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Moderator: Meera Bhatia
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Speaker: Ladies and gentlemen, this is a safety announcement. In case of an emergency, please use the exits that are marked with green exit signs. There is one on the right side of the stage and one in the back of the auditorium. Thank you for your attention.

Meera Bhatia: Good morning and welcome to Telenor's Third Quarter Results Presentation. My name is Meera Bhatia and we will be guiding you through today's presentation.

Our CEO Sigve Brekke and acting CFO, Morten Karlsen Sørby will present the results today. There will be a Q&A as usual here from the audience first and then from our conference call participants. There will also be the opportunity for media present to speak to Sigve and Morten after the presentation. Sigve?

Sigve Brekke: Very good. Good morning to all of you, and also those of you that are following us on the video streaming. Overall, I will say we had a strong quarter. 2% revenue growth despite that tough competition still remains in some of the Asian markets and also effect of a lower roaming in the Nordics. And we are especially happy for the data monetisation that we now see start yielding some results in the Asian markets.

On the EBITDA level, we have an all time high EBITDA of NOK 12.5 billion. That's a 5% increase year-on-year, and we have done with the 38% taken, this also up 1 percentage point compared with third quarter in 2015.



When the year started, I said that efficiency and the cost is going to be one of the main focuses. I think I communicated then that we are going to initiate long-term structural initiatives. Those have not come true yet in terms of numbers, but what you see here is the cost focus that we have had throughout the first three quarters of the year. As you also know, we made a decision of exiting VimpelCom in September 2015. And in this quarter, we took the first step in that direction.

I have two slides on Norway, and knowing that Norway is our main market. There's Roam Like Home that we introduced in May, I think it was. I would say has been a success. We have had the data increase of 300% as a result of that. And the Norwegian team has been able now to upsell around 500,000 customers into two packages which include then free roaming in the EU area, and that 500,000 is about one-third of the overall post-paid[?] base. I think the ambition in Norway is to increase that number closer to around 700,000. And these packages, most of the customers are coming in on price points around 349 and 399. And if you compare that with the average RP, you will see that it is quite significant RP increase when you move into these packages. And even though that this has given us a negative effect in the third quarter, we see that this will be a driver for the RP growth in the months to come.

The domestic RPU, as you see on this graph, has increased NOK 10 year by year, whereby the negative effect of Roam Like Home is minus NOK 13. So when you then take this going forward, I see a room here for increasing the RPU in the month and quarter to come.

We have also now a good growth on the high speed fixed side, mostly from fibre. And we have increased 10,000 new customers on the – in fibre in this quarter and a 13% growth.

Overall, there is a decline of 1% of the total revenues. This is coming from the six telephony[?] continue to follow the same declining trend as you have seen before and also wholesale. And of



course, the main element here is the effect of the Roam Like Home. It's around NOK 133 million down this quarter from that. But despite that, we have a better now trend on revenues than we have seen before. And the minus 1% is actually better than what we have seen in previous quarters.

What I think I really want to credit the Norwegian team on is that despite challenges on the top line, they have been able to keep a stable EBITDA margin of 45%. And the cost control in Norway is quite impressive. Year by year, there's a 6% reduction in OPEX. And this lower OPEX comes from personnel reductions, also reduction in personal costs, lower sales and marketing cost with moving some of the distribution from external channel into internal channel, and with that lower commission. And also a successful introduction of a new handset or device swap programme.

In addition to that, Norway is also working with structural initiatives on the IT transformation, on the network efficiency, but also on trying to engage customer display, and with that, reduce costs on the customer engagement.

Sweden. Solid subscriber growth in Sweden, plus 35,000 customers, consumer and business customers. And we'll also say that Sweden has had a positive sales mix now with including a new tariffs that also have the European roaming – free roaming included.

More or less [inaudible] zero revenue growth or minus 1% that's coming from the roaming effect also in Sweden, and also a continuous price pressure on the business segment.

On the fixed side, we are now turning into profitability in Sweden. After many quarters with a minus fixed revenue development, we now have a 1.4% revenue growth. And this despite that



legacy product continue to go down. This come from the investments we are making in fibre and also from some price adjustments we have done on DSL.

We have added 13,000 new high-speed broadband customers, most of them on fibre. In total, we have now 650,000 high-speed broadband customers in Sweden, whereby 511,000 is on high-speed. As I've said before, we are continuing to ramp up our SDU connection roll out, and that will also be a prioritised focus in the year to come.

Pakistan and Bangladesh. Telenor Pakistan and Grameenphone is really the growth stars of this quarter. On the revenue side, Grameenphone growing 14% and Pakistan growing 11%. But even more impressive is to take this down to the EBITDA level with a 57% margin in Grameenphone and a 44% margin in Pakistan. And of course, this comes from now data monetisation. It's around 60% of the handset in these two markets that now are internet-enabled. However, most of them are still on feature phones, and there is only 20% to 25% smartphones. And what we see is that this smartphone penetration is really also driving the data uptake, but it's a long way to go here.

A little bit more specific on the two companies. Grameenphone Bangladesh added one million new data users in the quarter. And if you compare that as a percentage of our total customer base, it's 42% of our customers are now active data users and that's up from 27% a year ago. So again, it's a long way to go.

And we have now a rolled out a 3G network and it's covering around 90% of the population in Bangladesh with data network. And quite successful, they are also introducing a new type of DSL[?] or internet-based services, like health, to your usual example, which now have more than one million customers on a health initiative that the company has launched.



