

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

**31 DECEMBER 2007, 2008 AND 2009; AND
30 SEPTEMBER 2009 AND 2010**



PT XL Axiata Tbk.
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PT XL AXIATA Tbk AND SUBSIDIARIES

DIRECTORS' STATEMENT REGARDING RESPONSIBILITY FOR PT XL AXIATA Tbk AND SUBSIDIARIES (THE "GROUP") CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 AND FOR THE YEARS/PERIODS THEN ENDED

We, the undersigned:

1. Name : Hasnul Suhaimi
Office Address : Menara Prima, 8th floor
Jl. Lingkar Mega Kuningan Blok 6.2
Kawasan Mega Kuningan
Jakarta 12950, Indonesia
Address of domicile/
based on ID card or
other identity document : Komp. Qoryah Thayibah, RT/RW 001/001
Srengseng, Kembangan
Jakarta Barat
Telephone No. : 021 - 5870056
Position : President Director
2. Name : Willem Lucas Timmermans
Office Address : Menara Prima, 8th floor
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Telephone No. : 021 - 57946697
Position : Director

declare that:

1. We are responsible for the preparation and presentation of the Group's consolidated financial statements;
2. The Group's consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;
3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;
b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts;
4. We are responsible for the Group's internal control systems.

This is our declaration, which has been made truthfully.

For and on behalf of the Board of Directors

JAKARTA,
28 October 2010

METERAI
TEMPEL
BANK INDONESIA
TGL. 20
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DJP

Hasnul Suhaimi
President Director

Willem Lucas Timmermans
Director

A101028001/DC2/EDR/II/2010.B

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF**

PT XL AXIATA Tbk.

We have audited the accompanying consolidated balance sheets of PT XL Axiata Tbk. (the "Company") and subsidiaries as at 31 December 2007, 2008 and 2009, 30 September 2009 and 2010, and the related consolidated statements of income, changes in equity and cash flows for the years ended 31 December 2007, 2008 and 2009 and for nine-month periods ended 30 September 2009 and 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT XL Axiata Tbk. and subsidiaries as at 31 December 2007, 2008 and 2009, 30 September 2009 and 2010, and the consolidated results of their operations and their cash flows for the years ended 31 December 2007, 2008 and 2009 and for the nine-month periods ended 30 September 2009 and 2010 in conformity with accounting principles generally accepted in Indonesia.

JAKARTA,
28 October 2010



Eddy Rintis, SE., Ak., CPA
License of Public Accountant No. 04.1.0942

The accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated results of operations, and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilised to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying consolidated financial statements and the auditor's report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2007, 2008 AND 2009; AND AS AT 30 SEPTEMBER 2009 AND 2010

(Expressed in millions of Rupiah, except par value per share)

	<u>Notes</u>	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
CURRENT ASSETS						
Cash and cash equivalents	3,24b	805,769	1,170,203	747,965	1,582,247	819,811
Trade receivables - net of allowance for doubtful accounts						
- Third parties	4	256,997	316,720	271,887	315,155	412,080
- Related parties	24c	51,404	68,292	60,419	65,737	90,691
Other receivables						
- Third parties		2,153	13,450	1,043	6,336	73,428
- Related parties	24d	-	21,368	8,458	12,122	27
Inventories		58,961	127,633	19,886	25,058	56,420
Prepaid taxes	23a	283,891	754,860	367,176	518,034	5,259
Advances and prepayments	5,24i	219,905	378,260	481,657	572,500	693,074
Derivative receivables	26	-	333,324	18,049	37,359	-
Other assets - current	6	230	16,705	30,749	38,080	37,093
Total current assets		<u>1,679,310</u>	<u>3,200,815</u>	<u>2,007,289</u>	<u>3,172,628</u>	<u>2,187,883</u>
NON-CURRENT ASSETS						
Fixed assets - net of accumulated depreciation	7	15,810,223	23,179,767	23,616,394	23,868,119	23,236,187
Derivative receivables	26	125,723	625,678	112,256	184,388	51,133
Other assets - non current	6,24i	<u>1,185,299</u>	<u>1,386,705</u>	<u>1,644,156</u>	<u>1,661,450</u>	<u>1,788,346</u>
Total non-current assets		<u>17,121,245</u>	<u>25,192,150</u>	<u>25,372,806</u>	<u>25,713,957</u>	<u>25,075,666</u>
TOTAL ASSETS		<u>18,800,555</u>	<u>28,392,965</u>	<u>27,380,095</u>	<u>28,886,585</u>	<u>27,263,549</u>
CURRENT LIABILITIES						
Short-term loans		-	547,500	-	-	-
Trade and other payables						
- Third parties	8	2,674,050	3,250,610	2,072,648	1,969,050	1,718,143
- Related parties	8,24e	3,628	28,253	26,854	34,795	15,135
Taxes payable	23b	96,035	100,887	120,304	61,881	326,797
Accrued expenses						
- Third parties	9	511,968	428,601	549,333	530,760	678,411
- Related parties		4	-	153	-	-
Deferred revenue	10	410,418	591,432	597,904	815,604	865,248
Derivative payables	26	-	-	166,272	127,851	47,875
Current maturity of long-term loans	11	40,000	730,548	1,921,604	3,167,021	2,173,905
Current maturity of bonds	12	<u>3,283,434</u>	<u>-</u>	<u>553,822</u>	<u>-</u>	<u>-</u>
Total current liabilities		<u>7,019,537</u>	<u>5,677,831</u>	<u>6,008,894</u>	<u>6,706,962</u>	<u>5,825,514</u>
NON-CURRENT LIABILITIES						
Trade and other payables - third parties	8	295,803	154,878	32,745	51,201	37,446
Long-term loans	11	2,526,370	14,563,676	9,491,908	12,589,118	7,272,034
Deferred tax liabilities	23d	613,729	553,629	1,183,677	1,017,053	1,244,839
Bonds	12	3,814,082	2,879,248	1,496,329	2,686,090	1,497,414
Derivative payables	26	-	36,828	64,479	45,855	156,330
Provisions	13	<u>66,228</u>	<u>218,978</u>	<u>298,950</u>	<u>280,896</u>	<u>329,100</u>
Total non-current liabilities		<u>7,316,212</u>	<u>18,407,237</u>	<u>12,568,088</u>	<u>16,670,213</u>	<u>10,537,163</u>
EQUITY						
Share capital - authorised capital						
22,650,000,000 ordinary shares, issued and fully paid capital						
8,508,000,000 (30 September 2009, 2008 and 2007: 7,090,000,000) ordinary shares, with par value of Rp 100 per share	14	709,000	709,000	850,800	709,000	850,800
Additional paid-in capital	14	2,691,684	2,691,684	5,335,632	2,691,684	5,350,923
Retained earnings						
- Appropriated	16	100	200	200	200	300
- Unappropriated		<u>1,064,022</u>	<u>907,013</u>	<u>2,616,481</u>	<u>2,108,526</u>	<u>4,698,849</u>
Total equity		<u>4,464,806</u>	<u>4,307,897</u>	<u>8,803,113</u>	<u>5,509,410</u>	<u>10,900,872</u>
TOTAL LIABILITIES AND EQUITY		<u>18,800,555</u>	<u>28,392,965</u>	<u>27,380,095</u>	<u>28,886,585</u>	<u>27,263,549</u>

The accompanying notes form an integral part of these consolidated financial statements.

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009; AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2009 AND 2010

(Expressed in millions of Rupiah, except earning/(loss) per share)

	<u>Notes</u>	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
REVENUE						
Gross revenue		8,364,711	12,155,991	13,879,513	9,846,610	12,954,915
Discount		<u>(375,192)</u>	<u>(94,784)</u>	<u>(173,462)</u>	<u>(87,129)</u>	<u>(146,443)</u>
Gross revenue net of discount	18,24f	<u>7,989,519</u>	<u>12,061,207</u>	<u>13,706,051</u>	<u>9,759,481</u>	<u>12,808,472</u>
OPERATING EXPENSES						
Depreciation expenses	7	1,705,410	3,335,287	3,701,880	2,716,398	2,920,534
Infrastructure expenses	19	1,076,676	1,988,575	3,089,094	2,265,308	2,514,222
Interconnection and telecommunications service charges	20,24g, 24h	1,529,749	2,296,381	2,027,777	1,462,219	1,618,240
Sales and marketing expenses	21,24j	913,837	1,374,475	1,030,368	762,722	887,946
Salaries and employee benefits	22,24k	573,907	722,515	777,833	608,102	630,617
Supplies and overhead expenses	24i	386,127	547,741	575,676	421,140	365,710
Others		<u>44,031</u>	<u>43,244</u>	<u>39,579</u>	<u>29,684</u>	<u>32,414</u>
		<u>6,229,737</u>	<u>10,308,218</u>	<u>11,242,207</u>	<u>8,265,573</u>	<u>8,969,683</u>
OPERATING INCOME		<u>1,759,782</u>	<u>1,752,989</u>	<u>2,463,844</u>	<u>1,493,908</u>	<u>3,838,789</u>
OTHER (EXPENSES)/INCOME						
Interest expenses		(694,388)	(1,122,294)	(1,274,077)	(1,007,830)	(647,884)
Interest income		62,344	33,660	68,602	51,195	43,788
Foreign exchange (loss)/gain - net	26	(204,362)	(332,151)	744,617	715,968	(129,976)
Gain on finance lease transaction	6	-	-	465,047	463,901	-
Others	23e	<u>(393,749)</u>	<u>(401,402)</u>	<u>(104,990)</u>	<u>(41,266)</u>	<u>(343,619)</u>
		<u>(1,230,155)</u>	<u>(1,822,187)</u>	<u>(100,801)</u>	<u>181,968</u>	<u>(1,077,691)</u>
INCOME/(LOSS) BEFORE INCOME TAX		<u>529,627</u>	<u>(69,198)</u>	<u>2,363,043</u>	<u>1,675,876</u>	<u>2,761,098</u>
INCOME TAX (EXPENSE)/BENEFIT						
- Current	23c	(12,270)	(6,011)	(23,527)	(10,939)	(617,468)
- Deferred	23c	<u>(266,576)</u>	<u>60,100</u>	<u>(630,048)</u>	<u>(463,424)</u>	<u>(61,162)</u>
		<u>(278,846)</u>	<u>54,089</u>	<u>(653,575)</u>	<u>(474,363)</u>	<u>(678,630)</u>
NET INCOME/(LOSS)		<u>250,781</u>	<u>(15,109)</u>	<u>1,709,468</u>	<u>1,201,513</u>	<u>2,082,468</u>
EARNING/(LOSS) PER SHARE						
BASIC	17	<u>35</u>	<u>(2)</u>	<u>237</u>	<u>169</u>	<u>245</u>
DILUTED	17	<u>35</u>	<u>(2)</u>	<u>237</u>	<u>169</u>	<u>245</u>

The accompanying notes form an integral part of these consolidated financial statements.

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009; AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah)

		Additional	Retained Earnings		
Notes	Share capital	paid-in capital	Appropriated	Unappropriated	Total
BALANCE AS AT 31 DECEMBER 2007, 2008 AND 2009					
Balance as at 1 January 2007	709,000	2,691,684	-	880,510	4,281,194
Net income for the year	-	-	-	250,781	250,781
Dividends	15	-	-	(67,169)	(67,169)
Appropriation to statutory reserve	16	-	100	(100)	-
Balance as at 31 December 2007	<u>709,000</u>	<u>2,691,684</u>	<u>100</u>	<u>1,064,022</u>	<u>4,464,806</u>
Net loss for the year	-	-	-	(15,109)	(15,109)
Dividends	15	-	-	(141,800)	(141,800)
Appropriation to statutory reserve	16	-	100	(100)	-
Balance as at 31 December 2008	<u>709,000</u>	<u>2,691,684</u>	<u>200</u>	<u>907,013</u>	<u>4,307,897</u>
Issuance of shares through limited public offering	1b	141,800	-	-	2,785,748
Net income for the year	-	-	-	1,709,468	1,709,468
Balance as at 31 December 2009	<u>850,800</u>	<u>5,335,632</u>	<u>200</u>	<u>2,616,481</u>	<u>8,803,113</u>
BALANCE AS AT 30 SEPTEMBER 2009 AND 2010					
Balance as at 31 December 2008	709,000	2,691,684	200	907,013	4,307,897
Net income for the period	-	-	-	1,201,513	1,201,513
Balance as at 30 September 2009	<u>709,000</u>	<u>2,691,684</u>	<u>200</u>	<u>2,108,526</u>	<u>5,509,410</u>
Balance as at 31 December 2009	850,800	5,335,632	200	2,616,481	8,803,113
Net income for the period	-	-	-	2,082,468	2,082,468
Allowance for equity compensation	2n, 14	15,291	-	-	15,291
Appropriation to statutory reserve	16	-	100	(100)	-
Balance as at 30 September 2010	<u>850,800</u>	<u>5,350,923</u>	<u>300</u>	<u>4,698,849</u>	<u>10,900,872</u>

The accompanying notes form an integral part of these consolidated financial statements.

PT XL AXIATA Tbk AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007, 2008 AND 2009; AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah)

	<u>Notes</u>	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and other operators		8,039,046	12,165,611	13,765,228	9,987,772	12,905,350
Payments for suppliers and operating expenses		(3,602,846)	(6,619,752)	(5,412,328)	(4,586,803)	(5,236,029)
Payments to employees		<u>(460,158)</u>	<u>(650,825)</u>	<u>(682,545)</u>	<u>(527,425)</u>	<u>(694,832)</u>
Cash generated from operations		3,976,042	4,895,034	7,670,355	4,873,544	6,974,489
Interest income received		51,180	26,304	57,207	48,689	43,189
Payments of corporate income tax - net		<u>(41,149)</u>	<u>(211,837)</u>	<u>(9,273)</u>	<u>8,272</u>	<u>(169,383)</u>
Net cash flows provided by operating activities		<u>3,986,073</u>	<u>4,709,501</u>	<u>7,718,289</u>	<u>4,930,505</u>	<u>6,848,295</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of fixed assets		(6,868,396)	(11,381,712)	(5,282,741)	(4,666,608)	(3,465,462)
Realisation/(additions) of other assets		(290,686)	(233,217)	135,583	177,778	(176,533)
Proceeds from sale of fixed assets and insurance claims	7	<u>5,094</u>	<u>100,898</u>	<u>23,730</u>	<u>20,123</u>	<u>9,247</u>
Net cash flows used in investing activities		<u>(7,153,988)</u>	<u>(11,514,031)</u>	<u>(5,123,428)</u>	<u>(4,468,707)</u>	<u>(3,632,748)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of short-term loans		-	(1,000,000)	(547,500)	(547,500)	-
Payment of short-term loan interest		-	(65,461)	(11,957)	(11,957)	-
Repayment of long-term loans		-	(400,000)	(5,216,675)	(429,347)	(5,089,792)
Payment of long-term loan interest		(51,425)	(649,051)	(1,017,530)	(810,586)	(555,119)
Repayment of Excelcom bonds		-	(4,459,970)	(761,254)	(34,982)	(578,566)
Payment of bond interest		(494,116)	(444,513)	(267,853)	(212,416)	(136,340)
Proceeds from short-term loans		-	1,470,950	-	-	-
Proceeds from long-term loans		2,503,455	12,953,122	2,026,133	2,010,375	3,228,375
Cash dividends paid	15	(67,169)	(141,800)	-	-	-
Proceeds from limited public offering		-	-	2,785,748	-	-
Proceeds from bonds		1,500,000	-	-	-	-
Bond issuance costs		<u>(7,865)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows provided by/(used in) financing activities		<u>3,382,880</u>	<u>7,263,277</u>	<u>(3,010,888)</u>	<u>(36,413)</u>	<u>(3,131,442)</u>
Net increase/(decrease) in cash and cash equivalents		<u>214,965</u>	<u>458,747</u>	<u>(416,027)</u>	<u>425,385</u>	<u>84,105</u>
Cash and cash equivalents at beginning of year/period		587,176	805,769	1,170,203	1,170,203	747,965
Effect of exchange rate changes on cash and cash equivalents		<u>3,628</u>	<u>(94,313)</u>	<u>(6,211)</u>	<u>(13,341)</u>	<u>(12,259)</u>
Cash and cash equivalents at end of year/period	3	<u>805,769</u>	<u>1,170,203</u>	<u>747,965</u>	<u>1,582,247</u>	<u>819,811</u>
Non-cash transaction:						
Gain on finance lease transaction		-	-	465,047	463,901	-
Acquisition of respective year/period fixed assets through incurrence of payables		219,285	-	-	-	-

The accompanying notes form an integral part of these consolidated financial statements.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL

a. Establishment

PT XL Axiata Tbk (“the Company”) which previously known as PT Excelcomindo Pratama Tbk, was initially established under the name PT Grahametropolitan Lestari. The Company has its legal domicile in Jakarta and was established as a limited liability company under the laws of the Republic of Indonesia under Deed of Establishment No. 55, dated 6 October 1989, as amended by Deed No. 79, dated 17 January 1991. The preparation of both deeds was overseen by Rachmat Santoso, S.H., Notary in Jakarta. The deeds were approved by the Minister of Justice of the Republic of Indonesia in the Minister’s Decision Letter No. C2-515.HT.01.01.TH.91, dated 19 February 1991, registered in the District Court of South Jakarta under No. 670/Not/1991/PN.JKT.SEL and No. 671/Not/1991/PN.JKT.SEL, dated 21 August 1991, and published in the State Gazette of the Republic of Indonesia No. 90, Supplement No. 4070, dated 8 November 1991.

The Company’s Articles of Association have been amended for several times. Based on the Shareholders’ Resolution dated 19 July 2005, as stated in Deed No. 127, dated 19 July 2005, in relation to the Initial Public Offering of the Company, all of the Company’s Articles of Association were entirely amended by Deed No. 8, dated 2 August 2005 and prepared before Aulia Taufani, S.H., substitute for Sutjipto, S.H., Notary in Jakarta. This amendment was accepted and approved by the Minister of Law and Human Rights of the Republic of Indonesia as stated in his Letter No. C-21651.HT.01.04.TH.2005, dated 4 August 2005 and No. C-21974.HT.01.04.TH.2005, dated 8 August 2005, registered by the Company Registrar of the District of South Jakarta under registration No. 947/RUB.09.03/VIII/2005, dated 16 August 2005, and published in the State Gazette of the Republic of Indonesia No. 70, dated 1 September 2005, Supplement No. 9425 Year 2005.

The latest amendment to the Company’s Article of Associations, as stated in Deed No. 229 dated 29 July 2008, was to comply with the Indonesian Company Law No. 40 year 2007, made before Sutjipto, S.H., Notary in Jakarta. This amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Letter No. AHU.83359.AH.01.02 year 2008, dated 10 November 2008 and has been registered by Company Registrar of the District of South Jakarta under registration No. 1223/RUB.09.03/VI/2009, dated 4 June 2009 and published in the State Gazette of the Republic of Indonesia No. 67, Supplement No. 22754, dated 21 August 2009. On 16 November 2009, the Extraordinary General Meeting of Shareholders has approved amendment on the Company’s Article of Association in relation with the change of the Company’s name into PT XL Axiata Tbk and additions of Company’s service line. As stated on Deed No. 87 dated 16 November 2009 and Deed No. 17 dated 3 December 2009, respectively were made before Aulia Taufani, S.H., substitute for Sutjipto, S.H., Notary in Jakarta. The changes were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Letter No. AHU.62353.AH.01.02 year 2009, dated 22 December 2009 and has been registered by Company Registrar of the District of South Jakarta under registration No 58/RUB.09.03/I/2010, dated 12 January 2010.

