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**Presenter:** Jon Fredrik Baksaas, Richard Olav Aa  
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Meera Bhatia: Good morning and welcome to Telenor's Third Quarter Results Presentation, whether you're present here at Fornebu, listening on the phone or watching this by webcast. My name is Meera Bhatia and I have the pleasure of guiding you through the presentation this morning. I hope all of you have a copy of the material made available this morning including the press release and the presentation. As usual there will be a Q&A session directly after the presentation, first from here from the audience and then from our phone participants. We aim to end the session at 10 o'clock and please limit yourself to one question and allow for one follow-up question if clarification is needed. After the Q&A there will be also an opportunity to do individual interviews as usual for those present here at Fornebu.

To present the update today we have our CEO Jon Fredrik Baksaas and CFO Richard Olav. Without further ado, Fredrik, I will leave the floor to you.

Jon Fredrik Baksaas: Thank you and good morning to you all also from me. This quarter coming from Telenor in 2013 is a very strong financially reported quarter. There is a continued organic growth in our group of 1% which is at par of what we've seen before and this is again driven by primarily Asia. It's a solid operational performance with margins improving in most business units. Total revenue growth though is impacted by reduced interconnection revenues and lower unexpected handset sales in several markets.

Although I am pleased to see that the underlying growth in subscriptions and traffic revenues are fairly stable, we had expected a somewhat higher growth figure for this third quarter. There are several reasons for this revenue being somewhat softer this quarter than what we had expected. The handset sales have generally been somewhat weaker than expected and that is primarily caused by the fairly late iPhone launch. This is amongst others most visible in Dtac but also in the figures coming out of Sweden.

In Pakistan the third quarter showed stable growth rates at 5% but we had hoped that this would have come out a little bit stronger. Norway, we have not been able to build the revenue stream in the same way as the data growth in this quarter but we have been able to defend the mobile subscription base in this quarter. I'll come back to these details a little bit later.

EBITDA is at an all time high this quarter, NOK 9.6 billion which is 11% higher than the third quarter 2012. This is as I said an all time high EBITDA figure from the Telenor Group. I am also pleased to see that the margins are improving in most of our operations in this quarter.

On the subscription side we see continued solid momentum with 4.4 million new subscribers added organically, most coming from Grameenphone and Uninor in India, but including Globul that is also part of this reporting package there are now 161 million subscribers in our twelve operations.

Coming back to the growth dimension of what we have reported this quarter, we have captured growth in mobile data. This remains our top priority and I am pleased to see that the underlying growth trends for the group remains intact.

If we look at core mobile revenues defined as when you exclude termination rates and handset sales, we see that the group excluding India, the growth trends are relatively stable. Growth will fluctuate market by market but on group level we see a robust underlying growth of 4-6% over the past two years, this quarter at 4%. Including India we have an underlying growth at close to 5%

In Asia this is supported by solid underlying trends in Dtac and DiGi and improved growth in Grameenphone.

Sweden, our fourth largest mobile operation by revenues displays impressive performance and is a good example of how we can monetise data also in the mature markets.

In Norway we see growth rates declining through a solid development in 2012 when the growth was driven by the migration to bundles. The graph clearly shows that improving the monetisation on mobile data in Norway remains a top priority for us going forward but it also demonstrates the benefits of having operations in several markets with varying market

conditions. It also shows that growth doesn't happen in a long straight line but merely depends also on many factors market by market.

In our two most mature Asian markets, Thailand and Malaysia, we see growth trends intact with data driving the revenue growth, although the voice market remains under pressure. In both markets we see a strong growth in data revenues as more and more people are given access to data services through mobile networks and affordable smartphones. In Malaysia DiGi now reports a smartphone penetration of 34% which is up from 25% last year and around 60% of their subscribers use mobile internet. DiGi has completed their network swap and has a 3G coverage of above 75%. The company is ready to continue to drive growth from mobile internet.

Also in Dtac we see solid demand for mobile data and data is steadily growing in importance. Smartphone penetration in Thailand is increasing rapidly driven by Dtac's push for affordable, TriNet branded phones. Now 29% of the subscriber base has smartphones in Dtac, 38% of the subscriber base are now active data users which is one million new data subscribers added last quarter. The performance in DiGi and Dtac shows the massive growth potential of mobile data in Asia and we aim to capture this through our *Internet for All* strategy going forward.