In Pakistan, subscriber growth of 15% added 600,000 new data users in the third quarter, and again, taking that up from 33% of the total customer base a year ago to now 36% using data. So again, a long way to go to bring more people on their data platform or internet platform.

In the quarter, they continued to expand on the 3G roll out and they have also launched now 4G in the three big cities. That's based on the 850 spectrum that they acquired in the second quarter. And again, focusing on data services, including also financial services.

Thailand and Malaysia. Competition remains being a very tough in these two markets, especially on the prepaid segment. Both companies, both DTAC and DIGI has chosen not to participate in the most aggressive price promotions or price aggressions on the prepaid segment, and not on the subsidies of handsets for that prepaid segment either. And the reason for that is that this segment has a very, very high churn. Instead, both companies have now started to build a strategic position of post-paid, and we now see that starting to yield some results.

In Thailand, a post-paid customer gives you about three times RPU of a prepaid customer. And when you migrate a prepaid customer into post-paid, you get a 20% RPU uplift. And 44% now of the total revenues and for DTAC is coming from post-paid.

Same in Malaysia, a prepaid customer yields – no, sorry – a post-paid customer yields two times the RPU of a post-paid – of a prepaid customer. And post-paid is now also becoming a bigger and bigger proportion of the total revenue – 31% now in Malaysia.

And the strategic position both companies now are trying to build is to build out the post-paid distribution and the service points, strengthen the service offering on post-paid and continue to build the data networks. In DTAC we added 3,600 new base stations on 4G in the quarter, and in Malaysia we now have a 78% 4G coverage and probably the leading operator in Malaysia on 4G



coverage. On top of that, both companies are trying to engage with customers digitally, knowing the big digital segment we have in both countries.

Both companies are also now focusing on profitability, and I'm quite satisfied with also the margin development, in especially Thailand, but also that Malaysia despite competition keeps its relative high EBITDA margin.

Myanmar. We see tough competition, and I've seen that for the last three quarters. We've seen very aggressive promotions on net traffic, but we also see that on data pricing. However, the third quarter is also affected by the rainy season, as we saw also the third quarter last year. And rainy season means more fibre cuts, it means more power outages, so the network is down. And you see now going into fourth quarter, we will see a growth Q-on-Q.

The Telenor Myanmar focus is to build a market leading position. With the result, we're continuing to add subscribers. Added 900,000 new subscribers in this quarter, bringing the subscriber market share up to roughly 38% or 18 million subscribers. We are continuing to build out the distribution, have now passed 100,000 vital sales. And not least, we are continuing to build a leading position on network, have added another 700 sites this quarter and increased the population coverage from 65% to 82%.

We have also launched 4G in Myanmar. We have 4G in our 108 sites in Naypyidaw, the capital. And we are eagerly waiting for more spectrum – 1,800 spectrum – to come out to the market so that we can increase our 4G position.

On top of that, very focusing also on building the brand in the market. And measured by NPS or net promoter score, we are already a clear number one in the market, and this is important for us to build that leading market position.



On the profitability side, 43% stable EBITDA margin. And if you bring it further down, you will also see that we continue to be positive on free cash flow. This is the third quarter in a row that we have positive free cash flow development in the company. And we see that despite now adding almost 1 million customers in the quarter, we have a scalable cost model going forward.

India. Good operations in the quarter, despite a very rough competition. The [inaudible] has affected the whole market, including ourselves. But despite that, the company has grown 10% in revenue, added 9% on subscribers and an EBITDA margin of also 9%. And it has reached breakeven on cash flow. However, spectrum remains a challenge. And as you know, we decided not to participate in the October spectrum auction. And the challenge remains, we do not have spectrum for a long-term solution. And that's why we say, as the headline of this slide, we continue to evaluate our options.

As you have seen in the third quarter report, we have reassessed the value of our Indian business. And we have, because of that, taken a decision to impair with the NOK 4.1 billion.

VimpelCom. As I said, the strategic decision was made last year to exit our shareholding in VimpelCom, and that exit we started to execute in the third quarter. We sold 164 million shares through a public offer and that reduced our shareholding from 33% to 23.7%. And the net proceeds of that was NOK 4.6 billion. We also issued a three-years bond of \$1 billion, which will then be exchangeable into VimpelCom shares. We will not comment on further steps or next steps other than saying that the intention to fully exit VimpelCom remains.

Before handing over to Morten, I want to give you a little bit – what shall I call it – appetite on what we are going to talk about when we meet in February for the Capital Markets Day. And that's about our main focus and priorities going forward. And the first one, to the left here, it's to



monetise data demand. We see a massive data of the month across all of our business units. It's up now year-on-year about 70%. And as a result of that, we are continuing to invest in data networks.

To capitalise on that, in the Nordics we do that with the upsell to packages, which includes more data as we have seen that, to be successful. We had done in Norway and we are also doing in Sweden. And we continue to roll out fibre.

In Malaysia and Thailand, it's the pre- to post-paid migration, as I talked about, and also to take proficiencies[?] within digital services or internet-based services. Whereby in the more emerging Asia – Pakistan, Bangladesh, India and Myanmar – it's to continue to build out the data networks and continue to push for smartphone penetration in these markets, plus then including basic data services. And what you now see coming through in this quarter from Bangladesh and from Pakistan, we hope will then continue in the coming quarters so that we can demonstrate monetisation.

