

PT XL AXIATA TBK.

1H 18

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 delivered positive revenue growth and gained further traction in Data in 1H 18 amidst the challenging market dynamics and structural changes in the market in the form of prepaid sim registration. Structural reforms in the form of prepaid sim registration, although challenging in the short-term, will be positive and provide opportunities for long-term value creation. XL Axiata has made moves in monetizing data and hopes that the pricing environment will further improve and result in better opportunities for growth in the 2nd half of 2018.

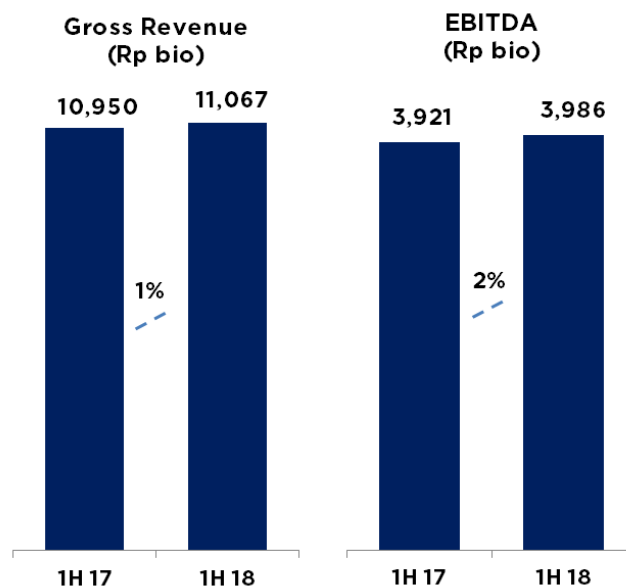
The transformation strategy implemented prior has helped build a more robust business reflected in the positive performance this year despite heightened data pricing aggression and prepaid sim registration. Revenue growth of 1% YoY in 1H 18 was driven by continued momentum growth in Data. This was done through a strong Data-led product proposition through XL Axiata's dual-brand strategy supported by continuous network investment for a better Data experience led to this positive trend.

In 1H 18, XL Axiata's revenue growth was driven by Data revenue which increased 19% YoY. Thus, Data revenue now accounts for the majority of service revenue at 79% in Q2 18 compared to 67% in the same quarter a year ago. This percentage is higher than industry peers and enabled XL Axiata to weather the negative effects of declining Legacy Services better than others. In the 1H 18, EBITDA also saw an increase of 2% YoY with margins rising to 36.0% driven by the improvement in revenues and focus on cost efficiencies.

This performance is sustained by XL Axiata's successful employment of a dual-brand strategy where the XL and AXIS brands address differentiated market segments with innovative and attractive Data focused product offerings. Innovative offerings such as smartphone bundles and a healthy Lebaran period also contributed positively to the performance this quarter.

A strong network performance is important especially to attract smartphone customers and XL Axiata continues its network investment program to provide an unparalleled Data experience for its customers. Thus, XL Axiata's 4G network now covers 380 cities and areas across Indonesia with almost 25,000 4G BTS in addition to more than 49,000 3G BTS. Increased investment in ex-Java continues and as resulted in improving traffic and revenue growth in the ex-Java region contributing to XL Axiata's strong performance.

XL Axiata's balance sheet remains strong with a net debt to EBITDA at 1.4x and the company continues to be free-cash flow positive.



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Focused on strategy execution in tough environment

XL Axiata continues to build leadership as a Data-centric company through a focus on Data-led products via its dual-brand strategy and combined with continued investment in the network. This is despite the tough competitive environment in the 1H of 2018 coupled with the implementation of prepaid sim registration. Whilst XL remains focus on execution of its transformation to gain further in roads in the data business, developments of the market post sim registration will be key in determining how the market unfolds in the second half of the year.

To ensure continued success of the company's dual-brand strategy, during the quarter, both XL and Axis brands focused on their respective product offerings which resonated well within their target segments. This quarter saw the launch of XL's Xstream 4G smartphone that was sold as part of a bundle with YouTube to customers to further improve smartphone adoption and drive data usage. Axis continues to resonate well with the youth segment in particular its HITS and Bronet internet packages.

