Company: **Telenor ASA**

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Moderator: **Meera Bhatia**

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Meera Bhatia: Good morning and welcome to the Telenor Group's First Quarter Results Presentation. My name is Meera Bhatia and I have the pleasure of guiding you through today's presentation. We have our CEO Jon Fredrik Baksaas and CFO Richard Aa who will present the financial results today. As usual there will be a Q&A session directly after the presentation firstly here from the audience and then from our phone and webcast participants. We aim to end the session at 10 o'clock and for media present there will be the opportunity to speak to both our CEO and CFO after the Q&A session.

But without further ado I will leave the stage to our CEO Jon Fredrik Baksaas.

Jon Fredrik Baksaas: Thank you Meera and also welcome to Fornebu and also those on the net to this first quarter 2014 presentation. I'm glad to say that we had an encouraging start to 2014. We are growing in terms of revenues, EBITDA and subscribers and this happened both for voice services and data services. The organic revenue growth improved this quarter to 1.5%, up 0.5 percentage point from last quarter and we saw a 5% underlying mobile service growth which is a stronger figure that we had averaged on the fourth quarter last year. This is amongst other things fuelled by an impressive subscriber intake in our Asian operations with 6 million new subscribers in Q1 which is the highest intake of new customers in two years.

On the profitability we had an EBITDA before other items of 9.3 billion and this translates into 4.9% organic growth on the EBITDA in nominal terms year on year. Key drivers for this is the growth and efficiency initiative that we're running in Norway and the regulatory cost savings that we now see in Thailand; but as usual there is also a lot of work to be done in the rest of the year and we are starting the year optimistic on the score that we aim at delivering and continue to deliver profitable growth aiming also then to grow the operating cash flow into 2015. As I said an important element to this is our ability to execute on the mobile data opportunity where we have initiatives in all markets aiming of course to monetise this significant growth potential that we see across all our markets.

Let's take a look to Norway. I'm very pleased to see that Norway now in this quarter reports top line growth again which is the first time since Q4 2012. The 2% revenue growth is driven by both mobile and fixed internet and TV services. Mobile service revenues excluding interconnect increased by 2% which is significantly of course better than the 2% decline that we saw in previous quarters. We still see an improved sales mix in the consumer segment versus the beginning of 2013. Telenor Norway recently launched a new portfolio which we believe will support these trends going forward. Telenor Norway is also focusing on selected digital services to drive its core business, already seeing a significant uptake of the online backup service, MyCloud and being launched as early in February this year we can last week see that the growth has come up as high as close to 90,000 users already. This is then an added feature that we bundled together with our subscriptions.

While these positive trends continue in the consumer segment we have to say that we see a continual price pressure in the enterprise market. Fixed internet and TV services increased by 7% again driven by price increases on cable and a growing number of fibre customers. The total customer base now is close to 90,000. The competitive pressure and declining revenues in the traditional firm business has required then unfortunately special focus on streamlining operations and cost efficiencies in that part of what we're doing and this comes on top of the heavy investments that we drive in both the mobile space as well as in the fibre space, so through these efforts we have throughout March concluded the right sizing exercises that we introduced at the beginning of the year. We continue the high investments in infrastructure initiatives to increase revenues and to re-use costs further and this will of course be high on the agenda in all aspects of what we are doing in Norway in 2014.

Moving then to the other countries in Scandinavia, there is a two-sided story for Sweden and Denmark. In Telenor Sweden delivers another strong quarter with strong EBITDA margin development in Q1 again driven by mobile revenue growth and lower sales and marketing costs, following a quarter with lower market activities overall. The underlying EBITDA in Swedish krona increased by 12% in Q1 following improved gross profits from the mobile operations, lower subscriber acquisition costs as well as effects from several operational efficiency initiatives. The acquisition of Tele2's fibre and cable business was completed on January 2nd and the integration work is now going according to plan. We are significantly strengthening our position in this segment in both fibre and TV markets in Sweden.

Denmark is again a challenging market also in this quarter. Revenues were down 10% out of which 2% comes from Interconnect, 3% from fixed services and 5% from service revenues in mobile. On the positive side we have seen a stabilisation in the post-paid subscriber base in the past quarters. The customer base is now -3% year on year if we compare quarter to quarter and our network has recently come on top in a series of measurements, so the operating position has improved throughout 2013 into '14. We are in a transition in Denmark and it will take time to reposition the company and we hope to see effects in late 2014 into 2015 of these efforts.

We then move on to Asia. We have two very strong South Asian activities in Thailand and Malaysia. In Thailand dtac's migration to the licensed network is on track. The move from the concession to the licence regime is already contributing significantly to regulatory cost savings. The new 3G network now covers 70% of the population and almost 60% of dtac subscribers have been transferred to the new network and this also explains of course the higher capex in this period for dtac. Interconnect costs from 1st July 2013 continues to weigh heavily on the reported revenues. In addition the competition remains intense and the recent weakness of the Thai economy also puts some pressure on the top line in this quarter.

