



Driving Operational Efficiency to Enable New Business Model

Nokia World 2007

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PT. Excelcomindo Pratama, Tbk.

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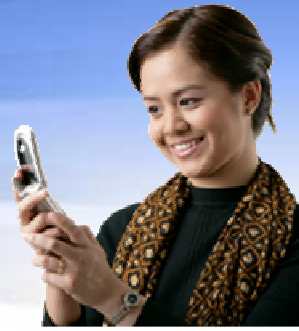


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General Telco Industry Overview

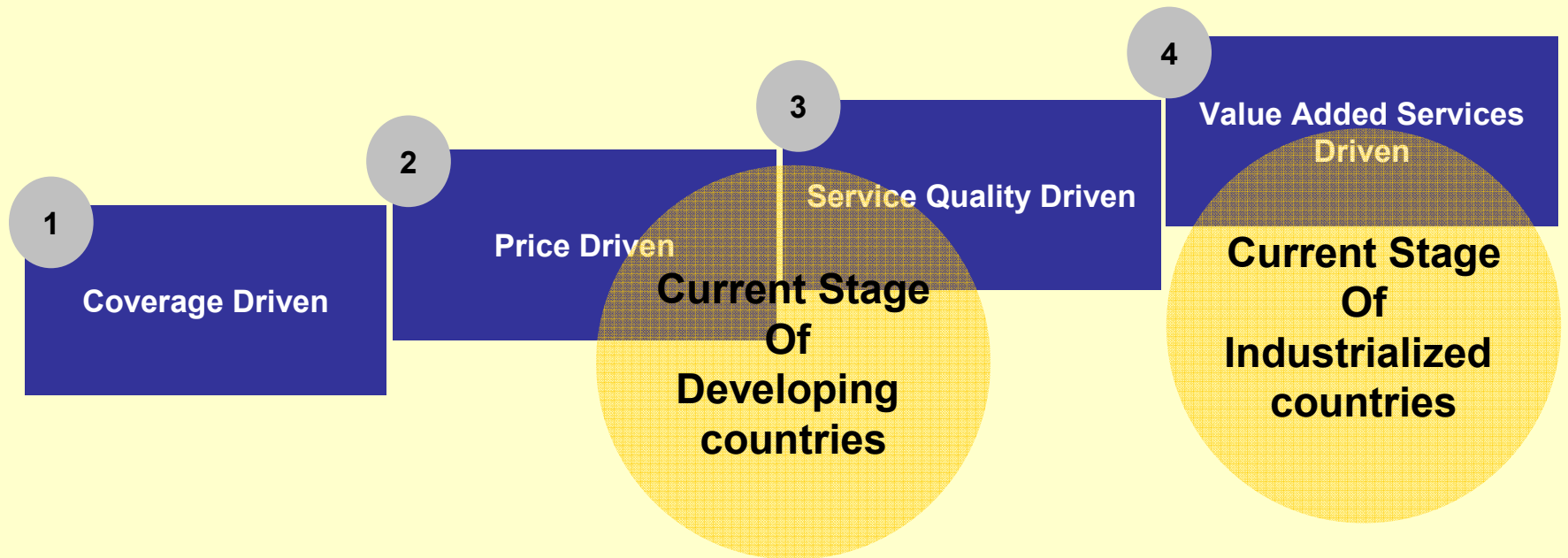


- **ARPU falling down**
- **Capacity Hungry**
- **Goes to IP as universal Network Layer**
- **From Voice to Data & Multimedia**
- **Huge SMS Usage**