The Lebaran festive season saw healthy consumption patterns as traffic saw a 95% YoY increase compared to the previous year with the increase driven by 4G. The strongest driver of traffic continues to be streaming (both video and music) followed by web browsing, instant messaging and social media.

Competition so far this year has been intense with aggressive product launches by competitors which saw very low data package offerings aimed at grabbing market share which are both unsustainable and unhealthy for the industry. However, following the completion of the prepaid sim registration process which completed on 1 May 2018, XL Axiata has made some positive moves and hopes for a better pricing environment for the industry going forward.

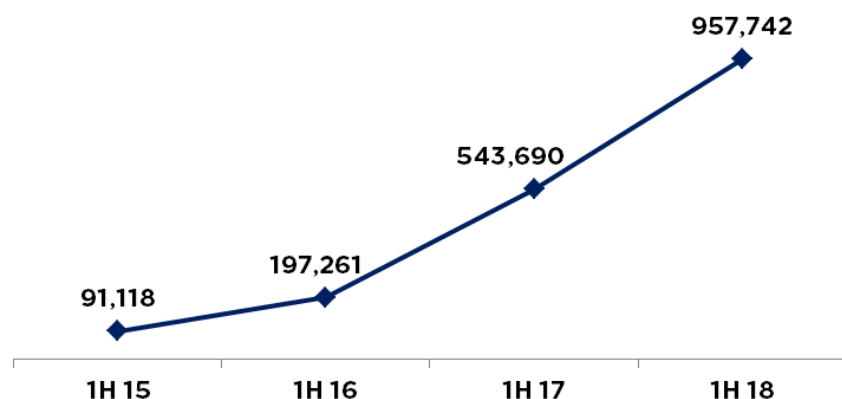
During the prepaid sim registration process, XL Axiata manage to secure almost its entire revenue generating base and had the highest percentage of customers registered of its overall base amongst operators. This is a result of the transformation agenda that has been undertaken by XL Axiata earlier where the focus was on acquiring genuine Data-centric customers. XL Axiata remains fully supportive of the government's initiative to implement prepaid sim registration as it will result in a healthier industry going forward.

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 10 percentage points to 77% as of the end of 1H 18 compared to a year ago as the company continues to attract data-savvy customers. This means that XL Axiata now has 40.8 million smartphone subscribers at the end of 1H 18, a 21% YoY increase from the same period a year ago.

Total traffic across XL Axiata's network has seen a 76% YoY increase in 1H 18 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. The majority of XL Axiata's data traffic is now on 4G and at the end of 1H 18, the company recorded total Data users at 79% of the total subscriber base.

Total Traffic (TB)



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Innovative Products Drive Customer Traction

During the quarter, XL Axiata launched several innovative products to increase traction:

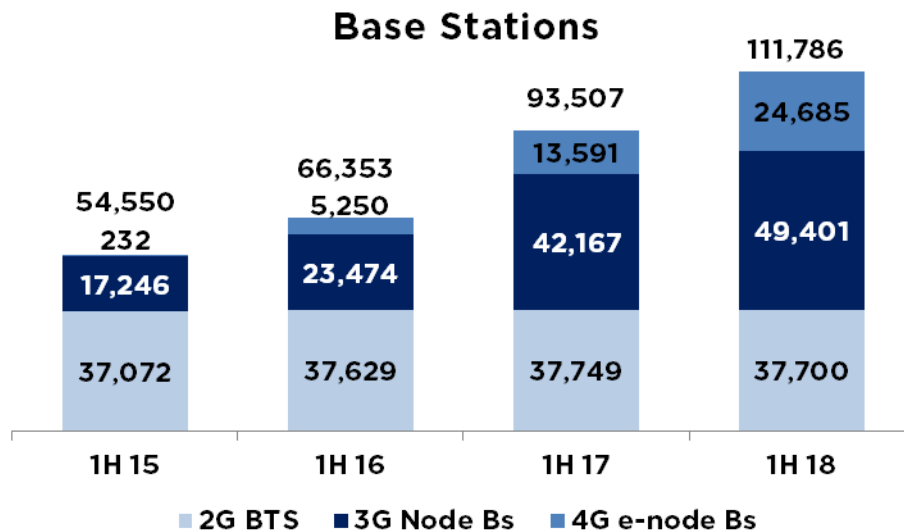
- XL launched the **Xtream** smartphone in partnership with YouTube which has seen overwhelming response during the quarter due to its affordable price point and attractive bundling propositions.
- In conjunction with the Hajj season, XL launched the **Umroh & Haji Packets** which gives customers connectivity while roaming in Saudi Arabia.
- XL Prioritas, XL Axiata's postpaid brand launched the **XL Shopping Points and XL Shopping Points Booster** that via a purchase of a 24 month Shopping Points Internet Booster gives customers rebates on smartphone purchases.