Another element in Thailand is the transition to the new licence regime. Taking a closer look at Dtac, our biggest mobile operations by revenues, we see 10% growth in the subscription and traffic revenues despite stiff competition and a somewhat weaker macro environment. Q3 total revenues are however as mentioned earlier heavily impacted by the MTR reduction from 1<sup>st</sup> July this year which was as much as 55%. Dtac launched its new 3G network under the new license end of July and we are very pleased to see that the important migration is running according to plan. Dtac is aiming for around 10 million subscribers on the new licence by the end of 2013 and ended this quarter with 3.7 million subscribers now on the new licence network.

As mentioned on our Capital Markets Day in September we expect significant cost savings and margin improvement from the transition to the licence regime in the years to come.

A year ago Grameenphone's performance was a key concern in the group. We are now seeing an impressive comeback. Grameenphone reports 10% organic revenue growth and

improving margins. Grameenphone's solid execution on their market comeback plan has resulted in 2.1 million new subscribers this quarter, more than offsetting the decline in ARPU, price regulations and sluggish macroeconomics in the country prior to the election which is due early next year. We see a solid margin of 53% and cash flow margin above 40% in Grameenphone this quarter.

In September Grameenphone also secured the 3G license and spectrum 10 MHz on the 2.1 GHz band for the amount of US\$210 million. Grameenphone already launched the 3G services just 30 days after the auction. Real mobile penetration is low in Bangladesh relatively speaking around 44% but we already see demand to 3G services picking up and we have added 1,000-1,200 3G subscribers daily.

Telenor Pakistan reports 5% organic growth. This is stable from the second quarter. We had expected a higher growth rate this quarter but we see continued pressure on taxes, regulations and weak macroeconomic development. In addition we also see continued fierce on-net competition putting pressure on national interconnect revenues. Financial Services is still an important growth element and contributes to 2.5 percentage points on the growth this quarter. The EBITDA margin improvement of 2 percentage points year-on-year is partly supported by savings from the energy initiatives implemented by Telenor Pakistan which comes both from better battery backups and the swap activities that we are now through towards the end of this year.

India. In India we see an improved customer intake, 1.5 million subscribers this quarter and a 23% organic revenue growth figure for the quarter compared to 7% previous quarter. ARPU is increasing for the fourth quarter in a row and reached INR 100. We have a positive development in churn which is currently around 5% per month. The competitive environment seems to be improving with signs of price increases and some natural consolidation leading to fewer operators in each circle. Despite the positive development in revenues and gross profit, operating cash flow this quarter is flat compared to the second quarter. Opex and capex was increased by the launch of 870 new sites during the quarter which is re-use of existing equipment. In total this had around NOK 40 million negative effects on cash flow in this quarter. The new sites will help us drive revenue growth in the coming quarters. The good growth momentum is continuing into the fourth quarter combined with relentless efforts on the cost side. We are targeting cash flow break-even by

the end of 2013 as well as stay well within the peak funding for the operation as informed previously.

Telenor Sweden reported a very strong quarter in the third quarter of this year: 25,000 new mobile subscribers, 9% underlying mobile service revenue growth and a solid margin uplift. EBITDA in local currency increased by 10% compared to the third quarter last year and reached SEK 1 billion which is an all-time high. I congratulate Lars-Åke and his team for this, they have been really looking forward to crossing this milestone. The improvement is driven by both increased gross profit and several operational excellence initiatives. Although still early days the implementation of data centric offers in Sweden seems to be successful at this stage, finding a better balance between capacity invested and revenues than presently is the case in Norway. Last year it was the other way around.

Denmark continues to be a very challenging market. Mobile ARPUs is stabilising but we continue to lose in the market space. Compared to the end of the same period last year the subscription base has declined by 9% and this trend can of course not continue. We believe that we will see a more stable situation on this parameter in Q4.

A new strategy focused on simplification throughout the value chain is now being developed and is critical in order to adapt to the tough market conditions in Denmark. The network co-operation with TeliaSonera works fine and serves both parties well. The implementation of this transformation programme will be a key focus area for the Danish management in 2014.

Coming back to Norway. In Norway we saw another quarter with high market activities and continued subscriber growth and we were also able to sustain the EBITDA margin in this quarter. When it comes to revenues we are comparing with a very strong third quarter last year; however we have to register that the revenue development this quarter was not according to expectations. Mobile service revenues declined by 3% despite the growth in data volumes of between 40-60%. Increased roaming volumes did not compensate for lower prices. High market activities drove growth on the NOK 199 price point and of course some internal migration in the subscriber base putting pressure on the domestic ARPU. We are continuing to invest heavily in our networks and we have to make sure that we are able to have healthy returns on these investments. This means that we have to increase our efforts on optimising our offers to stimulate demand and to secure the required revenue growth going along with it to differentiate both on speed and volumes, therefore stand out as the

key to monetise on the growth and data space both in respect of retail prices and wholesale prices.

