Company: **Telenor ASA**

Conference Title: **Q4 2013 Presentation**

Presenter: **Meera Bhatia**

Date: **Wednesday 12th February 2014**

Meera Bhatia: My name is Meera Bhatia and I have the pleasure of guiding you through today's presentation. I hope you all have a copy of the presentation which is also available on our website. There will be as usual a Q&A session directly after the presentation firstly from the audience and then from our phone participants. As usual please limit yourself to one question and one follow-up question if needed. We aim to end today's session at about 10 o'clock and after the Q&A our executives will also be available for further comments.

To present the update today we have our CEO Jon Fredrik Baksaas; and CFO Richard Olav. First I will leave the floor to Fredrik please.

Jon Fredrik Baksaas: Thank you Meera and also good morning from me to you. We are here to take a look at the fourth quarter and the year end closing for 2013. This is a year where we continued to grow both in terms of subscribers and revenues. We added five million new subscribers during the last quarter ending the year with a total customer base of 166 million, in total 17 million new subs during 2013. I am thinking about this actually, the number of 17 million new subscribers in one year, that means actually 46,000 new subscribers every day in 365 days in a row. So this tells something about the big capacities that this group has in all our markets for the time being. The subscriber growth was concentrated in Asia of course driven primarily by India, Pakistan and Bangladesh where there still is a significant potential for further growth. The organic revenue growth for the group was 1% which is somewhat lower than expected but explained by low handset sales in many markets and political unrest impacting the economies both in Bangladesh and in Thailand. The mobile service revenue growth excluding interconnect remained stable at 4% and if we then take a look at the broadcast business unit this quarter, the revenues increased by 8% which is the best year ever both in terms of revenues and margins. All in all this takes the EBITDA level to NOK 36 billion for the full year which is an all time high.

Despite high investment throughout the year the operating cash flow was NOK 21 billion and based on this solid financial performance in 2013 the board proposes a dividend of NOK 7 per share which is an increase of 17% compared to 2012 and this will be covered later in the presentation by Richard.

Our group strategy is built around three main ambitions: internet for all, loved by customers and efficient operations. With a focused execution on this strategy also at our Capital Markets Day in 2013 and during 2013 we have delivered results and led the foundation for future growth and future value creation. I want to take this opportunity to mention some of the most important achievements in 2013. We work consistently at group level and across markets to become a more customer-oriented company putting the customers in focus in everything we do we believe is key to future success as happy customers are also valuable customers. We believe this to be particularly important in the transition to all IP in this industry.

During the year we have maintained or increased our revenue market shares in all key markets. We believe this is the result of our efforts to deliver relevant services to our customers in these markets. Our internet for all strategy is showing promising results in Asia. Mobile data usage is already widespread in Thailand and Malaysia in particular and we also see promising trends in markets like India and Bangladesh.

When it comes to operational efficiency our ambition as it was set out in 2010 was to reduce opex to sales to 35% in 2013. We didn't quite achieve that target in full due to the lower than expected top line growth in the period. We ended at 36% which is a significant improvement from the 39% back then. The gross nominal cost savings though were largely according to plan and enabled us to keep opex flat despite inflation and increased regulatory costs in the operations throughout the period.

We also expanded into two new markets, Bulgaria and Myanmar. We believe we can create value by leveraging our regional experience and re-use our proven concepts and capacities in these markets. As we speak the world goes digital. It happens in all industries and we are the enabler to make this happen. Data growth in Norway for example is growing at high 60s percent both in 2012 and 2013. Another example in DiGi, while seeing the 3G coverage growing from 67% to 80% throughout the year, the mobile data growth is at a record high and stands at 125% growth throughout the same year. The number of active internet users through the mobile phones has grown from 15% to 27% throughout the year and this is of course driven by smartphone penetration which in Norway now stands at for example 68% and again in DiGi 38% at year end. Seeing handset prices to fall further will grow these figures strongly in 2014.

Moving then to some of our key markets and I will start with Norway. In Norway we saw another quarter with subscriber growth both on mobile and fiber. The sales mix in the mobile consumer segment improved significantly this quarter as a result of sales activities focusing on customers with high data usage. Two thirds of the new subscriptions this year was on packages with monthly fees equal to or above NOK 249 per month. We are happy to see that this trend continues into the first quarter of this year. Mobile service revenue excluding interconnect declined by 2% which is somewhat better than in the third quarter when it was standing at 3%. Fixed internet and TV revenues increased by 6% driven by price increases on cable and a growing number of fiber customers which now has reached 81,000. Through several severe fires incidents in Norway recently Telenor has again demonstrated its robust network and strong commitment to local communities in Norway where communication stands out as a very important infrastructure. In this sense the 800 MHz spectrum that we acquired in the auction in December will enable us to further rollout a high quality nationwide 4G network over the coming years.

During 2013 Telenor Norway reduced its gross cost base by around NOK 500 million keeping more or less the total cost base flat at 2012 levels. With continued high investments in infrastructure, initiatives to increase revenues and costs further will have to continue and will stand of course high on the agenda also in 2014.