Based on Shareholders’ Resolution dated 19 March 2010, the Articles of Association article 4(2) was amended specifically regarding increase of issued and fully paid capital, as stated in Deed No. 154 dated 19 March 2010 prepared before Aulia Taufani, S.H., substitute for Sutjipto, S.H., Notary in Jakarta with notification receipt No. AHU-AH.01.10-07776, issued by the Minister of Law and Human Rights of the Republic of Indonesia and registered by the Company Registrar of the District of South Jakarta under registration No. 58/RUB.09.03/I/2010 dated 27 May 2010.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

a. Establishment (continued)

The Company's majority shareholder, Axiata Investments (Indonesia) Sdn. Bhd. (formerly known as Indocel Holding Sdn. Bhd.), is a wholly owned subsidiary of Axiata Investments (Labuan) Limited (formerly known as TM International (L) Ltd.). Axiata Investments (Labuan) Limited is a subsidiary of Axiata Group Berhad (formerly known as TM International Berhad).

b. Company's Public Offerings

On 16 September 2005, the Company received an effective statement from the Indonesian Capital Market Supervisory Agency (*Bapepam*) No. S-2531/PM/2005 for Initial Public Stock Offering of 1,427,500,000 of its shares with a par value of Rp 100 (full amount) per share. All of the Company's issued shares were listed on the Indonesia Stock Exchange on 29 September 2005 at the offering price of Rp 2,000 (full amount) per share.

Outstanding bonds as of 30 September 2010 is second IDR bond which was issued on 26 April 2007 with a nominal amount of Rp 1.5 trillion (full amount) for a five-year period, which was listed on the Indonesia Stock Exchange (refer to Note 12).

On 16 November 2009, the Company, through Limited Public Offering I ("LPO I") in respect of a rights issue with pre-emptive rights, issued 1,418,000,000 ordinary shares with par value of Rp 141.8 billion (full amount) (refer to Note 14). All of the Company's issued shares were listed on the Indonesia Stock Exchange.

c. Investment license

In accordance with its Articles of Association, the Company's purpose is to provide telecommunications services and/or telecommunications networks and/or multimedia services. The Company commenced its commercial operations in 1996.

The Company obtained license or *Ijin Usaha Tetap* ("IUT"), to provide basic telephony services based on Decree Letter No. 437/T/PERHUBUNGAN/2003 from the Investment Coordination Board ("*BKPM*"), dated 20 November 2003. The license is valid for 30 (thirty) years starting from October 1995.

The Company obtained approval from *BKPM* for the expansion of its investment into facilities supply and the operation of telecommunications networks based on approval letter No. 243/11/PMA/2003, dated 20 November 2003. *BKPM* approved the extension of the project's completion period in letter No. 1531/III/PMA/2005, dated 29 December 2005.

On 7 December 2004, the Company obtained approval from *BKPM* regarding the changes to services and to the Company's production area under approval letter No. 933/B.1/A.6/2004. The changes were made in accordance with the rules on service area modification as provided by Law No. 36 of 1999 on Telecommunication Services.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

c. Investment license (continued)

Furthermore, the Company obtained approval regarding the expansion of a foreign capital investment based on an approval letter from *BKPM* No.948/T/TELEKOMUNIKASI/2006, dated 1 December 2006 jo. No.06/P-IUT/2007 dated 26 January 2007 jo. No. 1001/T/TELEKOMUNIKASI/2008 dated 26 September 2008. The expansion license is valid starting from the date the expansion project began commercial operations in June 2008 throughout the Company's operational period.

d. Operating license

The Company is principally involved in the provision of basic telephony services on cellular mobile network, internet access services ("ISP"), fixed closed network services (leased lines), Voice over Internet Protocol/ VoIP ("*ITKP*") and internet interconnection services ("NAP").

The Company was granted several telecommunications licenses by the Indonesian Government. These licenses are valid for an unlimited period as long as the Company complies with prevailing laws and telecommunications regulations and fulfills the obligations stated in those permits. For the ISP and fixed closed network license, an evaluation is performed annually and an overall evaluation is performed every 5 (five) years, while for the License to Operate a Cellular Mobile Network, the overall evaluation is performed at every end of the year. For *ITKP*/VoIP and NAP license, overall evaluation is performed every 5 (five) years. The Company is obliged to submit reports of services based on above mentioned licenses annually, and especially for *ITKP*/VoIP, other than annually report, the Company is obliged to submit quarterly report as well. The reports are submitted to the Indonesian Directorate General of Post and Telecommunications. The reports comprise factors such as operational performance, revenue, universal service contribution and coverage areas.

Details of these licenses are as follows:

License	License No.	Type of services	Grant date/latest renewal date
License to Operate Cellular Mobile Network	100/KEP/M.KOMINFO /10/2006	Cellular Mobile Network (including 2G, IMT-2000/3G) and basic telephony services	11 October 2006
License to Operate Internet Access Services ("ISP")	197/Dirjen/2006	Internet Access Services ("ISP")	24 May 2006
License to Operate a Fixed Closed Network	133/KEP/M.KOMINFO/04/2009	Fixed Closed Network	29 April 2009
License to Operate Internet Telephony Services for Public Interest (" <i>ITKP</i> ")/VoIP	207/Dirjen/2004	Internet Telephony Services for Public Interest (" <i>ITKP</i> ")/VoIP	29 June 2004
License to Operate Internet Interconnection Services ("NAP")	17/Dirjen/2005	Internet Interconnection Services ("NAP")	16 February 2005

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Operating licence (continued)

Based on Decree No. 19/KEP/M.KOMINFO/2/2006 of the Minister of Communication and Information, dated 14 February 2006, on the Determination of Successful Applicant for IMT-2000 Cellular Mobile Network on 2.1 GHz Radio Frequency Band (KM.19 Year 2006), the Company is one of the winners of the 3G license tender for the 2x5 MHz block as stipulated in Decree No. 100/KEP/M.KOMINFO/10/2006 of the Minister of Communication and Information, dated 11 October 2006, regarding its Operating License for a Cellular Mobile Network.

In accordance with KM.19 Year 2006 and Decree No.07/PER/M.KOMINFO/2/2006 of the Minister of Communication and Information, the Company is obliged to pay an upfront fee equalling twice the bid price, amounting to Rp 376 billion (full amount), not later than 30 (thirty) working days after the settlement date. The Company is also obliged to set up a Performance Bond in the amount of Rp 20 billion (full amount) as well as pay the following annual Spectrum Frequency Band Usage Fee:

Year of Payment	BI Rate (%)	Multiplying Index	Annual <i>BHP</i> Frequency
Year 1			20% x HL
Year 2	R1	$I1 = (1+R1)$	40% x I1 x HL
Year 3	R2	$I2 = I1(1+R2)$	60% x I2 x HL
Year 4	R3	$I3 = I2(1+R3)$	100% x I3 x HL
Year 5	R4	$I4 = I3(1+R4)$	130% x I4 x HL
Year 6	R5	$I5 = I4(1+R5)$	130% x I5 x HL
Year 7	R6	$I6 = I5(1+R6)$	130% x I6 x HL
Year 8	R7	$I7 = I6(1+R7)$	130% x I7 x HL
Year 9	R8	$I8 = I7(1+R8)$	130% x I8 x HL
Year 10	R9	$I9 = I8(1+R9)$	130% x I9 x HL

Notes:

- HL = Tender result per 2x5 MHz block (referring to the lowest winner bid price of Rp 160 billion, full amount).
- R_i = Average BI Rate for the preceding year.
- Multiplying Index is the index which is utilised to conduct an adjustment of the Bid Price every year.

Based on Decree No. 322/KEP/M.KOMINFO/09/2010 of the Minister of Communication and Information, dated 7 September 2010, the Company obtained additional allocation of 3G operating license for the 2x5 MHz block.

The Company is obliged to pay an upfront fee amounting to Rp 328 billion (full amount) and pay the annual Spectrum Frequency Band Usage Fee with the same formula as 3G license acquired by Company in 2006.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

d. Operating licence (continued)

Related expenses such as the Telecommunication Service Fee, the Universal Service Obligations, the Spectrum Frequency Usage Band Fee and the Annual Spectrum Frequency Usage Fee for 3G Band for the years ended 31 December 2007, 2008 and 2009; and for the nine-month periods ended 30 September 2009 and 2010, amounted to Rp 593,721, Rp 845,497 and Rp 1,363,309; Rp 992,300; and Rp 1,226,352, respectively.

e. Board of Directors, Commissioners and Audit Committee

The composition of the Company's Board of Directors and Commissioners as at 31 December 2007 and 2008 was based on the Deed of Resolution No. 121, dated 23 November 2007 prepared before Sutjipto, SH., Notary in Jakarta and the Deed of Resolution No. 229, dated 29 July 2008 prepared before Sutjipto, SH., Notary in Jakarta.

The composition of the Company's Board of Directors and Commissioners as at 31 December 2009 based on the resolution of the Extraordinary General Meeting of Shareholders held on 16 November 2009, as stated in the Deed of Resolution No. 87, dated 16 November 2009 prepared before Aulia Taufani, S.H. substitute of Sutjipto, S.H., Notary in Jakarta.

The composition of the Company's Board of Directors and Commissioners as at 30 September 2009 based on the resolution of the Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders held on 19 March 2009, as stated in the Deed of Resolution No. 76, dated 19 March 2009 prepared before Aulia Taufani, S.H. substitute of Sutjipto, S.H., Notary in Jakarta.

The composition of the Company's Board of Directors and Commissioners as at 30 September 2010 based on the resolution of the Annual General Meeting of Shareholders held on 19 March 2010, as stated in the Deed of Resolution No. 155, dated 19 March 2010 prepared before Aulia Taufani, S.H. substitute of Sutjipto, S.H., Notary in Jakarta.

The composition of the Company's Board of Directors and Board of Commissioners as at 31 December 2007, 2008 and 2009; and 30 September 2009 and 2010 is as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Board of Directors					
President Director:	Hasnul Suhaimi	Hasnul Suhaimi	Hasnul Suhaimi	Hasnul Suhaimi	Hasnul Suhaimi
Directors:	Joris de Fretes	Joris de Fretes	Joris de Fretes	Joris de Fretes	P. Nicanor V.Santiago III
	Md. Nasir Ahmad	P. Nicanor V. Santiago III	P.Nicanor V.Santiago III	P. Nicanor V. Santiago III	Joy Wahjudi
	P. Nicanor V. Santiago III	Joy Wahjudi	Joy Wahjudi	Joy Wahjudi	Willem Lucas Timmermans
	Joy Wahjudi	Willem Lucas Timmermans	Willem Lucas Timmermans	Willem Lucas Timmermans	Dian Siswarini
	Willem Lucas Timmermans	Dian Siswarini	Dian Siswarini	Dian Siswarini	
	Dian Siswarini				

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

e. Board of Directors, Commissioners and Audit Committee (continued)

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
<u>Board of Commissioners</u>					
President					
Commissioner:	YBhg Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor	YBhg Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor	YBhg Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor	YBhg Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor	YBhg Tan Sri Dato' Ir. Muhammad Radzi bin Haji Mansor
Commissioners:	YBhg Dato' Yusof Annuar bin Yaacob	YBhg Dato' Sri Jamaludin bin Ibrahim	YBhg Dato' Sri Jamaludin bin Ibrahim	YBhg Dato' Sri Jamaludin bin Ibrahim	YBhg Dato' Sri Jamaludin bin Ibrahim
	YB Datuk Nur Jazlan bin Tan Sri Mohamed	YBhg Dato' Yusof Annuar bin Yaacob	YBhg Dato' Yusof Annuar bin Yaacob	YBhg Dato' Yusof Annuar Bin Yaacob	YBhg Dato' Yusof Annuar bin Yaacob
	Rosli bin Man	Abdul Farid bin Alias	Ahmad Abdulkarim Mohd Julfar	Ahmad Abdulkarim Mohd Julfar	Ahmad Abdulkarim Mohd Julfar
	YBhg Datuk Bazlan bin Osman	Ahmad Abdulkarim Mohd Julfar		Gita Irawan Wirjawan	
	Peter J. Chambers	Gita Irawan Wirjawan			
	Abdul Farid bin Alias				
Independent Commissioners:	Jend. (Purn) Wismoyo Arismunandar	Peter J. Chambers	Peter J. Chambers	Peter J. Chambers	Peter J. Chambers
	Ir. Tjahjono Soerjodibroto, MBA	Dr. Ir. Giri Suseno Hadihardjono	Dr. Ir. Giri Suseno Hadihardjono	Dr. Ir. Giri Suseno Hadihardjono	Dr. Ir. Giri Suseno Hadihardjono
	YBhg Dato' Mohamad Norza bin Haji Zakaria	Elisa Lumbantoruan	Elisa Lumbantoruan	Elisa Lumbantoruan	Elisa Lumbantoruan

The Company's Audit Committee was established on 28 February 2005. The composition of the Audit Committee as of 31 December 2007 is as follows:

Chairman : Ir. Tjahjono Soerjodibroto, MBA
 Members : Dr. Djoko Susanto, M.S.A
 Heru Prasetyo
 YBhg Dato' Mohamad Norza bin Haji Zakaria

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

1. GENERAL (continued)

e. Board of Directors, Commissioners and Audit Committee (continued)

The composition of the Audit Committee as at 31 December 2008 and 2009; 30 September 2009 and 2010 was as follows:

Chairman	:	Peter J. Chambers
Members	:	Dr. Djoko Susanto, M.S.A Heru Prasetyo Elisa Lumbantoruan

The Company's Corporate Secretary as at 31 December 2007 and 2008 is Ike Andriani, as at 30 September 2009 and 31 December 2009 is Sutrisman, and as at 30 September 2010 is Murni Nurdini.

The Company's head office is currently located at grhaXL, Jalan Mega Kuningan Lot. E4-7 No.1 Kawasan Mega Kuningan, Jakarta 12950, Indonesia.

f. Subsidiaries

The Company has direct investments in subsidiaries as follows:

	<u>Percentage of ownership</u>	<u>Country of domicile</u>	<u>Business activities</u>	<u>Year of participations</u>
Excel Phoneloan 818 B.V.*	100%	Netherlands	Financing company	1997
GSM One (L) Ltd.	100%	Malaysia	Financing company	1996
GSM Two (L) Ltd.	100%	Malaysia	Financing company	1997
Excelcomindo Finance Company B.V.	100%	Netherlands	Financing company	2003

The subsidiaries' total assets before elimination are as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Excel Phoneloan 818 B.V.*	13,102	14,916	12,951	13,340	-
GSM One (L) Ltd.	-	-	-	-	-
GSM Two (L) Ltd.	-	-	-	-	-
Excelcomindo Finance Company B.V.	5,850,947	1,478,696	631,822	1,255,450	40,592

* In April 2010, the registration of Excel Phoneloan 818 B.V. has been terminated by the Chamber of Commerce of the Netherlands confirming the liquidation with effect from 14 December 2009, being the resolution of the Extraordinary General Meeting of the Shareholder.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of PT XL Axiata Tbk and its subsidiaries (together, "the Group") were prepared by the Board of Directors and completed on 28 October 2010.

Presented below are the significant accounting policies adopted for the preparation of the consolidated financial statements of the Group, which conform to the accounting principles generally accepted in Indonesia and the regulations imposed by the Indonesian Capital Market Supervisory Agency and Financial Institution No. VIII.G.7 regarding Guidelines for the Preparation of Financial Statements and No. SE-02/PM/2002 regarding Guidelines for the Preparation of Financial Statements for Capital or Public Telecommunications Companies.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis for preparation of the consolidated financial statements

The consolidated financial statements, except for the consolidated statements of cash flows, have been prepared on the historical cost concept and accrual basis, except for derivative instruments which are stated at fair value.

The consolidated statements of cash flows are prepared using the direct method and present the sources and uses of cash and cash equivalents according to operating, investing and financing activities. Cash and cash equivalents consist of cash on hand, cash in bank and deposits with original maturities of 3 (three) months or less.

Figures in the consolidated financial statements are rounded to and stated in millions of Rupiah unless specify otherwise.

b. Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities in which the Company has ability to directly or indirectly exercise control.

The entities are consolidated from the date on which effective control was transferred to the Company and are no longer consolidated when the Company ceases to have effective control.

The effects of all significant transactions and balances between companies within the Group have been eliminated in the consolidated financial statements.

The financial statements of entities domiciled outside Indonesia are translated into Rupiah currency on the following basis:

- Monetary accounts are translated using the prevailing Bank of Indonesia middle rate as at the balance sheet date as mentioned in Note 2I. Non-monetary accounts are translated using the historical rate as at the transaction date.
- Statements of income accounts are translated using the average rate during the year as follows (full amount):

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
United States Dollar (USD)	9,130	9,629	10,485	10,791	9,165
Euro (EUR)	12,473	14,205	14,565	14,687	12,093
Singapore Dollar (SGD)	6,051	6,820	7,194	7,310	6,592

Differences arising from the translation of balance sheets and statements of income of the foreign entities are recognised in the current year's consolidated statement of income on the basis that the operations of the foreign entities formed an integral part of the operations of the Company and, as a result, the transactions of the foreign entities have been considered as if they had been carried out by the Company.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Related party transactions

The Company and its subsidiaries have transactions with related parties. The definition of related parties used is in accordance with Statement of Financial Accounting Standards (PSAK) 7 "Related Party Disclosures". Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

All material transactions and balances with related parties have been disclosed in notes to financial statements.

d. Recognition of revenues and expenses

(i) Cellular telecommunications services

Voice and non-voice revenue is derived from the use of the Company's network by GSM (Global System for Mobile communications) customers, including charges for airtime, local interconnection, domestic long-distance, international long-distance, international roaming and value added services, which are recognised based on applicable tariffs and the duration of successful calls made through the network. Voice revenue is recognised at the time the service is rendered based on the actual call duration and applicable tariffs.

Monthly service charge is derived from postpaid customers which is recognised on a monthly basis upon billing.

Revenue from prepaid services is derived from the sale of starter pack and vouchers. Starter packs consist of a SIM (Subscriber Identity Module) card and voucher. The revenue of SIM card sales and any discount granted is recognised upon delivery to distributors or directly to customers, excluding value-added taxes. Revenue from sales of vouchers for prepaid services is not recognised at the time of sale. When a voucher is sold, the full amount of airtime sold is credited, without deduction of any commission, to the "Deferred Revenue" account. When prepaid customers use the prepaid airtime or upon expiration of the voucher, the amount used or expired is recognised as cellular telecommunications revenue in the consolidated statement of income.

(ii) Cellular interconnection services

Revenue from interconnection with other operators and inbound roaming revenue from overseas telecommunication providers are recognised on the basis of actual recorded call traffic.

(iii) Other telecommunications services

Revenue from leased lines, rental of telecommunications towers, internet service provider and national roaming service revenue is recognised on a monthly basis upon billing based on prices agreed with customers. When unearned revenue is received, the amounts received are recorded as deferred revenue and recognised as revenue when the services are provided.

Revenue from *ITKP*/VoIP services is recognised at the time when the service is rendered based upon applicable tariffs.

(iv) Expenses

Expenses are recognised on an accrual basis.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Trade receivables

Trade receivables are presented at their estimated recoverable amount after an allowance for doubtful accounts. This allowance for doubtful accounts is made based on the management's evaluation of the collectibility of outstanding amounts. Accounts are written off in the period during which they are determined to be uncollectible.

f. Inventories

Inventories, mainly comprising vouchers and SIM cards, are valued at the lower of cost or net realisable value. Cost is calculated using the moving-average method.

A provision for obsolete and slow-moving inventory is determined on the basis of the estimated future sales of individual inventory items.

g. Leases

In 2007, the Financial Accounting Standards Board (DSAK) issued PSAK 30 (Revised 2007), "Leases", which constituted a change in accounting policy. The PSAK is effective for the preparation of financial statements covering periods beginning on or after 1 January 2008.

Under the PSAK 30 (Revised 2007), the classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In 2008, DSAK issued an Interpretation of Statement of Financial Accounting Standard (ISAK) 8, "Determining whether an Arrangement contains a Lease and Further Explanation about Transitional Provisions of PSAK 30 (Revised 2007)".

(i) As lessee

Leases in which a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Leases whereby the Company has substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The fixed asset acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Leases (continued)

(ii) As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

h. Fixed assets and depreciation

Fixed assets are stated at acquisition cost, which includes any applicable import taxes, import duties, freight costs, handling costs, storage costs, site preparation costs, installation costs, internal labour costs, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, less accumulated depreciation. Depreciation is applied from the date the assets are put into service or when the assets are ready for service, using the straight-line method over their estimated useful lives and results in the following annual percentages of cost:

Buildings	: 5%, 12.5%
Network equipment	
- GSM tower	: 6.25%
- Fibre optic	: 10%
- Other network equipment	: 10%, 12.5%, 20%, 25%, 50%
Leasehold improvements	: 25%
Machinery and equipment	: 25%
Furniture and fixtures	: 25%
Support systems	: 25%
Motor vehicles	: 25%

Land is stated at cost and is not depreciated.

