Enabling basic internet services for the masses in India

Ruza Sabanovic – COO Uninor

India - A crowded and fragmented telecom market

<u>Country overview</u>

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

<u>Telecom market</u>

- 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

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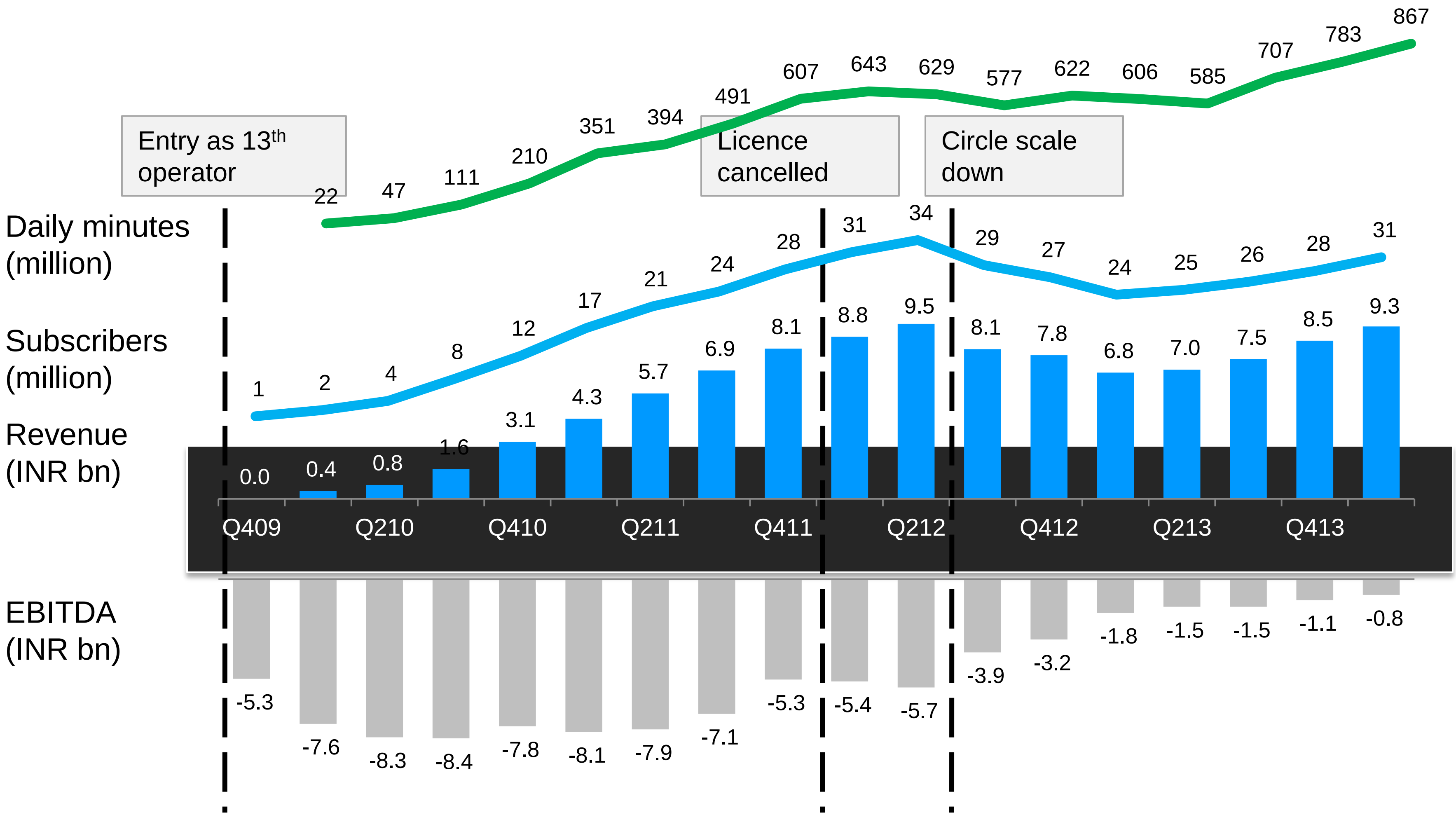
Mobile internet penetration in India will initially be driven by 2G

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

Published financial results of Aritel & Idea
*** Nielsen, Jan 14*

Is it possible to enable internet services to customers who earn less than two dollars per day?