In the other operations in Scandinavia we see Telenor Sweden delivers another solid quarter adding 51,000 new subscribers, 11% underlying mobile service revenue growth and continued margin improvement. The underlying EBITDA in Swedish kroner increased by 15% in the fourth quarter and this was a four percentage point margin uplift year-on-year. The improvement is coming from improved mobile revenues and lower opex. In a competitive market Telenor Sweden has had success with their data-centric offerings including shareable data plans for the family segment. Better than Norway, Sweden has been able to grow revenues along with higher consumption.

Telenor Denmark continues to be a challenging market. Revenues are down 21% in the quarter and our subscriber base stands 9% lower than last year. Most of this decline is driven by lower interconnect revenues and handset sales. However we have seen a stabilisation on mobile ARPU during 2013 and we have also seen the same feature in the post paid subscriber base. 2014 will be a year of transition for Telenor Denmark. We have to execute on the new strategy, be focused on simplification and continue to adapt to the market conditions in Denmark.

Moving then to the growth area in Asia. Both DiGi and DTAC are progressing towards our ambition of delivering internet to all and monetise on the data growth. DTAC showed solid progress on the rollout of the 3G network and has migrated now 12 million customers on to the new tri-network. Competition remains intense in Thailand with all operators pushing data centric offers and the economic and political backdrop has been more challenging than expected and this stays on into 2014. DTAC reported a 5% growth in subscription and traffic revenues and data trends are positive with increasing working data users and data usage.

DiGi ends 2013 with another solid set of results, growing the top line, EBITDA margin is improving and adding new mobile data users. It’s not long before also DiGi will be seen to pass Telenor Norway in overall mobile revenues. DiGi has a 6% organic revenue growth driven by solid mobile data trends. This comes on the back of the recent completion of the network swap which now covers 80% of the population.

In Pakistan and Bangladesh we have seen industry growth being impacted by regulatory changes and political unrest respectively this quarter. In Bangladesh the election took place 5th January 2014 but we saw a significant number of blockades or hartals leading up to the election. Still Grameenphone delivered 7% organic growth in the quarter driven by an increased subscriber base, 7 million in the last year and we believe our revenue market share has been relatively stable throughout this year. While Grameenphone now has 47 million subscriptions we see a solid opportunity in increasing both voice penetration which stands at around 45% and data penetration of around 15%. There is much work to do, there is potential in the market. Grameenphone got its 3G licence in September and has already started to roll out in key cities.

Telenor Pakistan saw a revenue decline of 1%. This was a result of both regulatory changes and competition. Government enforced network closures continued to negatively impact revenues both for us and the industry as a whole. In the market we have seen intense competition on on-net offers driving prices down and in addition we saw a continued negative effect from last year's regulatory changes of international traffic and how that will set up which has impacted the revenue growth quite significantly this year. With the revenues declining and increased market related costs falling, a solid impact of 1 million new subscriptions, the EBITDA margin declined somewhat through the year. Upcoming in 2014 we anticipate Telenor Pakistan to regain momentum and also that the expected 3G auction will take place.

In India the performance in the last two quarters clearly demonstrates the validity of our operating model. In the fourth quarter we see solid customer intake, 2 million new subscribers versus 1.5 in the third quarter and there was also a strong top line momentum with just 6% organic revenue growth compared to 23% the quarter before. ARPU is increasing for the fifth quarter in a row and reached INR 106 which is up 17% compared to fourth quarter 2012. At the same time churn continued to decline and it's currently at around 4.5% which is more or less on industry standards in India. We believe we are successfully positioning ourselves as a provider of affordable basic data services as well as 20% of our customers in India now are active data users. The strong top line in combination with extreme cost efficiency resulted in underlying positive EBITDA in December whereas Q4 stands negative by NOK 137 million. The competitive environment seems to be improving with signs of price increases and some natural consolidation leading to fewer operators in its circle. In December we finally got the long awaited approval for the business transfer from Unitech Wireless to Telewings which will be the platform for our business in India going forward. This completion of the business transfer then also enables us to re-use equipment from the circles that we exited in 2012. We therefore plan to redeploy 5,000 sites this year primarily for geographic expansion within our existing fixed circles where we have a current population coverage of 42% and with the 5,000 additional sites this will increase to slightly above 50%. We see therefore a good business case for the coming years however it will mean that we will take in 2014 some charges to the EBITDA and also some capex in the range of NOK 300 million on the opex side and NOK 300 million on the capex side respectively.

Previously this week we had a presentation here on our new entity Myanmar because finally in February this year, early February, earlier this month we received our telecommunications licence in Myanmar after a long and hectic both negotiation process but also a selection process. We had this presentation as I said but let me quickly recap some of the key take-aways from this very exciting project for Telenor. Myanmar is an untapped growth opportunity, one of the very few last greenfields which is back in the world and this stands in the core of the Telenor region in Asia. The population is 60 million plus. There are below 10% mobile penetration and in cities only and we are to launch services within eight months after receiving the license. We will here fully leverage on our long term experience built up in Asia and reuse both operational concepts and capacities. This is a mass market approach, affordable services and a low cost model. The operating model will have a widespread use of sourcing from partners and also passive network sharing as we move along. While realising that we are entering a market with several risks and uncertainties we believe we have a solid business case here which is well within our organisational and financial capacities. We also know that the development of the industry in Myanmar stands as a frontrunner for new FDIs to happen in the country.

