

CMD2017

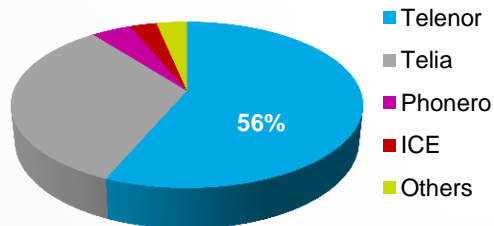
TELENOR NORWAY

Berit Svendsen, CEO

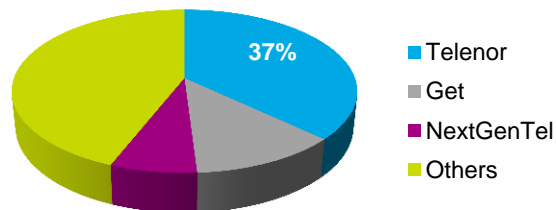
MARKET LEADER IN AN ADVANCED TELECOM MARKET

- High disposable income and affordability
- 80% internet penetration and high penetration of electronic devices
- Economy already highly digitized
- High expectations with respect to telecom network quality and coverage

Mobile revenue market shares*

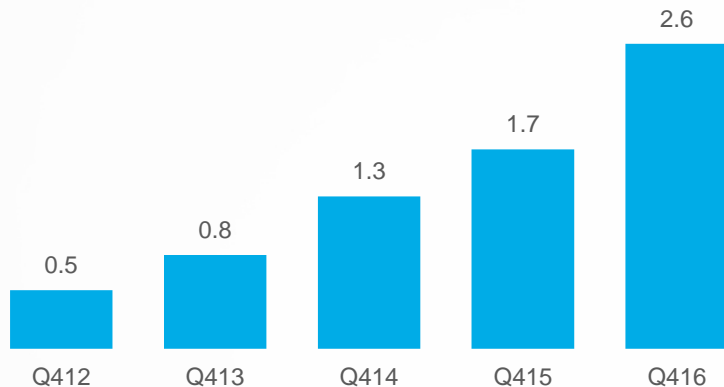


Fixed broadband revenue market shares*



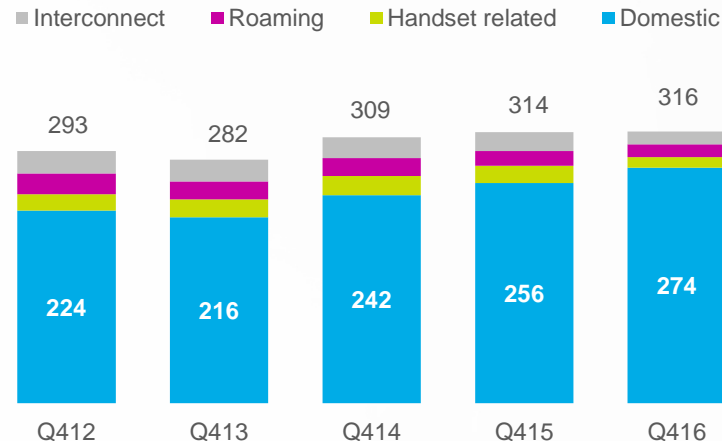
PROVEN TRACK RECORD OF MOBILE DATA MONETIZATION

Average mobile usage (GB / month)



- 53% y-o-y growth in average data usage in Q4 2016

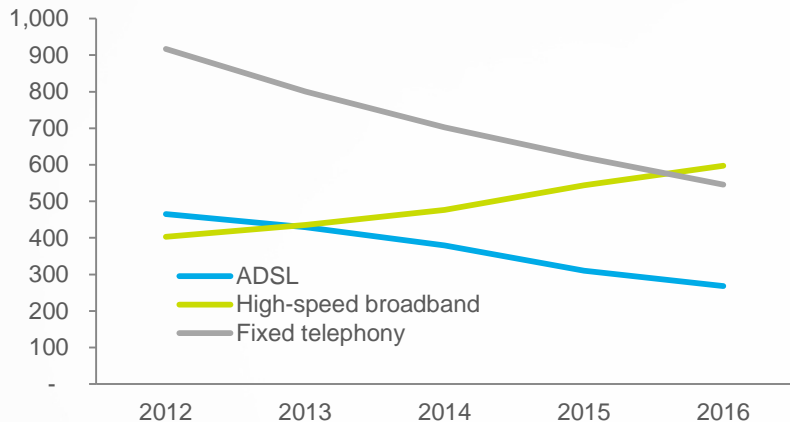
Mobile ARPU (NOK)