The Uninor journey

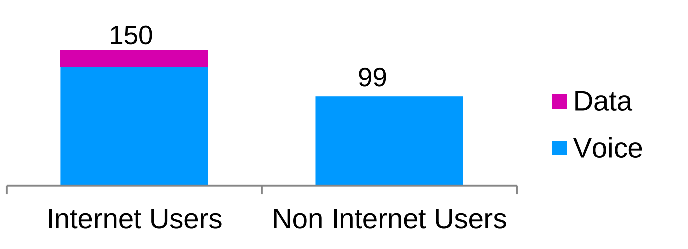


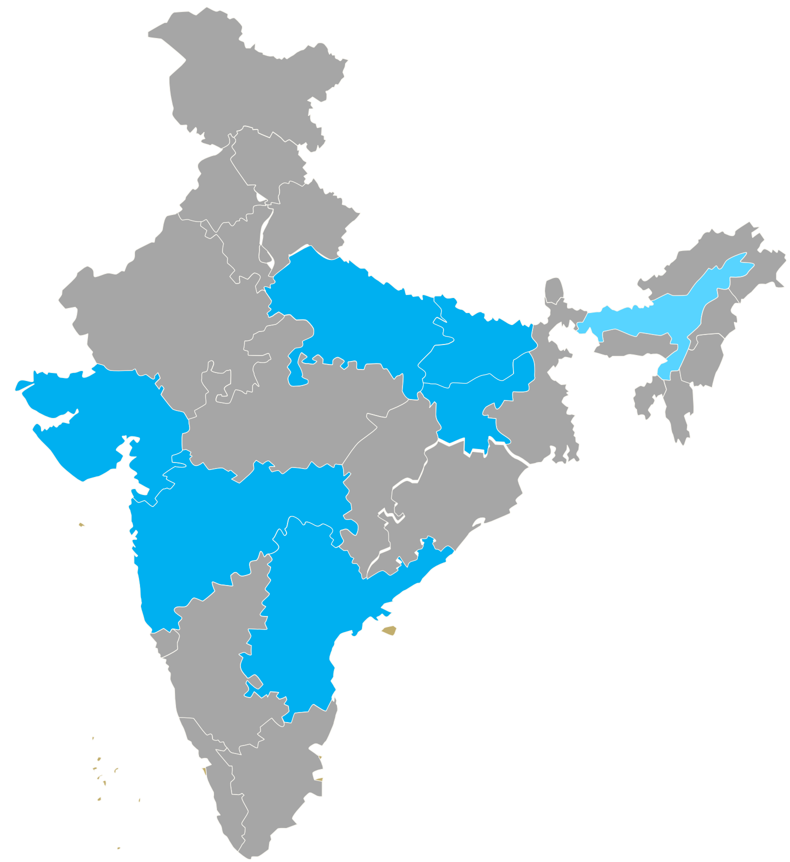
1 INR = 0.1 NOK

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

ARPU of internet vs non-internet users





** 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

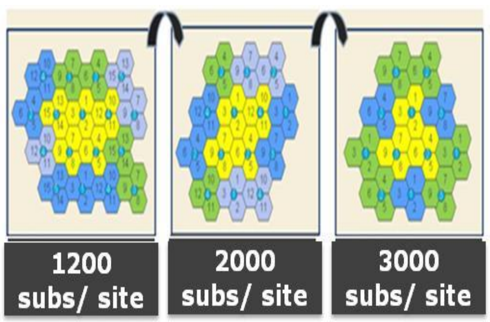
- Best on servicing the basics
- Best on mass market distribution
- Low cost operations

Clear value proposition

Strong execution

…supported by extreme operational efficiency

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

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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

Removing the barriers to use mobile internet

Business users

Connectivity costs

Smartphones

Enabling affordable basic internet services for the masses

Relevant	Affordable	Accessible
		
"basic services"	"sabse sasta"	"2x"