To conclude my presentation today I just want to highlight priorities for 2014. This industry, we are in the fortunate position that we are empowering individuals. We are empowering small businesses and we are empowering institutions. In short we empower societies to grow and to prosper towards a better future for all. In the midst of this, improved efficiencies and to take the opportunity on monetising of data and while delivering internet to all stands out as our main priorities for 2014.

Now Richard will continue with the financials.

Richard Olav Aa: Thank you Fredrik, also good morning from me to everybody. I will walk you through more details on the P&L and the balance sheet and then I will give you more colour on the dividend and the guidance. Let's start with the 2013 performance. First of all the full year performance came in line with our outlook. Starting with the top line we had organic revenue growth of around 1%, slightly lower than the outlook, top range of the outlook due to lower handset sales. That also translates then into a better margin. We guided around 34% and we came in at 34.5%, so from a margin point of view it was better than the guiding.

On the capex to sales we ended the year at 14.1%. The main reason for ending up in the high range was the significant efforts of rolling out the 2.1 GHz network in DTAC which Fredrik mentioned which has now more than 12 million customers. So all in all the full year performance in line with outlook.

Then a deep dive on the revenues and we have a reported revenue growth of around 6% - that is also due to the weakening Norwegian currency which we help with and 1% organic when you correct for currency movements in the quarter. But the slide at the right hand side here is maybe the most important one at least in my opinion where we see the underlying mobile subscription and traffic revenue growth for the group in total and also broken down on the key regions. The trends in the fourth quarter is stable, what we have seen in the last couple of years around 4% organic mobile subscription traffic revenue growth, but you see significant differences between the regions. Asia in the fourth quarter maintained a high level of around 8%, strong momentum in most of the Asian markets. The European market is very mixed. We have Sweden which Fredrik showed had 11% underlying subscription and traffic revenue growth while Denmark on the other hand with -9% and also Hungary and Serbia are on the weaker side this quarter, but tremendously helped from the strong momentum in Sweden.

Then finally on Norway we see still in the negative territory with -2% mobile service revenue growth, although a small improvement from the third quarter but it's vital going forward to get Norway back to positive growth momentum so we also can have a higher growth momentum for the group in total.

Then how does this translate into the EBITDA because 1% growth is not that much, but when you see that mobile service revenue growth is 4% that translates into strong EBITDA growth. So in total we were able to grow EBITDA this quarter to NOK 9 billion which is an increase of NOK 800 million year-on-year. There are two main reasons outside the normal growth: that is currency, we were helped by approximately NOK 200 million by the weakening Norwegian kroner; and about NOK 200 million from Globul which we acquired with accounting effects from August. But you also see a strong organic growth in the rest of the group and the three main contributors this quarter were DTAC with close to NOK 300 million; India, a little above NOK 200 million; and a strong performance in Sweden with a growth of NOK 184 million. On other units we see a decline of NOK 102 million. The main factor there is Telenor Norway which had an underlying decline corrected for one-off items with approximately NOK 120 million. The main reason for that is a continued drop in gross profit in the fixed operation and increased operation and maintenance costs in the fourth quarter.

Capex, strong performance on EBITDA but we are also investing at record levels in Telenor now. Capex in the fourth quarter was NOK 4.6 billion. More than 50% of the capex is related to DTAC and Norway as you see on the pie chart on the right-hand side, Norway continued the high capex level investing into 4G and fiber and we have now more than 50% population coverage on 4G in Norway. DTAC, it's the main change really from the fourth quarter last year and more than NOK 800 million of the change year-on-year comes from DTAC with the 2.1 GHz roll-out. We also see the black part of the pie chart is Grameenphone which has now started to invest in 3G. We see very promising early signs from those investments and if the political environment had been more stable we would have shown even better figures on GP and we are I would say looking forward to see what we can together with GP take out of that 3G effort we are doing now.

We are running at a high capex level in 2013 and as we said on the Capital Markets Day that will also continue into 2014. In addition to the high investment levels in Norway and DTAC on the 2.1 GHz we will have a new satellite next year in broadcast. Thor 7 will be launched and that is estimated capex of NOK 1.5 billion. So that will add approximately 1.5% to the capex to sales level next year. We will also change the network in Bulgaria. As you know we have changed networks in all the Telenor operations to modern IP networks, Globul which we acquired in

August, they have an old network and that's been a part of the business plan all the time and that’s what will be done next year adding to capex also in 2014. Then after now the business transfer, we can redeploy the 5,000 sites from the exited circles in India. That will have a capex effect of around NOK 300 million and also an opex effect of around NOK 300 million because we rent towers and we have to energise the sites and before we can fill them with customers they will have a quick payback time, we will have a negative effect on both EBITDA and capex in India.