DiGi in Malaysia once again demonstrates its robust performance both in terms of revenue growth and profitability. The 7% organic growth in subscription and traffic revenues is driven by solid mobile data trends on the back of the company's very focused internet for all strategy.

A bit further north we have also two strong performing activities in Bangladesh and Pakistan. Both countries see an improvement in the business environment this quarter where we have seen both regulatory changes and political unrest in previous quarters. In Bangladesh we've seen less disruptions and a resumption of economic activities after the elections in January. Grameenphone added 1.6 million new subscribers and average daily service revenue showed a positive development during the quarter. The 3G network now covers all 64 district headquarters and around 40% of our customers are now having access to the 3G network. Several initiatives should drive awareness and relevance of mobile internet are taking place in this period in Bangladesh. In Pakistan, Telenor Pakistan added 1.8 million customers and saw a 9% organic growth in subscription and traffic revenues this quarter. 2% of this growth comes from financial services. In April we secured 3G spectrum in the 2.1 gigahertz band for the reserve price of $147.5 million. With a 3G ready network already in place we are planning a rapid rollout across Pakistan. Our service offerings have already been developed and introduced in partnership with Facebook for example.

For the last operation in India for our operational not forgetting that Myanmar will come on board later this year, in India we have seen a very solid customer uptake period in this quarter, 2.5 million new subscribers versus 2 million in Q4 2013 and this quarter reports a 44% organic revenue growth compared to 36% in the previous quarter so we are on a solid growth line. In parallel to this churn continues to decline and is currently around 4% a month which is in line with incumbents. We are now taking the leading challenger position in the circles where we are present. We are successfully positioning ourselves as a provider of affordable, basic data services. Our internet for all strategy was launched in March focused on time based offerings of both Facebook and WhatsApp usage by running fixed offers in rupees per day or per time period. 15% of our customers in India are now active data users and in February we also secured a supplementary spectrum in four of our circles and added a new circle as well. As communicated in February we plan to redeploy 5,000 sites this year, sites coming from those circles that we closed during the difficult period around the licence. The launch of new sites will impact operating cash flows in India this year by approximately NOK 600 million and in the first quarter this year we have been able to launch around 1,000 new sites and we already see quite a promising revenue contribution from these new sites. We also have a record high average revenue per user in India throughout this quarter.

So to conclude then mobile data represents the next growth curve for Telenor. Our total consumer base is now 172 million, 20% are currently active internet users and as we can see from the graph here, seeing Europe more or less 50-50 on being internet users, this percentage is low in Asia and we see this as a very interesting growth potential going forward. We are working hard to increase the number of active internet subscribers across all our markets by enabling and stimulating usage. At the same time of course we have to make sure that we monetise on the heavy network investments to realise this, also including the spectrum processes which are becoming more and more sophisticated as we move along. All in all we look at this first quarter in 2014 as a solid quarter and we believe that it leads to an exciting start of this year.

Thank you. Then I will leave the floor to Richard.

Richard Olav Aa: Thank you Fredrik, yes, an encouraging start to the year. A lot of positive one-time effects in this quarter which I will come back to but maybe most importantly is that the big Telenor machine is ticking very well in this quarter and I will take you through some of the metrics that are key to understanding why I can say that and that goes on the revenue and it goes on the cost programmes and it goes on the capex, so I will go through that in more detail in my presentation and including the guidance.

But let's start with the revenues. We have increased revenues year on year by NOK 1.8 billion this quarter. That is one of the highest revenue growths in nominal terms to have had in Telenor. Three factors contributing to that, we have some acquired entities, Globul and the Tele2 fibre and cable business contributing about three percentage points to the growth; then we have currency effects, positive this quarter, also three percentage points to the growth; and then the organic revenues have grown about 1.5%, so in total more than 7% reported growth this quarter. But the main thing is the organic service revenue growth and we will try to visualise that in the right hand chart there and as you see organic revenue growth is at 1.5% but then it's very important to remember the interconnect effects in Thailand, taking the revenue growth down by 1.7% and remember this has no profit effect because we have an offsetting on the costs. So what matters are the green bars there, particularly the two to the left which is related for mobile business, underlying growth in the mobile business contributes three percentage points to the growth of Telenor. That's where we make the profit. 3% on the mobile subscription traffic and then including the voice because it's a part of it, that translates into approximately 5% organic service revenue growth on the revenue base of mobile which is around 60% of the revenues. So when Fredrik said in his presentation we have 5% underlying service revenue growth, that is on the mobile revenue base and that's what we measure on this slide which is key to understanding the profit development of the Telenor Group. The blue line here is the sum for the group in underlying mobile service revenue growth and that has been fairly stable over the last two years as is visualised here between 4-6%. This quarter we see Asia, the red line is stable. dtac is down which I will come back to but that is compensated by improved growth in India and Pakistan in particular in this quarter. Europe, more or less stable but the most encouraging in this quarter is that we have managed to turn the black line, Telenor Norway, into positive organic service revenue growth and we did big investments in Norway, that is absolutely vital and that is a trend line we work to continue to work in this direction. So it's a good start to the year. Our ambitions are actually higher as we said in 2013, the blue line is strong but our ambitions also in 2013 are higher. So we are dependent on solid momentum on the investments we're making in Norway and also revenue pick-up in Thailand which I will come back to. But all in all going in the right direction. This revenue growth of NOK 1.8 billion for the group, that translates into a gross profit improvement of NOK 1.5 billion and that comes from three effects again: about one third comes from currency; one third from acquired companies – you see it there from Globul and also then Tele2; but strong underlying service revenue growth translates into gross profit improvement across the group and in particular this quarter Grameenphone, Sweden, DiGi and India are contributing very well to the gross profit development.