The Company evaluates its fixed assets for impairment whenever events and circumstances indicate that the carrying amount of the assets may not be recoverable. When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined based upon the greater of its net selling price or value in use.

The accumulated costs of network equipment are initially capitalised as Assets Under Construction. These costs are subsequently reclassified as fixed-asset accounts when the assets are put into service.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Fixed assets and depreciation (continued)

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of replaced parts is written off. The cost of upgrading software is capitalised and the previously recorded balance is written off at the time the software upgrade is performed.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognised in the respective period's statement of income.

In 2007, DSAK issued PSAK 16 (Revised 2007), "Fixed Assets". The PSAK is effective for the preparation of financial statements covering periods beginning on or after 1 January 2008. Under PSAK 16 (Revised 2007), the Company has to choose the cost model or revaluation model as their accounting policy in measuring costs of acquisition. The Company has chosen the cost model. According to PSAK 16 (Revised 2007), the initial estimate of the costs of dismantling and removing a fixed asset and restoring the site on which it is located shall be capitalised as acquisition cost. In 2008, the Company recorded the estimated dismantlement and restoration costs of Base Transceiver Stations ("BTS") as part of acquisition cost. The amount of the provision is determined based on the lease contracts; however, where contracts do not specify the amount of the obligation, the Company uses its best estimate. The management conducts a regular review of the estimation used.

Change in economic useful lives estimation

On 1 January 2008, the Company changed the estimated useful lives of certain components of other network equipment from 10 (ten) and 8 (eight) years (10% and 12.5%) to 4 (four) and 5 (five) years (25% and 20%) to reflect current asset useful life and depreciated over the remaining period of its new useful life.

On 1 March 2010, the Company changed the estimated useful lives of certain components of other network equipment from 8 (eight) years (12.5%) to 5 (five) years (20%) to reflect current asset useful life and depreciated over the remaining period of its new useful life.

i. Intangible assets

The 3G spectrum license is recorded at historical cost (refer to Notes 1d and 6). It has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of the asset (10 (ten) years). The amortisation commences from the date when the assets are available for use and amortisation costs are charged to operating expenses-others.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Intangible assets (continued)

The accounting principles generally accepted in Indonesia do not provide clear and explicit guidance on whether the commitment to pay annual fees over 10 (ten) years as a consequence of obtaining the 3G spectrum license is a liability and whether the ten-year annual fees (*biaya hak penggunaan* or *BHP*) are to be considered as part of the acquisition costs of the license. The management assesses that continuation of payment of annual fees will no longer be required if the Company no longer uses the license. The management considers the annual payment as a usage fee based on its own interpretation of the license conditions and written confirmation from the Directorate General of Post and Telecommunications. These annual fees are therefore not considered as part of the acquisition cost for obtaining the license.

If in future, the regulations and conditions with regard to payment of the annual fees are changed with the consequence that payment of remaining outstanding annual fees cannot be avoided upon the Company returning the license, the Company will recognise the fair value of annual fees as an intangible asset and the corresponding liability at the present value of the remaining annual fees at that point in time.

j. Loans

Loans are initially recognised at the amount of proceeds received, net of transaction costs incurred. Loans are subsequently stated at any difference between proceeds received (net of transaction costs incurred) and the redemption value. Transaction costs incurred as the result of the loans' issue are stated as amortised cost using the effective interest method over the period of borrowings.

k. Bond and share issue costs

Bond issue costs are directly deducted from the issue proceeds in the consolidated balance sheets as a discount and are amortised using the effective interest method over the period of the bonds.

Share issue costs are directly deducted from the additional paid-in capital account in the consolidated financial statements.

l. Foreign currency translation

Transactions denominated in foreign currencies are translated into Rupiah at the rates prevailing as at the date of the transaction.

As at the balance sheet date, monetary assets and monetary liabilities denominated in foreign currencies are translated into Rupiah using the Bank of Indonesia middle rate prevailing as at that date. The exchange rates of the major foreign currencies used are as follows (full amount):

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
United States Dollar (USD)	9,419	10,950	9,400	9,681	8,924
Euro (EUR)	13,760	15,432	13,510	14,158	12,139
Singapore Dollar (SGD)	6,502	7,607	6,699	6,841	6,774
Swiss Franc (CHF)	8,260	10,349	9,087	9,365	9,129
Australian Dollar (AUD)	8,229	7,556	8,432	8,509	8,630

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Foreign currency translation (continued)

Realised and unrealised foreign exchange gains or losses arising from transactions in foreign currency and from the translation of foreign currency monetary assets and liabilities are recognised in the current year consolidated statements of income.

m. Taxation

Deferred income tax is provided using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for each entity separately.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

n. Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised when they accrue to the employees.

Post-employment benefits

Post-employment benefits such as retirement, severance and service payments are calculated based on Labour Law No. 13/2003 ("Law 13/2003").

In relation to pension benefits, in April 2002 the Company entered into a defined contributions pension plan organised by PT Asuransi Jiwa Manulife Indonesia. This programme is provided to all permanent employees who were under 50 years of age at the commencement of the programme in April 2002. Contributions to the plan are 10% of the net base salary, comprising 7% from the Company and 3% from the employee. Employees are entitled to benefits from the pension plan, comprising pension fund contributions and accumulated interest, on retirement, disability or death.

In accordance with Law 13/2003, the Company has further payment obligations if the benefits provided by the existing plan do not adequately cover the obligations under Law 13/2003.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Employee benefits (continued)

Post-employment benefits (continued)

The liabilities recognised in the consolidated balance sheets are the present values of the defined benefit obligations as at the balance sheet date in accordance with Law 13/2003 or the Company's regulations (whichever is higher), less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. In calculating post-employment benefits, the independent actuary has considered the contribution made by the Company to PT Asuransi Jiwa Manulife Indonesia.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of Government Bonds (considering currently there is no deep market for high-quality corporate Bonds) that are denominated in Rupiah, in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans in excess of 10% of the fair value of plan assets or 10% of the present value of the defined benefit obligations are charged or credited to consolidated statements of income over the employees' expected average remaining service lives.

Past-service costs are recognised immediately in the consolidated statements of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The current service cost is recorded as an expense in the prevailing period.

Other long-term employee benefits

Other long-term employee benefits such as deferred compensation paid for twelve months or more after service period are calculated based on the Company's policy using the same methodology as for the simplified other post employment benefits.

Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense in the income statements over the vesting period and credited to additional paid-in capital. The total amount to be recognised over the vesting period is determined by the fair value of the shares granted on the grant date.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Employee benefits (continued)

Share-based compensation (continued)

On each vesting period, the Company will provide an amount based on total incentives which will become the employees rights at the vesting date and recognise the impact in the income statements.

o. Financial assets and liabilities

In 2006, the DSAK issued PSAK 50 (Revised 2006) "Financial Instruments: Presentation and Disclosures" and PSAK 55 (Revised 2006) "Financial Instruments: Recognition and Measurement". These standards amend both PSAK 50 "Accounting for Investments in Certain Securities" and PSAK 55 "Accounting for Derivative Instruments and Hedging Activities". Both standards are applicable for financial statements covering periods beginning on or after 1 January 2010.

In implementing PSAK 50 (Revised 2006) and PSAK 55 (Revised 2006), the Company classifies financial instruments into financial assets and financial liabilities.

Financial assets

The Company classifies its financial assets in the following categories of (i) financial assets at fair value through profit and loss, (ii) loans and receivables, (iii) held-to-maturity financial assets, and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financials assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative receivables are also categorised as asset held for trading unless they are designated and effective as hedging instruments.

There are no financial assets categorised as held for trading except for derivative receivables.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets are included in "foreign exchange gain/loss".

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. Loans and receivables consist of net investment in finance leases, other receivables and other assets.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Financial assets and liabilities (continued)

Financial assets (continued)

(iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Management has the positive intention and ability to hold to maturity, other than:

- a) those that the Company upon initial recognition designates as at fair value through profit or loss;
- b) those that the Company designates as available for sale; and
- c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using the effective interest method.

There is no financial assets that classified as held-to-maturity financial assets.

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initial recognised at fair value, plus transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of changes in equity is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised in the income statement.

There is no financial assets that classified as available-for-sale financial assets.

The Company uses settlement date accounting for regular way contracts when recording financial assets transactions.

Financial liabilities

The Company classified its financial liabilities in the category of (i) financial liabilities at fair value through profit or loss and (ii) financial liabilities measured at amortised cost.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities classified as held for trading. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative payables are also categorised as liabilities held for trading unless they are designated and effective as hedging instruments.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Financial assets and liabilities (continued)

Financial liabilities (continued)

There are no financial liabilities categorised as held for trading except for derivative payables.

Gain and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial liabilities are included in "foreign exchange gain/loss".

(ii) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit and loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are other payables, accrued expenses, loans and bonds.

Fair value estimation

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price, while for financial liabilities it uses ask price.

The fair value of financial instruments that are not traded in active markets is determined by using valuation technique. The Company uses discounted cash flow methods and makes assumptions that are based on market conditions existing at each balance sheet date which are used to determine fair value for the remaining financial instruments.

p. Earning/(loss) per share

Basic earning/(loss) per share is calculated by dividing net income/(loss) by the weighted average number of ordinary shares outstanding during the year.

Diluted earning/(loss) per share is calculated by dividing net income/(loss) by the weighted average number of ordinary shares outstanding during the year, adjusted to assume conversion of all potential dilutive ordinary shares.

q. Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

r. Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires the management to use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

3. CASH AND CASH EQUIVALENTS

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Cash on hand	1,463	1,583	1,434	1,384	1,204
Cash in bank					
Rupiah					
- Standard Chartered Bank	-	30	4,049	316,781	57,391
- J.P.Morgan Chase Bank, N.A.	46,541	28,684	12,559	16,061	19,534
- PT Bank Central Asia Tbk	28,979	18,837	12,068	71,548	8,761
- PT Bank Mandiri (Persero) Tbk	4,764	1,832	3,625	2,402	8,000
- PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk)	1,554	351	452	697	3,817
- PT Bank Negara Indonesia (Persero) Tbk	4,853	1,603	1,800	1,473	2,181
- PT Bank Permata Tbk	927	3,331	3,834	38,089	1,256
- Deutsche Bank AG	5,038	3,177	5,297	5,943	131
- Others (individual amount less than Rp 3,000)	5,501	4,760	1,516	4,922	5,920
US Dollar					
- J.P.Morgan Chase Bank, N.A.	7,458	3,033	18,045	47,561	16,325
- PT Bank Mandiri (Persero) Tbk	-	-	9	-	8
- Standard Chartered Bank	54	74	57,277	60	1
	<u>105,669</u>	<u>65,712</u>	<u>120,531</u>	<u>505,537</u>	<u>123,325</u>
Time deposits (maturing within three months)					
Rupiah					
- PT Bank UOB Indonesia (formerly PT Bank UOB Buana and PT Bank UOB Indonesia)	100,000	-	100,000	100,000	200,000
- PT Bank DBS Indonesia	180,000	-	-	175,000	-
- PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk)	90,000	-	-	100,000	-
- PT Bank Mega Tbk	45,000	-	100,000	-	-
- Deutsche Bank AG	67,000	53,000	50,000	255,000	-
- PT Bank Central Asia Tbk	-	113,908	-	-	-
- PT ANZ Panin Bank	-	60,000	-	-	-
US Dollar					
- PT Bank OCBC NISP Tbk (formerly PT Bank NISP Tbk)	94,190	-	94,000	48,405	178,480
- PT Bank Permata Tbk	-	109,500	94,000	62,927	133,860
- J.P.Morgan Chase Bank, N.A.	-	-	-	-	102,626
- PT Bank UOB Indonesia	-	-	-	193,620	80,316
- PT Bank CIMB Niaga Tbk	-	109,500	94,000	-	-
- PT Bank Danamon Indonesia Tbk	-	109,500	94,000	96,810	-
- PT Bank DBS Indonesia	122,447	54,750	-	-	-
- PT Bank Chinatrust Indonesia	-	219,000	-	-	-
- PT Bank Mega Tbk	-	109,500	-	43,564	-
- PT ANZ Panin Bank	-	109,500	-	-	-
- Standard Chartered Bank	-	54,750	-	-	-
	<u>698,637</u>	<u>1,102,908</u>	<u>626,000</u>	<u>1,075,326</u>	<u>695,282</u>
	<u>805,769</u>	<u>1,170,203</u>	<u>747,965</u>	<u>1,582,247</u>	<u>819,811</u>

The annual interest rates of the above time deposits are as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Rupiah deposit	7.30%-9.75%	7.00%-13.60%	4.75%-8.00%	4.75%-8.00%	7.50%-8.00%
US Dollar deposit	5.15%-5.60%	1.00%-7.00%	1.15%-3.50%	2.00%-3.50%	0.13%-3.50%

Refer to Note 24 for related party information.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

4. TRADE RECEIVABLES - THIRD PARTIES

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Domestic partners					
- PT Bakrie Telecom Tbk	1,873	5,450	21,388	43,696	72,959
- PT Telekomunikasi Indonesia Tbk	4,992	12,217	28,343	20,063	49,345
- PT Natrindo Telepon Seluler	76	13,854	11,361	1,719	48,658
- PT Mora Telematika Indonesia	46,326	80,301	50,938	71,414	46,688
- PT Indosat Tbk	2,396	2,730	18,877	22,508	46,182
- PT Sampoerna Telekomunikasi Indonesia	18	24,175	1,994	6,051	7,323
- PT Bank Commonwealth	427	1,267	1,390	1,061	3,907
- PT Mac Sarana Djaya	-	-	-	-	3,796
- PT Insan Sarana Telematika	35	3,085	3,456	1,456	2,176
- PT Nettocyber Indonesia	10,098	4,513	3,519	4,005	2,140
- PT Indo Pratama Teleglobal	5,535	720	710	881	1,387
- PT Hutchison CP Telecommunications	101	6,299	10,361	793	148
- Others (individual amount less than Rp 3,000)	267,652	233,132	179,723	199,413	151,828
	<u>339,529</u>	<u>387,743</u>	<u>332,060</u>	<u>373,060</u>	<u>436,537</u>
International partners					
- Shinetown Telecommunications Ltd.	6,792	13,520	9,764	10,757	6,574
- Telstra Corporation Ltd. - Australia	6,040	558	5,670	5,083	4,059
- Digi Telecommunications Sdn Bhd	227	3,463	-	-	-
- Unifone Pte. Ltd.	4,492	-	-	-	-
- Others (individual amount less than Rp 3,000)	18,922	14,618	7,997	13,435	20,448
	<u>36,473</u>	<u>32,159</u>	<u>23,431</u>	<u>29,275</u>	<u>31,081</u>
Allowance for doubtful accounts	376,002 (119,005)	419,902 (103,182)	355,491 (83,604)	402,335 (87,180)	467,618 (55,538)
	<u>256,997</u>	<u>316,720</u>	<u>271,887</u>	<u>315,155</u>	<u>412,080</u>

The aging analysis of trade receivables is as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Current	152,246	176,458	207,067	150,262	265,635
Overdue 1 - 30 days	56,867	50,198	57,975	57,721	80,453
Overdue 31 - 60 days	23,317	46,340	29,004	29,815	28,429
Overdue > 61 days	143,572	146,906	61,445	164,537	93,101
	<u>376,002</u>	<u>419,902</u>	<u>355,491</u>	<u>402,335</u>	<u>467,618</u>

Changes in the amounts of the allowance for doubtful accounts are detailed as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Allowance for doubtful accounts - beginning	84,816	119,005	103,182	103,182	83,604
Bad debt expenses	58,862	59,376	41,769	30,571	11,646
Doubtful debts written off	(24,673)	(75,199)	(61,347)	(46,573)	(39,712)
Allowance for doubtful accounts - ending	<u>119,005</u>	<u>103,182</u>	<u>83,604</u>	<u>87,180</u>	<u>55,538</u>

Based on a review of the collectibility of the individual receivable accounts, management believes that the allowance for doubtful accounts is sufficient to cover losses from non-collection of these accounts.

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5. ADVANCES AND PREPAYMENTS

This account represents advances to employees, related parties and third parties for payment of the Company's operational expenses, such as utilities, customs duties and prepaid expenses for rental, insurance, maintenance and 3G annual fee.

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Prepaid rental - current	147,700	236,124	300,353	308,491	341,599
3G annual fee	11,929	19,411	35,195	87,988	151,891
Other prepaid expenses - current	55,783	101,354	140,045	165,647	189,786
Advances on operational expenses	<u>4,493</u>	<u>21,371</u>	<u>6,064</u>	<u>10,374</u>	<u>9,798</u>
	<u>219,905</u>	<u>378,260</u>	<u>481,657</u>	<u>572,500</u>	<u>693,074</u>

Refer to Note 24 for related party information.