I would also like to mention at this point in time that the Indian total peak funding frame of INR 155 billion, we consider that to be met now because we are more or less excluding these 5,000 sites in India at a cash flow break even situation. If we look at the total money we invested into opex and capex in India, all the effects that came out of the licence cancellation including a refund tax deferred payment and everything, we are within the INR 155 billion frame. So I think we will state that we are within that frame and have passed that phase now in India. We are participating in the current spectrum auction in India and that is still ongoing, a complex auction and we don’t know how long that will last but we will let you know when it’s final

So that was on the capex. So that translates into the cash flow for ’13 and we managed to improve the cash flow from ‘12 to ‘13 despite the significant higher capex level. As you see from the right hand chart here we invested more, increased capex by more than NOK 2.4 billion from ‘12 to ’13, but due to the strong underlying growth in mobile service and traffic revenues and that’s why I am stressing this because that is so important to track and it’s so important to turn positive in all our markets. The gross profit increased by NOK 3 billion. So we have a much more healthy underlying cash flow in 2013,, revenues added an EBITDA effect from gross profit of around NOK 3 billion. Of course we would have hoped for more because as you all know our target for revenue growth was even higher. We had hoped for even higher mobile service and traffic revenue growth but still the growth has contributed NOK 3 billion on gross profit last year.

On the opex side as you recall from the previous Capital Markets Day our gross savings ambition was around NOK 5 billion. Part of that goal was met last year and we were able to keep opex flat despite a significant increase in regulatory costs, salaries, inflation, number of sites, more commissions and that you see on the chart here that opex was flat. But the top line should have been better to meet the opex to sales target fully.

Then on the P&L, we've been through the revenues and the EBITDA already on other items. We have redundancy costs in Norway and Grameenphone as the big ticket items as a part of our efficiency programmes. We also have to continuously be more effective on manpower. Nothing abnormal in depreciation. In the associated companies, that's VimpelCom and Evry which are the two big items. We have updated now with the Evry figures for the fourth quarter, that was reported on Monday, there was an impairment loss there which goes into associated companies with around NOK 160 million.

On the tax side we have some one-off items that contribute positively on the taxes of more than NOK 200 million, so tax costs this quarter is on the low side. Then we have a special effect on the minorities that I want to explain in some detail. When we transferred the business from Uninor to Telewings, Telewings paid a consideration to Uninor. All the assets in Uninor were written off so this resulted in a gain in Uninor. One third of that gain goes book-keeping wise to the minorities. Obviously all the cash that goes in does not go to the minorities but it goes to the creditors of Uninor, but that creates a special negative effect you can say for the majority shareholders in Telenor on the earnings per shares of around NOK 660 million in this quarter. All in all we ended the quarter with NOK 2.4 billion in net income excluding the Uninor effect, it's around NOK 3 billion and that relates to a normalised earnings per share of around NOK 2 per share.

Then on the balance sheet, leverage measured in net debt to EBITDA is stable, NOK 1.1, we were able to grow EBITDA although the debt is growing somewhat slower but the ratio is stable. On the reconciliation here you can see how the debt changed from 37.8 to 39.4 starting with a strong EBITDA, paid taxes and interest. On the capex side you see that capex paid is higher than capex booked. The main reason is the spectrum extension we did in Hungary in the third quarter that was paid in the fourth quarter with approximately NOK 600 million. Then dividend from associated, that's the last dividend for a while from VimpelCom, NOK 1.6 billion received in the fourth quarter. Then we have done some acquisitions, the joint venture with Schibsted, a bank in Serbia and so on, total NOK 1.6 billion. Then we have paid dividend to minorities in DTAC and DiGi; and then a special effect this quarter is that we pay up the revenue share in DTAC in the fourth quarter. We accrue that in the first three quarters and it's paid out in the fourth quarter and a significant amount with NOK 2.6 billion. Currency effects on the debt when the Norwegian kroner depreciates, debt in foreign currency gets higher and then some working capital changes. So no big movements on the debt and the leverage ratio is stable.

Then a little bit more colour on the dividend. On the back of the strong results in 2013 and the healthy balance sheet you just saw the board of directors proposed a dividend per share of NOK 7. The proposed dividend is in line with our dividend policy. It translates into a 73% payout ratio and as you recall the payout range in the policy is 50-80%. It represents a 17% growth versus last year. The total payout to Telenor shareholders based on this dividend if approved is NOK 10.6 billion and the payout will be on 29th May following hopefully the approval from the AGM on 14th May.

Then to the outlook. First of all like we had the press conference on Monday this week on Myanmar and gave a more long term update on Myanmar, this is a start-up year, we found it most appropriate to guide excluding Myanmar. When it comes to the top line we certainly aim for an improvement compared to 2013. We have chosen to guide low single-digits because there are uncertainties. We will be helped by a lower interconnect rate. The interconnect effect in 2013 will be somewhere between 1.5-2% on the revenue growth. In order for us to improve from 2013, yes, we will have an effect from the interconnect. We need to see stronger trends in the mobile operation in Norway on the underlying mobile service revenue growth. We need to see the continued growth momentum in India; and finally a more stable political situation in Bangladesh and Thailand. But for the time being we have still a negative mobile service revenue growth in Norway. There is still significant political unrest in Bangladesh and Thailand. We find it most prudent to guide on a quite wide range on the organic revenue growth with low single-digit.

