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**INTRODUCTION**

In the third quarter of FY09, our revenue increased by 7% YoY and 8% QoQ while EBITDA grew by 3% YoY and 15% QoQ with EBITDA margin of 43%. Without the shifting policy to lease new site developments, the EBITDA margin would have been 47% by end of September 2009.

Furthermore, due to healthy cash flow generation combined with prudent capex spending, XL has turned Free Cash Flow positive YTD.

**Revenue and Services**

For the last 2 years, we have stimulated our traffic by being the first mover in offering low cost GSM tariff and recorded a significant growth in OG MoU/subs of 548% (FY07 vs. September 09). We introduced various tariff campaigns that drove our subscribers' usage behavior. As a result, the OG MoU/subs/month has increased dramatically from 50 minutes in 2007 to 322 minutes in September 09.

We continue to deliver affordable services to our subscribers, while at the same time invigorating our brand with fun and excitement elements, in which we are ranked first for "Fun Companion" and "Passionate and Youthful" brand based on TNS survey result.

Through the new brand image, we offer value beyond affordability by launching attractive value added services, as well as data services. We launched XL Fun Book - a mobile social networking application that enables our subscribers to personally customize individual profiles as well as share the content with their social networking and web destination sites from their mobile handsets. We also introduced two new portals, i.e., XL Smile that allows customers to download entertainment contents through a handset, and XL Life Portal- a web-based application that provides freedom for our customers to customize their WAP (Wireless Application Protocol) appearance on their handsets. In addition, we also launched XL Mall, a BlackBerry application that enables our BlackBerry subscribers to download various contents and get up-to-date tips for their BlackBerry handsets.

As the pioneer of affordable BlackBerry services, we have gained significant traction in the market and currently have a market share of approximately 36%. The number of our BlackBerry subscribers has increased by more than five times since end of January this year, from around 26,000 to around 160,000. On the data services, we offer a full suite of plans, i.e., Pay as They Use, Volume-based, and Unlimited flat-rate plan.

To further optimize our network utilization and address customers' needs, in August we introduced another new price plan, i.e., CDMA tariff. Our subscribers can shift easily from one plan to another through our \*123# portal.

**Distribution and subscriber**

In 3Q09, we have completed rationalization of our dealers' structure by clustering the dealers' distribution territory, improving our control over each cluster's performance. We continue to closely monitor our



distribution channel to manage SIM card distribution to the market. By matching the supply and demand better, the calling-card phenomenon could be reduced significantly.

Our prepaid RGB (Revenue Generating Base) increased by 17% YoY and 16% QoQ while total number of subscribers increased by 6% YoY and 8% QoQ due to Lebaran season as well as our attractive programs.

### Network and capital productivity

As we have covered slightly more than 90% of population throughout Indonesia, with around 70% utilization rate during peak hours, in 2009 we aimed to improve our network quality by moving forward to specific targeted expansion, i.e., by adding capacity in our existing sites.

We continue to expand our 3G coverage, cluster by cluster, to support our broadband service, in which we can deliver the best quality broadband service with proper speed relative to other major players. Currently, we offer broadband service in Greater Jakarta and selected major cities in Sumatera.

## FINANCIAL MEASURES

### Income Statement (Audited)

Financial Statement (in Rp. Billion)	9M08	9M09	Growth
Cellular Telecommunication Service:			
Voice	5,015	5,026	0.2%
Non Voice	2,406	2,865	19%
<b>Total Cellular Telecommunication Service</b>	<b>7,421</b>	<b>7,892</b>	<b>6%</b>
<b>Cellular Interconnection and International Roaming Service</b>	<b>1,134</b>	<b>1,143</b>	<b>1%</b>
Other Telecommunication Services:			
Leased lines	367	321	-13%
Leased Towers	183	429	134%
Others	73	62	-15%
<b>Total Other Telecommunication Services</b>	<b>623</b>	<b>812</b>	<b>30%</b>
<b>Revenue</b>	<b>9,178</b>	<b>9,847</b>	<b>7%</b>
Less: Discount	(73)	(87)	19%
<b>Revenue Net of Discount</b>	<b>9,105</b>	<b>9,760</b>	<b>7%</b>
COGS and Interconnection Charges	1,762	1,462	-17%
Labor Cost (Permanent & Temporary)	542	608	12%
Sales & Marketing Expenses	1,034	763	-26%
Network Infrastructure Expenses	1,093	1,896	73%
Rental Site and Tower	183	369	102%
Support & Overhead Expenses	380	421	11%
<b>Total OPEX</b>	<b>4,993</b>	<b>5,519</b>	<b>11%</b>
<b>EBITDA</b>	<b>4,111</b>	<b>4,240</b>	<b>3%</b>
<b>EBITDA Margin</b>	<b>45%</b>	<b>43%</b>	<b>N/A</b>
Depreciation & Amortization	2,059	2,746	33%
<b>EBIT</b>	<b>2,051</b>	<b>1,494</b>	<b>-27%</b>
Other (Expenses) / Income			
Interest expense	(722)	(1,008)	40%
Interest income	20	42	107%
Forex gain - net	152	716	372%
Gain on lease transaction	-	464	N/A
Others	(319)	(41)	-87%
<b>Total Other (Expenses)/Income</b>	<b>(870)</b>	<b>172</b>	<b>N/A</b>
<b>Profit Before Tax</b>	<b>1,182</b>	<b>1,666</b>	<b>41%</b>
Income Tax Expense	(291)	(465)	60%
<b>Profit After Tax</b>	<b>891</b>	<b>1,202</b>	<b>35%</b>



