost) - net	(949)	(1,346)	42%
Forex gain/(loss) - net*	(381)	(1,345)	253%
Share of results from jointly controlled entity	24	(102)	N/A
Others	(205)	58	-128%
Total Other Expenses	(1,511)	(2,735)	81%
Income (Loss) before income tax	1,390	(1,070)	N/A
Income Tax (Expense) Benefit	(357)	179	N/A
Profit (Loss) for the period	1,033	(891)	N/A
Earnings (Loss) Per Share (full amount)	121	(105)	N/A
Normalized Profit (Loss) (In Rp Billion)	FY13	FY14	Growth
Profit (Loss) for the year	1,033	(891)	N/A
Unrealized forex (gain)/loss	815	1,111	36%
Accelerated depreciation	220	-	N/A
Tax Impact	(259)	(278)	7%
Normalized Profit (Loss) for the year	1,809	(57)	N/A
Normalized Earnings (Loss) Per Share (full amount)	212	(7)	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 Rp23.6 trillion, a 10% YoY increase.

- Cellular telecommunication services revenue increased to Rp22.1 trillion in FY14, an increase of 11% compared to Rp19.9 trillion in the preceding year. This growth is attributable to a surge in Data and VAS revenue registering a YoY growth of 43% and contributed 27% of total revenue for FY14 compared to 21% in the previous year. Voice and SMS revenue grew moderately at 3% YoY respectively despite consumer's shift towards data centric services.
- Other telecommunications services revenue comprised mainly of leased towers, leased lines and national roaming. In FY14, this segment decreased marginally by 1% to Rp1.5 trillion mainly due to the decrease in revenue from tower lease as a result of the Axis integration.

Operating Expenses

Total operating expenses increased by 18% YoY to Rp14.8 trillion.

- Interconnection and other direct expenses decreased by 10% YoY.
The decrease was mainly due to the gradual shift of messaging services to OTT applications resulting in a lower off-net SMS traffic, both domestic and international. In tandem, cost to Research in Motion (RIM) declined by 13% YoY as consumer's preferences lean towards Android devices in the expense of Blackberry devices.
- Salary and Employee Benefits increased by 24% YoY.
The increase was mainly due to adjustment in employee benefits, in line with the increase in fuel price as well as annual salary increment and higher number of employee as a result of the Axis integration in FY14.
- Sales and Marketing expenses increased by 5% YoY.
The increase was a result of higher sales commission compensated by lower advertising and promotion in FY14 as XL continues to adopt effective sales and marketing efforts for new data centric plans and to increase new data subscribers.
- Infrastructure expenses increased by 37% YoY.
The increase in infrastructure expenses was mainly due to an increase in operating rental, repair & maintenance and license fees. Higher operating rental and repair & maintenance is a result of XL's commitment to improve network coverage and quality as well as its growing investment into data network infrastructure. Higher license fee was also attributable to the additional spectrum from the acquisition of Axis.

EBITDA

In FY14, EBITDA was stable at Rp8.6 trillion while EBITDA margin eroded 4 pp to 37%, compared to the preceding year. The margin erosion was due to the integration with Axis after taking into account the negative EBITDA since its acquisition on 19 March 2014. However, XL's relentless focus to improve cost savings and business performances resulted in significant improvements to EBITDA margin in fourth quarter FY14. EBITDA margin rose 5 pp to 39% in the fourth quarter FY14 compared to the third quarter FY14. Cost reduction from the integration efforts of Axis saw a cost reduction of approximately Rp 2 trillion annual savings since the signing of CSPA in October 2013.

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Depreciation and Amortization Expenses

The depreciation and amortization expenses grew by 21% YoY as a result of an increase in total assets from the Axis acquisition and XL's determination to invest in network modernization and deployment of Data related infrastructure and additional amortization from Axis's spectrum.

Other Expenses/Income

Other expenses increased by 81% to Rp2.7 trillion due to higher forex losses from the weaken Rupiah in FY14 and higher interest expense from the loans to acquire Axis. Forex losses were lower in fourth quarter FY14 versus third quarter FY14 as the weaken Rupiah against USD tapered off towards the end of FY14.

In FY14, Realized Forex loss stood at Rp234 billion while Unrealized Forex loss increased by 36% to Rp1.1 trillion. The additional loan taken to acquire Axis resulted in an increase in interest expense of 43% YoY to Rp1.6 trillion.