On the EBITDA margin we ended last year with 34.5%. We are guiding to be in line with that. You may think that's on the conservative side and yes, we definitely have a higher ambition internally to beat that, but to beat that, that depends on some of the same elements I mentioned on the organic revenue growth. Both more political stability in some of the Asian markets including not only Thailand and Bangladesh but also Pakistan. We need to see the trends in Norway on the top line being turned and also deliver on the cost efficiency programme for 2014. We have even higher ambitions on the cost side in 2014 than we had in 2013, so it's early in the year. We think given all the uncertainties we think it's prudent to guide in line with 2013 but again the internal ambition is definitely higher.

On the capex side, we have already been through that, the reason why we increased from 14% to 16% mainly explained by the satellite in the broadcast but also a high investment level in the other areas and we definitely aim to take that down in 2015 to support the target we have in 2015. But again we will not cut capex arbitrarily if we find the long term profitability to be good from investments.

So that ends the number part of the presentation and I will just then sum up before the Q&A. Strong underlying service revenue growth and record high EBITDA in 2013 and on the backdrop of that and still a strong balance sheet, record high dividend of NOK 7 per share. Then again the priorities for 2014, deliver on the internet for all strategy especially in Asia; continue to monetise the big data investments we are doing; and deliver on the efficiency programme. Thank you.

Meera Bhatia: Thank you Richard. Could I ask Fredrik back on stage please and we are now opening up to the Q&A session. We will start with questions in the audience and a microphone will be passed to you. In the middle there please.

Christer Roth: Thank you. Christer Roth from DnB. Just a quick question on Norway. With respect to the very strong subscription price levels that new subscribers came in at in Q4, what would the implications be for service revenue growth organically if we stay at these levels throughout 2014? Also how much room is there for further cost cuts in Norway? Thank you.

Jon Fredrik Baksaas: I think you have a spreadsheet that can give an answer to at least the first part of your question, because there is a better balance in the customer stock right now than what it was in particular in the second quarter last year. What that translates into in direct figures, I don't think I have those kind of details with me. So again your spreadsheet is as good as ours I guess.

Richard Olav Aa: But just to point out, these packages, that's in the consumer market. You have to also factor in the corporate sales.

Jon Fredrik Baksaas: Then on the cost side, the transition to all IP is a big change for telecoms and we are in the midst of that. However we are also a 24 hour kind of operation that needs to make sure that all communication services are working as long as they are there serving customers. So it's only when a technology generation is phased out then if you really have a big potential for the cost savings and this is particularly relevant for the fixed line operation which stands with a good revenue and an important revenue stream, but still also stands on technologies that require big cost structures to entertain it. So, seeing the number of lines and the transition to mobile happening, we are in that big transition. So gradually we will be able to take out costs in the same way as we have been doing for the last 10-15 years almost and we've started to really begin the realignment of prices and deploying new technologies in the mid-90s. So this will continue also this year. Remember also here that the underlying usage by consumers are changing phenomenally in these days and if our pricing structures do not follow that change and usage pattern, and the cost structures, the cost structures need to be aligned accordingly. That's what we have been good at doing in Norway for years and that's what we are going to continue to do in Norway.

Meera Bhatia: Any further questions from the audience?

Espen Torgersen: Hi, it's Espen Torgersen from Carnegie. Just a quick question on India. Now that you have redeployment costs and capex, how should we see profitability trends from here on in 2014?

Richard Olav Aa: I think we will have this extra NOK 600 million connected to the redeployment of those sites in 2014 which I think makes a lot of sense because it's idle equipment from the exited circles. So we have kind of reached a target on the business before we redeploy those sites, but they will have a negative impact in 2014 that will take Uninor into negative cash flow in 2014.

Meera Bhatia: Any further questions from the audience? If not then I would like to ask the operator to open the phone lines please.

Operator: Certainly. We will now take our first telephone question from Peter Nielsen of Kepler Cheuvreux. Please go ahead.

Meera Bhatia: The line is open, you can ask your question please. Could we move on to the next question please?

Operator: Certainly. We will now take our next question from Ulrich Rathe of Jefferies. Please go ahead.

Ulrich Rathe: Yes, thanks very much. I was wondering about the assumptions behind your 2014 guidance, in particular I was wondering how do you...what's your base case assumption on the macro front and how it might affect the Asian markets? Also what your assumptions are vis-à-vis the Norwegian mobile results given that one share pressure arising in new entrants is obviously at least temporarily not in the market, so what do you sort of bake into that? That would be my first question. The second one is just a confirmation, the capex guidance, can I just confirm, the capex guidance explicitly excludes Myanmar as well? Then the last one would be with regards to the dividend, you announced a NOK7 dividend but you also mentioned that for the foreseeable future you won't get an associate dividend from VimpelCom. Could you just comment on the dividend outlook given that you don't gather cash flow from the associates which is quite material to the whole and I guess what you anticipated before VimpelCom announced what they did? Thank you.