#### Below is the normalized net income:

Normalized Net Income (In Rp Billion)	9M08	9M09	Growth
Net Income	891	1,202	35%
Less: unrealized forex (gain), net of tax	(147)	(736)	401%
VAT Bonus Pulsa (net of tax)	101	-	N/A
SMS Cartel (net of tax)	19	-	N/A
<b>Normalized Net Income</b>	<b>864</b>	<b>466</b>	<b>-46%</b>

#### Revenue

In the 9M09, the gross revenue increased by 7% YoY from Rp 9.2 trillion in 9M08 to Rp 9.8 trillion mainly due to the 6% YoY increase in cellular telecommunication service revenue, which made up 80% of our total revenue. In addition, the revenue from other telecommunication services increased by 30% due to increased revenue from leased towers.

#### Cellular Telecommunication Service

Revenue from cellular telecommunications service comprised of voice and non-voice revenue, increased by 6% YoY from Rp. 7.4 trillion in 9M08 to Rp. 7.9 trillion in 9M09. The main contributor of this growth was the revenue from non voice services, such as data, SMS, and VAS, that had a 19% increase compared to last year's performance. The aforementioned contributed 29% of total revenue.

#### Cellular Interconnection and International Roaming Service

Cellular interconnection and international roaming service revenue comprised of revenue from domestic interconnection, international roaming, SMS interconnection, and others slightly improved YoY from Rp1.13 trillion in 9M08 to Rp. 1.14 trillion in 9M09. The increase due to 29% YoY increase in international roaming that contributed 38% of this particular part of revenue which was offset with the decline in interconnection domestic cost that was applied in April 2008.

#### Other Telecommunication Services

Total revenue that came from other telecommunication services grew 30% YoY from Rp. 623 billion in 9M08 to Rp. 812 billion in 9M09. The tower business is continuously expanding and has contributed 134% YoY increase, from Rp. 183 billion to Rp. 429 billion, in the leased towers revenue, which contributed 4% of the total revenue.

#### Discount

Discount that consists of sales discount for handsets, starter pack, data card, international roaming, VoIP and sales discount for postpaid and prepaid subscriber usage increased by 19% YoY from Rp. 73 billion to Rp. 87 billion due to the loyalty program that we have been applying to our subs starting August 2009.

#### Operating Expenses

Operating expenses increased 11% YoY to Rp 5.5 trillion in 9M09 mainly due to 73% YoY increase in network infrastructure expense, which was driven by higher frequency fee, network utilities, repair maintenance, and operating network rental, and 102% YoY growth in rental sites and towers. This increased network infrastructure expense was offset by lower COGS and interconnection charges as well as lower sales and marketing expense. The portion of network infrastructure and rental sites and towers expenses accounted for 41% of total operating expenses. These major expenses are part of our effort to improve reliability and dependability to our subscribers.

#### COGS and Interconnection Charges

COGS and interconnection charges, which are comprised of interconnection charges, other cellular telecommunication charges and other telecommunication service cost, decreased 17% from Rp 1.8 billion in



9M08 to Rp 1.5 billion in 9M09 due to lower interconnection costs and lower starter pack costs as a result of initiative in supply management.

#### **Labor Cost**

Labor cost grew 12% YoY from Rp 542 billion in 9M08 to Rp 608 billion in 9M09. This increase was mostly due to a Long Term Incentives Plan (LTIP) accrual of Rp. 42.1 billion earlier this year.

