

# PT XL AXIATA TBK.

## FY 17

### Disclaimer

This document contains certain financial information and results of operations, and may also contain certain projections, plans, strategies and objectives of XL Axiata, 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 Axiata'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 Axiata, or indicated by any such forward looking statements, will be achieved.

### OVERVIEW

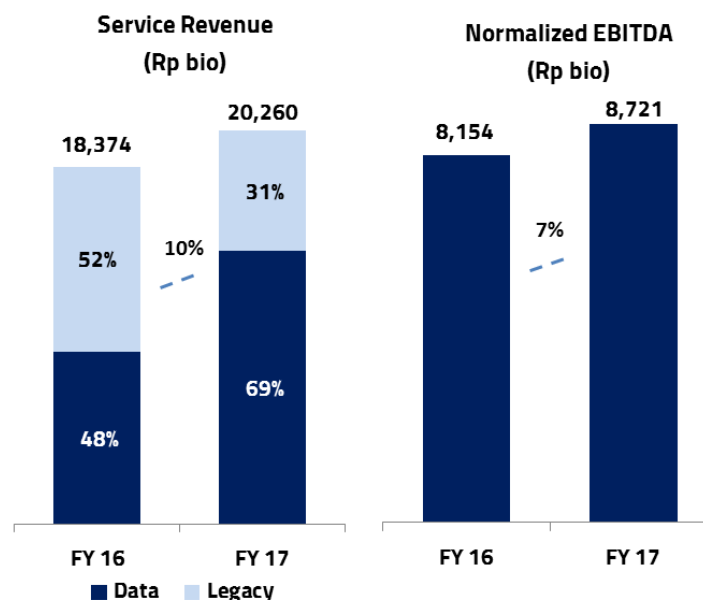
XL Axiata's strong 2017 performance is testament to the continued success of the Transformation Agenda that was started in 2015 with the aim of positioning the company as a Data-centric business. Thus after a challenging 2016, XL Axiata returned to a positive gross revenue growth of 7% YoY in 2017 driven by continued growth in Data revenue. The main aim of the Transformation was to position XL Axiata as a Data-centric business and this is clearly showing results where Data constitutes the majority of the company's Service Revenue and thus the company is outperforming its peers.

One of the main reasons for XL Axiata's strong performance in 2017 was the success of the Dual-Brand Strategy, which is one of the key principles of the Transformation. The XL brand 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 2 percentage points since the previous quarter to 72%. Data consumption has also been rising steadily with XL Axiata's Traffic more than doubling from a year ago and accelerating consumption per sub.

Another key reason for the success in 2017 was XL Axiata's sustained network investments to provide an unparalleled Data experience which continues to gain positive recognition from customers. Thus, XL Axiata's 4G network now covers 360 cities and areas across Indonesia with more than 17,000 4G BTS in addition to almost 46,000 3G BTS. Increased investment in ex-Java from the 3G U900 programme in 2016 and further BTS additions in 2017 have contributed to improving traffic and revenue growth in the ex-Java region contributing to XL Axiata's strong performance.

In 4Q 17, XL Axiata's Service Revenue grew 1% QoQ driven by growth in Data revenue which increased 8% QoQ. This is due to continued strong take-up of innovative Data-led products and XL Axiata's high quality Data network. Thus, Data revenue now accounts for the majority of service revenue at 75% compared to 58% in the same quarter a year ago. On a normalized basis, EBITDA grew sequentially for the fourth consecutive quarter rising 8% QoQ with margins adding 3.1% QoQ to 41.4% driven by the improvement in revenues and focus on cost efficiencies.

XL Axiata'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 Axiata'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 three years as the company has been seeing explosive growth in Data revenue and traffic as well as a meaningful increase in smartphone customers since 2015. In 2017, this has translated to XL Axiata delivering an improved financial performance outperforming the industry.

The three key reasons for the outperformance is the success of the Dual-Brand Strategy, the continued investment in the network which is resonating strongly with customers and the growth in revenue and traffic in ex-Java. Thus both XL and Axis brands have performed well this year with their respective product offerings gaining traction within the target segments. Consistent investment in the network has led to an improvement in the network perception especially with increased investment outside Java translating to improved traffic and revenue trends. This coupled with various Data-focused value propositions has seen XL Axiata start to gain traction and market share in ex-Java.

