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Meera Bhatia: Good morning and welcome to Today's Third Quarter Results presentation. My name is Meera Bhatia and I will be guiding you through today's presentation. Our CEO, Jon Fredrik Baksaas; and CFO Richard Olav Aa will present the financial update today. This will be followed by a Q&A session firstly from the audience, then from our online and phone participants. We will aim to end the session at about 10 o'clock and after that media will have the opportunity to speak to our CEO. Fredrik, if I could ask you to come on stage?

Jon Fredrik Baksaas: Thank you Meera and good morning to all of you. It's the third quarter 2014 and I am pleased to report record high revenues this time and EBITDA as well for this quarter. We delivered another solid quarter in terms of subscriber growth adding 3.4 million subscribers. We have added 13 million so far in 2014 and we are reaching close to 180 million customers in our 13 operations now also that Myanmar is on stream. At the same time reported revenue growth is close to 7% whereas the organic revenue growth improved to 3.5% this quarter – it was 1.6% in Q2 and it's 2.2% for the year as a whole or the three first quarters.

Internet for All is to the heart of our strategy. We are driving activities in all markets to enable, to stimulate and to monetise data usage. The number of active data users in our base is now 29% implying that there are significant growth opportunities left growing that figure. In the third quarter we have an EBITDA of NOK 10.3 billion. This is the first time that we are above NOK 10 billion from the operating activities and it's another record number for the group. We have a stable EBITDA margin of 37% and we delivered 4% organic EBITDA growth which is slightly above the organic growth figure. As we have these kinds of growth figures, we are still in need to continue to focus on profitable growth and cost efficiencies in order to secure the solid returns also going forward.



As well as looking at the operating efficiency of the group there are also significant investments to be done for the future here and the successful launch of services in Myanmar is one example of this where we are taking another long-term position, where we at the end of the quarter reached the very exciting milestone of launching services in Myanmar and I will get back to this a little later in the presentation.

Moving then to Norway. In Norway, we had a very strong quarter. The growth is as last quarter driven by strong underlying data growth combined with targeted upselling activities. 4G is really driving the growth in Norway now and we are here showing growth figures on volumes and how also the handset combination between 3G and 4G handsets is picking up. 69% or 2.2 million of our subscribers are now active data users. However, that means that there is still 1 million left and we saw a 64% year-on-year growth in the median data usage among our active data users. The usage growth is supported by a 5 percentage points increase in 4G enabled handsets since the previous quarter and this figure is as strong as 25 percentage points compared to the third quarter last year, so while these things are happening. 1.2 million of our subscribers now have 4G-enabled handsets versus only 415,000 a year ago and we expect the number of 4G phones to surpass the 3G handsets by the end of the year. What is driving this is good quality network of course combined with attractive handsets but also in this attractive services and video is now driving this. But still the Norwegian marketplace is still only a third of what the Swedish market is on average figures, so we have still a good potential to catch.

We invest to maintain our premium network position and we have around 80% 4G population coverage as we speak and this figure has also increased dramatically up through this year. The increased 4G network coverage also contributes to the increased data growth of course as people as people are consuming data everywhere literally, while commuting, at summer houses and wherever it is and we are all part of it, in particular I guess the people in the room.

It should also be mentioned that in fixed broadband we also can note a customer growth as we have added 4,000 new fiber subscriptions this quarter reaching a total fiber customer base of 104,000. These growth figures, they also become visible in the financials from Telenor Norway. Within mobile we saw a solid 10% growth in subscription traffic revenues and in the fixed segment we are reporting stable revenues, but looking into the details we see now that the 7%



growth in internet and TV revenues is now more than offsetting the decline that we have in traditional fixed telephony. All in all this gives us an organic growth of 6% in Telenor Norway this quarter. This is then done on the back of significant investments in the high speed data networks in particular in Norway and fiber rollout with total capex estimated to above NOK 4 billion in Norway this year.

For 2015, there are two elements to be aware of: Tele2 has recently terminated the national roaming agreement with Telenor Norway and the agreement will expire 1st April 2015. The agreement has currently an annual revenue contribution of NOK 550 million. Number two, from the same date, 1st April 2015, the general termination rate will be halved to 8 øre per minute and it will become effective from 1st April and this is an industry decision. To be able to continue in essence to secure profitable data growth and adapt to the changes within the fixed business, we need to make sure that we still operate an efficient operation also going forward. We are working continuously on our cost efficiency agenda both when it comes to the NOK 800 million gross cost savings ambitions for 2015 as well as the efficiency programmes with medium to long-term effects.

Telenor Sweden reports a quarter with 4% EBITDA growth and underlying margin improvement by one percentage point this year. Q3 was a relatively quiet quarter in terms of subscriber growth but we saw solid pick-up at the end of the quarter fuelled by the launch of the iPhone 6. We have seen the underlying mobile service revenue growth in Telenor Sweden slowing somewhat after several strong quarters but we believe that this will pick up again when the iPhone 6 generation really ploughs into the customer stock. Sweden is a country with high data usage and very advanced users. We have a solid data network which we will improve even more going forward and we need to work hard to improve our data monetisation in Sweden going forward.

In Denmark, the positive subscriber momentum continues with 41,000 new customers in Q3 and we have added 100,000 mobile subscribers so far this year. This has however not been enough to stabilise subscription and traffic revenues which is down -4% year-on-year as the ARPU is still under pressure in a very competitive market. With intense market competition, Telenor Denmark will have to continue to work on reducing the cost base.