6. OTHER ASSETS

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Prepaid rental - non-current	666,379	823,066	764,717	792,305	729,328
Other prepaid expenses - non-current	4,106	122,161	201,349	192,404	132,190
Downpayment to suppliers	167,877	135,595	10,551	21,346	45,672
Restricted bank deposits and cash in bank	856	17,386	15,305	15,690	14,374
Deferred charges	12,341	8,560	51,392	30,091	15,846
Others	<u>10,742</u>	<u>12,993</u>	<u>12,234</u>	<u>11,964</u>	<u>13,903</u>
	<u>862,301</u>	<u>1,119,761</u>	<u>1,055,548</u>	<u>1,063,800</u>	<u>951,313</u>
Net investment in finance lease:					
Lease receivable	-	-	732,728	750,868	655,315
Unearned finance lease income	-	-	<u>(357,441)</u>	<u>(369,103)</u>	<u>(320,471)</u>
	-	-	<u>375,287</u>	<u>381,765</u>	<u>334,844</u>
Intangible assets - 3G licence:					
Acquisition cost	376,000	376,000	376,000	376,000	703,627
Accumulated amortisation	<u>(52,772)</u>	<u>(92,351)</u>	<u>(131,930)</u>	<u>(122,035)</u>	<u>(164,345)</u>
	<u>323,228</u>	<u>283,649</u>	<u>244,070</u>	<u>253,965</u>	<u>539,282</u>
	<u>1,185,529</u>	<u>1,403,410</u>	<u>1,674,905</u>	<u>1,699,530</u>	<u>1,825,439</u>
Deduct:					
Restricted bank deposits and cash in bank - current	(230)	(16,705)	(15,305)	(15,328)	(14,374)
Net investment in finance lease - current	-	-	<u>(15,444)</u>	<u>(22,752)</u>	<u>(22,719)</u>
Other assets - current	<u>(230)</u>	<u>(16,705)</u>	<u>(30,749)</u>	<u>(38,080)</u>	<u>(37,093)</u>
Other assets - non-current	<u>1,185,299</u>	<u>1,386,705</u>	<u>1,644,156</u>	<u>1,661,450</u>	<u>1,788,346</u>

Net investment in finance lease are receivables related to the lease of fiber optics cables to PT Hutchison CP Telecommunications (HCPT) and PT Mora Telematika Indonesia (Moratel) (refer to Note 29). The transactions resulted in gain of Rp 463,901 and Rp 465,047 for nine-month period ended 30 September 2009 and the year ended 2009. Details of the net investment in finance lease according to the maturity schedule are as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Not later than 1 year	-	-	64,737	72,474	70,119
Between 1 year and 5 years	-	-	253,762	256,963	247,262
More than 5 years	-	-	<u>414,229</u>	<u>421,431</u>	<u>337,934</u>
	-	-	732,728	750,868	655,315
Unearned finance lease income	-	-	<u>(357,441)</u>	<u>(369,103)</u>	<u>(320,471)</u>
Net investment in finance lease	-	-	<u>375,287</u>	<u>381,765</u>	<u>334,844</u>

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7. FIXED ASSETS (continued)

	31/12/2009				31/12/2009
	01/01/2009	Additions	Disposals	Transfers	
Cost					
Land	138,447	23,648	-	8,848	170,943
Buildings	95,654	56,729	(1,938)	69,142	219,587
Network equipment	29,885,405	2,504,175	(1,231,759)	2,436,445	33,594,266
Leasehold improvements	108,018	3,240	(2,263)	7,020	116,015
Machinery and equipment	528,544	98,480	(31,668)	78,024	673,380
Furniture and fixtures	62,371	14,132	(2,463)	21,376	95,416
Support systems	333,082	45,454	(15,017)	31,030	394,549
Motor vehicles	31,326	-	(15,589)	2,855	18,592
	<u>31,182,847</u>	<u>2,745,858</u>	<u>(1,300,697)</u>	<u>2,654,740</u>	<u>35,282,748</u>
Assets under construction	<u>2,659,502</u>	<u>1,451,352</u>	<u>(35,062)</u>	<u>(2,654,740)</u>	<u>1,421,052</u>
	<u>33,842,349</u>	<u>4,197,210</u>	<u>(1,335,759)</u>	<u>-</u>	<u>36,703,800</u>
Accumulated depreciation					
Buildings	(34,008)	(16,723)	268	(52)	(50,515)
Network equipment	(10,013,758)	(3,457,202)	1,223,416	(1,860)	(12,249,404)
Leasehold improvements	(87,571)	(13,738)	2,129	42	(99,138)
Machinery and equipment	(303,693)	(120,836)	26,618	1,870	(396,041)
Furniture and fixtures	(27,922)	(19,655)	988	-	(46,589)
Support systems	(170,378)	(70,113)	8,048	-	(232,443)
Motor vehicles	(25,252)	(3,613)	15,589	-	(13,276)
	<u>(10,662,582)</u>	<u>(3,701,880)</u>	<u>1,277,056</u>	<u>-</u>	<u>(13,087,406)</u>
Net book value	<u>23,179,767</u>				<u>23,616,394</u>
	30/09/2009				30/09/2009
	01/01/2009	Additions	Disposals	Transfers	30/09/2009
Cost					
Land	138,447	4,437	-	-	142,884
Buildings	95,654	6,034	(1,938)	49,117	148,867
Network equipment	29,885,405	1,981,957	(837,816)	2,130,593	33,160,139
Leasehold improvements	108,018	3,064	(2,263)	7,020	115,839
Machinery and equipment	528,544	71,528	(29,181)	66,018	636,909
Furniture and fixtures	62,371	7,000	(2,463)	18,733	85,641
Support systems	333,082	27,345	(15,017)	26,521	371,931
Motor vehicles	31,326	-	(15,589)	2,855	18,592
	<u>31,182,847</u>	<u>2,101,365</u>	<u>(904,267)</u>	<u>2,300,857</u>	<u>34,680,802</u>
Assets under construction	<u>2,659,502</u>	<u>1,363,257</u>	<u>(36,592)</u>	<u>(2,300,857)</u>	<u>1,685,310</u>
	<u>33,842,349</u>	<u>3,464,622</u>	<u>(940,859)</u>	<u>-</u>	<u>36,366,112</u>
Accumulated depreciation					
Buildings	(34,008)	(11,921)	268	(52)	(45,713)
Network equipment	(10,013,758)	(2,536,485)	829,489	(1,860)	(11,722,614)
Leasehold improvements	(87,571)	(11,063)	2,129	42	(96,463)
Machinery and equipment	(303,693)	(88,736)	24,476	1,870	(366,083)
Furniture and fixtures	(27,922)	(14,659)	988	-	(41,593)
Support systems	(170,378)	(50,797)	8,048	-	(213,127)
Motor vehicles	(25,252)	(2,737)	15,589	-	(12,400)
	<u>(10,662,582)</u>	<u>(2,716,398)</u>	<u>880,987</u>	<u>-</u>	<u>(12,497,993)</u>
Net book value	<u>23,179,767</u>				<u>23,868,119</u>

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7. FIXED ASSETS (continued)

	01/01/2010	Additions	30/09/2010		30/09/2010
			Disposals	Transfers	
Cost					
Land	170,943	243	(77)	13,465	184,574
Buildings	219,587	1,358	(368)	111	220,688
Network equipment	33,594,266	1,189,260	(135,608)	892,127	35,540,045
Leasehold improvements	116,015	1,196	(4,429)	375	113,157
Machinery and equipment	673,380	176,951	(2,683)	7,024	854,672
Furniture and fixtures	95,416	3,349	(9,544)	1,547	90,768
Support systems	394,549	94,654	-	17,487	506,690
Motor vehicles	<u>18,592</u>	<u>-</u>	<u>(79)</u>	<u>-</u>	<u>18,513</u>
	35,282,748	1,467,011	(152,788)	932,136	37,529,107
Assets under construction	<u>1,421,052</u>	<u>1,126,128</u>	<u>(48,209)</u>	<u>(932,136)</u>	<u>1,566,835</u>
	<u>36,703,800</u>	<u>2,593,139</u>	<u>(200,997)</u>	<u>-</u>	<u>39,095,942</u>
Accumulated depreciation					
Buildings	(50,515)	(15,782)	358	-	(65,939)
Network equipment	(12,249,404)	(2,714,778)	135,205	-	(14,828,977)
Leasehold improvements	(99,138)	(6,381)	4,229	-	(101,290)
Machinery and equipment	(396,041)	(102,749)	2,676	-	(496,114)
Furniture and fixtures	(46,589)	(14,669)	5,638	-	(55,620)
Support systems	(232,443)	(63,838)	-	-	(296,281)
Motor vehicles	<u>(13,276)</u>	<u>(2,337)</u>	<u>79</u>	<u>-</u>	<u>(15,534)</u>
	<u>(13,087,406)</u>	<u>(2,920,534)</u>	<u>148,185</u>	<u>-</u>	<u>(15,859,755)</u>
Net book value	<u>23,616,394</u>				<u>23,236,187</u>

The Company owns land located throughout Indonesia with *Hak Guna Bangunan* ("HGB") for periods of 20-30 years which will expire between 2012 up to 2040.

As at 30 September 2010, there are 90 locations with a total book value of Rp 38,333 and for which *HGB* certificates are in process.

The management believes that there will be no difficulty in renewing the land rights when they expire.

Assets under construction

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Network equipment	2,861,627	2,384,150	1,301,853	1,441,862	1,358,167
Non-network equipment	<u>242,857</u>	<u>275,352</u>	<u>119,199</u>	<u>243,448</u>	<u>208,668</u>
	<u>3,104,484</u>	<u>2,659,502</u>	<u>1,421,052</u>	<u>1,685,310</u>	<u>1,566,835</u>

Assets under construction mainly represent new BTS equipment and other equipment which is still to be installed or is currently being installed. When the equipment units are finally installed, their carrying values are reclassified as fixed assets - network equipment.

The management believes that there are no significant obstacles to the completion of the assets under construction mentioned above.

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7. FIXED ASSETS (continued)

The calculation of the loss on sale and write-off of fixed assets is as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Cost	200,199	419,538	1,335,759	940,859	200,997
Accumulated depreciation	<u>(166,141)</u>	<u>(279,426)</u>	<u>(1,277,056)</u>	<u>(880,987)</u>	<u>(148,185)</u>
Net book value	34,058	140,112	58,703	59,872	52,812
Proceeds from sale of fixed assets and insurance claims	<u>(5,094)</u>	<u>(100,898)</u>	<u>(23,730)</u>	<u>(20,123)</u>	<u>(9,247)</u>
Loss on sale and write-off of fixed assets	<u>28,964</u>	<u>39,214</u>	<u>34,973</u>	<u>39,749</u>	<u>43,565</u>

As at 30 September 2010, the fixed assets of the Company and its subsidiaries are insured by insurance policies covering "property all risks and business interruption" for USD 2,612,000,000 from a third party, PT MAA General Assurance, which the management believes is adequate to cover losses.

Management believes that there is no impairment in assets value as at each reporting date.

8. TRADE AND OTHER PAYABLES

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Third parties					
Purchase of fixed assets	2,500,169	2,778,160	1,474,393	1,366,769	1,107,932
Operational expenditure	373,038	548,958	459,965	511,839	432,903
Interconnection and telecommunications service payable	<u>96,646</u>	<u>78,370</u>	<u>171,035</u>	<u>141,643</u>	<u>214,754</u>
	<u>2,969,853</u>	<u>3,405,488</u>	<u>2,105,393</u>	<u>2,020,251</u>	<u>1,755,589</u>
Related parties					
Operational expenditure	-	4,895	19,905	18,315	8,505
Interconnection and telecommunications service payable	<u>3,628</u>	<u>23,358</u>	<u>6,949</u>	<u>16,480</u>	<u>6,630</u>
	<u>3,628</u>	<u>28,253</u>	<u>26,854</u>	<u>34,795</u>	<u>15,135</u>
	<u>2,973,481</u>	<u>3,433,741</u>	<u>2,132,247</u>	<u>2,055,046</u>	<u>1,770,724</u>
Less current portion:					
- Third parties	(2,674,050)	(3,250,610)	(2,072,648)	(1,969,050)	(1,718,143)
- Related parties	<u>(3,628)</u>	<u>(28,253)</u>	<u>(26,854)</u>	<u>(34,795)</u>	<u>(15,135)</u>
Non-current portion	<u>295,803</u>	<u>154,878</u>	<u>32,745</u>	<u>51,201</u>	<u>37,446</u>

Trade and other payables according to currency are as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Rupiah	735,569	928,596	687,357	757,065	638,401
Foreign currencies	<u>2,237,912</u>	<u>2,505,145</u>	<u>1,444,890</u>	<u>1,297,981</u>	<u>1,132,323</u>
	<u>2,973,481</u>	<u>3,433,741</u>	<u>2,132,247</u>	<u>2,055,046</u>	<u>1,770,724</u>

Refer to Note 24 for related party information.

9. ACCRUED EXPENSES - THIRD PARTIES

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Telecommunications services expenses	147,565	46,177	229,413	225,526	420,625
Salaries and employee benefits	75,333	126,266	165,242	150,395	140,040
Interest	231,499	156,085	104,959	104,592	61,830
Others	<u>57,571</u>	<u>100,073</u>	<u>49,719</u>	<u>50,247</u>	<u>55,916</u>
	<u>511,968</u>	<u>428,601</u>	<u>549,333</u>	<u>530,760</u>	<u>678,411</u>

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10. DEFERRED REVENUE

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Cellular telecommunications services	409,223	575,858	592,098	658,450	664,067
Leased tower	-	14,419	4,307	155,991	194,213
Leased lines	1,195	1,155	1,499	1,163	6,968
	<u>410,418</u>	<u>591,432</u>	<u>597,904</u>	<u>815,604</u>	<u>865,248</u>

11. LONG-TERM LOANS

	<u>31/12/2007</u>		<u>31/12/2008</u>		<u>31/12/2009</u>	
	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>
PT Bank Mandiri (Persero) Tbk ("Bank Mandiri")	Rp 400,000	400,000	Rp 3,600,000	3,600,000	Rp 3,200,000	3,200,000
Exportkreditnämnden (EKN)	-	-	USD 213,949,508	2,342,747	USD 344,364,981	3,237,031
PT Bank Central Asia Tbk ("BCA")	-	-	Rp 3,000,000	3,000,000	Rp 3,000,000	3,000,000
PT Bank Sumitomo Mitsui Indonesia	-	-	Rp 300,000	300,000	Rp 300,000	300,000
PT Bank DBS Indonesia	USD 50,000,000	470,950	Rp 700,000	700,000	Rp 700,000	700,000
PT ANZ Panin Bank	-	-	Rp 250,000	250,000	Rp 250,000	250,000
Standard Chartered Bank ("SCB")	USD 100,000,000	941,900	USD 150,000,000	1,642,500	USD 50,000,000	470,000
Syndicated loan facilities I	-	-	USD 140,000,000	1,533,000	-	-
PT Bank Mizuho Indonesia	USD 50,000,000	470,950	USD 50,000,000	547,500	-	-
DBS Bank Ltd.	-	-	USD 50,000,000	547,500	-	-
The Hongkong and Shanghai Banking Corporation Ltd. ("HSBC")	-	-	USD 50,000,000	547,500	-	-
J.P.Morgan Chase Bank, N.A.	USD 30,000,000	282,570	USD 30,000,000	328,500	USD 30,000,000	282,000
		2,566,370		15,339,247		11,439,031
Unamortised debt issue cost		-		(45,023)		(25,519)
		2,566,370		15,294,224		11,413,512
Less: current portion		(40,000)		(730,548)		(1,921,604)
Non-current portion		<u>2,526,370</u>		<u>14,563,676</u>		<u>9,491,908</u>

	<u>30/09/2009</u>		<u>30/09/2010</u>	
	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>
Bank Mandiri	Rp 3,600,000	3,600,000	Rp 3,300,000	3,300,000
EKN	USD 351,529,772	3,403,160	USD 249,919,026	2,230,277
BCA	Rp 3,000,000	3,000,000	Rp 1,000,000	1,000,000
PT Bank Sumitomo Mitsui Indonesia	Rp 300,000	300,000	Rp 1,000,000	1,000,000
The Bank of Tokyo - Mitsubishi UFJ, Ltd.	-	-	Rp 1,000,000	1,000,000
PT Bank DBS Indonesia	Rp 700,000	700,000	Rp 700,000	700,000
PT ANZ Panin Bank	Rp 250,000	250,000	Rp 250,000	250,000
SCB	USD 150,000,000	1,452,150	-	-
Syndicated loan facilities I	USD 140,000,000	1,355,340	-	-

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11. LONG-TERM LOANS (continued)

	30/09/2009		30/09/2010	
	Original currency	Equivalent to million Rupiah	Original currency	Equivalent to million Rupiah
PT Bank Mizuho Indonesia	USD 50,000,000	484,050	-	-
DBS Bank Ltd.	USD 50,000,000	484,050	-	-
HSBC	USD 50,000,000	484,050	-	-
J.P.Morgan Chase Bank, N.A.	USD 30,000,000	290,430	-	-
		15,803,230		9,480,277
Unamortised debt issue cost		(47,091)		(34,338)
		15,756,139		9,445,939
Less: current portion		(3,167,021)		(2,173,905)
Non-current portion		12,589,118		7,272,034

	Total facility	Payment schedule	Interest payment period	Interest rate	Security
Bank Mandiri					
- Facility dated 19 December 2007	Rp 4,000,000	Installment every year (December 2008- September 2012)	monthly	1 month's JIBOR + 1.50% margin	None
- Facility dated 17 September 2010	Rp 2,500,000	Installment every year (September 2011- September 2015)	quarterly	3 months' JIBOR + 1.40% margin	None
EKN					
- Facility 1 dated 12 December 2008	USD 213,949,508	Installment every 6 months (15 January 2009 - 15 July 2015)	semiannually	6 months' LIBOR + 0.35% margin + SEK funding cost	None
- Facility 2A dated 23 March 2009	USD 123,579,208	Installment every 6 months (1 April 2009 - 1 October 2015)	semiannually	6 months' LIBOR + 0.35% margin + SEK funding cost	None
BCA					
- Facility dated 4 April 2008	Rp 3,000,000	March and June 2011	quarterly	3 months' JIBOR + 1.25% margin	None
- Facility dated 27 July 2010	Rp 1,500,000	Installment every year (maximum up to) January 2016)	quarterly	3 months' JIBOR + 1.40% margin	None
PT Bank Sumitomo Mitsui Indonesia	Rp 1,000,000	August 2013	monthly	SBI + certain margin	None
The Bank of Tokyo - Mitsubishi UFJ, Ltd.					
- Facility dated 30 September 2009	Rp 500,000	September 2012	monthly and two monthly	SBI + certain margin	None

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11. LONG-TERM LOANS (continued)

		<u>Total facility</u>	<u>Payment schedule</u>	<u>Interest payment period</u>	<u>Interest rate</u>	<u>Security</u>
- Facility dated 14 July 2010	Rp	500,000	July 2013	quarterly	SBI + certain margin	None
PT Bank DBS Indonesia	Rp	700,000	January 2011	monthly	SBI + 1.10% margin	None
PT ANZ Panin Bank	Rp	250,000	September 2013	quarterly	SBI + 1.50% margin	None

The Company is required to comply with certain conditions, such as hedging, limitations on certain asset sales or transfers, maintaining the majority ownership of the Company's shares directly or indirectly by Axiata Group Berhad and maintaining its debt to EBITDA ratio not to exceed 4.5 to 1.0.

On 22 Oktober 2010, the Company paid loan facility from PT Bank Central Asia Tbk amounted to Rp 500 billion (refer to note 33b).

The above credit facilities were utilised for loan refinancing, working capital, and acquisition of fixed assets. At each reporting date, the Company was in compliance with the covenants of its long-term loans.

As at 30 September 2010, the unused credit facilities of the Company is Rp 3.5 trillion (full amount).

12. BONDS

<u>Bonds</u>	<u>31/12/2007</u>		<u>31/12/2008</u>		<u>31/12/2009</u>	
	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>
USD 350 million Notes	USD 350,000,000	3,296,650	-	-	-	-
USD 250 million Notes	USD 250,000,000	2,354,750	USD 127,702,000	1,398,337	USD 59,432,000	558,661
Rp 1.5 trillion Notes (full amount)	Rp 1,500,000	<u>1,500,000</u>	Rp 1,500,000	<u>1,500,000</u>	Rp 1,500,000	<u>1,500,000</u>
Unamortised discount		<u>7,151,400</u> <u>(53,884)</u>		<u>2,898,337</u> <u>(19,089)</u>		<u>2,058,661</u> <u>(8,510)</u>
Less: current portion		<u>7,097,516</u> <u>(3,283,434)</u>		<u>2,879,248</u> <u>-</u>		<u>2,050,151</u> <u>(553,822)</u>
Long-term portion		<u><u>3,814,082</u></u>		<u><u>2,879,248</u></u>		<u><u>1,496,329</u></u>
			<u>30/09/2009</u>		<u>30/09/2010</u>	
			<u>Original currency</u>	<u>Equivalent to million Rupiah</u>	<u>Original currency</u>	<u>Equivalent to million Rupiah</u>
USD 250 million Notes			USD 124,067,000	1,201,093	-	-
Rp 1.5 trillion Notes (full amount)			Rp 1,500,000	<u>1,500,000</u>	Rp 1,500,000	<u>1,500,000</u>
Unamortised discount				<u>2,701,093</u> <u>(15,003)</u>		<u>1,500,000</u> <u>(2,586)</u>
Less: current portion				<u>2,686,090</u> <u>-</u>		<u>1,497,414</u> <u>-</u>
Long-term portion				<u><u>2,686,090</u></u>		<u><u>1,497,414</u></u>

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12. BONDS (continued)

<u>Bonds</u>	<u>Issuance date</u>	<u>Issuer</u>	<u>Listed on</u>	<u>Maturity</u>	<u>Interest Payment period</u>	<u>Interest rate</u>
USD 350 million Notes	27 January 2004	Excelcomindo Finance Company B.V.	Singapore Exchange Securities Trading, Ltd.	27 January 2009	semiannually	8%
USD 250 million Notes	18 January 2006	Excelcomindo Finance Company B.V.	Singapore Exchange Securities Trading, Ltd.	18 January 2013	semiannually	7.125%
Rp 1.5 trillion Notes (full amount)	26 April 2007	PT XL Axiata Tbk	Bursa Efek Indonesia	26 April 2012	quarterly	10.35%

<u>Bonds</u>	<u>Bonds ratings</u>	<u>Rater</u>	<u>Trustee</u>	<u>Security</u>
USD 350 million Notes	BB- and Ba2	Standard and Poor's Rating Services and Moody's Investors Service, Inc.	Bank of New York	None
USD 250 million Notes	BB- and Ba2	Standard and Poor's Rating Services and Moody's Investors Service, Inc.	Bank of New York	None
Rp 1.5 trillion Notes (full amount)	idAA - and AA -(idn)	PEFINDO and FITCH Ratings	PT Bank Permata Tbk	None

The Company is required to comply with certain conditions, such as limitations on asset sales and/ or leaseback transactions, and maintain its debt to EBITDA ratio not to exceed 4.5 to 1.0 over the period of borrowings.

