Company: **Telenor ASA**

Conference Title: **Q3 2015 Results**

Presenter: **Meera Bhatia**

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Meera Bhatia: [ ] Third Quarter Result Presentation. There are still some seats here in the middle, if people want to sit here. It's a pleasure to have our new CEO Sigve Brekke with us today, who will present the quarterly results together with our CFO Richard Aa. As usual we'll have a Q&A session immediately after the presentation, firstly from the audience and then later on from our conference call participants. For media present there will also be the opportunity to speak to Sigve and Richard after the Q&A session.

Without any further ado, Sigve, if I could ask you on stage please.

Sigve Brekke: Well, good morning to all of you and also good morning to those of you that, are following us online. This being my first quarterly presentation, I think I got a good start. And the figures we are delivering today are solid figures. I'm happy with the 10% subscribers now approaching to 1 million very fast. I'm happy with the 4% revenue growth. And I'm even more, happy with the 6% EBITDA growth. And that's something we are going to actually have as a KPI for our CEOs going forward that EBITDA should be growing more than the revenues. That's the way we can get our business units to focus on lowering cost when there are difficult industry revenue development but also keep cost low when the industry is developing with healthy revenues. As always, there is a mixed bag result. Norway is continuing to deliver good on the data monetization. This quarter, Sweden is also coming relatively strong on data growth. And Hungary is also a positive surprise this quarter also now finally starting to monetize some of the data growth. And of course, as the last quarter, Myanmar is still the star. The challenging views we have, it's continuing to be Thailand, Malaysia, also due to macro factors in addition to competition, and Denmark and I will come back to that. The main focus we have and I will have in the future, it's how to monetize data. Unless you can see now, it's around 95% growth in our network year-on-year on data. And we are having 16.5% compared to sales ratio, so relatively high. And I will come back a little bit later to how I see that going forward. And then, furthermore we made an announcement of exiting VimpelCom, we did that after strategic review with the board, where we decided that we want to focus our core businesses, being in Europe and being in Asia. And we have because of that taken off an impairment of VimpelCom of writing it down to the current market value. The sales process has been initiated. But as we also announced when we came off this news, we are not going to do any prior sale. We are going to run an orderly process. And that will take time, knowing the complication of the VimpelCom situation. Okay, go a little bit in depth on Norway and Sweden. Norway is continuing to deliver, good with, its 5% growth. I would claim, I will claim that we are holding up very nicely in the competition. We don't really see on the set of aggressive actions now from the number two operator NetCom. However, we are going to speed up the 4G roll-off. And we are going out to put 4G equipment on all our 3G base stations, and that will happen in the coming two and half years. And the way we see that now is that we will be able to do that without changing the guiding we have on the capex. The challenge in Norway, it's on the fixed-line. We are losing market share on fixed-line. The ARPU is keeping up very nicely with the customers that we are migrating but we are losing subscriber market share. We are probably now down to 42% subscriber market share on fixed line. And that they sell loss of around 2 percent points to last year. We added 16,000 new fixed-line customers in the last quarter and so far this year I think we have added around 50,000 subscribers. What we are going to do to take back the loss we have on market share or at least stop the decline, it's to optimize the technology we are having. Being, as you know we have both fiber, we have cable, we have fiber node, we have VDSL, and we need to see how can we optimize that in a better way. And we are also going to now use the cluster methods to go into the various areas where we think that there is a position for us to take. Again, we are not going to change the capex guiding, even though we are going to do a more and being more aggressive on fixed. Sweden is a little bit, the same picture. After cleaning up some of the unlimited data plans we had, we now see a growth on data. And I'm happy with that 2% revenue growth after many quarters with challenging situation. The Swedish operation has focused very much on getting back on revenues. And the fixed is also challenging Sweden. Little bit different from Norway, but still, they were on 20% market share on fixed-line customers in Sweden. And we did to make sure that we are taking more of the growth we see especially in the fiber to the villa market in Sweden. I think we added around 8,000 fixed-line customers in Sweden in the last quarter. In the European operations, Hungary I already mentioned, after many months which is having top-line growth we are now having a 4%.