Before leaving the Nordic region I would also like to mention our broadcast division which continues to deliver a stable and solid performance adjusted for the disposal of Conax which took place early this year.

Now moving to our Central and Eastern European operations. In Hungary we are very pleased to see revenue growth plus 3% this quarter and an ARPU improving year-on-year. However, seeing the EBITDA margins still negatively impacted by the telecom tax, as much as nine percentage points in this quarter. Telenor Hungary secured 800 megahertz spectrum in the recent auction and we are now in position to improve 4G coverage significantly on a country base in the coming years. But the current spectrum fees and telecom tax regime still pose significant challenges to the industry since we are long-term investors and we need a predictable and stable regulatory framework and as such we believe that the proposed new tax plans on the internet consumption will impact both the industry and users negatively.

We completed the acquisition of Globul as you remember in August 2013. So far the performance of the operations have been according to plan. The network swap is progressing well with encouraging data traffic growth from the swapped sites. Around 40% of the swap is now completed with expected completion of the project in the first half of 2015. Total revenues are still declining but this is largely due to lower handset sales and roaming and we have seen a strong margin development in the operation in the period as we have kept going in Bulgaria.

In Montenegro and Serbia we still see revenues under pressure and a seasonal improvement in subscriber figures. The highlight in Serbia this quarter was the launch of our first fully online bank, Telenor Banka, and it will be interesting to follow how we can combine go-to-market from the telecoms side as well as from the financial services side.

Before moving to Asia I want to touch briefly on VimpelCom. VimpelCom is seeing very tough times in particular seeing the depreciation of both the ruble and the hryvnia in these days. VimpelCom reported some promising trends in operations in Russia in particular at the end of the second quarter and we very much want to see this continue into the third quarter and we'll have to wait for VimpelCom reports to get our hands around that issue.



Then moving to Thailand. The economic and competitive environment in Thailand has been a key concern for us this year and dtac's Q3 result clearly shows the impact of the aggressive competition with a 4% decline in service revenues and a subscriber loss of 259,000. dtac has been a key revenue growth driver for the group but this quarter dtac was not able to offset the voice decline with growth in data revenues and this is a development that we must change. On the positive side we see no slowdown in demand for mobile data and data service and the smartphone penetration is still growing by 10 percentage points year-on-year and has now reached around 40%. We still see a lower regulatory cost supporting a margin improvement year-on-year although some of these benefits are for the time being offset by increased market spending. We are strong believers in the Thai telecom market longer term but I also believe that there is room to improve our own execution in the current market environment and the new management is working hard on this with both market activities and organisational changes towards a more cluster-based management model similar to other operations in Asia and also improving our network position by stepping up the investments to reach a better quality network.

In Malaysia, DiGi continues to deliver data-driven revenue growth in a competitive environment. Revenues increased 3% year-on-year driven by stronger service revenues and smartphone sales and we still expect revenue growth of 4-6% from DiGi in 2014 while keeping the EBITDA margins stable at around 45% year-on-year. DiGi has been running targeting mobile and internet campaigns and promoting affordable smartphone bundles supporting a strong subscriber intake of above 440,000 new subscribers and the new subscribers will support DiGi's performance into the fourth quarter of course.

Grameenphone added 1.1 million new subscribers in Q3 and passed the 50 million subscriber mark. This is enormously a big figure compared to what we were thinking about back in the mid-90s when we started in Bangladesh, but the vision of getting the handsets and the phone into the pockets of everyone stands as strong as before and expressed through our Internet for All strategy. The organic service revenue growth was 3% in Q3 as the 9% growth in subscriber base was almost offset by a 7% ARPU decline and the ARPU decline follows continued intense competition but also dilutes the effects of subscriber growth in lower revenue generating



segments, but also reduced usage following the extreme weather to a certain extent in parts of the country in this third quarter. Despite this and although the organic revenue growth decline, Grameenphone reported a solid EBITDA margin of 54% which is a small improvement on one percentage point year-on-year.

Moving then to India. We continue to see solid growth also in the third quarter with 1.8 million new subscribers and 39% organic revenue growth for the quarter. Almost 20% of our subscriber base in India is now active data users. We are improving our market position quarter-by-quarter by taking significantly more than our fair share of the total subscriber growth in the circles where we are present. In our six operational circles, our subscriber market share is now 10.5% and a revenue market share of 6.2%. We are continuing to improve population coverage within our circles by redeploying equipment from circles that we exited in 2012 and the redeployment programme comprises around 5,000 sites of which we took a big leap this quarter by launching 3,100 new sites in these three months only. This means that we have deployed 4,400 new sites so far this year and by that increasing the population coverage in our six circles from 42 to around 50. Although data consumption is already contributing to the ARPU growth and the site expansion increases are going to turn India into a profitable business, we really have to make sure going forward that we are even better at monetising this growth potential and align revenue growth with network investments.