On 25 January 2008, Excelcomindo Finance Company B.V. bought back the USD 350 million Notes at a price of 100% of the nominal value.

On June 2008, April 2009, December 2009 and January 2010, the Company bought back all of the USD 250 million Notes amounting to USD 122,298,000, USD 3,635,000, USD 64,635,000 and USD 59,432,000 at price of 101%, 88.24% - 89.24%, 102.75% - 103.375% and 103.563% of the nominal value, respectively.

As at each reporting date, the Company was in compliance with the covenants of its IDR and USD Notes.

13. PROVISIONS

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Estimated liabilities for assets restoration	-	142,066	178,466	170,734	201,470
Post-employment benefits	66,228	76,912	99,956	93,172	116,598
Other long-term employee benefits	-	-	20,528	16,990	11,032
	<u>66,228</u>	<u>218,978</u>	<u>298,950</u>	<u>280,896</u>	<u>329,100</u>

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13. PROVISIONS (continued)

a. Estimated liabilities for assets restoration

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Beginning balance	-	-	142,066	142,066	178,466
Addition during the year/period	-	142,211	37,225	29,247	23,942
Realisation during the year/period	-	(145)	(825)	(579)	(938)
Ending balance	<u>-</u>	<u>142,066</u>	<u>178,466</u>	<u>170,734</u>	<u>201,470</u>

b. Post-employment benefits

The movements of the provision for employee benefits recognised in the consolidated balance sheets are as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Beginning balance	38,511	66,228	76,912	76,912	99,956
Provision made during the year/period	29,472	14,753	25,749	18,812	18,594
Amounts paid during the year/period	(1,755)	(4,069)	(2,705)	(2,552)	(1,952)
Ending balance	<u>66,228</u>	<u>76,912</u>	<u>99,956</u>	<u>93,172</u>	<u>116,598</u>

The provision for post-employment benefits recognised in the consolidated balance sheets is as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Present value of obligations	92,296	104,145	122,928	117,055	133,241
Unrecognised actuarial losses	(32,062)	(32,122)	(27,281)	(28,336)	(20,516)
Unrecognised past service costs	5,994	4,889	4,309	4,453	3,873
	<u>66,228</u>	<u>76,912</u>	<u>99,956</u>	<u>93,172</u>	<u>116,598</u>

Estimation of actuarial obligations as at 31 December 2007, 2008 and 2009; and 30 September 2009 and 2010 were based on the actuarial valuation prepared by PT Mercer Indonesia, an independent actuary, as stated in its reports dated 25 January 2008, 28 January 2009 and 15 January 2010; and 15 October 2009 and 18 October 2010, respectively.

The provision for employee benefits expenses charged to the consolidated statements of income are as follows:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Current service costs	10,755	14,429	13,714	9,949	10,586
Interest expenses	6,772	9,385	11,684	8,665	8,168
Net actuarial loss	12,525	1,631	931	634	275
Past service costs	(580)	(580)	(580)	(436)	(435)
Curtailment	-	(10,112)	-	-	-
	<u>29,472</u>	<u>14,753</u>	<u>25,749</u>	<u>18,812</u>	<u>18,594</u>

The pension benefit obligation was determined using the "Projected Unit Credit" method with the following assumptions:

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Discount rate (per annum)	10.25%	12%	10.5%	10.75%	8.25%
Salary increment rate (per annum)	10%	11%	11%	11%	9%

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14. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

Share Capital

The authorised share capital is 22,650,000,000 shares, with a par value of Rp 100 (full amount) per share. Issued and fully paid share capital since 16 November 2009 is 8,508,000,000 shares. Previously was 7,090,000,000 shares.

The composition of the Company's shareholders as at 31 December 2007 was as follows:

	<u>Number of shares</u>	<u>Amount (Rp)</u>	<u>%</u>
Axiata Investments (Indonesia) Sdn. Bhd. (formerly known as Indocel Holding Sdn. Bhd.)	4,749,383,500	474,938	66.99
Khazanah Nasional Berhad	1,191,553,500	119,155	16.81
Emirates Telecommunications Corporation (Etisalat International Indonesia Ltd.)	1,132,497,500	113,250	15.97
Public	<u>16,565,500</u>	<u>1,657</u>	<u>0.23</u>
	<u>7,090,000,000</u>	<u>709,000</u>	<u>100.00</u>

As at 31 December 2007, the 16,565,500 shares owned by the public included those owned by the directors of the Company, who hold 49,000 shares.

The composition of the Company's shareholders as at 31 December 2008 was as follows:

	<u>Number of shares</u>	<u>Amount (Rp)</u>	<u>%</u>
Axiata Investments (Indonesia) Sdn. Bhd.	5,940,937,000	594,094	83.80
Etisalat International Indonesia Ltd.	1,132,497,500	113,250	15.97
Public	<u>16,565,500</u>	<u>1,656</u>	<u>0.23</u>
	<u>7,090,000,000</u>	<u>709,000</u>	<u>100.00</u>

As at 31 December 2008, the 16,565,500 shares owned by the public included those owned by the directors of the Company, who hold 344,000 shares.

The composition of the Company's shareholders as at 31 December 2009 was as follows

	<u>Number of shares</u>	<u>Amount (Rp)</u>	<u>%</u>
Axiata Investments (Indonesia) Sdn. Bhd.	7,358,709,290	735,871	86.50
Etisalat International Indonesia Ltd.	1,132,497,500	113,250	13.30
Public	<u>16,793,210</u>	<u>1,679</u>	<u>0.20</u>
	<u>8,508,000,000</u>	<u>850,800</u>	<u>100.00</u>

As at 31 December 2009, the 16,793,210 shares owned by the public included those owned by the directors of the Company, who hold 732,000 shares.

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14. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL (continued)

Share Capital (continued)

On 16 November 2009, the Extraordinary General Meeting of Shareholders approved the limited public offering I ("LPO I") in respect of a rights issue with pre-emptive rights. The Indonesian Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) issued an effective statement relating to LPO I on 16 November 2009. Subsequently on 11 December 2009, the Company completed the LPO I and issued 1,418,000,000 new shares. Proceeds from LPO I were utilised to repay debts (refer to note 1b).

The composition of the Company's shareholders as at 30 September 2009 is as follows:

	<u>Number of shares</u>	<u>Amount (Rp)</u>	<u>%</u>
Axiata Investments (Indonesia) Sdn. Bhd.	5,940,937,000	594,094	83.80
Etisalat International Indonesia Ltd.	1,132,497,500	113,250	15.97
Public	<u>16,565,500</u>	<u>1,656</u>	<u>0.23</u>
	<u>7,090,000,000</u>	<u>709,000</u>	<u>100.00</u>

As at 30 September 2009, the 16,565,500 shares owned by the public included those owned by the directors of the Company, who hold 620,500 shares.

The composition of the Company's shareholders as at 30 September 2010 was as follows:

	<u>Number of shares</u>	<u>Amount (Rp)</u>	<u>%</u>
Axiata Investments (Indonesia) Sdn. Bhd.	5,674,125,290	567,412	66,70
Etisalat International Indonesia Ltd.	1,132,497,500	113,250	13,30
Public (individually less than 5%)	<u>1,701,377,210</u>	<u>170,138</u>	<u>20,00</u>
	<u>8,508,000,000</u>	<u>850,800</u>	<u>100,00</u>

As at 30 September 2010, the 1,701,377,210 shares owned by the public included those owned by the directors of the Company, who hold 2,971,500 shares.

On 29 March 2010, Axiata Group Berhad through Indocel Holding Sdn. Bhd. (refer to note 1a) announced Private Placement on its shares ownership in the Company which was performed gradually in April 2010 with purpose to increase public ownership of Company's shares and increase liquidity of Company's listed shares in Indonesia Stock Exchange.

Additional Paid-in Capital

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Additional paid-in capital	2,712,250	2,712,250	5,406,450	2,712,250	5,406,450
Share issue costs	(44,815)	(44,815)	(93,803)	(44,815)	(93,803)
Exchange rate difference due to paid-in capital	24,249	24,249	22,985	24,249	22,985
Allowance for share-based compensation	-	-	-	-	15,291
	<u>2,691,684</u>	<u>2,691,684</u>	<u>5,335,632</u>	<u>2,691,684</u>	<u>5,350,923</u>

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14. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL (continued)

Additional Paid-in Capital (continued)

Through the initial stock offering in September 2005, the Company received USD 278,213,143.70 and Rp 18,617,000,000 (full amount) for the issuance of 1,427,500,000 shares, with a nominal value amounting to Rp 100 (full amount) per share. The conversion rate of USD 1 is Rp 10,195 (full amount).

Through the LPO I in November 2009, the Company received USD 252,795,717.45 and Rp 438,232,620,000 (full amount) for the issuance of 1,418,000,000 shares with a nominal value amounting to Rp 100 (full amount) per share. The conversion rate of USD 1 is Rp 9,485 (full amount).

Details movement of the additional paid-in capital are as follows:

	<u>Prior to public offering</u>	<u>Initial public offering</u>	<u>Limited public offering I</u>	<u>Allowance for share-based compensation</u>	<u>Total</u>
Additional paid-in capital	-	2,712,250	2,694,200	-	5,406,450
Share issue costs	-	(44,815)	(48,988)	-	(93,803)
Exchange rate difference due to paid-in capital	11,730	12,519	(1,264)	-	22,985
Allowance for share-based compensation	-	-	-	15,291	15,291
	<u>11,730</u>	<u>2,679,954</u>	<u>2,643,948</u>	<u>15,291</u>	<u>5,350,923</u>

Share-based compensation

In April 2010, the Nominating and Remuneration Committee approved a share-based compensation plan for certain employees under which Company's shares are to be given as a compensation for services provided by the employees with no cash consideration. Members of Board of Directors and certain employees who have been employed during the performance year and met certain criteria are eligible to participate in the program.

Under the program, on each end of fourth month subsequent to completion of the performance year, the Company issues shares to the eligible employees upon the Company achieving specific performance target and the employees satisfying certain performance conditions and remain in the employment at the share issuance date. Shares issued by the Company vest in two equal proportions and will become employees rights if the employees remain in employment for two years and three years as of respective share issuance date.

Eligible employees will be granted up to 2.5% of normalized income of the performance year, which is calculated based on income after tax, adjusted with unrealized foreign exchange and one-off expense. The number of shares given to the eligible employees is calculated as the total incentives amount divided by the fair value of shares at the share issuance date. The issuance of new shares should be approved by the Annual General Meeting of Shareholders. The execution of the program covers performance year 2010 up to 2015 with grant cycles divided into nine periods.

At the share issuance date, when the shares are issued, the Company will record deferred compensation expenses and capital stock, and debit the additional paid-in capital. The Company recognised expense related to share-based compensation program in the consolidated statements of income.

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14. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL (continued)

Share-based compensation (continued)

As at 30 September 2010 there was no additional shares issued under this scheme. Total expenses arising from share-based compensation recognised in the income statements during the nine-month period ended at 30 September 2010 were Rp 15 billion (full amount).

15. DIVIDENDS

At the Annual General Meeting of Shareholders held on 26 April 2007, the shareholders agreed to distribute a final cash dividend from the 2006 net income which amounted to Rp 67,169. The dividend distributed amounted to Rp 9.47 (full amount) per share. The cash dividend was fully paid on 11 June 2007.

At the Annual General Meeting of Shareholders held on 4 April 2008, the shareholders agreed to distribute a final cash dividend from the 2007 net income which amounted to Rp 141,800. The dividend distributed amounted to Rp 20 (full amount) per share. The cash dividend was fully paid on 16 May 2008.

16. APPROPRIATED RETAINED EARNINGS

Based on the Indonesian Company Law No. 1/1995, which has subsequently been superseded by the Indonesian Company Law No. 40/2007, the Company is required to set up a statutory reserve amounting to at least 20% of the Company's issued and paid up capital.

At the Annual General Meeting of Shareholders held on 26 April 2007, 4 April 2008 and 19 March 2010 the shareholders approved an appropriation to the statutory reserve amounting to Rp 100 in each of those years, so appropriated retained earnings on 30 September 2010 was Rp 300.

17. EARNING/(LOSS) PER SHARE

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Net income/(loss) attributable to the shareholders	250,781	(15,109)	1,709,468	1,201,513	2,082,468
Weighted average number of ordinary shares outstanding	<u>7,090,000,000</u>	<u>7,090,000,000</u>	<u>7,210,432,877</u>	<u>7,090,000,000</u>	<u>8,508,000,000</u>
Basic earning/(loss) per share (full amount)	<u>35</u>	<u>(2)</u>	<u>237</u>	<u>169</u>	<u>245</u>
Diluted earning/(loss) per share (full amount)	<u>35</u>	<u>(2)</u>	<u>237</u>	<u>169</u>	<u>245</u>

On 31 December 2007, 2008 and 2009; and 30 September 2009 and 2010, there were no dilutive potential ordinary shares that would give rise to a dilution of net income/(loss) per share of the Company.

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18. REVENUE

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Cellular Telecommunications services:					
Voice	3,866,302	6,622,610	7,058,857	5,026,318	6,310,096
Non-voice	2,632,500	3,140,732	4,152,590	2,859,334	4,256,791
Monthly service charge	<u>1,921</u>	<u>4,382</u>	<u>8,716</u>	<u>6,024</u>	<u>9,259</u>
	<u>6,500,723</u>	<u>9,767,724</u>	<u>11,220,163</u>	<u>7,891,676</u>	<u>10,576,146</u>
Cellular Interconnection services:					
Domestic interconnection	886,995	1,036,861	942,436	690,961	778,550
International roaming	465,305	483,468	588,111	436,620	500,147
SMS interconnection	25,894	13,802	16,435	12,587	7,905
Others	<u>5,408</u>	<u>3,221</u>	<u>3,746</u>	<u>2,873</u>	<u>3,201</u>
	<u>1,383,602</u>	<u>1,537,352</u>	<u>1,550,728</u>	<u>1,143,041</u>	<u>1,289,803</u>
Gross cellular revenue	7,884,325	11,305,076	12,770,891	9,034,717	11,865,949
Discount	<u>(375,085)</u>	<u>(94,781)</u>	<u>(173,462)</u>	<u>(87,129)</u>	<u>(146,443)</u>
Gross cellular revenue net of discount	7,509,240	11,210,295	12,597,429	8,947,588	11,719,506
Other telecommunications services:					
Leased towers	-	276,669	600,426	429,078	587,146
Leased lines	408,710	478,473	427,002	320,916	322,006
Internet service provider	58,779	63,910	52,288	39,354	38,502
National Roaming Service	-	-	-	-	125,683
Others	<u>12,897</u>	<u>31,863</u>	<u>28,906</u>	<u>22,545</u>	<u>15,629</u>
Gross revenues - other telecommunications services	480,386	850,915	1,108,622	811,893	1,088,966
Discount	<u>(107)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross revenue from other telecommunications services net of discount	<u>480,279</u>	<u>850,912</u>	<u>1,108,622</u>	<u>811,893</u>	<u>1,088,966</u>
Gross revenue net of discount	<u>7,989,519</u>	<u>12,061,207</u>	<u>13,706,051</u>	<u>9,759,481</u>	<u>12,808,472</u>

Refer to Note 24 for related party information.

19. INFRASTRUCTURE EXPENSES

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Licence fee	471,835	660,377	1,145,386	837,594	1,014,785
Rental expense	187,886	519,121	865,718	634,798	639,001
Utilities expense	182,453	388,311	599,456	446,364	443,773
Repair and maintenance expense	234,502	302,488	450,402	327,263	395,328
Others	<u>-</u>	<u>118,278</u>	<u>28,132</u>	<u>19,289</u>	<u>21,335</u>
	<u>1,076,676</u>	<u>1,988,575</u>	<u>3,089,094</u>	<u>2,265,308</u>	<u>2,514,222</u>

20. INTERCONNECTION AND TELECOMMUNICATIONS SERVICE CHARGES

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Interconnection charges	1,120,307	1,555,319	1,403,664	984,985	1,153,104
Other cellular telecommunications charges	338,828	601,106	537,520	407,338	395,223
Other telecommunications service costs	<u>70,614</u>	<u>139,956</u>	<u>86,593</u>	<u>69,896</u>	<u>69,913</u>
	<u>1,529,749</u>	<u>2,296,381</u>	<u>2,027,777</u>	<u>1,462,219</u>	<u>1,618,240</u>

Refer to Note 24 for related party information.

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21. SALES AND MARKETING EXPENSES

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Sales commission expense	463,027	697,489	548,334	431,508	513,825
Advertising and promotion expense	433,022	655,200	451,620	306,153	363,070
Marketing services expense	<u>17,788</u>	<u>21,786</u>	<u>30,414</u>	<u>25,061</u>	<u>11,051</u>
	<u>913,837</u>	<u>1,374,475</u>	<u>1,030,368</u>	<u>762,722</u>	<u>887,946</u>

Refer to Note 24 for related party information.

22. SALARIES AND EMPLOYEE BENEFITS

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Number of permanent employees (unaudited)	<u>2,136</u>	<u>2,097</u>	<u>2,038</u>	<u>2,027</u>	<u>2,219</u>
Total employee costs:					
- Salaries and allowances	561,434	706,479	748,512	588,004	606,313
- Payment to defined contribution pension plan	13,995	16,091	17,024	12,766	13,899
- Provision for employee benefits	<u>29,472</u>	<u>14,753</u>	<u>25,749</u>	<u>18,812</u>	<u>18,594</u>
Total employee costs	604,901	737,323	791,285	619,582	638,806
Internal labour cost capitalised as part of the fixed assets costs	<u>(30,994)</u>	<u>(14,808)</u>	<u>(13,452)</u>	<u>(11,480)</u>	<u>(8,189)</u>
Salaries and employee benefits (including outsourcing)	<u>573,907</u>	<u>722,515</u>	<u>777,833</u>	<u>608,102</u>	<u>630,617</u>

Refer to Note 24 for related party information.