Bulgaria, we have a rapid decline in subscriber uptake or subscriber market share which is now stable. And the main challenge we have in the rest of Europe is Denmark. The Danish market is continuing to be very, very competitive. We have an EBITDA margin of 15% in the last quarter if I add just for the joint venture cost. If I also add just for the IT transformation project that we are having in Sweden, the EBITDA margin will probably be around 16% to 17%. We think that we are not losing market share. We think that the margins for our, the other two smaller competitors is about the same. However, the Danish market as such is not developing in the right direction. Of course we were disappointed when we had to withdraw our application, the joint venture application that we do, went to the European Commission with. So we are now looking into other strategic options. I cannot go through what those strategic options are other than saying that Telenor doesn't have to be in Denmark. Denmark is not a strategic market for us. So, when I'm talking about strategic options, you should read that as all the strategic options are up in the air. Thailand, continuing to be a challenging market, we see that the competition is not easing. The limited data plans are unfortunately back. You may recall that DTAC tried to get the industry out of those unlimited packages. And for a couple of quarters, it looks like the competitors were following the DTAC lead but they are now back on quite aggressive packages. However, unlimited in Thailand is not completely unlimited. They are tripling down of their certain volume. We also see that True Move is continuing to be aggressive on prepaid subsidies. There DTAC year-on-year is a minus 2% on the revenues, most of that is coming from the 70,000 customers that less customers over one year end, 2 million it's mostly coming from the clean-up of dead customers after the customers had to be registered. We have a healthy EBITDA development in Thailand in the third quarter, most of that is coming then from pulling back on the prepaid subsidies. And we are not going to continue with that to meet True Move. However, in the fourth quarter you will see iPhone sales in Thailand and the subsidies that comes with iPhone sales is going to hit our EBITDA in the fourth quarter. But this, the bundling they have on iPhone on the postpaid customers is much more, giving us a much more healthy return than the prepaid phone bundles. DTAC is continuing its turnaround process. I will say that they have made significant investments now in the network and I will claim that both on 3G and 4G, they are getting up to the same level as our competitors are. But there is still a job to be done there. In addition to that it's that turnaround on the distribution. And that turnaround is very much based on the cluster mobile that they have developed in other Asian markets. And for us, or DTAC to be able to compete with the giveaway handsets in the mass-market that True Move is having, we need to be much more granular in the way we are operating our distribution. So, that probably will take another couple of quarters before we see the full effect of that. We are also progressing on the discussion we had with the CAT trying to secure a future mobile fiber and for tower. As you know after 2018, the towers and the fibers has to be returned back to CAT. An agreement with CAT has been met but we are still waiting for approvals higher up in the government decision chain. Malaysia, very challenging macroeconomics, the Ringgit, the local currency it's down 15% in this quarter versus the U.S. Dollar, that means a weak consumer sentiment in general. And especially this hit our migrant segment where Digi traditionally very strong. And it also hit the international traffic margins. The competition is also continuing, which is number one operator quite aggressively now going after the migrant segment. And we see that hitting the stronghold that Digi used to have both in the Bangladesh, Indonesia and the Nepal population. We also see U-Mobile as the number four operator aggressively coming out with data plans. Despite that I think Digi is increasing slightly its revenue market share. That during and you also see an 1% revenue growth now of quarterly year-on-year growth compared with the market which is probably minus 1% to 2% growth year-on-year. Now I think Digi do that with continuing to focus on its data position. They have now more than 50% conventional 4G up from 40% previously. And that's the widest 4G coverage and the operator, have in this market. In addition to that I think Digi has done a good job with taking up position on digital content or data content. Bangladesh and Pakistan, Bangladesh is now back with the growth, subscriber growth 10% year-on-year probably growth, with now several quarters with CL subscriber growth. So, we are happy to serve that. We also see that data is finally starting to pick-up also in the mass-market in Bangladesh. We added 2 million data subscribers, of active data subscribers the way they count it, so average data using at least 50 kb over three months. And they are now having 27% of their subscriber base on all than active data users. So we see that reason at the time and also willingness to pay out in the mass market. Pakistan, the market is now, back to a more normal situation after the biometric verification system. And we see a healthy revenue growth. And even more interesting I think is that out of that revenue growth, 2 percent points now out of the growth comes from the growth of international services. And from overall revenues now, I think for national services is counting for around 11% of the total traffic and subscriber revenues in Pakistan. We also see an improvement on EBITDA in addition to the revenue growth we see that from lower energy costs. And as you know, energy cost is an very important part of our operation on our network cost in Pakistan. We took a position of giving up free Facebook initially in Pakistan. That they have now got back on so now we are charging the Facebook users. And to our pleasure we see that the people that used to come in on the free offer are now willing and able to pay. So again, there are some positive signs on the ability in the mass market and willingness to actually pay for the data usage. India, 19% subscriber growth year-on-year, 7% revenue growth, when we analyse the second quarter, the industry's second quarter figures in India we saw that Uninor/Telenor now has the 6% approximately revenue market share in the six circles that we operate. That bring Uninor/Telenor up to the number four position in this market. There are only the three biggest ahead of Telenor in these markets, and then you don't think about that in this six circles that we're operating we actually cover only 50% to 55% of the population than we can assume that the 6% in the coverage area is significantly higher. So we see now that we are starting to get some volume, we are starting to get scale written off for also having proved, customer proved, not only customer push. And we rebranded then Uninor to Telenor in this quarter and that is about 53 million out of the negative 58 million on EBITDA. So if you're just for the rebranding cost, EBITDA will be more or less around zero in the third quarter. And the things that operational model now, it's sustainable on slight positive EBITDA development. We also see that despite not having spectrum enough, data spectrum 22% of the Telenor customers in India are actually active data users. And they're using then there the network that we're providing them for communication services and for simple internet applications. So, we are not losing out. However, the growth that we've seen in the market we need more spectrum. And the way we look at that is that we are now giving different options. And we're talking to several of the industry players, spectrum trading, spectrum sharing is not being allowed. There is also then opportunities for participating in the new auction, there will be a new auction coming out in the first part of next year. And this is the real auction the previous auction was actually only an auction to renew the licenses of spectrum that expired. So it was incumbent auction. This time there is 2.1 megahertz coming out and also 2.3 megahertz coming out. And as far as we understand there is spectrum enough in these two bands for us to be having a chance to take a position. Going forward in India, we are going to have a very prudent approach. I know that most of you will probably credit me or blame me for what we have done in India so far. And you should continue to credit me or blame me for what we are going to do in the future. And what I'm going to say here is that we are going to stay in India for a long-term but we're going to use a very prudent approach. And that's the reason why we are not making any big acquisitions rather than taking this step-by-step, trying to secure our future position through getting more spectrums as I just explained. Myanmar, I already used the words star for Myanmar, another very strong quarter, 12 million as customers in 12 months, 39% EBITDA margin, 37% SIM market share. We don't know the revenue market share because we don't have the figures from the others. And we actually did another 2 percent points I think on the government market share in the last quarter. Since last time we have rolled out another 1,000 sites, we are now 3,300 sites out in the market. And during quarter four, we are going to be present in all states and in all regions. That means that we are now starting to get into the real part of Myanmar. The ARPU it's now $4.9 slightly down quarter-over-quarter. And you have to assume that this ARPU will not be the same for the new customers coming in. So, I'm kind of guiding you a little being cautious, do not take these numbers and forecast the coming year. We will see now more marginal customers coming in. Competition, it's heating up a little bit. We see very aggressive offers on net from our competitors. However, our volume, our base now is 12 million customers so we can also do aggressive offers on our next to avoid internet costs. Elections, seems to be coming up 8 November, it leaves a question mark around the date but it seems like the government is quite firm on running through that election. And we don't really see any risk around election for our business going forward. I said in the beginning that we are very focused on the data monetization. This is a graph showing how the revenue overall organic traffic revenues have developed over the last three years. We have been in the range of 4% to 6% in this period. And then you see now that the traffic volume is actually doubling. If I look at the medium usage, you will see a doubling of the median usage with our customers. One third of our customer base, do now have smartphones. And we see that when people get smartphones, they suddenly start to be active data users. And out of the almost 200 million customers now, 37% of them are active internet users. So there is a growth, and there is a cost to that growth. That's why you also see that our capex to sales ratio is now around 17%. If we compare with our peers, this is more or less the same. And I don't see this coming down for some time. We still see capex investments needed in Norway, we see it in Sweden, we see it in Thailand and we also see it in markets like Bangladesh and India. So, you have to assume that this 15%, 16%, 17% ratio will continue for some period of time. Of course if you're able to continue to grow over revenues, that may take down the ratio a little bit but we will have to continue to invest. So the only way we can make this picture explainable to our investors, it's the monetize data. And the focus we have on that is that we need to constantly be able to launch price-plans and to monetize the customers' usage. I do not want to say that we're going to fix all this, we're taking digital positions. We're going to do that as well. But the revenues coming from those positions are probably a little bit longer ahead we need to look at them price plans and what they do to date. So this is going to be one of the core focus areas for the management going forward. Then I want to close up with little bit the key priorities. As a new CEO, I want to tell you a little bit about what I'm going to focus on. And I'm going to focus on keeping Telenor as a growth company. As I showed on one of the previous slides, we have been growing the last three to four years in the range of 4% to 6%. That's my ambition to continue with. But this growth has to be profitable. That's why I'm also saying that my focus is going to be that EBITDA should be growing more than revenues. And on top of that of course, I need to make sure that we have a healthy return to our investors. In addition to that, we are now in the middle of a stretchy period, where we are looking at how can we better be take a position as in the digital space, being a digital service provider. We are going to do a very tearful approach there. But we are going to look at how can we digitalize the customer journey, how can we digitalize distribution, how can we take a position of developing more applications ourselves. For example, the Minshi [ph] in Norway or our storage service that we know are growing out in all our markets, MyTelenor in Norway, which, are also rolling out in more and more markets. And that's also why we have reorganized and make a new digital group which I'm going to be based in Asia to deliver on some of the digital verticals that we have in this state. And now their corporation we have shifted on like classified. So, we are going to move into this space step by step, because we would like them to secure our future with being more in the digital space. Then, efficient operations, I think we have developed, we have delivered, as we have said in the past on operational efficiency. However, I think there is more to be done. And I'll ask Richard to come up for the plan, top plan, how can we be even more bullish in doing something with main cost elements we have. The main cost elements we have is we compare with our peers is related to IT costs, this is related to customer service cost or customer engagement costs and it's on the network side. So, we will then run our project to see how can be simplified, tenderized IT, how can we digitalize customer phone costs, and also how can we take the network sharing concepts into new areas. On top of that, those of you that think that I will have different priorities when it comes to the financial priorities, I have to disappoint you. The financial priorities will stand. And you know them all, you know that we want to keep a healthy balance sheet. We want to deliver on our dividend policy the debt ratio will be as we have talked about before. And not least, we will have a very careful and prudent approach to M&A