Jon Fredrik Baksaas: Maybe I can start on that one and Richard will take some comments to the latter parts of your question. The macro assumption here is really quite easy. We don't believe that Europe will sort of kick-start into economic growth. We believe the euro will still struggle. It might be that you are seeing Europe on the positive side, but to see Europe sort of kick start into significant growth figures in 2014, we don't see that. So let's keep Europe at that level. The Scandinavian countries as part of Europe has had a better ride than the rest of Europe and we still consider that Norway and Sweden will have that kind of better rid as we've seen before. We're probably seeing Denmark more associated to the European status than for Norway and Sweden. In Asia we believe growth will still be maintained. There might be variation country by country but the underlying development of the consumer economies and the middle class build-up in most of these countries will still give us economic growth in Asia. The percentages, ok, it might vary from country to country and also a country like Thailand we see a new prognosis because of the difficult and challenging political situation in the country right now. However we do believe that elements like that are fairly short term. A new entrant to Norway, yes, who knows whether the new entrant in Norway is a real new entrant or what's the purpose here remains to be seen. So I haven't really any more comments to that and we have to see what will be unfolding behind and after the auction that just came through. Maybe you can comment on capex and the dividend outlook Richard?

Richard Olav Aa: Yes. We can confirm that total guiding is excluding Myanmar from all the numbers. On the dividend side we have been living with VimpelCom for many years and we have had dividends, very good dividends from VimpelCom over the years. We actually have more dividends from VimpelCom coming in than we have invested in VimpelCom, so we have a net positive gain on that. But we have seen from periods both from VimpelCom and our previous investment in KiwiStar that dividends have been curbed over time for various reasons. We have never kind of laid up our own dividend policy based on continued dividend flow from VimpelCom. So when we now put out the dividend of NOK 7 that is based on the Telenor consolidated figures. We will definitely have liked the dividend from VimpelCom to continue longer but that's how it is, but to confirm that it will not impact our dividend policy. Just to put a little bit of colour on the macro side as well on Asia, I think where we struggle the most is really Bangladesh and Thailand from the political side, more severe in Bangladesh than Thailand and it's very hard to say how that is going to develop but I think we have been prudent in our guidance putting it that way that we have put in some room for continued unrest in these countries.

Ulrich Rathe: Thanks very much. Thank you.

Operator: Thank you. We will now take our next question from Terence Tsui of Morgan Stanley. Please go ahead.

Terence Tsui: Good morning everyone, thanks very much. I've got a question on the longer term guidance, just firstly related to that, do you still reiterate the ambition of reaching the NOK 28-30 billion I think by 2015? Then secondly you did made the point that the 2014 guidance is somewhat prudent, maybe you can remind us of the key building blocks from the 2014 guidance on to the more bullish guidance for 2015? Thank you.

Jon Fredrik Baksaas: I can start somewhat on the longer term prospects of the NOK 28-30 billion target. That target was put up under a set of assumptions back then and we do see that in order to get there these assumptions are more tightly put together these days than previously. The growth part of it is weaker this year than for 2013 than we anticipated, so the growth element is of course playing one part of that target. Another one is a successful transition of the transfer from the concession regime to the licence regime in Thailand. We are underway with that but also the growth aspects of the economy as such and the competitive intensity around it plays a role. Number three is to get back into a growth momentum in Norway when it comes to monetising the data part of the high consumer intensity as we see it in Norway. I gave you the figures. There is a 67% growth in volumes both in 2012 and 2013 and we need to be able to transfer also and change our pricing mechanisms in that direction. Fourthly what we are more internally responsible for, that is the cost efficiency programme. We have proved and showed that we have been able to deliver on that consistently period to period, so that's more under our control. Then Richard maybe you can give some colour to the 2014?

Richard Olav Aa: Yes, I think the question was mainly related to 2015 as I understand it.

Meera Bhatia: The 2014 guidance...

Jon Fredrik Baksaas: The question was the building blocks and how we were reasoning on the 2014 guidance?

Richard Olav Aa: Yes, absolutely and it touches on many of the same aspects that you mentioned Fredrik. What we have to achieve in 2014 to really beat our EBITDA guiding in 2014 to build a solid momentum into 2015, and that goes of course then to improve gross profit even further and that like Fredrik said, Thailand and Norway are the two biggest mobile entities, with Thailand some more competitive pressure and the macro situation and the ability to monetise on the big investments we are doing in the mobile network in Norway. So seeing stronger momentum on those fronts and the more stable macroeconomic environment. If we achieve that should enable us to beat our own guiding in 2014 and deliver a strong gross profit development also in '14 and into '15 and then also deliver on the NOK 5 billion opex programme. Like I said we have higher targets on the opex programme for 2014 than we had for 2013. Then finally on the capex side, as we saw we have now 14% capex to sales excluding the satellite approximately. Of course that needs to come down in 2014 to reach the ambition. It's not realistic to reach the ambition with the capex level we have today. However we need to take a close look at capex figures into 2015 at that point in time because we need to also think long term on what makes sense for our long term profitability. But those are calls that will be made later.

