



PT EXCELCOMINDO PRATAMA, TBK. (XL)
9M 2007

Disclaimer

This document contains certain financial information and results of operation, 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.

FINANCIAL MEASURES

Income Statement

Income Statement (In Rp Billion)	9M06	9M07	Growth
GSM:			
Postpaid	453	598	32%
Prepaid	2,851	3,713	30%
Interconnection & Inroaming	757	804	6%
Other GSM (Starter Pack, VoIP, etc.)	323	274	-15%
Total GSM	4,384	5,389	23%
Non GSM	181	344	90%
Revenue	4,566	5,733	26%
Less: Discount	(448)	(307)	-32%
Revenue Net of Discount	4,118	5,426	32%
Interconnection and Telecommunication Service Charges	784	1,019	30%
Labor Cost (Permanent & Temporary)	346	353	2%
Marketing & Selling expenses	406	576	42%
Infrastructure Expenses	416	752	81%
Support & Overhead Expenses	246	296	20%
Total OPEX	2,198	2,995	36%
EBITDA	1,920	2,431	27%
EBITDA Margin	42.0%	42.4%	N/A
Depreciation & Amortization	1,122	1,329	18%
EBIT	797	1,102	38%
Other Income/(Expenses)			
Interest expense	(311)	(495)	59%
Interest income	42	42	-1%
Forex gain	232	9	-96%
Others	(17)	(323)	1776%
Total Other Income/(Expenses)	(54)	(768)	1320%
Profit Before Tax	743	335	-55%
Income tax expense	(242)	(179)	-26%
Profit After Tax	501	156	-69%

For 9M 2007, PT Excelcomindo Pratama Tbk ("XL") announced gross revenue of Rp 5,733 bn, an increase of 26% YoY from Rp 4,566 bn in 9M 2006 while revenue net of discount was Rp 5,426 bn, an increase of 32% YoY from Rp 4,118 bn in 9M 2006. The growth in revenue was attributable to increase in number of subscriber and increase in O/G MoU per subscriber (9M06: 25 minutes and 9M07: 34 minutes) due to various stimulation programs in Q3 which resulting in increase in O/G MoU per subscriber QoQ of 70% (2Q07: 27 minutes and 3Q07: 46 minutes)

The increase in YoY opex was mainly due to the followings:

- Increase in **Infrastructure Expenses** due to higher frequency fee and utilities expenses mainly due to growth in number of BTS and maintenance fee for network equipment.
- Increase in **Marketing & Selling Expenses** due to commission programs were more aggressive than previous year which resulting higher sales commissions and higher A&P activities which was attributable to launching various Bebas programs in Q3.
- Increase in **Interconnection and Telecommunication Service Charges** mainly due to higher traffic and lower average off-net tariff while interconnection rate remain the same.
- Increase in **Support & Overhead Expenses** due to higher professional fee and electricity expense.

As a result, EBITDA grew by 27% YoY while margin slightly improved.



Increase in **Other expense** was mainly due to recording of WHT on USD bonds interest for period 2004 – Sep 2007 of Rp 341 bn and lower forex gain in 9M07 (closing rate 31 Dec 05: Rp 9,830 / USD; 30 Sep 06: Rp 9,235 / USD closing rate 31 Dec 06: Rp 9,020 / USD; 30 Sep 07: Rp 9,137 / USD).

Net profit incurred in 9M 2007 was Rp 156 bn compared to 9M 2006 of Rp 501 bn. The decrease was mainly due to WHT on interest on the USD bonds despite better operating results. Had XL have not recorded the WHT, the net profit for 9M 2007 would have been Rp 472 bn.

Update on WHT issue

In Jun 2006, XL received 2004 tax assessment result on WHT applicable for offshore interest including its penalty for a total amount of Rp 34.3 bn, which was based on WHT rate of 10%. XL has submitted an objection on the 2004 tax assessment result in Sep 2006. However, the objection was rejected by the Directorate General of Taxation in Aug 2007 and XL was assessed to pay the WHT for period 2004 at 20% rate. Therefore, the WHT on interest for period 2004 including its penalty was Rp 68.5 bn and has been fully paid to the Tax Office in 3Q 2007. The WHT including its penalty was recorded under Other Expenses.

In Jun 2007, XL received 2005 tax assessment result for the similar issue amounting to Rp 86.7 bn. The tax assessment was based on WHT rate of 20%. The result of the underpayment of WHT including its penalty has been paid to the tax office in July 2007; the WHT including its penalty has been booked under Other Expenses.

As for 2006 WHT, XL has accrued the WHT on interest on USD bonds at a rate of 20% including its penalty in 3Q 2007 and booked under Other Expenses with total amount of Rp 102.9 bn.