activities. I don't want to change those policies which I have been a part of myself sitting in the group executive management over the last years. Short term, we have to return to growth in Thailand, we have to do something with the challenges we have in both Norway and Sweden of fixed-line. And we need to secure additional spectrum not only in India but in several of our markets. And as you know, there are spectrum auctions also coming up in Thailand, there are spectrum auction comes up in Norway and there are spectrum auction coming in most of our markets.

I think that's the overview Richard. Now it's up to you.

Richard Olav Aa: Thank you Sigve, so good morning from me as well. What I will do is I will go into some more details on the profit and loss and the balance sheet, and give you a little bit more colour on the guiding. So, let's start with the revenues. We are reporting 15% growth in revenues. We know that the Norwegian Krona has weakened considerably over the quarter, so the organic revenue growth is around 4%, i.e. 11% this points comes from weak currencies. What you see on this chart to the right there is you see apparently a slight negative trend on the organic revenue growth, i.e. the adjusted for currencies that was of 7% in Q1 and now down to 4.5%. Most of that is driven by lower handset sales and also the challenges Sigve talked about on the fixed side. The mobile revenues, the mobile subscription traffic revenues are developing quite healthy. Mobile is actually up 5.2 percentage points year-on-year on the total revenue base. And I'll go then a little bit more into detail on the mobile subscription and traffic revenues, to explain what the drivers are there. If we then look at only the subscription and traffic revenues, that's excluding handsets, it's including interconnect and in stable currencies organic. Those are up 8.3% this quarter. That is higher than it has been the last three years, like Sigve said, we have been at around 4% to 6% but this quarter it's 8%, so it's a very strong quarter of subscription and traffic revenues. There are 5 million new subscribers mainly in Asia. But we also see from the breakdown here between the regions that Norway is still holding up well on mobile revenues, 5% revenue growth and solid underlying after growth on the domestic business. Lower interconnect not included here but lower roaming is on, we've reduced the roaming prices but domestic mobile revenues in Norway is very strong this quarter. Then we see Europe around zero. We are now in positive momentum in Hungary and Sweden but we have negative decline in Denmark. A rapid ARPU decline in Denmark also in this quarter and the lower subscriber base in Bulgaria is pushing Europe down to zero. But again, promising signs in Hungary and Sweden. Then our growth bench in Asia, very strong quarter, 12% growth in subscription and traffic revenue growth mainly from new subscribers, and also given the fact that both Thailand and Malaysia is now around zero growth this quarter, Malaysia slightly positive, Thailand slightly negative. We report 12% in Asia. That's mainly due to strong performance in Myanmar but also due to subscriber ads in both Bangladesh and Pakistan in this quarter. Then to the EBITDA, we also have a 15% increase in EBITDA year-over-year. EBITDA increased approximately 1.6 billion which is a 16% increase. 10 percentage point of that is also due to currency. We're also helped very much by the weak Norwegian Krona when it comes to EBITDA. And also from what you see on the chart to the right down here, Myanmar is a strong contributor to our EBITDA growth, almost NOK800 million coming from Myanmar. Then strong contributions also from Pakistan and Grameenphone this quarter, obviously even Denmark is a very small operation and the total Telenor picture it's reducing our EBITDA by approximately NOK100 million year-on-year. On the margin side, we have stable margin year-over-year 37%. We have lower handset sales. We have scaled back on the low-end smartphone subsidies in Thailand that is an improvement to the margin. But we have significantly marketing spend in several markets. We have the rebranding in India and we have increased market spend in Thailand and we also have extra costs in connection with the JV in Denmark pulling the margin down. That explains the revenues and EBITDA, then to our capex. Like Sigve said, we are on a very capex level on the last 12 months which was in his chart. And this quarter is in my view exceptionally high. We are at 18% in this quarter and you see the breakdown compared to last quarter three in 2014. And what you see is that we have very high investments in DTAC this quarter, we have increased investments in 1.4 billion and we're now rolling out on both of the concessionary licenses and the regular licenses in DTAC on both 3G and 4G. And we have improved the network considerably in Thailand during this year. Then on Myanmar, the roll out continues and we're now entering more challenging areas but to increase capex by NOK600 million from Myanmar year-over-year, and then Grameenphone to secure the network position there we have increased investment by NOK250 million. So, all-in-all, we have invested NOK5.7 billion this quarter which is up NOK1.8 billion from the same quarter last year. If you compare it to second quarter, this year you see a decline but that is largely due to the expense to satellite in the second quarter last year of approximately - second quarter this year approximately NOK1.5 billion. So strong development in EBITDA but also high capex. S what the stat with our cash flow? Q3 last year we had a cash flow of NOK6.3 billion, this quarter we have NOK6.1 billion. And if you remember we improved EBITDA by approximately NOK1.6 billion and then we have increased capex with approximately NOK1.8 billion and there are some round-offs there but the decline on cash flow is around NOK300 million year-on-year. We believe the investments we are doing now, we have investments both in Norway, Thailand, Malaysia, Bangladesh are the right ones to secure the data position but I also just want to reiterate what Sigve said that to monetize on those investments by solid EBITDA growth and healthy financial returns is paramount for Telenor going forward. Then, some other more financial items, on the net income, here you see the comparison of Q3 last year with Q3 this year breaking down by the lines in the P&L. Revenues and EBITDA we already explained. Then on other items, we see an expense NOK418 million this quarter. Two main effects there is redundancy costs in Norway taken ahead contradiction in Norway and part of that continues efficiency program in Norway and we have scraps on network assets in Denmark of NOK177 million. Depreciation amortization increased NOK900 million year-over-year and there are several factors explaining that, we have started depreciating Myanmar of course, we're depreciating