The next one is on efficiency. And even though we have an all-time high EBITDA this quarter, I'm not satisfied. There is more to be done here. And we have initiated now some structural – some formative projects, especially within the IT domain, basing our IT solutions on more standardised cloud-based solutions in the network domain. We are increasing the efficiency and not least, taking advantage out of digitalising customer journeys and also digitalising distribution. And you will see that that is both giving us a better engagement with the customers but it's also bringing down the costs quite significantly.

The third one is on the customer journeys. Our aim is to be number one in the NPS score in all our markets. Our aim is also to build analytic competencies within the companies to more



efficiently do contextual marketing. And again, take advantage of digitalisation of the customer journey.

And lastly, take position on relevant digital verticals. And as you know, we are focusing on building up financial services in our emerging markets. We are focusing on the online classified[?] position we have. We have a position now on digital marketing through the acquisition we did Tapad and IoT.

But this is what we are to go through more in-depth when we invite you to the Capital Markets Day in February here at Fornebu. And the agenda will be then to present our future strategic priorities, and also our financial and capital allocation priorities. It will also be to show you more in detail what those structural initiatives, the content of that, that I talked about, to improve efficiency. We will show you more about what we mean by digitalising our core business and also, the selective bets we take on digital verticals. And not least, we will bring in some key business units to show you how this is done in practice in the businesses.

With that, Morten, I invite you on the stage.

Morten Karlsen Sørby: Thank you, Sigve. Before I go into the details of the third quarter, let me quickly summarise the highlights. The third quarter is described by a continued revenue growth and good cost control supported by seasonality. And this results in an all-time high EBITDA and improved margin, despite competitive pressure in some of our key markets. The organic growth was 2% in the quarter, same as the organic growth in subs and traffic revenues. We delivered a record high EBITDA of NOK 12.5 billion, which is 5% higher than last year. And this is both on an organic basis and as well as on a reported basis.



We have some significant one-time items this quarter related to VimpelCom and India, which Sigve mentioned. And I will come back here later in my presentation to the accounting effects and the details in the accounts of that. Adjusted for these items, the net income to equity holders of Telenor ASA for the third quarter is NOK 4.7 billion. Free cash flow is very strong at NOK 9.1 billion, for which 4.7 – sorry – NOK 4.6 billion is explained by the proceeds of the sales in VimpelCom.

Let me move into the more details of the quarter starting, with the revenues. Reported revenues for the quarter was NOK 32.8 billion, which is an increase of 3% compared to the third quarter last year. We see less currency effects compared to recent quarters in this quarter. Of the NOK 1 billion revenue increase in the reported revenues, currency explains approximately NOK 300 million. The total organic growth was 1.8% and year-to-date we are up to 1.3% in that respect.

Looking at the revenue breakdown, we see that the growth is driven by a subscription and traffic revenue growth, primarily from our Asian emerging businesses, which is Bangladesh, Pakistan, Myanmar and India. Offsetting some of the growth is the decline in the outbound roaming revenues in our European operations, and this accounts for close to NOK 200 million on revenue level and the continued decline in the fixed legacy revenue in Telenor Norway. The increase in other revenues is primarily explained in the growth in the global wholesale division of Telenor.

A few words on the OPEX development. As usual, OPEX is seasonally somewhat lower in the third quarter than in the other quarters. Still, I am very pleased to see that reported OPEX is almost flat. And that OPEX to sales[?] decreased by 1 percentage point compared to the third quarter last year and despite OPEX increases from Myanmar and new business. The development is driven by efficiency initiatives in several operations, of which the most notable cost reductions are seen in Norway and in Thailand.



The improved growth profit and the controlled OPEX translates, as I said, in an all-time high EBITDA of NOK 12.5 billion and a solid 38% EBITDA margin. The EBITDA growth is 5% this quarter, both on reported and organic basis. Looking at the sources of the improved EBITDA by market, we see that all of our Asian operations are reporting improved EBITDA this quarter. And again, I would like to highlight the very encouraging trends in Bangladesh.

There are significant one-time effects. The significant non-cash item related to VimpelCom impacts of reported net income both this quarter and in the third quarter last year. In Q3 last year, our decision to exit VimpelCom triggered a change in valuation method from the equity method to the Indian market value, which resulted in an impairment of NOK 5.1 billion in the third quarter last year. The negative one-time effects related to VimpelCom this quarter amounts to NOK 5.2 billion and is impacted by the disposal of 164 million VimpelCom shares and the issuance of a exchangeable bond with the potential settlement in VimpelCom shares.

As a consequence of the disposal of parts of the shareholding in VimpelCom, a proportionate share of currency effects earlier recognised in other comprehensive income, these losses was reclassified from OCI to the profit and loss. This has a negative effect of NOK 3.2 billion, as we have earlier announced this quarter, in the profit and loss, but there is no impact on the total equity of the Telenor Group. In addition, the difference between the market value of US \$3.88 per share at the beginning of the quarter and the transaction price of \$3.50 and market value on the remaining shares at the end of the quarter triggers a net impairment loss of 2 billion this quarter. There are also some smaller effects on tax and net financial items, which are netting each other out. The one-time effects related to VimpelCom had, as I said, no cash impact. In the cash flow statement, the net cash contribution from the sale of VimpelCom shares is positive with NOK 4.6 billion.



When it comes to India, based on recent observation in the market, the fair value of our license have been assessed resulting in the impairment loss of NOK 4 billion. And in addition, immediate impairment of Q3 CAPEX amounted to NOK 100 million, taking the total impairment to NOK 4.1 billion. After this impairment, we have a recoverable amount of 300 million in our books related to the license and spectrum in India.

