Enabling basic internet services for the masses in India

Ruza Sabanovic – COO Uninor
India - A crowded and fragmented telecom market

Country overview
• Population: 1.2 billion
• 50% of population below 25 years
• GDP per capita: USD 1,490
• GDP growth: 4.7% 2013
• Literacy rate 73%

Telecom market
• 22 telecom circles
• 10 mobile operators – competition varies across circles
• 63% real mobile penetration
• 98% prepaid
• ~1% fixed broadband penetration

Sources: Telenor estimates, Census 2011 and World Bank
Mobile internet penetration in India will initially be driven by 2G

- Mobile internet penetration ~20%
- 3G network presence ~20%, prominent in top 50 cities
- Data revenues ~10-12% *
- Smartphone penetration ~17% **

* Published financial results of Airtel & Idea
** Nielsen, Jan 14
Is it possible to enable internet services to customers who earn less than two dollars per day?
The Uninor journey

Entry as 13th operator

Daily minutes (million)

Subscribers (million)

Revenue (INR bn)

EBITDA (INR bn)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Daily minutes</th>
<th>Subscribers</th>
<th>Revenue</th>
<th>EBITDA</th>
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<tbody>
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<td>Q409</td>
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<td>1</td>
<td>0.0</td>
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</tr>
<tr>
<td>Q210</td>
<td>47</td>
<td>2</td>
<td>0.4</td>
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<td>28</td>
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<td>-5.3</td>
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</table>

1 INR = 0.1 NOK
600 million population with <50%* real mobile penetration in Uninor’s 6 operational circles

- 31 million subscribers
- 6% revenue market share**
- Leading challenger with number 4-6 market position
- 15% internet penetration
- Data revenues 4% of total revenues

* Uninor estimates given the active users and dual SIM users
** Subscriber and AGR reports as published by COAI, and Uninor estimates

ARPU = INR per month
A successful voice model built on clear differentiators…

- **Focused strategy**
  - Best on servicing the basics
  - Best on mass market distribution
  - Low cost operations

- **Clear value proposition**

- **Strong execution**

“On net”

“HALLA BOL AND KEEP WINNING EVERY DAY”
Asset maximization

- > 100 Erlangs per site at 5 MHz
- ~600 MoU per subscriber

Radical simplification

- Fastest activation (~6 hrs)
- Customised offer at recharge point

Cluster approach

- Performance measurement at 218 clusters and 949 mini-clusters

...supported by extreme operational efficiency
Our playground

- 5 MHz of 1800 MHz (technology agnostic) spectrum
- Additional 1.4-2.2 MHz in 4 circles
- 51% population coverage
- 20k sites (27% expansion in 2014)
- 350k points of sales

From DATA TO AFFORDABLE INTERNET SERVICES

Next Generation Operating Model
Transformational Partnerships
Removing the barriers to use mobile internet

<table>
<thead>
<tr>
<th>Business users</th>
<th>Connectivity costs</th>
<th>Smartphones</th>
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<tbody>
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<td><img src="image2.png" alt="Connectivity cost" /></td>
<td><img src="image3.png" alt="Smartphone" /></td>
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<td><img src="image6.png" alt="X" /></td>
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</table>
Enabling affordable basic internet services for the masses

"basic services"  "Sabse Sasta"  "2X"
Major basic services still being low data consuming

1 minute

6 kb  30 kb  50 kb  200 kb  600 kb
Build on voice experience to maintain relevance
Challenge conventions and go “beyond” the limits

**Partnerships**

- Optimisation
- Technology solutions

**Maximize assets 24x7**

- Internet peak ≠ Voice peak
- Demand management

**Hourly Trends For Voice and Data Usage**

- Data peak: 9-10 pm
- Voice peak: 7-8 pm

- 6.6 TB / 35%
- 279 Mn mts / 41%

- 5.9 TB / 31%
- 85 Mn mts / 12%

- 5.6 TB / 29%
- 293 Mn mts / 43%

- 1 TB / 5%
- 2.5 Mn mts / 4%
Understand value chain to explore possible efficiencies

- Internet cloud
- Data enabling systems
- Transmission networks
- Radio networks
- Handsets

Compression, caching & peering: 25%
Packetization: 25%
Spectral Efficiency >140 Erl/Site: 25%
Mobile browser compression: 15%

Indicative internet production cost
Solutions
Indicative max efficiency gain
### Voice: Challenge mobility

- Uninor & partners organisation mapped at clusters
- Strong performance management culture
- Best on mass market distribution

### Internet: Focused approach

- 2X: Double active data users and data revenues in 2014
- Lowest cost per site
Deliver performance – The Uninor Way

Example: Mathura cluster, UP West *

<table>
<thead>
<tr>
<th></th>
<th>Pre</th>
<th>Post</th>
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<tbody>
<tr>
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<tr>
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</tbody>
</table>

* Uninor testing during April and May 2014
Affordable feature phones to drive service uptake

Uninor subscriber device split

- 27% Nokia
- 25% Samsung
- 10% Micromax
- 5% Karbon
- 4% Lava
- 3% Intex
- 2% Spice
- 24% Others

- 13% smartphones
- 77% GPRS enabled

Handset development in India*

- Feature phones at USD 20
- Local manufacturers leading affordable feature / smartphones

*Source: IDC
and we believe that...

Internet users giving >50% higher ARPU* than voice only subscribers

* Uninor ARPU for April
Summary

- Mobile internet in India will initially be driven by 2G
- Uninor to build on proven voice model to deliver affordable internet services for the masses
- Extreme asset maximization
- Double internet subscribers and revenue by end of 2014
Enabling basic internet services for the masses in India

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