Finally and before handing over to Richard we will push for the same priorities as we brought forward at the Capital Markets Day. The efficiency agenda stays firm – this is where we've built up our fuel for future competitiveness and in the group we now see great curiosity to learn and to leverage scale, to learn across business units and to utilise the scale for local competitiveness. Monetisation stays centre to all of this. Data demand grows as the world goes digital driven by the phenomenal impact that telecom has on everyone's daily life as well as to the society as a whole in which we live. *Internet for All* stands out as the next wave of mobile communications and the Telenor Group and the Telenor companies are there to make this happen.

Richard, the floor is yours for the financials.

Richard Olav Aa: Thank you Jon Fredrik. I'll take you more into the details of the P&L, also go through the balance sheet and finally we will update you on our guiding for the rest of the year. So let's start with P&L and the revenues. We are reporting 1% organic revenue growth this quarter and you see total revenues stands now at NOK 26 billion. That is an increase of around NOK 700 million which is an increase of 3%, so the difference between the 3% reported and organic of 1% is currency. So we're benefiting from the weak Norwegian krone as revenues from our foreign subsidiaries are worth more in Norwegian krone.

We also have to take into account that the revenue drops approximately two percentage points by reduced interconnect rates in Denmark and Thailand, so in a way you can say that the reduced interconnect rates and the currency offset each other and a kind of more normal growth is around 3%. Then we have lower handset sales of around 0.5%, a little bit probably from handsets and hardware and that reconciles really back to the graph that Fredrik showed you that organic mobile subscription traffic revenue growth which really is what we live off long term is around 4%. So those are the main explanations on the revenues. So even if the revenues are lower than expected the underlying trends remains intact but our ambitions were higher, and ambitions were higher particularly on Norway, Denmark and Pakistan.

Then on the EBITDA, like Fredrik said we have an 11% growth in the EBITDA up from NOK 8.8 billion to NOK 9.6 billion year on year. There are two effects that are non-organic:

that is the currency and the acquisition of Globul. Those two explain approximately two percentage points each. So organically EBITDA growth is 6% and then Globul and currency adds another 4% plus, takes it up to close to 11% year on year growth in EBITDA. So it's a very strong growth and you see it's the margin in addition to the top line improvement. We also have a margin expansion of two percentage points from 35% to 37%.

On the right hand chart you can see which units contributed most to the EBITDA growth. We see India, reduced losses, close to a quarter of a billion, improvement from India. Then the turnaround in Grameenphone with NOK 172 million and then the strong performance in Sweden with NOK 123 million as the three main contributors to the EBITDA growth this quarter. Then we have margin expansions in many other units summarised by the NOK 71 million and then the inclusion of Globul. Globul is developing according to the plans we had before the acquisition.

This chart is a new one, it visualises how the EBITDA is expanding and to the left you see how the margin in itself is expanding. This is the percentage points improvement and there you see the Swedish improvement, that's an example of close to 4%, so the margin in Sweden has expanded from 30%, EBITDA margin to 34% this quarter. Hungary, four percentage points as well due to tax savings, but you see in general that the EBITDA margin is strengthening most of the operations with the exception of Telenor Norway that has a slightly weaker margin in Q3 this year compared to last year.

Then on the right hand side most importantly how this will then drive improvement in the EBITDA in itself, so that comes both from the revenue growth and the margin change and you see we have three units that have more than 10% growth in the EBITDA: Bangladesh, Pakistan and Sweden; and four units that have between 5-10% growth in the EBITDA, so in general a very strong momentum on the margin across the group in this quarter.

We have two exceptions, that's Norway with then a weaker top line both on fixed and mobile and somewhat higher costs taking down the EBITDA with 3½ percentage points and then the situation in Denmark with the loss of customers and lower ARPU despite good effects from the network and good opex controls takes down the EBITDA significantly in that market.

So on the investment side, we are investing NOK 3.7 billion this quarter – that is NOK 400 million up compared to the similar quarter last year and you see from the pie chart that

approximately 50% of the investment goes into Norway and Thailand. This is a data-related investment in both countries in Norway both on 3G and 4G and fiber. In Thailand it's related to investments in the 2.4 GHz license network that started rollout in the third quarter.

