

PT XL AXIATA TBK. (XL)

9M 17

Disclaimer

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OVERVIEW

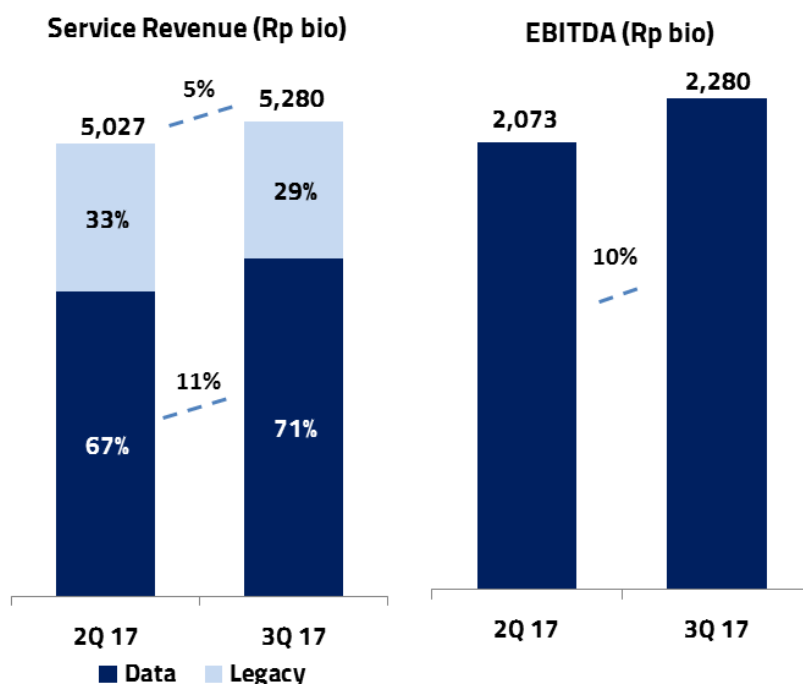
XL's strong 3Q 17 performance is testament to the continued success of the Transformation Agenda that was started in 2015 with the aim of positioning the company as a Data-centric business. Thus, XL achieved its 4th consecutive quarter of sequential gross revenue growth this quarter of 5% QoQ growth driven by continued growth in Data revenue which constitutes the majority of Service Revenue. This again further emphasizes the benefits of the Transformation to a Data-centric business wherein XL has reached the tipping point in Data Revenue growth outpacing the Legacy Revenue decline well ahead of peers.

In 3Q 17, XL's Service Revenue grew 5% QoQ driven by growth in Data revenue which increased 11% QoQ. This is due to continued strong take-up of innovative Data-led products on XL's high quality Data network. Thus, Data revenue now accounts for the majority of service revenue at 71% compared to 51% in the same quarter a year ago. On a 9M 17 basis, gross revenue growth is up 5% YoY compared to the same period a year ago. EBITDA grew sequentially for the third consecutive quarter rising 10% QoQ with margins adding 170 bps QoQ to 38.2% driven by the improvement in revenues and focus on cost efficiencies.

XL's Dual-Brand Strategy, one of the key tenets of the Transformation, continues to show positive results. Thus, XL continues to gain traction amongst both white-collar and blue-collar workers while Axis continues to gain traction in the youth segment with both brands offering innovative and differentiated Data-led product offers catering to the respective segments. The company continues to attract Data savvy smartphone subscribers with smartphone penetration adding another 3 percentage points since the previous quarter to 70%. Data consumption has also been rising steadily with XL's Traffic more than doubling from a year ago and accelerating consumption per sub.

XL's sustained network investments to provide an unparalleled Data experience continue to gain positive recognition from customers. Thus, XL's 4G network now covers 338 cities and areas across Indonesia with almost 16,000 4G BTS in addition to more than 44,000 3G BTS. Increased investment in ex-Java from the 3G U900 programme last year and further BTS additions have contributed to improving traffic and revenue growth in the ex-Java region.