Terence Tsui: Thank you.

Meera Bhatia: Next question please.

Operator: Thank you. Our next question comes from Nick Lyall of UBS. Please go ahead.

Nick Lyall: Yes, morning, it's Nick Lyall at UBS. Could I ask a couple of question please? On the Norwegian costs would you just mind clarifying, you've said you're looking for more costs specifically on Norway. We've been told this morning there was lower visibility on Norwegian costs but is the absolute gross target this year for the Norwegian cost cuts, is that the same or larger than last year? Second on Denmark, now that you are seeing some reasonable post paid adds, are you happy with the strategy now in Denmark and do you think it's time maybe to reduce the aggression a little bit in the Danish market? Finally just on Bangladesh, could you just clarify again, you said the elections finished by 5th January. Have you seen the country stabilise a little bit in terms of disruption? Also are you happy with the outlook for 3G licence investment this year? Should it be a better outlook for Bangladesh this year? Thank you.

Jon Fredrik Baksaas: Let’s start in the latter end elections in Bangladesh. I think yes, that there is a more stable situation in Bangladesh into 2014 than what we had in the second half of 2013 leading up to the elections, but that doesn’t mean that the overall situation is over. This question might be revisited after a while. But it looks like the country basically is now taking a fresh look at the future and local demands and that we can get bit more normal conditions in 2014, but this also relates as to whether the country manages to attract also other foreign direct investments to happen in the country because their needs are quite significant. Are we happy in Denmark? Of course we are not happy in Denmark. Denmark is the most challenging market for us over a quite number of periods I would say. However the present management has led a stone by stone strategy in order to radically simplify the overall operations on its way to all IP. It’s the first operation in the Telenor Group that takes that journey. This is a new way of thinking on how to run and operate in the IP space going forward. Those results need to be followed throughout 2014 and Mark and his team are well underway in that direction. Richard?

Richard Olav Aa: Then just to bridge a little bit on Denmark, it’s a question on aggression. I don’t think we are particularly more aggressive than others in the Danish market and it’s an extremely tough marketplace and as you saw we have lost lot of customers in the first nine months of 2013 – that could obviously not continue so we had to take back customers in the fourth quarter. So fortunately by good efforts in Denmark we were able to stabilise at least the post paid customer base in the fourth quarter. When it comes to the cost efficiency in Norway, if you look at our achievements in 2013, Norway was actually the biggest contributor to the opex savings in the group and Norway as a whole year met their opex target nominally. However with the top line, the opex to sales development in Norway was not as good as it should be. So I think going forward Norway has a big part of the total Telenor cost agenda and we need to continuously work to execute that. That we have done for many, many years and I am sure we will like Fredrik said, that's under our control, we will deliver on that. The main issue in Telenor Norway right now is to turn the top line positive to get enough productivity and a stronger profit development. There have been declining profit developments now for a couple of quarters and that needs to be turned around by the continuous cost programme, but even more importantly changing the trend on the top line right now.

Nick Lyall: Great. Thank you.

Operator: Thank you. We will take our next question from Dominik Klarmann of HSBC. Please go ahead.

Dominik Klarmann: Hi, thank you. On the mid-term operating cash flow guidance, are you prepared to give a new one and then including or at least excluding Myanmar? Then secondly on capital allocation I'm just wondering if you are busy with Myanmar now and more expansion is a low priority at this stage or is there more appetite for more expansion or acquisitions and if so from your macro comments earlier is it fair to say that Asia for you still looks much more attractive than Europe? So basically Globul remains absolutely an exception and you're more looking into Asia for opportunities?

Jon Fredrik Baksaas: Well, we have in 2013 added two more countries and this of course needs to be handled by the capacities we have in particular on the human resource side. So two new operations basically digs into the human resource base to a certain extent. So for us to sort of look extensively to new countries is not on the plate for the time being. That doesn't mean that we don't follow and listen into what kind of dynamics that these markets might offer and our eyes then will be more strongly focused on Asia than on Europe. Deeper than that into that question I don't think I have the possibility to move actually. Mid-term guiding?

Richard Olav Aa: Yes, your question also relates to Asia...if you look at underlying trends now in Asia, you saw 8% service revenue growth in Asia and also if you decompose for guiding, we will not give you the details but obviously DTAC and DiGi have been out with their guiding, so it's easy to kind of reconcile that the EBITDA margin is growing in the Asian units and with the guiding we are giving you then we are assuming that it's declining in the European units. So it's no matter...the attractiveness of Asia is of course very important and we are also now working quite intensively I would say with the new joint venture we have with Schibsted to see how those services can help us building a solid position in Asia and how we can combine that with mobile services. That's actually quite interesting in the transition we are right in now and to really work on the internet for all strategy, on the kind of customer base we have in Asia with now more than 120 million customers, it's a big value creation opportunity, so really to focus our resources on that. Financial services, classified mobile services I think can be very exciting in the mid to longer term perspective for Telenor.