The big excitement this quarter is the launch in Myanmar. This is a very important event for us and as we launched services in Mandalay on 27th September offering both 2G and 3G services. After just four days of service in one city we had almost 300,000 subscribers which indicates an enormous pent-up demand for affordable mobile services in this country. Later on we have launched services in Naypyidaw and Yangon and last Sunday we passed the 1 million subscriber mark and even growing beyond that. As we speak we have close to 2 million new subscribers with this very short period of time. After the launch in Yangon we now have around 16,000 points of sales and more than 500 network sites up and running. The service launched in the three major cities has gone according to plan, however we have also had experience on capacity issues in peak hours driven by this enormous interest of this new service offering. However, access to land and site permissions remains an issue for the network rollout speed and this was also flagged when we entered the country and it has really proved also to be a reality. I have to



give great recognition to the team and our colleagues and partners in Myanmar to realise this launch in the way that they have done. The side-effect of this is that they had probably also had a lot of fun during the launch phase. When it comes to the financial targets, we continue to expect EBITDA breakeven within three years and accumulated losses of US \$1 billion including the license fee before break-even.

Now to conclude the third quarter presentation. We have delivered a quarter with strong operating performance with record high revenues, EBITDA and operating cash flows. Telenor Group's strategic direction is focused on profitable data growth and to capture this growth and to monetise on it we have to continue our efforts on stimulating demand while also making sure that we have relevant offerings with healthy price structures as well as making the necessary investments in data enabled networks. As Richard will come back to in his presentation, the cash flow ambition of NOK 28-30 billion in 2015 comes out to be too ambitious, due to timing issues, headwinds in some markets and opportunities to invest in profitable growth.

To conclude, the third quarter results demonstrate Telenor Group's ability to move forward. We are in good shape and we expect healthy underlying trends to continue. With that I deliver to Richard to continue on the financials. Thank you.

Richard Olav Aa: Thank you Fredrik and good morning from me as well. I will then dive right into the revenues. We have record revenues this quarter, NOK 1.7 billion improved revenues from the third quarter last year – that is a revenue growth of 6.7% reported. We are helped by the currencies, the Norwegian kroner has weakened against particularly the Asian currencies, so that explains approximately 2.2 percentage points of the 6.7; and then we have done some good acquisitions in Bulgaria and also the fixed network from Tele2 in Sweden and those acquisitions explain approximately 1% when you net out the effect of the sale of Conax. So excluding currency and acquisitions and divestitures, we are back to an organic growth of 3.5%. As you see from this slide on the right side, it's a breakdown of the 3.5% and most importantly our mobile service revenues continue to grow 2% driven mainly from Norway and India this quarter. We see device sales are also picking up year-on-year, we see strong device sales at the end of the quarter also with new iPhones. Fixed is showing positive growth of 0.2 driven by the investments in Sweden and strong internet and TV consumption in Norway. For other units we



see a strong growth of 0.4% – that comes from our machine-to-machine business, our international carrier business, TDS, and also the maritime communication business is behind that growth.

As Fredrik mentioned, we are reporting now 3.5% organic revenue growth is well above what we delivered in the first and second quarters, but the main explanation why we are reporting a higher growth is that we don't have a significant negative interconnect effect from Thailand this quarter. That was around 1.5% in the second quarter and that explains the main difference between second and third quarter when it comes to growth, as you see here it's only -0.1%.

So, all in all, good growth trends continuing and Norway growing really well while we are struggling on the growth side in Thailand as the two main headlines. This is then resulting in also a solid growth in EBITDA. Telenor over the years now have had good operating leverage. We have been able due to good and systematic cost programmes to grow EBITDA faster than we're growing the top-line and that's also the case in this quarter, 3.5% organic revenue growth resulting in 4% organic growth in EBITDA. We are reporting now NOK 10.3 billion in EBITDA which is up from NOK 9.6 billion similar quarter last year and you see the main units behind this growth is Norway and dtac. dtac, clearly lower revenues but a lot of savings on the regulatory cost side by moving from concession to a licence regime and solid performance in most of the other units contributing NOK 280 million mainly due to good execution on the cost programme on the back of a small growth also in other units. While the two new units, Globul and Myanmar, they net each other out on EBITDA growth, a little bit stronger from Globul than expected and EBITDA losses from Myanmar more or less as expected.

Then to the capex. Capex this quarter is slightly above from the similar quarter last year but still at around 14% of sales. The breakdown you see at the right, about 25% of the capex is going into Norwegian network on LTE deployment and fiber which we are now monetising quite successfully this quarter. Then you see Asia now with dtac, DiGi and Pakistan investing in internet capacity to connect unconnected customers and give more capacity to on the back of the strong data demand. Those are the main drivers behind the capex this quarter.



So, based on the strong development in the EBITDA and a rather stable capex, we see an operating cash flow over NOK 6.3 billion which is close to NOK 0.5 billion up from the similar period last year. You also see the main drivers there on the right hand side, here it's not taken by unit but it's taken by the various accounts in our P&L and you see the main driver is of course the gross profit meaning that it's revenue growth and good control of the cost of goods sold and also here we have some currency effects in all fairness but that contributes close to NOK 800 million.

Opex is increasing NOK 146 million, that's mainly related to new sites in India, the 3,000 sites Fredrik talked about. Those come in with rent costs and energy costs before we can fill them up with revenues. On the capex side excluding Globul and Myanmar is actually a small reduction of 152, I mentioned capex was slightly up, that's due to capex now in Globul on the network swap and Myanmar. We invested approximately NOK 250 million in Myanmar this quarter on opex and capex in line with the plans. So this combined picture, even though we have two new units that now consume capex, still the underlying capital is up by NOK 0.5 billion.

