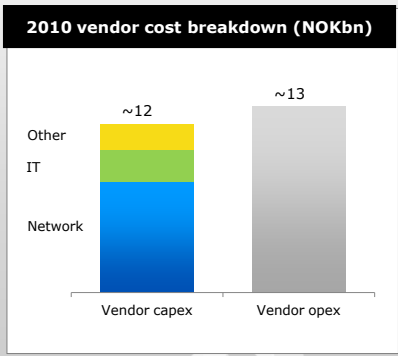
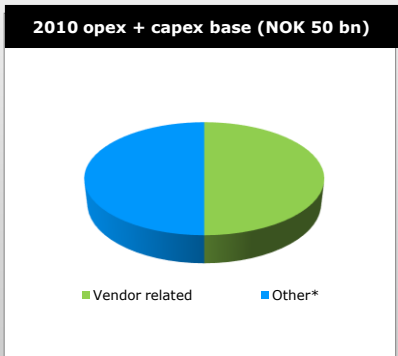


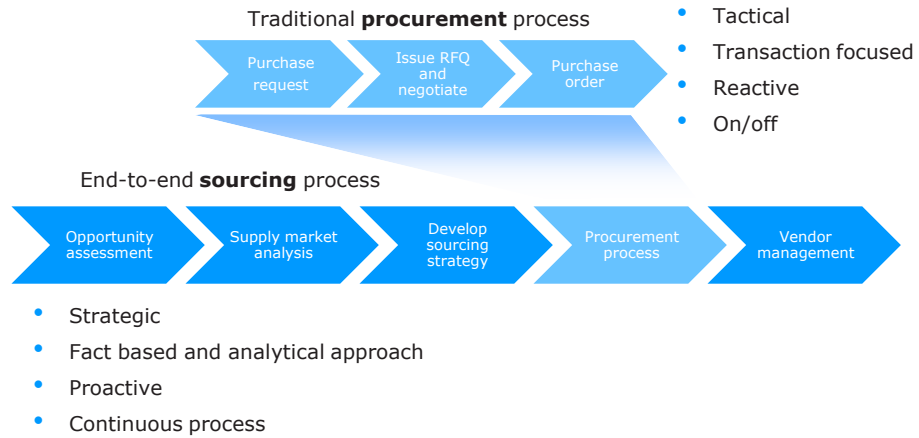
Vendor cost is a significant part of Telenor's cost base



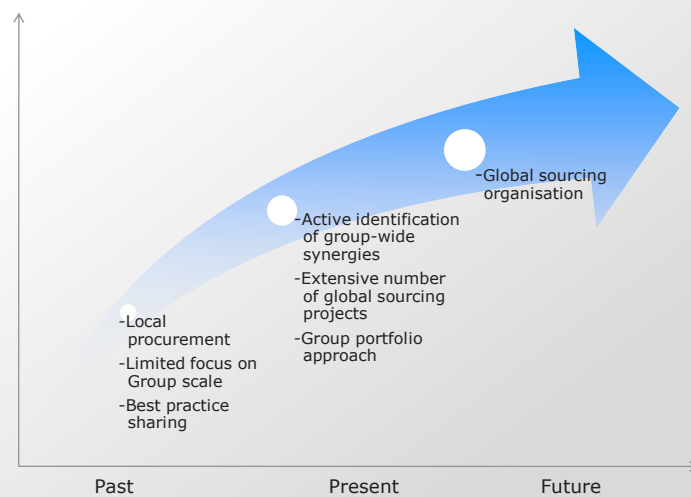
* Salaries and personnel cost, buildings and land, commissions, licences and fees, etc.