Meera Bhatia: Next question please.

Operator: Thank you. We will now take our next question from Jakob Bluestone of Credit Suisse. Please go ahead.

Jakob Bluestone: Hi there, I've got two questions please. Firstly you talked a bit about wanting to improve gross profit in Norwegian fixed line. Looking at your sort of data sheet, it seems that the biggest pressure on your gross profit is coming from the fact that your telephony revenues are falling 16% and that in turn seems to be driven by an acceleration in loss of telephony customers, so could you maybe talk a little bit about what you can do to maybe slow the loss of what I assume are higher margin customers on the telephony side in Norwegian fixed? Then secondly just on the dividend continuing from an earlier question, given that your dividend payout is now close to the upper end of your payout range, is it fair to say that we shouldn't be expecting the sort of mid-year buybacks that you've been doing in recent years? I think in past calls you've talked about a lack of liquidity in the shares, so should we be looking for no further buybacks for now?

Jon Fredrik Baksaas: Maybe I can just start on that one. The loss of telephony customers on fixed line in Norway has been very stable actually, so we don't see sort of kind of an increased trend. There is no doubt that the customer base gradually reduces month by month; and then there are both the pricing issue that you can have on that and it is also a cost structure approach to it. We are all launching now an initiative together with the IT vendors in order to see how we can run this stack more efficiently. This project will be decided upon this spring. So we are addressing both the revenue side and the cost side. The pricing mechanism is of course an important part of this. Can we leverage the pricing mix in a different set in order to shelter and keep the revenue generation from the operation as such? As for dividend, Richard?

Richard Olav Aa: Yes. Now we have completed close to 10% of buyback of the Telenor shares and that was done in a period where the India losses took a heavy toll on our earnings per share which was the kind of fundamental for the dividend payout. Now when India comes to a more stable situation the EPS growth in itself will cater for the bulk part of the shareholder remuneration. So I think you should expect that the main part going forward will come from dividends. We will not rule out buybacks but the decision made by the board yesterday was to recommend dividend only.

Jakob Bluestone: That's great. Thank you.

Meera Bhatia: Time allows for one more question please.

Operator: We will now take our final question from Andrew Lee of Goldman Sachs. Please go ahead.

Andrew Lee: Thanks very much and good morning everyone. I just wanted to follow up on the 2015 guidance questions. Maybe I missed it but are you standing by that guidance or not? Just a little more detail on that. Given it looks like you'll be generating around NOK 20 billion of operating cash flow in 2014 can you talk through the pillars to get the NOK 28 billion in 2015? You said growth is more uncertain, but what's the mix between capex reduction, opex reduction and that top line growth that is required? Do you no longer think that 10% capex to sales is a realistic target? Thank you.

Jon Fredrik Baksaas: I think Richard, you are through the different pillars in that. Maybe you should repeat that as a closing remark.

Richard Olav Aa: Yes, certainly. We are fully dependent upon a continued strong growth in subscription and traffic revenues on the mobile side and obviously we need to see somewhat stronger trends than the underlying 4% we have seen in the last 12 months and we need then to turn positive trends in Norway on subscription and traffic revenues. We cannot tolerate too many instabilities in the Asian markets and DTAC has to deliver a strong underlying service revenue growth and take out savings from concession to licence. So like Fredrik said some of the assumptions here now are tighter not at least due to the political instability and lower growth factors in 2013 than we had expected. Then we will see if we continue the trends in India, a much stronger India in 2015 than in 2014 because of the reason we mentioned that we are investing another NOK 600 million into opex and capex; and then the main...so those are built on assumptions that we think are achievable, but they are not easy to reach. Then the main yoke how much capex that is sensible to invest in 2015. Obviously we will have completed most of the 2.1 GHz rollout in Thailand, most of the 3G in Bangladesh, the swap in Globul will be done, the satellites will be done in 2015 and so that will itself reduce capex considerably. But then we have to take a look at the rest of the capex as well to make sure that we don't do any short term actions just to meet the targets. So that in my opinion if we are able to deliver on these revenue growth assumptions which are not unrealistic but require a stable market situation and good performance, then the main question will be how much do we curb capex and what is wise to do on the capex side?

Andrew Lee: Thank you very much. Can I just ask one follow-up question? You've highlighted Denmark is your most troubling market. Would just having a wholesale deal in Denmark rather than keeping your consumer brand allow you to fulfil your pan-Nordic ambitions which presumably is mainly to support your corporate business, i.e. do you need to actually be a consumer competitor in that market to deliver what Denmark provides to your overall group?

Jon Fredrik Baksaas: I think to that question we should thank you for the idea. Let's think it over. Thank you.

Meera Bhatia: Thank you. Thank you Fredrik, thank you Richard. This concludes our session today, slightly over time. Thank you very much for your participation and both Fredrik and Richard will be available for comments to media and my colleagues and I will make an interview list. Thank you very much.

Jon Fredrik Baksaas: Thank you from me as well. Thank you.