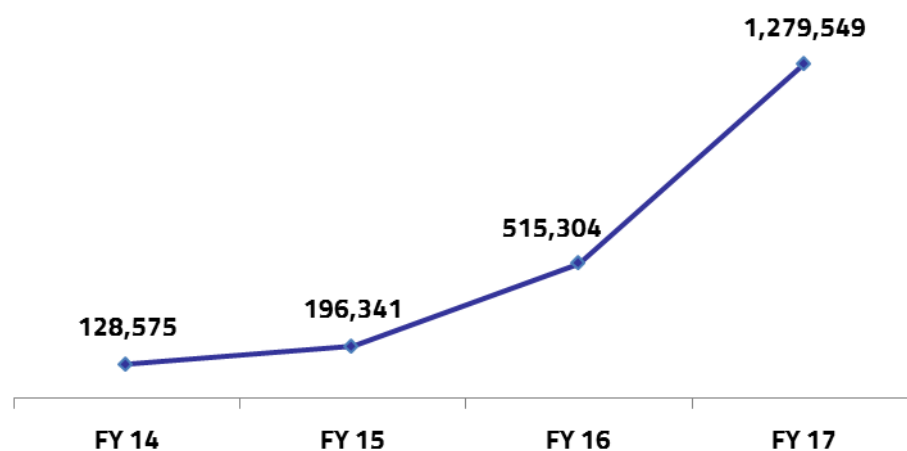
In tandem with the Business Transformation, XL Axiata also undertook an organizational transformation in 2017. The objective of the corporate transformation is to ensure XL Axiata has the right competencies, organizational setup and governance to deliver on the strategic objectives going forward. This restructuring program is to ensure the company has employees with the right capabilities to take the business forward. This has resulted in a more customer-centric, flatter, leaner and more competent as well as agile organization. Going forward the focus will be on developing the competencies of the organisation to ensure the correct skill-set to face the changing demands of the business and the industry.

## Rapidly Rising Data Consumption and Smartphone Penetration

On the back of a strengthened network and attractive data offerings, XL Axiata's smartphone penetration has risen 9 percentage points to 72% as of the end of FY 17 compared to a year ago as the company continues to attract data-savvy customers on the back of a strengthened network. This means that XL Axiata now has 38.3 million smartphone subscribers at the end of FY 17, a 32% YoY increase from the same period a year ago.

Total traffic across XL Axiata's network has seen a 148% YoY increase in FY 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. In 2017, the majority of XL Axiata's data traffic is now on 4G and as of the end of FY 17, the company recorded total Data users at 73% of the total subscriber base.

## Total Traffic (TB)



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### Innovative Products Continue To Attract Customers

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

- XL revamped **XTRA Combo** package was launched offering a YouTube quota, through a partnership with Google, in addition to a basic Data quota, a bonus 4G quota and an Any-Net minutes allocation.
- XL also launched a new starter pack **XL Perdana Super Ngobrol** which offers free unlimited on-net calls and SMS for new customers.
- XL also launched **Xtra Combo PRIMA** which offers prioritized Data connectivity on similar sized Xtra Combo plans at an additional cost.
- AXIS launched the **Axis HITZ** starter pack appealing to the youth where usage of WhatsApp, LINE and Blackberry Messenger is unlimited for daily usage
- 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 various brands such as **Samsung, LG** and others as part of a bundle with a one-year subscription to **XTRA Combo**.

### Network Investment Paying Dividends Especially Outside Java

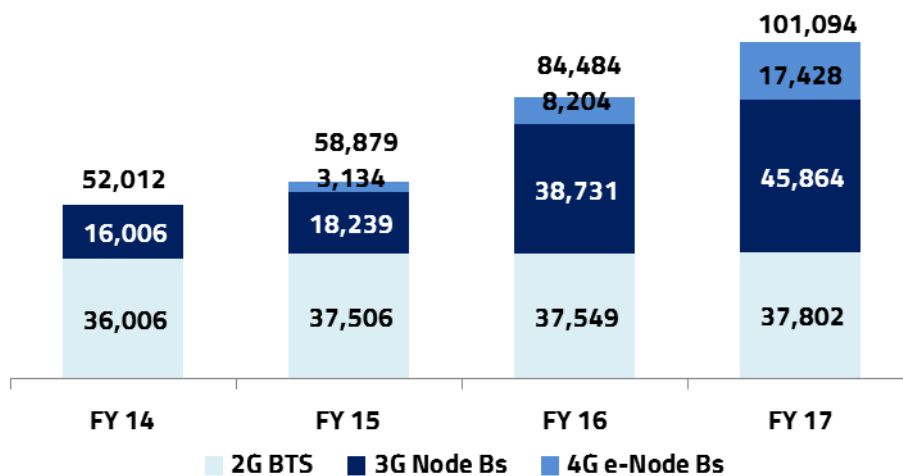
Establishing the XL brand as the choice for high-value customers who are typically heavy data consumers requires reliable high-speed data services and network quality is essential to achieve this. Thus XL Axiata continues to ensure top-notch quality of data experience to its customers with continued roll-out and upgrades of its network. XL Axiata's total BTS count is now above 101,000 BTS with 3G totaling almost 46,000. XL Axiata's 4G-LTE service is now available in 360 cities and areas across Indonesia and more than 17,000 4G BTS.

