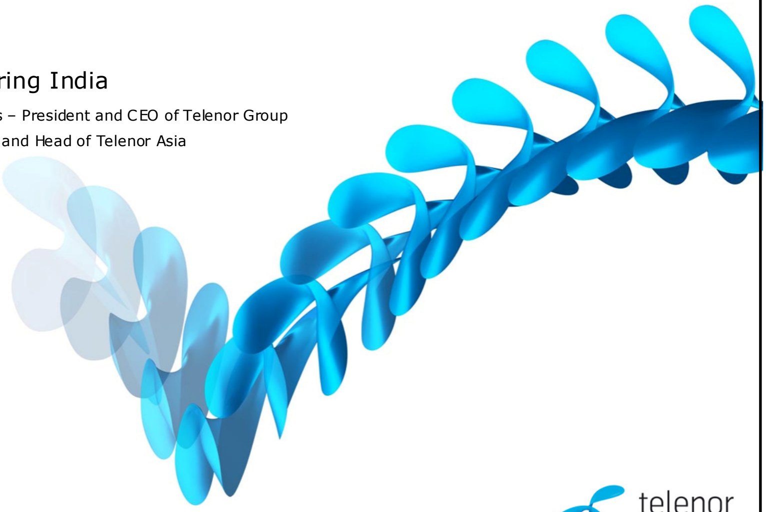
Telenor entering India

Jon Fredrik Baksaas – President and CEO of Telenor Group
Sigve Brekke - EVP and Head of Telenor Asia

13 February 2009



Disclaimer

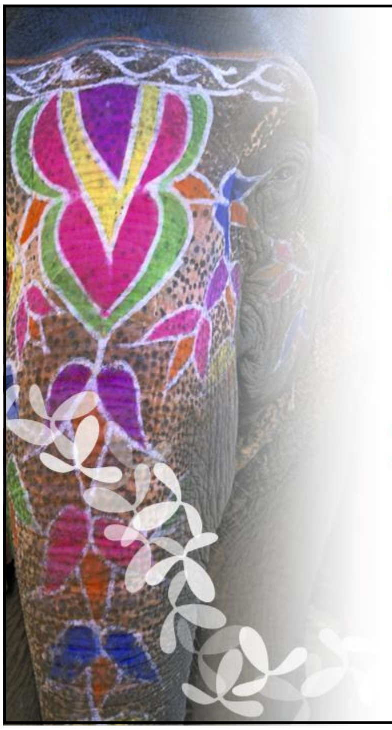
The following presentation is being made only to, and is only directed at, persons to whom such presentation may lawfully be communicated (“relevant persons”).

Any person who is not a relevant person should not act or rely on this presentation or any of its contents. Information in the following presentation relating to the price at which relevant investments have been bought or sold in the past or the yield on such investments cannot be relied upon as a guide to the future performance of such investments.

This presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Telenor Group.

The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law, and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about, and observe, such restrictions.

The following presentation contains statements regarding the future in connection with Telenor's growth initiatives, profit figures, outlook, strategies and objectives. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.



Agenda

- **Transaction Update**
- Investment case
- Financing considerations

Telenor entering India

- Attractive growth opportunity
- Contribution to long term industrial development
- Strong fit with communicated strategy
- Re-use of proven concepts

Telenor taking a 60% stake in Unitech Wireless

- On 28 October 2008, Telenor signed an agreement with Unitech Ltd to acquire a 60% stake in Unitech Wireless via capital injections
- Expected closing of the transaction in Q1
- Following the completion of the transaction, Telenor will get management control and consolidate Unitech Wireless
- Telenor will appoint 4 out of 7 Directors of the Board and also have the right to appoint the Managing Director
- An application for permission for Telenor to own up to 74% of Unitech Wireless will be submitted to the FIPB* upon closing, the approval process is expected to take 2-6 months

*) FIPB = Foreign Investment Promotion Board

Telenor to inject INR 61.2 bn (NOK 8.7 bn) of new equity in Unitech Wireless in 2009

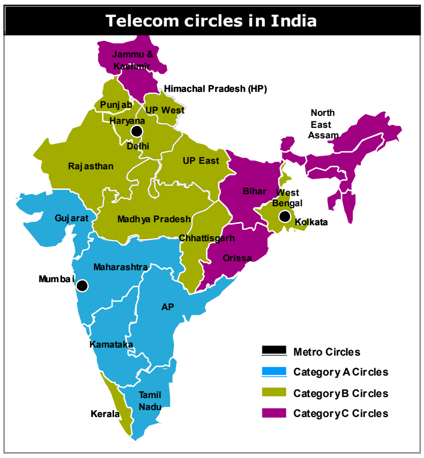
	Q109	Q209	Q309*
Telenor cash injections	① INR 12.5 bn upon closing	② INR 15.0 bn	③ INR 15.0 bn ④ INR 11.2 bn
Total 4 installments	INR 12.5 bn	INR 27.5 bn	**INR 53.7 bn** (USD 1.07 bn)
Telenor ownership	25.9%	43.3%	54.3%-60.0%
Additional** injections		INR 3.75 bn	INR 3.75 bn
Total investment in 2009			**INR 61.2 bn** (NOK 8.7 bn)

*) Cash injections in Q3 are subject to prior FIPB approval

**) To maintain its ownership share when Unitech Ltd converts INR 5.0 bn of its shareholder loan to equity, Telenor will inject an additional INR 7.5 bn into Unitech Wireless in Q2/Q3 2009

Exchange rate: INR/NOK= 0.14

Unitech Wireless has received spectrum in 21 of 22 circles

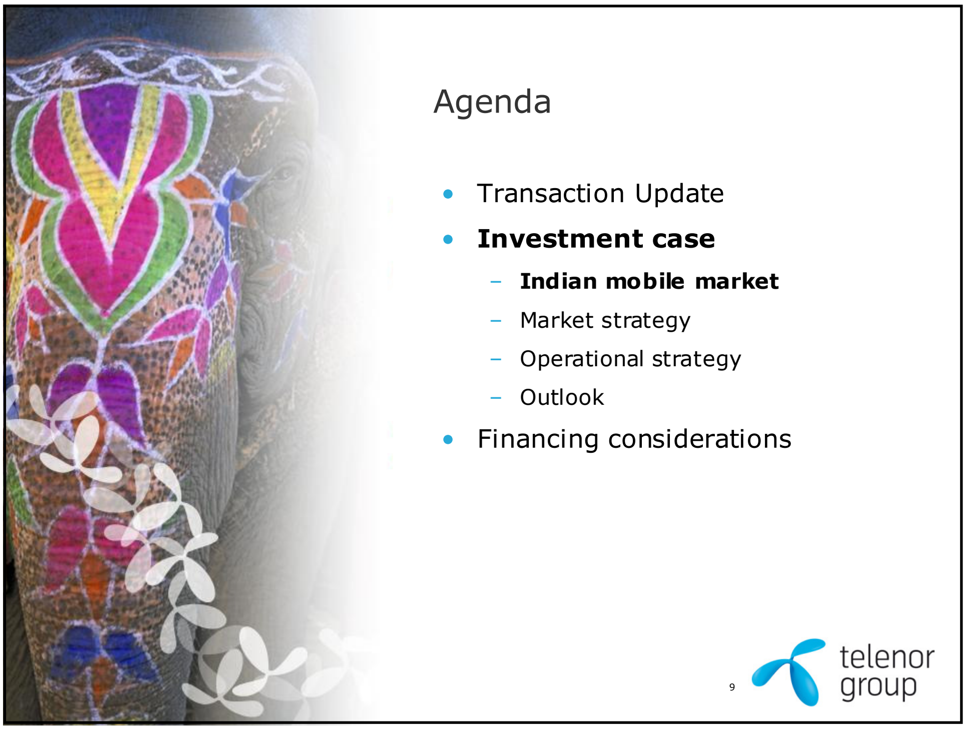

Telecom circles in India

- National 2G (UAS*) licence valid for 20 years for all 22 circles in India
- Spectrum in 21 of 22 circles, with population coverage of 1,135 million (98%)
- Ongoing process regarding spectrum release in Delhi
- Initial spectrum of 4.4 MHz per circle
- Additional spectrum allocation based on subscriber thresholds