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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

Voice

Internet

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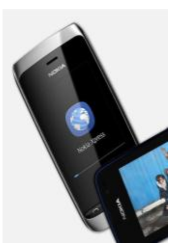
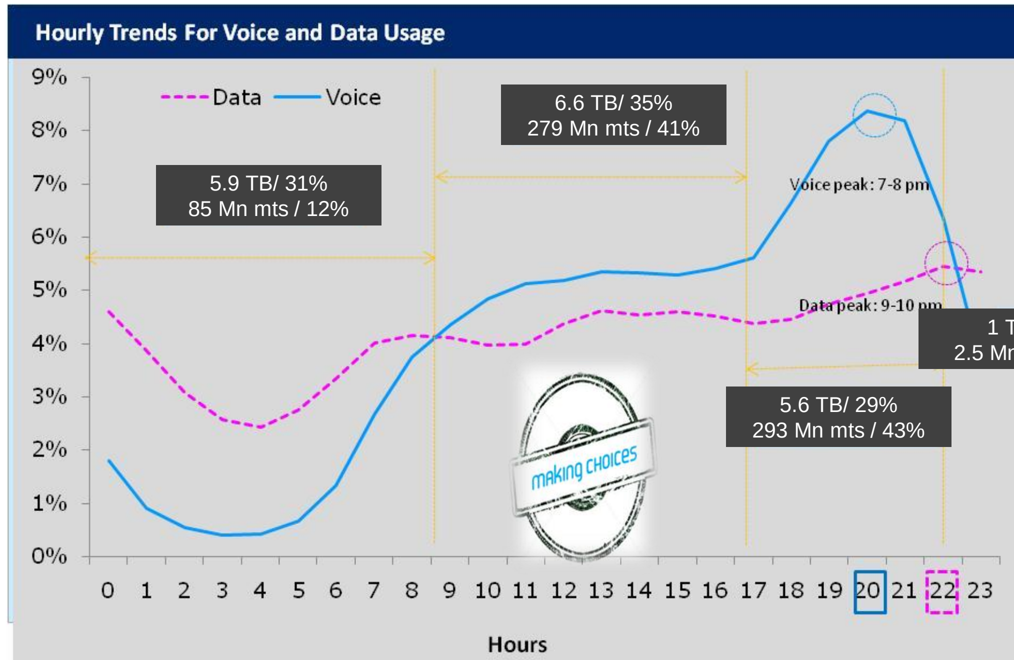
Challenge conventions and go “beyond” the limits

Partnerships



- Optimisation
- Technology solutions

Maximize assets 24x7



- Internet peak ≠ Voice peak
- Demand management

Understand value chain to explore possible efficiencies

Internet cloud

Data enabling systems

Compression, caching & peering — 25 %

Transmission networks

Packetization — 25 %

Radio networks

Spectral Efficiency >140 Erl/ Site — 25 %

Handsets

Mobile browser compression — 15 %

Indicative internet production cost

Solutions

Indicative max efficiency gain

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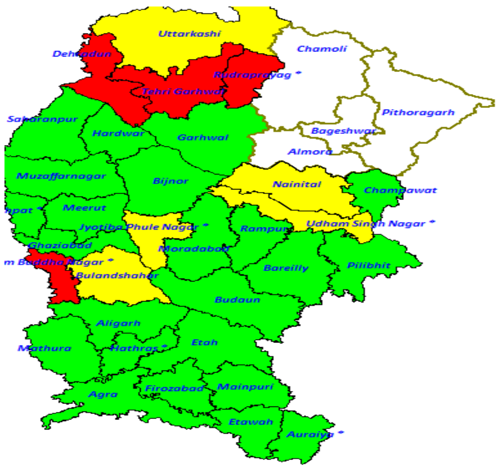
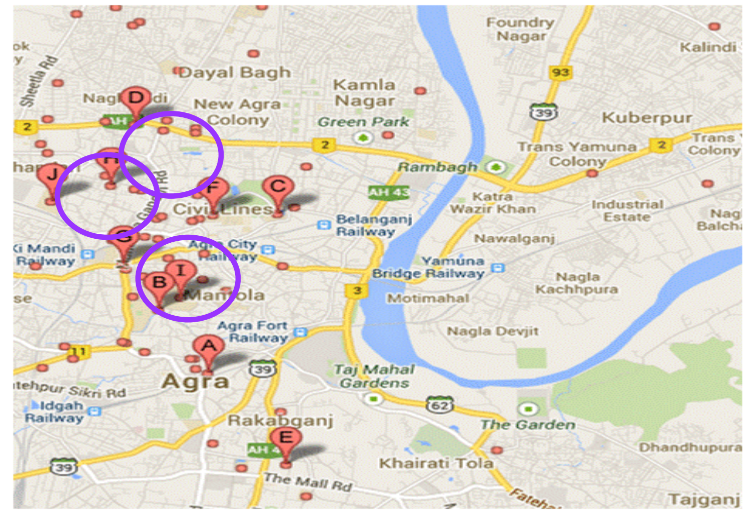
Cluster approach to support the internet journey