General Telco Industry Overview

Stages of Cellular Market Development



- Network build
- Roll out speed

- RPM v.s. MoU
- Lower segments

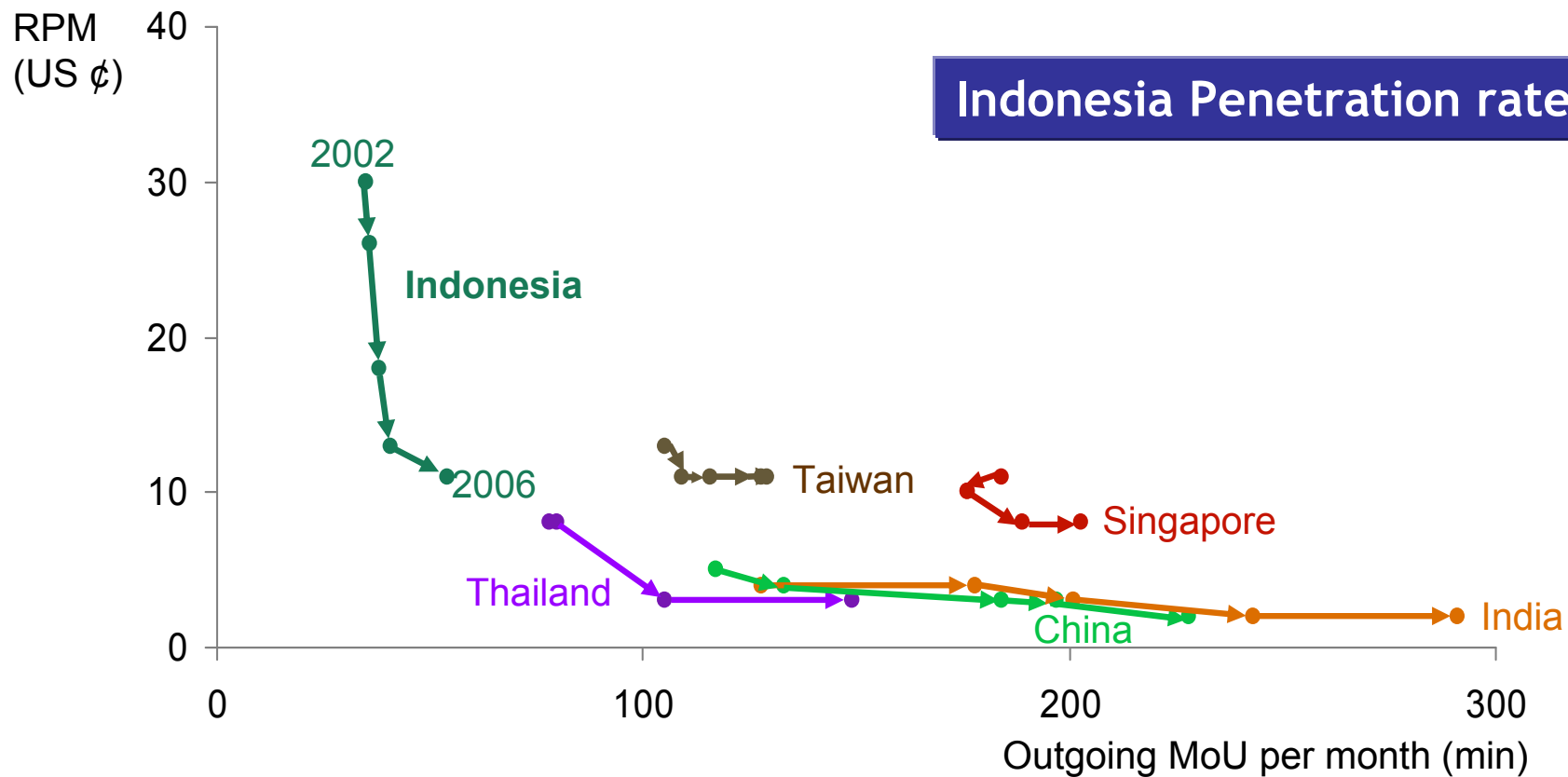
- Capacity & Signal
- User experience

- Value creation
- Usage stimulation



General Telco Industry Overview

Revenue per Minute vs. Outgoing Minute of Usage per Month (2002 – 2006)



Note : India and Thailand 2002 data not available, data is 2003 – 2006
Source: Merrill Lynch; Deutsche Bank; Team analysis