*) Unified Access Service

Tower sharing agreement in place

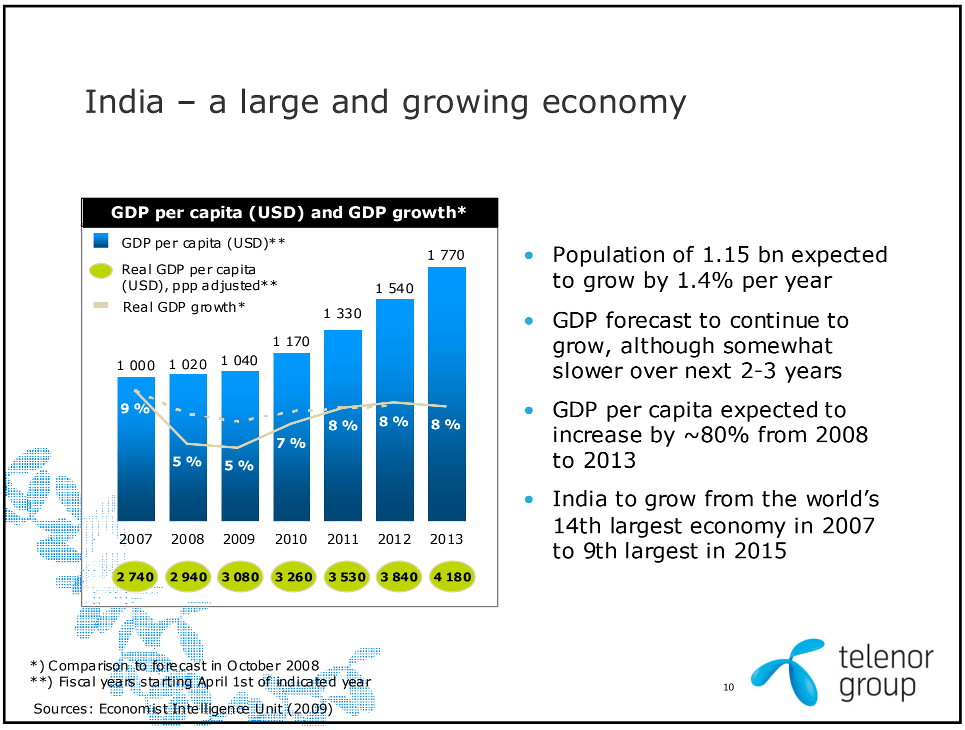
- On 11 February 2009, Unitech Wireless signed an agreement for tower access with Wireless-TT Info Service Limited (WTTIL), the Tata Teleservices tower company, and Quippo Telecom Infrastructure Limited (QTIL)
- In addition, an agreement for the provision of transmission services has been entered into with Tata Teleservices
- The tower sharing agreement covers approximately 40,000 sites, which will provide 55-60% population coverage by mid 2010
    - Approx. 22,000 existing towers in place by April 2009
    - Remaining towers to be built in 2009 and 2010 in accordance with needs of Unitech Wireless
- Tower sharing and transmission agreements have 20-year terms with 5-year extension options



Agenda

- Transaction Update
- **Investment case**
  - **Indian mobile market**
  - Market strategy
  - Operational strategy
  - Outlook
- Financing considerations

telenor group



India – a large and growing economy

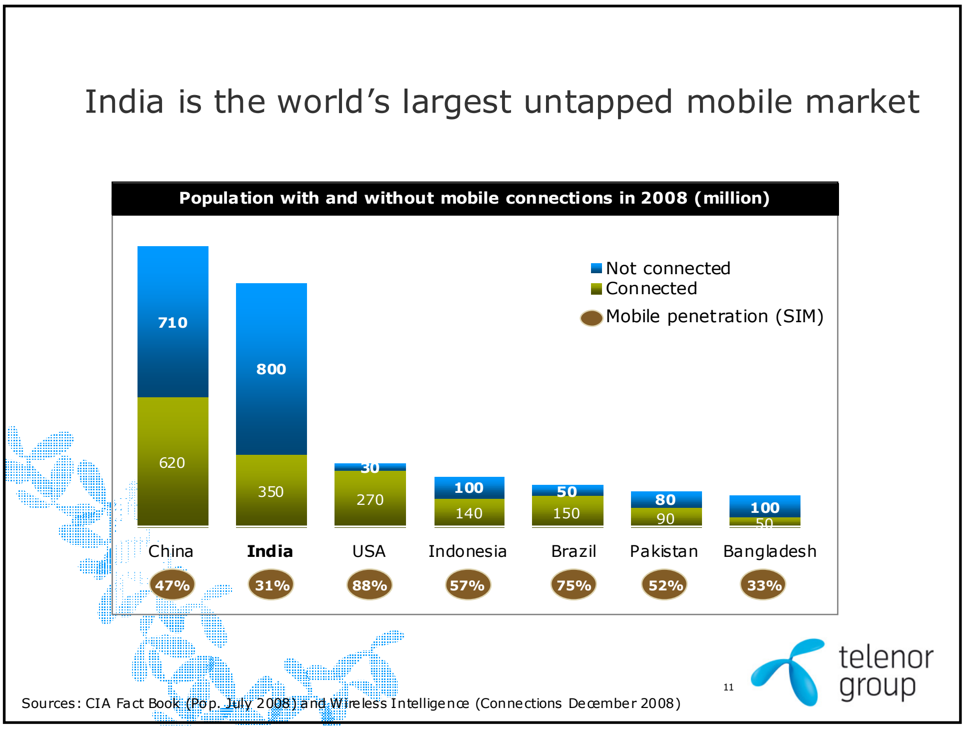
GDP per capita (USD) and GDP growth*

- Population of 1.15 bn expected to grow by 1.4% per year
- GDP forecast to continue to grow, although somewhat slower over next 2-3 years
- GDP per capita expected to increase by ~80% from 2008 to 2013
- India to grow from the world's 14th largest economy in 2007 to 9th largest in 2015

*) Comparison to forecast in October 2008
**) Fiscal years starting April 1st of indicated year

Sources: Economist Intelligence Unit (2009)

telenor group

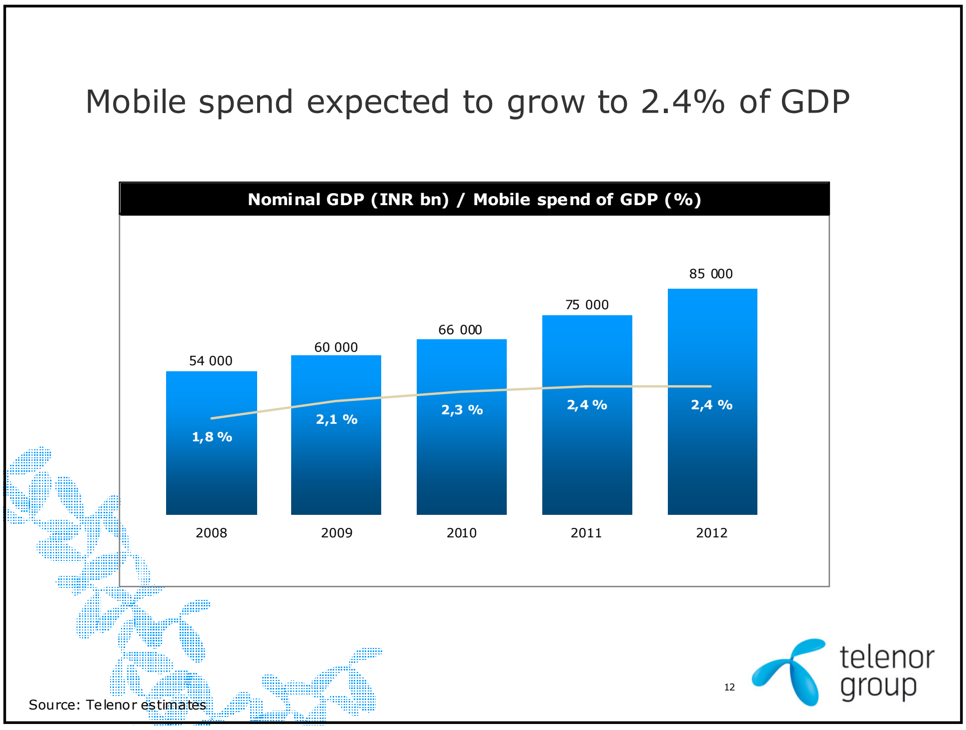


India is the world’s largest untapped mobile market

Population with and without mobile connections in 2008 (million)