In total, one-time effect relating to VimpelCom and India amounts to NOK 9.5 billion this quarter.

If we then move into the adjusted net income and the translation into that, with the previous items relating to VimpelCom and India already explained on my previous slide, the rest of the income statement is pretty straightforward this quarter. While the reported net income is negative by NOK 4.8 billion, the adjusted net income is NOK 4.7 billion plus, which is an improvement over around NOK 1.1 billion compared to the same quarter last year. And just underlying – the underlying improvement is driven primarily by the growth in EBITDA.

A few comments on – over investments. CAPEX for the group was 5.2 billion in the third quarter, of which 200 million was related to spectrum and license acquisition, and mainly in Montenegro. The CAPEX to sales ratio for the group was 15% in the quarter and is at 16% year-to-date.

The key reasons for the decline compared to last year are lower investments in Bangladesh, Thailand and Myanmar. In Norway, which accounts for approximately 25% of the group's total CAPEX, we have increased our investments compared to the third quarter last year driven by the strong rollout of 4G and fibre. Although the CAPEX to sales ratio has trended downwards in the recent quarters, we have historically had a higher CAPEX level in the fourth quarter. And this is also reflected in the outlook for the full year.



If we look – take a look into the cash flow development, we can note the following. On the net cash flow from operating activities this quarter, we have a cash net inflow of NOK 10.5 billion as the reported EBITDA of a NOK 12.5 billion if partly offset by income taxes of NOK 1.1 billion and net interest paid of NOK 300 million. The net cash flow from investing activities is positive with NOK 760 million this quarter. And of course, this is impacted by the net proceeds from the sale of VimpelCom shares of NOK 4.6 billion, which more than offsets the CAPEX paid of NOK 4.1 billion.

In addition to the cash flows from operating and investing activities shown on this slide, we have pay-outs of NOK 1.1 billion in dividends to non-controlling interest in DTAC, DIGI and Grameenphone, and around NOK 1.2 billion in supply chain financing and payments for license obligations. In total, this gives a free cash flow to equity holders of Telenor, of NOK 9.1 billion this quarter, which again, is a strong result.

We continued to have a solid financial position, as you can see from this slide. Our net debt excluding license commissions decreased by NOK 11 billion during the quarter, taking the net debt to EBITDA ratio down from 1.3 to 1.1. In addition to the strong EBITDA, the reduction in net debt was driven by the net proceeds from the sale of the VimpelCom shares.

Currency affects are reducing net debt by 2.1 billion this quarter and consists of a translation effect on debt in foreign subsidiaries at minus 900 million currency gain on debt in currency – on foreign currency, which is minus 1.9 billion, partly offset by currency losses on the placement and cash. The rest of the net debt reconciliation, which you can see on the slide, is fairly straightforward and without significant deviations from previous periods.

In addition to the net debt shown on this slide, we have license commitments of NOK 4.8 billion, which is a slight decrease from the previous quarter. The license commitments include



commitments in India of NOK 2.4 billion, NOK 2.2 billion in Pakistan and NOK 300 million in Myanmar.

Moving, then, to what's the end of the presentation: dividends. In line with the proposed communicated statement in February this year, the Board of Directors has declared a final dividend for 2015 of NOK 3.50 per share. This dividend comes in addition to the dividend of a NOK 4 declared by DHM[?] in May and takes the total dividend for 2015 to NOK 7.50 per share. And that's an increase of 2.7% compared to 2014.

The total dividend for 2015 is in line with our ambitions to deliver a year-over-year growth in dividend. And the expected payment date for the final dividend is 10th November with record date set at 21st October – sorry – 31st.

Then moving to the outlook and financial guidance. We have decided to keep the outlook unchanged after the third quarter. And that means we are looking into a guidance for the full-year, which is the same guidance as we gave after the second quarter, which is a 1-2% organic revenue growth, EBITDA margin around 35% and CAPEX to sales, excluding licenses, at around 17%.

With an EBITDA margin of 36.3 year-to-date and the CAPEX to sales ratio of 16.1% so far this year and only one quarter remaining, I understand that some of you might see our outlook as somewhat conservative. Although we see scope for a full-year EBITDA margin above 35%, the maintained guidance reflects the usual uncertainty regarding handset sales in the fourth quarter, and in particular, there is uncertainty regarding both demand and supply of the iPhone 7.

We have – we launched iPhone 7 in Norway and Sweden in September and there are still people on the waiting list. And we have just launched sales of iPhone 7 in Malaysia and Thailand, so that gives some uncertainty.



On the CAPEX side, we continue to see results of our efforts in increased – of our efforts to increase CAPEX efficiency with lower equipment prices, leveraging from over-scale towards vendors, from a strong demand management both within IT and network, as well as for more efficient spectrum management. At the same time, we know that CAPEX tend to peak towards the end of the year, and this has made us keep up the CAPEX to sales guidance for this year.

All in all, a strong quarter with a record high EBITDA. I will now conclude this presentation and invite Sigve back for Q&A. Thank you.

Meera Bhatia: Thank you. As usual, we'll start with Q&A here from the audience. There's already questions in the middle. Could you please state your name and company as well, please?

Frederik Thoresen: Thanks. Frederik Thoresen with SEB. So first, on your capital structure, now you've improved your net debt ratio significantly to about a half of your previously guided cap. Have you done any considerations with regards to any potential one-time pay-out to shareholders and/or how this maybe impact future ordinary dividend growth?