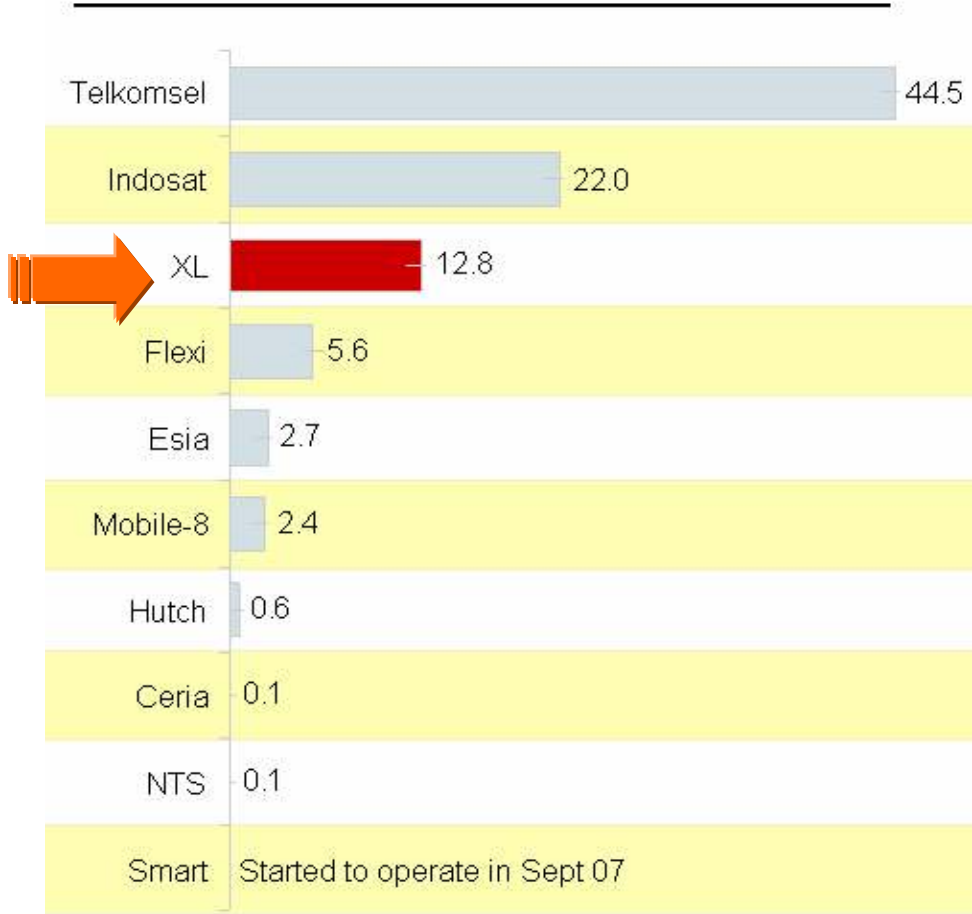
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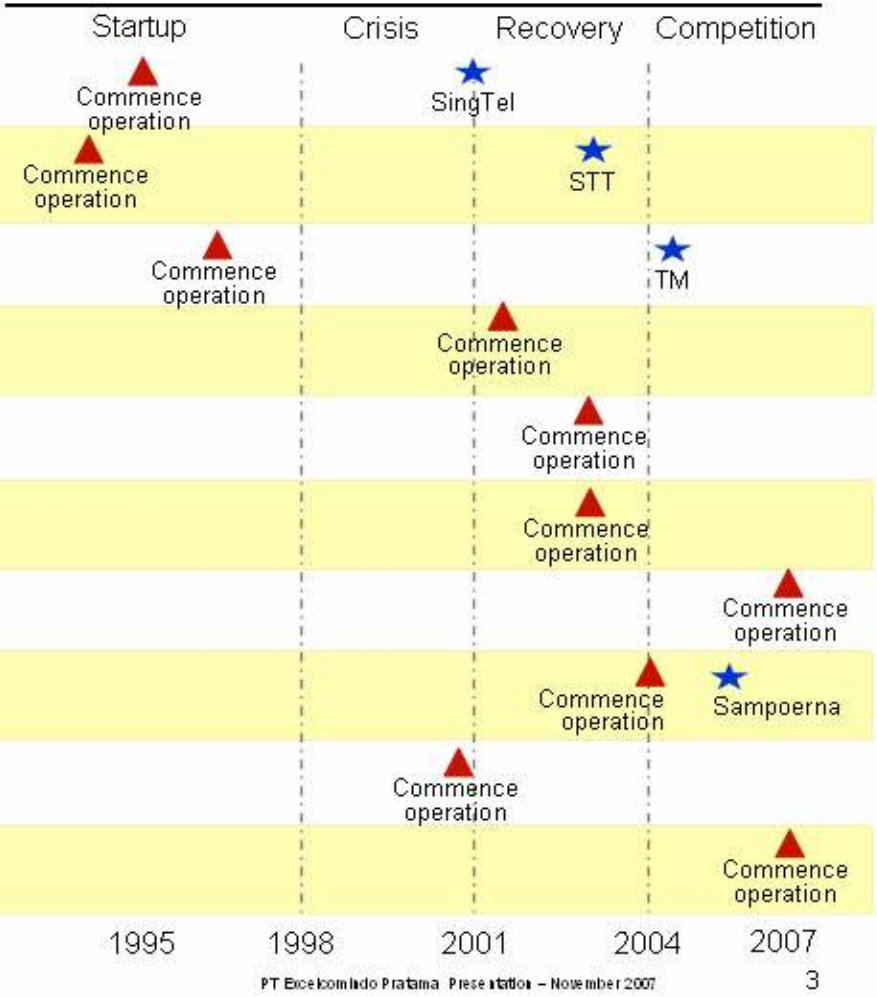