So then we're down to gross profit and what's next? Yes, that's the opex and we have laid out a cost programme back in 2012 where we should save gross opex of 5 billion in the years 2013, 2014 and 2015 and we are well underway to achieve that. We have visualised here the two biggest mobile units and their progress towards the cost target, Norway, aim to contribute 2 billion of the 5 billion in the cost target and as you see Norway delivered on the cost saving ambition in '13 and with the actions now taken in '14 we are well underway to deliver on the savings target for '14; and then the pipeline for '15 with concrete initiatives are also starting to fill up. Also a lot of the capex reducing in Norway is intended to take out costs. So well underway and good progress so far this year. Then the regulatory cost savings in Thailand which is together with the cost saving programme in Norway the biggest cost saving initiative in the group where we spend significant capex, close to NOK 3 billion both in '13 and '14 to migrate the network from concession to licence. dtac has laid out the ambition to halve the regulatory costs as a percentage of service revenues towards 2016 from 31% to around 15% and they are progressing well. Now in the first quarter this year is the first quarter where you see significant improvement on the cost side and EBITDA margin in dtac is improving from 31% to 37% year on year largely due to the regulatory cost savings coming through, so the two big units are contributing very well now to the cost agenda and in general across the group we are delivering on the cost saving agenda.

So that translates into solid improvement in EBITDA. EBITDA margin stands at 35%, that's up one percentage point from last year and the EBITDA improves close to NOK 900 million. Some comes from acquired companies, Globul, 238 million but you see the strong performance on both the revenue and the cost side translating into solid EBITDA improvement in Grameenphone, Sweden, DiGi and in general across the group with a few exceptions.

Then to the capex. Because we don't see a similar improvement in the cash flow, because we are increasing capex year on year with more than NOK 800 million. As you see here capex is 3.7 billion in the quarter compared to 2.9 billion in the similar quarter last year and that is 14% capex to sales. We're guiding for the full year 16% capex to sales, so 2014 will be a very heavy capex year for Telenor. We expect that to come down in 2015 which I will come back to.

The right hand chart here is very important to understand where we are in the cycle now for Telenor and as you see we visualised here Sweden, DiGi, Denmark and Hungary as a representative for our mobile operations. We have been able during the last four years through heavy network swaps and heavy data growth to run those operations at around 10% capex to sales like we said on the capital markets day back in 2010. How have we done that? Yes, we have deployed network sharing. We work with partners to become more efficient. We have utilised our global sourcing strength and new vendors in particular from China; and we have executed a network swap as well and deployed the capex carefully. So the underlying capex for our mobile operations are around 10%, so why are we then guiding at 16% is a question we are asked all the time and we were asked a lot after the Q4 presentation. First of all we are launching a new satellite this year, that's about two percentage points so it can take from 16% down to 14% which is the level we are at now; and then I want to explain dtac. dtac is the purple line and dtac before we started moving the network from concession to licence had a capex to sales on average around 10%. We had some very low years before we swapped the network and also built out 3G on 850 under concession but now we're spending now close to NOK 3 billion both in '13 and '14 to move the network from concession to licence. We would have never done that unless we saw the regulatory cost saving, not at least in that speed, but that has a very strong return on its own and should normalise back to the levels where you see the other companies. We will see a lower spending on that in dtac next year, so that including the satellite is the second explanation; and then the third explanation is the increased capex in Norway. We have increased capex spend to fibre because we see we can now deploy fibre profitably to the home and increased fibre spending through the base stations which we also share with our competitors where we get revenues and we were later than our competition with 4G deployment but when the handsets were ready and we had a spectrum we have increased the capex spend on 4G and that is a lot on coverage as well and coverage in Norway is expensive. So the capex trend in Norway is going up from 12 percentage points of revenue to 18 percentage points of revenue which is then the key underlying reason why we deviate from 10%, but if you take off the satellite and dtac you are back to a level of around 12% plus, so then the big trend shift is in Norway and that's why we're so concerned when Norway shows negative revenue figures because we need to see profitability on these increased investments and that is the variable going forward, how much capex will be deployed in Norway going forward and that depends on how well we're able to monetise, and again a very encouraging start for 2014 on these metrics.