And secondly, in light of the ongoing discussions now in the EU and with regards to the wholesale price caps, can you shed some light on the development in Europe wholesale prices as you're now including EU roaming in more and more of your price plans? Thank you.

Morten Karlsen Sørby: On your first comment, we don't have a history of special dividends in Telenor. I think we have stated that the proceeds from VimpelCom in this transaction will be used for general corporate purposes, including paying dividends in the next month. And we have a formal dividend policy which is delivering growth year-over-year. The board will discuss the dividends for 2016 in the regular practice later this year and announce at the fourth quarter.



When it comes to the second question on roaming, I would say, unfortunately, on that part, regulation is not following the market. So we actually now achieved lower prices for terminating roaming in Europe than the officially stated prices. And of course, it's very important for us to be able to reduce the cost of roaming as we have introduced much more favourable roaming principles to our customers. So far, what we have experienced is that the market price which we can achieve negotiating with operators are lower than the regulated prices.

Meera Bhatia: Thank you, Morten. Any further questions? There from the middle, please.

Christer Rother[?]: Hi. Good morning. Christer Roth[?] from DnB[?]. Just quickly, in terms of India, could you explain to us why you continue to evaluate options there? I think you mentioned earlier this year that you would make a strategic conclusion after the spectrum auction, which has now happened. If anything, could you enlighten us in terms of how you're thinking what needs to come into place to stay in India at this level?

And secondly, if you look on for like-for-like basis, Norway ARPU, this quarter, if we eliminate the Roam Like Home effect and just look at the increased after-effects from the new take up of subscription plans, what would that effect be in positive terms, and is that the same effect we can expect year-on-year for Q4? Thank you.

Sigve Brekke: Yeah, I can answer the first one. We, as I have said many times, we will only look at options which is value creation options. We are not in India for any strategic reasons. We are there to create value for our shareholders. And all options will be seen in the light of that.

The auction has just concluded just a few weeks ago, so I cannot comment on what type of options we are looking at or what type of options or alternatives that may emerge. The only thing I can say is that we would – our spectrum position is not sustainable. We have said that several



times. Despite that, we are able to grow in the current market. But it's – we need to find a long-term solution. But I don't want to go more into what those solutions maybe.

On the RPU question, now, as I said, I'm very satisfied that Norway has actually been able to increase their PRU with NOK 10. And then roaming effect is NOK 13. That's why you see that there's a slight decline. You also need to take into account here that Norway have implemented and used some programme on handsets. And when you previously had subsidised handsets and had binding for an entire[?] month, you pay actually NOK 4, if I recall – if I remember right, per month for that binding, a kind of binding fee. So you also need to take that into account when you look at the 10 – also NOK 10 increase.

So if you take all these into account, then you will actually see that there is a flattish RPU development in Norway, which is really, really impressive knowing that their roaming effect minus NOK 13. And we'll see that most of the new customers or the – not the new customers but the customers that we are migrating into the new packages are coming in on price points on 349 and 399. I think you can calculate yourself what that could mean going forward in terms of RPU increase. And of course, we estimate here that customers are not so rational they will not go down again after the summer month are over. I think they will not keep the new price points, which will give a very healthy RP[?] development going forward.

Meera Bhatia: Thank you, Sigve. Any further questions from the audience? No. Then we'll open up for the Q&A on the conference call please.

Operator: We'll take our first question from Peter Nielsen from ABG.

Peter Nielsen: Thank you very much. I would like to stay with Norway, please, and the new handset model as what model as you've discussed. You discussed the impact on ARPU. How about the



cost side? You've talked a bit about the impact on EBITDA from the new model. It may be negligible in the third quarter, but if you would give us any light on this, please? And secondly, could you discuss and talk a bit about what is driving the strong uptake in demand you are seeing for high-speed broadband you are seeing in Norway and also in Sweden, where you're doing very well, please? Thank you.

Sigve Brekke: You can take the swap, and then I can take the – your second question was about what is driving the demand for fibre, was that the question?

Peter Nielsen: Yeah. In Norway and Sweden, please. Yes.

Sigve Brekke: No. I think the – what is driving the demand is that the household both in Norway and Sweden think that fibre is for the future. And that's also why we now have increased our fibre rollout. And you will see now that we have got the kind of rollout machine ready to work and that's why we have a very, very healthy growth on the broadband – and especially in fibre – in this quarter. And I think when this rolled out machine now is continuing in the coming quarter, our aim is now to take market share on the fibre rollout in Norway.

In Sweden, it's the same. The business model in Sweden is a little bit different because the households are paying upfront some of the investments. So – and that's why we have said in Sweden that we really want to be aggressive on the single unit and also there will be loss to connect them to fibre. So I think demand is there, and I think our ability to delivery on demand is also there. It has taken a little bit time to get that rollout instrument to work as we planned for, but no one will say that there is full force both in Norway and Sweden.

Morten Karlsen Sørby: On your first question which was on the newer handset programme in Norway, the swap programme. Just to clarify, it's a 24-month device instalment programme with some



additional attributes like glass insurance and trade-in options. And it was introduced in June. And what's different is that it's available through overall distribution channels, including through the [inaudible] channels. So we are distributing this through our own channels. And I think that is giving more benefits and it's also driving, of course, down commissions and subsidies through a traditional third-party distribution.

Sigve Brekke: And if I may add, it's also very customer-friendly because you are not now into a normal contract, and you are free to upgrade your phone. And the call for that, we see that the churn for these customers are coming down. And so I think also from a maturing[?] perspective, this is a really good point.