23. TAXATION

a. Prepaid taxes

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Value Added Tax - net	135,056	393,469	-	165,740	-
Income tax article 4(2)	-	60,856	41,322	56,363	-
Claim for tax refund:					
- 2009	-	-	69,334	39,444	-
- 2008	-	210,373	213,198	213,198	-
- 2007	85,438	85,494	38,507	38,507	2,037
- 2006	60,461	2,005	2,005	2,005	784
- 2005	1,267	1,267	1,267	1,267	1,267
- 2004	1,073	1,073	1,073	1,073	1,073
- Others	<u>596</u>	<u>323</u>	<u>470</u>	<u>437</u>	<u>98</u>
	<u>283,891</u>	<u>754,860</u>	<u>367,176</u>	<u>518,034</u>	<u>5,259</u>

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23. TAXATION (continued)

b. Taxes payable

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Value Added Tax – net	-	-	84,671	-	60,924
Corporate income tax payable:					
- The Company	-	-	-	-	172,289
- The Subsidiaries	4,423	5,142	4,730	5,777	4,490
Income tax article 21	3,571	4,660	5,299	11,334	4,221
Income tax article 23	88,041	91,085	17,930	44,770	24,706
Income tax article 25	-	-	7,674	-	60,167
	<u>96,035</u>	<u>100,887</u>	<u>120,304</u>	<u>61,881</u>	<u>326,797</u>

c. Corporate income tax (expenses)/benefit

	<u>2007 (1 year)</u>	<u>2008 (1 year)</u>	<u>2009 (1 year)</u>	<u>2009 (9 months)</u>	<u>2010 (9 months)</u>
Current					
- Non Final	(675)	-	(10,750)	(1,459)	(610,692)
- Final	(11,595)	(6,011)	(12,777)	(9,480)	(6,776)
Deferred	<u>(266,576)</u>	<u>60,100</u>	<u>(630,048)</u>	<u>(463,424)</u>	<u>(61,162)</u>
	<u>(278,846)</u>	<u>54,089</u>	<u>(653,575)</u>	<u>(474,363)</u>	<u>(678,630)</u>
Consisting of:					
- The Company:					
- Current					
- Non Final	-	-	(10,211)	-	(610,692)
- Final	(11,595)	(6,011)	(12,777)	(9,480)	(6,776)
- Deferred	<u>(266,576)</u>	<u>60,100</u>	<u>(630,048)</u>	<u>(463,424)</u>	<u>(61,162)</u>
	<u>(278,171)</u>	<u>54,089</u>	<u>(653,036)</u>	<u>(472,904)</u>	<u>(678,630)</u>
- The Subsidiaries:					
- Current	<u>(675)</u>	-	<u>(539)</u>	<u>(1,459)</u>	-
	<u>(278,846)</u>	<u>54,089</u>	<u>(653,575)</u>	<u>(474,363)</u>	<u>(678,630)</u>

The reconciliation between the Company's income tax (expenses)/benefit and the theoretical tax amount on the Company's income/(loss) before income tax for the years ended 31 December 2007, 2008 and 2009; and 9 (nine) months periods ended 30 September 2009 and 2010 is as follows:

	<u>2007 (1 year)</u>	<u>2008 (1 year)</u>	<u>2009 (1 year)</u>	<u>2009 (9 months)</u>	<u>2010 (9 months)</u>
Consolidated income/(loss) before income tax	529,627	(69,198)	2,363,043	1,675,876	2,761,098
Add: net (income)/loss before tax					
- The Subsidiaries	<u>(3,175)</u>	<u>7,897</u>	<u>5,926</u>	<u>1,871</u>	<u>3,233</u>
Income/(loss) before income tax	<u>526,452</u>	<u>(61,301)</u>	<u>2,368,969</u>	<u>1,677,747</u>	<u>2,764,331</u>
(Expenses)/benefit tax calculated at effective rates	(157,936)	18,391	(663,311)	(469,770)	(691,083)
Income subject to final tax - net	17,392	9,016	17,887	13,272	10,125
Non-deductible expenses	(123,500)	(76,318)	(58,558)	(50,654)	(90,632)

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

23. TAXATION (continued)

c. Corporate income tax (expenses)/benefit (continued)

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Prior years' tax adjustments	(2,532)	(1,716)	(10,610)	(10,610)	99,736
Changes in tax rate	-	110,727	74,333	54,338	-
Final tax expense	<u>(11,595)</u>	<u>(6,011)</u>	<u>(12,777)</u>	<u>(9,480)</u>	<u>(6,776)</u>
Income tax (expenses)/benefit:					
- The Company	(278,171)	54,089	(653,036)	(472,904)	(678,630)
- The Subsidiaries	<u>(675)</u>	<u>-</u>	<u>(539)</u>	<u>(1,459)</u>	<u>-</u>
	<u>(278,846)</u>	<u>54,089</u>	<u>(653,575)</u>	<u>(474,363)</u>	<u>(678,630)</u>

The reconciliation between the Company's income/(loss) before income tax as shown in the consolidated financial statements and the estimated taxable income/(loss) for the years ended 31 December 2007, 2008 and 2009; and 9 (nine) months periods ended 30 September 2009 and 2010 is as follows:

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Income/(loss) before income tax					
- The Company	<u>526,452</u>	<u>(61,301)</u>	<u>2,368,969</u>	<u>1,677,747</u>	<u>2,764,331</u>
Temporary differences:					
- Difference between commercial and fiscal depreciation and amortisation	(1,000,276)	(646,440)	(1,885,604)	(1,807,568)	(619,351)
- Difference between commercial and fiscal (loss)/gain on disposal and write off of assets	3,757	11,656	(219,307)	(120,432)	(10,102)
- Allowance for bad debt expense	34,190	(15,847)	(19,552)	(15,983)	(28,071)
- Accrued expenses	-	-	-	-	32,421
- Provision for salaries and employee benefits	<u>87,983</u>	<u>52,233</u>	<u>72,223</u>	<u>10,787</u>	<u>(18,489)</u>
	<u>(874,346)</u>	<u>(598,398)</u>	<u>(2,052,240)</u>	<u>(1,933,196)</u>	<u>(643,592)</u>
Permanent differences:					
- Non-deductible expenses	411,666	254,392	209,134	180,908	362,530
- Income subject to final tax	<u>(57,973)</u>	<u>(30,054)</u>	<u>(63,884)</u>	<u>(47,399)</u>	<u>(40,500)</u>
	<u>353,693</u>	<u>224,338</u>	<u>145,250</u>	<u>133,509</u>	<u>322,030</u>
Tax income/(loss)	5,799	(435,361)	461,979	(121,940)	2,442,769
Accumulated tax losses	(127,316)	(113,075)	(543,228)	(543,228)	-
Tax loss adjustment 2005	8,442	-	-	-	-
Tax loss adjustment 2006	-	5,208	25,817	25,817	-
Tax loss adjustment 2007	-	-	82,052	16,624	-
Tax loss adjustment 2008	<u>-</u>	<u>-</u>	<u>9,849</u>	<u>9,849</u>	<u>-</u>
Taxable (loss)/income	<u>(113,075)</u>	<u>(543,228)</u>	<u>36,469</u>	<u>(612,878)</u>	<u>2,442,769</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

23. TAXATION (continued)

c. Corporate income tax (expenses)/benefit (continued)

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Current tax expense - The Company	-	-	10,211	-	610,692
Less: Prepaid corporate income tax	<u>(85,438)</u>	<u>(210,373)</u>	<u>(79,545)</u>	<u>(39,444)</u>	<u>(438,403)</u>
(Over)/under payment of corporate income tax	<u>(85,438)</u>	<u>(210,373)</u>	<u>(69,334)</u>	<u>(39,444)</u>	<u>172,289</u>

In accordance with Indonesia Taxation Law, corporate income tax is calculated for the Company and each of its subsidiaries in the understanding that they are separate legal entities (consolidated financial statements are not permitted for computing corporate income tax).

In September 2008, the Indonesia government issued a new income tax regulation which become effective commencing 1 January 2009. With this regulation, the corporate income tax rate reduced to a fixed rate of 28% in 2009 and 25% in 2010 onwards. On 31 December 2008 and 2009 the Company adjusted the deferred tax assets and liabilities to align with the changes in the corporate income tax rate.

In these consolidated financial statements, the amount of tax income for the 9 (nine) months periods ended 30 September 2010, 30 September 2009 and the year ended 31 December 2009 is based on preliminary calculations. These amounts may differ from tax income/(loss) reported in the corporate income tax returns. There is no significant difference between the amount of tax income/(loss) for the years ended 31 December 2008 and 2007 and the amount reported in the annual tax returns.

In August 2010, the Company submitted 2009 corporate income tax returns, to follow up the 2008 tax assessment letter (refer to Note 23e). The Company revised the tax income, tax losses carried forward and taxable income into Rp 530,384, Rp 166,153 and Rp 364,230, respectively. This resulted in an underpayment of Company's corporate income tax amounted to Rp 32,671. The underpayment had been paid and difference between preliminary calculation and the amount reported had been recorded in the current period consolidated statement of income as other expenses. The impact of correction in relation with deferred tax liabilities was recognized in the current period statement of income as prior year adjustment. (refer to Note 23d).

d. Deferred tax liabilities

	<u>31/12/2006</u>	<u>(Charged)/ credited to consolidated statement of income</u>	<u>Prior year adjustment charged to consolidated statement of income</u>	<u>31/12/2007</u>
Difference between commercial and fiscal depreciation and amortisation	(422,347)	(298,956)	-	(721,303)
Allowance for bad debt expense	25,445	10,257	-	35,702
Provision for salaries and employee benefits	11,553	26,395	-	37,948
Tax losses carried forward	<u>38,196</u>	<u>(1,740)</u>	<u>(2,532)</u>	<u>33,924</u>
	<u>(347,153)</u>	<u>(264,044)</u>	<u>(2,532)</u>	<u>(613,729)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. TAXATION (continued)

d. Deferred tax liabilities (continued)

	<u>31/12/2007</u>	<u>(Charged)/ credited to consolidated statement of income</u>	<u>Prior year adjustment charged to consolidated statement of income</u>	<u>Changes in tax rate</u>	<u>31/12/2008</u>
Difference between commercial and fiscal depreciation and amortisation	(721,303)	(190,435)	-	151,956	(759,782)
Allowance for bad debt expense	35,702	(4,754)	-	(5,158)	25,790
Provision for salaries and employee benefits	37,948	15,670	(152)	(8,910)	44,556
Tax losses carried-forward	<u>33,924</u>	<u>130,608</u>	<u>(1,564)</u>	<u>(27,161)</u>	<u>135,807</u>
	<u>(613,729)</u>	<u>(48,911)</u>	<u>(1,716)</u>	<u>110,727</u>	<u>(553,629)</u>

	<u>31/12/2008</u>	<u>(Charged)/ credited to consolidated statement of income</u>	<u>Prior year adjustment (charged)/ credited to consolidated statement of income</u>	<u>Changes in tax rate</u>	<u>31/12/2009</u>
Difference between commercial and fiscal depreciation and amortisation	(759,782)	(589,373)	2,462	63,147	(1,283,546)
Allowance for bad debt expense	25,790	(5,475)	-	587	20,902
Provision for salaries and employee benefits	44,556	20,220	-	(2,166)	62,610
Tax losses carried-forward	<u>135,807</u>	<u>(119,143)</u>	<u>(13,072)</u>	<u>12,765</u>	<u>16,357</u>
	<u>(553,629)</u>	<u>(693,771)</u>	<u>(10,610)</u>	<u>74,333</u>	<u>(1,183,677)</u>

	<u>31/12/2008</u>	<u>(Charged)/ credited to consolidated statement of income</u>	<u>Prior year adjustment (charged)/ credited to consolidated statement of income</u>	<u>Changes in tax rate</u>	<u>30/09/2009</u>
Difference between commercial and fiscal depreciation and amortisation	(759,782)	(539,840)	2,462	57,840	(1,239,320)
Allowance for bad debt expense	25,790	(4,475)	-	480	21,795
Provision for salaries and employee benefits	44,556	3,020	-	(323)	47,253
Tax losses carried-forward	<u>135,807</u>	<u>34,143</u>	<u>(13,073)</u>	<u>(3,658)</u>	<u>153,219</u>
	<u>(553,629)</u>	<u>(507,152)</u>	<u>(10,611)</u>	<u>54,339</u>	<u>(1,017,053)</u>

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23. TAXATION (continued)

d. Deferred tax liabilities (continued)

	<u>31/12/2008</u>	<u>(Charged)/ credited to consolidated statement of income</u>	<u>Prior year adjustment (charged)/ credited to consolidated statement of income</u>	<u>Changes in tax rate</u>	<u>30/09/2009</u>
Difference between commercial and fiscal depreciation and amortisation	(759,782)	(539,840)	2,462	57,840	(1,239,320)
Allowance for bad debt expense	25,790	(4,475)	-	480	21,795
Provision for salaries and employee benefits	44,556	3,020	-	(323)	47,253
Tax losses carried forward	<u>135,807</u>	<u>34,143</u>	<u>(13,073)</u>	<u>(3,658)</u>	<u>153,219</u>
	<u>(553,629)</u>	<u>(507,152)</u>	<u>(10,611)</u>	<u>54,339</u>	<u>(1,017,053)</u>

	<u>31/12/2009</u>	<u>(Charged)/ credited to consolidated statement of income</u>	<u>Prior year adjustment (charged)/ credited to consolidated statement of income</u>	<u>30/09/2010</u>
Difference between commercial and fiscal depreciation and amortisation	(1,283,546)	(157,363)	102,940	(1,337,969)
Accrued expenses	-	8,105	13,153	21,258
Allowance for bad debt expense	20,902	(7,018)	-	13,884
Provision for salaries and employee benefits	62,610	(4,622)	-	57,988
Tax losses carried forward	<u>16,357</u>	<u>-</u>	<u>(16,357)</u>	<u>-</u>
	<u>(1,183,677)</u>	<u>(160,898)</u>	<u>99,736</u>	<u>(1,244,839)</u>

The Company recognised deferred tax assets from accumulated tax losses on the basis that the accumulated tax losses will be utilised against sufficient taxable profits in the foreseeable future. Under the Indonesia Taxation Law, the accumulated tax losses are available to be carried forward and utilised against future years' taxable profits for a period of up to five years.

The basis supporting recognition of the deferred tax assets is reviewed regularly by the management.

e. Tax assessments

2001 fiscal year

In 2005, the Tax Court accepted the Company's appeal in relation with income tax article 26 and Value Added Tax (VAT) amounted to Rp 855 and Rp 4,576 respectively. The Company recorded the result in the 2005 consolidated statement of income.

The Director General of Taxation (DGT) then submitted application letters for judicial review to the Supreme Court in respect to the above appeal decision letters. In 2009 and 2010 Supreme Court rejected the application letters submitted by DGT with respect to the VAT. Up to the date of this report, the Supreme Court has not responded to other application letters regarding income tax article 26 submitted by DGT.

PT XL AXIATA Tbk AND SUBSIDIARIES

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23. TAXATION (continued)

e. Tax assessments (continued)

2002 fiscal year

In 2006, the Tax Court accepted the Company's appeal in relation with income tax article 26 and VAT amounted to Rp 1,045 and Rp 2,429 respectively. The Company recorded the results in the 2006 consolidated statement of income.

The DGT then submitted application letters for judicial review to the Supreme Court in respect to the above appeal decision letters. Up to the date of this report, the Supreme Court has not responded to all the application letters submitted by DGT.

2004 fiscal year

In 2006, the Company filed objection letters against the tax assessments confirming underpayment of income tax article 26 and VAT. In 2007, the DGT partially accepted the objection regarding VAT and reduced the underpayment of VAT by Rp 190. On the other hand, DGT rejected the objection regarding income tax article 26 and increased the underpayment of income tax article 26 by Rp 34,251. The Company paid the additional tax underpayment and recorded the results in the 2007 consolidated statement of income.

In 2007, the Company filed an appeal letter to the Tax Court in response to the results of the objection process over the income tax article 26. Up to the date of this report, the Tax Court has not responded to the appeal letter.

2005 fiscal year

In 2007, the Company filed objection letters against the tax assessments confirming underpayment of income tax article 26 and VAT. In 2008, the DGT partially accepted the objection regarding VAT and reduced the underpayment of VAT by Rp 63. On the other hand, the DGT rejected the objection regarding income tax article 26. The Company recorded the results in the 2008 consolidated statement of income.

In 2008, the Company filed an appeal letter to the Tax Court in response to the results of the objection process over the income tax article 26. Up to the date of this report, the Tax Court has not responded to the appeal letter.

2006 fiscal year

In June 2008, the Company received a tax assessment letter confirming overpayment of corporate income tax amounted to Rp 60,461. In July 2008, the Company received and recorded the restitution in the 2008 consolidated statement of income.

In September 2008, the Company received tax assessment letters confirming underpayment of various income taxes, VAT, and tax penalties totalling to Rp 158,808. Subsequently, the DGT issued decision letter of rectification to reduce the tax penalties by Rp 932. The Company paid and recorded the above taxes underpayment in the 2008 consolidated statement of income.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

23. TAXATION (continued)

e. Tax assessments (continued)

2006 fiscal year (continued)

In December 2008, the Company filed objection letters to the DGT against the tax assessments regarding income tax article 23, article 26 and VAT. In December 2009, the DGT rejected the objection over income tax article 23 and partially accepted the objection over income tax article 26 and VAT. The Company recorded the results in the 2010 consolidated statement of income. In March 2010, the Company submitted appeal letter to Tax Court in relation to income tax article 26 and VAT. Up to the date of this report, the Tax Court has not responded to all the appeal letters submitted by the Company.

2007 fiscal year

In 2009, the Company received tax assessment letters confirming overpayment of corporate income tax and underpayment of VAT and various income taxes. The underpayment based on tax assessment amounted to Rp 103,447 had been paid by Company, partially through offset with overpayment of corporate income tax based on tax assessment amounted to Rp 49,024.

In October 2009, the Company filed objection letters to the DGT against the tax assessments confirming underpayment of income tax article 26. Subsequently in December 2009 the Company filed objection letters to the DGT against the tax assessments confirming overpayment of corporate income tax, tax assessments confirming underpayment of income tax article 23 and VAT. In September 2010, the DGT rejected the objection regarding income tax article 26 and increased the underpayment of income tax article 26 by Rp 9,642, which has been recorded by the Company in current period consolidated statement of income. On this objection, the Company will not file an appeal letter on underpayment of the income tax article 26 principal amounted to Rp 6,790 but Company will file an appeal letter on the penalty calculation on this objection. Up to the date of this report, the DGT has not responded to others appeal letter submitted by the Company.

2008 fiscal year

In August 2010, the Company received tax assessment letters confirming overpayment of corporate income tax amounted to Rp 212,959. The tax assessment reduced the compensated tax loss carry forward to Rp 166,153. In the same month, the Company also received tax assessment letters confirming underpayment, overpayment and tax penalties of various income taxes, VAT, and tax penalties totalling to Rp 11,949. The Company recorded this assessment in current period consolidated statement of income. Up to the date of this report, Company has not filed an appeal letter on the 2008 tax assessment issued by DGT. In September 2010, the Company also received the refund of 2009 final income tax article 4(2) amounted to Rp 40,188.

Under the Indonesia Taxation Law, the Company submits tax returns on the basis of self-assessment. The Tax Authorities may assess or amend the tax liabilities within the Statute of Limitations, under the prevailing regulations.