XL Overview

No. of subscribers in Q3 2007



Evolution of operators in Indonesia



 Source: Company data



XL Overview

Rapid Growth in the last 3 years

	2003	2004	2005	2006	Q3 - 2007
Customers (m)	2.9	3.8	7.0	9.5	12.8
BTS	1,500	2,360	4,320	7,300	10.000*

* Include Node B

Growth Q-3: 2007 Vs. 2006

Revenue: ▲ 32%

Customers: ▲ 53 %

EBITDA: ▲ 27%

Mobile Quality - Fixed Line price

Year	2005	2006	Q3 - 2007
BTS	4,320	7,300	10.000

Mobile Quality means not only have an extensive coverage areas, but also a sufficient capacity to handle the traffic increment



Mobile Quality - Fixed Line price

In order out gained the competitors, we have to be somewhat in par with the fixed line pricing:

Aggressive pricing to stimulate use and attract new subscribers

- ✓ Offer significant price reduction from Rp 25/sec to Rp 10/sec to **Rp 1/sec**



Simple price Structure:

- ✓ Straight Rp 1/ sec – NO requirements (i.e. only in off-peak, must registered before pricing can be applied, etc)



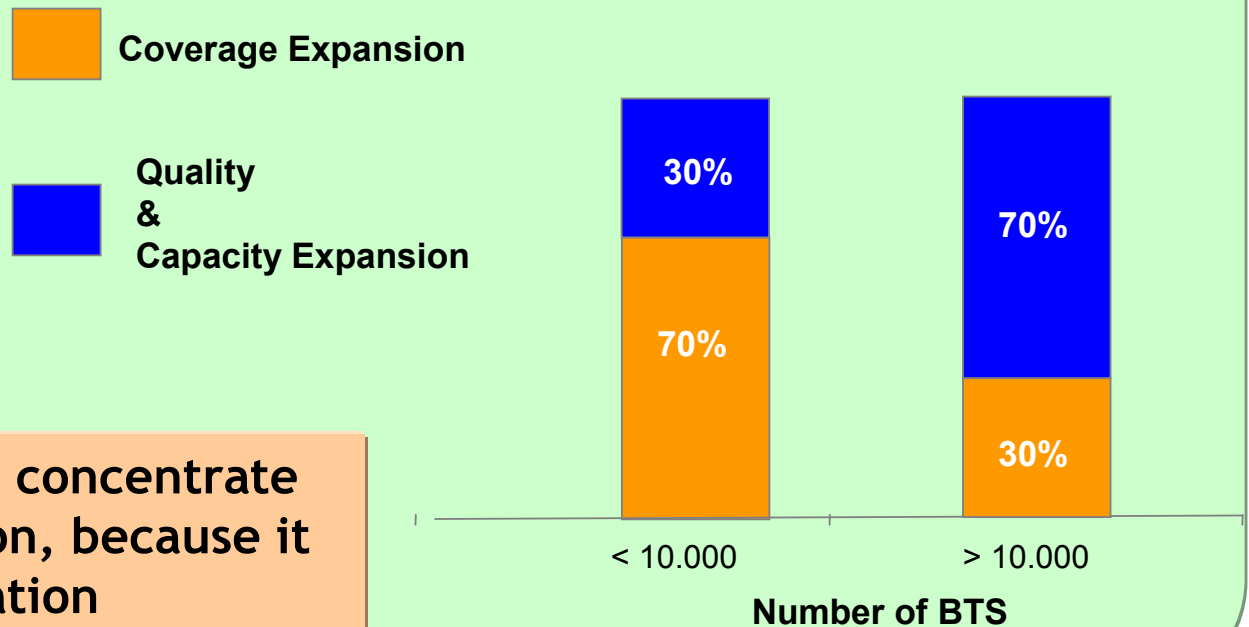
From Coverage to Capacity

End of Sept 2007 (Estimation)