Sources: CIA Fact Book (Pop. July 2008) and Wireless Intelligence (Connections December 2008)

telenor group

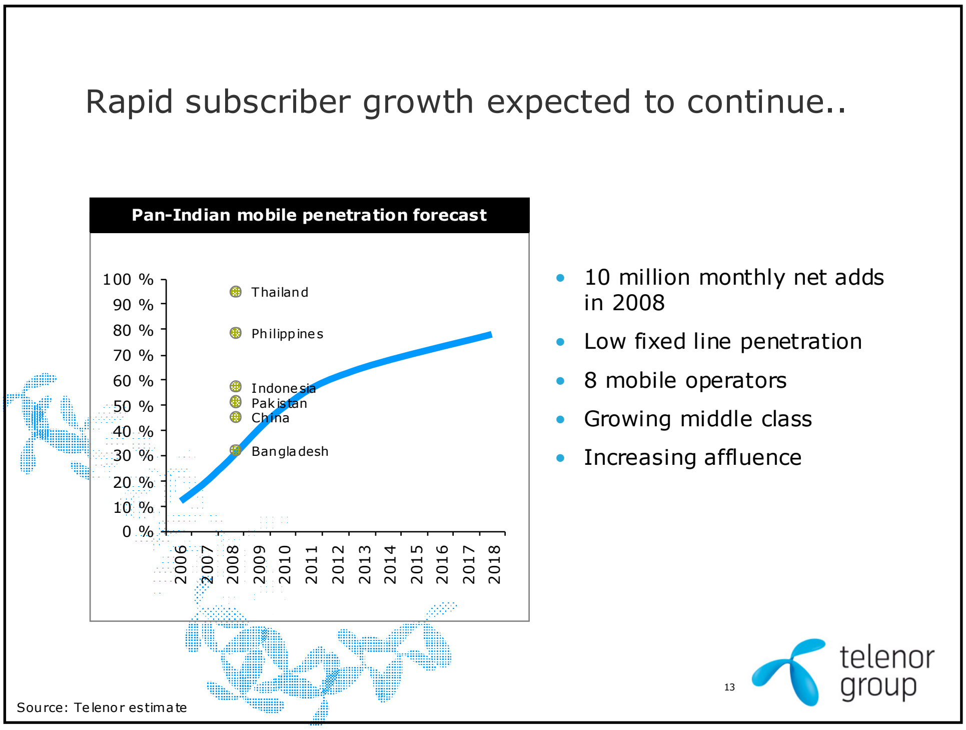


Mobile spend expected to grow to 2.4% of GDP

Nominal GDP (INR bn) / Mobile spend of GDP (%)

Source: Telenor estimates

telenor group



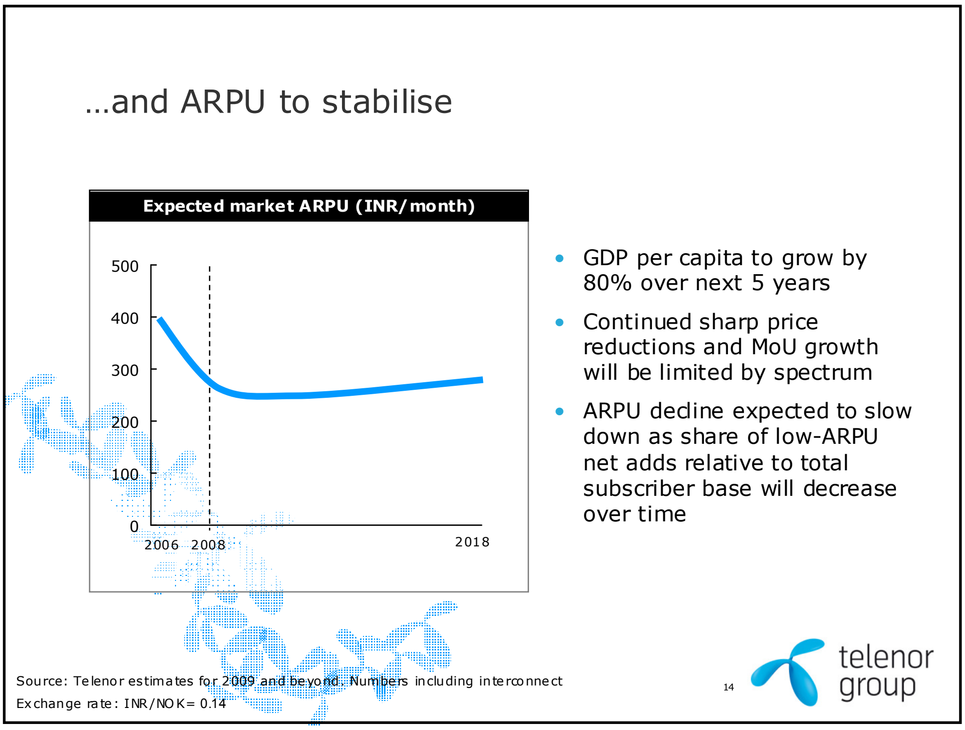
Rapid subscriber growth expected to continue..

Pan-Indian mobile penetration forecast

- 10 million monthly net adds in 2008
- Low fixed line penetration
- 8 mobile operators
- Growing middle class
- Increasing affluence

Source: Telenor estimate

telenor group



...and ARPU to stabilise

Expected market ARPU (INR/month)

- GDP per capita to grow by 80% over next 5 years
- Continued sharp price reductions and MoU growth will be limited by spectrum
- ARPU decline expected to slow down as share of low-ARPU net adds relative to total subscriber base will decrease over time

Source: Telenor estimates for 2009 and beyond. Numbers including interconnect

Exchange rate: INR/NOK= 0.14

telenor group

22 growth opportunities with different market characteristics

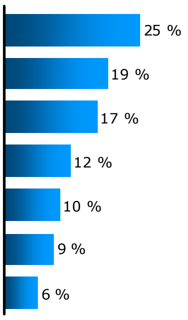
Circle	Population (mill)	GDP /cap (USD ppp)	Penetration
Mumbai	23	4 936	72%
Delhi	22	5 180	90%
Kolkata	17	3 282	54%
Chennai	12	3 402	70%
Metro Circles	**74**		**73%**
Maharashtra	88	4 936	30%
Andhra Pradesh	82	3 487	32%
RoTN	62	3 402	38%
Karnataka	58	3 639	35%
Gujarat	57	4 706	37%
A Circles	**347**		**34%**
U.P. (E)	125	1 754	18%
M.P	92	2 166	18%
U.P. (W)	74	1 899	22%
West Bengal	72	3 282	18%
Rajasthan	65	2 348	29%
Kerala	34	4 181	41%
Punjab	28	5 158	46%
Haryana	20	5 582	41%
B Circles	**510**		**24%**
Bihar	124	1 413	13%
Orissa	40	2 453	17%
Assam	30	2 357	17%
North East	14	3 026	19%
Jammu & Kashmir	11	2 749	24%
Himachal Pradesh	7	4 578	41%
C Circles	**226**		**16%**

- Significant scope for penetration growth in B and C circles
- High potential from churn in Metros and A circles
- Inter-circle segments can be targeted for example by age groups and disposable income

Note: Chennai and RoTN merged

Source: Cellular Association of India, TRAI and India census 2001 (population figures)

No uniform competitive position taken across India



Operator	Market share 2008	Market position in circles					Total circles
		#1	**#2**	**#3**	**#4**	**<#4**	
Airtel	25 %	8	7	4	0	3	**22**
Reliance Communications	19 %	2	6	3	7	4	**22**
vodafone	17 %	7	3	3	2	6	**21**
BSNL	12 %	0	3	7	5	5	**20**
!dea	10 %	2	2	3	0	8	**15**
TATA indicom	9 %	0	1	0	6	15	**22**
AIRCEL	6 %	3	0	1	2	4	**10**

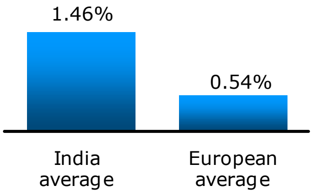
Other operators, constituting a total market share of 2%, include MTNL (1.5%)

Source: Company reports

Indian customers are unhappy with the quality of existing offers

Poor market performance…

High call setup failure rates..