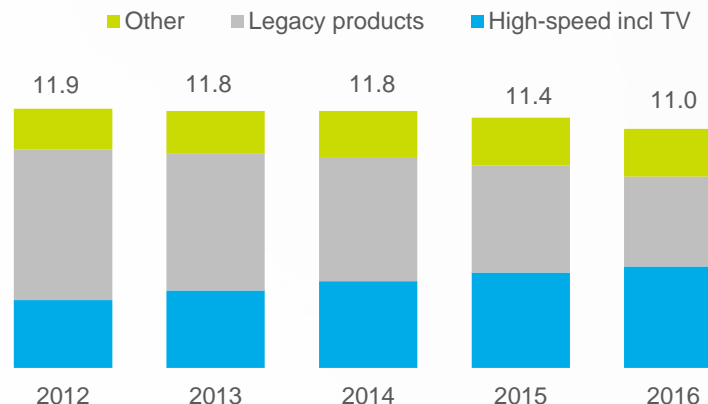
- 7% y-o-y growth in domestic ARPU in Q4 2016
- New tariffs in 2016 with included EU roaming

HIGH-SPEED BROADBAND GROWTH HAS PARTLY OFFSET REVENUE DECLINE FROM FIXED LEGACY PRODUCTS

Fixed subscriber development ('000)



Fixed revenues (NOK bn)



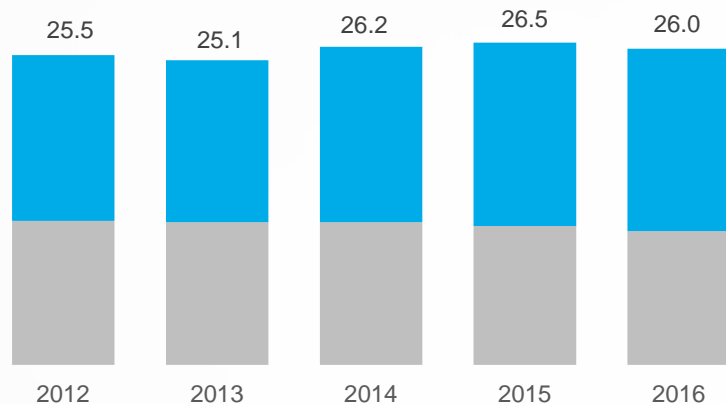
- High-speed broadband subscriber base reaching 597k end of 2016, of which 156k on fibre

- 15% increase in high-speed broadband revenues in 2016

...IN TOTAL, THIS HAS RESULTED IN STABLE REVENUES AND EBITDA

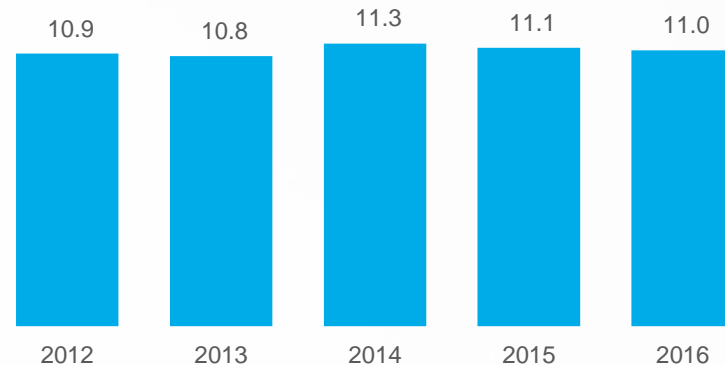
Revenues (NOK bn)