So that is the main – with Fredrik's – very comprehensive or through the various performance in the various units and this underlying financial description is the main explanation on the consolidated units but I also want this quarter to take you through the associated companies because there are some important things to go through there. We have a negative contribution from associated with NOK 300 million this quarter. There are three main investments in the associates line, that's VimpelCom, it's the online classifieds we have with Schibsted, the joint venture; and Amedia, the media house we own together with the central labour organisation in Norway. VimpelCom like Fredrik said is facing tough times especially now with the depreciation of the Russian ruble and the Ukrainian hryvnia and tough competition in Russia. So we are only getting NOK 200 million in from VimpelCom this quarter. That is actually the second quarter results from VimpelCom because they are lagging one quarter.

On the online classifieds, that is going as planned somewhat better I would say when we look at KPIs in key markets together with Schibsted and spending more or less as we have planned for but it's significant, it's NOK 238 million largely in marketing expenditures that we are investing on our part into the joint venture this quarter. Finally Amedia, the media house is facing tough



times especially on advertising revenues and they have impaired some of their book values and that goes straight into our results as well.

So that's the storyline on our consolidated entities and associated entities, so I don't now intend to go through the details of the net income, but just point to depreciation and amortisation as we see that one is up by approximately NOK 500 million and that's due to the writing-off the old network in Globul and now swapping into a new network. There is nothing particular in net financials, taxes or minorities this quarter, so we end up with a net income to Telenor of NOK 2.6 billion for this quarter.

Then moving over to the balance sheet. We have a very strong balance sheet, probably one of the strongest in the telecom industry and this quarter we can continue to say we have that statement. We have reduced our debt by approximately NOK 4 billion this quarter from NOK 44 billion to NOK 40 billion. The net EBITDA ratio is stable at one time. We have a run rate now on EBITDA around NOK 40 billion. You saw the EBITDA level of NOK 10.3 billion in the third quarter and the debt around NOK 40 billion. So we have the same debt level as we have in EBITDA. There is either no need to go through the detailed reconciliation of the net debt change from second quarter to third quarter but just point out that we have paid NOK 1 billion to Norwegian government to buy back shares from them based on the share programme that was executed in 2013, so the Norwegian state is keeping their shareholding stable in Telenor. Other than that, it's quite normal trends on the debt and also good progress on some working capital items that improves the net debt.

Then moving on to the outlook for 2014 and the trends we see into 2015. Let's start with the outlook for this year. We maintained our outlook based on the results now in the third quarter and what we see our trends into the fourth quarter and let me take them one by one. Organic revenue growth, the guiding is low single-digit, year-to-date we are at 2.2% and we don't have the interconnect effect from Thailand also in the fourth quarter so we should be in good shape to come in on low single-digit organic revenue growth. EBITDA margin, we are guiding above 2013 level, year-to-date we are at 36.3% while we ended fiscal year 2013 at 34.5% so we are almost 2 percentage points ahead year-to-date, but bear in mind fourth quarter is always weaker because we have a lot of handset sales and particularly with iPhone 6 coming in will



dilute the margin in the fourth quarter, so it will likely be lower than 36.3% but it will be significantly better than 34.5% last year. So I think we guide above 2013 level with good confidence.

On the capex to sales, we are now year-to-date at 13.5% last year and then at 14.1% and we are guiding 14-15% and typically we have higher capex levels also in the fourth quarter, so I think that's a prudent range. So we see no need to change the guiding for 2014.

Then moving into the trends for 2015 and let me first start with what we can control the best and that is our costs. We have laid out a cost targets for '13, '14 and '15 to save 5 billion gross. We are doing well on that target and we have good optimism that we should realise that target within 2015. The two biggest mobile units we have listed there also Norway being fixed and illustrated their kind of path to contributing to the NOK 5 billion and Norway, we had a cost program over NOK 2 billion and we executed very well in 2013 and we are on the way to closing also the ambition for 2014. Then we have an ambition of NOK 800 million next year and we are filling up the pipeline there day-by-day and we are almost half filling up that pipeline and this is quite normal for this time of the year. So we have a clear ambition to close this and deliver on the cost program in Norway.

Then on Thailand, yes, we have headwinds on the top-line due to macro competition but we are delivering ahead of the regulatory cost savings curve that we laid out when we shifted from concession to licence. As we visualise here we are now down to 22% regulatory cost as a percentage of service revenues which is down 10 percentage points, so that's going very well in Thailand. Also the other units, we mentioned DiGi and Sweden as two prime examples, but across the group we are delivering quite well on our cost agenda on NOK 5 billion.

Then moving on to 2015. We at the Capital Markets Day in 2012, we set out an ambition to deliver an operating cash flow of NOK 28-30 billion and as you see from the curves, the good trends on EBITDA, top-line growth, good cost control resulting in EBITDA growth, we expect that to continue. However when we now look into 2015 we see that the NOK 28-30 billion target is too ambitious and there are three reasons that I will take you through that mainly explains this. I will take them one-by-one. One of them is more of a shift, another one is clearly performance



driven and bad news; and the third one actually I would claim is good news. Let's start with the satellite launch. We have planned to launch Thor 7 in the fourth quarter this year. That will be postponed into first quarter next year. That's a capex shift of NOK 1.5 billion from '14 to '15. Secondly which is more performance-related is that we now see a revenue decline in Thailand in '14 and limited visibility on when this will turn in the future. We still have good long-term growth prospects for our subsidiary in dtac but when we were on a path in dtac, growing our revenues in 2012 and 2013 around 10% service revenues and this year we will have negative service revenues for the largest mobile operation and the key growth engine of the group in the last couple of years and that shifts separately as it has done in 2014, that has an impact that I am not going to quantify in detail for you now but it's clearly bigger than the satellite impact into 2015 unless the trends turns remarkably quick. Of course, we also expected Denmark to stabilise and do better in 2015 but based on the market trends there now, on the ARPU it's very hard to see that 2015 should be a remarkable uptick in operating cash flow also from Denmark. Thailand is of course the main one.