We also see that approximately 20% of the capex is related to DiGi and Pakistan and that is for the network swaps taking those all sold into all IP networks which are now finalised this year. We also started to roll out 3G services in Grameenphone which you see in the grey pie there. The capex in the other units are more or less as earlier trends.

So that's the EBITDA growth of close to NOK 800 million and increased capex of about NOK 40 million translates into a cash flow growth of approximately NOK 400 million. So we're glad to report a record high cash flow this quarter, NOK 5.9 billion, it's never been higher in Telenor and a cash flow margin of around 23%. The rolling cash flow now stands at 21.5%, that's the 12 month rolling cash flow.

Then to summarize the P&L, we've been through the revenues and the EBITDA. VimpelCom comes in with quite normal results this quarter. These are the second quarter results from VimpelCom as they have not yet reported the third quarter, approximately NOK 1.2 billion. Then we have a currency loss of around NOK 500 million. These are mainly non-cash currency losses with no economic effect for Telenor. It's just the way that accounting has to be treated and we have had big currency movements on both the Pak rupee and the Indian rupee this quarter that explains most of it.

So the earnings to the Telenor shareholders stands at NOK 3.9 billion this quarter and earnings per share of NOK 2.59. If you normalise the EPS for the currency effects basically you get back to a normalised EPS of around NOK 3 per share and that is a 20% year on year growth on the EPS and an annualised bid of around NOK 12 per share in EPS which is a strong improvement in earnings per share for The Telenor Group.

Then on the balance sheet the net debt to EBITDA factor which is the key debt metric for the group is at 1.1 at the end of the third quarter. That is as expected. We have had two big cash outlays in the quarter – that is the acquisition of Globul which you see on the right hand here with NOK 5.7 billion. That was closed in the third quarter. We also have bought back shares for NOK 3.3 billion. NOK 2.4 billion of that is to the Norwegian government for the share buyback programme in 2012 where they sell pro-rata down similar to what we have bought

in the market, so that was settled now in Q3 and it's about NOK 1 billion that we have bought back in the market in Q3. The share buyback programme is now finalised for this year. Other than that it's more normal effects. The debt increased a little bit due to the weaker Norwegian krone as we have some debt in foreign currency. So net change is NOK 6 billion and the debt now stands at NOK 38 billion, a 1.1 ratio. Remember we have a ceiling, the debt ceiling is a ratio of 2.0, so we have significant headroom up to the ceiling.

Then moving on to the outlook. We're now guiding organic revenue growth for the fourth quarter in the range of 1-2%. Year to date we are around 1% so it's a fairly big range of 1-2% when you just factor in the fourth quarter, when you do the mathematics on that one. The reason for that is that we don't really know how much hardware the handsets will sell in the fourth quarter. It will depend a lot on how the iPhone sales will develop. However we see on the mobile subscription service revenue growth the same trends as earlier and we certainly aim to turn the trend lines in Norway in the fourth quarter which maybe the most important one.

On the margin we are at a 35% EBITDA margin year to date and we're guiding 34% for the year. Of course higher handset sales in the fourth quarter comes with low margin so this will depend a little bit also where we end up on the organic revenue growth because handset sales will have a big impact then on the margin. Then you will have also campaign activities up against Christmas and also in Thailand in conjunction with the migration to the new network.

So we said earlier that we will certainly hope for a better margin than around 34% and we have not given that up at all but it will depend on the development in service revenue development in the fourth quarter and how hard we'll push and sell handsets and hardware in the fourth quarter.

Capex to sales I think is more certain, we are at 13.2% year to date. We said at the end of Q3 that it will be in the range of 12-14% but probably in the higher range. With now only two months left of the year we pretty much know the capex is going into the fourth quarter so we narrowed the range then to 13-14%.

Then to sum up the quarter it has been a strong quarter with strong margins and record high EBITDA and cash flow. The revenue growth was somewhat lower than we expected but we

continue to see stable mobile service revenue growth of around 4-5%. This is really driven by the demand for data across our operations, however in Norway the revenue development in the last 2-3 quarters has been weaker than expected and this trend needs to be turned and we need to optimise offers and market activities to ensure a healthy return on the large investments we are doing in Norway in this space. Finally since it's not so long ago since we had the Capital Markets Day we're reiterating our target of operating cash flow of NOK 28-30 billion in 2015. Alright.

