Telenor Pakistan

Presentation to Research Analysts

25th August 2005

Islamabad, Pakistan

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Agenda

- Intro & revisit of investment rationale for Telenor in Pakistan
- Achievements and key figures Q2 2005
- Macro and politics
- Commercial update
- Network
- Regulatory environment
- Way forward
- Questions

The Opportunity

- **Favourable macroeconomic & political environment**
  - Macroeconomic outlook looking positive and acceptable political stability
- **Low market penetration and high growth expected going forward**
  - A “mobile hungry” population
- **Relatively unsophisticated and underdeveloped market**
  - Network build-out is scattered and of poor quality
- **Potential for synergies**
  - Leverage Telenor’s significant experience in Asian emerging and developing markets

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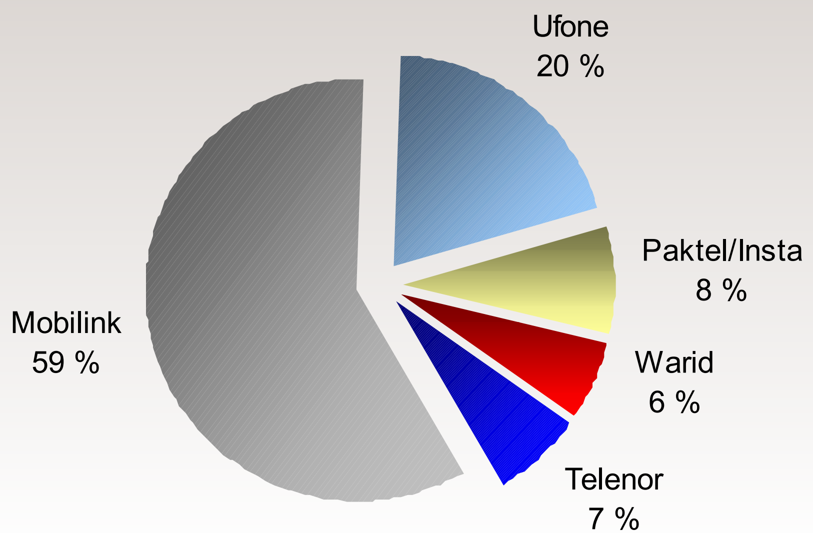
Achievements to Date

• Telenor wins nationwide mobile license	April 04
• Network contract signed with Siemens and Nokia	June – July 04
• LDI license awarded to Telenor	August 04
• Interconnect agreements signed with all incumbent operators	December 04
• Commercial launch of LDI service	February 05
• Commercial launch of mobile services	March 05
• Additional cities launched	March – August 05
• Telenor reaches 1 million subscribers	August 05

Telenor Pakistan – Key statistics June 2005

- **Penetration: approx. 8.4%**
- **Population coverage: 21%**
- **Q2 net adds: 492k**
- **Total subs: 836k**
- **Low initial ARPU: Currently $4**
- **Employees: 840**
- **Investment to date: $320m**
  (includes initial payment of 50% of license cost)

Market share (SIMs)
(Telenor estimates)



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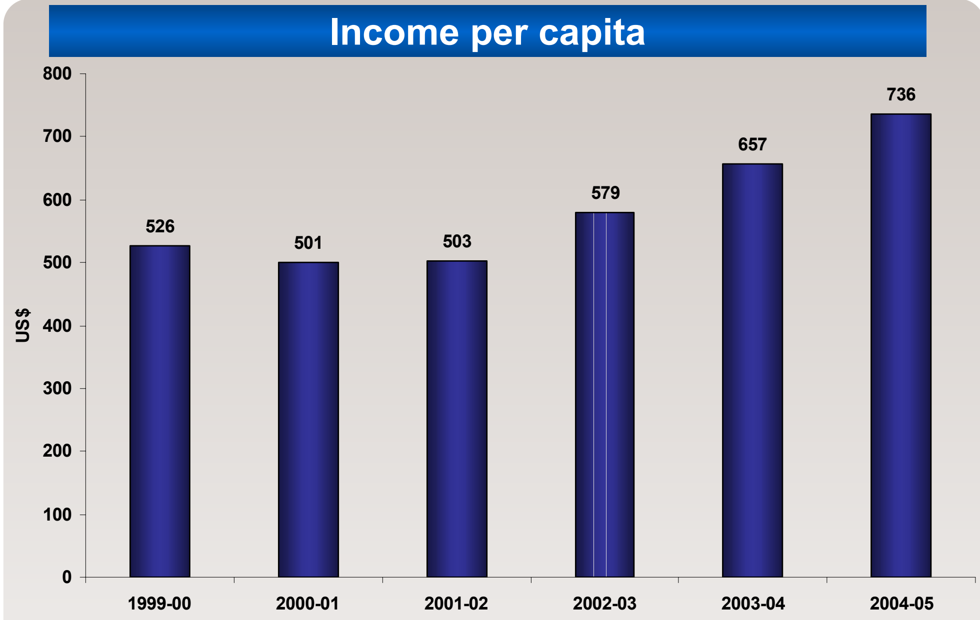
Pakistan – Macroeconomic Outlook