So to turn the trends in Thailand and Denmark is post performance to continue to grow our cash flow longer term. The third one which I would claim is actually good news is what Fredrik also alluded to is that we are now in the beginning of the S-curve of picking up the data customers in Asia. Only 29% of the Telenor customer base have access to the internet and that growth is happening now. We are in the beginning of the S-curve and what is driving the growth, yes, there are tremendous new services that the people would like to connect in Asia. The device prices have more or less collapsed. You can buy a very good smartphone now below \$50 in Asia. Thirdly, spectrum has become available to drive data services in many of our markets going forward and we expect more to come. It would not be prudent of us not to catch up on that opportunity that we now see particularly in Asia. Having said that, that does not mean that we will go on an investment frenzy next year. We will apply all the tools we have in the Telenor toolbox working granular on the investments, phasing the investments based on pick-up and profitability, using new operating models from sharing and with partners more intelligently to make these investments profitable. We see a big opportunity longer term to take part in this growth. However, we are in the middle of this process now with our business units to lay out in detail what we are going to invest and how we are going to invest it. That's a process we will



end by the end of this year. We will discuss it with our board and anchor with our board and we will come back to the capital markets and present a guiding for 2015 cash flow in February.

Then I want to end going back to the quarter, I will just sum up the quarter before we take the Q&A. We have all-time high revenues, EBITDA and operating cash flow based on the solid performance. Norway, really a good example to follow on how to monetise increased data usage, 10% mobile service revenue growth is sticking out. Our weak spot is of course Thailand due macro intensified competition, negative service revenue growth. We have to turn that around with the measures that Fredrik mentioned. Of course, our big pride this quarter is that we have successfully launched in Myanmar and that is really something that we are proud of as a group.

Meera Bhatia: Thank you Richard. Could I ask Fredrik please back on stage. We will open up for a Q&A session now, first from the audience and then from our phone participants. Any questions from the audience, there in the back row please?

Christer Roth: Yes, hi, Christer Roth from DnB. Congratulations on the good numbers. A few questions with respect to Asia. On Thailand you said there was room to improve your own execution. I was wondering if you could elaborate on that please? Secondly, once the migration of subscribers across the operator universe is migrated to the license-based network, do you expect that price competition will ease off and what extent do you expect that the seven percentage points in terms of further regulatory cost savings can be translated into further EBITDA margin increases? For India I was wondering whether the increase in growth in data usage requires additional capex with respect to deployment of more advanced data services? Thank you.

Jon Fredrik Baksaas: They were important questions to the core of it really. In Thailand I think we have to recognise that we were a bit too optimistic last year when we started the migration to the licence regime and it proved that our network was not solid enough on the parameter of being seamless when we started in 2014 and the quality network that we had in 2014 did not meet the customer requirements sufficiently well in the first...we saw that towards the end of the first quarter and in the second quarter where you saw it even more clearly. We took actions on that in order to improve and get rid of the pockets that we had on the network in Bangkok in



particular and that has been done more or less now in the third quarter, but it will continue also slightly into the fourth quarter and then we will take those efforts gradually into the other cities of Thailand as well and pledging to our customers in the Thai market that we will have a best performing data network back in shape in March next year. So that is a kind of recognition that we were too optimistic on what was happening in the licence or the migrations from the concession regime to licence regime last year. The second question was on...?

Richard Olav Aa: On the regulatory cost savings in Thailand.

Jon Fredrik Baksaas: Then you can take that one.

Richard Olav Aa: Ok, thank you. We see good progress on migrating customers from the concession to the licence regime and we see no reason why that should not continue longer term. The more worrying trend is the really tough competition and almost unhealthy competition I would say both on voice and data in the Thai market that put some more of a question mark on the margin development in the short to medium term.

Jon Fredrik Baksaas: If you reflect back to what happens in all the Scandinavian countries when we have taken this as a change to data. We have seen some fluctuations on how this transition has taken on. I think Thailand, given the intensity on competition coming from the change from concession to licence basically will have a period of actions from the players, that the players cumulatively need to learn, the transition mechanism to data pricing, because clearly these markets are going through the change from voice, SMS to become data centric. The third question was about India and capex. Under the present spectrum situation we don't expect new investments at existing spectrum with existing EDGE services. Investments as we are right now is to grow the footprint of our existing network with existing technologies. The long-term question though is highly relevant and that is the future spectrum situation in India is under constant pressure from all industry players because the Indian government has not made available all commercial spectrum which is there. In the upcoming auction next year TRAI is now coming up with new suggestions and proposals also to include new spectrum amounts and wish that very welcome as do other industry players in India for that matter.



Meera Bhatia: Thank you. Any further questions from the audience? No questions from the audience, I will take one online question coming in from Renaissance Capital on VimpelCom. Do you plan to convert your preferred shares in VimpelCom at the price of the stock is now in its low level?