Meera Bhatia: Thank you Richard. We are now ready to take your questions, so I will invite Fredrik back to podium. We will start with the audience and then from the ones on the phone. Once again please limit yourself to one question and wait for a microphone to be passed to you. Are there any questions from the audience? Not at all.

Then we'll open the line to phone line please.

Operator: If you would like to ask a question please press \*1. We'll take the first question from Ulrich Rathe from Jefferies.

Ulrich Rathe: Yes, thanks very much. I was wondering on the reduced outlook for the year which obviously represents a slight disappointment versus your own internal plans, could you quantify how much the handset sales are in shortfall partially because of the late iPhone introduction, how much that contributed, sort of just order of magnitude wise? You nudged it down mid-point I think sort of by 1.5 percentage points. How much of that is actually handset sales? Thank you.

Richard Olav Aa: I don't think we will quantify that breakdown but there the effects of handset sales but we don't shy away from the fact that we have lower revenues than expected both in Norway, Denmark and Pakistan. So it's a mix of those two effects.

Ulrich Rathe: If I don't get a question on that maybe I'm allowed another one, I know there is a limit of one, but could you comment at all on progress in Myanmar in terms of when you expect the next news potentially to come through? Thank you.

Jon Fredrik Baksaas: We are in the midst of receiving the formally translated telecom law with the attached regulations that comes with it, so we are in the midst of that phase and when that

is on the table then there is a 30-60 day kind of timeline before the final licence is on the table. So we anticipate that this will happen before the end of the year. We are in preparations for putting things together. We're not making financial commitments extensively but we are preparing for an immediate step-up in that once the licence is on the table. So the way we see things now is that the administrative part of the licence process is concluded by the end of the year hopefully and that we are at full speed early next year with building up and rolling out the network for launch mid next year sometime.

Ulrich Rathe: Thanks very much.

Operator: The next question comes from Thomas Heath from Handelsbanken. Mr. Heath, please go ahead, your line is open.

Thomas Heath: Thomas Heath here with Handelsbanken, thank you. A question on Norway if I may, firstly you mentioned some internal churn in Q3. How much would you say you were impacted by the very generous campaigning by NetCom and that was then copied by everyone else? Then secondly on Norway you mentioned that you hope to change things a little bit in Q4. What is it that you're seeing improving then in Norway in Q4? Is it something in the market or is it planned initiatives on your part? Thank you.

Jon Fredrik Baksaas: As our competitor has a 20 year anniversary it should probably be in a way anticipated that there will be some offers coming out of that event. It's true to say that that event in itself spurred some extra activity in the market when it comes to the activity and competition for SIMs and customers there and that actually also happened and we have to say that we were probably overly active to that dimension of what we're doing and less focused on the effects on the pricing side. We have efficient bundles out there from a customer perspective for the time being. Customers are increasing their utilisation and the good quality networks really delivers that, the way we see it. Of course in the longer run when consumption matures there is an idea here that later on our customer will migrate up the ladders in both speed and volumes over time, but these are things that goes in waves and what we experienced last year was that we had a very good approach on how we were introducing the bundles in the Norwegian market. This year we have struggled to find that balance and we need to rectify that. Hopefully we have better combination in that in the fourth quarter.

Thomas Heath: Thank you.

Operator: The next question comes from Peter Nielsen from Kepler Cheuvreux.

Peter Nielsen: Thank you. If I can just stay with your comments there, you have had an exceptionally positive development in Sweden and as you say yourself credit part of this for the newer bundles and the move towards these by customers. It hasn't been quite as positive in Norway as you said and you did mention about some migration towards the low end packages. I appreciate this can fluctuate from quarter to quarter but is there any change in behaviour or your pricing in these two markets – which should be fairly similar frankly that the way you've introduced them – which you want to highlight here that could explain the divergent trends in this quarter? Thank you.

Jon Fredrik Baksaas: I think the whole industry basically is struggling to find the balance on these things. The US operators have found their way of moving into the data space. They had challenges when these ones started but where they stand for the time being, they are able to not monetise the data growth in the mobile systems quite neatly. Sweden is the number one market in Europe that has this important balance in the more correct way than what has been the case previously. Remember that only last year the Swedish market was in a way out of balance and Norway was the better balancing on this, so I think this will move from sort of period to period where we will see new kickers of utilisation of data that will bring the consumption up and consequently also investments follow that consumption growth and consequently also the prices needs to go in the same direction over time. In the third quarter of this year we have been too much focused on per SIM competition and we need to rebalance that in a better way both in the fourth quarter and the quarters to come next year.