- **Population: 154 million**
- **One of the fastest growing economies in Asia**
  - GDP growth of 8.4% for 2004/05
  - Foreign direct investment has increased to $1.5 billion, the highest ever in the country's history
  - Privatization process in full swing (PTCL sale largest privatization in the history of Pakistan)
  - US/Rs. exchange rate stable at 59-60
  - Interest rates have increased substantially since last year (12 month T-bill rate currently 8.8%)
  - Inflation currently at double digit levels

Sources:
EIU (Economist Intelligence Unit), press and broker reports



"…in my view, there's no question that the glass here is half-full and it's filling up…"

Paul Wolfowitz, President, World Bank
on his recent trip to Pakistan
August 17th, 2005

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Pakistan – Politics and Security

- **The President enjoys the support of a majority in Parliament and of a loyal Prime Minister**
  - Has continued as chief of army staff
  - Risk of disruption by fundamentalists remains although the Government has taken steps to mitigate this risk

- **Relations with India have improved substantially**
  - Dialogue on bilateral issues including Kashmir, trade and nuclear safety are ongoing
  - Confidence building measures including resumption of bus links, cricket matches and other cultural exchanges are viewed as positive

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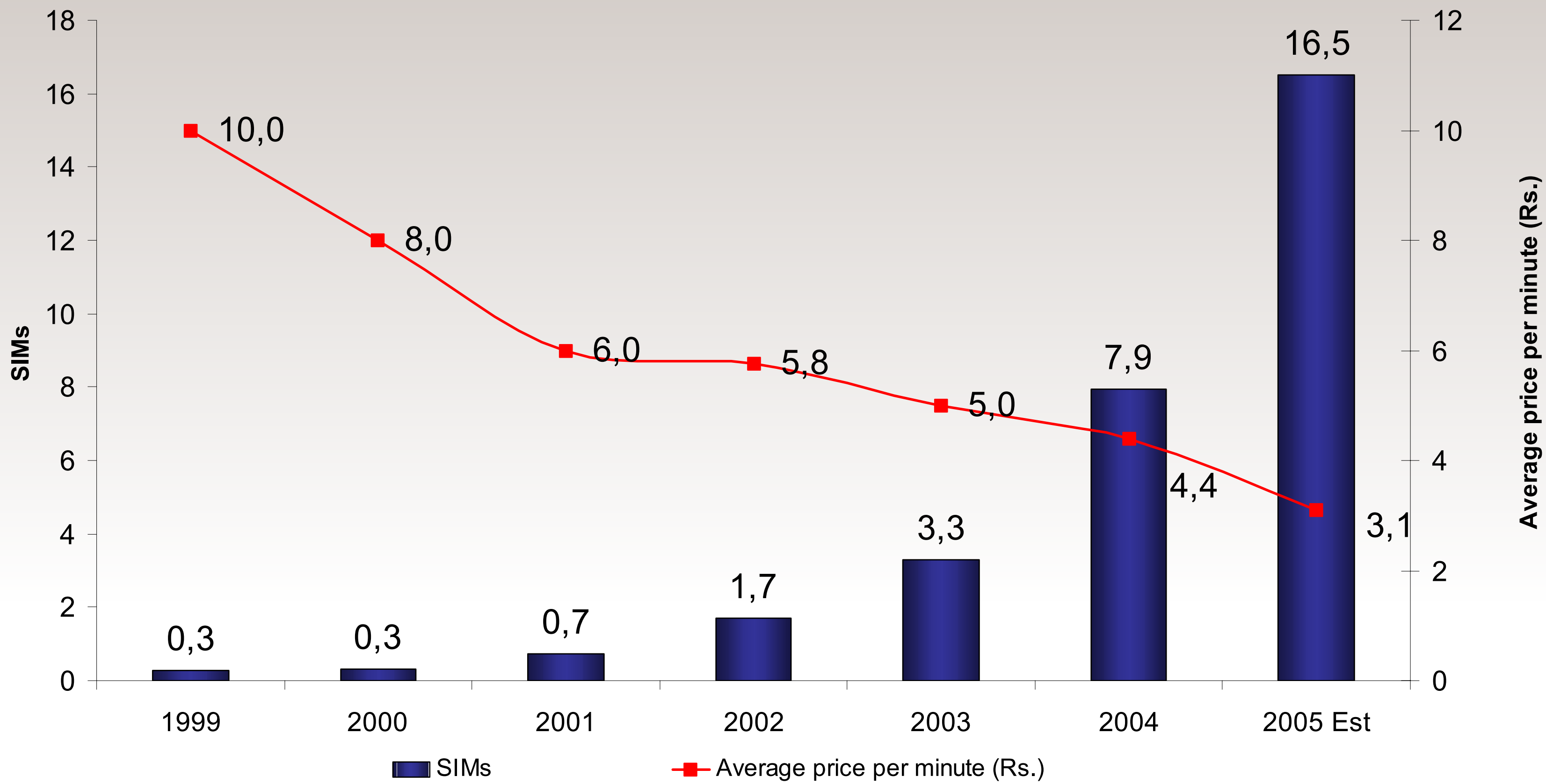
Commercial Update