Thailand now towards the end of the concession period in 2018 and we're also accelerating depreciation in India that we're doing our network so higher depreciations. Then on associated company, earlier we had the message that we intend not to sell VimpelCom share and the resulting impairment that we then changed our impairment evaluations of VimpelCom. And we have then roped the VimpelCom shares down to market value. That resulted in an impairment of total NOK7.5 billion which NOK5.4 billion went to profit and loss and NOK2.1 billion went into other comprehensive income as they were currency related. So we have contribution from the second quarter results of VimpelCom of approximately NOK300 million and then the impairment hits our P&L with NOK5.4 billion so the net then comes out of the negative NOK5.1 billion. Net financials, approximately NOK800 million negative this quarter also a weaker development from Q3 last year. The interest, level on interest cost is approximately the same. These are currency losses related to Myanmar that we have liabilities in Myanmar in foreign currencies. And the Kyat has weakened approximately 15% against the US dollar. Other taxes, nothing normal there, underlying tax rate in the quarter is around 29%, NOK1.8 billion in taxes. So that's result in the net income to Telenor of minus NOK1.8 billion to Telenor shareholders adjusting for the VimpelCom impairment, we are at NOK3.6 billion positive which is an earnings per share adjusted for the VimpelCom impairment of NOK2.4 billion. And as you know, when we are looking at our dividends, we are normalizing things like impairment, so the NOK2.4 billion is a more guiding number for where the underlying performance is. Then, to the balance sheet. Like Sigve said, one of our key financial priorities is to keep a healthy balance sheet and we have set feeling on net debt to EBITDA of two times. And we are comfortably below two times now we are at 1.1 net debt to EBITDA by the end of Q3 which is a slight improvement from the second quarter. The debt level is approximately, is more or less stable from the second quarter but we have a strong development in EBITDA that takes the ratio down. There are not that many special items in the reconciliation on net debt from second quarter to third quarter, just like to point out a few. capex paid is at 4.9, volume under capex accrued is higher. So we have not, we have done a good job on working capital by extending credit terms with our suppliers, that's the reason. And then the big one is the currency effect, so 4.1. We have strong help from the weak currency when it comes to revenues and EBITDA. But some of our debt is in Euro and Dollars which have strengthened compared to Norwegian Krona or debt level measured in Norwegian Krona increased by NOK4 billion. So, total net based on all these factors are around NOK47 billion and at around 1.1. Then to the guiding. And the main headline on the guiding is that we more or less maintain our guiding from the second quarter but we have to include Denmark. When we were in the joint venture situation with Telia, we had classified Denmark as asset help for sale and it was also part of our consolidated figures. When we withdrew the applications, we had to include Denmark back into the consolidated figures and Denmark contributes negatively on the top-line but even more important it dilutes the EBITDA margin with approximately 1 percentage point. The group now we have this quarter around 37% EBITDA margin and Denmark reported 10% EBITDA margin, so you see the dilution effect. So the main change to the guiding is Denmark, but let me go through the various guiding parameters one by one. Organic revenue growth, we are guiding now around 5%. Year-to-date we are at 5.7% and the previous guiding was 5% to 7%. Two effects there, one is Denmark, that reduced revenue growth but we also had very, very high handset sales in Q4 last year. We sold a lot of low-end smartphones subsidized in Thailand that we have stopped. So, in all likelihood the handset sales will be lower Q4 this year than Q4 last year, which will impact the growth year-on-year negatively. We don't see the mobile subscription traffic revenue growth we don't see any big change there. Of course very, tougher and tougher comparisons but the underlying trends in Norway are very strong. On the margin, I think even we've included Denmark, I think we can say we have improved the guiding somewhat on the EBITDA. The previous guiding was at 34% to 36% and just including Denmark, we should have adjusted it down to 33% to 35%, 1 percentage point down both on the top number of the guiding and the bottom number of the guiding. We are now guiding at 34% to 35%, that's why we don't think it will come in at the low end of the band. And that's consistent to what we said in the second quarter that we will work on OE, we will work on the revenue agendas to try to be in the high band of the EBITDA margin. And that's still our ambition and that's also why we have kept the low end of the EBITDA guiding. Capex to sales, we are at 18% year-to-date that includes the satellite which contributes between year-to-date figures, between little bit more on 1.5 percentage points. And we also have a high capex level now in Q3 not at least due to having expense in Thailand. We are in the middle of the range of 18%. We know that Q4 typically is a high capex quarter but we have tried over the last year to level out capex more during the quarter. So, the expectations we have that we should be within the capex to sales ratio that we earlier guided 17% to 19%. But again, I just don't want to create any big changes around the guiding because the real factor is the inclusion of Denmark. Then, on the mark of the dividend, the Board of Directors also have, now declared the second tranche of the dividend of 3.50 which is in line with the plan. And just to recap, earlier this year Telenor decided to move to semi-annual dividends. And what this does? It allows us to align the cash flow profile from operations with a payout. And the AGM declared the first tranche in May of 3.80 per share and then they gave the board authority to declare the second tranche later in the year. And the board decided then to declare the second tranche of 3.50 per share and that will take the total dividend up to 7.30 per share in line with earlier communication. And this represents a total payout to Telenor shareholders of NOK11 billion, and it's a growth year-on-year of 4.3%. The x dividend date for this share will be 2 November, and we expect the payout date to be approximately 12 November. So, then we're at the summary and the Q&A. So, I just want to reiterate just one point, is this is the focus we have on monetizing, increasing data consumption on the backdrop of high capex level and continue to work on the revenue agenda. And like Sigve said, taken a sort of step up on the efficiency agenda.