Then on the cash flow, yes, a strong EBITDA improvement of close to 900 million but then 800 million more in capex so cash flow is only marginally up for the group, but still very strong at 5.6 billion despite very heavy investments. So we're able to improve cash flow in a record high investment environment.

Then on the P&L, I said we had very many positive events this quarter. Some of them are hitting the P&L. Some of them are not showing up in the P&L but let's maybe start with some that are not showing up. We had the old final licence award in Myanmar. We had two successful licence auctions in Pakistan and India in this quarter. Then we have sold Conax, that will give an accounting gain of 1.2 billion. The cash came in April 4 and it will give a cash gain of around 1.5 billion to the Telenor Group. We finally got the licence offset in India. That will have a cash effect over the next ten years as it will be spread out over the deferred payments we have today but in total we could book an income of 1.8 billion distributed between EBITDA and net financials. Then we have one negative, that's from VimpelCom. VimpelCom resolved the situation in Algeria – that resulted in a settlement of tax disputes in Algeria of a total of \$2 billion. VimpelCom owns about 50% of the asset in Algeria and we own about 33% of VimpelCom so we take one sixth of what VimpelCom books so when VimpelCom books \$2 billion as a cost, one sixth of that is NOK 2 billion, so \$2 billion becomes NOK 2 billion for us. So in total from these events we have a net impact of NOK 1 billion to our P&L this quarter.

Then the full P&L, we have been down to EBITDA, we have seen other items there, positive 0.6 billion. The main effects there are the sale of Conax and the licence refund in India, so a very strong EBITDA due to those one-time effects and strong underlying EBITDA. D&A up, we are writing off the network in Globul in addition to increased depreciation following the higher capex in Norway. The companies are negative largely due to the settlement in Algeria that we went through. Low net financials this quarter, lower interest costs and currency effects and so on. I would say normal taxes but it's important to note an increased leakage to minorities in non-controlling interests because we see strong profit development in GP, dtac and DiGi where we don't have 100% so that leaks out a minority. So the net income to Telenor this quarter is 3.7 billion or 2.43 per share.

Then to the balance sheet, net debt. We are also improving our financial position this quarter. Net debt to EBITDA is down from 1.1 to 1.0, EBITDA is up and debt is down. EBITDA we have been through. The debt is down approximately 2 billion. Strong EBITDA but two of the one-off items, like I said both licence refunds and the sale of Conax will not have an effect in the first quarters. We had the correct data, that's the 2.9 billion you see there on the right hand side. Then significant capex this quarter, 5.9 billion, that's also licence payments in Myanmar and all the licence payments in addition to the operational capex of 3.7 I went through earlier, so despite a record high capex level and licence payments we were able to reduce debt. Lower taxes this quarter but also we have some positive effects on working capital and revenue share and currency effects and I would like maybe a small comment on working capital. If you followed this over the last two or three years you can see a lot of money coming in in working capital by systematic work on improving working capital in the group. It's important to continue to work on that to control the debt level.

Then to the guiding. We are maintaining the guiding for 2014. On the revenue growth we have a good start to the year of 1.5%. Like I said we aim higher. We see a need for strong profitability on the investments in Norway and we expect a revenue pick up in Thailand and the interconnect in Thailand will disappear from the second half, so I think the guiding there should be fairly robust. Then the EBITDA margin, we maintain the guiding in line with 2013. We are one percentage point ahead so far this year so you may say this would be on the conservative side, but it's still early in the year and there's a lot of work to be done in all our units both on the revenue side and the cost side, so we decided to maintain the EBITDA margin despite that we are well ahead in the first quarter. Capex to sales I've been through, 16% with an explanation on satellite Norway and dtac, there's nothing mysterious there and that should come down significantly in 2015.

I will make some words then on the 2015 ambition. We have an aim of an operating cash flow in 2015 of 28-30 billion. The main drivers behind reaching that ambition is a continued strong mobile service revenue growth combined with good cost control. In 2013 our trends were not as strong as we expected and made the ambition harder to reach. We had an encouraging start to 2014, that takes us in the right direction but we are now fully dependent upon strong profitability from the heavy investments in Norway, improved revenue growth in Thailand and good execution on our plans for the rest of the group.

Summing up then, a good, solid start to the year. A lot of positive one-time events around the auction in Pakistan, auction in India, licence award in Myanmar, licence refund in India and the sales of Conax but maybe more importantly is than the big Telenor machine is now back on growth and we are executing well on the cost programmes.

Then finally I want to end with an invitation like Fredrik ended his presentation showing that about 80% of our customers are still not connected to the internet with a big potential in our Asian operations. We have arranged an investor seminar in London on 6th June where you will get the opportunity to meet people from our business units that are executing on the internet for all strategy in Asia on a daily basis. I think that will be highly interesting and I hope we see as many as possible of you there, so Meera, we can take Q&A.