Strong Market Growth Since 2002



Source: Company data and market reports

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Competitive Overview

	Launch date	Technology	Present Ownership
Mobilink	1994	GSM	Orascom (1)
ufone	2001	GSM	PTCL Etisalat (2005)
Paktel	1991	AMPS / GSM (2004)	Millicom (1)
INSTAPHONE	1991	TDMA	Millicom (1)
WARID TELECOM	2005	GSM	UAE based group
telenor	2005	GSM	Telenor

Note:
1. Local minority shareholder

Competitive Landscape

	Mobilink	Ufone	Paktel	Instaphone	Warid Telecom	telenor
Network quality	Fair	Fair	Fair	Poor	Good	Good
Coverage	Good	Fair	Good	Good	Poor	Poor
Customer care	Fair	Poor	Poor	Poor	Fair	Good
Products / Services	Fair	Fair	Good	Poor	Good	Fair
International expertise	Fair	Poor	Fair	Fair	Fair	Good
Financial strength	Fair	Good	Poor	Poor	Good	Good
Brand Image	Good	Fair	Poor	Poor	Fair	Fair

Poor Fair Good

Prepaid Competitive Tariff Plan (Basic Price)

	Domestic voice (Peak hour) (including interconnect) – Rs. per minute			Domestic SMS – Rs. per message	
	On-net	Off-net (mobile)	PTCL	On-net	Off-net
Mobilink	3.50	5.10	5.10	1.00	1.50
Ufone	2.99	4.59	2.99	0.50	1.00
Paktel	3.75	3.75	3.75	1.50	1.50
Instaphone	3.99	5.59	5.59	0.50	1.00
Warid Telecom	2.00	3.00	3.00	0.50	1.00
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Source: Company websites

Notes:

1. Ufone – Off-peak airtime (excluding interconnect) of Rs.1.50 during off-peak hours

2. Instaphone – Off-peak airtime (excluding interconnect) of Rs.0.99 from midnight to 3am & Rs.0.25 from 3am until 7am

3. Warid – Tariff for Friends & Family of Rs.1.50 (peak) and Rs.1 (off-peak). Off-peak tariff for on-net calls of Rs.1.50 and for off-net calls of Rs.2.75

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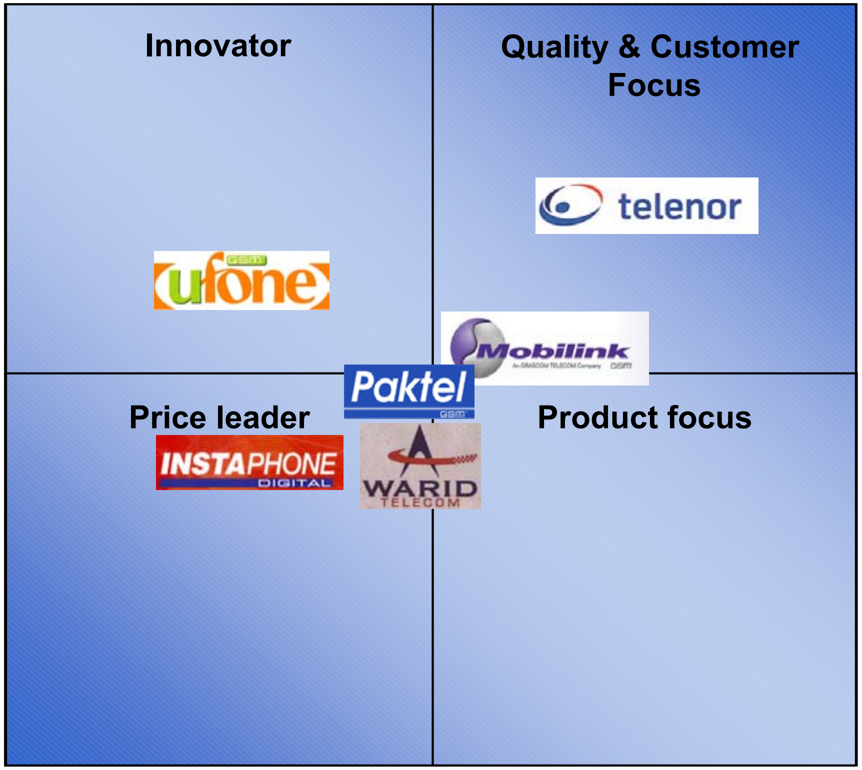
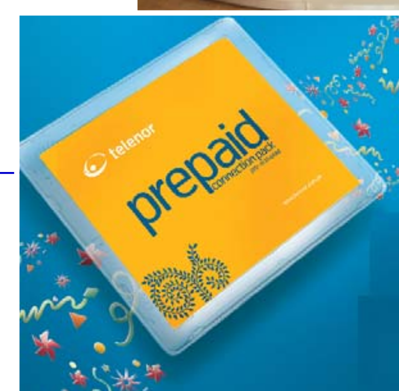
Telenor – Building a Strong Brand