Jon Fredrik Baksaas: Well, that question has been there for quite a while. We still have a good period of making a decision on the pref shares so I have no further comments to that right now. I think the most important thing is that VimpelCom basically concentrates on operational parameters, concentrates on closing the announced deal in Algérie and take the benefit that comes from the financial restructuring that VimpelCom has done this year including the effects of the deal from Algeria.

Meera Bhatia: Thank you. I will take one more online question from [Jedara] Capital. The question is based on what you have seen Thailand and Malaysia in terms of data, how did you the offer profitability per data subscriber compare to a voice-only subscriber?

Jon Fredrik Baksaas: I doubt I am capable of taking the details on that, and it goes back to the previous questions that we had, namely how the industry manage to capture the monetisation side of the data phase in this industry. There are good industry examples and there are weak industry examples and there not so good industry examples. Right now both the United States and Scandinavia for that matter are showing very good prospects on how to monetise the data phase in this industry. I reckon that also other markets will test, learn and develop and since there are such heavy investments needed to realise this good connectivity, then these investments needs to be associated also with the necessary profitability, else they won't happen. This combination of good quality networks, handsets with good functionality and good user interface associated with attractive services – that is the ecosystem at play and clearly the Norwegian market is the best market within the Telenor Group for the time being how that is to be done.

Meera Bhatia: Thank you Fredrik. I will now open up to the conference call participants, if the operator will start the call.



Operator: Thank you. To ask a question over the phone, please press *1 on your telephone keypad.
We have our first question from James Britton. Please go ahead.

James Britton: Thanks, good morning, James Britton from Nomura. I've got a few questions about the strong performance in Norway. Firstly you mentioned median data usage in the slides. I just wondered if you could clarify what average data usage is and also perhaps, give some comments on why it's so much lower than the Swedish market? Then could you just also say how many customers have moved across to the new pricing structure you introduced in the second quarter and how important those pricing changes have been to accelerate the growth? Then finally on profitability, could you just give us some explanations as to why there hasn't been more operating leverage impacts through to your margins particularly when you've got some good efficiency initiatives going through in Norway as well? Thank you.

Jon Fredrik Baksaas: Why are Norwegian customers lower than Swedish? We don't like to be lower than Swedish in this country. I have an explanation and that is that the Swedish market has always been more intensive on capacity pricing and this is something that came from the fixed line deployment back 10 years ago. So the competitive criteria between the players have been capacity-oriented, more than so in this country where coverage has been more the issue. That's one explanation, then you can in a way add that also some interesting applications have also seen daylight in Sweden, ploughing into also global services, so that might be another. But one thing is for sure, in this country we are technology savvy to the extent that we are curious on new technologies and we see now an explosion in this usage as we record close to 70% change or incremental in data usage of the mobile phone. Richard?

Richard Olav Aa: Yes. Average usage in Norway is 1.2 gigabytes per subscriber and compare that to Sweden, in Sweden it's 3.6. Why we are not so interested in following the average, this is really the median that will move our revenues on the average. We have a lot of large screen users and heavy users that we probably need to migrate to other price plans over time, so it's really median that is key for us to track. When it comes to the opex, yes, correct James that the margin in Norway could have been better but we are also investing now on the opex side on a long-term transformation programme, in particular the fixed value chain programme we



embarked upon with a partner – that has opex cost in the beginning but it's a very strategic programme for Norway to deliver a much more efficient fixed value chain over time.

Meera Bhatia: Thank you. Next question please. I am sorry, we have to move on to the next caller.

Operator: Our next question comes from Ulrich Rathe. Please go ahead.

Ulrich Rathe: Thanks very much, I have three hopefully short questions. The first one ties into the last answer. Richard, you mentioned this transformation with TATA there. Could you just give a bit more colour where this is aiming? What ultimately is the intent there? The second question is you made several references to better monetisation of fiber in Norway. I was wondering given that you don't sort of really report much on the fiber separately whether you could underpin this with some KPIs or financial data? My last question is you made much of this scrapping of the NOK 28-30 billion cash flow guidance. Now obviously consensus market expectations at least from the sales side is already significantly below that number, I think it's around NOK 24-25 billion, so I'm just wondering when you talk about this so much and put so much emphasis on this in the presentation, is this now because really you want to explain what's going on internally in the company and ask that or have you actually looked at where the market is and you felt that the market needs to think about this more carefully? So in other words is the emphasis to this really related to what you are seeing in terms of market expectations or is it more internally focused with reference to your earlier plans and you feel a need to explain this? Thank you.