#### **Sales and Marketing Expenses**

Sales and marketing expenses that consist of sales commissions, advertising & promotion and professional marketing fees decreased 26% from Rp 1 trillion in 9M08 to Rp 763 billion in 9M09, due to 35% reduction in advertising and promotion expenses as a result of clustering our dealers that were started early this year and 22% decrease in sales commissions mainly associated with our commission scheme transformation.

#### **Network Infrastructure Expenses**

Network infrastructure expenses, which is comprised primarily of frequency fee (44% of total network infrastructure expenses), utilities fees, repair & maintenance, as well as operating rental leased network facilities, grew 73% YoY from Rp 1.1 trillion in 9M08 to Rp. 1.9 trillion in 9M09 associated with the 3,679 additional BTS during September 08 to September 09.

#### **Rental Sites and Tower Expenses**

Rental site and tower expense mainly consists of rental expenses for BTS sites leased from third parties. As we continued moving away from nearly 100% self-built to a mix of self-built and lease, this expense rose 102% YoY from Rp 183 billion to Rp 369 billion associated with a 677% increase in the number of leased towers, from 254 towers in 9M08 to 1,973 towers in 9M09.

#### **Support and Overhead Expenses**

Support and overhead expenses grew 11% YoY from Rp 380 billion in 9M08 to Rp 421 billion in 9M09 mainly due to increases in professional fees and non-network related rental expenses.

#### **EBITDA**

Our EBITDA had a 3% increase from Rp 4.1 trillion in 9M08 to Rp 4.2 trillion in 9M09 while EBITDA margin was at 43%. When EBITDA is calculated without the shifting of tower rental policy, the EBITDA margin would have been 47%.

#### **Depreciation and Amortization Expenses**

Depreciation and amortization expenses increased 33% from Rp 2.1 trillion in 9M08 to Rp 2.7 trillion in 9M09, primarily associated with 24% higher number of BTS.

#### **Other Income**

In 9M09, we realized a total of Rp 172 billion other income mostly from the following:

- Gain on lease transaction of our core network that commenced in 1Q09 amounting to Rp 464 billion.
- 372% increase in foreign exchange gain compared to 9M08 attributable to the strengthening Rupiah against U.S. dollar by end of September 2009. The closing rate of Rupiah/USD as of 30 September 2008 and 31 December 2007 were Rp. 9,378/USD and Rp. 9,419/USD, respectively, whereas the closing rate of Rupiah/USD as of 30 September 2009 and 31 December 2008 are Rp. 9,681/USD and Rp. 10,950/USD, respectively.
- Interest income increased 107% YoY from Rp 20 billion in 9M08 to Rp 42 billion in 9M09.



- A 40% interest expense increase, from Rp. 722 billion in 9M08 to Rp. 1 trillion in 9M09 was incurred from the increase in interest bearing debt.
- An 87% decrease in other expenses to Rp. 41 billion in 9M09 mostly because in 9M08, there were various funding costs of tax redemption of USD 350 million bonds, partial tender offer of USD 250 million bond, and penalty on VAT on bonus reload transaction. The other expense in 9M09 majority comprised of funding cost amortization and hedging premium that were offset by other income from “mark-to-market-revaluation” of our hedging position that was closed in January 2009 amounting to Rp. 80 billion.

### Profit/(Loss) After Tax

For this nine-month result, we earned Rp. 1.2 trillion of after-tax profit or an increase of 35% from the previous year.

### Balance Sheet (Audited)

Balance Sheet (In Rp Billion)	9M08	9M09	Growth
<b>Current Assets</b>			
Cash and cash equivalents	338	1,582	368%
Trade and other receivables - net	382	399	5%
Prepayments	834	1,091	31%
Others	249	100	-60%
<b>Total Current Assets</b>	<b>1,803</b>	<b>3,173</b>	<b>76%</b>
<b>Non-Current Assets</b>	<b>23,785</b>	<b>25,714</b>	<b>8%</b>
<b>Total Assets</b>	<b>25,588</b>	<b>28,887</b>	<b>13%</b>
<b>Current Liabilities</b>			
Trade payables and others	4,265	2,552	-40%
Taxes payable	102	62	-39%
Deferred revenue	837	816	-3%
Short term loan and current maturity of long term loan	869	3,167	264%
Others	-	128	N/A
<b>Total current liabilities</b>	<b>6,073</b>	<b>6,724</b>	<b>11%</b>
<b>Non-Current Liabilities</b>			
Trade payables	222	222	0%
Long term loan	10,617	12,589	19%
Deferred tax liabilities	697	1,017	46%
Long term bonds	2,677	2,686	0%
Others	88	139	58%
<b>Total Non-Current Liabilities</b>	<b>14,301</b>	<b>16,653</b>	<b>16%</b>
<b>Total Liabilities</b>	<b>20,374</b>	<b>23,377</b>	<b>15%</b>
<b>Equity</b>			
Share capital & capital surplus	3,401	3,401	0%
Retained earnings	1,813	2,109	16%
<b>Total Equity</b>	<b>5,214</b>	<b>5,509</b>	<b>6%</b>
<b>Total Liabilities and Equity</b>	<b>25,588</b>	<b>28,887</b>	<b>13%</b>