From traditional procurement to strategic sourcing



Sourcing development in Telenor Group



Main focus areas of Telenor Group sourcing

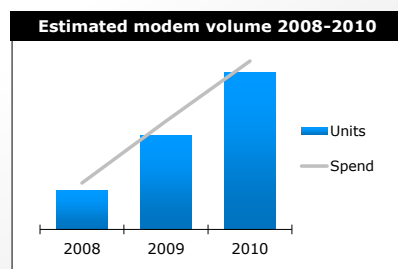
Leverage on Group scale

Execute transformation/ modernisation RFQs

Ensure proper sourcing governance and competence

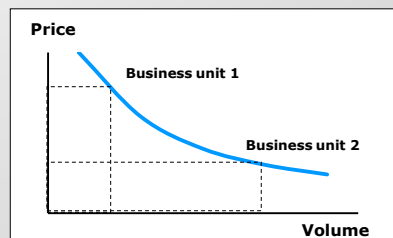
Leverage on Group scale: Identifying the opportunities

USB modem example:

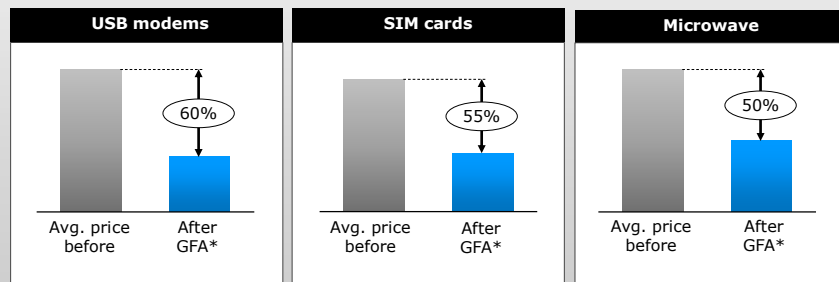


- Strong growth in demand
- Global vendor market

- Wide price gaps among business units
- Significant volume effects



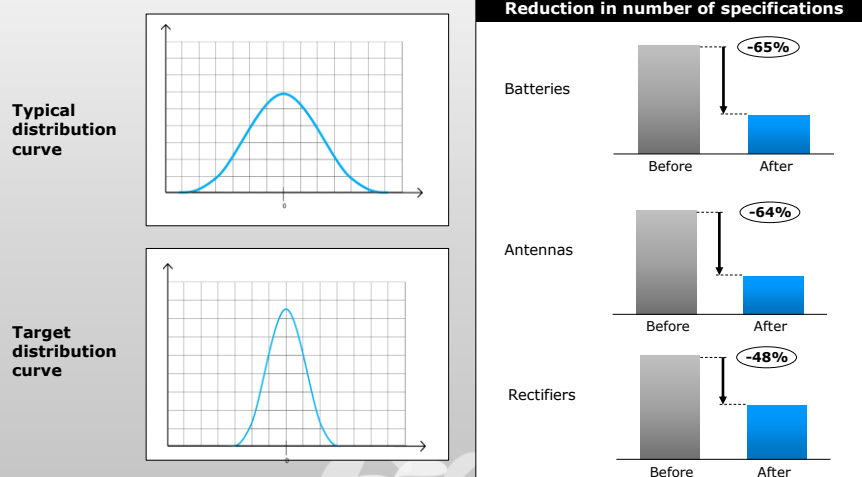
Unit prices are dropping dramatically through bundling of volumes



*) GFA = Global Frame Agreements



Standardising product specifications is a key driver for gaining scale



Consolidating the vendor base helps to intensify the competition

SIM card example:

2009

- 80 million units
- >40 local agreements with 12 different vendors
- Price variations of up to 400%



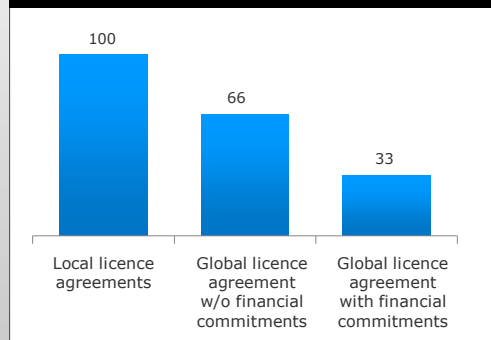
2011

- 120 million units
- 4 global vendors/agreements
- Same (low) price for all business units



