ANALYST PRESENTATION

2nd MARCH, 2017
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Forward-looking statements are based on certain assumptions and expectations of future events. The companies referred to in this presentation cannot guarantee that these assumptions and expectations are accurate or will be realized. The actual results, performance or achievements, could thus differ materially from those projected in any such forward-looking statements. These companies assume no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events, or otherwise.
OUR FUNDAMENTAL BELIEFS
Shift in Industry Revenue

- Revenue Transition from voice to data in 1-2 years
  - Voice revenue to reduce from Rs 1.5 lakh cr to Rs 0.5 lakh cr
  - Shift of Rs 1 lakh cr from voice will take data revenue to Rs 1.3 lakh cr

- Overall Industry Revenue to grow to Rs 3 lakh cr by 2020-21
  - Leading global consultants have forecasted demand for data at 500 - 600 cr GB/month. At yield of Rs 50/GB it translates to Rs 3.0 - 3.6 lakh cr/year
  - Equivalent to 1.35 - 1.6 % of projected GDP (still lesser than 2.5% in developed economies)
  - Government revenues likely to increase by 50%

- Industry growth was low in last 5 years – next 5 years to see rapid growth with data explosion

Mobile market to expand to Rs 3 lakh cr primarily from data
Elasticity of Demand

- Industry is moving from voice to data

- Voice is demand constrained
  - Inelastic demand; limited by time availability
  - No possibility of service differentiation

- Data is supply constrained (demand will always outstrip supply)
  - Very elastic demand
  - Increase due to screen size, resolution, data speeds and time spent
  - Consumption will increase; Constrained by budget only ➔ ARPU growth

ARPU will grow because of shift from voice to data – revenue market share will be driven by data capacity share
Industry will move to ARPU / User from ARPU / SIM

- ARPU per SIM is a misnomer while assessing ability to pay
- TRAI data indicates 1.13 bn SIMS in India
- Data can be activated only on one SIM (unlike voice on dual SIM)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>UOM</th>
<th>Smartphone Users</th>
<th>Feature Phone users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Devices in circulation</td>
<td>Mn</td>
<td>263</td>
<td>496</td>
</tr>
<tr>
<td>Average SIM / User</td>
<td></td>
<td>1.19</td>
<td>1.28</td>
</tr>
<tr>
<td>ARPU per VLR SIM</td>
<td>Rs.</td>
<td>277</td>
<td>134</td>
</tr>
<tr>
<td>Effective ARPU per user</td>
<td>Rs.</td>
<td>329</td>
<td>172</td>
</tr>
</tbody>
</table>

Source: TRAI, CMR data, Company estimates

1.13 bn SIMs will move to 0.8 bn SIMs with no voice arbitrage
Customers have ability to pay

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Mobile Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscribers in 2009</td>
<td>392 mn</td>
</tr>
<tr>
<td>ARPU in 2009</td>
<td>Rs 179</td>
</tr>
<tr>
<td>Equivalent ARPU in 2016 (adjusted for nominal per capita income)</td>
<td>Rs 500</td>
</tr>
</tbody>
</table>

Source: TRAI, RBI, World Bank

400 mn subscribers can afford to spend Rs 500 and above on digital services
PRE JIO vs WITH JIO
Data Explosion

Pre-Jio

Total market

20 Cr GBs/month

5–6 months

With-Jio

100 Cr GBs/month

20 Cr GBs/month

- Jio has created world record for fastest 100 mn acquisition

Market expanded 6X with introduction of Jio in less than 6 months
India has become no 1 country for mobile data usage with Jio.
## Jio First Mover for Customer Friendly Tariffs (1/2)

<table>
<thead>
<tr>
<th>Before Jio</th>
<th>After Jio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. High base rate (Rs 4,000 – 20,000 per GB)</td>
<td>1. Base rate = Rs 250/GB (pack rate at which competition sells)</td>
</tr>
<tr>
<td>2. 16,000 plans to confuse customers</td>
<td>2. Simple structure</td>
</tr>
<tr>
<td>3. Roaming charges</td>
<td>3. All-India ONE ~ no roaming in India</td>
</tr>
<tr>
<td>5. VAS charges</td>
<td>5. No old-world VAS in digital world</td>
</tr>
</tbody>
</table>
Before Jio

6. Pay for every service separately, including low-cost ones

7. High data rates, causing data anxiety and bill shocks

8. Voice charged at equivalent of Rs 5,000 / GB, premium for local, STD, Roaming, Off-net

After Jio

6. Only pay for one service (highest demand) – data

7. Lowest data rates in the WORLD with the BEST experience

8. Truly Free voice - Local, STD, Roaming, Off-net
Jio bringing the best to India

- World’s largest all IP network
- Highest VoLTE traffic of 200 cr mins/day (equals Vodafone India CS voice)
- Filed 53 global patents
- Created device ecosystem for 4G in India
- India has become most active market for Google and Facebook (70 mn additions post Jio)
- Jio hits ~3.6 mn peak simultaneous video streams daily (v/s largest US operator who had a peak of 1.7 mn simultaneous video streams during Super Bowl ‘17)
Jio Applications

- JioTV
- JioCinema
- JioMusic
- JioMags
- JioXpressNews
- MyJio
- JioMoney
- JioChat
- JioSecurity
- JioNet
- Jio4GVoice
- JioNewsPaper
- JioCloud