■ Mobile ■ Fixed



- Mobile domestic revenue growth balance Fixed phone and Roaming/Interconnect revenue decline

EBITDA (NOK bn)



- Continuous efficiency measures offsetting decline in high-margin legacy revenues

MEET COMPETITION BY CONTINUING TO DEVELOP KEY STRENGTHS

Competitive environment

- Price competition in low-end mobile segment
- Fragmented but locally strong FTTH players
- OTT challenging linear TV

Our response

- Superior network coverage and quality
- Innovative solutions to create value for our customers
- Efficient operations

A background image showing a group of four young people (three women and one man) smiling and taking a selfie together. In the background, there is a lighthouse with a red and white striped top and a Norwegian flag, set against a blue sky and a mountain.

KEY DRIVERS FOR VALUE CREATION TOWARDS 2020



**Capture
revenue growth
opportunities**



**Investments
to support
growth and
efficiency**



**Sustainable
efficiency
improvements**

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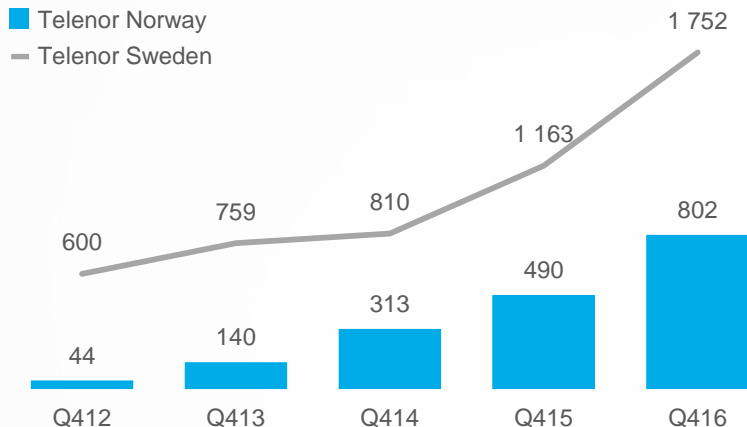
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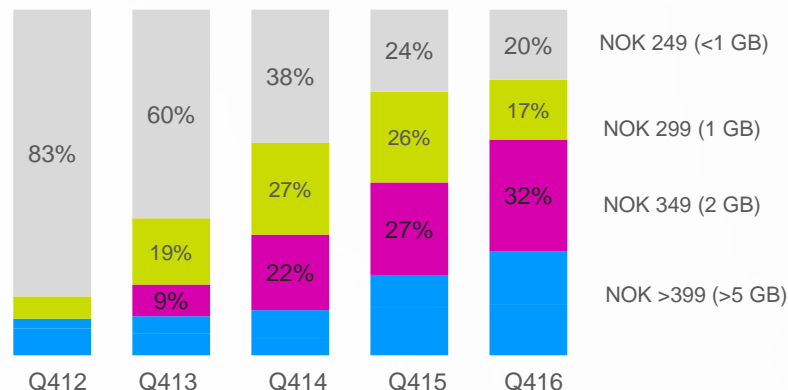
**Sustainable
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improvements**