Peter Nielsen: Ok, thank you.

Operator: The next question comes from Jakob Bluestone from Credit Suisse.

Jakob Bluestone: Hi there, good morning. You mentioned in answer to an earlier question that you were hoping to see customers in Norwegian mobile start migrating up the ladder and taking bigger bundles of data. Are there any data points you can share with us at this point that that is already starting to work or is that more of a longer term ambition that customers will spin up?

Jon Fredrik Baksaas: Well, when we adjusted the bundles earlier this year there is a kind of an immediate effect on more downloads, so I think the response in the market both for increased buckets as such as well as for higher speed is part of this equation going forward. So I think we see immediate responses by the market at large when these things happen. Remember here it's the good quality networks and all the fascinating services that we enable that basically brings this into the hands of everyone 24 hours a day, seven days a week, 365 days a year. It's that phenomenal enabling effect that empowers the markets to grow which in a way takes the whole telecommunication space into a new layer as we speak basically when the world goes digital in the way we all experience.

Jakob Bluestone: If I can just ask a follow-up, if I remember correctly when you revamped your plans earlier this year, you actually increased the bundles which presumably would have led to a reduction in data revenue as essentially a negative impact on ARPU, as customer usage is growing I guess what I was sort of looking is any signs that people are actually moving up to bigger bundles and paying more at the same time? Is this something that's positive for ARPU?

Richard Olav Aa: You are absolutely right. When you do a move like that you will get a short-term hit, but the longer term effect of it, if the Norwegian market follows the Swedish market by consumption by customers, one could anticipate that the step-up in packages would come as sort of the next wave. Remember this happens in a country where there is a real disposable positive income in everyone's pocket. The dependency and the enabling effect of the handsets is as strong as it's ever been, so there is a kind of service which everyone is in need of and here we need to find the recipe for monetising what we invest needs to be reflected in the revenue growth longer term.

Jakob Bluestone: Thank you.

Jon Fredrik Baksaas: I could maybe add to that Fredrik that we see actually in the third quarter that the mobile data growth is higher than before. So these kind of bigger bundles have actually led to consumers consuming even data on higher growth rates than earlier and that's also the same as we saw in Sweden in the early days. The packages were criticised to be on the large side but it really stimulated demand in a big way as we see now video coming in on mobile in a big way which really drives data, so the key thing now is to work more on

the up-sell logic both when the customer moves up the ladder in volume and speed and also bundle with services to utilise this big growth momentum that is being created in the last couple of years in the Norwegian market.

Richard Olav Aa: And the speed factor when video becomes a bigger portion of what people consume will become a more important differentiator going forward.

Jakob Bluestone: Thank you.

Operator: The next question comes from Stefan Gauffin from Nordea Bank.

Stefan Gauffin: Yes, I have a couple of questions. First one, a follow-up on all the questions on Norway, I just want to hear if the weakness is related to the consumer side or if it's also related to the corporate side? Secondly in Pakistan there's a shift in terms of subscriber intake and I just wonder if this is more seasonal related or if it's a change in competition in that market? Thank you.

Richard Olav Aa: Yes, I think what we have seen in the third quarter is that the main weakness is on the consumer, on the domestic side, but you also have to remember on the consumer we are comparing with a very strong third quarter last year. On the business side we mainly see it on the roaming, we also see it from a chart Fredrik showed that we have a drop in roaming rates and we see a drop in the roaming ARPU on the business consumer. In Pakistan, yes, there is a lower subscriber intake but we also have done some clean up of the customer base of inactive SIMs. We have to factor that one in when you look at the data.

Jon Fredrik Baksaas: In Pakistan also you could say that the on-net competition is...the Pakistani market is in a state where the on-net feature is the highest, one of the highest competitive features for the time being. We've been through that kind of phase in many other operations as well and that puts pressure then on interconnect revenues and such.

Stefan Gauffin: Ok, thank you.

Operator: The next question comes from Barry Zeitoune from Berenberg.

Barry Zeitoune: Hi, thanks for the question. I would just like to ask a big picture question really which is when we look at the growth in 3G that we're seeing in Bangladesh and the potential growth that you're going to see in 3G in Pakistan, how does it make you feel about not having 3G in India? If we think longer term here, is your position in India sustainable, not being pan-Indian so just being in fixed circles and also not having a 3G licence? Thank you.