The 2007 WHT on interest for period Jan – Sep 2007 including penalty for period Jan – Jul 2007 has been accrued under Other Expenses amounted to Rp 82.8 bn.

XL has decided to recognize the exposure in the Income Statement in 3Q07 rather than disclose under contingent liabilities. The total WHT for period 2004 – Sep 2007 including penalty for period 2004 – July 2007 was Rp 341 bn.

The total WHT for period 2004 – 2007 including penalty to be booked in 2007 is estimated to be approximately Rp 368.2 bn.

Balance Sheet

Balance Sheet (In Rp Billion)	9M06	9M07	Growth
Current Assets			
Cash and cash equivalents	499	611	23%
Trade and other receivables - net	197	301	53%
Prepayments	479	514	7%
Others	24	87	270%
Total Current Assets	1,198	1,514	26%
Non-Current Assets	10,650	14,998	41%
Total Assets	11,849	16,512	39%
Current Liabilities			
Trade and other payables	1,559	2,256	45%
Taxes payable	24	53	121%
Deferred revenue	131	365	179%
Total current liabilities	1,714	2,674	56%
Non-Current Liabilities			
Trade payables	260	235	-10%
Deferred tax liabilities	239	526	120%
Long term loan	-	1,736	N/A
Long term bonds	5,469	6,923	27%
Provision for employee benefits	36	48	33%
Total Non-Current Liabilities	6,005	9,468	58%
Total Liabilities	7,718	12,142	57%
Equity			
Share capital & capital surplus	3,401	3,401	0%
Retained earnings	730	969	33%
Total Equity	4,130	4,370	6%
Total Liabilities and Equity	11,849	16,512	39%



- Increase in **current assets** was mainly due to higher cash balance and trade & other receivables.
- Increase in **non-current assets** was mainly due to increase in net fixed assets, which is attributable to the growth in number of BTS.
- Increase in **Current liabilities** was mainly due to increase in trade payables and deferred revenue.
- Increase in **Non-current liabilities** was mainly due to IDR bond issuance of Rp 1.5 trillion and drawdown of bank loans of USD 190 million.

Cash Flow

Cash Flow (In Rp Billion)	9M06	9M07	Growth
Net cash flow provided from operating activities	1,819	2,149	18%
Net cash flow used in investing activities	(3,569)	(4,798)	34%
Free cash flow	(1,751)	(2,649)	51%
Net cash flow provided from financing activities	1,367	2,675	96%
Net (decrease)/increase in cash and cash equivalents	(384)	26	N/A
Cash and cash equivalents at the beginning of the year	880	587	-33%
Effect of exchange rate changes on cash and cash equivalents	2	(2)	N/A
Cash and cash equivalents at the end of the period	499	611	23%

- **Net cash flow from operating activities** was Rp. 2,149 bn, higher than 9M 2006 of Rp. 1,819 bn due to higher cash receipts from customers and other operators.
- **Net cash flow used in investing activities** was Rp. 4,798 bn, higher than 9M 2006 of Rp. 3,569 bn due to higher capex spending which partially offset with lower additional other assets in 9M 2007.
- **Net cash flow from financing activities** was Rp. 2,675 bn, higher than 9M 2006 of 1,367 bn mainly due to external financing obtained from IDR bond issuance and bank loan in 9M 2007.

Description of Debts

The detail of debts as of 30 September 2007 and 2006 are as follow:

	9M06	9M07	Growth
Banks	-	1,736	N/A
Bonds	5,469	6,923	27%
USD Bond 1	3,203	3,181	-1%
USD Bond 2	2,266	2,249	-1%
IDR Bond	-	1,493	N/A
Total debts	5,469	8,659	58%

As of 30 September 2007 outstanding debts of Rp 8,659 bn consist of:

- USD 350 million bond due in January 2009
- USD 250 million bond due in January 2013
- IDR 1.5 trillion bond due in April 2012
- Bank loan from credit facilities. The credit facilities consist of:

Bank	Total Facility	Utilization	Balance	Tenor
Bank Mizuho Indonesia	USD 50 mn	USD 50 mn	-	3 years
Standard Chartered Bank	USD 100 mn	USD 60 mn	USD 40 mn	3 years
Bank DBS Indonesia	USD 50 mn	USD 50 mn	-	3 years
JPMorgan Chase Bank	USD 30 mn	USD 30 mn	-	3 years
BCA	IDR 1 tn	-	IDR 1 tn	3 years
TOTAL	USD 230 mn IDR 1 tn	USD 190 mn		

XL latest credit ratings issued are as follow:



	Foreign Currency	Local Currency	Outlook
Moody's	Ba2 ^{*)}	-	Positive
Standard & Poor's	BB-	-	Stable
Fitch Ratings	-	AA(idn)	Stable
Pefindo	-	idAA-	Stable

^{*)Upgraded to Ba2 on 18 Oct 2007}

XL has entered into several foreign currency contracts for a total notional amount of USD 377.5 million to hedge the exposure from the USD borrowings (48% of the total foreign exchange denominated debt).