Expanding the use of software licence pools

Software licence prices (index)



Additional benefits

- Improves asset utilisation across the Group
- Removes reseller margins

Main focus areas of Telenor Group sourcing

Leverage on Group scale

Execute transformation/ modernisation RFQs

Ensure proper sourcing governance and competence

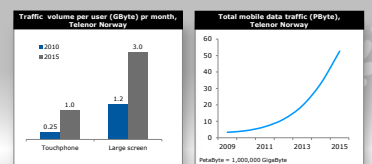


Network modernisation RFQs

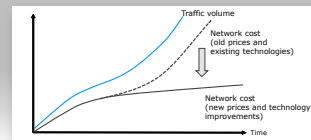
Strong data growth will drive network investments



Heavy increase in data traffic in coming years



Data growth represents a challenge to traditional mobile voice networks



Existing platform not adaptable to expected traffic growth and not prepared for LTE

From Telenor's CMD 2010

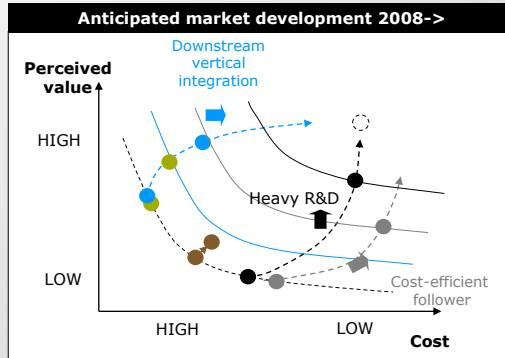


Network modernisation RFQs

Vendor market dynamics will intensify competition

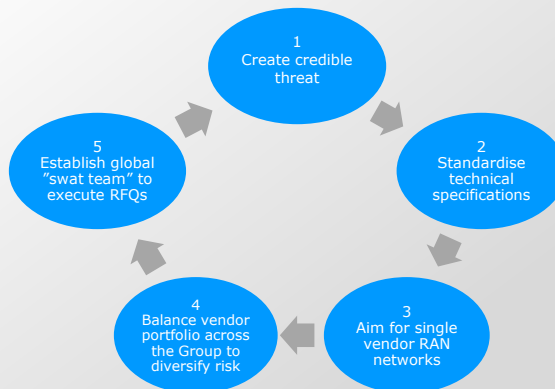


- “New” vendors maturing
- Cost efficient production in Asia
- High R&D spending
- Credible technology roadmaps