Jon Fredrik Baksaas: Where we are today and in this phase 2G is more than sufficient right now. The handset side for 3G is not at all at the level where the market could in a way suffice on 3G. Remember also that the investments into 3G have been fairly limited compared to the vast geography of the country. Then you can ask here for how long will that last? It's at least beyond the medium term kind of time perspective that you could put to this, and also the fact that the mobile internet access factor in penetration in India is very low, so there is a whole journey to take out on 2G as such. Remember also here that the 2G part, the data part of 2G is also serving very well those initial users on internet access, so in this space Telenor in India, Uninor, has this position which in a way would be an aggressive one compared to others with the price point in the market because we have the low cost base. So we're able to sustain affordable price levels the way we have proved so far. In the very long term of course then this kind of question will at one point in time need to be addressed, but that is in a way outside the medium term kind of horizon.

Barry Zeitoune: Ok, thank you.

Operator: The next question comes from Andreas Joelsson from SEB.

Andreas Joelsson: Good morning. Back to Norway, you have a relatively large national roaming agreement with one of your competitors and I was just wondering if defending those volumes is more important now when you see the overall trends in the Norwegian market or how do you balance the renegotiation of that deal having the volumes versus not giving the competitor enough room to manoeuvre on prices?

Jon Fredrik Baksaas: The wholesale price is a very important price point in the overall structure between the players, no doubt about that. We will not compete for that wholesale agreement for any kind of price level that might be out there. We have a good quality network in Telenor. We believe that is an asset which the user of that network also displays daily in his advertising, so it is a strong network that we believe is an asset and the

negotiations on this one will come when they come and that is probably the last thing I have to say on that item.

Andreas Joelsson: Very clear. Thank you.

Operator: The next question comes from Sasu Ristimäki from Merrill Lynch.

Sasu Ristimäki: Thanks. I have two quick questions on Asia, these are short ones. Firstly on Dtac, do you think your 10 million 3G subscriber target is fully reachable given that you need to add more than 6 million in the fourth quarter? Then in India all of your top line KPIs seem to be moving into the right direction but the EBITDA level looks somewhat light compared to market expectations, so are you seeing a kind of especially high cost level or what is happening between the top line and costs there?

Jon Fredrik Baksaas: There was some noise in the background so you were a little bit difficult to catch, but I believe that your first question was will it be possible to migrate from 3.7 million to 10 million towards the end of this year and we believe yes, that is possible. We will handle that. Number two, India, was the EBITDA a little bit too negative in this quarter in order to be able to reach break-even? The reason for the EBITDA stance at this level in this quarter was as I said during the presentation the introduction of 870 new base stations which put pressure on the opex in the launch period but over time they will start to generate both revenues and EBITDA. So towards the end of the year from an operating point of view we target the EBITDA break-even. That doesn't mean that the fourth quarter will be zero for EBITDA, but it means that the last month will be better than the beginning month of that quarter.

Meera Bhatia: Next question please.

Operator: The next question comes from Aliasgar Shakir from Elara Capital.

Aliasgar Shakir: Yes, hi, thanks for giving me the opportunity. I would just like to have a little more on the India business and this is more strategic, I just wanted to understand, we were abandoning the appeal a couple of years back and after the Supreme Court verdict we contracted to six circles. Now with the government coming out with the auction and there are lot of inorganic opportunities also coming in as you mentioned in your earlier remarks

that consolidation is happening, so I just wanted to understand if we are looking for any inorganic growth or trying or are we also planning to look at the auctions to again expand our services to other geographies?

Jon Fredrik Baksaas: The underlying organic growth factor in Uninor in this quarter is 23% and this happens in six circles where we have spectrum. In some of these spectrums there might be a good thing to add a small slice of spectrum in order to cater for volume for the market position in that circle. We have not been specific on that and it depends also very much on how the auction eventually will play out and what will be the reserve prices etc. So I think that's the closest I can get to an answer to your question.

Aliasgar Shakir: Alright, thank you.

Operator: The next question comes from Margarita Alonso. Please go ahead

Margarita Alonso: Good morning. I was just wondering, in the picture of the Nordics how would you explain the weaker performance of Denmark and what's in store for the next quarter? Thank you.