POTENTIAL FOR FURTHER MONETIZATION OF INCREASING MOBILE DATA USAGE

Median mobile data usage (MB/month)*



Distribution of postpaid subscriptions**



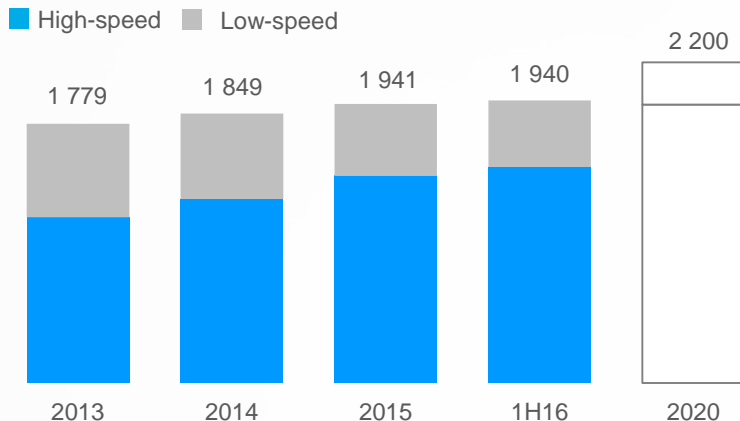
- 64% y-o-y increase in median usage, but still significantly below Sweden
- 20% of subscribers not yet active data users

- 30% of new sales on NOK 399 and above

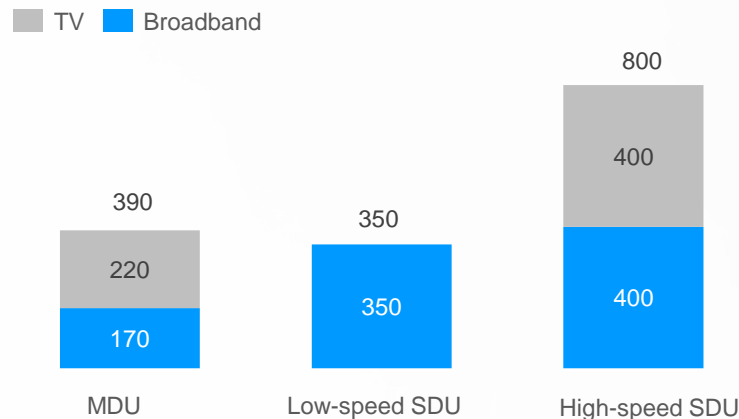
* Consumer segment
 ** Monthly fee incl. VAT, Telenor brand

UNTAPPED GROWTH POTENTIAL FROM HIGH-SPEED FIXED BROADBAND STEP-UP

Broadband connections – total market ('000)



Telenor broadband and TV ARPU (NOK)



- Expecting high-speed household penetration to increase from 65% in 2016 to 85% in 2020
- Targeting to increase Telenor high-speed market share from 37% in 2016 to 45% in 2020

- ARPU growth potential in SDU segment from moving customers to high-speed solutions
- High-speed connectivity as enabler for other services (incl. TV)

WELL POSITIONED TO EXPLORE FMC OPPORTUNITIES

- Broadband base of 810k households representing approx. 1.6 million mobile subscribers
- Cross-sale and holistic customer care across fixed and mobile already in place
- Focus on new digital solutions that can add value to the broadband connectivity:
 - Interactive TV solutions “out of home”
 - Calendars, cloud storage etc
- Launched VoWiFi in Q4 2016



NARROW-BAND IOT WILL CREATE OPPORTUNITIES FOR NEW DIGITAL SOLUTIONS IN THE BUSINESS SEGMENT

Well positioned to capture new opportunities

- Strong position in corporate segment
- Market leader in M2M connectivity with 88% market share

Roadmaps developed for several areas

- Alarm, surveillance and security
- Public transportation, fleet management and travel logs
- Public sector, Smart City, eHealth



ADJACENT GROWTH OPPORTUNITIES: HEALTH SERVICES

A big and growing sector

- Norwegian health care spend of currently NOK 300 billion per year*
- Share of population >66 years expected to increase significantly



Opportunities for digitizing

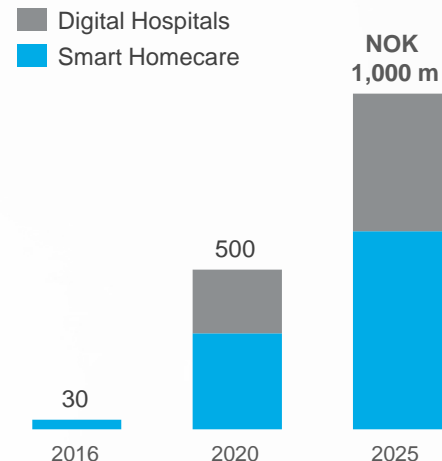
Digital hospital:

