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Presenter: Meera Bhatia
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Meera Bhatia: Good morning and welcome to Telenor's Q4 presentation today. My name is Meera Bhatia and I have our CEO Sigve Brekke; and Acting CFO Morten Karlsen Sørby with me here today who will give the update on the financial results. There will be the opportunity to ask questions here from the audience and also over the phone and I would like to kindly remind you to limit yourself to about one to two questions per person and state your name and company name as well please. There will also be the opportunity to speak to our CEO for media present after the presentation.

Without further ado, Sigve, if I could ask you on stage?

Sigve Brekke: Good morning to all of you, both in the audience and those of you that are following us on the streaming. I would say that both Q4 and 2015 was a solid year for Telenor, both when it comes to the revenue growth and also when it comes to the EBITDA. The growth is coming from Norway, it's coming from Pakistan, Myanmar and Bangla mainly, but then we also had some headwinds from challenging markets in Malaysia and in Thailand. Q4 had then growth of 6% organic mobile revenues and the 2% there is coming then from a decline on the fixed side and also lower handset sales. Most of the EBITDA growth of 10% came from a very promising operation in Myanmar.



We are still investing significantly in our network both in 3G and 4G. Around 60% of our capex goes to Asia, around 20% goes to Norway and rest is then spread into the rest of operations. We have also decided to go with a dividend policy which is a continuation of what we've said in the past, a year-on-year growth on dividend.

Norway's revenues continue to be in a very positive territory. Despite losing the Telenor wholesale deal which had more than 550 million of revenues, despite also having a negative effect of interconnect and also a decline on the fixed phones, we are able to deliver positive growth in Norway. The 2% mobile subscription and traffic growth is very strong, especially when you compare that with Q4 in 2014 where we had an 11% growth. We see that we are able to continue to grow ARPU on consumer but we see also some pressure on the business segment. We believe that there is a potential for additional growth on data with the consumers in Norway. The median usage of data with our Norwegian customers is around 50MB, whereby in our neighbouring country Sweden it's more than 1GB, so there should still the room to grow usage with our customers and that's also why Norway has chosen to rollout the 4G network faster than originally planned. So the plan now is that by 2017 we should have a 4G network on all our 2G base stations.

We're still not satisfied with the development on the fixed side. We are growing VDSL mainly and that's the reason for the 12,000 additions on subscribers, but we are not satisfied with taking back some of the market share loss that we've had the couple of last years, so this is going to be our main focus.

Sweden, also growing well on consumer mobile, 4% ARPU growth on postpaid and we are still benefitting out of upsell and migration of the legacy price plans. In Sweden we start also to be more significant on the fixed side reaching almost 500,000 broadband consumers.

In the rest of Europe, Central and Eastern Europe, stable trends in Central and Eastern Europe but continuing very challenging situation in Denmark. Hungary is stable on revenue growth on postpaid, a slight decline on EBITDA due to increased business support costs and also higher



licence fees. Serbia and Montenegro, a stable EBITDA and we also secured more eight on the spectrum in an auction in November and we paid around €35 million for that. Bulgaria; tough competition but we were the first one to launch 4G in the market and it was very well received and we have done also some new tariffs to some more high end customers. Denmark; very challenging market conditions, however it seems like we are able to keep our revenue market share. We have seen some early indication of price movements upwards but we also see that there are still very aggressive, below the line offers. So there are early days to conclude that the market is starting to be more rational. With the weak development on the top line it's very challenging to improve profitability. We're cutting more costs. We are really aiming to do so but that's the main reason why we have chosen to do an impairment of 2.1 billion in the Danish market.

Thailand, 2014 was a turnaround year in our Thailand operation and as we have talked about before, the focus has been to regain position on the data network. We have invested significantly both into the 3G network and also now the 4G network. On 3G we now have a 94% operation coverage and on 4G we are rolling out that on the 1,800 concessions, and as of now we have more than 2,000 base stations also on 4G. So our data network is now competitive with our competitors. We have also focused during 2014 on a distribution change, a revamped distribution machine and also implemented the cluster model that we have taken from the other Asian market that we have. That's now starting to pay off. That's the reason why we're now after many quarters with the customer loss in Q4, we actually added 400,000 new subscribers, both in post and prepaid. In the last two quarters, we believe that the loss on revenue market share has now stopped and we are now flattening out. We chose as you know not to win in the last auction, the reason is that we felt the prices became too high. However, the spectrum situation that we have which is illustrated on this slide is that we up to 2018 have a pretty good spectrum position and we believe that from now and in the coming few years there will be more spectrum available. The 1800 spectrum we are sitting on is going to come out in an auction. The 850 spectrum we have is also coming out in an auction and the government is also talking about releasing 700 and 2.6 spectrum. So we think in the coming years there will be several opportunities to secure our future spectrum position. 2016, the focus will be to defend



our market position and we want to keep the revenue market situation as it is now and the reason for that is that it's important for us to defend the long-term position in the Thai market, being one of our main contributors to the Telenor Group. However, we see that aggressive competition continues and unfortunately we also see that discount is coming back on devices in the prepaid market. That's to try to take customers from each other and we see both AIS, the number one operator and True Move aggressively now having offered prepaid, subsidised phones. We need to respond to that, but trying to do that in a smart way. So we are sitting very close with the Thai management to find out how can we be a part of this and keeping our long-term and market position.