- **Aiming for Category Leadership in Pakistan**
- **Aspiration is built into the brand through focus on performance, expertise, experience and European quality standards**
  - Simplicity
  - Attractiveness
  - Trustworthiness
  - Service Quality



Telenor Pakistan's Competitive Edge

- **Product Quality and Performance** through a superior network design
- **Convenience** through Easy Load and distribution setup
- **Simplicity and Trust** through pricing simplicity and transparency
- **Affordability** through unlimited validity and Easy Load



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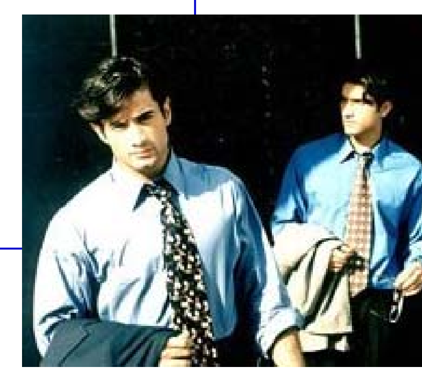
Market Segmentation

- Market dominated by low-end, low-ARPU customers (largely untapped)
- Relatively large emerging middle class segment (Basic in Telenor Terminology)
- Strong youth culture with needs similar to other markets
- Private postpaid almost non-existent
- Small but profitable (high ARPU) Corporate/SME segment
- Women a largely untapped segment



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Addressing the Segments

- **Telenor Group's segmentation model has been adopted and adapted to cover the Pakistani market**
- **Extensive Market research has been conducted and is updated on a regular basis**
- **Initial offerings targeted**
  - primarily at Basic Consumers (Middle ground, prepaid)
  - secondarily at low end users
  - third at Corporate/SME customers
- **Going forward, the offerings, distribution and communication will broaden and ultimately target all relevant segments**

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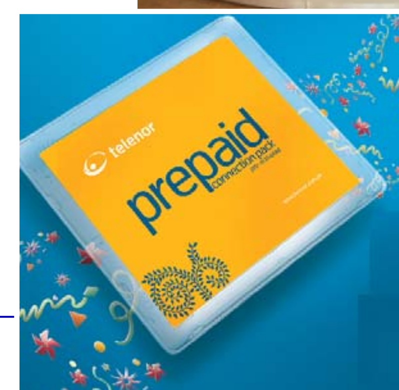
Sales & Distribution Objectives

- **Distribution a competitive advantage**
- **High level of retail penetration – maximize sales**
- **Reinforce brand image & positioning**
- **Low distribution cost**
- **High channel loyalty through fair profitability for channels**



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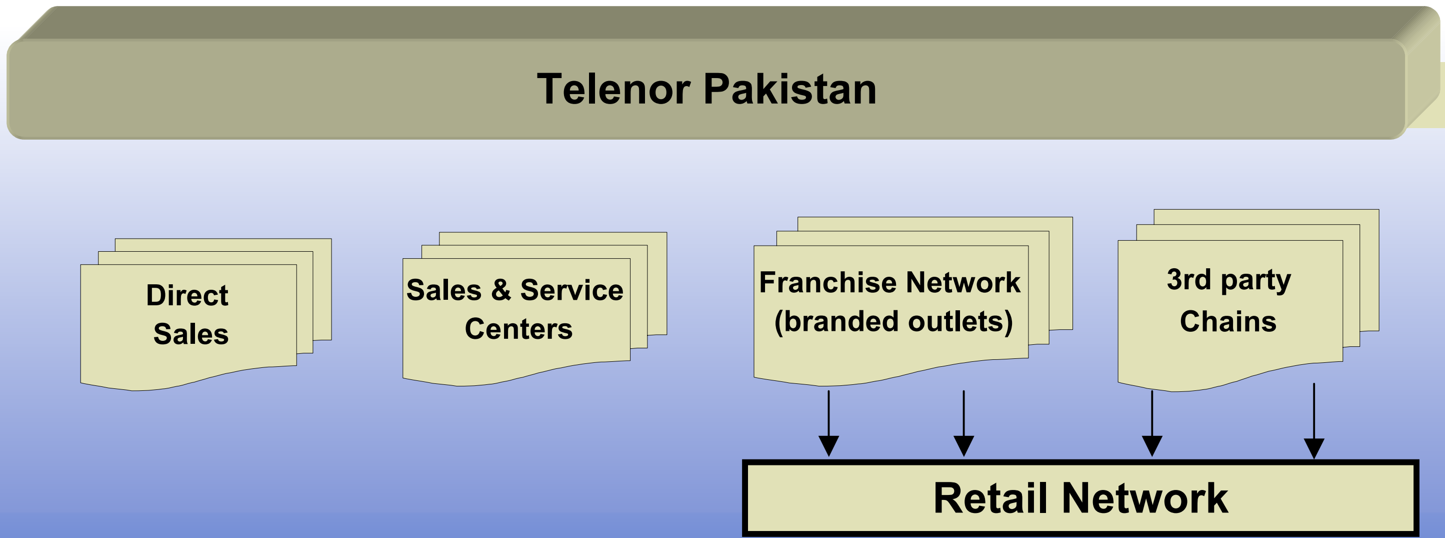
Distribution Model