Jon Fredrik Baksaas: The Danish operation and the Danish marketplace in general has been one of the most challenging ones for us and if you compare to European countries in general, I think that's where we get it, so the competition is tough. We are in the midst of that and we have had a period where we have not been sufficiently successful to handle the market correctly. We are to certain extent limited in flexibility through an old fashion stack of IT systems. That is a meagre excuse in fact. However it's a reality that our flexibility is not as good as the others are in the marketplace and we are putting up an extensive re-architecture of the IT stack in such a way that we come out with a much simpler and much more efficient stack going forward, but this takes well into 2014 until we get good results from that. In the meantime we have to be more precise on our market activities. We believe we have actions in place that gives reasonably good signs on that towards the end of this third quarter and that we will see a stabilisation of the customer position, the market position by customers in Denmark towards the end of this year and from there we need to build upwards. We have seen phases where some of our opcos have followed negative development compared to peers but we've seen that when this happened we have managed to come back and get back into the game and take momentum in the marketplace. I guess this is what competition is

about, to keep and maintain your momentum and to watch your position up against your peers. If we go back to 2011 we had a similar situation here in Norway where we were not able to at a sufficient speed reposition our pricing structures. When we did that in early 2012 we saw a very positive period when we introduced the bundles. Now we are in a phase where we need to reposition this again, so in a way this is daily work in a telecom company with 12 operations in as many countries and there is always a lot of work to do in order to get these things right. Denmark is by far the most challenging market in Europe in that sense.

Margarita Alonso: Ok, thank you very much for the answer.

Operator: As a reminder to ask a question please press \*1. We'll now take a follow-up question from Thomas Heath from Handelsbanken.

Thomas Heath: Thank you, a follow-up on Denmark if I may. You mentioned that you expect subscriber numbers to stabilise. Does that mean you're willing to compete fiercer on price for previously the CBB brand was quite aggressive but has been quite modest marketing and limited campaigning for a while now, so are you willing to be more aggressive on price to regain market share there? Thanks.

Jon Fredrik Baksaas: I don't think we should use this opportunity to move into those kind of details. I think that we will have to leave to the Danish operation but the general comment to that in Denmark is that the price competition game has in a way moved far enough, so in a way if we are going to move back into decent profitability figures in order to cover up investments which is by the way we do very efficiently through the network operations with TeliaSonera being more or less in the same spot as we, should give us a better position going forward and we do sort of notice and register and also have to admit that we are little bit frustrated that we are a bit slow in getting these things right in Denmark right now.

Thomas Heath: Ok, thank you.

Operator: We'll now take a next follow-up question from Peter Nielsen from Kepler Cheuvreux.

Peter Nielsen: Fredrik has just answered my question on Denmark so I'm fine. Thank you.

Operator: Thank you. We'll now take a next follow-up question from Aliasgar Shakir from Elara Capital.

Aliasgar Shakir: Yes, thank you for giving me the opportunity. I had a small follow-up on your comments earlier on the India business. You did mention about the auction, I just wanted to also check on the inorganic growth options that would be available to us and if we are looking to make any action there?

Jon Fredrik Baksaas: If your question goes about consolidation, does it?

Aliasgar Shakir: Correct.

Jon Fredrik Baksaas: I have no comments to that right now. Consolidation happens when it happens. What we see now is that there are some sort of circle by circle consolidation in the essence that some operators are sort of closing down operations and in that sense Uninor has a position to take as the best on basic service supplier in the local marketplace and best in distribution and when we have the lowest cost level we should also be able to sustain the best price level. That is the competitive formula that Uninor utilises for all its growth in its nine circles.

Richard Olav Aa: Just also add to the question that the Indian telecom sector still does not have any M&A rules in place and it's also very uncertain what the spectrum values are and how spectrum will be priced going forward. So kind of day to day consolidation about people pulling out of circles, we don't really understand how it can happen given that the framework is not in place.

Aliasgar Shakir: Thanks.

Meera Bhatia: This was actually the last question we had time for. Richard or Fredrik, would you like to have any concluding remarks?

Jon Fredrik Baksaas: Yes, thank you for all your questions. We understand solidly that this is about how to get things into a better balance in Norway in particular when it comes to pricing. Norway is a very important part of the Telenor Group, however it accounts for roughly 25%, 27%, so it's not the whole of the group and there is a very strong underlying growth in

utilisation of our services. It's up to us to monetise on that and this quarter happens to be the best financially reported quarter by the Telenor Group ever. So in a way all time high on EBITDA and with margins attached to it, so it is a strong market but we have also a lot of work to do in particularly in Norway when it gets to rebalancing on prices up against the phenomenal volume growth that we experienced. So *Internet for All*, that's our strategy. Thank you.

Meera Bhatia: Thank you Fredrik and Richard. This concludes our session today. We will now have the opportunity for interviews, I am taking the list.