Malaysia, a tough market and tough macro. The macro is hitting us both on the currency and as said on this slide the international traffic. The currency effect on international traffic makes our EBITDA suffer a bit. However, if we adjust for the currency effect on international traffic we will see that the EBITDA percentage of 45% would be almost the same as we had now over the last few quarters. The competition on data is also severe, both from Maxis, the number one operator and the number four operator. However we believe that DiGi is able to keep its revenue market share despite very rough competition. We are focusing in Malaysia also on building out our data networks. The 65% coverage now on 4G LTE, we believe it's at least competitive, if not a little bit step ahead of the competition. We are also now focusing on taking a fair share of the postpaid market. Traditionally DiGi has been very strong in the migrant segment and in the prepaid segment, now we start to also see that we are able to position ourselves in the more profitable postpaid segment.

The government has just released a new spectrum plan, it's a reforming of spectrum which makes us able now to have a better position over low frequency, the 900 band and that helps us both in terms of geographical coverage and also indoor coverage, so the 5 megahertz that we now have been granted will help. The price is uncertain. The government has said that there will not be an auction but how that price mechanism will turn out to be, that we don't know yet. We are now working with the regulator also to get a roadmap on future spectrum releases both on the 700 band, 2.6 band and the 2.3 band.



Bangladesh and Pakistan, very good performance in the fourth quarter. Bangladesh, 10% year-on-year customer growth and the customer growth is more than compensating the ARPU decline. ARPU decline is then coming from more and more multi-SIMs and also from us penetrating now more into rural areas. We also see that data has started picking up in the Bangladeshi market. 28% of our customers are now using data on a frequent basis. We also see that the number of smartphones out in the market is increasing quite rapidly. The price now for a good smartphone is around \$40 and during 2015 the percentage of smartphones in our network has increased from 8% to now 20% of our customers having a smartphone. So when now the smartphones are becoming more affordable, we believe that we'll see a quite rapid increase of data pickup in the Bangladeshi market. We are rolling out our network, we currently have a 70% population coverage on 3G and by June '16 we believe that we will have 3G network on all our 2G base stations. So with then having a position on network, with now handset penetration increasing, we believe that we will see in the Bangladeshi market a possibility to monetise on the data. In Pakistan also healthy revenue growth coming from customer additions, but also coming from international traffic now more going into the legal routes. There's been a change in the government policy here which makes international traffic now being routed into the operators rather than going through illegal channels. On top of that we now start seeing that our focus on financial services has started paying off, not only in customer additions but also in revenue. Around 11% now on the total revenues of Telenor Pakistan is coming from our banking services.

Myanmar continuing to be a star performer and has had an another strong quarter, both on revenues and on profitability and it's impressive that after just a little bit more than one year of operation we are able to close the year with a very strong performance. 14 months, 14 million subscribers, we have never seen that before. On top of that 57% of our customers are already becoming active data users. When we penetrate into more rural areas, we see that the marginal customer is coming in on a little bit lower ARPU level, however the ARPU decline in the fourth quarter was only 4% and the margins are continuing to be very healthy, up 2 percentage points in Q4 on Q3 and the cost control we have in this company I will claim is sustainable and it's also



a cost base that we will be able to continue in the future when we also are adding more and more customers.

A strong focus on our network rollout. We struggled in the beginning, it's still challenging but I will say that the cooperation we now have with tower companies is getting better. So by now we have around 4,200 base stations out there, having a population coverage around 60% and then that coverage, it's increasing of course, we will get to more and more customers. However I want to be a little bit cautious on taking all these promising figures into 2016. There are challenges and then we now move into conflict areas and some of them are on conflict, we will see that it's more difficult, going to be more challenging to operate and we also believe that the deeper we get into the market, we will hit a lower ability to pay. On top of that we also see that competition is heating up.

India, stagnant revenue growth. Despite adding 16% year-on-year more customers and now passing 42 million customers, we are only able to grow the operation 5%, so it's slowing down. That's an effect of the whole market now turning from voice into data; and that's a reason why we see real pressure on the ARPU. However, our Indian operation is holding up quite nicely. We now have a 6.5% revenue market share in the six circles where we operate which makes us now a clear number four in the six markets. So we are starting to get volume, starting to get scale enough to not only having to rely on push, but also can rely on some pull from the customers. However, the future of our Indian operation will depend on additional spectrum. There is a planned auction coming up in the timeframe on May to June and we are going to have a very pragmatic, prudent way of looking at that as an opportunity. What we have seen from the regulator and the prices so far is that they are planning to put a lot of spectrum out in the auction, different from the last two auctions which was merely replacement for spectrum, but the price proposal of the lower band is concerning. However, the price proposal on the higher band, like 2.3 is more reasonable. So we will look at this when there is auction rules and the reserve prices are finally being decided, but we're going to take a very pragmatic and prudent approach. We will of course also look at other alternatives like spectrum trading which is now



allowed. However, I also want to make it clear that if we cannot justify a return on spectrum prices going forward, we will have to consider all other alternatives.