Strong Distribution Coverage

	At Launch	Current
Company Operated Sales & Service Centers	8	11 (3 in progress)
Franchisees	34	42 (17 in progress)
Retail Sales Outlets	Over 1,000	Over 4,000
E-load & refill outlets	Over 2,000	Over 10,000
Mobile Vans	3	3

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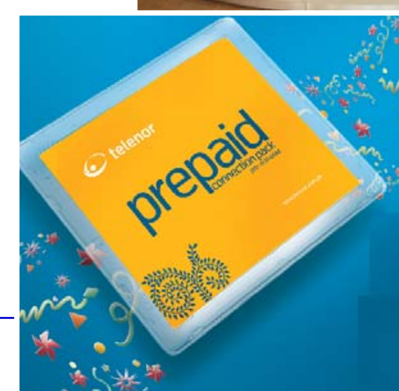
Customer Acquisition

- **Government activation tax reduced in June from Rs.1,000 to Rs.500 per active new sub**
- **Recommended start pack end user price currently between Rs.200 - 300**
- **Effective end user price in the market ranges from Rs.0 - 100 due to discounts in retail and bundled airtime**
- **Telenor start pack (priced at net Rs.149 after reduction of free airtime) is competitive and attracts "right" premium customers**
- **Price consistency maintained on Telenor starter pack controlling the perceived value**



Telenor Now in Pakistan – Launch Film

FILM

Launch Campaign

Telenor Arrival in Pakistan

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Launch Campaign Cont'd

Prepaid Offering

Postpaid Offering

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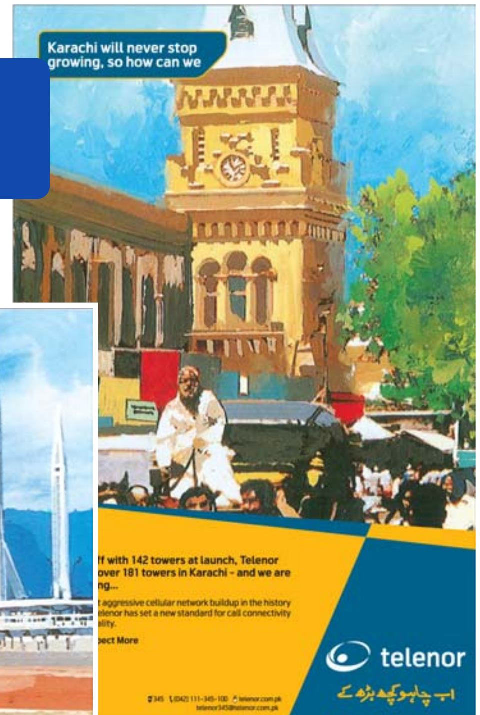
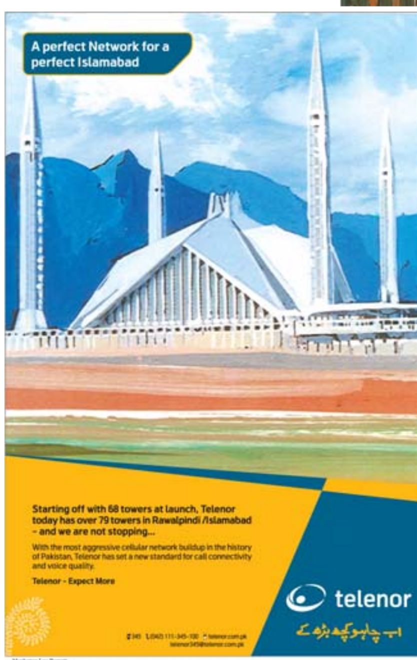
Post Launch Campaigns

Focus on Strengthening Coverage and Local Presence





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Post Launch Campaigns Cont'd