So, by that Meera, I think we can move to Q&A.

Meera Bhatia: Sigve, could I ask you also on stage. We'll start with the questions from the audience.

Operator: [Operator Instructions].

Meera Bhatia: A mic is coming your way.

Christer Roth: Thank you, Chris Roth from DNB Markets. Just a quick question to Sigve regarding the capex to sales you mentioned 15% to 17% over the next few years as a drive continues the strong growth. You're in a high capex environment now, as you've stated. And where do you see those monies being spent over the next few years? That's question number one. And secondly, what would be a good benchmark for us to understand your ambitions with respect the organic growth you're supposed to achieve with that capex?

Sigve Brekke: The first question, it's I think I've briefly mentioned that we need to continue to invest in Norway. As I said, the ambition is now to put 4G equipment on all our 3G base stations. And we will do that in the coming two and half years or so. And that will take some investment to take back some of the loss we have on fixed-line in Norway, we will also take investments. So Norway is still going to be relatively high in the coming couple of years, Thailand the same and little bit dependent on how we now see the auction, as you know, there is an upcoming auction both on the 1,800 band and 900 band. How the outcome of that will be, we don't know but now that we have to continue to invest in Thailand. In Malaysia, we have only 50% population coverage from 4G and then we see now the growth of data in that market that will also be a market we have to invest. And then I will say Bangladesh as I also indicated, we now see a healthy growth on data monetization in that market and we see now that the mass market has started picking up and we have to invest there as well. And then the last one would then be India. So, those will be the main markets I would say that need capex in the coming two years. And that's why I think that you will see that ratio more or less be there in the coming two years. Your second question is also on the revenue growth. On the revenue growth I think you will see that there is still revenue growth coming out from new subscribers. And both in India, in Pakistan, in Bangladesh and in Myanmar, those markets would still drive subscriber uptake similarly to what we have seen in last quarter around 5 million of new subscribers so that would be one part of it. But more importantly I think its data monetization. We hope that the Thai market is going to be rationalized such that the industry can come back on revenue growth on data, same with the Malaysian market. We hope that Berit and her team in Norway are going to continue to stay on the levels that we have seen. And that early positive signs we have seen in

Sweden and in Hungary, it's also going to continue. So, that will be a rare things that hopefully we can continue with the 4% to 6% quarterly revenue growth year-on-year in coming couple of years. So, if we're able to do that, the ratio would probably go slightly down because of the revenue growth but the investment level will still be high.

Meera Bhatia: Thank you, Sigve. Any other questions from the audience? Just the gentleman behind you, if you just pass on the mic? Thanks.

Fredrik Thoresen: Thanks, Fredrik Thoresen with SEB. Can you provide some more colour on the India investments? In the report you mentioned that you're doing an ongoing network refresh. What kind of investment levels should we expect there going forward, some more clarity on that perhaps? And also you mentioned that you want to be more in the digital space. Does that until also doing a more internally developed services like we saw Comoyo in Norway or is it more partnership?

Sigve Brekke: You could take the first one and then I can take the second one.

Richard Olav Aa: Yes, no, the network swap in India, it's done the typical Indian way, at very, very locals, good deal for Indian operation. So, we don't expect that to increase capex levels significantly in India going forward. The main expense we need to plan for in India going forward is for spectrum. And of course we will take a prudent approach to spectrum but there is no doubt that we need to secure more data spectrum one way or the other in India going forward, so that's - and that's more in a way unpredictable on quantity and pricing. But that's the main uncertainty when it comes to capex in India.