…as well as high call drop rates:

More than **3 out of 5** users face call drops 1 - 2 times out of 10

…and low customer satisfaction

"When people choose their SIM cards, they check if the network will be strong in their house "

Mobile store manager

"Network signal in major cities is very poor. When I am on the road, the signal drops several times"

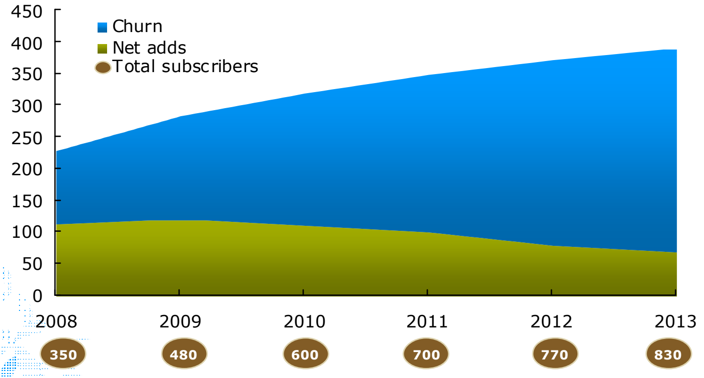
Corporate subscriber

Almost **2 out of 5** users said they would change service provider if they could retain their number

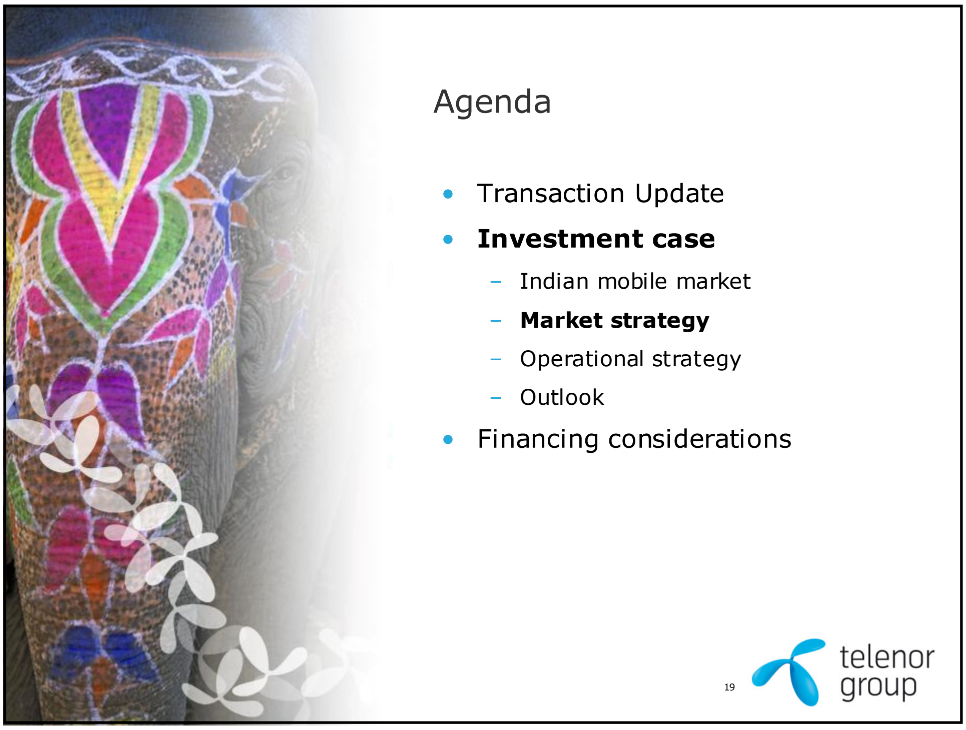
Source: TRAI, ART France Yearly Regulator Survey, Connect Magazine (2007)

Customers on the move creates opportunities for new entrants

Gross subscriber potential in India per year (in millions)



Source: Telenor estimate. Average market churn estimated to around 40% per year



Agenda

- Transaction Update
- **Investment case**
  - Indian mobile market
  - **Market strategy**
  - Operational strategy
  - Outlook
- Financing considerations

Re-use of proven concepts from other Asian markets

- Excellence in distribution
- Targeted offerings
- Customer lifecycle management
- Organisation and culture

Excellence in distribution

- 1 million pan-Indian retail points in 3 years
- Strong value proposition towards retail partners
- Establish long term partnership with distribution chains
- High-quality operator-branded shops

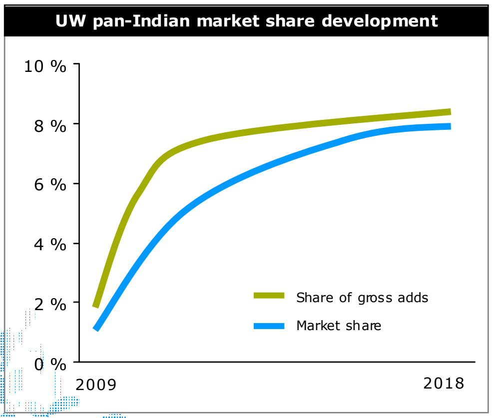
Targeted offerings

- Specific offers for each segment
- Strong visual profile

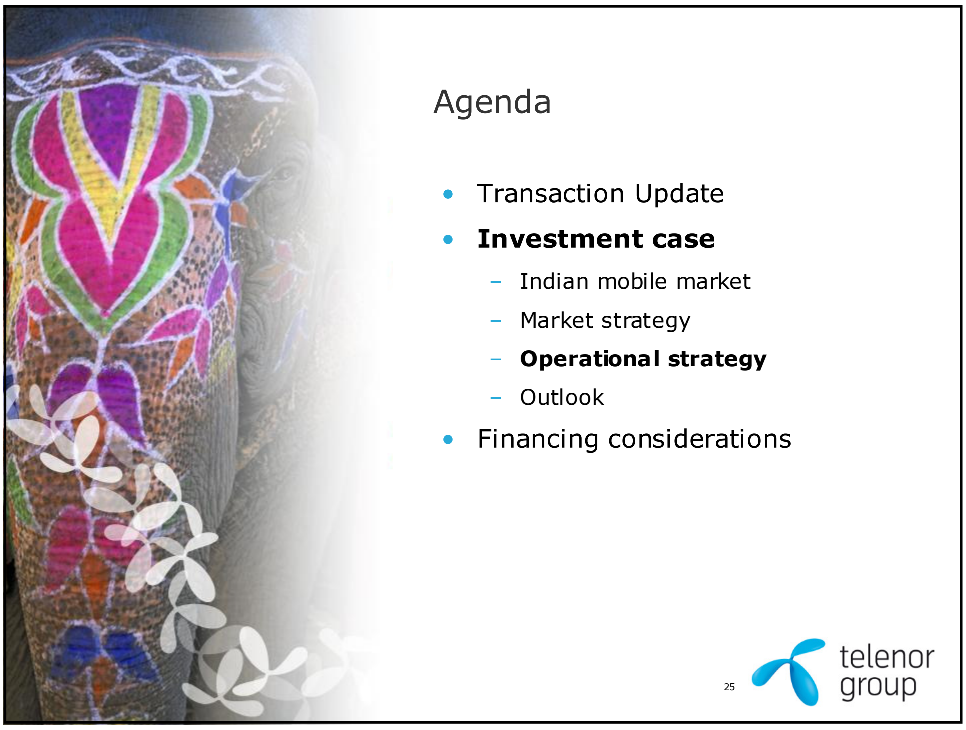
Customer lifecycle management

- Automated lifecycle program for usage stimulation and retention
- Adding value to the SIM
- Being the preferred SIM
- Knowing the customer
- One-to-one communication
- Tariff packages designed to stimulate ARPU and loyalty