Promoting SMS & MMS - Summer Promotion

Post Launch Campaigns Cont’d

Being Competitive with the Market on Pricing

Manhattan Leo Burnett

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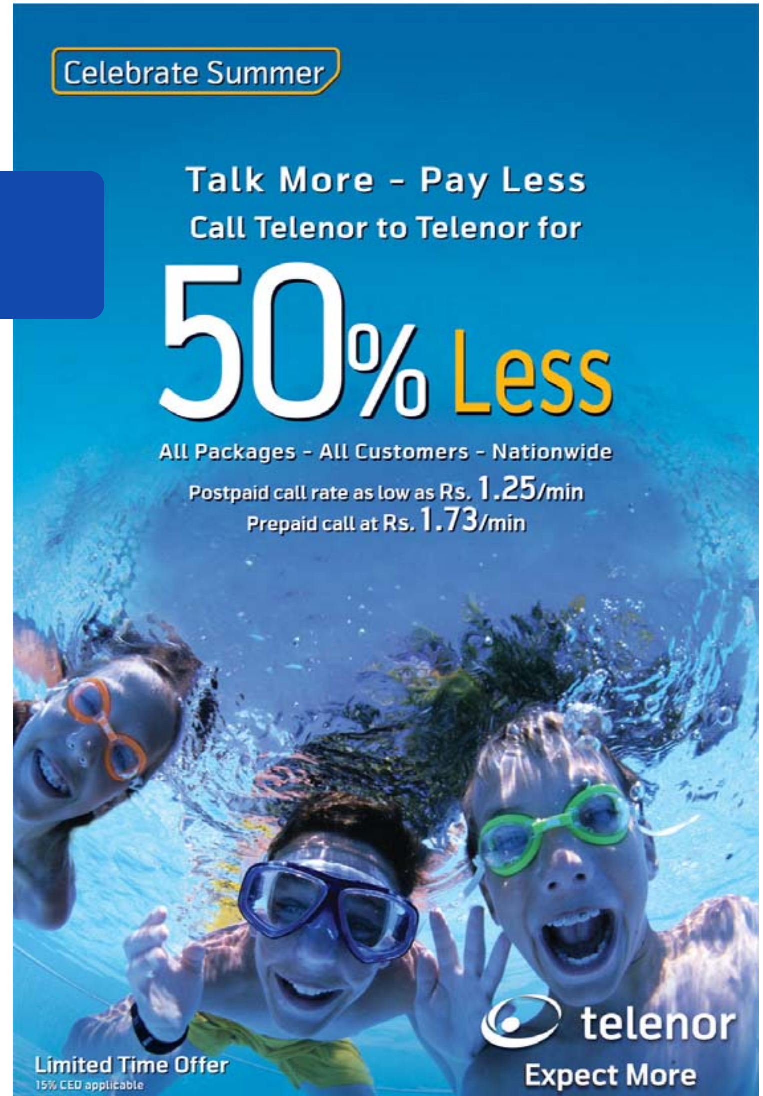
Post Launch Campaigns Cont'd

Growing the Telenor family



Manhattan Leo Burnett

Post Launch Campaigns Cont'd

Celebrating a Million Customers

Manhattan Leo Burnett


NORWAY : SWEDEN : DENMARK : AUSTRIA : MONTENEGRO : HUNGARY : UKRAINE :RUSSIA : PAKISTAN : BANGLADESH : THAILAND : MALAYSIA

Network

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Network Strategy

- **Two vendor strategy – Nokia and Siemens**
  - In case one vendor underperforms, future expansions can be awarded accordingly
  - Price benchmark ensures that a check is present on the vendors
- **Planning and dimensioning**
  - Dense (small-cell) network within big cities in order to ensure coverage and quality
  - Both 900 and 1800 spectrums utilized in order to cater for capacity and marketing campaigns
  - Local traffic patterns considered while designing the core network

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Network Strategy Cont'd

- **Operations and maintenance**
  - Network operated by Siemens & Nokia and Network Operation Center established with agreed SLAs to provide Telenor Pakistan subscribers reliable service
  - Follow-up and monitoring by Telenor staff
- **Leveraging Group relationship and knowledge**
  - Network dimensioned using the vast knowledge of Telenor Group
  - Group experiences with similar networks in terms of population and per capita income (Grameen Phone etc.) shared and applied

Network Overview

- **Architecture**
  - Classic 2.5G GSM network architecture
  - Radio and access network – transmission via combination of leased lines and microwave
- **Technologies and plan to move to future (EDGE compatible)**
  - All radio network is EDGE ready, hence wide band services can be offered
- **Media gateways (MGWs) and Intra-city Fiber Optic networks**
  - Split Architecture/MGW deployment planned to reduce dependency on leased media and enable local call routing
  - Intra-City Fiber Optic network planned to reduce reliance on microwave and enable faster and smoother rollout of upcoming technologies
  - Current MSCs can serve both as legacy switches and as MSC Servers which enables faster rollout of split architecture
- **LDI network**
  - Telenor Pakistan’s own (long distance) LDI network ensures less reliance on other operators for carrying both nationwide and international calls