Continued Network Investment, Focus on Technology Innovations and Ex-Java

Establishing the XL brand as the choice for high-value customers requires reliable high-speed data services and network quality is essential. 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 111,000 BTS with 3G totaling more than 49,000. XL Axiata's 4G-LTE service is now available in 380 cities and areas across Indonesia and almost 25,000 4G BTS.

Along with network expansion, XL Axiata has also been increasing the quality of the network by implementing several innovative technologies this year. These allow for an improvement in service quality and include Radio Multi Sectorization, 4G Spectrum Wideband, and 4.5G technology through 4T4R 4x4 MIMO & Carrier Aggregation 256 QAM; as well as the implementation of Digital Platform and Big Data Analytics. All these initiatives improve the stability of the internet service on XL Axiata's data network and allows for internet speeds of up to 100Mbps.

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.



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FINANCIAL MEASURES

Income Statement

Financial Statement (in Rp Billion)	1H17	1H18	Growth
Gross Revenue			
Service Revenue	9,625	9,593	0%
Others*	860	900	5%
Cellular Telecommunication Service	10,485	10,493	0%
Other Telecommunications Services	465	574	23%
Gross Revenues	10,950	11,067	1%
Less: Discount	(17)	(21)	22%
Gross Revenue Net of Discount	10,934	11,046	1%
Interconnection and other direct expenses	1,289	1,098	-15%
Salaries & Employee Benefits (Permanent & Temporary)	518	527	2%
Sales and Marketing Expense	693	1,147	65%
Infrastructure Expenses	4,228	4,068	-4%
Supplies and Overhead expenses	284	220	-22%
Total OPEX	7,012	7,060	1%
EBITDA	3,921	3,986	2%
EBITDA Margin	36%	36%	0%
Depreciation & Amortization	3,381	3,702	9%
EBIT	540	284	-47%
Other Expenses			
Finance income/(cost) - net	(714)	(727)	2%
Forex gain/(loss) - net**	63	(44)	-170%
Share of results from jointly controlled entity	(94)	-	-100%
Others	231	333	44%
Total Other Income/(Expenses)	(514)	(439)	-15%
Income (Loss) before income tax	26	(155)	-705%
Income Tax (Expense) Benefit	117	73	-37%
Profit (Loss) for the period	143	(82)	-157%
Earnings (Loss) Per Share (full amount) (Rp)	13	(8)	-157%

Normalized Profit (Loss) (In Rp Billion)	1H17	1H18	Growth
Profit (Loss) for the year	143	(82)	-157%
Unrealized forex (gain)/loss	(76)	23	-131%
Severance Payment	37	-	-100%
Tax Impact	12	(6)	-147%
Normalized Profit (Loss) for the year	117	(64)	-155%
Normalized Earnings (Loss) Per Share (full amount) (Rp)	11	(6)	-155%

*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 1H 18, XL Axiata recorded gross revenue of Rp 11.1 trillion, an increase of 1% YoY driven by growth of Other Telecommunication Services, which increased 23% YoY.

- Cellular Telecommunication Service revenues were flat YoY to Rp 10.5 trillion and contributed 95% to total revenue. Service Revenue was flat at Rp 9.6 trillion as growth in revenue from Data Services was offset by decline in Legacy revenues. Revenue from Others increased by 5% to Rp 900 billion.
- Other telecommunications services revenue, which comprises mainly of leased towers, leased lines and others, increased by 23% to Rp 574 billion. Other telecommunications services revenue contributed 5% to total revenue during the year.