Targeting 8% pan-Indian market share and average market ARPU

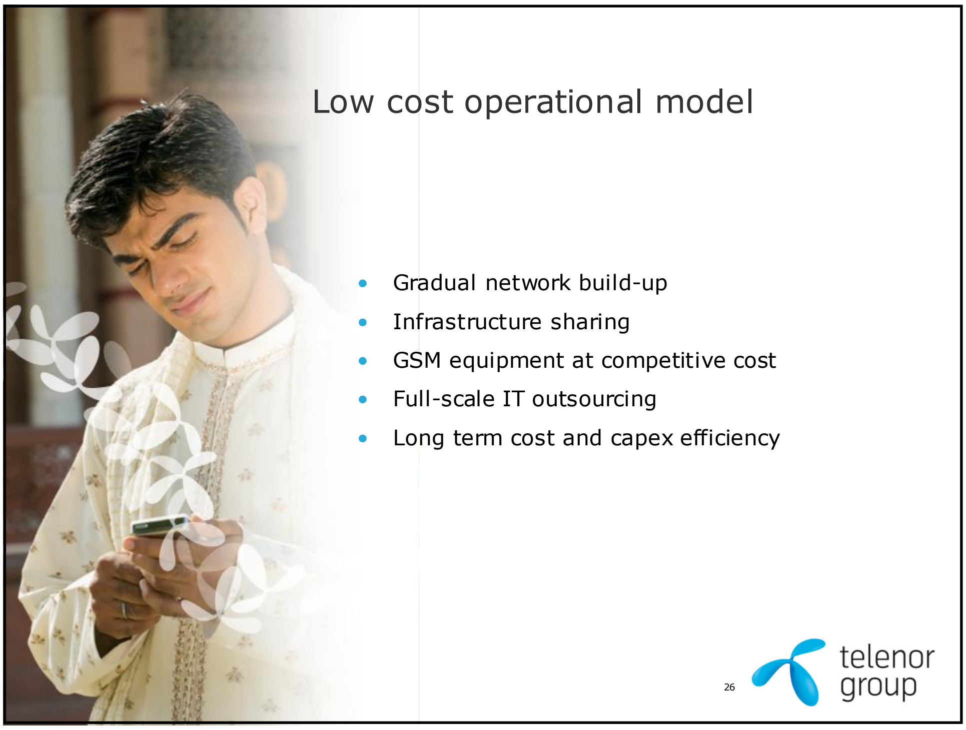


- Service launch Q3 2009
- Large share of net adds first years due to low churn from own subscriber base
- Significant differences in market share between circles
- Sub-market ARPU near term, but longer term increasing towards market ARPU



Agenda

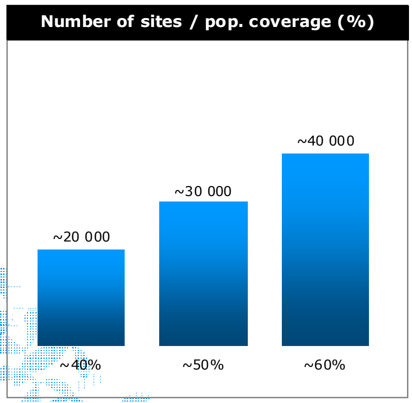
- Transaction Update
- **Investment case**
  - Indian mobile market
  - Market strategy
  - **Operational strategy**
  - Outlook
- Financing considerations



Low cost operational model

- Gradual network build-up
- Infrastructure sharing
- GSM equipment at competitive cost
- Full-scale IT outsourcing
- Long term cost and capex efficiency

Gradual network build-up to pan-Indian coverage

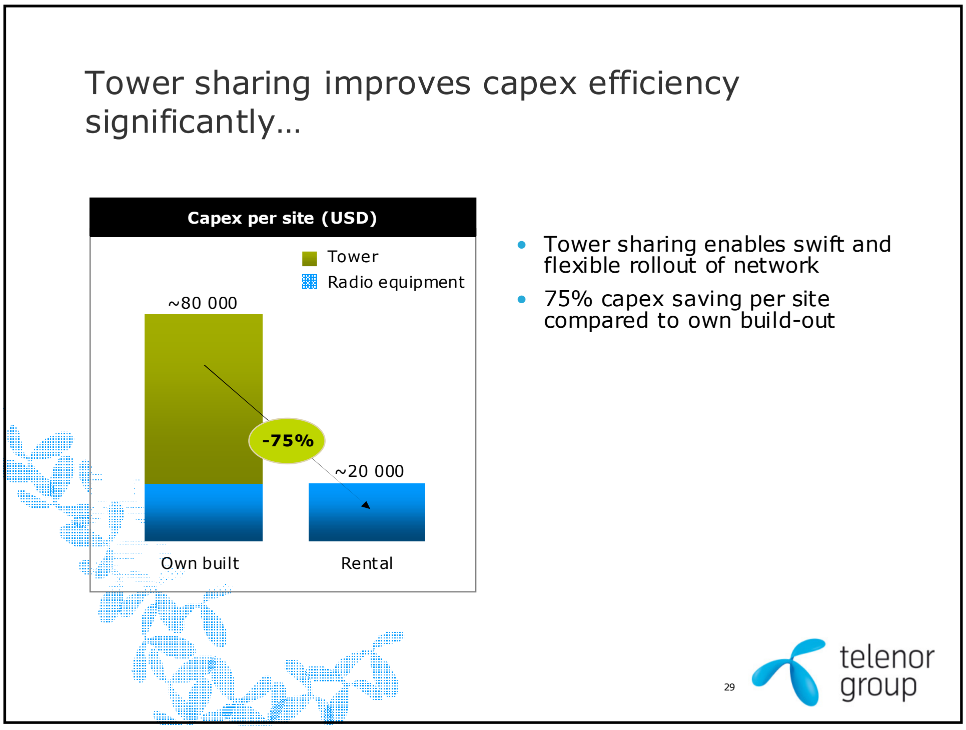


- Minimum roll-out requirement is 5-6,000 sites to meet licence coverage obligations
- Launch plan based on attractiveness of the markets
- 60% population coverage targeted 1 year after launch
- Inter-circle roaming secures pan-Indian offering from day one

Source: Telenor estimate

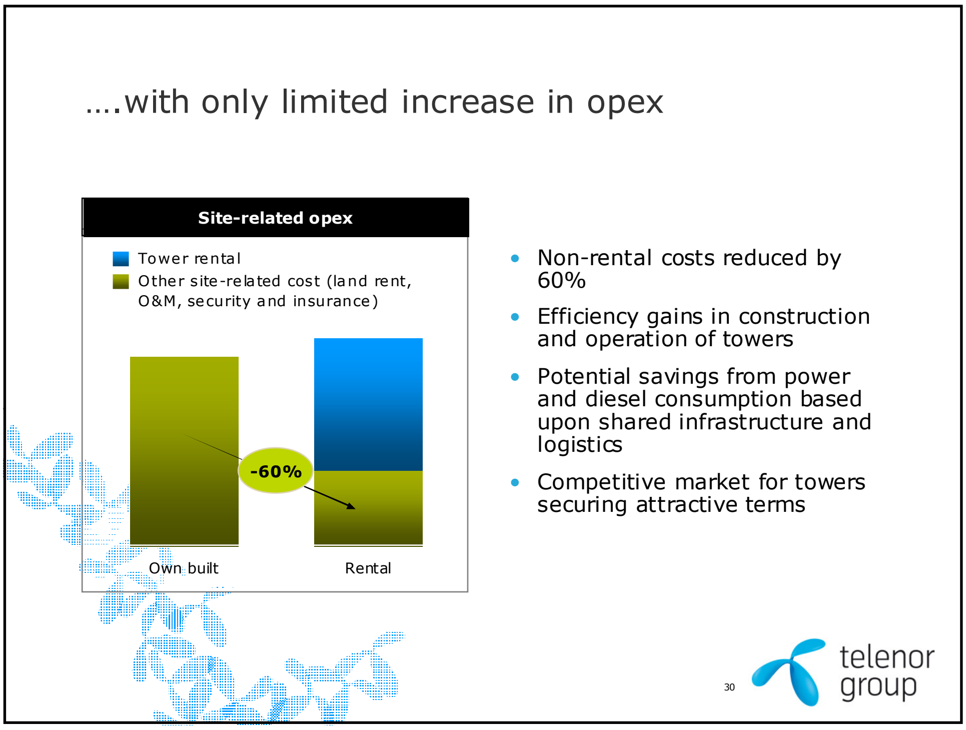
Infrastructure agreement with Tata/Quippo