In 9M 2007, our Debt/EBITDA ratio stood at 2.8x (covenant of 4.5x) and our EBITDA/Interest Expense ratio was 4.9x.

OPERATING MEASURES

Operating Key Performance Indicator	9M06	9M07	Growth
Total O/G Minutes of Usage (billion minutes)	1.8	3.2	75%
O/G MOU/subs/month (minutes)	25	34	38%
Total O/G SMS (billion SMS)	5.9	8.8	49%
O/G SMS/subs/month (SMS)	80	94	19%
Total # subscriber (000)	8,369	12,810	53%
Prepaid	8,004	12,369	55%
Postpaid	365	442	21%
ARPU blended (Rp 000)	45	46	2%
Prepaid	40	41	2%
Postpaid	177	152	-14%
Total BTS	6,537	9,947	52%
Number of Employee (permanent)	2,022	2,126	5%
Capitalized capex (Rp Billion)	3,322	4,649	40%

Subscribers and MOU

Total MoU in 9M 2007 was 3.2 bn a 75% increase from 9M 2006 of 1.8 bn. The increase in MoU was driven by increase in number of subscribers and subscribers' usage. The subscriber base increased to 12.8 million as at the end of 9M 2007 from 8.4 million at the end of 9M 2006. The increase in the number of subscribers and MoU were contributed by our pricing strategy and continuously improved coverage, quality and brand awareness during 9M 2007. 9M 2007 blended O/G MoU per subscriber was 34 minutes, increased by 38% from 9M 2006 of 25 minutes. 9M 2007 blended SMS per subscriber was 94 SMS, increased by 22% from 9M 2006 of 77 SMS. Outgoing MoU per subscriber increased 70% to 46 minutes in Q3 from 27 minutes in Q2.

ARPU

9M 2007 prepaid, postpaid and blended ARPUs were Rp. 41k, Rp. 152k and Rp. 46k respectively. Prepaid and blended ARPUs were higher than 9M 2006 figures of Rp. 40k and Rp. 45k, respectively, while postpaid ARPU of Rp 152k was lower than 9M 2006 figure of Rp 177k.

Investment

We continued to invest in our network development. In 9M 2007, we capitalized capex of Rp 4,649 bn compared to 9M 2006 capex of Rp 3,322 bn. As at 9M 2007, our number of BTS including 3G Node B increased by 52% YoY to 9,947 from 6,537 BTS as at 9M 2006 or 11% increase QoQ from 8,936 at 1H 2007, giving us a population coverage of around 85%.



Sales and Distribution

As of the end of 9M 2007, there were 203 XL Centers and more than 450k direct and indirect distribution channels.

PRICING STRATEGY

During 2007, XL has completely revamped the pricing strategy to drive subscriber productivity and gain revenue share.

- **Q1, simplicity and affordability**
Introduce flat per second tariff scheme.
- **Q2, call volume stimulation**
Introduce on-net rate.
- **Q3, call duration stimulation**
Introduce regional tariffs, based on a national concept of Rp 1/sec.
Below are the details of the Bebas regional tariffs:

(Tariff is per second)	Launched on 15 July 2007						Launched on 24 August 2007				Launched on 15 September 2007					
	Nationwide (excl. Sumatra & Sulawesi)		Sumatra		Sulawesi		East Java, Central Java and Kalimantan (excl. West Kalimantan)		West Kalimantan		West Java, Greater Jakarta ¹⁾		Bali and Lombok Peak Hours: 5.00 pm-10.59 pm		Off-Peak Hours: 11.00 pm-4.59 pm	
	On-net	Off-net	On-net	Off-net	On-net ²⁾	Off-net ²⁾	On-net	Off-net	On-net	Off-net	On-net	Off-net ²⁾	On-net	Off-net ²⁾	On-net	Off-net
≤ 2 minutes	Rp10	Rp25	Rp10	Rp25	Rp1	Rp10	Rp10	Rp25	Rp1	Rp10	Rp10	Rp25	-	Rp25	Rp10	Rp25
> 2 minutes	Rp10	Rp10	Rp1	Rp10	Rp1	Rp10	Rp1	Rp10	Rp1	Rp10	Rp1	Rp10	-	Rp10	Rp1	Rp10
≤ 10 minutes													Rp10	-	-	-
> 10 minutes													Rp1	-	-	-

¹⁾ For Greater Jakarta, XL offer on-net tariff with recurring pattern 2-8-2-8 which the tariff of Rp 10 per second will be applied for the first 2 minute and it will be reduced to Rp 1 per second for the next 8 minute then the tariff will be back to Rp 10 per second for the subsequent 2 minutes and it will become Rp 1 per second for the subsequent 8 minutes.