Network modernisation RFQs

Target is to secure future proof technology at lower TCO for all business units

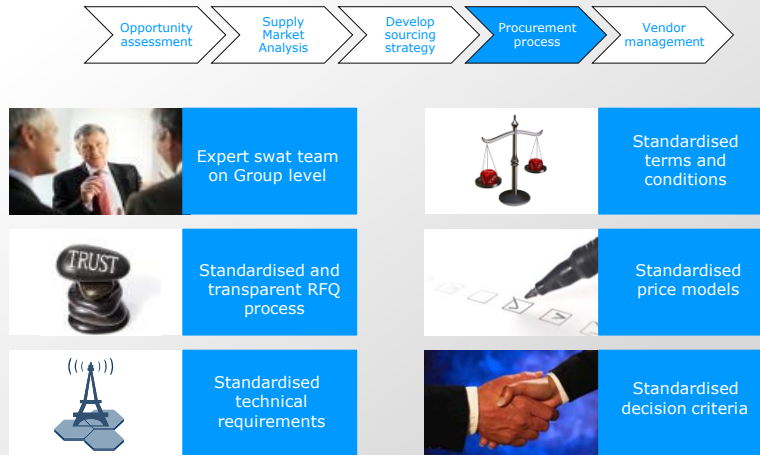


*) TCO: Total cost of ownership over the life time of the contract



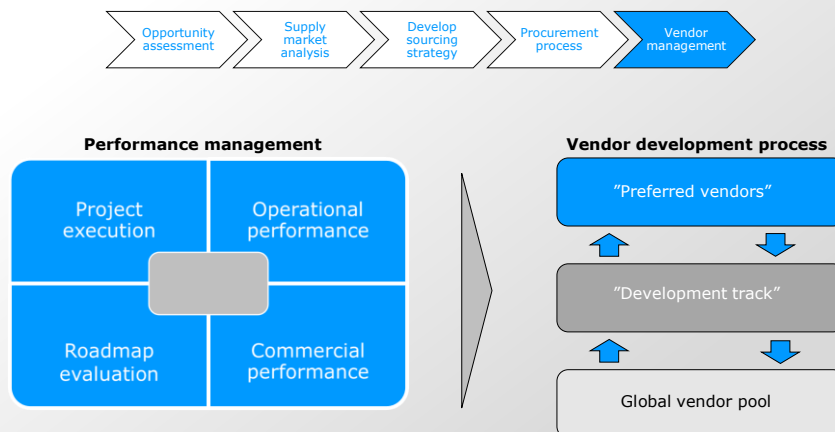
Network modernisation RFQs

A standardised procurement process executed to secure improved terms and conditions



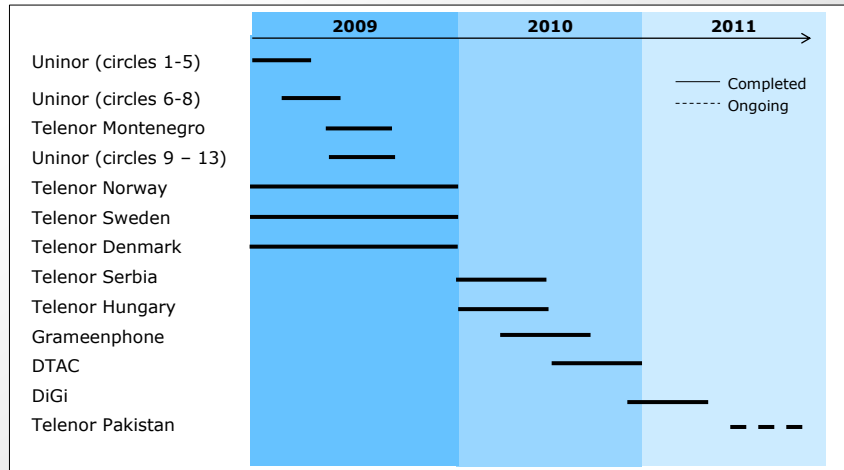
Network modernisation RFQs

Continuous follow-up of the vendors is required



Network modernisation RFQs

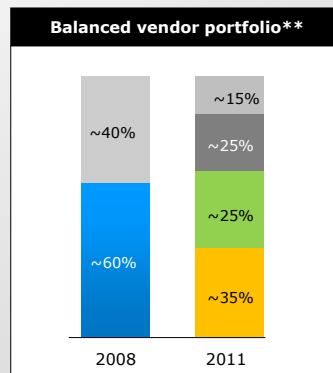
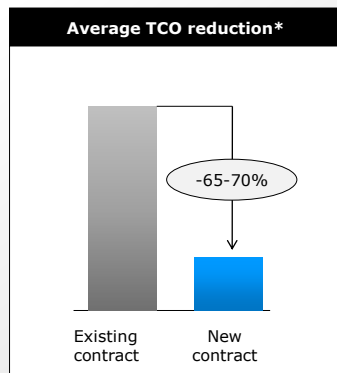
Network RFQs in all business units by end of 2011