- Tower sharing agreement with Tata/Quippo provides required coverage at launch and flexibility for further expansion
  - 40,000 towers by end 2010, of which 22,000 available by April 2009
- Lower opex in 2009-2010 than previously anticipated
  - Tower sharing priced at fixed monthly rate per site, plus payment for actual power consumption
  - Transmission between sites at a fixed monthly rate provided by Tata Teleservices
- Unitech Wireless may enter into additional tower rental agreements, in line with launch strategy and subscriber growth



Tower sharing improves capex efficiency significantly…

- Tower sharing enables swift and flexible rollout of network
- 75% capex saving per site compared to own build-out



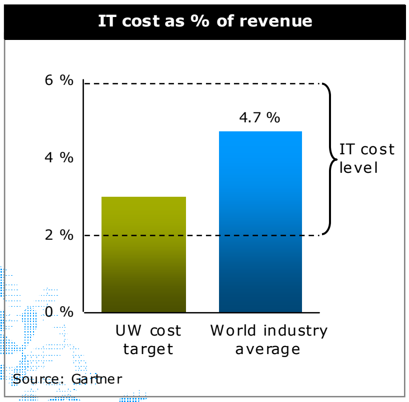
….with only limited increase in opex

- Non-rental costs reduced by 60%
- Efficiency gains in construction and operation of towers
- Potential savings from power and diesel consumption based upon shared infrastructure and logistics
- Competitive market for towers securing attractive terms

GSM equipment at competitive cost

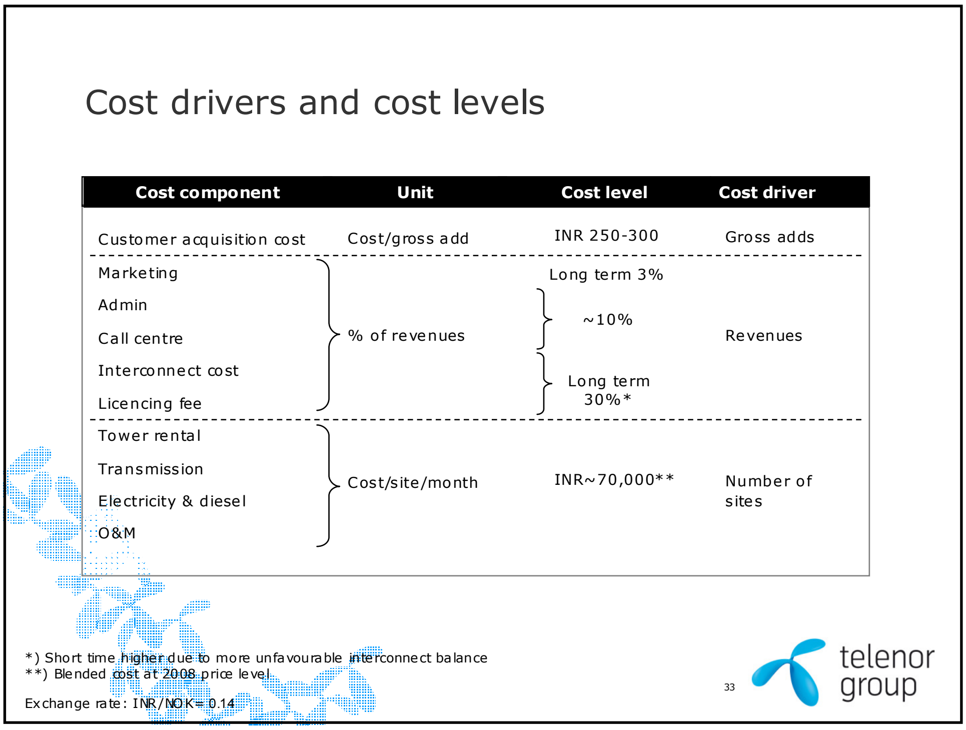
- No technology legacy
- High spectrum capacity utilisation
- Equipment cost lower than in other Telenor Asia operations, due to:
  - Large volumes
  - Multiple vendors
  - Overall industry development

IT outsourcing will secure speed and quality at competitive prices


IT cost as % of revenue

Source: Gartner

- Indian IT outsourcing market highly competitive
- Reduced up-front investment
- Re-use of existing modules and solutions
- IT to be booked mainly as capex in early phase, longer term mainly as opex

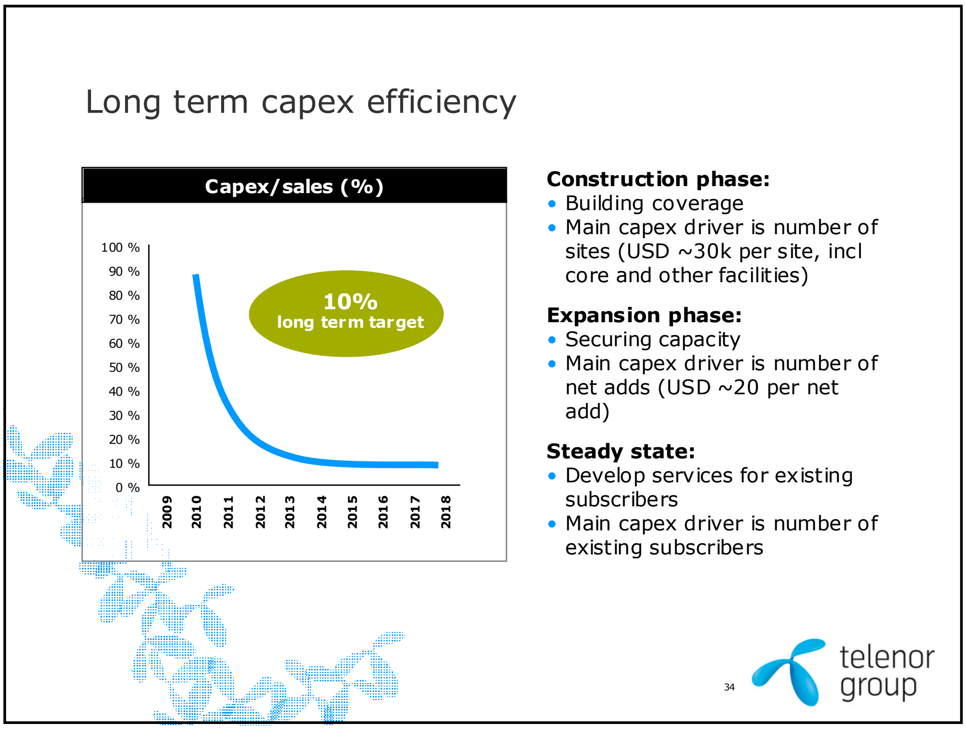


Cost drivers and cost levels

Cost component	Unit	Cost level	Cost driver
Customer acquisition cost	Cost/gross add	INR 250-300	Gross adds
Marketing Admin Call centre Interconnect cost Licencing fee	% of revenues	Long term 3% ~10% Long term 30%*	Revenues
Tower rental Transmission Electricity & diesel O&M	Cost/site/month	INR~70,000**	Number of sites

*) Short time higher due to more unfavourable interconnect balance
**) Blended cost at 2008 price level

