

Walker Chandiook & Co LLP

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To,

The Board of Directors
Bharti Airtel Limited
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The Board of Directors
Telenor (India) Communications Private Limited
 The Masterpiece,
 Plot No. 10, Golf Course Road,
 Sector 54, DLF Phase 5,
 Gurgaon 122 002, Haryana

Sub: Recommendation of the fair share exchange ratio for the purpose of the Proposed Amalgamation between Telenor (India) Communications Private Limited into Bharti Airtel Limited

Dear Sirs,

We refer to our engagement letter, wherein Management of Bharti Airtel Limited (hereinafter referred to as "BAL") and Management of Telenor (India) Communications Private Limited (hereinafter referred to as "Telenor India" and jointly referred to as the "Companies") has requested Walker Chandiook & Co LLP (hereinafter referred to as "WCC" or the "Valuer") to recommend the fair share exchange ratio for the proposed amalgamation of Telenor India into BAL ("Proposed Amalgamation") to the Board of Directors of the Companies.

SCOPE AND PURPOSE OF THIS REPORT

Telenor (India) Communications Private Limited ("Telenor") is ultimately owned by Telenor ASA, a global telecom company with direct presence in 13 countries. It also has an equity interest of 23.7% in VimpelCom, which operates in 14 countries. Telenor provides mobile services in 6 telecom circles in India, with a subscriber base of over 54.5 MN as of December 2016. In addition, Telenor India has 1800 MHz spectrum in Assam.

BAL is a global telecommunications company with operations in 18 countries across Asia and Africa. Headquartered in New Delhi, India, the company ranks amongst the top 3 mobile service providers globally in terms of subscribers. In India, BAL started operations in July 1995 and the company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed DSL broadband, IPTV, DTH, enterprise services including national & international long distance services to carriers. In the rest of the geographies, it offers 2G, 3G/4G wireless services and mobile commerce. BAL had over 304



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Offices in Bengaluru, Chandigarh, Chennai, Gurgaon, Hyderabad, Kolkata, Mumbai, New Delhi, Noida and Pune

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million customers across its operations at the end of December 2016. BAL is listed on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE") in India.

We have been informed that the Board of Directors of BAL and Telenor India are considering a proposal for the amalgamation of Telenor India into BAL ("Proposed Amalgamation") as per the draft scheme of Amalgamation under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and corresponding provisions of the Companies Act, 1956 ("Scheme of Amalgamation"). Under the Scheme of Amalgamation, the shareholders of Telenor India will be issued equity shares of BAL pursuant to share exchange ratio being approved.

In this connection, WCC has been requested by the managements of BAL and Telenor India (the "Management") to submit a report recommending a fair share exchange ratio in the event of the Proposed Amalgamation for the consideration of the Boards of BAL and Telenor India.

The scope of our services is to conduct relative valuation for recommending a fair share exchange ratio for the Proposed Amalgamation in accordance with generally accepted professional standards.

This report is our deliverable in respect of our recommendation of fair share exchange ratio for the purpose of the Proposed Amalgamation.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used information received from the Management and/or available in the public domain as follows:

- With respect to Telenor India
 - Audited financial statements of Telenor India for the years ended 31 March 2014, 2015 and 2016.
 - Unaudited financial statements of Telenor India for the 9 months ended 31 December 2016.
 - Projected business plan of Telenor India for the period January 2017 to December 2017.
 - Audited financial statements under IFRS of Telenor India for the quarter ended 31 December 2016 of Telenor ASA.
 - Fixed Asset Register as of December 2016 and the updated net book value as of December 2017.
 - Details of Circle wise spectrum holding



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With respect to BAL

- Audited financial statements of BAL for the years ended 31 March 2014, 2015 and 2016.
- Share prices and the traded volumes considered from NSE and BSE



- Draft Scheme of Amalgamation
- Details of the working capital (including tower deposits) transferred to BAL as on the expected effective date of transfer, confirmed jointly by BAL and Telenor India
- Details on the liabilities to be transferred to BAL, confirmed jointly by BAL and Telenor India.
- Other relevant information made available to us by the Management of BAL and Telenor India through Virtual Dataroom ("VDR"), emails and discussions

Telenor India and BAL have been provided with the opportunity to review the draft report (excluding the recommended ratios) for this engagement to make sure that factual inaccuracies are avoided in our final report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by WCC or our affiliates.

This report, its contents and the results herein (i) are specific to the purpose of valuation agreed as per the terms of our engagement; (ii) are specific to the date of this report and (iii) are based on the data detailed in the section - Sources of Information.

A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of 22 February 2017. Events occurring after this date may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information provided by Telenor India and/or BAL, available in the public domain as well as information sourced from international data bases and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this report.

In the course of the valuation, we have assumed and relied upon, without independently verifying, (i) the accuracy of the information that was publicly available and formed a substantial basis for this report and (ii) the accuracy of information sourced from data bases. In accordance with our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information available in the public domain. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the historical financial statements.

The report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other



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contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies.

This report does not look into the business / commercial reasons behind the Proposed Amalgamation nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Amalgamation as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation / enquiry of the Companies' claim to title of assets has been made for the purpose of this report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of Telenor India and BAL under the terms of our engagement, and nobody else. We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion.