Voice: Challenge mobility	Internet: Focused approach
	

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

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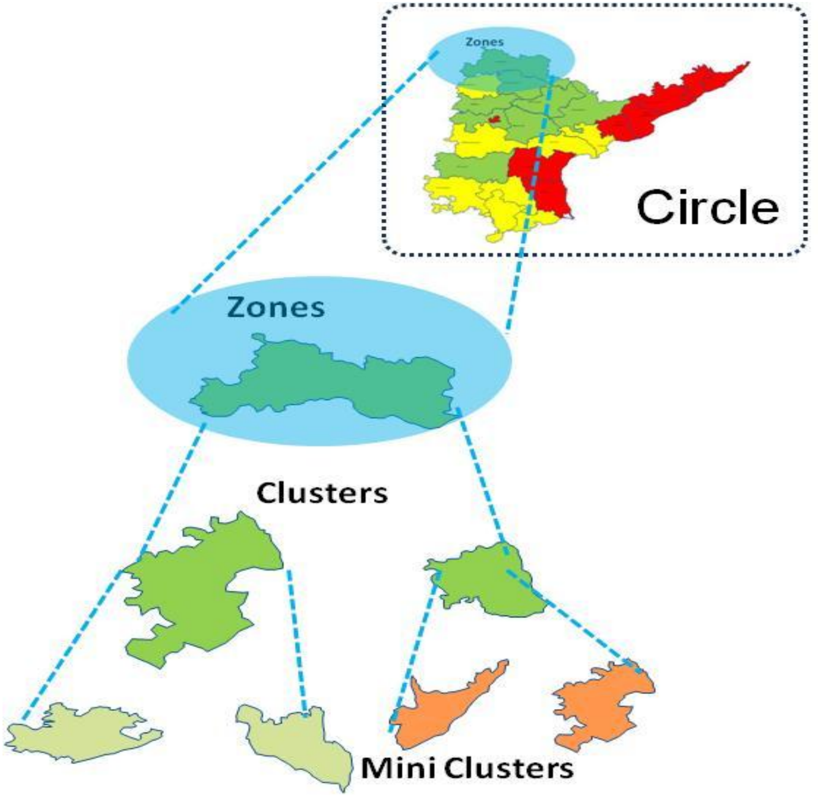
Deliver performance – The Uninor Way

Example: Mathura cluster, UP West *

	Pre	Post
Download / site - GB	1.3	1.5
Internet subs	9236	18709
Download/ sub / site	12.9	7.2