Profit for the period

In FY14, XL recorded Rp891 billion loss mainly due to a combination of the Axis acquisition and weaken Rupiah.

Balance Sheet

Balance Sheet (In Rp Billion)	FY13	FY14	Growth
Current Assets			
Cash and cash equivalents	1,318	6,951	427%
Others	4,526	6,358	40%
Total Current Assets	5,844	13,310	128%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	30,928	35,859	16%
Intangible asset	775	6,159	695%
Goodwill	-	6,105	N/A
Others	2,730	2,273	-17%
Total Non-Current Assets	34,434	50,397	46%
Total Assets	40,278	63,706	58%
Current Liabilities			
Current maturity of long term loans and bonds	3,125	3,922	26%
Others	4,806	11,477	139%
Total Current liabilities	7,931	15,398	94%
Non-Current Liabilities			
Long term loans and bonds	14,697	19,487	33%
Shareholder loan	-	6,220	N/A
Others	2,349	8,641	268%
Total Non-Current Liabilities	17,046	34,348	101%
Total Liabilities	24,977	49,746	99%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	6,333	6,451	2%
Retained earnings	8,967	7,510	-16%
Total Equity	15,300	13,961	-9%
Total Liabilities and Equity	40,278	63,706	58%

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Total assets increased to Rp63.7 trillion in FY14, 58% higher compared to the previous year as a result of the acquisition of Axis, increase in network infrastructure as well as an increase in cash and cash equivalent from the tower sale and other related financing activities.

- Current assets increased by 128% YoY driven by an increase in cash and cash equivalents by 427% as a result from the tower sale and an increase in advances and prepayment by 64% as well as the recognition of indemnification assets in relation to the Axis acquisition.
- Non-current assets increased by 46% YoY primarily due to the recognition of intangible asset as a result from the Axis acquisition and higher fixed assets from continuous investments into network infrastructures and Axis' assets.

As a result of the Axis acquisition, similarly, total liabilities grew by 99% YoY mainly as a result of higher borrowings of Rp29.6 trillion to acquire Axis.

- Current liabilities increased by 94% YoY driven primarily by a 38% increase YoY in trade payables and higher provision for FY14.
- Non-current liabilities increased 101% YoY mainly due to an increase in long term loan for the Axis acquisition and increase in other non-current liabilities in relation to tower sale.

Capital Expenditure

Capital Expenditure (In Rp Billion)	FY13	FY14	Growth
Capitalized capex	6,932	5,749	-17%
Paid capex	7,394	7,095	-4%
Commitments entered into*	5,712	4,976	87%

* The USD portion was converted to IDR using closing rate of December 2013 and 2014. The exchange rate Rupiah against USD as of December 2013 and 2014 were Rp12,215/USD and Rp12,440/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	FY13	FY14	Growth
Net cash flow generated from operating activities	7,167	8,540	19%
Net cash flow used in investing activities	(7,981)	(16,678)	-109%
Free cash flow	(814)	(8,137)	-899%
Net cash flow generated from financing activities	1,324	13,769	940%
Net increase/(decrease) in cash and cash equivalents	509	5,632	1006%
Cash and cash equivalents at the beginning of the period	792	1,318	66%
Effect of exchange rate changes on cash and cash equivalents	17	1	-91%
Cash and cash equivalents at the end of the period	1,318	6,951	427%

- In FY14, net cash flow generated from operating activities increased by 19% YoY to Rp8.5 trillion mainly due to an increase in payment receipts from customers and other mobile operators. However, this was offset by an increase in payments to suppliers.
- In FY14, net cash flow used in investing activities increased to Rp16.7 trillion, a 109% increase over the preceding year as a result of the Axis acquisition amounting to Rp10.1 trillion.

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- Net cash flow generated from financing activities grew to Rp13.8 trillion, an increase of over 940% YoY mainly due to higher drawdown of loan facilities, proceeds from the sale of treasury shares and sale of towers.