The operational priorities in 2016; I am not satisfied with the cost development in the group. We have taken some long-term initiatives. We have started a transformational programme and we are starting to look at some of the structural costs. We are starting to look at more standardisation. However, those initiatives will take time to realise. In 2016 we are working now very closely with the business units to see what can we do on the cost side without hurting the market facing costs of the sales and marketing costs. What can we do on network costs, what can we do on all the other cost elements which are variable in our operations? The CEOs are now all incentivised actually to deliver on cost initiatives. Norway is a must win for us in 2016. We need to be successful in our home market. As I said, there is an upsell logic. There is an opportunity for us to increase the usage of data with our customers; and on top of that take a stronger position on high speed broadband and on the fixed side. In Thailand we need to see that last year turnaround is now going to start yielding some results. We are going to have an approach where we want to keep our market position in Thailand, but we're also going to look at the long-term profitability. Lastly we believe that we need to continue investment and we need to do that to be able to take a data position throughout our portfolio, especially in Norway on both the 4G and on fixed, in Sweden on fixed and then in the growth markets in Asia. We're going to do that in a cluster model where we are making sure that we are going to yield revenues on our investments as soon as possible. We are going to do it with also being focused on capacity utilisation and we're going to do it also with what we have talked about before, having a dynamic allocation of capex, not releasing all capex in the beginning of the year but monitor development in the market before all capex has been allocated.

The last slide I just want to touch upon is our more long term strategy. Since I took over in August as the Group CEO, we have working together with the board and our management on finding out where should we position Telenor going forward. We are going to cover that more in depth later this year with both investors and analysts, but I want to give a little bit touch on where we are right now. We want to continue to position Telenor as a growth company; and a



growth company meaning being able to monetise the data, the investments we do in our data networks. I'll claim that we can already demonstrate that we do that in Norway, that we do that in Sweden, that we do that in Myanmar and we see some early positive signs on that in Bangladesh and Pakistan as well. We see that there is a price elasticity both in our more advanced markets but also in the growth markets when it comes to willingness to pay, if we give more services to our customers. We want also to develop the Group into being a more digital service provider. That means that you will see us expanding on some of the services we do ourselves, like for example Capture which we're now rolling out in all of our markets; for example MyTelenor which is app to interact digitally with our customers. We want to continue to focus on our financial services in all our growth markets and we want to continue to focus on some selective digital verticals like Internet of Things, like Classifieds where we are present both in Asia and also in two South American markets; and on Ad Tech. However, the main focus we are going to have is to digitalise our core, and to digitalise our core is about digitalising the customer journey and bringing down the costs. A big proportion of our operational costs is actually dealing with distribution and with customer service. We want to better utilise the data analytics that we have, the customer insight that we have and to use that in more personalised contextual marketing and that's the reason why we chose to acquire Tapad which is really good at doing exactly that.

The last point on this slide is on the cost side. We have a clear, long-term ambition that EBITDA should grow faster than revenues. We will struggle with doing that in 2016 and Morten will talk about that in his guidance, but the long term ambition is to bring down the costs, also bring the efficiency in such that we will be able to really have a profitable growth not only focusing on the top line growth. So those will be the key priorities in the strategy process that we have initiated and that we will talk more in depth later.

Thank you. Morten.

Morten Karlsen Sørby: Thank you Sigve and good morning to all of you. Before we go into more details on the Q4 results, let me quickly summarise 2015. 2015 was a year of solid growth and all time



high EBITDA. It's fair to say that the reported numbers are supported by positive currency effects due to the weak Norwegian kroner but we also see a healthy organic performance throughout the year. With 5% organic growth and 34.5% EBITDA margin, we delivered on the full year guidance despite headwinds in key markets like Malaysia and Thailand. In Myanmar, our first year of operations exceeded our expectations and Myanmar was of course a key contributor to the Group's growth in 2015. The gross costs savings of 5 billion in 2015 compared to 2012 was met and this was a target we put in place in 2012. We actually exceeded the target of cost savings of 5 billion gross which we put in place in 2012 as I said by close to 700 million. So we have reached a gross savings of 5.7 billion which we are very happy with, but as Sigve said there is more work to be done on the costs. Importantly we continue to invest in 3G and 4G network rollout across our footprint and we believe these investments are necessary and will support growth going forward and we'll come back to this later.

Let me now go on to the details for the fourth quarter starting with the revenues. Reported revenues for the fourth quarter amounted to 33.5 billion, an increase of 10% from the same quarter in '14. Again we see positive currency effects from the weakening of the Norwegian kroner explaining 2.3 billion of the group growth. Organic growth in the fourth quarter was 2%. Looking at the right hand chart at this slide, you see the difference between total organic growth and organic growth in mobile subscriptions and traffic revenues. On the mobile subscriptions and traffic revenues we have a growth of 5.7% compared to the total organic growth which I mentioned, and it's fair to say we are happy with the development of mobile subscriptions and traffic revenues which we think is a key indicator for the revenue development within the Group. The total organic revenue growth is negatively impacted by lower device revenues and lower fixed line revenues.

Then moving to EBITDA, reported EBITDA increased by 17% compared to the fourth quarter last year. Adjusted for currency, the organic EBITDA growth was 10%. The key contributors to the Group's EBITDA growth were Myanmar with 900 million, Grameenphone and Pakistan. On the negative side, DiGi had a negative contribution of approximately 300 million primarily coming from margin pressure on international traffic. The EBITDA margin for the quarter was 32%,



which is an improvement of two percentage points versus the fourth quarter last year. This is almost fully explained by improved gross margin as the opex to sales ratio was stable.

In the fourth quarter, the capex amounted to 6.5 billion which implies a capex to sales ratio of 20%. The capex this quarter was 0.7 billion higher than the fourth quarter in '14 of which 0.5 billion is explained by currency. As we have discussed several times already, we are still running at high capex to sales levels in several markets and the main driver being development and rollout of 3G and 4G networks.