Meera Bhatia: Thank you Richard. Could I ask Fredrik back on stage please. We will now open up to the Q&A session. We will start here with the audience present. Any questions? The microphone will be reached to you? No questions at all? All crystal clear it seems, ok. We will take one of our online questions before we open up to the phone lines. It's actually a question on Globul Bulgaria: what is your evaluation of Globul's performance? Are you satisfied as of yet?

Jon Fredrik Baksaas: I would say that Globul coming in is as expected, even a little bit ahead. The company has come into the Telenor Group and showed eagerness to share in what Telenor as a bigger industrial system has to offer and of course some of the decisions that have been taken leading to a complete network swap, embarking on a new phase for the company is also a big motivating factor. So as per now no negative surprises of significance, a positive drive in the whole of the organisation and a little bit ahead of plan on integration to the Telenor Group.

Meera Bhatia: Thank you. Any questions from the audience? If not we will open up the phone lines. Operator, please take the first question.

Operator: Our first question comes from Andrew Lee of Goldman Sachs. Please go ahead.

Andrew Lee: Good morning everyone. I just had a question on Norway and then one on Denmark. Norwegian mobile, you delivered weaker growth than might have been expected in what should be a strong market last year but this has recovered well. I just wondered how sustainable you think the current growth rate is and in relation to Richard's closing comments, what growth rate do you need at a minimum to get from your Norwegian mobile business to get towards your group 2015 OCF guidance? Then just secondly on Denmark, clearly conditions are still very difficult there. We asked last quarter if you need to have a consumer business in Denmark to fulfil your pan-Nordic service offering to corporate customers, so I just wondered if you had any update on your thoughts there? Thank you.

Jon Fredrik Baksaas: The sustainability of what we're doing in Norway I believe is quite strong and the way we have repackaged the pricing structure towards the end of 2013 and into 2014 also trying to conclude with new service offerings to all those specific segments just recently this month we believe will give long term visibility on better aligning the underlying consumption and the growth in the data consumption and data activities in general with the pricing mechanisms, but of course this also depends fully on how competitors view this landscape and we have always been talking about the need to link revenue drivers with growth drivers and we believe that we have a better alignment on this as we move into 2014 than what we had in a couple of quarters last year. To move into metrics on how much do we need specifically, I think that becomes a little bit too detailed so I don't want to go into that one. As for Denmark the question that you raised is also on our mind and we addressed the question as well and it is a fact that the market leader TDC has the overall momentum and a very strong position in particular in fixed line services and the three competitors struggle to find their way on sustainable economics in their investments, so one could anticipate the sheer facts on how this market is structured should lead to this kind of discussion not only on our table but also on other tables.

Andrew Lee: Thank you.

Meera Bhatia: Next question please. Do we have any questions from the audience in the meanwhile? Anyone curious? We have a journalist.

Marius Lorentzen: Marius Lorentzen from E24. I have a question about Myanmar. You started reporting it as a separate segment this quarter and you noted that you spent about 3.2 billion in capex of which 2.9 is the licence but the pace of investments is about 300 million which I assume is network and operations. Is that a pace that will continue over the coming quarters or are you expecting it to be more front heavy this year?

Jon Fredrik Baksaas: This is front heavy, the first year of course however the coverage that will be in place by the end of the year is not at all the full coverage needed, so it will be as always the 2-3 first years of an overall operation have significant investments carried with them, but here we are also then doing tower rentals so we don't carry all tower structures on our own investments. That is an opex structure which is more usual in India, in Asia than in Europe. I think we can say that progress is very good in Myanmar. We have all aspects of preparing for launch under reasonable control. The most challenging part has been that of getting the tower companies up to speed when it comes to getting the towers physically into the geography. I have to remind all of us the fact that there are no administrative procedures in that society for such an industrialisation process which now is starting in the country, so this is quite ground works. If greenfields had in a way it's the right expression it must have been born in Myanmar because this is really a greenfield. Thank you.

Meera Bhatia: Ok, thank you very much. I think the operator should now be online. Can we try again? Next question please.

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

Peter Kurt Nielsen: Thank you. Two questions please, one on Sweden and one on Denmark. You already discussed the Norwegian revenue trend. Sweden, you have for the past year I guess reported extremely strong underlying mobile serve revenue trends. Did you see those trends continuing for the remainder of this year? Do you see any reason why it shouldn't? Secondly when will the strong underlying service revenue growth i.e. adjusted for the handset discounts come through in reported service revenues as well? Secondly if I may return to Denmark, you've obviously seen improved momentum in subscriber intake but clearly it comes at a high cost both to yourselves and to the market. You contributed to the re-introduction of handset subsidies in combination with very low prices. You are expecting to see improved trends at the end of the year. Did you think these current negative trends can be reversed later to the benefit of yourself and the whole market? Thank you.