Jon Fredrik Baksaas: Thank you for your questions. As for the transformation issues in Norway, to the first part of it, the transformation here, we are sitting on a fixed value chain in Norway which clearly have both legacy and very long history and what we have embarked upon with Accenture as a partner in this space, TATA and Accenture, we have taken on the ambition of completely renewing how we're doing the customer handling, all the customer engagement processes and all the processes between the customer side and the network side with a clear ambition of reducing the opex side longer term. This was one of the weakest points that we had in our A.T. Kearney benchmarks on the cost side as well for several years and we are really addressing that these days right now. As for metrics on fiber, the fiber calculations is...you need to understand a



bit of the geography in this country before you sort of address the question. The country is long stretched, people are living very scattered. What is then commercially feasible to fiber and to cable has certain limitations and we consider that the present situation is more so that out of 2.5 million households, maybe 1.5-1.7 million of these households will be capable of receiving commercially either cable or fiber. It's within that group, that segment of households that we're rolling fiber and have reached the stages of 100,000 plus connections right now. In this space the electricity companies are the main competitor, knowing also then that the cable market is roughly divided 50-50 between ourselves and TOT. As to your last question there on cash flows, when we established this three years ago, we really saw a development curve where capex could normalise and really take the cash flow figure up to the NOK 28-30 billion level. However the data phase comes more rapidly in all markets and these investments need to be done in order to catch the earlier growth of the S-curve and you are right in the fact that market evaluations of this have been lower than our own estimates which was an ambition three years ago when we made it. We thought it's prudent to describe the changes that has come in and then also pointing to the underlying strong growth parameters that we have had with us both this quarters and previous quarters. So it's clearly our ambition to grow on both top line, EBITDA and net cash flow and there are elements that later on we will take this up when the satellite is done and we can reach a more normalised situation in the data phase when it comes to investments.

Meera Bhatia: Thank you. Next question please.

Ulrich Rathe: May I follow up on?

Meera Bhatia: Sorry, could I kindly ask you to limit yourself to one question so we get more callers.
Thank you. Next question please.

Operator: Our next question comes from Peter Nielsen. Please go ahead.

Peter-Kurt Nielsen: Thank you. I'll just have a question on Denmark then please. You still talk of the market as being challenging but you still Fredrik seem to have moderated your comments somewhat and I think the numbers would indicate that perhaps you've turned a corner in



Denmark. Is that the way you see it? Also when you talk about reducing cost and the good momentum you have on the subscriber trends, will this make you perhaps reconsider your fairly aggressive handset subsidy strategy which you've carried out this year? Just thirdly, you've obviously won some major public contracts this year, you haven't really talked about it but are you prepared to tell us how much of a boost to revenues you expect from the contracts you won within the last three months? Thank you.

Jon Fredrik Baksaas: These were questions related to Denmark asked by a person with a clearly Danish accent so I'll try to be as precise as I can. Have we turned the corner? Well, it might be that we have been at the bottom at least so let's hope that that is the case and that we now are in a better shape when it comes to the go-to-market initiatives. We have a good quality network at the base of this after we combined our networks in a network sharing agreement with Telia so there should be no excuse on the network side. It's then on the service side, it's how we package our services and it's how we go to market that really is at stake here and we are doing obviously a better third quarter than we have done for quite a period of time in Denmark. On the corporate customers, I don't think I will be detailed on those but I'd say the following: some of the corporate contracts in Denmark are extremely competitive in its structure as they are in Norway for that matter and that means that we are winning some and we are losing some to the extent that our main competitor TDC is able to keep contracts when they are up for renewal, but we are happy with the ones that we have taken and it creates of course volumes to a good quality network already so it's good contributions. That covered it, I think? I think so.

Meera Bhatia: Next question please.

Operator: Our next question comes from Stefan Gauffin. Please go ahead.

Stefan Gauffin: Yes, hello. First of all in the Swedish market Telia is planning to launch convergence products. I would just like to hear your view on the need for convergence products both in Sweden and also for Norway. Secondly just regarding the increased amount of the dispute in Thailand, if I just could mention your view, your risk assessment relating to this and if there are any provisions taken? Thank you.



Jon Fredrik Baksaas: The need for convergence products and services, you could say that the way these markets mature and develop one thing is for sure, the bundles that the customers can get from this industry are constantly becoming more rich. Despite the enormous growth of volumes that the market generally takes from our systems when the economy basically goes digital also creates growth from us, but in the proportion of a much bigger growth factor from the consumer consumption compared to the price development, but seeing the combination of this in Norway right now I think we are pretty well on a good trend. Convergence, if you are then thinking of sort of bringing entertainment products into this package as well as the next layer, then I think the industry needs to think about the complexity that happens on the IT side and also the discount expectations that generally will come from the consumer side when that step is taken. So we are a little bit reluctant to sort of embrace the idea but rather see a kind of evolution into growing the bundle, the quality and the content of the bundle as such over time, more in an evolutionary way. Maybe you Richard can take the dispute in Thailand?

Richard Olav Aa: Yes. It's increased now up to NOK 50 billion from TOT and it's nothing new other than TOT added three more years to the claim. We still are of the strong opinion that the claim is unmerited and we have set no provision for it.

Stefan Gauffin: Thank you.

Meera Bhatia: Thank you. Next question please.

Operator: Our next question comes from Sam Dillon. Please go ahead.

Sam Dillon: Hi guys, just a question in Thailand. How has the relationship been with the military government throughout the year and has there been any change to the working conditions of dtac? Thank you.

Jon Fredrik Baksaas: Working conditions with the new government as we see it from the industry is better, it's becoming better to the extent that also knowledge and competencies about how this market operates is growing. So I think the dialogue is making this happen and developing in the right direction.



Meera Bhatia: Next question please.

Sam Dillon: Cheers, guys, thanks.

Operator: Our next question comes from Thomas Heath. Please go ahead.

Thomas Heath: Thank you. Thomas Heath here with Handelsbanken. A question on Norway please, if you could tell us a little bit about the sub-segments, so how is consumer doing relative to corporate and perhaps your sub-brands versus the main Telenor brand? Then if we look a little further on into Telenor Norway, do you expect similar trends particularly in the corporate or consumer segments or should we expect a down-trading eventually in the corporate side? Thank you.