In terms of geography, as you see from the panel, our Asian operations are taking the majority of the investments with close to 60% of the capex, but Norway is still the single biggest market for investments with approximately 21% of the capex in the fourth quarter. In Norway we invested 1 billion in 2015 which is improving 4G coverage and rolling out high speed internet infrastructure to support the rollout of base stations. In Thailand, dtac continues to invest heavily in their network improvements and rollout and spent 0.9 billion in the fourth quarter.

This takes us into the operational cash flow. Then having then been through EBITDA and capex we see that we generated in operating cash flow of 4.3 billion this quarter. This compares to 3.5 billion a year ago and the growth is primarily explained by the growth in Myanmar where we have a lower negative contribution of approximately 0.6 billion. Other contributors are Grameenphone, Pakistan and Sweden. Looking at 2015 in total, we ended the year with a cash flow of 20.6 billion which is down 0.5 billion from 2014. The chart here really demonstrates that Telenor has delivered significant EBITDA growth, almost 6 billion in 2015, but that we are investing more and the ordinary capex increased by close to 5 billion and at this point I think it's important that we believe these investments are necessary to support data growth and the investments will lay the necessary foundation for profitable growth in the years to come. However, as underlined by Sigve, strict capex discipline and rigorous cost control will be important also going forward.



The reported income for the fourth quarter is impacted by the impairment considerations in Denmark, of Telenor Denmark and over-proportionate share of VimpelCom's net income for the third quarter whereby VimpelCom included a provision for a resolution on the ongoing investigation in Uzbekistan of US \$900 million which is then included with our share in these figures. Adjusted for these effects and some other non-recurring items, the normalised net income for the fourth quarter is 2.2 billion implying a normalised EPS of around NOK 1.45.

As you can see from the graph on this slide, the Group continues to be in a very solid financial position and well below our net debt to EBITDA ceiling at two times. Net debt excluding licence commitments increased this quarter by 7.5 billion, taking net EBITDA slightly up from 1.1 to 1.2 net debt to EBITDA. The main reason for the increase in net debt this quarter is the payout of the second tranche of the dividend in November, and hopefully that payment is considered as a good payment for our shareholders. In addition we have instalments of spectrum acquisitions in Thailand and India which totals 1.1 billion, and we also have the tax payment of revenue share to CAT which as usual takes place in the fourth quarter.

Let me spend a few minutes on spectrum and how we approach spectrum, because I think we have seen both capex and spectrum showing some slight changes compared to what we have seen historically. Of course spectrum acquisitions vary from year-to-year and they're difficult to predict. Over the last five years our spectrum acquisitions has on average amounted to 3.5% of sales. In 2016 we expect spectrum processes in Norway on 900, Denmark on 1800, Malaysia 900, 1800 which Sigve described where reallocation has taken place but where prices have not yet been set; and we also expect a spectrum auction in India. As I said there are some uncertainties when spectrum auctions take place and there may be processes on spectrum, also in other markets which we're not at this point in time fully aware of. There are signs of increasing spectrum prices especially in emerging markets and our approach in the recent spectrum transactions or auctions has been prudent and value based. Our strategic approach is based on a set of different valuation criteria which includes alternative costs, spectrum folio considerations and also a risk-management perspective. In addition to the pure spectrum valuations, our technical teams have taken several initiatives, both put in place and are working



on initiatives to explore and to push for improved spectrum efficiency. That includes efficient spectrum utilisation to increase the capacity per site. It means re-farming and accelerated migration to more efficient technologies, for example 4G, and we are trying to utilise new technology and licence bands in order to have a more efficient use, also looking into how to utilise the most efficient spectrum for indoor and hotspots.

That brings me to the slide on dividends, and for this I need to go mobile. The Board of Directors proposes to pay a total dividend of NOK 7.50 for the financial year 2015. The dividend will be paid in two tranches based on the same structure as last year. The Board will ask the AGM to approve the first tranche of NOK 4 with expected payout in May, and pending the approval from the AGM of a board authorisation, the Board intends to resolve the second tranche of NOK 3.50 with expected payout in November. The proposed dividend represents a year-on-year growth of 2.7% compared to last year and implies a dividend yield of 5.7% based on a closing price of NOK 131.50 on yesterday's close. So we think by this we are following our commitment to increase dividends and we are following the policy as established.

Let me then move onto my last panel which is the outlook for 2016. This is a full year guidance which is based on the Group structure as of December 31st 2015. As reflected in our presentation today, we are entering 2016 with intense competition in some of our key markets, in particular Thailand and Malaysia. We also see that improving performance in India is challenging without access to more spectrum. At the same time we continue to be in a phase of significant network investments in many of our markets to cater for profitable growth in the years to come. Based on this, our outlook for 2016 is an organic revenue growth in the range of 2-4%; EBITDA margin in the range of 33-34% and a capex to sales ratio of 17-19% excluding spectrum.

Then to summarise before we move on to Q&A, 2015 was a year with solid subscriber and service revenue growth. We have delivered a stable EBITDA margin although we have seen some headwinds in the key markets of Thailand and Malaysia. Entering 2016 we expect



continued healthy revenue growth. We will continue our investments in data networks as well as our initiatives to improve cost efficiency.

By that I invite Sigve back on stage for Q&A.

Meera Bhatia: Thank you. We will open up to a Q&A session now. We are taking questions from the audience first. If you could please state your name and company name, in the second row please? Thank you.