²⁾ The tariffs were valid until 30 September 2007.

Products & Services

- **Bundled Package for 5 Registered Bebas and Jempol Numbers**



On 25 July 2007, XL launched bundled bebas and jempol starter pack consists of 5 bebas or jempol numbers for students. The benefit of the program is each member will enjoy special voice tariff of Rp 150 per minute for calls to the other 4 registered numbers. SMS tariff of Rp 35 per SMS during off-peak hours (10.00 pm – 09.59 am and 24 hours a day for Sat and Sun) and Rp 99 per SMS during peak hours (10.00 am – 09.59 pm) for SMS to the other 4 registered numbers. This program will be valid until 31 December 2007.

- **XL Phonebook**



In July 2007, XL launched XL Phonebook, one of XL VAS products, for Xplor, Bebas and Jempol subscribers. With this service, XL subscribers can back up their contact numbers, calendar and SMS in XL database. The subscribers will be charged a monthly subscription fee of Rp 5,000 and normal GPRS and SMS tariffs whenever they update the database.

RECENT DEVELOPMENTS

- **Update on Infrastructure Initiatives**
We are exploring ways to unlock value from our passive infrastructure. Recently, we have appointed legal and financial advisers to explore various options for this initiative.
- **Demerger of TM Group**
On 28 September 2007, TM has announced to the Bursa Malaysia regarding the proposed demerger of the TM Group's mobile and fixed businesses. Subsequent to the demerger process, there will be two distinct entities as follow:





1. RegionCo, which will include TM's regional mobile operations under TMI including XL and domestic mobile operations under Celcom. TMI will be a holding company and will be listed separately from TM on Bursa Malaysia.
2. FixedCo, which will include fixed-line voice, data and broadband services and other telecommunication and non-telecommunication business under TM and retain to be listed on Bursa Malaysia.

The final announcement of the proposed demerger will be executed in December 2007 and the process is expected to be finalized by end of 2Q 2008.

▪ **Rajawali Share Sale**

Rajawali Group is in the process to sell their 16% share in XL. We have been requested to support the due diligence.

OTHER EVENTS

▪ **The Indonesian MAKE (Most Admired Knowledge Enterprise) 2007 Award**

On 1 August 2007, XL was elected as one of the winners of the Indonesian MAKE 2007 based on study from Dunamis Organization Services. In 2007, 63 companies were nominated and only three companies (one of the three companies is XL) will represent Indonesia in Asia competition.

▪ **The Best Innovation in Marketing**

On 29 August 2007, XL received The Best Innovation in Marketing 2007 Award for business solution products from Marketing Magazine.

▪ **GSM Asia-Pacific Conference and Exhibition**

On 6-7 September 2007, XL hosted the 27th GSM Asia-Pacific Conference and Exhibition in Bali. The theme of the conference was "Setting up Foundation for 3G Development". In this event, operators shared various telecommunication service based on GSM and 3G technologies which provide good quality with affordable tariff, multi-media using 3G technology, mobile commerce, mobile TV and roaming service and international data roaming based on 3G technology.

Corporate Social Responsibility

▪ **XL Care about Bengkulu Earthquake**

In September 2007, XL provides free public telephone in Bengkulu following the earthquake on 12 September 2007. Furthermore, XL Care also distributed free Bebas and Jempol numbers and built media center in XL office that provided logistic for the earthquake victims.

▪ **Break Fasting and Sahur* Together**

During the fasting month, XL held Break Fasting and Sahur* together with orphans and homeless children. They were entertained by famous band and artists in Indonesia.

**Sahur: the meal eaten before daybreak (during the fasting month)*

2007 GUIDANCE

- Revenue will grow by about 30%.
- EBITDA margin will be comparable or slightly higher than 2006.
- Blended ARPU will be comparable or slightly higher from 2006 level.
- Capex plan is USD 700 million to add more than 3,000 BTS.

2008 GUIDANCE

- Revenue and EBITDA will grow more than 20%.
- Capex plan is USD 650 million.

ABOUT XL



XL is one of the major cellular providers in Indonesia and majority owned by Telekom Malaysia Berhad through Indocel Holding Sdn Bhd (67.0%) and Khazanah Nasional Berhad (16.8%). XL is the only cellular company in Indonesia which owns an extensive fiber optic backbone network. Started commercial operation in October 1996, XL's business consists of Consumer Solutions as triple band (900/1800/1900) cellular network and service provider; and Business Solutions as corporate service provider.

Date: 31 October 2007