Sigve Brekke: To your additional question, I think four answers to that. The first one, it's what I call digitalizing the customer interaction. And what I'm talking about here is that we need to start building down the physical distribution and trying to engage with the customers in a digital way instead. The physical distribution is still going to be but hopefully we will develop now interactions with the customers in such a way that we can bring down the costs and using the digital platform that being the distribution part of it, but that also being the core centre or the customer service part of it. And this we see an opportunity for both in the developed markets but we also see it in the developing markets, like Thailand for example. DTAC is really actually quite good in being in forefront of doing this. And what they're going to do, and then there are three other areas, one, is what we're going to do ourselves. That's going to be a limited partner, we are not going to have any big bets on our ability to understand what's going on in the digital services space. So currently we have only two successful services, three actual services are claimed, one is the start-up services, they have got the storage service, the second one is the MyTelenor and the third one is Pay-in, video conference services. And we will continue to do that test out services in one market when it works like in Myanmar like Minshi has done in Norway, then we take it off across. But there is not going to be put a lot of leader effort or money into that part. The second pillar is what we do on what we call digital verticals. And we so far, we are quite satisfied with one classified investment we did together with Schibsted. And we tried to develop that further. And the reason for that is trying and only both to develop that as a vertical but also to take the customer insight that comes out from that customer engagement and utilize that in our core Telco business. And then the third part is on partnership. And I think that there is a long wait before we can say that we have developed good partnerships here. But we are getting there. For example, we are having a relatively good partnership model with Facebook in Asian markets. We are experiencing now with YouTube also in some of these markets. And we're trying now to see how especially in the growth market these partners also see a benefit of cooperating with us due to not only the customer access we have but also our ability to actually build the customers. So that is the digital space. And I could have talked about this for a long time, but what I want you to have as a take-out is that we are not going to move into this space overnight. We are going to have a very, very prudent careful approach. And not only do this for revenue reasons, also do it for cost reasons. If we can digitalize a lot of the physical interaction we're going to have with customers that will have a major impact on our opex cost.

Meera Bhatia: Thank you. If there are no further, there is one more question, can we limit ourselves please to one so we can? Just on the second row please.

Håvard Nilsson: Hi, Håvard Nilsson from Carnegie. I'll limit myself to one question then. I would like to hear your thoughts on the timing of capex and growth. Do you see, you're able to grow 4% to

6% going into next year or do you have to make more investments first and seeing that growth coming later towards year-end or towards '17?

Sigve Brekke: Let me start and then Richard can correct me if I, no, my answer to that would be that no. We are in investing now and we are enjoying the revenue growth of that. And that's exactly what we're going to continue to do. And I foresee that we going into next year should be able to have a similar revenue growth as we have had in the previous quarters without waiting for monetizing of investments. So this should happen in parallel.

Richard Olav Aa: I would just add on that, we are in the process what we call dynamic capex allocation that we have our baseline of capex so they are predictable in the business units what they can use which is significantly lower than the total capex frame. And then we allocate the additional capex over and above the baseline to the units that really are able to deliver revenue growth. An excellent example was Norway a few years back in '13 where it was not feasible at all that we could increase revenues. And it was kind of shaken on the capex but we did it on Amicus, that okay we do a little bit and then we see okay, can we monetize on that and then we got into positive momentum that has now resulted and that we have aligned technology and commercial and finance are really made on a solid plan on the 4G roll-out that it can bring great revenues to Norway. And so, that will be very important. So Sigve is now saying that we need to maintain the nominal capex, it is not an automatic maintain, of course if you don't see the revenues, that has to have consequences for capex, so that will go hand-in-hand. And we have a very prudent dynamic capex allocation so we don't spend the whole capex limit before we see that the growth is coming.

Meera Bhatia: Thank you, Richard. I think we're going to open up now to the conference call participants. If you could please open up the line?

Operator: We would now take our first question from San Dillon. Please go ahead.

Sigve Brekke: Hello, the line is open.

Operator: Please speaker phone caller, can you please pick up the handset or depress the mute button on your telephone.

San Dillon: Hello, can you hear me?

Meera Bhatia: Yes.

Sigve Brekke: Loud and clear.

Meera Bhatia: Please just go ahead and ask your question.

San Dillon: Hi.

Meera Bhatia: Can we just move on to the next question please?

Operator: We would now take our next question from Thomas Heath. Please go ahead.

Thomas Heath: Thank you. Thomas Heath here with Handelsbanken. A few questions if I may. Firstly on Thailand, you're saying you expect a turnaround to take a couple of quarters. What leads you to believe that we'll see improvement in this timeframe? What's the scenario that you see playing out? And then, secondly, on India. If we could expect a slightly positive EBITDA margin, how will this be profitable over the long term? You're still paying off license payments for a long, long time in cash terms. You're signaling that you're spending more on spectrum. What is going to drive up EBITDA margin significantly to make this profitable for the long term? And then, thirdly on capex being at 15% to 17%, just to confirm that that's excluding spectrum. Thank you.

Sigve Brekke: Yes, let me address Thailand. Now the reason why I am referring to a couple of quarters, it's, as you saw now from the presentation, we have invested significantly in the network of the last year. And I think we are now getting up to a competitive level on both 3G and 4G coverage. And we have been lacking behind there now for a last couple of years. I could even say that we probably under invested in Thailand two to three years ago, we should have seen the data growth coming faster than what we thought. But now we're getting up to competitive levels.

We are almost done with the investment program. So I think that the disadvantage we have had on the network side both on 3G and 4G is about to the levelled out. Secondly, it's mostly on the distribution. And Thailand, even though Thailand is now enjoying a data growth market, it's still very much a mass market. People go and swap SIM cards people go and take up prepaid offers. People go and top-up their SIM cards almost on the databases. So you have to be present out in the trade. And in Thailand I think there is around 20,000 point of sales which customers are engaging via on the databases. So we need to be there. That's why I'm saying that we are re-ramping the distribution model into the cluster model. And we are almost there now we have divided Thailand into five regions, just slip up the regions into clusters and lit up the clusters into mini-clusters. The same way as such, we now are seeing benefits out of in Myanmar, in Pakistan or in India. So, we are almost there but it would probably take us a couple more quarters before we can start enjoying the benefits out of that. So that's the rational for what I'm saying. Then of course on top of that, so this should be enough for us to arrest the market share decline and hopefully we can gain back a little bit. On top of that I hope that the industry as such are also going back to a growth path, moving out of some of this aggressive unlimited offers. The Capex part, Richard you want to counter that.