Ensuring Cost Efficiency in a Quality Network

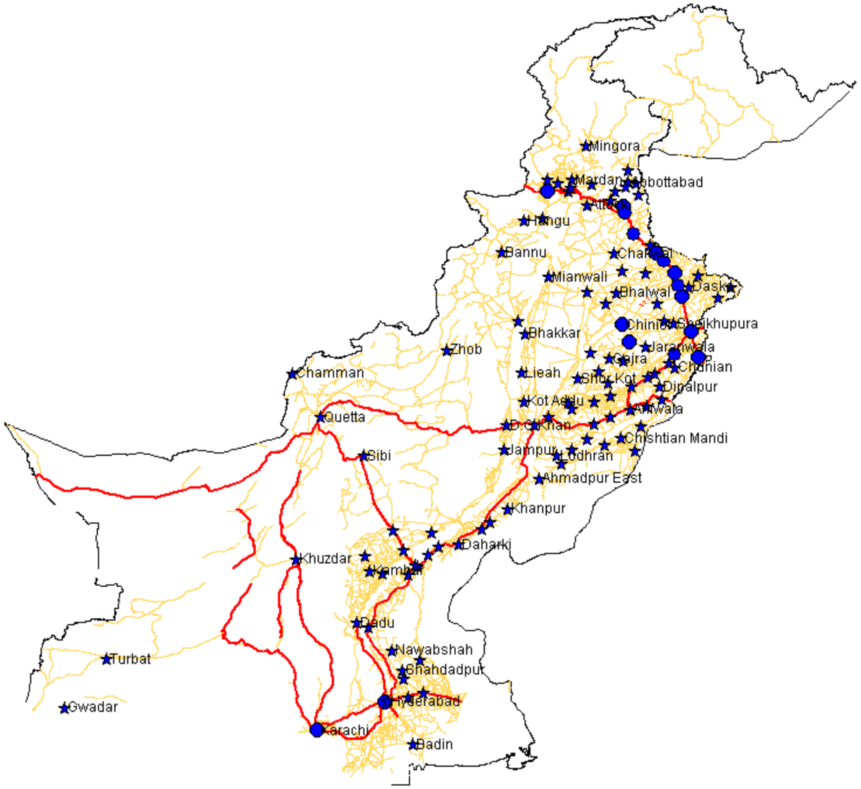
- **Site sharing**
- **Cost optimization features in the network, e.g. half rate**
- **Spectrum efficiency**
- **Ensuring sufficient quality based on market dynamics (different customer segments / demands)**
- **Exploring low cost rollout solutions for rural areas**
  - Smart Radio Concept being utilized to extend coverage in rural areas
  - Partnering with various organizations to utilize their space and reduce CAPEX

Current Network Status

Population coverage: 23% (approx. 35 million people)

Footprint: 16 cities (plus 5 major roads / highways)

Base stations: Approx. 700



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Regulatory Environment

Regulatory and Political Framework

- Telecom Act, 1996 laid the foundations for deregulation
- Fixed-line Deregulation Policy announced in 2003
- Mobile Cellular Policy implemented in 2004
- Broadband Policy announced in 2004
- PTCL privatization took place in June 2005

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Regulatory Environment

- **A well articulated licensing framework is in place**
  - 6 national cellular mobile licensees
  - 12 long distance international (LDI) licensees
  - 51 regional local loop licensees (includes WLL)
- **Pakistan Telecommunication Authority (PTA) regulates the Telecom operators**
- **Frequency is managed independently by the Frequency Allocation Board (FAB)**
- **Broadcasting companies are regulated under a different licensing framework by the Pakistan Electronic Media Regulatory Authority (PEMRA)**

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Regulatory Developments

- Activation tax for new cellular connections reduced by 50% to Rs.500 June 2005
- Implementation of Mobile Number Portability (MNP) expected by Q1 2006
- Management control of PTCL expected to be transferred to Etisalat by the end of August
- Telecom Act, 1996, currently under review by the GoP
- Decreasing interconnection rates in the market

Telenor Pakistan Leading the Way

- **MNP**
  - Telenor Pakistan CEO Tore Johnsen is Chairman of the MNP Board

- **WLL – limited mobility decision**
  - On Telenor Pakistan’s initiative, GSM Association got involved in WLL limited mobility issue in Pakistan
  - Initial success has been achieved with PTA limiting mobility to one base station for WLL operators

- **License payment terms relaxation**
  - Telenor Pakistan took the initiative to lobby against the discriminatory license payment terms offered to Paktel resulting in subsequent relaxation in TP’s license fee terms
  - Remaining 50% license fee, payable in equal annual installments starting 2009 instead of annually from 2005 as per original license terms

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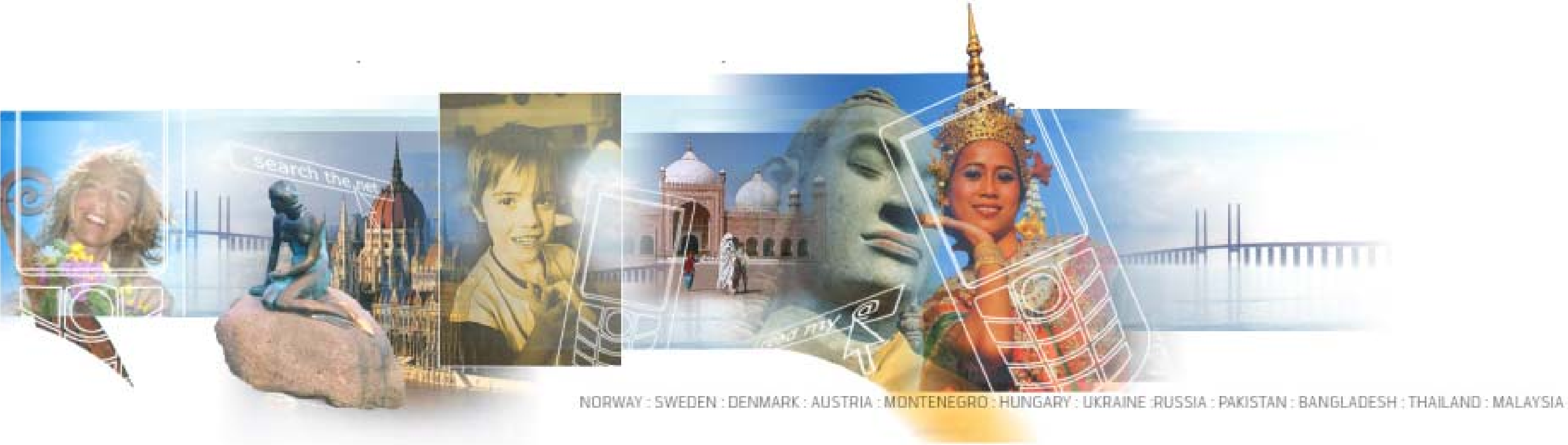
Telenor Pakistan Leading the Way (cont.)