Meera Bhatia: Thank you, both. Sorry, we have to move on in order to get [inaudible]. So I'm moving on to the next one, please. Thank you.

Operator: We'll now take our next question from Stefan Gauffin from Nordea Bank.

Stefan Gauffin: Yes, a couple of questions. We can start in Norway. First of all, the CAPEX spend in Norway is 10% above the level seen last year, if you look at year-to-date. Can you provide some split on CAPEX between fibre-build and 4G rollout? And what can we expect for CAPEX spend in Norway for the years to come and when are you done with 4G rollout? And then on India, can you say what has changed with regards to the value in India? Is this a reflection of a lower value when or if you sell, or higher contractual obligations which may not be able to be passed on to a new owner? Thank you.

Sigve Brekke: I think on India, I don't want to comment more than what me and Morten had said. It's a reassessment of the value for our business in India and, of course, that reassessment is also



taking into account what market developments that we have seen lately. So other than, I don't want to go into details.

On the first question, we are now having full speed on the 4G rollout in Norway. And as we have said before, the aim here is that within next year, we will have 4G on all over to the[?] base stations – 7,500 base stations, if I recalled it right. And we will then significant better on 4G than our competitors. So that's why you had on the mobile side, is still quite high investments of 4G. But, of course, when we then have finished this rollout, that part of it will come down. And then we are also now, as I said, focusing on addressing, I would say, the market share loss they have had on fibre development over the last few years. And we are therefore very happy now with what we see on all the development the last quarter. The split there, I don't know if we comment on that more.

Morten Karlsen Sørby: The split is approximately 50-50 in the third quarter. So I think that gives an answer. And just to underline, we anticipate to be ready with the 4G rollout by the end of next year.

Meera Bhatia: Okay. Thank you, Sigve and Morten. Next caller, please.

Operator: We'll now take the next question from Roman Arbuzov from UBS.

Roman Arbuzov: Hello. Thank you for taking my questions. Two, please. One is on group CAPEX. The group CAPEX has been developing favourably i.e., coming down throughout the year. Are you saying it may come up again in 4Q and for good reasons? But as we look to the medium-term, given that CAPEX – has been coming down, do you still see yourself as investing quite heavily currently and, therefore, do you see a scope for potentially for CAPEX reduction in the medium-term? So that would be very helpful.



And then secondly, just in Myanmar, you've mentioned both seasonality and competition affecting the performance this quarter. Could you perhaps just give us a little bit more colour on that? What did you – do you think it was more seasonality given that you expect the return to sequential growth already from Q4 and perhaps to follow that answer, can you also give us an update in terms of the four [inaudible]? Thank you.

Sigve Brekke: I could take Myanmar and then you can take CAPEX. On Myanmar, yes, we expect the growth to increase in the fourth quarter and the seasonality in the third quarter is more or less as expected because the rainy season in Myanmar is really rainy season. The country is basically underwater. So there are a lot of technical also network outages, and fibre problems in that quarter. So that's as we expected. And we already see now going into fourth quarter that we will see a better growth in the fourth quarter.

On the competition side, we see quite aggressive now on net pricing, as I mentioned. And we also see very aggressive data pricing. However, we see that is a competitive area. And, of course, we added the almost 1 million new subscribers in the third quarter itself and that is going to yield some revenues going forward. And also, the network presence we have now with more than 80% of the country being covered. So you will not see the same fantastic growth figures in Myanmar as we have seen in the last few quarters, and I think I have said that every quarter, that sooner or later, this also will be levelling itself off a little bit. But I would not say that the growth is over in this country. It's not matured yet. So fourth quarter, hopefully, we will see some better growth coming back.

Meera Bhatia: Thank you. Morten, any –



Morten Karlsen Sørby: On the CAPEX, I think I will just reflect on the development this year. We started the year on CAPEX guiding, with a guiding of 17% to 19%. We have guided 17 – around 17% after second quarter. So we will definitely see a trend in that. But for the mid-term guiding, I'll leave that for the capital market to give a – to Capital Markets Day to give a more flavour into it.

Sigve Brekke: I just gave a little bit credit to the finance department and to Morten. I think we are getting better and better in what we call the dynamic capital allocation or the said – the CAPEX allocation, which means that the group finance is sitting very tightly integrated in discussions with the BUs on how do we make sure that we get return on the CAPEX. And I think that model is now really paying off, certainly. We are able to control the investments very much aligned to where the growth is coming.

Just one more point on Myanmar also. I think the price reductions that we saw came actually in the second quarter, not in the third quarter. I haven't seen any further price reduction in the third quarter itself. So hopefully, the – this is – the competitive pressure on pricing is also starting to level off a little bit.

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

Operator: We'll now take the next question from Ulrich Rathe from Jefferies.

Ulrich Rathe: Yes. Thank you. I have only one question, really. In the past, in sort of quite probably put on each – in each presentation a chart showing your mobile service revenue – organic mobile service revenue growth of the group. And obviously this has been just 2%. I understand there's a roaming impact. I calculate this around less than 1 percentage point. So organically, MSR is now sort of down to maybe 3%, which would still be at the very bottom-end, if not the lowest in ten quarters. So the question, really, Sigve, is the asset portfolio that you currently have to work



within Telenor, is that sufficient to produce a reacceleration of growth? I think in the past, you've talked about growth being in the DNA of Telenor, and so, do you have the right asset portfolio with increased investments growth can come back, or is there really something more structurally needed beyond India, obviously? And in this context, can I also sort of just sneak in one element to that question on the asset portfolio? There has been marginal press reports in Asia about foreign ownership issues that are boiling up again. Is this is anything serious in either Malaysia or Thailand at this point, or do you think there is something sort of coming up again? Thank you.