Richard Olav Aa: Well, I think like Sigve said, we are now at a point in India where we need more data spectrum. And we see a strong demand for data services with our customers. We have not been very much impaired on that up to now, we have more than 20% of our subscribers on data. But we see that the other operators are growing revenues rapidly on data because they can offer more with their spectrum position. So we see a big opportunity by getting more spectrum to increase revenue per user. And of course we are only on 50% population coverage in the circles we are in. So, the main focus would be also to create additional scale in the circles, actually now there are not that much Pan-Indian or circle by circle synergy but there is strong synergy within each circle which is almost regard as a factor contrary. So, with more spectrum we can definitely get a better scale and a better profitability in each of the circles. And of course as you point out, step, we cannot be up to just slight positive EBITDA breakeven to get returns on what we need according to spectrum and earlier spectrum acquisition. But we see that opportunity by getting more spectrum to get more revenues.

Sigve Brekke: To your question, spectrum is a part of the Capex to sales?

Richard Olav Aa: No, that comes in addition, spectrum is from top part.

Meera Bhatia: Thank you.

Thomas Heath: Thank you. If I can just follow up on India then, sort of what are the drivers that will make EBITDA rise? Because as I recall when you started, a lot of the cost is very variable with all the outsourcing. So what's going to drive up EBITDA margin? Thank you.

Richard Olav Aa: Yes, no, I mean the main costs are infrastructure and the more spectrum we put on our power, I don't think increase the power and/or the electricity cost by any means. So, that scales very well with additional spectrum and additional revenues. And the customer call center, that's also paid per subscriber. So of course if you have more subscribers you get more call centre costs but as you add more services to the single subscriber you should not expect that your call centre cost versus would go significantly up. So, I think the more in India will scale quite well if we get the right data spectrum and the right data services out to the consumers.

Thomas Heath: That's very helpful, thanks.

Richard Olav Aa: Sure.

Meera Bhatia: We will move on to the next question. Could I kindly ask you to limit yourself to one question with one follow-up please?

Operator: We will now take our next question from Roman Arbuzov. Please go ahead.

Roman Arbuzov: Thank you for taking the question. My question is on Thailand. So you've mentioned that the network investments and the current distribution investments you're making will allow you to stabilize your market share. But can I just check, do you think well, also, earlier in the presentation, you've commented that the unlimited data plans are back as well, and that competitors are also doing still the prepaid subsidies. So in light of this, can I just check that you can actually stabilize your market share and return to growth, despite these competitive issues or do you think it's still very much dependent on what happens competition-wise or do you think you're strong enough with the investment you've made already?

Sigve Brekke: No, I think over the last two and half year, probably the two main reasons why we have lost market share is due to network coverage, also data network coverage and due to distribution presence. And when we now then are scaling up the investments and then becoming competitive on the network side, I don't see that as a reason for losing market share anymore. And on the distribution side, the only way we can compete with what our competitors are doing with having the subsidies on the prepaid phone is to be physical presence ourselves out to the point of sales. And that's the whole idea around re-ramping the distribution. So, with these two components in place, I don't see any reason for us losing market share anymore. And that's why I'm relatively positive that that will be stabilized and hopefully that we will gain, back some. But on top of that I think more interesting is that, if the whole industry now can move out of that un-sustained bullet competition we see on data pricing. And DTAC has taken some moves on that and unfortunately our competitors have not followed. But I hope that over time the whole industry now when their network is also starting to be filled up with a lot of free data traffic, that will move up the traffic and get back the industry growth.

Roman Arbuzov: Thank you very much, Sigve. Can I just follow up? Actually with a quick question to Richard. With regard to the weakness in profitability in Malaysia, a lot of it is related to the weakness of the Ringgit, which was somewhat sudden, you could say. So in terms of the step-down in margins, do you think this is the new normalized levels or would you think because the weakness, in effect, was so sudden, perhaps pricing on the international traffic can actually adjust in the coming months, so that there could be some profitability improvement on that side?

Richard Olav Aa: I want to thank you for that question it's a very good question. Like you said, it's a sudden drop in the Ringgit, 15% down versus U.S. Dollars in Q3. And that I think have stirred together with tough competition on the international traffic wiped out the margin to many countries. And of course that is not sustainable for any of the operators in Malaysia. So, economically you should expect some kind of price improvements on that going forward. But that's not what we see currently. So I think that may take some time. So it's really the international dialing that's taking us both from competition and also the currency. But the question is very good.

Roman Arbuzov: Thank you very much.

Meera Bhatia: Thank you. Next call please?

Operator: We will now take our next question from James Britton. Please go ahead.

James Britton: Hi, thanks very much. Good morning, James Britton from Nomura. I just wanted to cover your views on returns in the industry. You mentioned in the statement that you're looking to focus on generating healthy returns on your significant investments. So I just wanted to check whether you feel that returns can actually head higher, given the very strong demand for your underlying product at the moment? And if that is the case, why wouldn't you essentially sink as much Capex into the ground as possible to chase those higher returns, which are going to be a lot higher than your current cost of capital? And then, just linked to that as well, how do you see competition evolving in some of these Asian markets, given that these high returns are actually attracting new entrants into these markets? Thank you.

Richard Olav Aa: I can maybe start James and I can hand over to Sigve on the more competition and how that's developing. But on the return side, we'll not just sink the Capex in like you say but we will follow this dynamic capex allocation that I mentioned earlier. And we will also very prudently look at our return on capital employed. And I think it also last quarterly presentation we indicated approximately where we are on the return on the capital employed. And I think also going forward is paramount for us that we don't dilute our return on capital employed with the high investments. So in all, we have discussed Sigve and I, this efficiency program that is key to take out costs also on the opex side to finance some of these things to do on our capex because we're not sure on the revenue line. I mean, we have excellent examples of data monetization like in Norway and Sweden and Thailand, also some stellar example back in 2012 and '13 on data monetization. But here also we have markets where these have gone totally wrong like in Denmark where normally they are able to monetize data. So we have to be very careful and optimize this, both by what I call an Ami capex allocation. But also that the monitor that we don't dilute our overall return on capital employed. And then I also want to remind you that we are in the middle of the strategy process now and we will guide on capex to sales for 2016 when we're back here in February. So, just to remind you on that. And let me talk about capex range now, we're talking about quite wide ranges. And it's a lot of optimization, it's a lot of work to be done on the capex and also on the efficiency side. And we will come back to more precise guiding on this in February.