Jon Fredrik Baksaas: Well, these are questions of evaluations rather more than specifics. I think that Telenor Norway has a historically very strong relationship to the corporate side of the communications market in Norway and the way the competition parameters in Norway is quality networks, coverage and of course also capacities and pricing. To strike that balance I think we are reasonably good at striking that balance actually on how we compete in the corporate segment as well. But the price revisions that we did in autumn 2013, changing the pricing structure also at the end of first quarter this year has clearly benefited the Telenor figures later this year as we have been able to create a better link with the growing demand of data downloads back into the pricing structures. The combination then of good services, the new handsets that are now coming this autumn as well as the good quality network where have reached 80% penetration of where people live when it comes to 4G coverage really drives this. So where we are right now, we believe that we can develop upon this trend of higher usage from where we are right now as well.

Meera Bhatia: Thank you. Next question please.

Operator: Our next question comes from Jakob Bluestone. Please go ahead.



Jakob Bluestone: Hi there, Jakob Bluestone here. So a question on Norwegian mobile as well. You obviously pointed to the strong growth coming through as a result of customers moving to LTE. Could you possibly comment on what is the typical ARPU uplift you get as customers move from 3G to 4G? Thanks.

Jon Fredrik Baksaas: Richard, do you have that on top of your head?

Richard Olav Aa: It's not the way we do the pricing in Norway. We don't price on technology. We price more on usage, on speed and what's typically happened is that when a customer shifts his handset from 3G to 4G, he will need a higher data package both on speed and volume. Our systems and people will recommend him to typically take a higher bundle than he had before and what we see now, we are selling more than 50% of our new sales are in bundles 299 and higher and that's across all brands, so that's the main driver and you see that compared to the normal consumer ARPU is better.

Meera Bhatia: Sorry. Next question please.

Jakob Bluestone: I was just going to ask...never mind.

Operator: Our next question comes from Maurice Patrick. Please go ahead.

Maurice Patrick: Yes, hi. Maurice from Barclays. So a quick question on the Indian operations, obviously we saw the free cash flow losses increasing as you redeploy the sites. How are gross margins trending in the market so we can get a sense of how you will exit the year going into 2015 as you finish the network rollout to be helpful? Thank you.

Jon Fredrik Baksaas: Thank you Maurice. As you know Q3 in India is typically a quarter with a little bit low seasonality while the fourth quarter is of high seasonality, so what is now happening in India on the pricing side in the fourth quarter and our consumer uptake in the fourth quarter to drive the gross margin into 2015 is of course very critical. We see good trends on the new sites that we have deployed but the Indian market is very competitive, 100% prepaid short-term and how



we are going to drive up ARPUs and gross margins in the fourth quarter is a key question also for us and we monitor this on a daily basis now.

Maurice Patrick: Ok. Thanks guys.

Meera Bhatia: Thank you. Next question please.

Operator: Our next question comes from Erik Pers Berglund. Please go ahead.

Erik Pers Berglund: Thank you. On Norway, on the topic of the nicely increasing ARPU there, has there been a corresponding increase in the subscriber acquisition cost over the past year and could you tell us what the subsidy is in absolute terms and how it has changed over the year? Secondly just to continue on India, I think that on operational free cash flow you used to discuss positive levels for next year over a few hundred million NOK. I think now when you're running at these EBITDA losses of more than NOK 100 million that looks slightly optimistic perhaps. Could you help us out a little bit with the cash flow assumptions for next year in India and what is the incremental EBITDA margin there as revenues grow please? Thank you.

Richard Olav Aa: Well, starting with Norway, no, there is no big change on the subsidies. The SMC cost of the total opex is going slightly down so we have not been fuelling the markets with more subsidies and we have not increased prices either. The revenue growth is coming purely from increased need for data consumption from our customers. On the Indian side, like you said, we clearly have an ambition to turn India into profit next year. After the third quarter we are very proud of being able to redeploy sites as fast as we could and we see good revenue uptake on the sites. We also see an increased ARPU from data services also on EDGE and 2G but we really depends on that ARPU growth to continue also into 2015 to get the Indian operation into profitable territory.

Meera Bhatia: Thank you. We have time for one more question from the phonecall.

Operator: The final question comes from Keval Khiroya. Please go ahead.



Keval Khiroya: Thank you, I've just got a question on Thailand. You highlighted that visibility on Thailand remains relatively low. Is there any colour you could give us around how the competitive environment is shaping up in Thailand so far in the fourth quarter and also the actions you've taken so far in terms of improving the trends there, should we expect them to have any impact in the fourth quarter or should these have more of a material benefit as we look to next year?

Jon Fredrik Baksaas: In Thailand we clearly expect our actions in this quarter and transferring into the fourth quarter, we clearly expect them to stop the leakage on the customer side and that the quality of the network comes up to what it needs to be and that gives a better platform for us in 2015. I am pretty sure that Mr. Brekke his team will manage to do that, so we have very focused efforts on these things after we have sort of taken the tolls after what happened in the second quarter.

Meera Bhatia: Thank you Richard and Fredrik. This concludes our session today. Thank you for your participation and for media present there will be the opportunity to speak to our CEO. Thank you.

Jon Fredrik Baksaas: Thank you.

Richard Olav Aa: Thank you.