- Mobile workflow
- Activity monitoring / Analytics
- Health @ Home

Smart homecare:

- Safety alarms and sensors
- Next of kin apps and alerts
- Remote monitoring

eHealth revenue potential**



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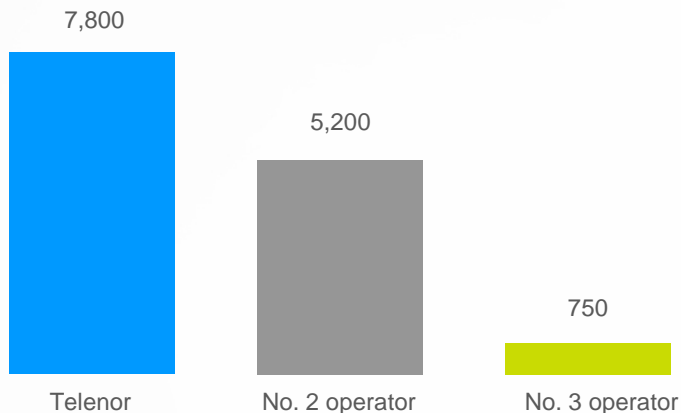
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**Sustainable
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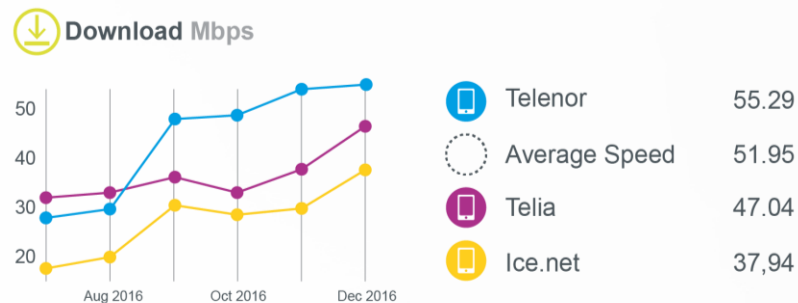
INVESTMENTS IN RECENT YEARS HAS RESULTED IN A WORLD CLASS MOBILE NETWORK

Highest number of network sites*



- 50% more sites than no. 2 operator
- 97.6% population coverage on 4G
- 91.4% pop coverage on 4G+

Best capacity **



- Significant step-up vs competitors during 2016
- 70% of sites connected with fibre

* Network sites as of 1 Oct 2016. Source: finnsenderen.no

** Based on Ookla's analysis of Speedtest Intelligence data from 1 Aug 2016 to 31 Dec 2016, approved by Ookla

MOBILE INVESTMENTS IN 2017 FOCUSED ON 4G ROLLOUT AT ALL SITES BY YEAR-END

- Number of 4G sites to increase from 5,000 to 7,400
- Population coverage of 99.8%
- Geographic coverage of 85%



SHIFTING INVESTMENTS TOWARDS FIBRE

- **Mobile investments** focused on 4G at all sites end of 2017
- **Step-up in fibre deployment**, aiming for ~400k SDU and ~400k MDU homes passed by 2020
 - Supported by strong fibre SDU business case with 5 years pay-back
 - Upfront capex around NOK 26k per connection
 - Average yearly EBITDA contribution above NOK 7k per connection
- **IT investments** to drive digitalization of customer dialogue and sales