- **APC (Access Promotion Contribution)**
  - Active lobbying has resulted in 30% reduction in Government’s premium on international incoming calls
- **MTR (Mobile Termination Rate)**
  - Telenor Pakistan provided international best practices and benchmarks to the PTA
  - Actively lobbied for gradual reduction in MTR
- **Local taxes for Base station sites**
  - Lobbied for a centralized, standard tax structure
  - Took up cases with local governments against excessive taxation resulting in substantial savings
- **Leveraging on Group experience**
  - Cost-based interconnection
  - Public policy initiatives

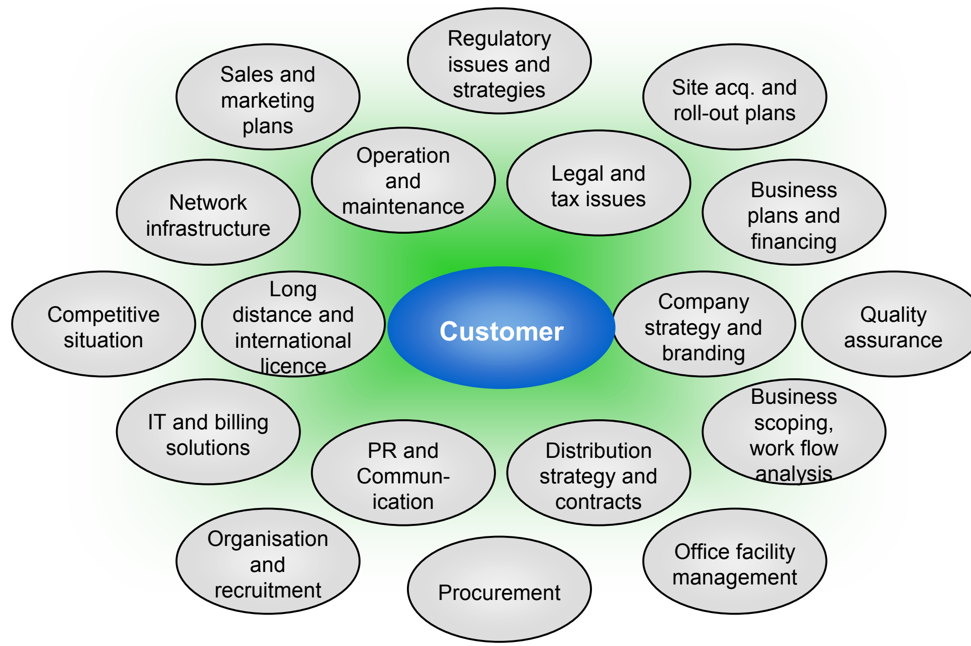


The Way Forward

Key Success Factors

- **Attractive and segmented product and service portfolio supported by a strong brand**
- **High network quality and continuous rapid network coverage expansion**
- **High quality and efficient customer service**
- **Ensure low cost operations**
- **Leveraging group knowledge**

Building a green-field



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Key Short and Medium Term Challenges

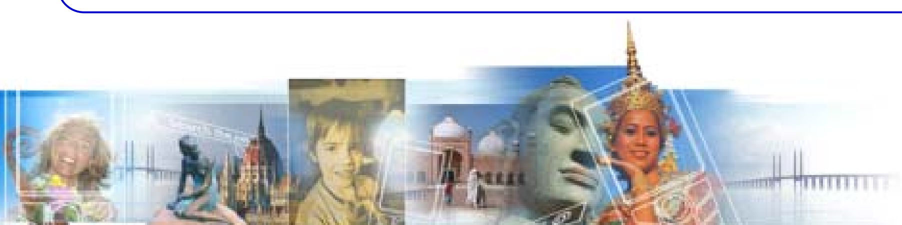
- **Ensure continuous rapid network rollout**
  - Close coverage gap vs. incumbents and
  - Maintain network quality
- **ARPU dilution**
  - Dual SIMs
  - Price competition
- **Regulatory**
  - Stable regulatory environment ensuring level playing field
  - Implementation of MNP by Q1 2006
- **Scaling up of operations during strong growth phase**
  - Ensuring scaling up of network, systems and operational processes to handle strong volume growth

Telenor Pakistan Outlook

- **2005**
  - Penetration 10 - 11%
  - Market share target 10%
  - General market ARPU dilution

- **2007**
  - First year of Positive EBITDA

- **2008**
  - Penetration > 20%
  - Market share around 20%
  - Blended ARPU US$4 - 6



Thank You