Operating Expenses

Total operating expenses increased 1% YoY to Rp 7.1 trillion during 1H 18 compared to the same period in the previous year.

- Interconnection and other direct expenses decreased by 15% YoY.
The decrease was mainly due to lower interconnect costs as a result of lower off-net traffic due to lower usage.
- Salary and Employee Benefits increased by 2% YoY.
The increase was mainly due to annual salary increments.
- Sales and Marketing expenses increased by 65% YoY.
The increase in sales and marketing expense is due to efforts during the prepaid sim registration period to socialize, educate and incentivize customers to register their numbers.
- Infrastructure expenses decreased 4% YoY.
This is mainly due to lower tower rental costs due to savings from renewal of older leases.

EBITDA

In 1H 18, EBITDA increased 2% YoY to Rp 4.0 trillion due to growth in revenue and cost efficiencies as margins increased slightly by 0.2% YoY.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased by 9% YoY mainly due to the company's network roll-out over the past year.

Other Income/Expenses

Other Expenses were Rp 439 billion in 1H 18 period compared to Rp 514 billion of expenses in the same period prior year, a decrease of 15% YoY. The main contributor for the decline was the absence of losses from Elevenia which occurred in the prior year's period.

Profit (Loss) for the period

XL Axiata recorded a loss of Rp 82 billion in 1H 18 which is lower compared to a Rp 143 billion profit recorded in the prior year's period. This is mainly due to the lower EBIT as a result of higher D&A charges.

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Balance Sheet

Balance Sheet (In Rp Billion)	1H17	1H18	Growth
Current Assets			
Cash and cash equivalents	1,943	2,094	8%
Others	4,941	4,658	-6%
Total Current Assets	6,884	6,752	-2%
Non-Current Assets			
Fixed assets - net of accumulated depreciation	33,512	36,015	7%
Intangible asset	6,011	5,841	-3%
Goodwill	6,681	6,681	0%
Others	1,663	1,089	-35%
Total Non-Current Assets	47,867	49,626	4%
Total Assets	54,751	56,378	3%
Current Liabilities			
Current maturity of long term loans and bonds	4,601	5,019	9%
Others	11,108	12,468	12%
Total Current Liabilities	15,709	17,487	11%
Non-Current Liabilities			
Long term loans and bonds	9,963	8,278	-17%
Others	7,707	9,067	18%
Total Non-Current Liabilities	17,670	17,344	-2%
Total Liabilities	33,379	34,832	4%
Equity attributable to owners of the parent entity			
Share capital & additional paid-in capital	13,219	13,228	0%
Retained earnings	8,154	8,318	2%
Total Equity	21,373	21,546	1%
Total Liabilities and Equity	54,751	56,378	3%

In 1H 18, total assets were Rp 56.4 trillion, 3% YoY higher compared to the previous year due to higher fixed assets.

- Current assets were down 2% YoY as of end of 1H 18 due to a 6% YoY decrease in other current assets.
- Non-current assets increased by 4% YoY due to a 7% YoY increase in fixed assets.

Total liabilities increased by 4% YoY due to an increase in other current liabilities.

- Current liabilities increased 11% YoY as of end 1H 18 due to an increase in trade payables and an increase in current loans.
- Non-current liabilities decreased by 2% YoY due to a 17% YoY decrease in non-current loans.

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Capital Expenditure

Capital Expenditure (In Rp Billion)	1H17	1H18	Growth
Capitalized capex	3,540	3,271	-8%
Paid capex	3,703	2,032	-45%
Commitments entered into*	4,787	4,861	2%

* The USD portion was converted to IDR using closing rate of June 2017 and 2018. The Rupiah exchange rate against the USD as of June 2017 and 2018 were Rp13,319/USD and Rp14,404/USD, respectively.