Based on tax Law No. 28/2007 concerning the General Provision and Procedure of Taxation effective as of 1 January 2008, the DGT may assess or amend tax liability within 5 (five) years of the time the tax becomes due. For tax liabilities from fiscal year 2001 up to fiscal year 2007 which have not been settled, the tax assessment expires in 2013 at the latest.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

24. RELATED PARTY INFORMATION

a. Nature of transactions and relationships with related parties

The nature of transactions and relationships with related parties is as follows:

<u>Related parties</u>	<u>Nature of the relationships with related parties</u>	<u>Nature of transactions</u>
Celcom Axiata Berhad (formerly Celcom (Malaysia) Berhad)	Entity under common control	<i>ITKP/VoIP</i> revenue, international roaming revenue, interconnection charges and reimbursement of expense
Celcom Mobile Sdn. Bhd.	Entity under common control	Cooperation for voucher recharge and airtime transfer
Celcom Multimedia (M) Sdn. Bhd.	Entity under common control	Cooperation for money transfer through remittance agent
Dialog Axiata PLC. (Sri Lanka) (formerly Dialog Telekom PLC.)	Entity under common control	International roaming revenue and interconnection charges
Hello Axiata Company Limited (Cambodia) (formerly Telekom Malaysia International (Cambodia) Co. Ltd.)	Entity under common control	International roaming revenue and interconnection charges
Robi Axiata Limited (Bangladesh) (formerly Axiata (Bangladesh) Limited)	Entity under common control	International roaming revenue and interconnection charges
Telekom Malaysia Berhad	Under common significant influence	<i>ITKP/VoIP</i> revenue, leased line revenue, interconnection charges, other telecommunications service costs and reimbursement of expenses
Telekom Malaysia - Hongkong	Under common significant influence	<i>ITKP/VoIP</i> revenue and leased line revenue
Telekom Malaysia (S) Pte., Ltd.	Under common significant influence	<i>ITKP/VoIP</i> revenue, interconnection charges and other telecommunications service costs
M1 Limited (formerly MobileOne Ltd.)	Under common significant influence	International roaming revenue and interconnection charges
Idea Cellular Limited (India) (formerly Spice Communications Ltd.)	Under common significant influence	International roaming revenue and interconnection charges
PT Bank CIMB Niaga Tbk (formerly PT Bank Niaga Tbk and Lippo Bank)	Under common significant influence	Cash and cash equivalent, cellular and others telecommunications service
Ethad Etisalat	Under common significant influence	International roaming revenue and interconnection charges
Thuraya Satellite Telecommunications Company	Under common significant influence	International roaming revenue and interconnection charges
PT VADS Indonesia	Under common significant influence	Outsource contact centre, sale of assets and reimbursement of expenses
Axiata Group Berhad (formerly TM International Berhad)	Ultimate majority sharehoder	Reimbursement of expenses
Emirates Telecommunications Corporation	Indirect shareholder	International roaming revenue and interconnection charges
PT Rajawali Corpora	Shareholders (until May 2007), one of directors is the Company's commissioner	Building rental

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

24. RELATED PARTY INFORMATION (continued)

b. Cash and cash equivalents

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
PT Bank CIMB Niaga Tbk	<u>91,554</u>	<u>110,077</u>	<u>94,452</u>	<u>100,697</u>	<u>3,817</u>
(As a percentage of total cash and cash equivalents)	<u>11.36%</u>	<u>9.41%</u>	<u>12.63%</u>	<u>6.36%</u>	<u>0.47%</u>

c. Trade receivables

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Telekom Malaysia Berhad	11,129	56,164	41,304	39,819	47,713
Celcom Axiata Berhad	27,311	4,471	14,863	12,218	34,401
PT Bank CIMB Niaga Tbk	10,972	3,079	2,462	12,750	5,236
Celcom Mobile Sdn. Bhd.	-	-	1,020	-	2,540
M1 Limited	1,555	1,633	136	166	157
Telekom Malaysia (S) Pte., Ltd.	-	2,173	-	-	-
Others (individual amount less than Rp 1,000)	<u>437</u>	<u>772</u>	<u>634</u>	<u>784</u>	<u>644</u>
	<u>51,404</u>	<u>68,292</u>	<u>60,419</u>	<u>65,737</u>	<u>90,691</u>
(As a percentage of total trade receivables - net)	<u>16.67%</u>	<u>17.74%</u>	<u>18.18%</u>	<u>17.26%</u>	<u>18.04%</u>

d. Other receivables

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Axiata Group Berhad	-	21,368	206	150	26
PT VADS Indonesia	-	-	8,239	11,956	-
Others (individual amount less than Rp 1,000)	<u>-</u>	<u>-</u>	<u>13</u>	<u>16</u>	<u>1</u>
	<u>-</u>	<u>21,368</u>	<u>8,458</u>	<u>12,122</u>	<u>27</u>
(As a percentage of total other receivable)	<u>0.00%</u>	<u>61.37%</u>	<u>89.02%</u>	<u>65.67%</u>	<u>0.04%</u>

e. Trade and other payables

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
PT VADS Indonesia	-	4,895	19,905	18,315	8,505
Celcom Axiata Berhad	-	4,641	3,046	-	3,849
Telekom Malaysia Berhad	3,118	18,224	2,652	15,435	1,226
Etihad Etisalat	200	-	1,123	-	626
Others (individual amount less than Rp 1,000)	<u>310</u>	<u>493</u>	<u>128</u>	<u>1,045</u>	<u>929</u>
	<u>3,628</u>	<u>28,253</u>	<u>26,854</u>	<u>34,795</u>	<u>15,135</u>
(As a percentage of total trade and other payables)	<u>0.12%</u>	<u>0.82%</u>	<u>1.26%</u>	<u>1.74%</u>	<u>0.85%</u>

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24. RELATED PARTY INFORMATION (continued)

f. Revenue

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Telekom Malaysia Berhad	25,232	127,759	148,430	110,882	109,882
Celcom Axiata Berhad	98,630	14,818	41,327	29,163	64,745
PT Bank CIMB Niaga Tbk	14,075	31,298	43,740	30,905	36,880
M1 Limited	17,038	21,520	12,440	10,406	6,054
Emirates Telecommunications Corporation	134	3,227	2,944	2,295	1,770
Telekom Malaysia (S) Pte., Ltd.	1,246	5,974	784	784	-
Etihad Etisalat	16	1,561	1,082	919	685
Telekom Malaysia - Hongkong	2,506	436	-	-	-
Others (individual amount less than Rp 1,000)	<u>274</u>	<u>413</u>	<u>394</u>	<u>280</u>	<u>384</u>
	<u>159,151</u>	<u>207,006</u>	<u>251,141</u>	<u>185,634</u>	<u>220,400</u>
(As a percentage of gross revenue net of discount)	<u>1.99%</u>	<u>1.72%</u>	<u>1.83%</u>	<u>1.90%</u>	<u>1.72%</u>

g. Interconnection charges

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Celcom Axiata Berhad	2,026	11,430	13,297	7,399	15,387
M1 Limited	3,680	5,822	7,163	5,296	8,568
Telekom Malaysia Berhad	3,782	9,198	23,414	21,073	3,860
Etihad Etisalat	224	1,689	2,263	1,102	2,031
Emirates Telecommunications Corporation	70	2,778	1,487	932	985
Telekom Malaysia (S) Pte., Ltd.	2,488	2,337	-	-	-
Others (individual amount less than Rp 1,000)	<u>328</u>	<u>384</u>	<u>352</u>	<u>251</u>	<u>503</u>
	<u>12,598</u>	<u>33,638</u>	<u>47,976</u>	<u>36,053</u>	<u>31,334</u>
(As a percentage of interconnection charges)	<u>1.12%</u>	<u>2.16%</u>	<u>3.42%</u>	<u>3.66%</u>	<u>2.72%</u>

h. Other telecommunications service costs

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Telekom Malaysia Berhad	<u>17,914</u>	<u>21,853</u>	<u>3,118</u>	<u>2,217</u>	<u>1,056</u>
(As a percentage of other telecommunications service costs)	<u>25.37%</u>	<u>15.61%</u>	<u>3.60%</u>	<u>3.17%</u>	<u>1.51%</u>

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24. RELATED PARTY INFORMATION (continued)

i. Rental expense

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
PT Rajawali Corpora	<u>4,618</u>	<u>4,618</u>	<u>4,618</u>	<u>3,464</u>	<u>3,464</u>
(As a percentage of operating expenses)	<u>0.07%</u>	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>

On 15 December 2006, the Company made a rental prepayment for the period 1 November 2006 to 30 June 2012. As at 31 December 2007, 2008 and 2009; 30 September 2009 and 2010, the balance of the rental prepayment amounting to Rp 20,783, Rp 16,165 and Rp 11,546; Rp 12,701 and Rp 8,082, respectively, consists of Rp 4,618 current portion and Rp 16,165, Rp 11,547 and Rp 6,928; Rp 8,082 and Rp 3,464 non-current portion.

j. Service expense

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
PT VADS Indonesia	<u>-</u>	<u>4,895</u>	<u>60,263</u>	<u>41,729</u>	<u>54,859</u>
(As a percentage of operating expense)	<u>0.00%</u>	<u>0.05%</u>	<u>0.53%</u>	<u>0.50%</u>	<u>0.61%</u>

k. Salaries and allowances for Board of Directors and Commissioners

	<u>2007</u> <u>(1 year)</u>	<u>2008</u> <u>(1 year)</u>	<u>2009</u> <u>(1 year)</u>	<u>2009</u> <u>(9 months)</u>	<u>2010</u> <u>(9 months)</u>
Salaries and allowances for Board of Directors and Commissioners	<u>19,727</u>	<u>35,072</u>	<u>33,511</u>	<u>28,002</u>	<u>42,771</u>
(As a percentage of total employee costs)	<u>3.26%</u>	<u>4.76%</u>	<u>4.24%</u>	<u>4.52%</u>	<u>6.70%</u>

l. Sale of fixed assets

In May 2009, the Company completed the sale of certain fixed assets related to call centre activities. The transaction was carried out with PT VADS Indonesia, a related party, at the net book value amounted to Rp 14,808.

The transactions with related parties are made under terms and conditions as though the transactions were made with third parties. At the time the transactions were entered, the Company is in compliance with the regulations of Indonesian Capital Market and Financial Institution Supervisory Agency No. IX.E.1 regarding Affiliated Transactions and Conflicts of Interest on Certain Transactions.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

25. COMMITMENTS

a. Capital commitments

The Company has made various purchase commitments related to the expansion of the network against which the Company has made downpayments, as follows:

	<u>30/09/2010</u>	
	<u>(In million USD)</u>	<u>(Equivalent billion Rp)</u>
Purchase commitments	188	1,678
Downpayments	<u>(3)</u>	<u>(30)</u>
	<u>185</u>	<u>1,648</u>

b. Operating lease commitments

In 1999 the Company entered into an office rental agreement denominated in Rupiah with PT Caraka Citra Sekar Lestari (third party) for a term of 10 (ten) years. On 23 March 2007, the Company amended the office rental agreement until 31 October 2020, with a total commitment as follows:

	<u>30/09/2010</u>
Payable within 1 (one) year	18,850
Payable within 2 (two) years and 5 (five) years	98,683
Payable more than 5 (five) years	<u>93,139</u>
	<u>210,672</u>

The rental expenses related to this commitment for the years ended 31 December 2007, 2008 and 2009; and nine-month periods ended 30 September 2009 and 2010 amounted to Rp 10,956, Rp 11,088 and Rp 11,088; and Rp 8,316 and Rp 8,316, respectively.

On 6 September 2007, the Company entered into an office rental agreement denominated in Rupiah with PT Wiratara Prima (third party) for a term of 6 (six) years, with a total commitment as follows:

- Year 1-3 = Rp 10,049 per year
- Year 4-6 = based on a market value with a minimum increase of 10% and maximum 15% from prior rent fee.

Rental expenses related to this commitment for the years ended 31 December 2007, 2008 and 2009; and the nine-month periods ended 30 September 2009 and 2010 amounting to Rp 2,092, Rp 10,199 and Rp 9,390; Rp 7,207 and Rp 6,355, respectively.

c. 3G annual fees commitments

The Company has committed to pay annual fees within 10 (ten) years, as long as the Company holds the 3G license. The amount of the annual payment is based on the scheme of payment set out in Regulation No. 07/PER/M.KOMINFO/2/2006 of the Minister of Communication and Information (refer to Note 1d). No penalty will be imposed in the event of the Company returning the license.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

26. DERIVATIVE INSTRUMENTS

	<u>31/12/2007</u>	<u>31/12/2008</u>	<u>31/12/2009</u>	<u>30/09/2009</u>	<u>30/09/2010</u>
Derivative receivables:					
Forward Foreign Currency Contracts	105,584	758,286	110,246	184,388	51,133
Cross Currency Swap Contracts	20,139	200,716	18,049	37,359	-
Interest Rate Swap Contracts	-	-	2,010	-	-
	125,723	959,002	130,305	221,747	51,133
Less: current portion	-	(333,324)	(18,049)	(37,359)	-
	<u>125,723</u>	<u>625,678</u>	<u>112,256</u>	<u>184,388</u>	<u>51,133</u>
Derivative payables:					
Forward Foreign Currency Contracts	-	-	134,501	88,543	67,068
Cross Currency Swap Contracts	-	-	60,810	36,813	47,875
Interest Rate Swap Contracts	-	36,828	35,440	48,350	89,262
	-	36,828	230,751	173,706	204,205
Less: current portion	-	-	(166,272)	(127,851)	(47,875)
	<u>-</u>	<u>36,828</u>	<u>64,479</u>	<u>45,855</u>	<u>156,330</u>

The fair values on forward foreign currency contracts, cross currency swap contracts, and interest rate swap contracts have been calculated using rates quoted by the Company's bankers to terminate the contracts at the balance sheet date.

The net changes in fair value and settlement of derivatives instruments are recorded as foreign exchange gain/(loss) in the consolidated statements of income. For the period ended 30 September 2010, the Company recorded foreign exchange loss amounting Rp 189,628 in the consolidated statements of income.

Other information relating to the derivative assets and liabilities as at 30 September 2010, as follows :

Forward Foreign Currency Contracts

<u>Counterparties</u>	<u>Notional Amount USD</u>	<u>Strike rate (full amount)</u>	<u>Period</u>	<u>Premium per annum</u>
Standard Chartered Bank	147,727,273	1 USD = Rp 9,000 - Rp 9,725	18 September 2009 - 29 September 2015	2.25%-5.26%
J.P.Morgan Securities (S.E.A.) Ltd.	45,454,545	1 USD = Rp 9,000	31 December 2009 - 29 September 2015	3.45%

The premiums on the forward foreign currency contracts will be paid semi-annually.

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26. DERIVATIVE INSTRUMENTS (continued)

Cross Currency Swap Contracts

	Notional amount USD	Period	Swap amount	Hedging of the payment of the principal and interest of long-term loans in USD			
				Exchange period	Fixed interest rate paid	Exchange rate per USD	Interest rate received
Standard Chartered Bank	40,000,000	15 September 2009 - 17 December 2010	Rp 99.25 billion (full amount) - Rp 198.8 billion (full amount)	monthly	10.98%	Rp 9,925 - Rp 9,940	1 months' LIBOR + 1.75% margin

Interest Rate Swap Contracts

	Notional amount USD	Period	Exchange period	Fixed interest rate paid	Fixed interest rate received
Standard Chartered Bank	249,919,028	11 Februari 2009 - 1 Oktober 2015	semiannually	2.323% - 2.575%	6 months' LIBOR

27. CONTINGENCY

On 1 November and 14 December 2007, the Indonesia Business Competition Supervisory Commission ("KPPU") issued decisions regarding a preliminary and a second stage continued investigation into the Company and seven other telecommunications companies based on allegations of SMS price-fixing (cartel), which is a breach of Article 5 of the Anti-Monopoly Law (Law No. 5/1999).

In the event that the Company is found liable for SMS price-fixing, the *KPPU* may order the Company to pay fines up to Rp 25 billion (full amount) and require the Company to revise its SMS charges. In the event that the *KPPU*'s decision stipulates that the alleged price fixing has caused consumer loss, the Company may also be exposed to consumer class action suits. Each of these decisions could have a material adverse effect on the Company's business, reputation and profitability.

On 18 June 2008, *KPPU* in one of its decisions assessed a penalty amounting to Rp 25 billion (full amount) to the Company. On 9 July 2008, the Company submitted an appeal letter regarding *KPPU*'s decision to South Jakarta District Court. Due to different jurisdiction domicile, the Company along with other operators, as requested by *KPPU*, filed an application to the Supreme Court to determine which Court will hear the proceedings. Up to the issue date of the consolidated financial statements, the Company has not received any response from both institutions.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

28. TELECOMMUNICATIONS SERVICES TARIFFS

Under Law No. 36/1999 and Government Regulation No. 52/2000, tariffs for the use of telecommunications network and telecommunication services are determined by providers based on the tariffs category, structure and with respect to fixed line telecommunications services, at price cap formula set by the Government.

a. Mobile cellular telephone tariffs

On April 7, 2008, the Minister of Communication and Information Technology issued Decree No. 09/PER/M.KOMINFO/04/2008 on "The Procedures for Determination of rate (Tariff) of Telecommunication Services which Connected Through Mobile Cellular Network" which provides guidelines to determine cellular tariffs with a formula consisting of network element cost and retail services activity cost.

The cellular tariffs consist of the following:

- Basic services tariff
- Roaming tariff
- Multimedia tariff,

with the following structure:

- Connection fee
- Monthly charges
- Usage charges
- Additional facilities fee.

The tariffs are determined based on certain formula consisting of:

- Network element cost, which is determined using the Long Run Incremental Cost (LRIC) Bottom up Method.
- Retail service activity cost plus margin.

b. Interconnection tariffs

On December 28, 2006, the Company and all network operators signed amendments to their interconnection agreements for fixed line networks (local, long distance and international) and mobile network for the implementation of the cost-based tariff obligations under the Minister of Communication and Information Technology Regulations No. 08/Per/M.KOMINFO/02/2006. These amendments took effect on 1 January 2007.

Interconnection tariff applied by Company currently is based on the latest *Dokumen Penawaran Interkoneksi* which was based on Director General of Post and Telecommunications Decree No. 205/2008 dated 11 April 2008.

c. VoIP interconnection tariff

Previously, the MoC Decree No. KM.23/2002 provided that access and network lease line charges for the provision of VoIP services shall be approved between network operators and VoIP operators. On 11 March 2004, the MoC issued Decree No. 31/2004, stated that interconnection charges for VoIP shall be stipulated by the MoC. Currently, the Minister of Communication and Information Technology has not yet determined the new VoIP interconnection charges. Since the new charges have not been determined by the government, the Company still use the agreed interconnection fees between network operators and VoIP operators.

PT XL AXIATA Tbk AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2007, 2008 AND 2009; AND 30 SEPTEMBER 2009 AND 2010 (Expressed in millions of Rupiah, unless otherwise stated)

28. TELECOMMUNICATIONS SERVICES TARIFFS (continued)

d. Leased Line Tariff

Based on Minister of Communication and Information Technology Decree No. 03/Per/M.KOMINFO/1/2007 dated 26 January 2007 on Lease Line, the Government regulates the form, type, tariff structure and the formula for determination of lease line services tariff. Pursuant to the Minister of Communication and Information Technology Decree, the Government released Director General of Post and Telecommunication Decision Letter No. 115/Dirjen/2008 dated 24 March 2008 on the approval of the Documents of the type of lease line, the tariff of lease line services, the Availability of Lease line Service Capacity, the quality of lease line services and Procedures of Lease line Service provision in year of 2008 belongs to the Dominant Lease line Service Provider, as approval on the Company's proposal.

e. Tariff for other services

The tariffs for tower rental, internet telephony services, national roaming and other services are determined by the service provider by taking into account the expenditures and market price. The Government only determines the tariff formula for basic telephony services. No other ruling for other services.

29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES

The Company entered into several significant contract agreements with third parties as follows:

a. General purchase agreement with Ericsson AB

On 11 July 2007, the Company signed a general purchase Agreement with Ericsson AB for the supply of network equipment and various network-related services. This agreement is valid until 31 December 2010 or earlier if terminated by either party in accordance with the agreement. This contract sets out terms and conditions for the purchase of various products and services which may be supplied by Ericsson AB from time to time, following the issue of one or more purchase orders by the Company. This agreement replaces all other agreements signed previously.

Purchase orders issued for the years ended 31 December 2007, 2008 and 2009; and nine-month periods ended 30 September 2009 and 2010 amounted to USD 233,127,721, USD 316,078,057 and USD 69,461,835; USD 30,879,111 and USD 87,682,460, respectively.

b. Maintenance agreements and installation agreement with PT Ericsson Indonesia

On 30 September 2010, the Company has several agreements with PT Ericsson Indonesia, such as: (i) Installation Agreement, (ii) Maintenance Agreement.

(i) On 11 July 2007, the Company signed an installation Agreement with PT Ericsson Indonesia for the installation of the Company's telecommunications network equipment. This agreement is valid until the last purchase order or the date on which the agreement is terminated by notice by either party in accordance with the terms of the agreement. This agreement replaces all other agreements signed previously.

(ii) On 27 September 2007, the Company signed a maintenance Agreement with PT Ericsson Indonesia for the supply of maintenance services for the Company's telecommunications network. This agreement is valid until the last purchase order or the date on which the agreement is terminated by notice by either party in accordance with the terms of the agreement. This agreement replaces all other agreements signed previously. On 21 April 2010, there is amendment no. 2 on service fee.

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29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

b. Maintenance agreements and installation agreement with PT Ericsson Indonesia (continued)

Purchase orders issued for the years ended 31 December 2007, 2008 and 2009; and nine-month periods ended 30 September 2009 and 2010 amounted to Rp 173,121 & USD 28,011,842, Rp 262,562 & USD 44,048,064 and Rp 165,715 & USD 25,870,693; Rp 90,757 & USD 20,609,399 and Rp 179,710 & USD 26,900,061, respectively.

c. System implementation and integration agreement with AMDOCS

On 30 September 2010, the Company has several agreements with AMDOCS, such as: (i) Master professional services agreement, (ii) Master software license and maintenance agreement and (iii) Master professional service order agreement.

- (i) On 1 July 2005, the Company signed a Professional Services Agreement with AMDOCS for services related to the currently installed AMDOCS system. This agreement commences with effect from the agreement signing date, and, unless extended, ends on 31 December 2010 or earlier if terminated by either party in accordance with the agreement.
- (ii) On 1 January 2007, the Company signed a Software License and Maintenance Agreement with AMDOCS, which grants the Company a license to use the AMDOCS software and the maintenance service. This agreement commences with effect from the agreement signing date for five years unless terminated by the mutual written consent of both parties or terminated otherwise as provided in this agreement.
- (iii) In November 2009, the Company signed Professional Service Order Agreement with AMDOCS. As stipulated in this agreement, AMDOCS will provide support service to the Company for implementation Amdocs proprietary software. This agreement also set out the rights and obligations of both parties.