As a result, XL Axiata's Net Promoter Score (NPS) indicates an increased score on network related attributes especially data and signal coverage as customers continue to recognize XL Axiata's improved network perception. External surveys have also showed an improvement in XL Axiata's network coverage and performance.

In 2016, XL Axiata 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 12,000 additional 3G/4G sites) has translated to growing revenue and traffic outside of Java as XL Axiata seeks to improve its data market share there.

XL Axiata 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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### FINANCIAL MEASURES

#### Income Statement

Financial Statement (in Rp Billion)	FY16	FY17	Growth
<b>Gross Revenue</b>			
Service Revenue	18,374	20,260	10%
Others*	1,959	1,661	-15%
<b>Cellular Telecommunication Service</b>	<b>20,334</b>	<b>21,921</b>	<b>8%</b>
<b>Other Telecommunications Services</b>	<b>1,078</b>	<b>980</b>	<b>-9%</b>
<b>Gross Revenues</b>	<b>21,412</b>	<b>22,901</b>	<b>7%</b>
Less: Discount	(70)	(26)	-64%
<b>Gross Revenue Net of Discount</b>	<b>21,341</b>	<b>22,876</b>	<b>7%</b>
Interconnection and other direct expenses	1,927	2,459	28%
Salaries & Employee Benefits (Permanent & Temporary)	1,157	1,351	17%
Sales and Marketing Expense	1,433	1,616	13%
Infrastructure Expenses	8,269	8,576	4%
Supplies and Overhead expenses	498	552	11%
<b>Total OPEX</b>	<b>13,283</b>	<b>14,554</b>	<b>10%</b>
<b>EBITDA</b>	<b>8,058</b>	<b>8,321</b>	<b>3%</b>
<b>EBITDA Margin</b>	<b>38%</b>	<b>36%</b>	<b>-1%</b>
<b>Normalized EBITDA Margin**</b>	<b>38%</b>	<b>38%</b>	<b>0%</b>
Depreciation & Amortization	8,046	6,951	-14%
<b>EBIT</b>	<b>12</b>	<b>1,370</b>	<b>nm</b>
Other Expenses			
Finance income/(cost) - net	(1,590)	(1,395)	-12%
Forex gain/(loss) - net***	408	70	-83%
Share of results from jointly controlled entity	(255)	(103)	-60%
Others	1,610	279	-83%
<b>Total Other Income/(Expenses)</b>	<b>173</b>	<b>(1,149)</b>	<b>-763%</b>
<b>Income (Loss) before income tax</b>	<b>186</b>	<b>221</b>	<b>19%</b>
Income Tax (Expense) Benefit	190	154	-19%
<b>Profit (Loss) for the period</b>	<b>376</b>	<b>375</b>	<b>0%</b>
<b>Earnings (Loss) Per Share (full amount) (Rp)</b>	<b>35</b>	<b>35</b>	<b>0%</b>

Normalized Profit (Loss) (In Rp Billion)	FY16	FY17	Growth
Profit (Loss) for the year	376	375	0%
Unrealized forex (gain)/loss	(315)	(86)	-73%
Accelerated depreciation	1,158	-	-100%
(Gain)/Loss from Capital Lease	(1,288)	-	-100%
Write Off of Elevenia Investment	-	133	N/A
Severance Payment	96	400	317%
Tax Impact	(235)	(82)	-65%
<b>Normalized Profit (Loss) for the year</b>	<b>(209)</b>	<b>740</b>	<b>N/A</b>
<b>Normalized Earnings (Loss) Per Share (full amount) (Rp)</b>	<b>(20)</b>	<b>69</b>	<b>N/A</b>

\*Others mainly comprises Cellular Interconnect and International Roaming Services

\*\*Normalized for the Severance Payment made during the year

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

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### Operational Results

In FY 17, XL Axiata recorded gross revenue of Rp 22.9 trillion, an increase of 7% YoY driven by Service Revenue growth which increased 10% YoY.