Following the successful completion of the Balance Sheet Management Initiatives in 2016, XL's balance sheet remains strong with a net debt to EBITDA at 1.5x and the company continues to be free-cash flow positive.



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Continued growth in Data driven by success of the Transformation Agenda

XL's Transformation Agenda which was implemented in 2015 had aimed to position the company as a Data-centric business in order to build a more profitable and sustainable business model. Operating metrics have been positive over the past two years as XL has been seeing explosive growth in Data revenue and traffic as well as a meaningful increase in smartphone customers since 2015. This has led to XL delivering an improved financial performance resulting in another strong performance this quarter.

The Dual-Brand Strategy whereby XL and Axis target differentiated market segments with distinct product offers continues to deliver results and has been the key reason for the positive performance so far this year. Thus, XL is emerging as the brand of choice for edgy professionals amongst white collar workers especially with the XTRA Combo with YouTube bonus quotas catering to customers' demands by leveraging on partnerships with OTTs. The Super Ngobrol starter pack offering free unlimited on-net voice and SMS allowing new customers to focus spend on Data has resonated well within the white collar worker segment and particularly outside of Java. Meanwhile, AXIS continues to resonate well in the youth segment with the HITZ package proving popular in that segment as well as the recently launched AIGO vouchers. Both brands continue to grow in their respective market segments with the differentiated value proposition addressing the different needs of the various customer segments.

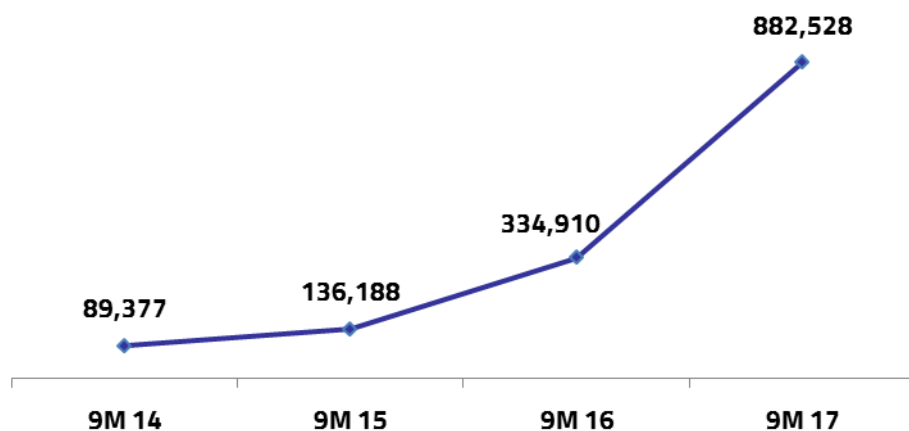
In particular, areas outside of Java have seen the most improvement with an improved network presence narrowing the gap with the competition coupled with various Data-focused value propositions XL has started to gain traction and market share in ex-Java. Through offers based on voice over Data driving increased usage, customer behaviour is changing allowing XL to overcome the interconnect barrier in this market. Thus XL has seen revenue growth outside Java increase by more than double the Java growth rate and continues to remain focused on investing more outside Java and continuing to ride the positive momentum.

Rapidly Rising Data Consumption and Smartphone Penetration

On the back of a strengthened network and attractive data offerings, XL's smartphone penetration has risen 10 percentage points to 70% compared to the same quarter in the previous year as XL continues to attract data-savvy customers. This means that XL now has 36.7 million smartphone subscribers at the end of 9M 17, a 36% YoY increase from the same period a year ago.

Total traffic across XL's network has seen a 162% YoY increase in 9M 17 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 17, XL recorded total Data users at 72% of the total subscriber base.