Cash Flow

Cash Flow (In Rp Billion)	1H17	1H18	Growth
Net cash flow generated from operating activities	5,366	4,253	-21%
Net cash flow used in investing activities	(3,576)	(1,973)	-45%
Free cash flow	1,790	2,280	27%
Net cash flow used in financing activities	(1,243)	(2,671)	115%
Net increase/(decrease) in cash and cash equivalents	547	(391)	-172%
Cash and cash equivalents at the beginning of the period	1,400	2,455	75%
Effect of exchange rate changes on cash and cash equivalents	(3)	29	-947%
Cash and cash equivalents at the end of the period	1,943	2,094	8%

Net cash flow generated from operating activities decreased by 21% to Rp 4.3 trillion mainly due to an increase in cash payments and taxes.

Net cash flow used in investing activities decreased by 45% to Rp 2.0 trillion due to lower capex spend in 1H 18 compared to during 1H 17.

Net cash flow used in financing activities increased 115% to Rp 2.7 trillion due to higher net loan repayments in 1H 18 compared to the prior year's period.

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Description of Debts

The detail of debts as of 31 June 2017 and 2018 are as follows:

Description	(in Original Amount)		Year of Maturity
	1H 17	1H 18	
USD Loan (mn)	US\$ 50	-	Bullet repayment in 2018
	US\$ 300	US\$ 300	Bullet repayment in 2019
	US\$ 350	US\$ 350	
IDR Bank Loan (bn)	Rp 1,250	Rp -	Amortizing annually, final repayment is in 2017
	Rp 1,500	Rp -	Amortizing annually, final repayment is in 2018
	Rp 4,000	Rp 3,850	Amortizing annually, final repayment is in 2020
	Rp -	Rp 3,000	Amortizing annually, final repayment is in 2023
	Rp 6,750	Rp 6,850	
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
	Rp 1,006	Rp 1,006	
IDR Sukuk Tranche 2 (bn)	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 1,140	
Unamortized Loan Issuance Cost (bn)	Rp (33)	Rp (20)	
TOTAL INTEREST BEARING DEBT (in Rp. Bn)*	Rp 14,564	13,297	

* The USD portion was converted to IDR using closing rate of June 2017 and 2018. The Rupiah exchange rate against the USD as of June 2017 and 2018 were Rp13,319/USD and Rp14,404/USD, respectively.

Gearing Ratios (x)	1H17	1H18	Growth
Debt/Equity	0.7	0.6	(0.1)
Net Debt/Equity	0.6	0.5	(0.1)
Debt/EBITDA	1.9	1.7	(0.2)
Net Debt/EBITDA	1.6	1.4	(0.2)

During 1H 18, XL Axiata made repayment of bank loans amounting to Rp 1.5 trillion, a USD50 million loan and Rp1,040 billion tranche of sukuk through a combination of refinancing and internal funds.

As of 30 June 2018, all of XL Axiata's external USD loans are fully hedged until maturity.

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OPERATING MEASURES

	1H17	1H18	Growth
Total Traffic (Petabyte)	530.9	935.3	76%
Total BTS	93,507	111,786	20%
2G	37,749	37,700	0%
3G	42,167	49,401	17%
4G	13,591	24,685	82%
Number of Employees (permanent & contract with permanent position)	1,886	1,671	-11%
Postpaid users (000)	582	891	53%
Prepaid sim cards (active and grace / million)	49.9	52.0	4%
Total user base (million)	50.5	52.9	5%
ARPU blended (Rp 000)	34	31	-9%
Postpaid revenue/sub (Rp 000)	116	103	-11%
Prepaid revenue/sim card (Rp 000)	33	30	-9%

ACHIEVEMENT

- XL Axiata's Chief Executive Officer XL Axiata Dian Siswarini and Director/Chief Service Management Officer Yessie D. Yosetya received the civilian medal of honor, Satyalencana Pembangunan, for their contribution to the Development of Post and Telecommunication from the Government of Indonesia by virtue of Presidential Decree No. 59/TK/Year 2017 signed by President Joko Widodo in 2017.
- XL Axiata was recognized as the Winner of *Indonesia Most Innovative Award 2017* for the Telecommunication category in the Indonesia Most Innovative Business Awards 2017 event.
- XL Axiata won several awards at the Selular Award 2018 including *Best 4G Network Deployment*, *Best Experience Center* for XL Center & *Best Community Development Program* for Sisternet.

CONSOLIDATED GUIDANCE

2018

Revenue growth	Above 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: 31 July 2018