- Cellular Telecommunication Service revenues increased 8% YoY to Rp 21.9 trillion and contributed 96% to total revenue. Service Revenue increased 10% YoY to Rp 20.3 trillion driven by growth in revenue from Data Services. Revenue from Others declined by 15% to Rp 1.7 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 980 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 10% YoY to Rp 14.6 trillion during FY 17 versus the same period last year.

- Interconnection and other direct expenses increased by 28% 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 increased by 17% YoY. The increase was mainly due to the company's organization transformation resulting in a one-off increase due to a headcount streamlining program.
- Sales and Marketing expenses increased by 13% YoY. The increase in sales and marketing expense is due to increased A&P for the company's new product launches as well as to increase awareness of the company's improved network quality.
- Infrastructure expenses increased by 4% YoY. This is mainly due to increased tower rental costs which are due to higher number of site rentals.

### EBITDA

In FY 17, EBITDA increased 3% YoY to Rp 8.3 trillion due to growth in revenue despite higher operating expenses. EBITDA margins declined 130 bps over the same period due to aforementioned higher costs. However, this was mainly due to a one-off cost relating to the organization transformation and on a normalized basis, absolute EBITDA increased 7% YoY to Rp 8.7 trillion while normalized margins were flat YoY at 38.1%.

### Depreciation and Amortization Expenses

Depreciation and amortization expenses declined by 14% YoY mainly due to lower depreciation charges as well as accelerated depreciation charges incurred in FY 16.

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### Other Income/Expenses

Other Expenses were Rp 1.1 trillion in FY 17 period compared to Rp 173 billion of other income in the prior year, due to a Rp 1.3 billion one-off tower gain recorded in the prior year's period as well as a lower forex gain in FY 17 and the write-off of the elevenia investment in 3Q 17.

### Profit (Loss) for the period

XL Axiata recorded a profit of Rp 375 billion in FY 17 which is flat compared to the Rp 376 billion recorded in FY 16. Excluding the one-offs, XL Axiata's normalized net profit in FY 17 is Rp 740 billion compared to a normalized net loss of Rp 209 billion recorded in the prior year's period.

### Balance Sheet

Balance Sheet (In Rp Billion)	FY16	FY17	Growth
<b>Current Assets</b>			
Cash and cash equivalents	1,400	2,455	75%
Others	5,407	4,725	-13%
<b>Total Current Assets</b>	<b>6,807</b>	<b>7,181</b>	<b>5%</b>
<b>Non-Current Assets</b>			
Fixed assets - net of accumulated depreciation	33,183	34,934	5%
Intangible asset	6,108	5,915	-3%
Goodwill	6,681	6,681	0%
Others	2,117	1,611	-24%
<b>Total Non-Current Assets</b>	<b>48,089</b>	<b>49,141</b>	<b>2%</b>
<b>Total Assets</b>	<b>54,896</b>	<b>56,321</b>	<b>3%</b>
<b>Current Liabilities</b>			
Current maturity of long term loans and bonds	3,645	3,771	3%
Others	10,832	11,455	6%
<b>Total Current liabilities</b>	<b>14,477</b>	<b>15,227</b>	<b>5%</b>
<b>Non-Current Liabilities</b>			
Long term loans and bonds	11,026	10,980	0%
Others	8,184	8,484	4%
<b>Total Non-Current Liabilities</b>	<b>19,210</b>	<b>19,464</b>	<b>1%</b>
<b>Total Liabilities</b>	<b>33,687</b>	<b>34,691</b>	<b>3%</b>
<b>Equity attributable to owners of the parent entity</b>			
Share capital & additional paid-in capital	13,208	13,226	0%
Retained earnings	8,002	8,405	5%
<b>Total Equity</b>	<b>21,209</b>	<b>21,631</b>	<b>2%</b>
<b>Total Liabilities and Equity</b>	<b>54,896</b>	<b>56,321</b>	<b>3%</b>

In FY 17, total assets were Rp 56.3 trillion, 3% higher compared to the previous year due to higher cash balances and fixed assets.

- Current assets were up 5% in FY 17 compared to the end of FY 16 due to a 75% increase in cash balances.
- Non-current assets increased slightly by 2% due to an increase in fixed assets.

Total liabilities increased by 3% YoY due to an increase in other liabilities.

- Current liabilities increased 5% in FY 17 due to a 6% increase in other liabilities relating to higher trade payables.
- Non-current liabilities increased by 1% due to a 4% increase other liabilities relating to lease liabilities for tower leases.