Total Traffic (TB)



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Innovative Products Continue To Attract Customers

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

- XL launched **Xtra Combo PRIMA** which offers prioritized Data connectivity on similar sized Xtra Combo plans at an additional cost.
- XL also launched a new starter pack **XL Perdana Super Ngobrol** which offers free unlimited on-net calls and SMS for new customers.
- AXIS launched **AXIS Internet On The Go (AIGO)** vouchers to give customers the ease of reloading on the go.
- To drive smartphone adoption XL offered bundling with smartphones from **LG & Haier** among others bundled with a one-year subscription to **Combo XTRA**.

Network Investment Paying Dividends Especially Outside Java

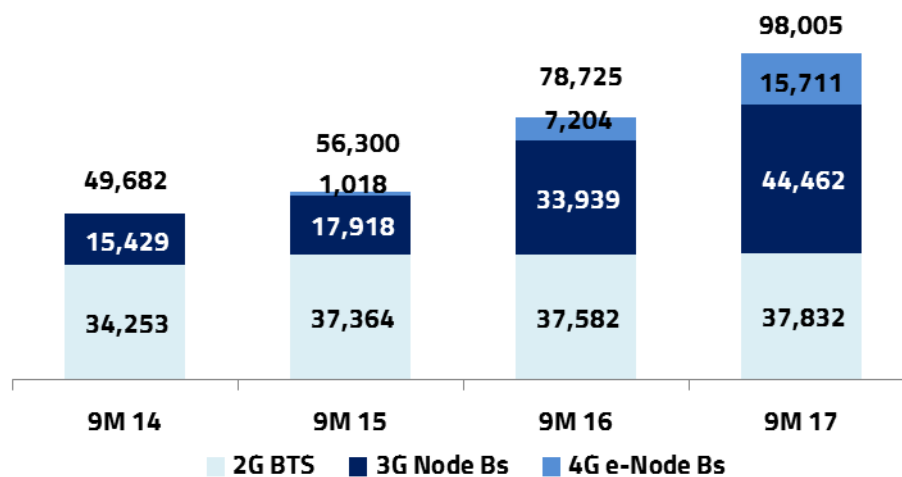
Establishing XL as the brand of choice for high-value customers who are typically heavy data consumers requires high-speed and reliable data services and network quality is essential to achieve this. Thus XL continues to ensure top-notch quality of data experience to its customers with continued roll-out and upgrades of its network. XL's total BTS count is now above 98,000 BTS with 3G totaling more than 44,000. XL's 4G-LTE service is now available in 338 cities and areas across Indonesia and with almost 16,000 4G BTS.

As a result, XL's Net Promoter Score (NPS) indicate an increased score on network related attributes especially data and signal coverage as customers continue to recognize XL's improved network perception.

In the 2H of 2016, XL started rolling out U900 services to improve the quality of the 3G network and to narrow the coverage gap with the market leader outside Java. The success of this programme in addition to the network investments made since then (almost 11,000 additional 3G/4G sites) has translated to growing revenue and traffic outside of Java as XL seeks to improve on its data market share.

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.

Base Stations



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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 through 9M 17:

- **Internet of Things (IoT)** – Currently, the team is progressing work on building a Smart Farming Village with the objective of increasing farm productivity through agriculture sensors. This is via collaboration with the Central Java Government and various other partners.
- **XL Tunai** –The total number of XL Tunai subscribers at the end of this quarter is 1.98 million users or a 2% increase compared to the end of the previous quarter.
- **Mobile Advertising (m-ADS)** – The number of ad inventories sold has increased by 166% YoY by the end of the current quarter.
- **Sisternet** - Number of partners has doubled since the end of 2016. The team successfully completed Sisternet Cooking Academy Program. The total Sisternet membership has now has increased to 12.5K.