Håvard Nilsson: Hi, Håvard Nilsson for Carnegie. I have two questions. Firstly, I'm curious to get your thought on how you see the interplay between competition in Norway and how that will affect the potential for lifting ARPUs in Norway and how much cost cutting is part of that play? And second, well, I'm curious to see if you can indicate sort of pain points for continuing investment in India?

Sigve Brekke: Ok, let me take Norway first. Yes, competition is heating up, no doubt about that. Netcom is much more aggressive, both on marketing and network investment. However we see that we are able to keep our market position, and as I said, we think there is huge potential in actually getting our customers to use more than their 500MB that they're using compared with other markets, that is relatively low. So, what we are doing is twofold. One, we are exceeding our 4G network rollout and as I said by '17 we should have 4G on all our 2G base stations and then we will definitely be in a leading data network position. Secondly, we will continue with our successful upsell logic where we are bringing customers up to higher data volume packages. So I foresee that we will be able on the mobile side to continue to grow in '16 as we have been doing in the last couple of years. On the fixed side or on the mobile broadband side, yes, we see fierce competition both from the bigger operators but also from the small regional operators. As I also said in my presentation, we are not happy with the development we have had in the last couple of years. We have lost market share on the fixed side and we are going to stabilise that and take it back. So on the fixed side, we see a potential to actually do better and to grow. Roughly the



investments that we are having in Norway, 25% of it goes into fixed and the rest goes now into the mobile network.

On the second part on India. India was your second question? On India as I said, we are starting to get some scale in the circles where we operate as the number four position. So far our business mobile has entirely been driven by push, so distribution push, and distribution push into the mass market where we have had a price position. It's quite impressive actually, if you look at the data usage in our network, it's very similar to what you see in the incumbent network. Incumbents are using, around 30% of their customers are using data in our network, 25-27% of our customers also use data based on 2G, so we have a good market position. However, that's not going to give the future answer and the future answer is to get data spectrum such that we can be a part of the data growth. That's why I'm saying that we need to justify that potential investments on more spectrum can be justified with a return. We are going to be very prudent and very pragmatic in doing that. So, the first thing we are waiting for is the clearance on the auction rules, both on which bands, the month of spectrum and also the reserve prices. Then we will take a choice on would it be possible for us to be a part of that auction? Even though I'm branded as the Indian guy, I just want to use the word pragmatic and prudent one more time because our future in India needs to be justified with financial returns.

Meera Bhatia: Thank you.

Håvard Nilsson: Could you indicate capex range for the spectrum which you're willing to...?

Sigve Brekke: In India?

Håvard Nilsson: Yes.

Sigve Brekke: No. That I cannot do. That we have to come back to later. But if we are not able to secure spectrum now in the coming few months, be either trading or auction, we need to look at other alternatives and then all options will be on the table.



Meera Bhatia: Thank you. There was another question here.

Fredrik Thoresen: Thanks. Fredrik Thoresen with SEB. You made quite some significant investments now in digital services. When will we see the effects on operating results or where will we see these effects first if you don't plan to break them out specifically? Also you have the classified joint venture now with Schibsted and also the recent Tapad acquisition. Are you comfortable with the portfolio that you have within the areas that you are going to focus on going forward?

Sigve Brekke: I'll take the classified first. As you pointed out, we have a cooperation with Schibsted, both in two South American markets, Chile and Brazil; and then in Southeast Asia. I think what we have seen in these markets is quite promising. We have seen the customer growth; we have seen the customer interaction; and we've also seen the value of that investment increasing. So we think that that was the right strategic choice for us to go into the classified business and we're going to continue to focus on that. There's no plans now for further acquisitions, but we will continue to develop the market where we are in. When it comes to the Tapad, the main reason for the Tapad acquisition was, as I also said in my strategy slide, was to get access to competence and to platforms to better handle our data analytics. We believe that the data analytics we have from our core business but also the data analytics we now from for example classifieds order banking which is vertical, if we can utilise that in a much better way, we can use that for personalised offers and contextual marketing; and we can also use that for digitalising the customer journey. That's the main reason why we did that. I cannot promise you a number or a date for seeing the effect of that, but right away we are going to use the competencies that Tapad has into both European operations but also our Asian operations. On top of that we also see some promising growth opportunities in the Ad Tech business that Tapad has in the US market and they're also now establishing themselves in the European market.

Morten Karlsen Sørby: If I could just add, I think it's important when you talk about the digital service provider, it's a twofold issue. One is of course new business which Sigve described but even



more important in my mind is the core business where we need new competencies really to drive digitalisation in order to have the future customer interactions as the customers would anticipate.

Meera Bhatia: Thank you Sigve and Morten. We will now open up to questions from the conference call. Operator, could you please open the line?

Operator: Our first question comes from Terence Tsui. Your line is open, please go ahead.

Terence Tsui: Good morning, thanks very much for taking my question. I've just got one on the dividend. In the past you spoke about an ambition to have a progressive dividend. I'm just wondering that given the challenges that you face in 2016 in the Asian markets, whether you think that's a realistic ambition in the short-term and the mid-term? Thank you.

Sigve Brekke: We think dividend is important and we remain...how should it put it, we remain dividend policy and I think we have showed this year that we are committed to that policy.

Meera Bhatia: Thank you. Next question please.

Operator: We'll now take our next question from San Dhillon. Your line is open, please go ahead.