Sigve Brekke: Yes, just on the last one first, I see the share price is slightly down because we probably have over emphasized the need for continuous high capex. And that was actually the purpose because we want to be open and transparent about that. There is a need for continuous investments. But at the same time, I think we now have a model where we also show some evidence on our ability to monetize not only in the Nordics markets, also in Hungary but also see some early positive signs on that in the Asian markets. For example, when you take away free Facebook in Pakistan, and people are willing to pay for it. But then to the question, no, I don't see any new any increased competition in the Asian markets, I'm more seen the other way. I don't see any new entrants and the latest auctions you have seen being in India, being in Pakistan, being in Bangladesh, there has been, no new entrants. And I think you will see consolidation moving forward, you have seen that in India already or many people are scaling back from circles, which is also kind of consolidation. You have seen that in Bangladesh where Airtel is now being picked up from the number two operator. You see the rumours about consolidation, happens in the Pakistani market, and so on. So, I'm more moving to that direction because even in Malaysia the number fourth player it's so far from making money that I think it's a very hard case even for number four operators in some of these markets apart from India which is so big to make money. So that's how I see the competition moving forward.

Meera Bhatia: Thank you, Sigve. Next caller please?

James Britton: Can I just follow up, and ask Sigve directly, given that backdrop of potentially more consolidation in the Asian markets, are you quietly confident that returns can go higher for the Group?

Sigve Brekke: It would be very nice if I said yes to that question, but I don't want to do that. Let's focus on where we are now and I don't want to go more into more promises than saying that our aim is to continue with 4% to 6% top-line growth. Our aim is to continue with profitable growth meaning EBITDA should come more than revenues. And then we have to see how it leads us. What I could say in addition to that is that the data demand in the Asian markets, it's higher and we are learning more about this almost for every month ago. And if we are able monetize that data, if we are also able to give them more relevant data or digital services, I think there is absolutely nice project. Maybe just one addition to my previous answer, I said that consolidation in most of the Asian markets, with one exception and that's Myanmar. I think in Myanmar, we have to be prepared for a potential fourth license to be immigrated or for an operator to come.

Meera Bhatia: Thank you. We have time for another two to three questions. Could we move on to the next caller please?

Operator: We would now take our next question from Georgios Ierodiaconou. Please go ahead.

Georgios Ierodiaconou: Hello, thank you for taking the questions. I have two very short ones hopefully. The first one is around Thailand, I believe during the presentation you mentioned I do have reached an agreement with your partner there, to the extent that you can share any information regarding the agreement or at least the broad principles whether you expect the concession fees to be lower going forward as a result of this? It will be great. And my second question is around revenue guidance of 4%. Obviously comps get tough as Myanmar becomes less of a contributing factor over time. So my question would be, are you confident you can deliver 4% revenue growth even if you don't get any extra spectrum in India or is that a key driver to getting to a number? Thank you.

Sigve Brekke: To your first question on Thailand, what I said was that we haven't reached an agreement. Also we have agreed on, a concept where which secure us excess to both the towers and fiber after concession expires in 2018. However, this deal needs to be approved higher up in the government. As a part of that we are also discussing a potential settlement of legal disputes that we have with CIT. So, hopefully that will be approved in the government and hopefully we will then have a deal which as I said secure us fiber and towers. But it has nothing to do with the concessionary payment. This deal is not that. And the concessionary payment will have to stabilize until the concession expires in 2018. When it comes to revenues growth, now I think most of that revenue growth is coming from our ability to monetize data, so I'm back to that. And of course, it's also coming from newer subscriber additions, and I think I already mentioned that you will see similar subscriber growth in the coming quarters, also coming from the growth markets in Asia, also being India. So the 4% is not dependent on spectrum in India or spectrum there or conditions here, it's an overall view on our ability actually to continue to drive subscriber growth but most importantly being able to even better monetize the data growth in both Asian and the European markets.

Meera Bhatia: Thank you. We have room for two more questions. Please, could we limit ourselves to one each please, next caller?

Operator: We will now take our next question from Erik Pers Berglund. Please go ahead.

Erik Pers Berglund: Thanks. I actually had the same questions on CAT. But the other one was on, there is more and more industry talk I think about embedded SIMs and also handset leasing schemes offered by vendors. How do you expect that these things will impact your business and are you considering any concrete measures to counteract these challenges please?

Sigve Brekke: Yes, you are right. There is a lot of discussions about and did SIM or soft SIMs. It's not coming as of now, as you know. But this is an issue that is being heavily discussed in the GSMA also in the association among the operators. And this is also going to be an important part of our digital strategy. So I don't have any clear answers to you now and this is a part of our strategic discussions as along. By the way, when we are through the current strategy process which we will finish by before the end of this year and also then put some strategic financial numbers to it, we will come out and inform you in January, in the first quarter some months in next year, about how we see the digital position going forward.

Meera Bhatia: Thank you, Sigve, the final question please of today?

Operator: We will now take our final question from Ulrich Rathe. Please go ahead.

Ulrich Rathe: Thanks very much. Yes, I would like to ask on Denmark, you say you can't comment on the strategic review and I understand that. But if you leave aside any inorganic measures, do you think there is a standalone case for the Danish operation and what sort of market backdrop would you require and on what time scale would you see that unfold, so as leaving aside anything that inorganic and you can't talk about? Thank you.

Richard Olav Aa: I think Telenor in Denmark they are doing a great job. They are holding up quite well in a tough market now taking subscribers also embarked on a very heavy transformation project on the IT side. And they've been extremely worked on the JV. And I think they will continue to fight. But we are now at a profitability level when we look at a level now what slightly above 15% then with the capex and also Spectrum coming in that the returns, are absolutely not where it should be. We see potential for driving efficiencies further in Denmark not at least what Sigve talked about on digitizing the business, customer service. And so all that's why we're implementing the new IT platform in Denmark and hopefully that will take out cost and that can improve the margin. But the latest top-line, if the top-line continues to develop and that's really the competition, the ARPU is going down. It's difficult. So, it's hard to predict. The only thing I can say is that we need to look at all options in Denmark and structural options are uncertain. So we have to just continue to work very hard on the revenue agenda and the cost agenda in Denmark.