Sigve Brekke: On the second question, I haven't seen this issue being more visible now than it has been in the past. In Malaysia, as you know, we are 49% ownership, so we are in full compliance with the foreign ownership laws including also the [inaudible] laws that a certain percentage of your public shareholding need to be hold by [inaudible] shareholders. In Thailand, I haven't seen this issue emerging more than it was in the past either. So on – I don't see any development on this one.

However, in all these markets, we need to be relevant. So in the end of the day, we are foreigner. That's why they are focusing so much on also being seen as a relevant part, or actually growing in the societies. And that's why, actually, the vision of Telenor is empower societies. That's why we need to be seen, through our services, that we are bringing something good to the country. And maybe the best example of that is Myanmar where we are changing the work, health and security standards in the countries, where we have no corruption policies where the way we work is different from the standard in the country. So – and this is something that we really spend time on explaining to the various stakeholders in these countries.

To the first question, yes, you are right. The growth this year has not been as we have seen previously. However, you see now that the data monetisation has started to come true in Asian markets. 14% growth in Bangladesh, 10% – 11% in Pakistan, growth in Myanmar. And what is



really in Asia now hampering the growth, is the barrier of competition we have seen in Thailand and Malaysia. However, we hope that these two markets are coming back a little bit more – what do I call it – normalised competition, and there should be growth potential both in Malaysia and in Thailand when you see the digital or the data appetite among a growing digital segment.

And, of course, in Norway, I'm quite positive that when we are through, the roaming [inaudible], and when we have continued to upsell our packages, there is a room to charge a little bit more for the data growth we see among the customers in Norway. And that, still, Norway, on a medium level, is consuming less data per customer than we see in Sweden. So I don't think there should be a reason why Norway – also should come back with a very positive growth element.

If you combine all this together and then going to the future, I don't want to give any guidance on that. But this is also an element. We will try to go a little bit more in depth on the Capital Market Day.

Morten Karlsen Sørby: So if I may just add from a CFO point of view. Of course, revenue growth and the continued revenue growth is important. But I also think what we are trying to do here is to pinpoint that value creation happens through cash generation. And I think what we have been able to evidence over the last quarters is an improving EBITDA, which is translating into cash flow. And to me, this has been very important through the year to monitor the fact that, yes, growth is important and we are not moving away from that. But even more important is our ability to generate cash as such. And I'm very happy with the third quarter in that respect.

Meera Bhatia: Thank you to you, both. Next question, please.

Operator: We'll now take the next question from Andrew Lee from Goldman Sachs.



Andrew Lee: Good morning. First, of all, I just have a question on fibre demand in Norway, you said that it's – you're going in full force now, that you'll be able to deliver faster speeds much sooner with the Vplus[?] or G.fast[?] technology. So I was just wondering how you're progressing with trials on this and particularly with your discussions with the regulator to allow you to commercial it without giving [inaudible] warning to your – to your competitors and all the household customers?

And then secondly, just a thought on all these questions in particular, the Norwegian mobile growth as you described, [inaudible] fully up and running, [inaudible] has launched. What are your thoughts on a realistic, sustainable level of mobile service revenue growth into 2017, and can the market and your position support mid-single digit growth again in that market? Thank you.

Sigve Brekke: I can take the second one and you can take the first one.

Morten Karlsen Sørby: Got it.

Sigve Brekke: On the second one, yes, the competition is definitely present in Norway. We see that Ice[?] and also Telia – it's quite aggressive. But that aggression is especially in what I – we'll call the price sensitive markets. It's in the prepaid segment. And overall, I see that we are not losing in any shares at all in the more premium segment and the revenue market share for ourselves, it's stable. And I think that – you will – and that's why also we have fighting brand at Telenor, which is down there trying to secure our fair share of that market.

So having also said that, I want to give a little bit credit to our main competitor, Telia. I don't see any different focus from them than ourselves. They're also focusing on profitability and I also see that Ice takes a step, as expected, as being a matured operator. So I don't think that the – that



the competition should be an excuse for not to know which market going. And that's why I'm a little bit bullish on – we're in – going back to revenue growth for Telenor in the Norwegian market when you have this EU effect – the roaming effect.

Meera Bhatia: Morten?

Morten Karlsen Sørby: When it comes to your question on G.fast, etc., etc., which is upgrading of the ADSL, VDSL networks; there are some regulatory hurdles in the way[?] which I will not go into detail, and I will say that regulation has made this very, very difficult. And I will just ask you to discuss this further with IR. I think we are concentrating on with those hurdles now we've seen[?]. We are very much focusing on our fibre rollout, and the upgrades on the cable network. So that's the main purpose for the time being.

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

Operator: We'll now take the next question from Maurice Patrick from Barclays.

Maurice Patrick: Yeah, hi, guys. Yes, Maurice here from Barclays. So a couple of very quick questions. Number one, on 5G, there have been lots of noise and hype around potential launch timings of 5G. It seems a fairly consistent measures for many of the operators, however. There's a lot to go on 4G still and much of the capacity increases can be driven from that. So your thoughts on this 4G and then 5G evolution?

And then secondly, could you quantify the positive impacts on EBITDA from the handset leasing change in the quarter, and if that's likely to increase for the coming quarters? Thank you.