San Dhillon: Hi guys, two quick questions if I may. On India, consensus ahead of results had EBITDA for 2016 around greater than NOK 600 million which seems completely unrealistic now. Given there are lots of moving parts, it's becoming quite difficult to predict India with the rebranding and what not, what's a more realistic run rate of quarterly EBITDA as we go into 2016? A quick update on the Thai spectrum auction, my understanding is that True is not making payment for its spectrum because Jasmine may not be able to afford it. Does that mean there's a possibility that spectrum could be re-auctioned once again in Thailand? Thank you.



Morten Karlsen Sørby: I'll take the first one; no, the EBITDA number that you mentioned is not realistic, but I cannot give you another number. We are going to focus on continuing to grow revenues and focusing on the costs of course and we have now a positive territory in EBITDA for the last two quarters, if you adjust for the branding costs, so that's the focus, but to have it in the range that you mentioned is not realistic. On the second question on Thailand, well, if I'm not wrong, the deadline for payments is mid-March. That's the first instalment for the spectrum that was awarded to Jasmine and True. There's a lot of rumours in the market that at least one of these two will not be able to pay but we have to wait and see that. So let's see what happens when we pass that deadline and I cannot speculate more than that.

San Dhillon: Ok, cheers guys.

Operator: Our next question comes from Peter Nielsen. Your line is open.

Peter-Kurt Nielsen: Thank you. A couple of questions please, firstly on Norway. Sigve, you talked again about the lack of momentum on the fiber side in Norway as you've done for the past couple of years. You're talking about focusing more on this in 2016 and stabilise and win back customers. How can you do that? Is this purely a question of price in Norway? Thank you. Just secondly, if I can just ask in relation to your Danish business. You're talking about a turnaround programme. Is this an addition to and on top of the existing transformation programme in Denmark? Also, your comments previously from local management of a need for increasing prices. Would that also apply to the business segment? Have you any intentions of perhaps setting a more positive tone here for price increases in the Danish business market? Thank you.

Sigve Brekke: I'll take Norway first. I think we have a pretty good position on the fixed side in Norway with all the technologies that we have. And what we are going to do now is continue to invest of course in the various access technologies that we have on fixed, being fiber, being VDSL and being fiber nodes. But we are also going in Norway to implement a more cluster-based model where we really go into the local communities and see where we can take positions. That's what we are planning for now. This is not only a price game, it's also a real focus game and I think the



Norwegian organisation now also have...we have changed our organisation a little bit to make sure that we are much more focused on taking the positions out in the local communities. So the plans I've seen in Norway makes me believe that we will be able now to stop the market share fall and actually flatten it out and take back on some of what we have lost.

On the Danish market, I'm not too optimistic on the price increases we have seen. There are headline price increases but when you see what's happening below the line, there is still very aggressive competition both on the consumer segment and on the fixed segment. That's why our focus in Denmark now, it's really to keep our market share and be competitive of course but also to further investigate if we can do something on cost. The transformation programme we have had in Denmark and still have is to transform our IT stack. It's a programme where we are trying to simplify IT in such a way that we also simplify the customer interaction. But in addition to that, we need other cost elements. However, that's very hard. It's very hard to increase profitability in the Danish market when we have a flat or a negative development. That's the main reason for taking that impairment. Of course we are not giving up. However, what we see in Denmark now, it's not a sustainable market, basically nobody is making money. So, the need for something to happen more structurally in the Danish market. We are not engaged in anything especially right now but of course we will also be among the others looking at potential developments in the time to come.

Peter-Kurt Nielsen: Ok, thank you.

Meera Bhatia: Thank you Sigve. We'll move on to the next question please.

Operator: Ulrich Rathe, your line is open. Please go ahead.

Ulrich Rathe: Yes, thanks very much. Sigve, I understand what you're saying about India but I'd just be interested to see how given that as head of the group you have probably good reasons to review the overall structure of the group and what stops you from actually placing India under strategic review already now rather than saying it depends on the spectrum auction? We are five years



into it. The situation is extremely difficult. You're facing an unsupportive regulator. You're in the number 4 position after five years which is still pretty weak. So I'm just wondering, what exactly is it that makes you think that if the spectrum just came out at reasonable price, you actually have a proper business case in India? Thank you.

Sigve Brekke: Well, India has been under strategic review since 2008, there is nothing new to that. We are constantly looking at how can we secure our potential future. The reason why we entered India and the reason we still are in India is of course the growth opportunities that we see this market has. That's the base for us kind of having taken that step-by-step approach so far. We've scaled down to six circles from originally being pan-India, we focused on a clear market position and we have been very careful on not participating in spectrum auctions in the last few years, and that's exactly the same approach we are going to have into the coming auction. So I cannot give you any more clear answer than we need to justify a return of the things we do in India but also what we do in other markets. If you cannot do that, then we need to look at other alternatives.

Meera Bhatia: Thank you. Next question please.

Operator: The next question from Jakob Bluestone. Please go ahead.

Jakob Bluestone: Hi, good morning. I've got two questions please. Firstly as you highlighted, you've got a number of spectrum costs ahead of you that are potentially fairly significant. Could you talk a little bit about how you intend to fund those; what is your ceiling in terms of net debt to EBITDA and do you basically intend to fund it all out of balance sheet or could we look at some incremental cash flow coming out of the operations by other means? That's the first question. Then just secondly on these digital investments. Do you have any targets in terms of how big a share of the group you ultimately see this becoming? It is a slight change in strategic direction, so maybe a little bit of visibility on how much money do you see yourself putting towards these investments ultimately would be quite useful. Thank you.