Total assets increased 13% from Rp. 25.6 trillion in 9M08 to Rp. 28.9 trillion in 9M09.

- Current assets increased 76% YoY from Rp 1.8 trillion to Rp 3.2 trillion in 9M09. This major change was mainly due to higher cash and cash equivalents which rose 368% from Rp. 338 billion in 9M08 to Rp. 1.6 trillion in 9M09 and a 31% YoY increase in prepayments from Rp. 834 billion to Rp. 1.1 trillion in 9M09.
- Non-current assets went up 8% from Rp. 23.8 trillion in 9M08 to Rp. 25.7 trillion in 9M09 resulted from higher net fixed assets position related to additional 3,679 BTS (2G/3G) that were deployed between 9M08 and 9M09.



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- Current liabilities increased 11% from Rp. 6.1 trillion as of 9M08 to Rp. 6.7 trillion as of 9M09. There were a number of major changes that drove the increase: a 264% increase in short term loan and current maturity of long term loan to Rp. 3.2 trillion in 9M09. The incline was offset by a 40% YoY decrease to Rp. 2.6 trillion in trade payables and taxes payable decreased by 39% YoY to Rp. 62 billion.
- Non-current liabilities rose 16% from Rp. 14.3 trillion to Rp. 16.7 trillion in 9M09, mainly because of 19% increase in long-term loan despite the EKN loan installment payments that we made in January 2009, April 2009, and July 2009, amounting to USD 39 million.

### Capital Expenditure

Capital Expenditure (In Rp Billion)	9M08	9M09	Growth
Capitalized capex	8,656	3,465	-60%
Paid capex	8,009	4,667	-42%
Commitments entered into**	9,224	2,092	-77%

\*\* The original amount is in IDR and USD. The USD portion was converted to IDR using closing rate 30 September 2008 and 2009. The exchange rate Rupiah against USD as of 30 September 2008 and 2009 were Rp 9,378/USD and Rp 9,681/USD, respectively.

### Cash Flow (Audited)

Cash Flow (In Rp Billion)	9M08	9M09	Growth
Net cash flow provided from operating activities	4,013	4,931	23%
Net cash flow used in investing activities	(7,992)	(4,469)	-44%
<b>Free cash flow</b>	<b>(3,979)</b>	<b>462</b>	<b>-112%</b>
Net cash flow provided from (used in) financing activities	3,507	(36)	-101%
<b>Net decrease in cash and cash equivalents</b>	<b>(473)</b>	<b>425</b>	<b>-190%</b>
Cash and cash equivalents at the beginning of the period	806	1,170	45%
Effect of exchange rate changes on cash and cash equivalents	5	(13)	-388%
<b>Cash and cash equivalents at the end of the period</b>	<b>338</b>	<b>1,582</b>	<b>368%</b>

- Net cash flow generated from operating activities in 9M09 increased 23% from Rp 4 trillion in 9M08 to Rp 4.9 trillion in 9M09. The increase was mostly due to 6% increase in receipts from customers and other operators and receipt of Rp. 8.3 billion income tax refunds in 9M09.
- Net cash flow used in investing activities declined 44% from Rp. 8.0 trillion in 9M08 to Rp. 4.5 trillion in 9M09, mainly due to 42% decrease in fixed asset acquisition.
- For 9M09, cash flow used in financing activities was Rp. 36 billion. This is a major change compared to 9M08 where we had Rp. 3.5 trillion provided from financing activities. This is mostly caused by the repayments of long-term loans together with their interest payments and lower new loan drawdown in 9M09 compare to 9M08.



