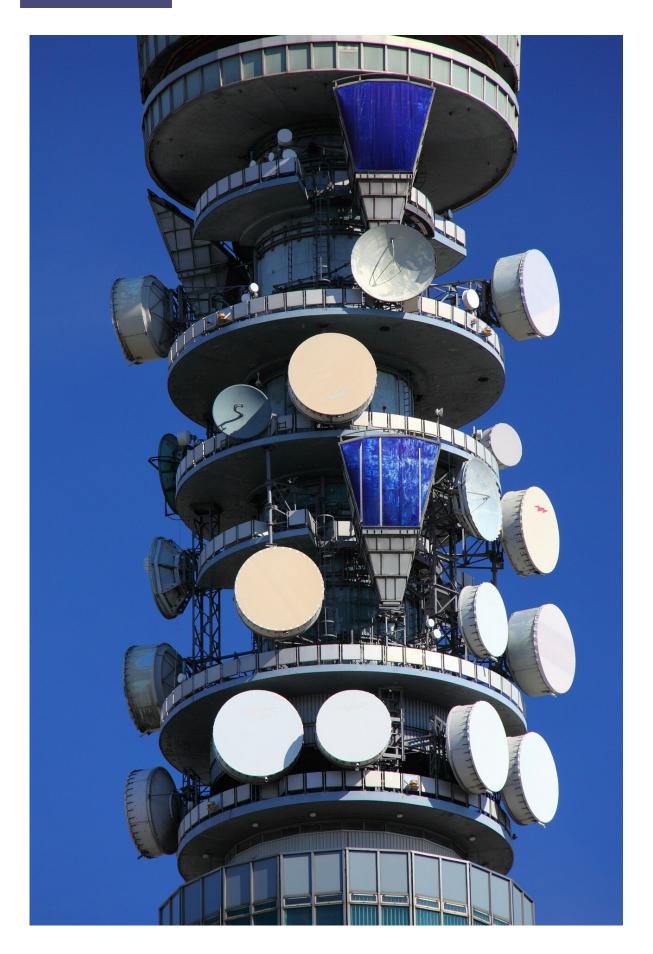


Talks to create Asia's biggest telecom operator fall apart

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Telecom companies Telenor of Norway and Malaysia's Axiata Group Berhad have ended talks about merging operations in Asia, a deal that would have created the region's biggest telecommunications operator with 300 million customers in nine countries.

Telenor ASA said Friday that the talks, which had gone on for four months, were halted "due to some complexities" but declined to elaborate.

In a potential non-cash merger, Telenor was expected to hold a 56.5% stake and Axiata 43.5%. Both companies operate in Malaysia, Thailand, Myanmar, Bangladesh and Pakistan. Axiata also has a presence in India, Sri Lanka, Nepal, Cambodia and Indonesia but its Bangladesh operation would have been excluded.

Telenor said in a statement that it doesn't exclude that a deal could still be possible, adding the parties "do not intend to provide further comments."

The combined company would have been the largest telecom operator in Asia and potentially one of the world's top five mobile infrastructure companies. In Malaysia, a union of Axiata's Celcom and Telenor's Digi in Malaysia would have been the largest mobile operator in the country.

Axiata had said the merged company would have been listed on the Malaysian stock exchange and later on an another international exchange.



Besides its <u>operations</u> in Asia, Oslo-based Telenor also has operations in Norway, Sweden, Denmark and Finland, totaling about 182 million customers for annual sales of about \$13 billion. It is also involved in several joint venture operations.

Telenor shares dropped nearly 5% in Oslo following Friday's news.

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