Network modernisation RFQs

Significant financial and technological benefits

Estimated TCO savings of more than NOK 12 bn over life time of contracts



*) TCO: Total cost of ownership over the contract period. TCO for RFQ scope vs existing contract prices
 **) Based on number of sites



A similar, structured approach is now starting within managed services and IT sourcing

Drivers

- What is core business and what should be sourced through the vendor market
 - Network op. and maintenance?
 - Application development and maintenance?
 - Application and basic operations?
- Vendor market is developing and service offering is more mature
 - Vendor agnostic operations
 - Network and IT domains converging

Network and IT services

Deploy

Operate

Maintain

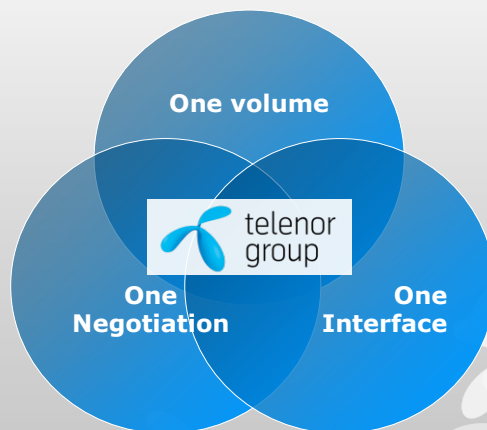
Develop

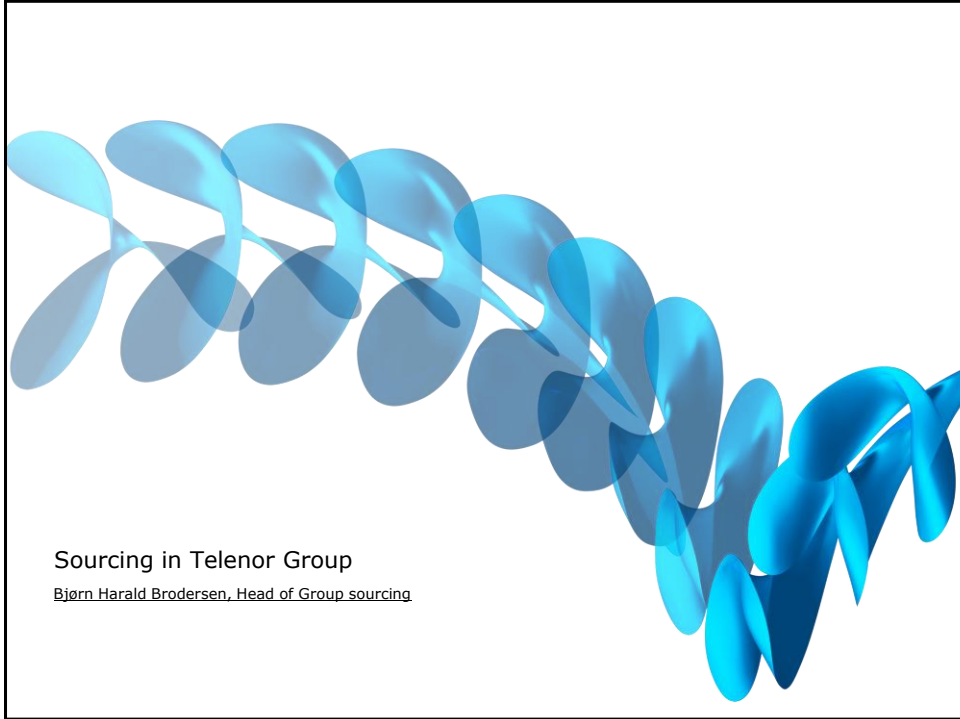
~NOK 2.5 billion annual cost*

*) Estimated external cost related to network and IT infrastructure services



Sourcing in Telenor Group: Still a large untapped potential





Sourcing in Telenor Group

Bjørn Harald Brodersen, Head of Group sourcing