# of BTS (2G+3G)	
Major Operators	10.000 to 20.000
New Comers	1.000 to 2.000

10.000 BTS is the right size to concentrate on quality & capacity expansion, because it covers 90% -95% of the population

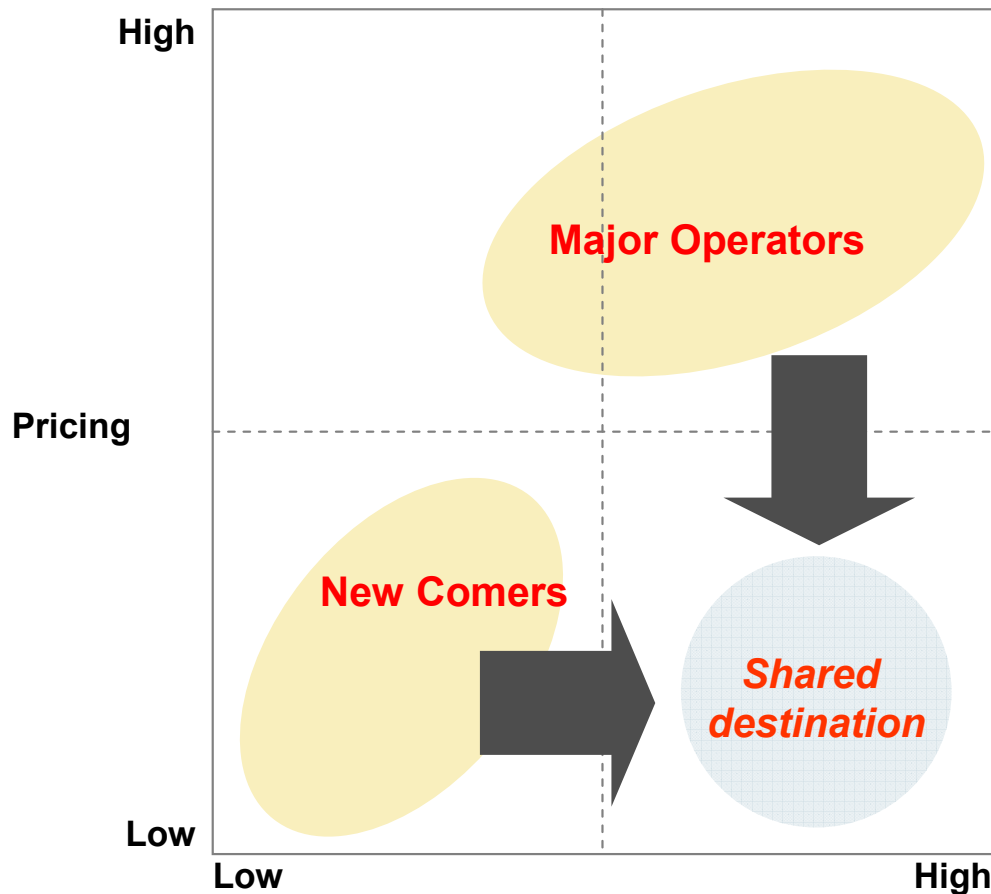
Major Operators are focusing on quality & capacity expansion



First Mover Advantage



Cellular competitive map



- 1 Initially there was a clear distinction between GSM and CDMA in terms of pricing & quality
- 2 Currently overlap in the GSM and CDMA offerings have contributed to unclear differentiation
- 3 Taking a leading position within the industry by capturing first-mover advantage through offering low tariff and high minutes is a must to keep ahead of the curve