Sigve Brekke: Do you want to take the first one?

Morten Karlsen Sørby: I'll take the question on the balance sheet and the consequences of potential spectrum acquisitions. I think as I said we have a solid balance sheet as of today. We are investing for the future by higher capex and that will generate a growth in the EBITDA and we are quite clear that we would like to see the EBITDA growth to be higher than the growth in revenues. That should contribute to a solid balance sheet also going forward. So I think we remain on the capital allocation priorities which we have, which is a strong balance sheet and the maintained dividend policy, but we think we are able to put all this together, both covering the necessary spectrum acquisitions as well as having a healthy balance sheet.

Sigve Brekke: On the digital side, I wouldn't use the word that you used, you called it a major shift or something in the strategy. I don't subscribe to that. What we are doing on digital now is basically two things: one is to try to digitalise our core business and that's the main reason for the Tapad acquisition. We need to digitalise the customer interactions, we need to digitalise all the products and services that our customers are having, and doing that partly because the customer behaviour changes, but also because there's cost potential in actually digitalising that core business. In addition to that we have taken some selective...what should I call it, selective opportunities in the digital verticals which are related to also our core business: banking for example, Internet of Things for example, classified for example and also adding then ad tech. So this is more to develop what we already have, develop the knowledge and the presence that we already have and trying to do that in line with changing customer behaviour. I cannot therefore give you any numbers of future investments or effects on the core business. This is a journey and it's a natural development when customer behaviour is changing but also when new actors are coming in and helping us actually to digitalise what the core business and what we already are doing with our customers.

Jakob Bluestone: Can I just ask a follow-up? It's a very quick one. Just one something like Tapad, you're paying about \$350 million for something losing about \$12 million per annum. Do you



think these businesses can generate positive EBITDA standalone or is it more about generating higher revenues in say Norway?

Sigve Brekke: The question is if Tapad can generate EBITDA on its own? Was that the question? Well, that's our assumption...

Jakob Bluestone: If digital investment generally can...

Sigve Brekke: It's two-fold. Yes, we believe that the current business Tapad is having can generate EBITDA on its own. In addition, we see some synergy effects into what I just described on getting more focus on data analytics and utilising of customer insight.

Jakob Bluestone: Thank you.

Meera Bhatia: Thank you. Can we move on to the next question please?

Operator: The next question is from Roman Arbutov. Your line is open, please go ahead.

Roman Arbutov: Thank you for taking the questions. I have two questions, the first one is on the guidance. So on capex to sales, I think last quarter you were talking about 15-17% capex to sales for the medium term, so can you just please elaborate on the step-up and what's changed since the third quarter because it looks like most of the things you talked about today were already known; and then also on the revenue growth, the 2-4%; can you also confirm please that you're on track for the 4-6% growth range on the mobile service revenue side? Then the second question would be just on VimpelCom, can you please give us an update on that situation?

Sigve Brekke: I can do the revenues and then you do the others. We are quite certain that the guiding we have on revenues is achievable, however we are having headwinds in the Malaysian and in the Thai markets and we don't really know how the competition is going to look like in these two markets. Of course both of them are fairly big in the group, so we need to also see some



more rationalised industry growth in this market for us to continue to grow top-line revenues as expected on the group level. But other than that, what we see in the other markets and also what I said about Norway, this revenue figure should be achievable.

Morten Karlsen Sørby: Your second question was on the capex guiding. I think we have done a sort of more bottom-up approach coming to the guiding figure for '16 than we earlier estimated. Of course what we are doing is actually looking to the different markets, looking into where do we see demand from customers, how do we see the competitive positions etc and then we allocate capex based on that but we do this in a very dynamic way which we have described earlier. That is how shall I put it, it's a very prudent approach than looking into risk and reward when it comes to capex which then has made us give our guidance on 17-19% on capex in the expectations of higher revenue growth in the future.

Sigve Brekke: I forgot one thing on the revenues, the second part of the question. You asked if the underlying mobile growth, traffic and subscriber growth is still in the range of 4-6% and the answer is yes.

Meera Bhatia: There was also one more follow-up question.

Morten Karlsen Sørby: Yes, there was one on VimpelCom. You asked on VimpelCom under development in that, as you know we are minority shareholder in VimpelCom and we do not have insight into the investigation how that moves on. So we have no news to communicate regarding VimpelCom.

Roman Arbuzov: Can you tell us something about your internal investigation you are doing?

Sigve Brekke: We are not doing any internal investigation. As you know, we are not being investigated either, it's VimpelCom that is under investigation. Telenor has witness status here. So what we are doing or what the board has initiated, it's a two external reviews, one to look at how did Telenor handle the VimpelCom case in the last ten years. That's a review being done by Deloitte;



and the second one is by PriceWaterHouseCoopers which are looking at the governance, how are we doing governance of companies that we have minority positions in. But this is not an investigation, this is more trying to take some of what has happened here into future learning.

Meera Bhatia: Thank you Sigve. Moving on to the next question please.

Operator: The next question is from James Britton. Please go ahead.

James Britton: Thanks, good morning. I've got a question on Malaysia. Can you just explain how DiGi expects a stable margin given that you are flagging up the competition headwinds for 2016, the macro headwinds, there was heavy margin pressure in Q4? It just seems a bit optimistic to me. Then perhaps a second question just generally on the EBITDA guidance. I think in recent years you've had a track record of introducing pretty conservative guidance at the start of the year. Would you say this is in line with that sort of prudent style or is this a genuine central case with as much downside as upside? Thank you.