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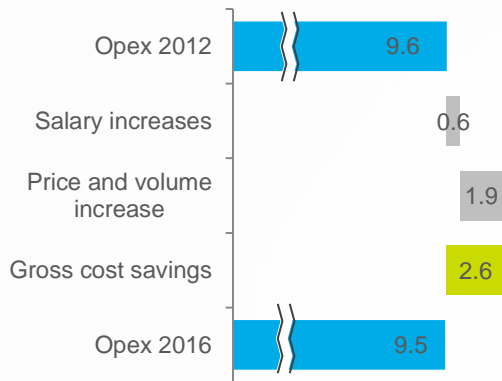
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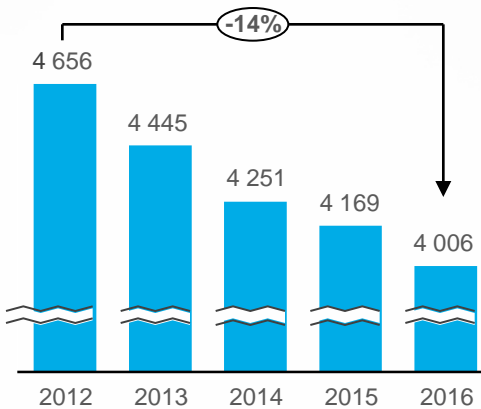
A PROVEN TRACK RECORD OF COST REDUCTIONS

Opex development (NOK bn)



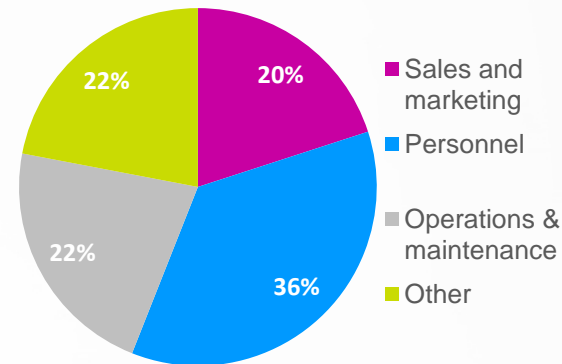
- Price and salary increases balanced by gross cost savings (S&M and workforce reductions)

FTE development



- FTE decrease of approx. 150 per year

Opex distribution (2016)



- Personnel and contractor costs largest share of opex

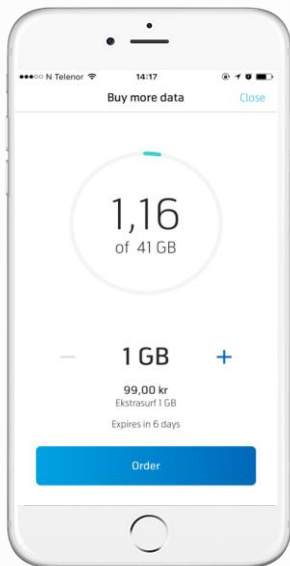
...GOING FORWARD, WE NEED TO FURTHER STRENGTHEN OUR EFFICIENCY AGENDA

- Digitize customer journeys - sales and customer care
- Continue transformation of fixed value chain
- Explore synergies with Swedish and Danish operations
- Continuous improvements and stricter prioritization

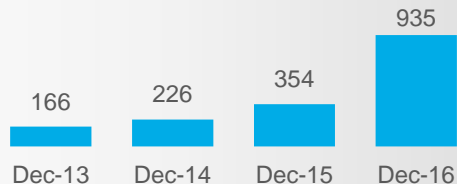
Aiming for annual net opex reductions towards 2020



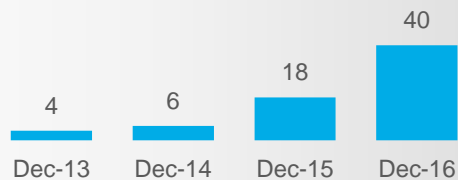
THE “MYTELENOR” APP IS KEY TO DIGITIZE CUSTOMER JOURNEYS



Active users of MyTelenor ('000)