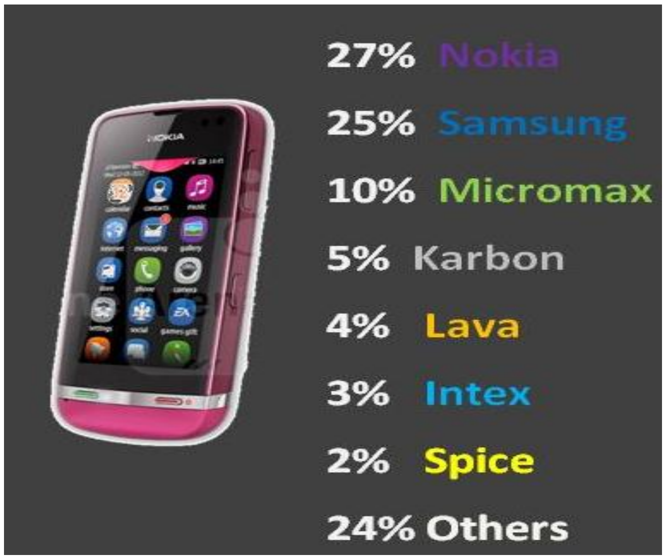
Targets to the last mile



** Uninor testing during April and May 2014*

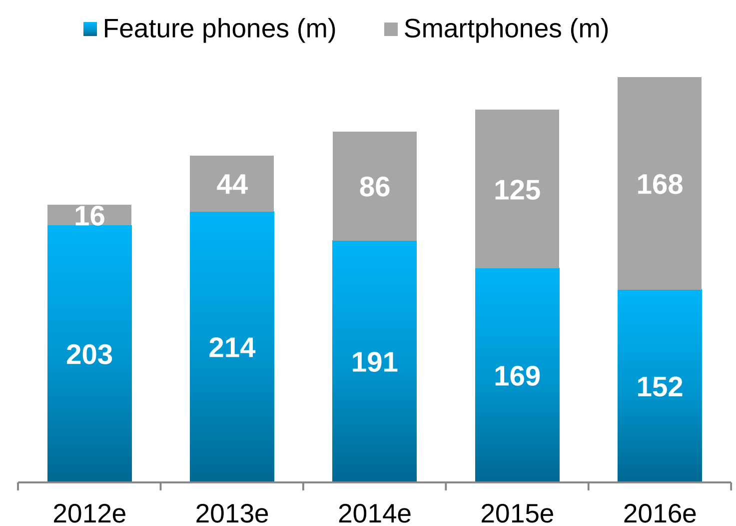
Affordable feature phones to drive service uptake

Uninor subscriber device split



- 13% smartphones
- 77% GPRS enabled

Handset development in India*



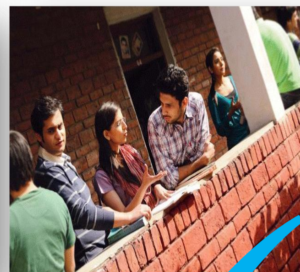
- Feature phones at USD 20
- Local manufacturers leading affordable feature / smartphones

*Source: IDC

and we believe that…

Relevant

Affordable



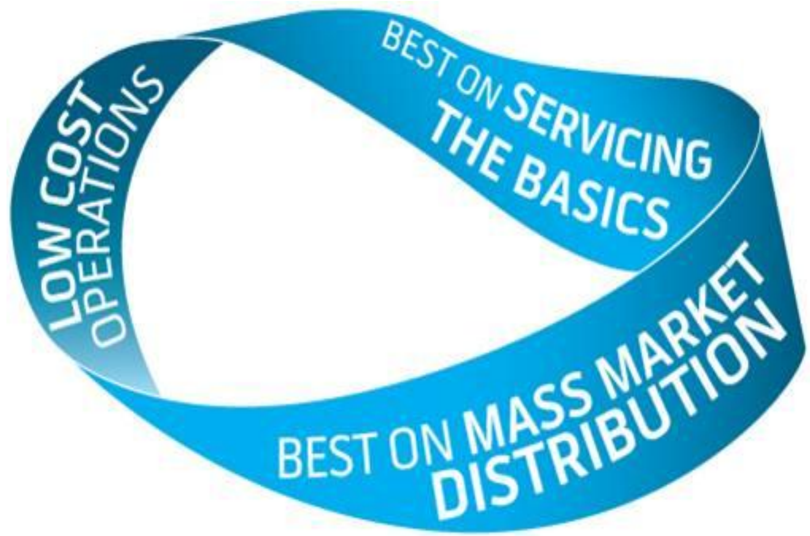
Accessible

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



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