Sigve Brekke: I can comment on the last one. The EBITDA guiding here and also the revenue guiding is not conservative. It's a guiding based on what we see going into the year, but as you also rightly pointed out, we are a company which are not satisfied with the challenges that we see. As I said in my introduction, I'm not happy with the cost development in the group. So even though this is the guiding as we see it right now, we will continuously work with our business units to try to improve, improving what we see on the revenue development but even more so on the cost development. So that's the way they work and that's the way we follow up our operations on a monthly basis, making sure that we are trying to improve things as much as possible when the year is developing. And you can maybe answer on DiGi.

Morten Karlsen Sørby: I'll try to take Malaysia. I think there are three sort of determining factors for looking into Malaysia. One is the forex development and the impact the forex has on the general consumption in Malaysia. The second is the development and competition on international traffic which Sigve described during his presentation; and thirdly it's the competitive intensity on



more domestic customers. I think what we have seen is that we have been able to do quite well in the intense competition, and we expect Digi to be able to perform on that further on. We are also taking on new cost initiatives in order to sustain the guiding. I agree with you on the questions on this but putting over best judgment on this, this is what DiGi has guided on. But I think the parameters which I mentioned is the sort of determining factors for achieving that guidance.

Meera Bhatia: Thank you Morten. We have time for a few more questions please. Next question?

Operator: The next question, Keval Khiroya, your line is open.

Keval Khiroya: Thanks. I've got two questions, one on Norway and one on Malaysia again as well. Just on Norway, can you talk a little bit about the data allowances people actually have on their tariffs today because I guess on the one hand, the data usage as you said is very low; but on the other, you've obviously been pushing, upselling customers quite significantly over the past year and a half as well. Maybe another way to ask that question is: are many customers actually using the full extent of the data they have within their packages today? Then secondly on Malaysia, continuing with that. Do you fear any longer term competitive impact given U Mobile obviously has an option of getting spectrum now as well in that market? Thank you.

Sigve Brekke: On Norway, I don't have all the details on that, so you need to follow that up with the Norwegian management, but what I can say is that we have been quite successful in upselling of data to the more heavy data users. That is the segments that we see already are using data quite significantly. We also see that we still have a proportion of either no data users or very low data users and that's the reason why we now are speeding up the 4G rollout and when we now are bringing 4G out in all the communities that have a 2G coverage, we also see that we'll be hopefully able to upsell on the current lower users. So, I don't think I have anything more than that. But there's no reasons why a Norwegian customer should be using on a medium basis less data than the Swedish customers, so that's what we are focusing on.



Morten Karlsen Sørby: On your second question on Malaysia, I think U Mobile is already making an impact in the marketplace, so I will not give more comments on than I've already done on the competitive situation.

Sigve Brekke: Maybe I would also add that I think in Norway there is still 25% or so of the Norwegian mobile customers that are not using data; and then you can add some other percentages of very, very low data usage and those are the ones we also want to give good data offers to.

Meera Bhatia: Thank you. We will take questions from two more callers and then we have to finish up. Next caller please.

Operator: The next question is from Maurice Patrick. Your line is open.

Maurice Patrick: Hi there guys, it's Maurice. So just a quick question on the Norwegian market. I think you mentioned the consumer was reasonably solid but there was some enterprise pressure. Can you talk about what's causing the enterprise pressure there? Is that mobile, fixed or a combination of the two? Thank you.

Sigve Brekke: That's a combination of the two. The price pressure on the business segment is more severe than we see on the consumer segment and what we're trying to do here is to not only be a part of their price offers, but rather moving to solutions. I think that Norway is now already leading but I want to even increase our efforts on selling integrated services and solution-based services to the business customers. So hopefully we are able to move the competition more into that space and trying to avoid pure price competition and a kind of tender situation where only price is the deciding factor.

Meera Bhatia: Thank you. Was there a follow-up question?



Maurice Patrick: Yes, just a quick follow-up. Is it converging, the enterprise space? Are most of the contracts these days fixed and mobile in the enterprise space or are they still the isolated fixed different from mobile?

Sigve Brekke: No, it's everything. Yes, it's all of what you said.

Meera Bhatia: Thank you. We'll move on to the final question of today please.

Operator: The final question is from Sunil Patel. Your line is open.

Sunil Patel: Hello, most of my questions have been answered but I just have a final one on India going back to that. Away from the spectrum auctions, you mentioned spectrum trading and leasing. Can you just map out why hasn't that already happened? It's been an option for some time for you. What are the issues around it and why would that decision-making change after the spectrum auctions? How is it more likely or not after that?

Meera Bhatia: Did you catch the question?

Sigve Brekke: I think there's two reasons for that, one is that it's relatively recent that the government has come out with clear regulations on spectrum trading, so it's now that starts happening. Secondly, some of the price asks have been too high so far, so we haven't been willing then to pay those type of prices. We already have seen some transactions happening but we have chosen to stay out of that, but we now see that there is more movements in the market around willingness to sell spectrum, but again it has to come to a price that we can justify.

Meera Bhatia: Thank you Morten and Sigve. That concludes our session today. Thank you very much for joining and for media present there will be the opportunity to speak to Sigve after this. Thank you.