Exchange rate: INR/NOK= 0.14



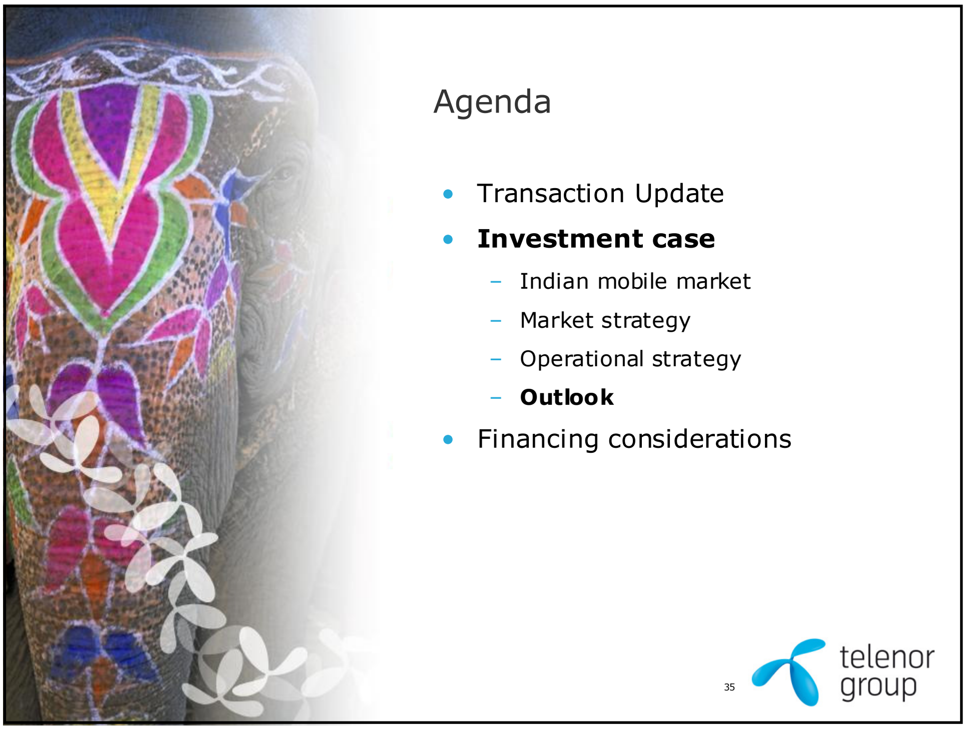
Long term capex efficiency

Capex/sales (%)

Construction phase:
- Building coverage
- Main capex driver is number of sites (USD ~30k per site, incl core and other facilities)

Expansion phase:
- Securing capacity
- Main capex driver is number of net adds (USD ~20 per net add)

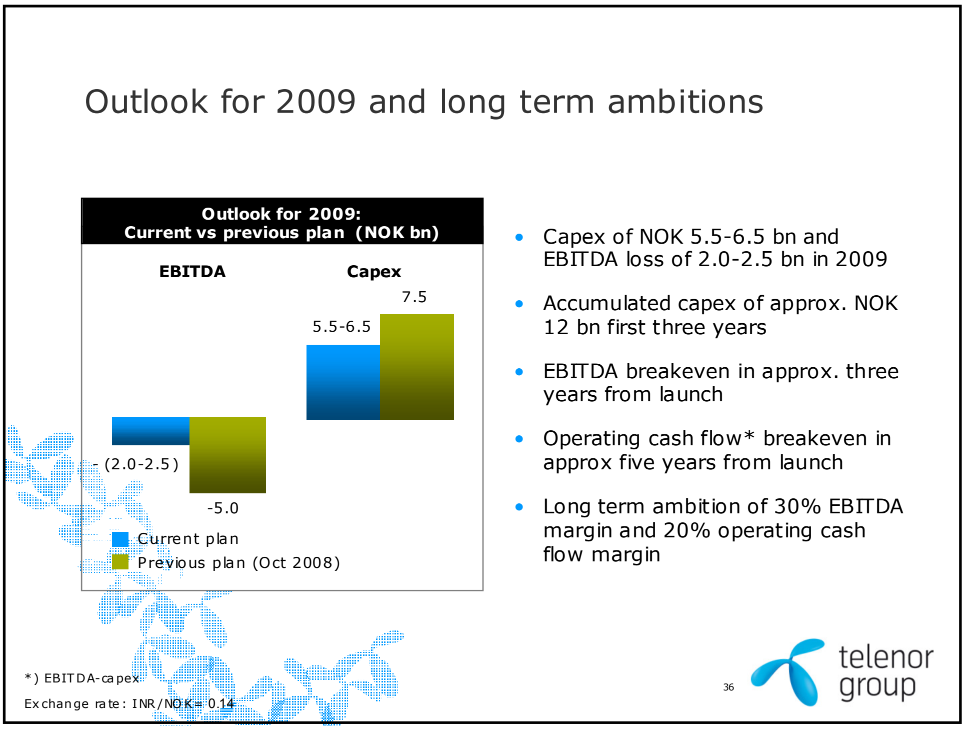
Steady state:
- Develop services for existing subscribers
- Main capex driver is number of existing subscribers



Agenda

- Transaction Update
- **Investment case**
  - Indian mobile market
  - Market strategy
  - Operational strategy
  - **Outlook**
- Financing considerations

telenor group



Outlook for 2009 and long term ambitions

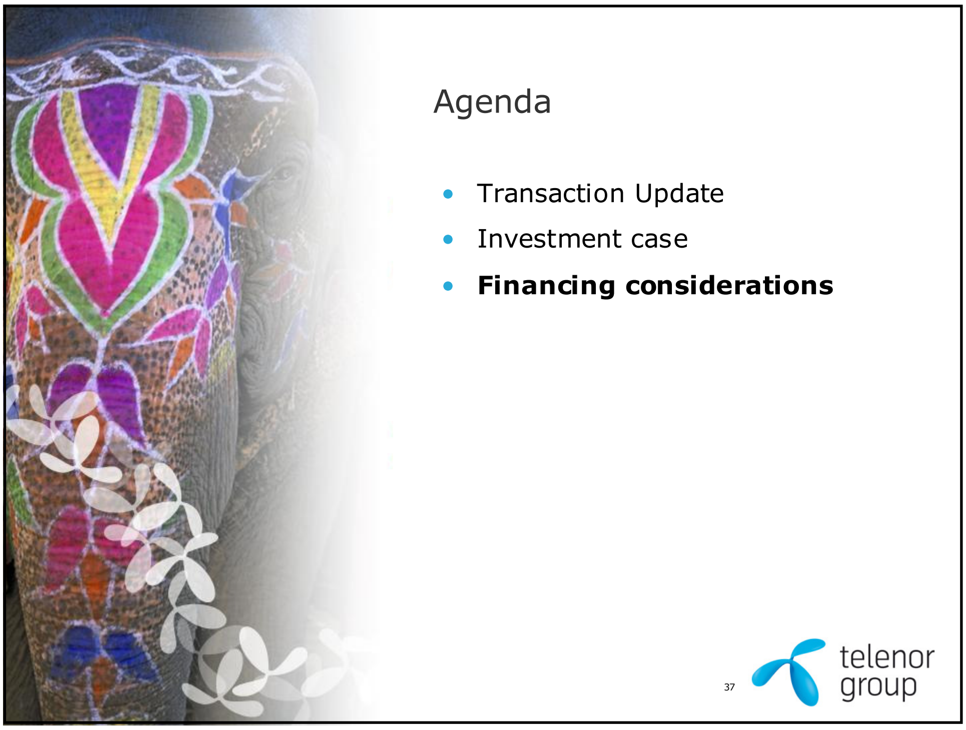
Outlook for 2009:
Current vs previous plan (NOK bn)

- Capex of NOK 5.5-6.5 bn and EBITDA loss of 2.0-2.5 bn in 2009
- Accumulated capex of approx. NOK 12 bn first three years
- EBITDA breakeven in approx. three years from launch
- Operating cash flow* breakeven in approx five years from launch
- Long term ambition of 30% EBITDA margin and 20% operating cash flow margin