➢ Free up to 31 March 2018 for Jio Prime Customers

Jio has best suite of applications with the most comprehensive library of content ensuring stickiness of customers
JIO CONCERNS V/S PERFORMANCE
## Concerns v/s Performance

<table>
<thead>
<tr>
<th>Concerns</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are very few devices for LTE</td>
<td>• 124 mn LTE devices</td>
</tr>
<tr>
<td></td>
<td>• All new smartphones models are LTE enabled (8-9 mn /month)</td>
</tr>
<tr>
<td></td>
<td>• 2G/3G smartphones (165 mn) can enjoy 4G with JioFi</td>
</tr>
<tr>
<td></td>
<td>• 4G smart feature phone is becoming a reality</td>
</tr>
<tr>
<td>Mobile Data demand is limited</td>
<td>• Data explosion with commencement of Jio services</td>
</tr>
<tr>
<td></td>
<td>• Average consumption of 10 GB/month across all circles and urban/ rural</td>
</tr>
</tbody>
</table>
## Concerns v/s Performance

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<tr>
<td><strong>LTE cannot support good voice quality</strong></td>
<td>• HD quality voice is only on Jio network</td>
</tr>
<tr>
<td></td>
<td>• Jio network today carries 200 cr mins per day; equivalent to large incumbent operators</td>
</tr>
<tr>
<td></td>
<td>• Jio has capacity to carry 100% of India’s voice traffic</td>
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<td></td>
<td>• On Jio network lowest call drop in Industry</td>
</tr>
<tr>
<td></td>
<td>• Deliberate attempt of incumbent operators caused POI issues</td>
</tr>
<tr>
<td><strong>Subscriber offtake would be slow</strong></td>
<td>• 7 subscribers per second over 170 days</td>
</tr>
<tr>
<td></td>
<td>• Activation within 15 minutes using eKYC</td>
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<td></td>
<td>• Data adoption has been rapid</td>
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<tr>
<td>Quality of Customers</td>
<td>• Handset price is proxy to ARPU</td>
</tr>
<tr>
<td></td>
<td>• Average price of handset on Jio network is &gt;10k</td>
</tr>
<tr>
<td></td>
<td>(Industry has 10% &gt;10k)</td>
</tr>
<tr>
<td></td>
<td>• Jio has 40% market share in devices &gt;20k</td>
</tr>
<tr>
<td>Ubiquitous LTE coverage and high quality indoor coverage not possible</td>
<td>• Jio population coverage of over 75%</td>
</tr>
<tr>
<td></td>
<td>• 100% urban coverage</td>
</tr>
<tr>
<td></td>
<td>• Plan for over 95% population coverage</td>
</tr>
<tr>
<td></td>
<td>• Only operator with pan-India sub-GHz LTE spectrum</td>
</tr>
</tbody>
</table>
MYTHS & HARD REALITY
Capacity = Spectrum x Towers

Capacity = Cells x Spectrum x SINR Factor x Backhaul Factor

- Jio 4.7x of entire Industry LTE MHz-cells (million)
- Interference reduced by Jio’s unique real-time analytics and automation tools
- Better Signal ensured - device support, single sector cells, indoor solutions
- Backhaul constraints due to Site fiberisation
- Jio – 60%, Rest – 20%
- Incremental backhaul is not only expensive but also time consuming and complex execution
- Jio has 3-4 years head start

<table>
<thead>
<tr>
<th></th>
<th>Jio*</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13.46</td>
<td>2.85</td>
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</table>

*includes Jio small cells under implementation

It is not arithmetic which determines capacity, it is a detailed science
LTE device support all bands

- Jio operates in Band 3 (1800 MHz), Band 5 (850 MHz) and Band 40 (2300 MHz)
- Jio’s joint efforts with chipset, OEMs and brands helped in successfully shifting the market from 80 models a year ago to more than 762 models
- LTE device ecosystem in other bands is underdeveloped in India. Further, poor global ecosystem across these bands is major barrier

4G device ecosystem beyond these three bands is underdeveloped
Refarming 3G to 4G is easy

- Due to increasing voice load and absence of VoLTE, incumbents need to keep 3G on for voice traffic
- Conventional antennas may need to be replaced since they don’t support remote electrical tilt and MIMO (Multiple Input, Multiple Output)
- Old 3G BTS cannot be upgraded to 4G. Even new 3G BTS would require additional card and huge license cost for 4G upgrade
- Even in most advanced countries, there is no shutdown of 3G yet

Refarming 3G to 4G is very costly and challenging
STRONG ECONOMICS
Strong Economics

- Superior spectral efficiency
- No legacy systems
- Lowest capex per unit capacity
- Lowest operating cost per GB
- Bulk of network is already built – can support more than 60% of forecasted 2020 - 21 India data demand

Jio anticipates EBITDA margin >50% on gross revenue
Summary

- Voice revenues will shift to data. Data market in India will be Rs 3 lakh crore by 2020-21
- 400 mn subscribers can afford to spend minimum of Rs 500 on digital services
- Jio caters to 85% of mobile data traffic in India today. Jio can support more than 60% of forecasted 2020-21 India data demand
- Jio is India’s only 5G ready network due to its elastic network and deep fiber
- Well positioned to achieve more than 50% revenue market share
- Jio anticipates EBITDA margin >50%
THANK YOU