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FINANCIAL MEASURES

Income Statement

Financial Statement (in Rp Billion)	9M16	9M17	Growth
Gross Revenue			
Service Revenue	13,789	14,905	8%
Others*	1,524	1,269	-17%
Cellular Telecommunication Service	15,313	16,174	6%
Other Telecommunications Services	825	752	-9%
Gross Revenues	16,137	16,926	5%
Less: Discount	(54)	(23)	-58%
Gross Revenue Net of Discount	16,083	16,903	5%
Interconnection and other direct expenses	1,348	1,913	42%
Salaries & Employee Benefits (Permanent & Temporary)	867	799	-8%
Sales and Marketing Expense	986	1,106	12%
Infrastructure Expenses	6,280	6,449	3%
Supplies and Overhead expenses	367	435	19%
Total OPEX	9,847	10,702	9%
EBITDA	6,236	6,202	-1%
EBITDA Margin	39%	37%	-2%
Depreciation & Amortization	5,761	5,086	-12%
EBIT	475	1,116	135%
Other Expenses			
Finance income/(cost) - net	(1,289)	(1,057)	-18%
Forex gain/(loss) - net**	431	34	-92%
Share of results from jointly controlled entity	(169)	(103)	-39%
Others	676	202	-70%
Total Other Income/(Expenses)	(350)	(923)	164%
Income (Loss) before income tax	125	193	55%
Income Tax (Expense) Benefit	35	46	30%
Profit (Loss) for the period	160	238	49%
Earnings (Loss) Per Share (full amount) (Rp)	15	22	48%

Normalized Profit (Loss) (In Rp Billion)	9M16	9M17	Growth
Profit (Loss) for the year	160	238	49%
Unrealized forex (gain)/loss	(330)	(44)	-87%
Accelerated depreciation	555	-	-100%
(Gain)/Loss from Capital Lease	(457)	-	-100%
Write Off of Elevenia Investment	-	133	N/A
Severance Payment	59	45	-24%
Tax Impact	(71)	(33)	-53%
Normalized Profit (Loss) for the year	(85)	338	N/A
Normalized Earnings (Loss) Per Share (full amount) (Rp)	(8)	32	N/A

*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 17, XL recorded gross revenue of Rp 16.9 trillion, an increase of 5% YoY driven by Service Revenue growth which increased 8% YoY.

- Cellular Telecommunication Service revenues increased 6% YoY to Rp 16.2 trillion and contributed 96% to total revenue. Service Revenue increased 8% YoY to Rp 14.9 trillion driven by growth in revenue from Data Services. Revenue from Others declined by 17% to Rp 1.3 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, decreased by 9% to Rp 752 billion mainly driven by foregone tower leasing revenue due to the sale and leaseback transaction which was completed at the end of Q2 2016. Other telecommunications services revenue contributed 4% to total revenue during the year.

Operating Expenses

Total operating expenses increased 9% YoY to Rp 10.7 trillion during 9M 17 versus the same period last year.

- Interconnection and other direct expenses increased by 42% YoY. The increase was mainly due to higher interconnect costs (for voice) as a result of higher off-net traffic due to increased traction in ex-Java.
- Salary and Employee Benefits decreased by 8% YoY. The decrease was mainly due to the lower staff count and lower severance payments.
- Sales and Marketing expenses increased by 12% YoY. The increase in sales and marketing expense is due to increased A&P for XL's new product launches as well as to increase awareness of XL's improved network quality.
- Infrastructure expenses increased by 3% YoY. This is mainly due to increased tower rental costs which are due to higher site rentals.

EBITDA

In 9M 17, EBITDA decreased 1% YoY to Rp 6.2 trillion due to the higher operating expenses on a YoY basis. EBITDA margins also declined 200 bps over the same period. Positively, on a QoQ basis, EBITDA has increased 10% QoQ, which is the third consecutive quarter of QoQ EBITDA growth, and this was driven by growth in revenue as well as a 170 bps improvement in EBITDA margin to 38.2%.

Depreciation and Amortization Expenses

Depreciation and amortization expenses declined by 12% YoY mainly due to lower depreciation charges as well as accelerated depreciation charges incurred in 9M 16.

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Other Income/Expenses

Other Expenses increased to Rp 923 billion over the 9M 17 period compared to Rp 350 billion in the prior year, due to a Rp 457 billion one off tower gain recorded in the prior year's period as well as a lower forex gain this period and the write-off of the elevenia investment.