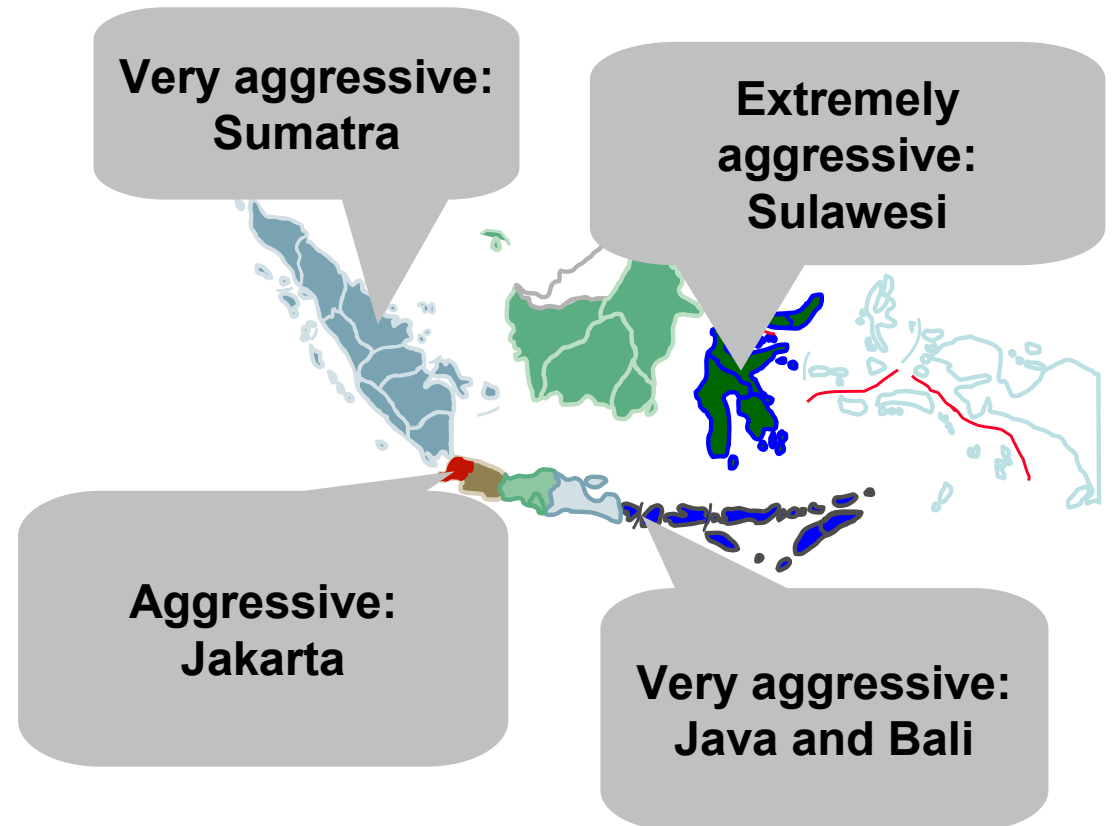
Regional Approach

Example: pricing

Common national theme



Different price structure by region



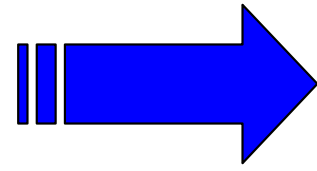


“Lean & Mean” - Why ?

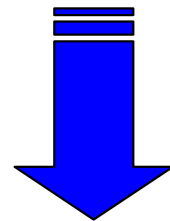
The Facts

Already a crowded
market place

Revenue/ Minutes
is falling



**Must Be:
Faster
Better
Cheaper**



**Bring Cost/
Minute Down
Push Minutes Up**



“Lean & Mean” - How?

- **Eliminate/reduce non-value adding activities**
 - Reporting/monitoring/reviewing/auditing
 - Management and support activities
- **Assess in-house versus outsourced**
 - Some Activities are more efficiently done by 3rd parties
 - Explore service outsourcing rather than just labor supply outsourcing
 - TowerCo, call center outsourcing, etc



“Lean & Mean” - How?

- **Efficient management processes**
 - Do it right the first time
 - Capex / resource allocation decisions
 - Prioritize instead of trying to keep all balls in the air – only do what supports the strategy
 - Get things right the first time – Reduce re-work (cost & time)
 - Keep everything simple – the result will be speed
 - Senior managers: think ‘strategy and end-to-end’
 - Focus on productivity, effectiveness – improved efficiency will be the result



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Summary

- A new business model is needed to deal with the current situation (i.e. decrease revenue/ minute)
- The business model should focus on High Volume and Low Price
- Aspects needed to support high volume and low price:
 - Mobile quality of services (coverage to capacity)
 - Aggressive and yet simple pricing structure
 - Become a first mover and take the advantage
 - Different approach for different region (common theme nation wide, customize approach by region)
 - Become a “lean & mean” organization (faster, better, cheaper)



Thank You



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