Richard Olav Aa: In Sweden, what we have seen in Sweden and I think that's in general for the market is the slowdown in handset sales. I think the Swedish market is now waiting for new innovations from Apple and then you will see a pick up in the overall reported growth, but the reported service revenue growth now in the first quarter also stands at 2% and we will see the effect of the handset discount gradually being washed out as this was a new way of packaging our offering in Sweden that was introduced now two years ago and it takes a while before everything is moved over to the same structure. But the main factor will be the handsets. When it comes to Denmark, yes, we see like Fredrik said the EBITDA pool in the Danish market is largely taken by TDC and unfortunately the market also that is moving with the subsidies, even if you only have a six month commitment to the customers, but we had massive subscriber losses last year when we tried to be more rational in the market that that could not continue, so we had to use the measures available to stabilise the customer base and unfortunately that results also then in a lower EBITDA for us in the Danish market. Whether or not this will pick up, it's very hard to say. It depends on the market situation. I think unfortunately we see offers in the Danish markets where the price stays very low from our competitors so the Danish market is in a very difficult condition and it's very hard to point to an improvement in that market.

Peter Kurt Nielsen: Ok, thank you.

Meera Bhatia: Next question please.

Operator: As a reminder to ask a question please press *1 on your telephone keypad. Our next question comes from Dominik Klarmann from HSBC. Please go ahead.

Dominik Klarmann: Yes, thank you. Firstly just to clarify the 2015 operating cash flow target, that still includes the Myanmar start-up losses and maybe you can share a bit more colour on how we should think about you getting there? If I assume a sharp fall of capex sales to just 10% next year I would still need a significant acceleration of EBITDA growth. Where is that coming from? Then secondly on India, maybe just a big picture question. Does India look more attractive to you today than say two or three years ago when you balanced the improving pricing environment, the improving regulations against the operational challenges and the challenge to get break-even and actually generate returns? I'm curious about your thoughts there? Then maybe just a third question on the idea behind the new mobile tariffs that you introduced in Norway and why you are launching those now? Thank you.

Jon Fredrik Baksaas: This was a whole series of questions so let me start on the aim for 2015 cash flow targets. Yes, it includes Myanmar but it also includes Globul, so in the first three years those two operations more or less compensate each other. In 2015 what then is the EBITDA contribution, cash flow contribution from Globul should in a way more or less compensate for the programmes that are executed in Myanmar. Yes, you're right to the effect that we need those kinds of improvements but as also Richard tried to allude to through his presentation on capex there are pretty important capex elements in this. Number one, the satellite will not be there in 2015. Most of the programme for dtac when it comes to heavy investments to do the 3G generation deployment moving from concession to licence will more or less be done and on top of that the growth aspects of the entire economy should also be there. It's lower in this quarter and probably also so in the first half of this year but we hope that the second half year can show more dynamics in the Thai economy. Then of course what is needed here is to see that the trend line that we now see in Norway continues and that alludes strongly to the third part of your question, namely that of a successful redesign of the service offerings in Norway in such a way that we stimulate our customers to upgrade to a higher service offering and we see that is working quite well right now, but that trend needs to continue. More so India will not be on the minus side in 2015. India will be on the positive side, so there are a number of elements here which clearly can show that there is a realistic possibility to aim for the targets in 2015 that we have spelled out to be between NOK 28-30 billion operating cash flows. Then for India, more attractive, yes of course but by all means when we had, when you referred to 2-3 years back that was at the bottom of the curve, but does the lines in India go to sky high from here? Absolutely not. We are differently positioned. We are on the move. We have very good traction where we offer services. When you saw the March statistics of customer acquisition in relative terms to where we are having distribution in India, we are clearly on top of the statistics on getting new customers on board, so that means that our affordable service offering really is broadening into segments that get the taste of mobile communications for the first time in their life, and at the same time we see the average revenue per user growing and of course one important effect is that also churn is coming down. When we add all these kinds of elements we are on the positive trend line in India, but we have also come to learn that India is full of surprises, so we are preparing ourselves also for some elements of surprise and what it will be this time – that is difficult to say, but in the meantime we are positioning and making the Uninor operation as strong as we possibly can do and then it is very, very good to see that Morten Karlsen Sørby who moved from group management to India as a CEO really has got a grip on this in his first quarter based upon what was so solidly executed in 2013.

Dominik Klarmann: Great, thank you.

Meera Bhatia: Please could I ask you kindly to limit yourself to one question. We have quite a few callers on the line. Thank you.

Operator Our next question comes from Barry Zeitoune from Berenberg. Please go ahead.

Barry Zeitoune: Hi, it's Barry Zeitoune from Berenberg. I will keep my question to Denmark. A lot of the focus has been on whether you could be a seller. I am also interested in whether you could potentially be an acquirer and I'm not really talking about mobile assets but more in terms of the fixed line assets in Denmark. We've seen you building out fibre in Norway. You've acquired fibre in Sweden and the fixed line market in Denmark is obviously a very good market and there could potentially be a number of fibre assets available in that market, so I was just wondering whether you've got any interest in investing further in fixed line in Denmark or whether you've just comfortable where you are and want to see where that business goes? Thank you.