Description of Debts

The detail of debts as at 31 December 2013 and 2014 are as follows:

Description	(in Original Amount)		Year of Maturity
	FY 13	FY 14	
USD Loan (mn)	US\$ 96	US\$ 48	Amortizing semi annually, final repayment is in 2015
	US\$ 210	US\$ 189	Amortizing annually, final repayment in 2016
	US\$ 100	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\$ 456	US\$ 1,587	
IDR Bank Loan (bn)	Rp 1,050	Rp -	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 12,300	Rp 10,000	
Unamortized Loan Issuance Cost (bn)	Rp (54)	Rp (117)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 17,822	Rp 29,628	

* The USD portion was converted to IDR using closing rate of December 2013 and 2014. The exchange rate Rupiah against USD as of December 2013 and 2014 were Rp12,215/USD and Rp12,440/USD, respectively.

Gearing Ratios	FY13	FY14	Growth
Debt/Equity	1.2	2.1	1.0
Net Debt/Equity	1.1	1.6	0.5
Debt/EBITDA	2.1	3.4	1.4
Net Debt/EBITDA	1.9	2.6	0.7

During FY14, XL repaid its local denominated and USD debts amounting to Rp2.3 trillion and USD69 million, respectively. Proceeds from the tower sale to pare down XL's debt will only be reflected in subsequent quarters as the proceeds was received late December 2014.

As at 31 December 2014, XL hedged 63% of its external USD loan.

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OPERATING MEASURES

	FY13	FY14	Growth
Total O/G Minutes of Usage (billion minutes)	107.5	93.5	-13%
Total Minutes (billion minutes)	215.6	187.6	-13%
Total O/G SMS (billion SMS)	258.6	253.1	-2%
Total data traffic (Petabyte)	53.3	120.9	127%
Total BTS	44,946	52,012	16%
2G	29,878	36,006	21%
3G	15,068	16,006	6%
Number of Employees (permanent & contract with permanent position)	2,021	2,140	6%
Postpaid users (000)	377	423	12%
Prepaid sim cards (active and grace / million)	60.2	59.2	-2%
Total user base (million)	60.5	59.6	-1%
ARPU blended (Rp 000)	27	26	-4%
Postpaid revenue/sub (Rp 000)	132	118	-11%
Prepaid revenue/sim card (Rp 000)	26	25	-4%

RECENT DEVELOPMENT

The transformation of XL into a leading mobile internet provider in Indonesia amidst the changing business landscape is further strengthened with the reorganization in the management team. The changes reflect the continued focus on execution and agility which has been a core strength of the management team that has taken XL to where it is today. Furthermore it is a testament of the strong talent development focus in both XL and the Axiata Group. Long term sustainability and stability of management is viewed as a critical element in the ability to execute in a dynamic market and as such a clear succession planning roadmap is developed for critical roles long before any transition is needed.

Dian Siswarini brings a wealth of experience in the mobile industry having been with XL for last 19 years. She has been a Director of Network Services / Chief Technology Officer at XL since 2007 alongside Wim Timmermans and Hasnul Suhaimi, delivered strong growth over the years through the successful "Minute Factory" strategy which not only increased the value of XL by doubling the revenue market share but also revolutionized the mobile industry of Indonesia. Prior to her appointment, she served as the Director of Digital Services at XL and recently as the Axiata Group Chief Marketing and Operating Officer overseeing Strategic Marketing & Operations of the vast portfolio of the Axiata Group of Companies in the region.

One of the anchors of XL, Wim Timmermans, takes on a new strategic role as the new Chief Strategic Transformation Officer. A familiar face to the investment community, Wim's role is vital to the transformation of XL into the digital era. With over 25 years of experience in the telecommunications industry in a myriad of strategic roles, Wim is best fit to help take XL forward by building solid foundations to the future and delivering long term shareholders' value. This includes strategic focus on the data transformation, carrier collaboration, business digitization and digital services.

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ACHIEVEMENT

- XL was presented with two awards at Asian Legal Business Indonesia Law Awards 2014 for “M&A Deal of the Year” and “Indonesia Deal of the Year”, which both related to AXIS acquisition.
- XL received TMT Deal of the Year M&A at TMT Finance Asia 2015 Award for the sale of 3,500 tower to Solusi Tunas Pratama.
- XL received an award from SWA magazines for the “Best Companies in Creating Leaders from Within 2014” on Indonesia Leadership and Human Capital Summit 2014 event.
- XL won two awards in Golden Ring Award 2014 event for the “Best Value Added Service” for Gudang Aplikasi services and “Best Customer Service.”

CONSOLIDATED GUIDANCE

	2015
Revenue growth	In line or better than market
EBITDA margin	Mid to high 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 (“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.

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