In August, XL entered into a Conditional Sales and Purchase Agreement (CSPA) to divest its entire 50% ownership share in elevenia. The rationale for this transaction is that it allows XL to better focus its efforts in growing the core data business in becoming the leading mobile internet provider in Indonesia. The e-commerce sector in Indonesia has become overcrowded and as a result intensively competitive driving the sector into hyper investment mode with the entrants of large players backed by investors with deep pockets. To date, elevenia has continued to incur losses which are deepening and negatively impacting XL's financial performance. Thus, the transaction is immediately earnings accretive for XL.

Profit (Loss) for the period

XL recorded a profit of Rp 238 billion in 9M 17 up 49% from Rp 160 billion recorded in the prior year's period. Excluding the one-offs, XL's normalized net profit is Rp 338 billion compared to the normalized net loss of Rp 85 billion recorded in the prior year's period.

Balance Sheet

Balance Sheet (In Rp Billion)	9M16	9M17	Growth
Current Assets			
Cash and cash equivalents	3,343	1,299	-61%
Others	3,867	4,049	5%
Total Current Assets	7,210	5,348	-26%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	32,387	33,591	4%
Intangible asset	6,157	5,963	-3%
Goodwill	6,681	6,681	0%
Others	2,109	1,609	-24%
Total Non-Current Assets	47,334	47,845	1%
Total Assets	54,544	53,193	-2%
Current Liabilities			
Current maturity of long term loans and bonds	4,138	3,361	-19%
Others	9,932	10,384	5%
Total Current liabilities	14,070	13,745	-2%
Non-Current Liabilities			
Long term loans and bonds	11,019	10,019	-9%
Others	8,511	7,932	-7%
Total Non-Current Liabilities	19,529	17,951	-8%
Total Liabilities	33,600	31,696	-6%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	13,201	13,229	0%
Retained earnings	7,743	8,268	7%
Total Equity	20,945	21,497	3%
Total Liabilities and Equity	54,544	53,193	-2%

In 9M 17, total assets were Rp 53.2 trillion, 2% lower compared to the previous year due to lower cash balances which was used to pare down debt.

- Current assets were down 26% in 9M 17 compared to the end of 9M 16 due to a 61% decrease in cash which was used to pare down debt.
- Non-current assets increased slightly by 1% due to a higher fixed asset total.

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Total liabilities decreased by 6% YoY as a result of the repayments of loans.

- Current liabilities decreased 2% compared to 9M 17 due to a 19% decrease in current maturities of long-term loans and bonds through loan repayments.
- Non-current liabilities decreased by 8% due to a 9% decrease in long-term loans and bonds through loan repayments.

Capital Expenditure

Capital Expenditure (In Rp Billion)	9M16	9M17	Growth
Capitalized capex	3,450	4,945	43%
Paid capex	4,391	5,259	20%
Commitments entered into*	3,890	5,719	47%

* The USD portion was converted to IDR using closing rate of September 2016 and 2017. The Rupiah exchange rate against the USD as of September 2016 and 2017 were Rp12,998/USD and Rp13,492/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	9M16	9M17	Growth
Net cash flow generated from operating activities	7,167	7,924	11%
Net cash flow used in investing activities	(2,730)	(5,216)	91%
Free cash flow	4,437	2,708	-39%
Net cash flow used in financing activities	(4,353)	(2,810)	-35%
Net increase/(decrease) in cash and cash equivalents	83	(102)	-222%
Cash and cash equivalents at the beginning of the period	3,312	1,400	-58%
Effect of exchange rate changes on cash and cash equivalents	(52)	1	N/A
Cash and cash equivalents at the end of the period	3,343	1,299	-61%

Net cash flow generated from operating activities increased by 11% to Rp 7.9 trillion mainly due to an increase in cash receipts from customers.

Net cash flow used in investing activities increased by 91% to Rp 5.2 trillion due to the recognition of the proceeds from the sale and leaseback transaction in the prior year's period.