*) EBITDA-capex

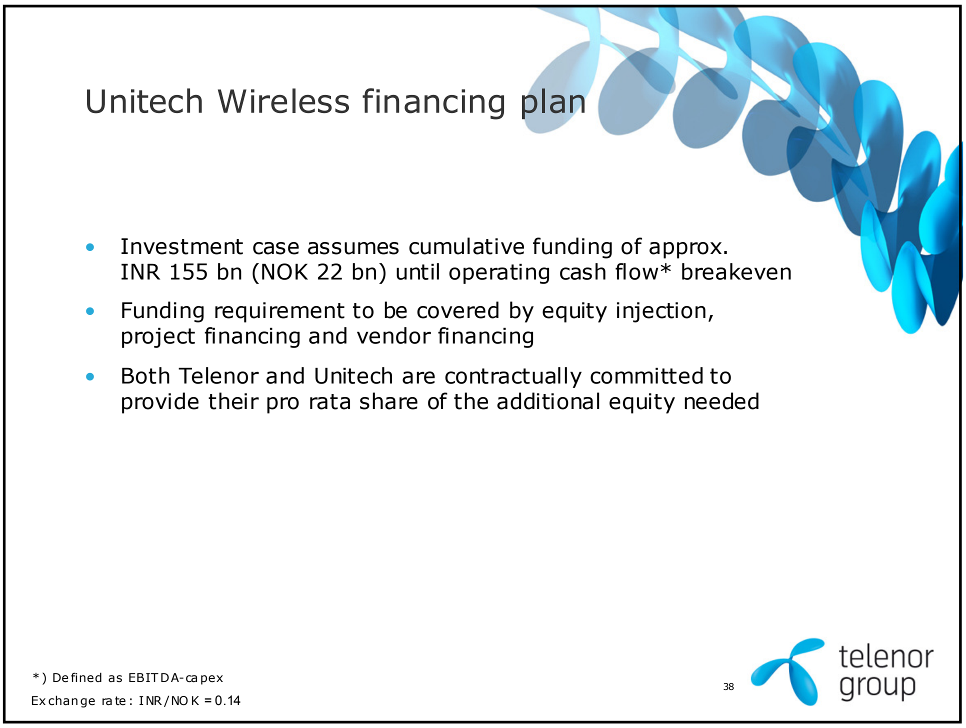
Exchange rate: INR/NOK= 0.14

telenor group



Agenda

- Transaction Update
- Investment case
- **Financing considerations**



Unitech Wireless financing plan

- Investment case assumes cumulative funding of approx. INR 155 bn (NOK 22 bn) until operating cash flow* breakeven
- Funding requirement to be covered by equity injection, project financing and vendor financing
- Both Telenor and Unitech are contractually committed to provide their pro rata share of the additional equity needed

*) Defined as EBITDA-capex

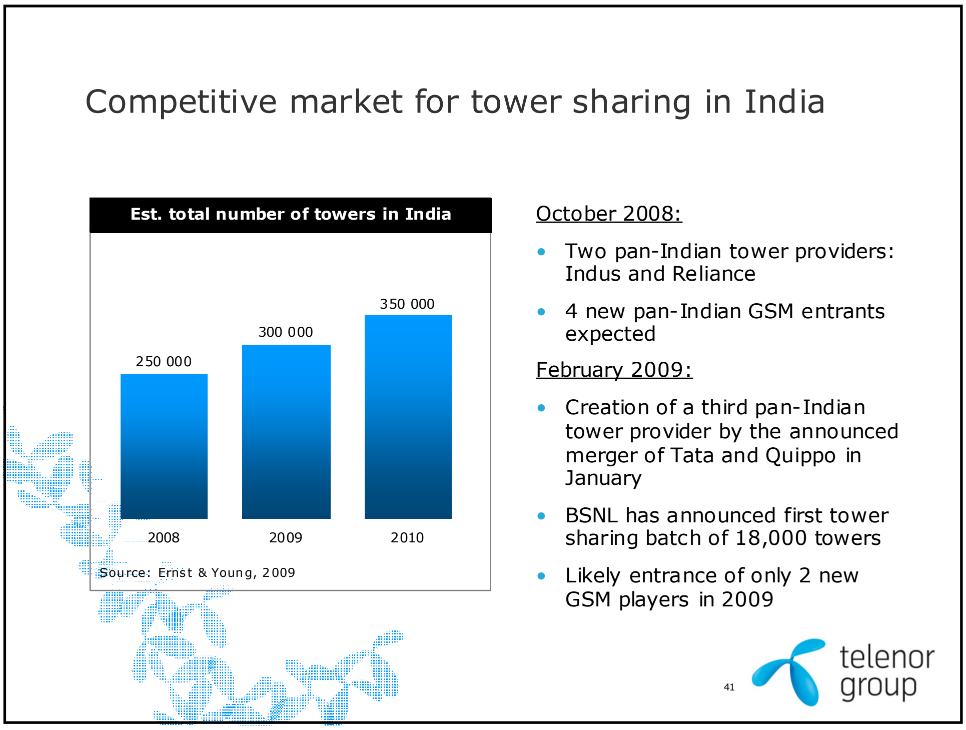
Exchange rate: INR/NOK = 0.14

Summary

- Entry into attractive high growth market
- Unitech Wireless to be controlled and consolidated from the closing of the transaction
- Leverage on strong track record and experience in successfully launching operations in emerging markets
- Tower sharing agreements reducing capex significantly, with only limited increase in opex

---

Appendix



Competitive market for tower sharing in India

Est. total number of towers in India

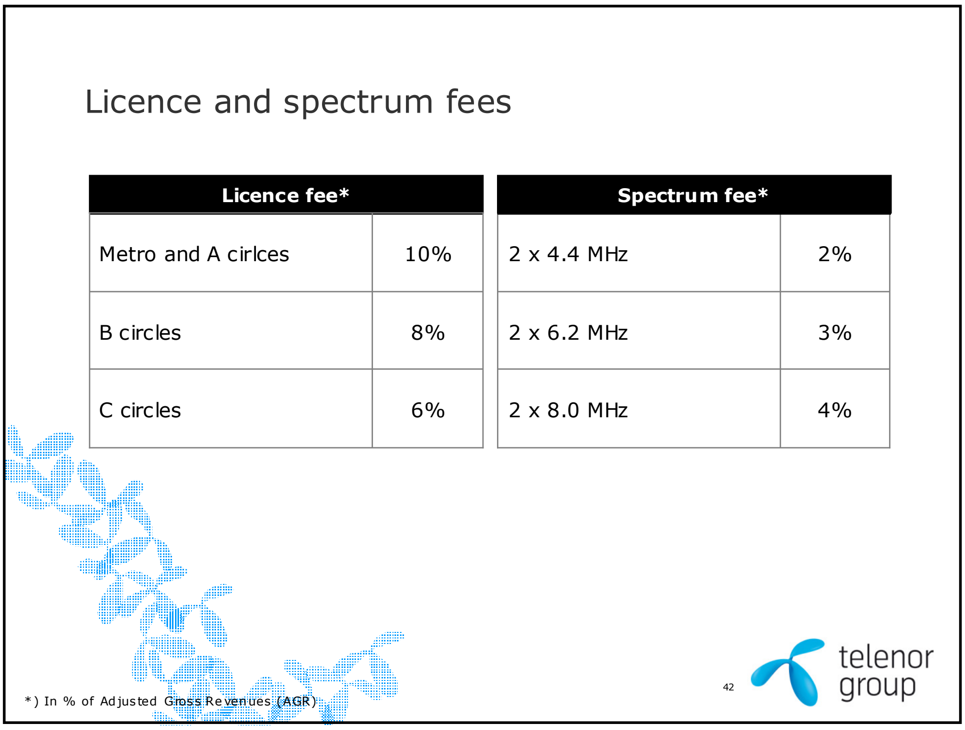
Source: Ernst & Young, 2009

October 2008:

- Two pan-Indian tower providers: Indus and Reliance
- 4 new pan-Indian GSM entrants expected

February 2009:

- Creation of a third pan-Indian tower provider by the announced merger of Tata and Quippo in January
- BSNL has announced first tower sharing batch of 18,000 towers
- Likely entrance of only 2 new GSM players in 2009



Licence and spectrum fees

Licence fee*	
Metro and A cirlces	10%
B circles	8%
C circles	6%

Spectrum fee*	
2 x 4.4 MHz	2%
2 x 6.2 MHz	3%
2 x 8.0 MHz	4%

*) In % of Adjusted Gross Revenues (AGR)

Interconnection and roaming

Interconnection

- Current local mobile termination rates regulated by TRAI at INR 0.30 per minute
- Additional inter circle carriage charge of maximum INR 0.2 per minute for calls terminated in mobile networks
- Long distance carriage charge of maximum INR 0.65 per minute

Roaming

- Inter-circle roaming maximum prices regulated to
  - INR 1.40 for outgoing local calls
  - INR 2.40 for outgoing national long distance (NLD) calls
  - INR 1.75 for incoming calls
- Bi-lateral intra-circle roaming permitted

Telenor funding plan

- Previously announced proposal of a NOK 12 bn rights issue has been withdrawn
- Dividend program proposed to be put on hold for next two years
- NOK 8 bn term loan signed in January 2009

- Unitech Wireless to be consolidated in Telenor Group figures from closing of transaction