Purchase orders issued for the nine-month period ended 30 September 2010 amounted to USD 6,833,699.

The agreement ended at the commencement of Managed Services for Billing System (see note 29q)

d. Supply, installation and maintenance agreement with PT Huawei Tech Investment (“HTI”)

On 30 September 2010, the Company has several agreements with HTI, such as: (i) Master supply and installation of 3G agreement, (ii) Master maintenance agreement and (iii) Master purchase of various products including the installation agreement.

- (i) On 8 June 2006, the Company signed a supply and installation Agreement with HTI for the supply and installation of 3G, to provide and support a mobile telecommunications system throughout Indonesia. The agreement is valid from 8 June 2006 to 8 June 2011, unless terminated earlier by either party.

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29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

d. Supply, installation and maintenance agreement with PT Huawei Tech Investment (“HTI”) (continued)

- (ii) On 27 December 2007, the Company signed a maintenance Agreement with HTI. The agreement sets out terms and conditions for the maintenance of various products and services which may be supplied by HTI from time to time, following the issue of one or more purchase orders by the Company. This agreement is valid from 1 January 2008 until the last purchase order or the date on which the agreement is terminated by notice by either party.
- (iii) On September 2008, the Company signed a purchase and installation agreement with HTI. The agreement sets out terms and conditions for the purchase of various products and services, including the installation which may be supplied by HTI from time to time, following the issue of one or more purchase orders by the Company. This agreement is valid from September 2008 until the last purchase order or the date on which the agreement is terminated by notice by either party.

Purchase orders issued for the years ended 31 December 2007, 2008 and 2009; and nine-month periods ended 30 September 2009 and 2010 amounted to USD 22,638,492, Rp 80,253 & USD 71,376,311 and Rp 20,209 & USD 29,940,890; Rp 9,219 & USD 10,825,531 and Rp 20,739 & USD 32,526,838, respectively.

e. Equipment supply, maintenance and installation agreement with PT Alita Praya Mitra (“APM”)

On 30 September 2010, the Company has several agreements with APM, such as: (i) Master maintenance agreement, (ii) Master general purchase agreement and (iii) Master installation Agreement.

- (i) On 26 March 2008, the Company signed a maintenance agreement with APM. The agreement sets out terms and conditions for the maintenance for various products and services which may be supplied by APM from time to time, following the issue of one or more purchase orders by the Company. This agreement is valid from 1 January 2008 up to December 2010 or the date on which the agreement is terminated by notice by either party.

Effectively on 16 August 2010, the Company signed amendment to add the equipment maintenance scope, thus the agreement is valid up to 31 December 2011 or the date on which the agreement is terminated by notice by either party.

- (ii) On 1 May 2008, the Company signed a general purchase agreement with APM for the supply of network equipment. This Agreement is valid until 31 December 2010 unless terminated earlier by either party. The agreement sets out terms and conditions for the purchase of various products and services which may be supplied by APM from time to time, following the issue of one or more purchase orders by the Company. This agreement replaces all other agreements signed previously.
- (iii) On 13 August 2008, the Company signed an installation Agreement with APM for the installation of the Company’s network equipment. This agreement is valid until the latest purchase order issued by the Company, unless the agreement is terminated earlier by a single party. The agreement sets out terms and conditions for the installation of various products which may be supplied by APM from time to time, following the issue of one or more purchase orders by the Company. This agreement replaces all other agreements previously signed.

PT XL AXIATA Tbk AND SUBSIDIARIES

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29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

e. Equipment supply, maintenance and installation agreement with PT Alita Praya Mitra (“APM”) (continued)

Purchase orders issued for the years ended 31 December 2007, 2008 and 2009; and for the nine-month periods ended 30 September 2009 and 2010 amounted to Rp 61,876 & USD 42,314,044; Rp 48,027 & USD 29,418,551 and Rp 26,766 & USD 4,615,565; Rp 21,004 & USD 3,911,392 and Rp 43,116 & USD 14,581,441, respectively.

f. Fibre optic cable installation along the railroad in Java island and land lease to build transmission tower and building agreement with PT Kereta Api (Persero) (“PT KAI”)

- (i) On 20 December 1996, the Company signed an Agreement with PT KAI to install a fibre optic cable along the railroad in Java island. This Agreement is effective from 20 December 1996 with a one-year grace period for the project’s development stage, and ends on 19 December 2017 at which time payment of rent is to be executed in two phases.

This agreement can be extended with both parties’ approval. To ensure the validity of such an extension of the agreement, the Company should submit a written proposal at least 3 (three) months prior to the expiry date of the agreement. If the Company fails to pay the rent on the due date, PT KAI shall reserve the right to claim a late payment charge at 1% (one per mile) per day of the due amount, and these late payment charges are capped at a maximum of 5% (five percent).

On 15 September 2006, the Company signed a contract amendment related to the second phase payment to determine the rental extension period, which was to expire on 19 December 2017. This agreement was extended until 19 December 2022.

- (ii) On 24 February 1997, the Company also signed land lease Agreement with PT KAI to build the Company’s telecommunications tower and building. The agreement is valid for 20 years with a one-year grace period; thus, the Agreement should be valid until 19 December 2017. On 11 May 2007, the agreement has been further extended until 19 December 2022.

g. Interconnection agreements

Interconnection agreements with PT Telekomunikasi Indonesia Tbk (“Telkom”), PT Telekomunikasi Selular (“Telkomsel”), PT Indosat Tbk and others. These agreements outline the tariffs, rights and obligations of the parties, settlements, reconciliation of billing, and penalties.

h. International roaming agreements

The Company has entered into international roaming agreements with several international roaming partners. These agreements outline charges and tariffs, billing and accounting, services provided for roaming subscribers, liability of parties, and settlement procedures. The international roaming revenue calculation is based on GSM International Roaming Agreements (AA14).

i. Leased line agreements

Leased line agreements exist with Moratel, PT Bank CIMB Niaga Tbk (dahulu Lippo Bank), PT Bank Commonwealth, PT Indosat Tbk, PT Reach Network Services Indonesia and others. These agreements outline lease costs and terms of payment, rights and obligations of the parties, penalties, restitutions and termination procedures.

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29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

j. Consortium agreement, Palapa Ring Construction and Maintenance

On 10 November 2007, the Company and the other five telecommunication operators signed a Construction and Maintenance Consortium Agreement. All parties agreed to participate in the construction of the Palapa Ring for Eastern part of Indonesia. This agreement shall have an initial term of 15 (fifteen) years from the signing date, and can be extended for the next 5 (five) years. However, two of the telecommunication operators subsequently decided not to join the project.

k. Master Tower Lease Agreement

In 2008, the Company signed Master Tower Lease Agreements with HCPT, PT Sampoerna Telekomunikasi Indonesia, PT Bakrie Telecom Tbk, PT Natrindo Telepon Seluler and PT Mobile-8 Telecom Tbk. During 2009, the Company signed Master Tower Lease Agreement with PT Telekomunikasi Indonesia Tbk (Fixed Wireless Network division), PT Smart Telecom, and PT Indosat Tbk. During 2010, the Company signed Master Tower Lease Agreement with PT AJN Solusindo, PT Dayamitra Telekomunikasi and PT Berca Global Access. The Agreements are valid for 10-12 years and can be extended for the following 5-6 years. Based on these Agreements, the Company leases parts of its telecommunications towers and sites to other telecommunications operators. As compensations, the Company will receive regular lease payments and maintenance fees throughout the lease period. The Master Tower Lease Agreements set out the rights and obligations of the Company and the lessee.

l. Fiber optics lease agreement

The Company entered into agreements with HCPT and Moratel to lease the Company's fiber optics network. These agreements are valid until the end of leased terms to utilise the fiber optics network, being 15 years (HCPT) and 10 years (Moratel), respectively from the utilization of the agreed spots and unless terminated earlier by either parties in accordance with the agreement. The first utilization took place in January 2009 and additions are made when both parties agreed. The Company entitles to receive periodic lease payments, which is set in the agreements. In addition, these agreements also set out the rights and obligation of the Company and the lessees.

m. National roaming agreement

In December 2009, the Company signed national roaming agreement with PT Natrindo Telepon Selular (NTS). The service enables NTS's subscribers to access on the Company's network in certain areas. The agreement is commencing on 1 January 2010 for service term of 3 (three) years unless terminated earlier by either parties in accordance with the provisions stipulated in the agreement. The extension of the service term shall be agreed by both parties. In addition, this agreement also set out the rights and obligation of both parties.

n. Joint construction of submarine fiber optic link agreement

In November 2009, the Company entered into agreement with PT PGAS Telekomunikasi Nusantara for joint construction of submarine fiber optic link Kalianda-Anyer. The agreement sets out the right and obligation of both parties and will be valid up to end of warranty period of the submarine fiber optic link unless terminated earlier by either party in accordance with the agreement.

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29. SIGNIFICANT AGREEMENTS WITH THIRD PARTIES (continued)

n. Joint construction of submarine fiber optic link agreement (continued)

In Februari 2010, the Company entered into agreement with PT Bakrie Telecom Tbk for joint construction of submarine fiber optic link rute Kalianda-Anyer, Takesung-Bawean and Ujung Pangkah-Bawean. The agreement sets out the right and obligation of both parties and will be valid up to end of warranty period of the submarine fiber optic link based on Cable Supply and Installation Agreement between the Company and Alcatel-Lucent Submarine Networks, unless terminated earlier by either party in accordance with the agreement.

o. Managed utility services for billing infrastructure environment agreements with PT Sun Microsystems Indonesia

In March 2010, the Company entered into managed utility services for billing infrastructure environment agreements with PT Sun Microsystems Indonesia. This agreement is commencing on 1 January 2010 until December 2014 unless terminated earlier by either party in accordance with the agreement. In addition, this agreement also sets out the right and obligation of both parties.

p. Mobile Data Service Agreement with Motricity

In May 2010, the Company entered into an agreement to procure Hardware, Software, Licence and managed services related to operate the Mobile Data Service operation. The agreement consist of three contracts with Motricity Pte. Ltd. Singapore, Motricity, Inc. USA, and mCore International, Inc. USA. The contract is valid for 3 (three) years starting final acceptance, and can be renewed for other two years.

On 1 April 2010, the SSIA (System Supply, Installation and Managed Services Agreement) with Motricity Pte. Ltd was terminated and the Company entered into SSIA contract with PT Motricity Indonesia.

q. Managed Services Agreements for Billing and Customer Management System Operation and Software license and maintenance agreement with Amdocs

In September 2010, the Company entered into managed services for billing and customer management system operation agreements and software licence and maintenance agreements. The agreement consists of four contracts with PT Software Solutions Indonesia, Amdocs Software Solutions Limited Liability Company, PT Application Solutions and Hungarian Innovation Systems Limited Liability Company. These agreements are valid for various periods, starting from 1 October 2010 up to December 2017, unless terminated earlier by either party in accordance with the agreement. In addition, this agreement also sets out the right and obligation of both parties.

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30. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

	30/09/2010					Equivalent to million Rupiah
	USD	EUR	CHF	SGD	AUD	
Asset						
Cash and cash equivalents	57,352,874	-	-	-	-	511,817
Trade receivables	13,581,453	-	-	-	-	121,201
Other assets	45,748,268	-	-	-	-	408,258
Total Assets	116,682,595	-	-	-	-	1,041,276
Liabilities						
Trade and other payables	(126,451,836)	(306,856)	-	(20,926)	-	(1,132,323)
Accrued expenses	(1,776,865)	-	-	-	-	(15,857)
Long-term loans	(249,919,026)	-	-	-	-	(2,230,277)
Total Liabilities	(378,147,727)	(306,856)	-	(20,926)	-	(3,378,457)
Net Liabilities	(261,465,132)	(306,856)	-	(20,926)	-	(2,337,181)

Since the Company's revenues are mainly denominated in Rupiah and the Company's liabilities are mainly denominated in US Dollars, the Company is exposed to fluctuations in foreign exchange rates resulting mainly from its debt denominated in US Dollars. Most of the liabilities denominated in US Dollars are long-term and management is continuously evaluating feasible long-term hedging structures.

31. SEGMENT INFORMATION

The Group operates and manages the business under 1 (one) segment which provides GSM mobile and telecommunications network services to its customers. The management allocates resources and assesses performance at the Group level.

32. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 30 September 2009 consolidated financial statements have been reclassified to conform with the presentation of the latest financial statements. The details of the reclassification are as follows:

	Before reclassification	After reclassification
Accrued expenses - third parties	547,750	530,760
Trade and other payables non current - third parties	221,935	51,201
Provisions	93,172	280,896

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(Expressed in millions of Rupiah, unless otherwise stated)

33. SUBSEQUENT EVENTS

- a. The Company's monetary assets and liabilities on 30 September 2010 were reported in Rupiah using the rates 1 USD = Rp 8,924 (full amount), 1 EUR = Rp 12,139 (full amount) and 1 SGD = Rp 6,774 (full amount). Since 30 September 2010, those rates were changed to 1 USD = Rp 8,928 (full amount), 1 EUR = Rp 12,351 (full amount) and 1 SGD = Rp 6,872 (full amount) on 27 October 2010. If the Company reports monetary assets and liabilities in foreign currency as at 30 September 2010 using these rates, unrealised foreign exchange loss will increase in the amount of Rp 1,113. In the future, the rates might fluctuate, and Rupiah might depreciate or appreciate significantly compared to other currencies.
- b. On 22 October 2010, the Company paid loan facility from PT Bank Central Asia Tbk amounted to Rp 500 billion (full amount) (refer to Note 11).

34. FINANCIAL ASSETS AND LIABILITIES

Financial risk management

The Company's activities expose it to variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses derivative financial instruments such as forward foreign currency contracts, cross currency swap and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

Financial risk management is carried out by a central treasury department under policies approved by the Board of Directors. Treasury department identifies, evaluates and hedges financial risks.

Foreign exchange risk

Changes in exchange rates have affected and may continue to affect the Company's results of operations and cash flows. Some of the Company's debt obligations and capital expenditures are, and expected will continue to be, denominated in U.S. dollars. Most of the Company's revenues are denominated in Rupiah.

The Company currently hedge a portion of its foreign currency exposure principally because the annual USD-denominated operating revenue is less than the sum of USD-denominated capital expenditures, annual payments of USD-denominated principal and interest payments. In an effort to manage foreign currency exposure, the Company enters into forward foreign currency contracts and cross currency swap contracts with international financial institutions. For the forward foreign currency contracts, the Company typically pays a fixed rate premium. As a result of these contractual arrangements, the Company believes that it has reduced some of foreign exchange risk exposure although not all of our foreign exchange exposure is hedged and replacement hedging agreements may not be available when the current hedging agreements expire.

Interest rate risk

Interest rate exposure is monitored to minimise any negative impact to the Company. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

To measure market risk fluctuations in interest rates, the Company primarily uses interest margin and spread analysis, and enters into cross currency and interest rate swap contracts to hedge the foreign currency interest loans from interest rate uncertainty.

PT XL AXIATA Tbk AND SUBSIDIARIES

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34. FINANCIAL ASSETS AND LIABILITIES (continued)

Interest rate risk (continued)

The following table represents a breakdown of the Company's financial asset and financial liabilities which are impacted by interest rates.

	30/09/2010					Total
	Floating rate		Fixed Rate		Non interest bearing	
	Less than one year	More than one year	Less than one year	More than one year		
Asset						
Cash and cash equivalents	818,607	-	-	-	1,204	819,811
Trade receivables	-	-	-	-	558,309	558,309
Other receivables	-	-	-	-	73,455	73,455
Derivative receivables	-	-	-	51,133	-	51,133
Other assets	-	-	22,719	312,125	-	334,844
Total financial assets	818,607	-	22,719	363,258	632,968	1,837,552
Liabilities						
Trade payables	-	-	-	-	1,770,724	1,770,724
Accrued expenses	-	-	-	-	678,411	678,411
Derivative payables	-	-	47,875	156,330	-	204,205
Long-term loans	2,173,905	7,272,034	-	-	-	9,445,939
Bonds	-	-	-	1,497,414	-	1,497,414
Total financial liabilities	2,173,905	7,272,034	47,875	1,653,744	2,449,135	13,596,693
Total interest repricing gap	(1,354,094)	(7,272,034)	(25,156)	(1,290,486)	-	(9,941,770)

Credit risk

Credit risk arises from favourable derivatives financial instruments with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

For banks, only independent parties with a good rating are accepted. The compliance with a credit limits by customers is regularly monitored by line management. Sales to retailers are required to be settled in cash. For derivative financial instruments, management has established criteria such that, only independent parties with a good rating are accepted.

The following table sets out the maximum exposure of credit risk and concentration risk of the Company:

	Credit Risk Concentration		Maximum exposure
	Corporate	Others	
Trade receivables	379,242	179,067	558,309
Other receivables	-	73,455	73,455
Derivative receivables	-	51,133	51,133
Other assets	334,844	-	334,844
	714,086	303,655	1,017,741

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34. FINANCIAL ASSETS AND LIABILITIES (continued)

Credit risk (continued)

The above table represents a maximum of credit risk exposure to the Company at 30 September 2010. The exposures set out above are based on net carrying amounts as reported in the balance sheet.

Liquidity risk

Liquidity risk arises in situations where the Company has difficulties in obtaining funding. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk given that the Company have provided sufficient allowance for doubtful accounts to cover incurred losses arising from uncollectible receivables based on existing historical loss.

Fair value of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction basis.

The table below sets out the carrying amounts and fair value of those financial assets and liabilities not presented on the Company's balance sheets at their fair values:

	30/09/2010	
	<u>Carrying Value</u>	<u>Fair Value</u>
Long-term loans	9,480,277	9,500,036
Bonds	1,500,000	1,528,500

The fair value of long-term loans are estimated by using discounted cash flow applying the effective interest rate charged by the lenders for the last utilisation in each currency borrowings. The fair value of bonds is estimated by using the last quoted market price.

35. NEW ACCOUNTING STANDARDS

The Indonesian Institute of Accountants issued the following revised accounting standards which are applicable for financial statement covering periods beginning on or after 1 January 2011:

- PSAK 1 (Revised 2009) - Presentation of Financial Statements
- PSAK 2 (Revised 2009) - Statement of Cash Flows
- PSAK 4 (Revised 2009) - Consolidated and Separate Financial Statements
- PSAK 5 (Revised 2009) - Operating Segments
- PSAK 7 (Revised 2010) - Related Party Disclosures
- PSAK12 (Revised 2009) - Interests in Joint Ventures
- PSAK 15 (Revised 2009) - Investments in Associates
- PSAK 19 (Revised 2010) - Intangible Assets
- PSAK 22 (Revised 2010) - Business Combinations
- PSAK 23 (Revised 2010) - Revenue
- PSAK 25 (Revised 2009) - Accounting Policies, Changes in Accounting Estimates and Errors

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35. NEW ACCOUNTING STANDARDS (continued)

- PSAK 48 (Revised 2009) - Impairment of Assets
- PSAK 57 (Revised 2009) - Provision, Contingent Liabilities and Contingent Assets
- PSAK 58 (Revised 2009) - Non-current Assets Held for Sale and Discontinued Operations
- ISAK 7 (Revised 2009) - Consolidation - Special Purpose Entities
- ISAK 9 - Changes in Existing Decommissioning, Restoration and Similar Liabilities
- ISAK 10 - Customer Loyalty Programs
- ISAK 11 - Distributions of Non-cash Assets to Owner
- ISAK 12 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers
- ISAK 13 - Hedges of a Net Investment in a Foreign Operation
- ISAK 14 - Intangible Assets - Website Costs

Accounting standards and interpretations which are applicable for financial statement covering periods beginning on or after 1 January 2012:

- PSAK 10 (Revised 2009) - The Effects of Changes in Foreign Exchange Rates
- ISAK 13 - Hedges of a Net Investment in a Foreign Operation

The Company is still evaluating the possible impact of these standards on the consolidated financial statements.



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