This valuation report is subject to the laws of India. We have not prepared the Report for inclusion in a registration statement under the US Securities Act of 1933 and would not be referred to as an 'expert' in any regulatory filings under the US Securities Act of 1933 or under any of the securities laws/ regulations of any other state or jurisdiction in the United States/ United Kingdom.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the Proposed Amalgamation, without our prior written consent. In addition, this report does not in any manner address the prices at which BAL's shares will trade following the announcement of the Proposed Amalgamation and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Amalgamation.



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SHARE CAPITAL DETAILS OF THE COMPANIES

The following tables set out the shareholding patterns of Telenor India as of 31 December 2016 and BAL as of 31 December 2016 before the Proposed Amalgamation as provided by the Managements of the Companies:

Telenor India

Particulars	Number of equity shares	Percentage holding
Telenor South Asia Investment Pte Ltd., Holding Company	1,923,076,923	100.0%

BAL

Particulars	Number of equity shares	Percentage holding
Promoter Group	2,683,660,555	67.14%
Public Shareholding	1,312,367,926	32.83%
Non Promoter-Non Public	1,371,621	0.03%
Total	3,997,400,102	100.0%

APPROACH - BASIS OF PROPOSED AMALGAMATION

The Scheme of Amalgamation contemplates the Proposed Amalgamation of the Companies under the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and corresponding provisions of the Companies Act, 1956. Arriving at the fair share exchange ratio for the Proposed Amalgamation would require determining the relative values of the concerned shares of the Companies.

Hence we have carried out a relative valuation of the shares of Telenor India and BAL in order to determine the fair share exchange ratio for the Proposed Amalgamation.

There are several commonly used and accepted methods for determining the fair share exchange ratio for the Proposed Amalgamation, which have been considered in the present case, to the extent relevant and applicable, including:

1. Net Asset Value method
2. Market Price method
3. Discounted Cash Flows method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.



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The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

Adjusted Net Asset Value (ANAV) Method

The value arrived at under this approach is based on the audited / unaudited financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. The Adjusted Net Asset Value of the business is arrived at after making adjustments for the fair value of Assets (including investments) and Liabilities. The Net Asset Value is generally used as the minimum break-up value for any business since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern. Hence, we have not considered ANAV for the valuation of BAL.

However, in case of Telenor India, we understand that the company was incurring significant losses that have eroded its net worth. Further, the statutory auditors of Telenor India have provided a qualified opinion on the financial statements as of 31 March 2016 and have concluded that there is an existence of material uncertainty for the company to continue as a going concern in the absence of the funding commitments. Therefore, given that the going concern for Telenor India is in doubt and the cash flows cannot be estimated, the ANAV methodology has been considered in carrying out the valuation of the Telenor India as on the expected effective date.

Under the ANAV method, we have considered the fair values of the assets (Tangible and Intangible) and liabilities taken over by BAL from Telenor India under the Proposed Amalgamation. The assets mainly comprise of the spectrum, subscriber base, equipment and tax losses. The key assets such as spectrum and equipment have been valued on a replacement cost basis based on publicly available information including spectrum auction pricing benchmarks etc. and representation provided by the Management. Further, the value realizable by Telenor India for these assets on its own has also been considered while arriving at the concluded values for the assets. We understand from the managements of BAL and Telenor India that the liabilities are expected to be transferred, if the Scheme of Amalgamation is approved, as of 31 December 2017, being the expected effective date of transfer as per the Scheme of Amalgamation. Hence the value of the assets has also been considered as of the expected effective date of transfer.

Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a



comparable standard. This method would also cover any other transactions in the shares of the company including primary / preferential issues / open offer in the shares of the company as envisaged in the overall scheme of arrangement and reported to the stock exchanges / available in the public domain.

In the present case, the equity shares of BAL are listed on BSE and NSE and there are regular transactions on the bourses in their equity shares. Accordingly, the share price over reasonable periods for the shares of BAL, as deemed appropriate for the purpose of our valuation analysis, have been considered for determining the value of BAL under the market price methodology.

Discounted Cash Flows (DCF) Method

The DCF method uses the future free cash flows of the firm discounted by the cost of capital to arrive at the present value. In general, the DCF method is a strong and widely accepted valuation tool, as it concentrates on cash generation potential of a business. Given the industry, competitive and pricing scenarios and Telenor India's spectrum position, Telenor India has not been able to provide a business plan beyond 31 December 2017. Therefore, we have not considered this method for determining the swap ratio

BASIS OF FAIR SHARE EXCHANGE RATIO

The fair basis for the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. For the purposes of recommending a swap ratio, it is necessary to arrive at a single value for the shares of the concerned companies. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values of the shares of the companies but at their relative values to facilitate the determination of the swap ratio.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the Valuer and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

The fair share exchange ratio of equity shares of Telenor India and BAL has been arrived at on the basis of a relative valuation of Telenor India and BAL based on the methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.



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In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, as per our analysis no material consideration is to be paid to the equity shareholder of Telenor India. However, the Management has represented to us that they would like to issue 5 (Five) equity shares of Airtel of INR 5 each fully paid up, to Telenor South Asia Investment Pte Ltd. for its equity shares held in Telenor India, as a token consideration. Considering that Telenor South Asia Investment Pte Ltd. holds all shares in Telenor India, we believe this is reasonable.

Yours faithfully,

Walker Chandiok & Co. LLP

For Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
Chartered Accountants
Firm Registration No.: 001076N



Rajesh Jain

Rajesh Jain
Partner
Membership No.: 81203

Place: Gurgaon
Dated: 23 February 2017