Jon Fredrik Baksaas: We are not comfortable with where we are. On the contrary we are putting a lot of effort into improving the existing operation. Right now we are concentrating on that and that means that we are not extending the operation in any direction in Denmark in our efforts right now. That doesn't take away how the mobile space is going to address the fixed issue over time because fixed line operations also will play a role in particular when it comes to Wi-Fi offloading and when it comes to how the last mile actually eventually evolves into the future, so let's make that a bigger and more strategic industry question at a later stage. Thank you.

Barry Zeitoune: Ok, thank you.

Meera Bhatia: Next question please.

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

Stefan Gauffin: Yes, hello. We have already talked about the cost initiatives in Norway, the entire regulatory improvements. I would like to focus on some other issues relating to Pakistan and Hungary. Despite a record high or a very, very high subscriber intake in Pakistan you had a fairly good margin and I believe that comes from impact from the network swap. I wonder if you could give some information regarding the energy savings that this network swap has created? Secondly last quarter I sensed a concern how the telecom packs in Hungary would play out given unlimited voice and SMS plans and I wonder if the development in Q1 has eased your concerns related to this?

Jon Fredrik Baksaas: Let's start with Pakistan. We have concluded a network swap and we see significant energy savings from that. We also changed the battery systems on several of the base stations which are also contributing well but we have also seen a somewhat better energy situation in general in Pakistan in the first quarter, but your question is appreciated. It's on the top five list of opex initiatives in the group to improve the energy situation in Pakistan and so far we have delivered well. When it comes to Hungary the same concern is there. It's a very strange situation when you include the free SMS and minutes in your packages and the telecom tax is based on the consumption so you're really paying tax on something you cannot price, so it's a very unfortunate development in the Hungarian market.

Stefan Gauffin: Ok, thank you.

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

Jakob Bluestone: Hi, good morning. I've got one question on VimpelCom. Could you perhaps just update us on what your current thinking on the ownership of the asset is, how core you see it particularly in light of the political situation with the sanctions on Russia? Does that affect your desire to have the material exposure to the Russian market? Thank you.

Jon Fredrik Baksaas: I think that whole situation between Ukraine and Russia is a very unfortunate one not only from an economic and investment point of view but also from a human point of view, so I really hope that part is there, can get to terms and get to the table. From a business perspective we are in VimpelCom and we are where we are and right now we have to position the company on operating aspects in each and every market that VimpelCom has. I think the VimpelCom management is exactly doing that. It's far too early to speculate on what kind of development potential sanctions can have on this operation all in all. Generally speaking though telecoms as an industry also is a needed infrastructure and needed service under all circumstances so from that perspective the operation as such will move on, but of course how deep potential sanctions will go, that remains to be seen and I really hope that those kinds of escalations can be avoided.

Jakob Bluestone: Thank you very much.

Meera Bhatia: Thank you. Next question please.

Operator: Our next question comes from James Britton of Nomura. Please go ahead.

James Britton: Good morning. I had some questions around the new Mobil plans. Can you just detail how these plans are likely to drive forward your revenue growth in the Norwegian mobile market? How quickly do you expect the customers to actually move over to Mobil and U21 plans? Is this going to be a matter of years or can you actually accelerate the transition? Thanks.

Jon Fredrik Baksaas: Thank you James. I think if you look at our reporting for the fourth quarter and the first quarter we had a lot of focus on upselling to higher price plans and that has been quite successful, so now we have changed the portfolios a lot for new subscribers and we have increased the entry fees to get into various excellent networks, so the lowest package you get for NOK 199 you get a fairly limited data volume and then you pay more logically for how you increase the data volume. Maybe most importantly is the new price point which we introduced at 349 because we felt the step from 299 to 399 was maybe too big for some consumers and now we have a good package to upsell from 299 to 349 and at 349 you get 4 gigabytes included, so with these adjustments and also simplifying our overall portfolio structure we have a structure that now starts to look more like we have seen in the Swedish market. We have also taken away a lot of the kind of move voice-centric plans and introduced a simple voice package which also has some additional benefits around at NOK 119. It will take some time to move customers over because this is for new customers only, but we have a fairly good track record on this now and I would especially in a way salute our customer service activities that have been very strong on upselling and giving customers good advice on what kind of package they should use which is a win-win both for the customer and Telenor.

Meera Bhatia: We'll take a few more questions due to the technical mishap earlier on, so next question please.

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

Ulrich Rathe: Thank you very much. In the big picture where would you currently put the emphasis, if you had the freedom as the year unfolds to maybe stimulate growth a bit more or to try to report better margins, where would the emphasis be and in particular in this context how wold this balance look for you in Norway given that the head count cuts will contribute in terms of cost savings only from the second quarter? You have very strong growth already. Would you then re-invest the potential upside to really sort of keep the momentum up or is this really something more on the margin, if there's a simple answer to that? Thank you.