## Description of Debts

The detail of debts as of 30 September 2008 and 2009 are as follows:

Description	Original Amount of Bond / Bank Loan Facility	(In Rp bn)		Year of Maturity
		9M08	9M09	
USD Bond	USD 127.7 mn	1,183	-	2013
	USD 124.1 mn	-	1,190	2013
IDR Bond	IDR 1,500 bn	1,494	1,496	2012
USD Bank Loan	USD 50 mn	469	-	2009
	USD 280 mn	2,298	2,710	2010
	USD 50 mn	469	-	2011
	USD 190 mn	-	1,821	2011
	USD 338 mn	-	2,861	Amortizing every year, final repayment is in 2015
	USD 91 mn*	-	517	Amortizing every year, final repayment is in 2016
IDR Bank Loan	IDR 4,000 bn	4,000	3,600	Amortizing every year, final repayment is in 2012
	IDR 4,000 bn	4,000	3,998	2011
	IDR 250 bn	250	249	2010
<b>TOTAL INTEREST BEARING DEBT</b>		<b>14,163</b>	<b>18,442</b>	

\* There is loan facility available amounting to USD 37 million.

On 30 September 2009, we signed 3 Year Bilateral Term Loan Facility Agreement with the Bank of Tokyo Mitsubishi UFJ, Ltd., Jakarta Branch amounting to Rp 500 billion.

On 12 October 2009, we signed a 5 Year Syndicated Term Loan Facility Agreement amounting to Rp. 1.6 trillion with Bank BNI and Bank CIMB Niaga.

During October 2009, we have prepaid USD denominated debts amounting to USD 75 million using internal cash flow.

As of 30 September 2009, we had hedged about 40% of our USD debt. Our debt/EBITDA ratio was at 3.5 and our EBITDA/Interest Expense ratio at 3.7. With the USD 75 million prepayment in October 2009, the hedged ratio increased to approximately 43%.

XL latest credit ratings issued are as follows:

	Foreign Currency	Local Currency	Outlook
Moody's	Ba2	-	Negative
Standard & Poor's	BB-	-	Negative
Fitch Ratings	-	AA-(idn)	Positive*
Pefindo	-	idA+	Stable

\*As of 26 October 2009

## OPERATING MEASURES

Operating Key Performance Indicator	9M08	9M09	Growth
Total O/G Minutes of Usage (billion minutes)	37.9	63.4	67%
Total Minutes (billion minutes)	75.4	127.0	68%
Total O/G SMS (billion SMS)	12.7	38.4	201%
Total BTS (2G/3G)	15,111	18,790	24%
Number of Employees (permanent)	2,153	2,027	-6%



Other Parameters	9M08	9M09	Growth
Postpaid subscribers (000)	465	347	-25%
Prepaid RGB (million)	21.5	25.2	17%
Prepaid sim cards (active and grace / million)*	24.6	26.3	7%
ARPU blended (Rp 000)	40	35	-13%
Postpaid revenue/sub	152	162	7%
Prepaid revenue/sim card	37	33	-11%

\*at 25 days grace period

### MoU

Total outgoing MoU increased 67% YoY from 37.9 billion minutes in 9M08 to 63.4 billion minutes in 9M09. The outgoing MoU/subs/month grew 37% from 204 minutes to 280 minutes in 9M09, while total MoU/subs/month increased 32% YoY from 406 minutes to 560 minutes in 9M09.

### RGB

Continuing on our focus to improve the quality of our subscriber base, our prepaid Revenue Generating Base (RGB) number of subscribers increased by 17% to 25.2 million in 9M09, compared to 21.5 million in 9M08. Total prepaid SIM cards also grew by 7% YoY, from 24.6 million in 9M08 to 26.3 million in 9M09.

### RECENT DEVELOPMENT

#### Rights Issue

To continue our plan to conduct a right issuance that was announced on 4 August 2009, we have filed our registration statement to BAPEPAM on 15 October 2009. The Right Issue will be undertaken by issuance of 1,418 million new ordinary shares by XL with total amount of Rp. 2.8 trillion. An EGMS (Extraordinary General Meeting Shareholders) will be held on 16 November 2009.

### GUIDANCE

	2009	2010
Revenue	10% - 12% growth	Slightly above market revenue growth
EBITDA margin	Stable	Stable
Cash out capex	USD 550 – 600 mn	USD 400 – 450 mn
FCF	Neutral to positive	Positive

### ABOUT XL



XL is a major cellular provider in Indonesia which is majority owned by Axiata Group Berhad (formerly known as TM International Berhad) through Indocel Holding Sdn Bhd (83.8%), the remaining stakes are held by Emirates Telecommunications Corporation (Etisalat) International Indonesia Ltd., a wholly owned subsidiary of Etisalat (16%), and the public (0.2%).

Date: 30 October 2009