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### Capital Expenditure

Capital Expenditure (In Rp Billion)	FY16	FY17	Growth
Capitalized capex	6,474	7,190	11%
Paid capex	5,584	6,697	20%
Commitments entered into*	7,386	8,685	18%

\* The USD portion was converted to IDR using closing rate of December 2016 and 2017. The Rupiah exchange rate against the USD as of December 2016 and 2017 were Rp13,436/USD and Rp13,548/USD, respectively.

### Cash Flow

Cash Flow (In Rp Billion)	FY16	FY17	Growth
Net cash flow generated from operating activities	7,312	9,612	31%
Net cash flow used in investing activities	(3,849)	(6,635)	72%
<b>Free cash flow</b>	<b>3,463</b>	<b>2,977</b>	<b>-14%</b>
Net cash flow used in financing activities	(5,369)	(1,926)	-64%
Net increase/(decrease) in cash and cash equivalents	(1,906)	1,051	-155%
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,312</b>	<b>1,400</b>	<b>-58%</b>
Effect of exchange rate changes on cash and cash equivalents	(6)	4	N/A
<b>Cash and cash equivalents at the end of the period</b>	<b>1,400</b>	<b>2,455</b>	<b>75%</b>

Net cash flow generated from operating activities increased by 31% to Rp 9.6 trillion mainly due to an increase in cash receipts from customers.

Net cash flow used in investing activities increased by 72% to Rp 6.6 trillion due to higher capex and 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 64% to Rp 1.9 trillion due to higher loan repayments in FY 16 compared to the current year.

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### Description of Debts

The detail of debts as of 31 December 2016 and 2017 are as follows:

Description	(in Original Amount)		Year of Maturity
	FY 16	FY 17	
USD Loan (mn)	US\$ 50	US\$ 50	Bullet repayment in 2018
	US\$ 300	US\$ 300	Bullet repayment in 2019
	<b>US\$ 350</b>	<b>US\$ 350</b>	
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 4,000	Rp 3,850	Amortizing annually, final repayment is in 2020
	Rp -	Rp 1,500	Amortizing annually, final repayment is in 2023
	<b>Rp 9,000</b>	<b>Rp 6,850</b>	
IDR Sukuk Tranche 1 (bn)	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
	<b>Rp 1,006</b>	<b>Rp 1,006</b>	
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
	<b>Rp -</b>	<b>Rp 2,180</b>	
Unamortized Loan Issuance Cost (bn)	<b>Rp (37)</b>	<b>Rp (26)</b>	
<b>TOTAL INTEREST BEARING DEBT (in Rp. Bn)*</b>	<b>Rp 14,671</b>	<b>Rp 14,751</b>	

\* The USD portion was converted to IDR using closing rate of December 2016 and 2017. The Rupiah exchange rate against the USD as of December 2016 and 2017 were Rp13,436/USD and Rp13,548/USD, respectively.

Gearing Ratios (x)	FY16	FY17	Growth
Debt/Equity	0.7	0.7	(0.0)
Net Debt/Equity	0.6	0.6	(0.1)
Debt/EBITDA	1.8	1.8	(0.0)
Net Debt/EBITDA	1.6	1.5	(0.2)

During FY 17, XL Axiata made repayment of debts amounting to Rp 3.65 trillion which includes partial refinancing from the issuance of the second tranche of XL Axiata's Sukuk Ijarah Programme and proceeds from bank loan.

As of 31 December 2017, all of XL Axiata's external USD loans are fully hedged until maturity.



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## OPERATING MEASURES

	FY16	FY17	Growth
Total Traffic (Petabyte)	503.2	1,249.5	148%
Total BTS	84,484	101,094	20%
2G	37,549	37,802	1%
3G	38,731	45,864	18%
4G	8,204	17,428	112%
Number of Employees (permanent & contract with permanent position)	1,892	1,652	-13%
Postpaid users (000)	533	703	32%
Prepaid sim cards (active and grace / million)	45.9	52.8	15%
Total user base (million)	46.5	53.5	15%
ARPU blended (Rp 000)	35	34	-3%
Postpaid revenue/sub (Rp 000)	116	114	-2%
Prepaid revenue/sim card (Rp 000)	34	33	-3%

## 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 picked as one of the top 10 *Outstanding Innovators in Indonesia* in the Outstanding Corporate Innovator Indonesia Awards 2017 for its Xmart Village and Xmart City programmes.

## CONSOLIDATED GUIDANCE

2018

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.

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