Net cash flow used in financing activities decreased 35% to Rp 2.8 trillion due to higher loan repayments in the 9M 16 period compared to the current period.

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Description of Debts

The detail of debts as of 30 September 2016 and 2017 are as follows:

Description	(in Original Amount)		Year of Maturity
	9M 16	9M 17	
USD Loan (mn)	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ 300	US\$ 300	Bullet repayment in 2019
	US\$ 350	US\$ 350	
IDR Bank Loan (bn)	Rp 3,050	Rp -	Amortizing annually, final repayment is in 2017
	Rp 1,950	Rp 1,500	Amortizing annually, final repayment is in 2018
	Rp 4,150	Rp 4,000	Amortizing annually, final repayment is in 2020
	Rp 9,150	Rp 5,500	
IDR Sukuk Tranche 1 (bn)	Rp 494	Rp -	Series A - Due in 2016
	Rp 258	Rp 258	Series B - Due in 2018
	Rp 323	Rp 323	Series C - Due in 2020
	Rp 425	Rp 425	Series D - Due in 2022
	Rp 1,500	Rp 1,006	
IDR Sukuk Tranche 2 (bn)	Rp -	Rp 1,040	Series A - Due in 2018
	Rp -	Rp 402	Series B - Due in 2020
	Rp -	Rp 142	Series C - Due in 2022
	Rp -	Rp 260	Series D - Due in 2024
	Rp -	Rp 336	Series E - Due in 2027
	Rp -	Rp 2,180	
Unamortized Loan Issuance Cost (bn)	Rp (42)	Rp (28)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 15,157	Rp 13,379	

* The USD portion was converted to IDR using closing rate of September 2016 and 2017. The Rupiah exchange rate against the USD as of September 2016 and 2017 were Rp12,998/USD and Rp13,492/USD, respectively.

Gearing Ratios (x)	9M16	9M17	Growth
Debt/Equity	0.7	0.6	(0.1)
Net Debt/Equity	0.6	0.6	(0.0)
Debt/EBITDA	1.8	1.6	(0.2)
Net Debt/EBITDA	1.4	1.5	0.1

During 9M 17, XL made repayment of debts amounting to Rp 3.5 trillion which includes a partial refinancing of bank loans from the proceeds of the issuance of the second tranche of XL's Sukuk Ijarah Programme.

As of 30 September 2017, all of XL's external USD loans are fully hedged until maturity.

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OPERATING MEASURES

	9M16	9M17	Growth
Total Traffic (Petabyte)	327.1	861.8	163%
Total BTS	78,725	98,005	24%
2G	37,582	37,832	1%
3G	33,939	44,462	31%
4G	7,204	15,711	118%
Number of Employees (permanent & contract with permanent position)	1,956	1,869	-4%
Postpaid users (000)	511	631	23%
Prepaid sim cards (active and grace / million)	44.5	51.9	17%
Total user base (million)	45.0	52.5	17%
ARPU blended (Rp 000)	36	34	-6%
Postpaid revenue/sub (Rp 000)	116	115	-1%
Prepaid revenue/sim card (Rp 000)	35	33	-6%

ACHIEVEMENT

- XL Axiata won the recognition of being one of *Indonesia's Most Admired Companies* at the IMACO Awards 2017.
- XL Axiata's XL Future Leaders programme won the Gold award in the category of *Excellence in the Provision of Literature & Education* at the Annual Global CSR Summit Awards and the Global Good Governance Awards 2017 in Langkawi, Malaysia.
- XL Axiata was ranked 1st in the Telecommunications category at the Indonesian Corporate Social Responsibility Awards 2017 jointly organized by Majalah Indonesia, Asia Institute Economic Review and Ideku Group.

CONSOLIDATED GUIDANCE

2017

Revenue growth	In-line with market
EBITDA margin	High 30's
Cash out capex	Around 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.

Date: 01 November 2017