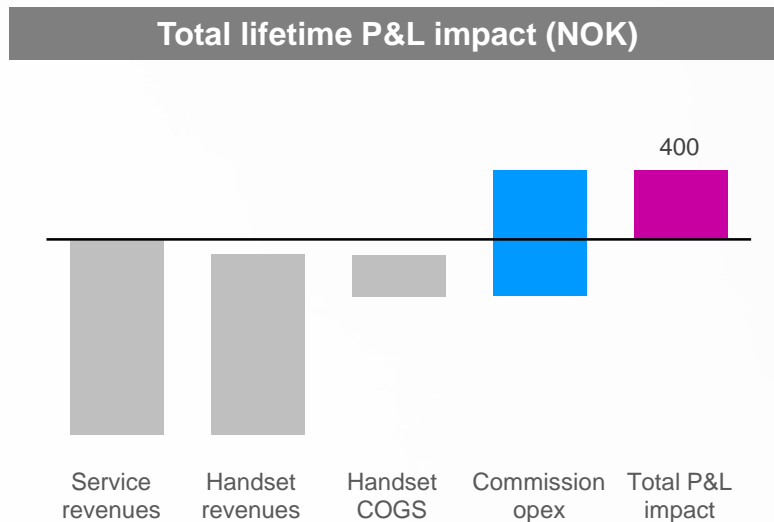
Transactions through MyTelenor ('000)



- Strong uptake of MyTelenor in 2016
- Cost-efficient and user-friendly channel for migration to new/larger data bundles
- Mobile in-app payment solution launched in Aug 2016
- Relaunch with one-click data shopping and in-app web shop in Nov 2016
- **Target: 80% of customer interactions digital driven in 2020**

EFFICIENCY GAINS FROM NEW HANDSET PROGRAMME

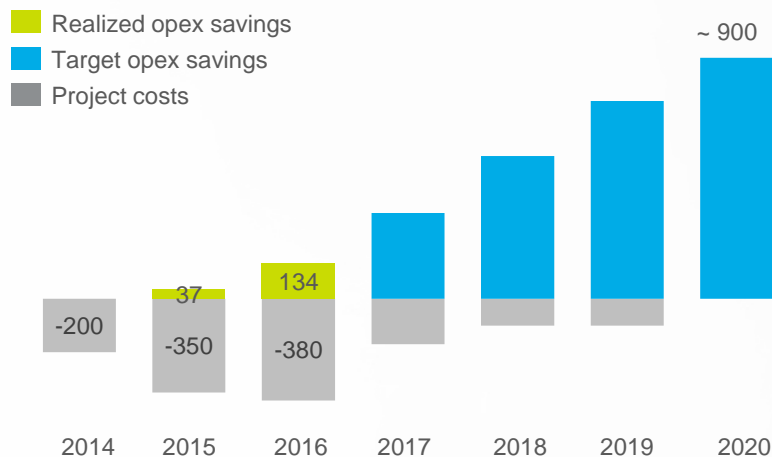
- New handset programme launched mid-2016, replacing subsidies with 24 months instalment plan and new included customer benefits
- Available through internal channels only (own shops, customer service, web)
- Enabling move from expensive external channels to lower cost internal channels:
 - Lower opex of around NOK 700 per handset
 - Positive lifetime P&L impact of around NOK 400



PROGRESS ON TRANSFORMATION OF THE FIXED VALUE CHAIN

- Programme launched in 2014, addressing AD/AM, new OSS systems and offshoring
- Scope extended in 2016 to include cable operation
- Targeting total savings of around NOK 900 million in 2020
- Cost savings for 2016 according to plan

Fixed value chain efficiency programme (NOK m)



EXPLORING SYNERGY OPPORTUNITIES BETWEEN THE SWEDISH AND NORWEGIAN OPERATION

Strong rationale

- Large degree of commonality with respect to market and customer characteristics
- Significant overlap with respect to functions and processes
- Common transport network already in place
- Increasing part of service production are delivered over IP, enabling a scalability and cross-market approach
- **Total opex cost base of NOK 16 bn**

Hypothesis and next steps

- Utilize comparative strengths
- Target picture
 - Common product and marketing
 - Common technology operation
 - Common staff functions
- Scope and execution model to be developed during 2017



SUMMING UP – SET FOR VALUE CREATION TOWARDS 2020

- Solid position in a market with continued growth opportunities
- Stepping up fibre deployment with aim for 0.8 million homes passed by 2020
- Efficiency through transformation and digitalization, aiming for annual net opex reductions towards 2020

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Berit Svendsen, CEO