Jon Fredrik Baksaas: There is a simple answer: in Telenor we always think long term and that means that if a short term exercise or decision looks stupid then we wouldn't do it. That depends on the market situation and we will prepare for the future at any point of the decision-making.

Meera Bhatia: Next question please.

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

Thomas Heath: Thank you. A question first on India. Could you update us perhaps a little bit on the room for consolidation there given that the regulatory climate has changed a little bit from time to time and if you see any opportunities to grow size non-organically? Secondly there are reports of quite a significant loss in your joint online ventures today. Is there any cap to how much money you're willing to inject into those ventures? Thank you.

Jon Fredrik Baksaas: Consolidation in India, of course we are a player in India. That means that we follow what goes on in India and as usual India will be full of speculations and rumours and headlines, so what can be said on that score? We are following and we are in a way trying to have a radar screen and see what windows there might be, so that is a general kind of answer. Any loss making on business initiatives like classifieds will have a start-up period and this one is no exemption. Yes, there is a maximum kind of investment limit that has been discussed and agreed between the partners, so the way we see this develop for the time being is that most of the markets are in really speedy development into classifieds and we believe that this trend will follow in Asian countries as we've seen it in Europe, as we can see it in Brazil these days and we also reckon that the relationship between the mobile business model and the classified model is an interesting model to try to find out new dynamics and deploy them in the marketplace.

Meera Bhatia: Next question please and could I kindly ask you once again just to limit yourself to one question. Thank you.

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

Maurice Patrick: Hi guys, it's Maurice here. So you talked about data growth in India. You haven't got that much spectrum in your circles and I guess I'd love to get your thoughts in terms of how long you think the current spectrum allocation you have will suffice? Thanks.

Jon Fredrik Baksaas: Yes, good morning Patrick. We acquired some more spectrum in the last auction that will carry us further, but I think maybe more importantly is how to do the go to market and the total end to end planning of this because we are doing this differently than we have done in any other market where we introduce this on light usage services, for example Facebook without video and high resolution pictures consumes very little data; and we use the latest on compression technology and Uninor is world class and it is also utilising the network assets. So the combination of all these three things makes us think it's viable to continue on an internet strategy at least for the next 2, 3, 4 years and Uninor has broken barriers continuously on this to package this this way. This will also have an opportunity to go through in detail with Uninor on 6th June on our internet seminar. Just a remark, this is the way to sell internet in very low cost spectrums market – then you have to do it completely differently than we've done it in Europe and that's where we see Telenor now in the front and where we see a big value creation opportunity for Telenor going forward, so really for you to understand this I encourage you to come to our seminar in London.

Maurice Patrick: Great, thank you.

Meera Bhatia: Time for two more questions please.

Operator: Our next question comes from Allan Nichols of Morningstar. Please go ahead.

Allan Nichols: Hi. Malaysia, your subscriber numbers declined in the quarter. Is that purely just that you have a lot of churn in the first quarter and you expect things to continue to grow going forward or what exactly are your expectations for Malaysia going forward? Thank you.

Richard Olav Aa: First quarter it's purely seasonal. The trends in DiGi are very steady, no change.

Allan Nichols: Thank you.

Meera Bhatia: Next question please.

Operator: The next question comes from Sasu Ristimaki from Merrill Lynch. Please go ahead.

Sasu Ristimaki: Yes, thanks. I wanted to raise or focus on the Norwegian fixed line situation that you are seeing quite a lot of increased competition from basically fibre providers and I was just wondering how do you see that affecting the broadband pricing and do you have a specific objective in terms of what should your kind of fibre retail share be in 2015 with your investment programme? Then tied into that at the moment you're still seeing pretty strong ARPU development on the TV product and again do you see any pressures on the pricing situation there? Thanks.

Jon Fredrik Baksaas: You're right that the main competitor comes out of the utility side, the electricity sector and as the market stands there now we can roughly say all in all 340,000 roughly homes connected in the electricity sector and roughly 90,000 connected on fibre in the Telenor space, plus of course that we have around 600,000 on Conax already, so we are already very visible in broadband to the home and broadband to the business and of course we are a player that will consider this as a natural investment area for us. If you then combine the three platforms here, the DSL which will be gradually reducing but still not disappearing completely;

and then we add on with low frequency, the low frequency brand in mobile, the Conax and the fibre deployment we will be a significant market player in broadband to everyone in Norway long term. From a price perspective on fibre specifically it's not a price competition really, it's more a geographical build-out competition. Who is where when a geography is ready to receive this and as you know the geography in this country is fairly distributed, so some of this geography is very challenging from a cost point of view to do with both fibre or Conax and that's why the old DSL will survive for a period of time but gradually also being compensated by lower frequency mobile service offerings.

Meera Bhatia: Thank you Fredrik. This was actually our final question so this concludes our session today. Thank you for your participation and apologies for the little technical mishap earlier on. Thank you.