Morten Karlsen Sørby: On your second question, if you're – if that question was about Norway, I think we have a positive EBITDA effect in Telenor Norway of approximately 45 million in the Q3 from the revised asset program.

When it comes to 5G, I think you're right. We are still concentrating a lot on 4G and then moving people into 4G. We are started looking now into 5G, but I wouldn't expect trials in the near term future and the commercial effects from 5G, I wouldn't expect until around 2020. That doesn't say that we are negative to technology as such. But we just see that the efficiencies we will be given to 5G launch is still some way into the future. But we are monitoring the development carefully. But for all commercial purposes of the next three to four years, I wouldn't anticipate any efficiency gains from 5G rollouts.

Sigve Brekke: And just to add on that, I don't think we – I don't think we have any different position on this than our European peers. We are – we are testing it out in our own network and we are looking for the right time to commercially launch it. So – and they're all talking to the vendors on it.

Meera Bhatia: Thank you. Next question, please?

Operator: We'll now take the next question from Terence Tsui from Morgan Stanley.

Terence Tsui: Hi, good morning everyone. I've got just one question on spectrum in Thailand. We're getting some details about the quantity of spectrum and the possible reserve prices that could come into effect in 2018. I just wondered what your thoughts on those proposals and also give us an update on the timeline? Thank you.



Sigve Brekke: Yeah. It seems like the government have decided to do an auction on the 1800 spectrum in 2018. That's at least what they're communicating. And as you know, there will be our current spectrum of 25 megahertz plus 25 megahertz on new spectrum, meaning 50 megahertz coming up[?]. We don't know anything about the pricing other than the realised price in their auction in – what was that, a year ago? Which was around THB 45 billion, if I recall that right. So I assume that that realised price will probably be the – starting price and how much they want to add to that, that I don't know. So it's a significant lower than the [inaudible] price on 900 was, which was more 75 billion, so it's almost half. Then the government seems also to want to do something on the 2.3 and the 2.6, spectrum and there is talk that there will be some sort of beauty contest on that in the – in the start of next year. And of course, we will also be an interested party looking into the possibility to – or to go see their – if that – if that comes out. On top of that, it's the 50 spectrum. There's 10 megahertz also a 50 that we are currently using and the [inaudible] on that is also expiring in 2018. It's a little bit unclear if the government want to put that out in an auction or if they want to use at least part of that for the transnational railway that comes through China from – to Thailand from China.

So I think that on the overall spectrum situation, it seems like it's – so the government want to follow the schedule or the timeline as we have expected. And yeah, I think that's about it.

Meera Bhatia: Thank you, Sigve. Moving onto the next question, please?

Operator: The next question comes from San Dhillon from Exane.

San Dhillon: Hey guys, just one simple question. To you guys, assuming you can't do both, what is more of a priority for Telenor, is it to grow revenues or to expand margins?



Sigve Brekke: It's both and that will be a – little bit more detailed. Yeah, I'm coming to that. I think that we definitely have cost challenges and I think I said that, I know I've said that several times. And that's why there are so focused on bringing down our operational costs. And we have said many times already that EBITDA should grow faster[?] than revenues. The profitability and value creation is definitely the main focus here, or the main aim that we are going after. And this is also why we have not put in place several structural initiatives to yield much more efficient use of our assets. But at the same time, we are also in markets where we think we can participate in revenue growth. And our mindset is not that the growth is over. In Asia, we definitely see that that it's a long way before data monetisation and the data potential has been taken out. But even in the – in the European markets or in Norway, we see that they should be able to create growth. So it's both. So – but – so when we meet our – me and Morten meet our business unit CEOs we are talking term about both areas. But of course, it's easier to control the cost development. You know, that's something we have control over ourselves but at the same time, we are not letting forgo the revenue opportunities there.

Meera Bhatia: Thank you again, Sigve. We will – we will have time for two more callers. Could I please ask you to limit yourselves to one question each? Thank you.

Operator: We'll now take our next question from Nick Lyall from Societe Generale.

Nick Lyall Hi, there. It's Nick from Soc Gen. Can I just ask? On the – just two very quick ones, apologies. But on Denmark your ARPU slipped again by 10% now, I think, this quarter. You said you were going to try and make progress by end of the year. Are you having to resort to discounting heavily again? I noticed you cut CBB prices as well?

And then on India, is there a step change in how you're running the business? I mean, the subs are down. It looks like costs are down. Have you pulled back on all marketing cost and



everything else as you wind the business down? Have you changed things this quarter? Thank you.

Morten Karlsen Sørby: If I start with India, I think if you take quarter-over-quarter, is that reduction of approximately 200,000 subs. I think we are, as in all operations, monitoring OPEX, and that is the case in India as well. And surprisingly because we have claimed ourselves that India is one of the best OPEX efficient operations, they have been able to find more OPEX to cut, so that's a correct observation. I would say, we have been slightly less aggressive on customer acquisition putting more value to the high ARPU customers in India. So that's the explanation to your question.

When it comes to Denmark, we have had, as earlier stated, some issue with the business support system implementation and we still experience some issues with that which we aim to solve during this quarter. And of course, in addition, there are price pressure and we have discussed that for several years now for Denmark. And you'll also in Denmark, see some roaming effects. But I don't see a major change in the Danish market place through the quarter.

Meera Bhatia: Thank you, Morten. Final question of the day please?

Operator: We'll now take our last question from Sunil Patel from Bank of America.

Sunil Patel: Yes, thank you for taking the question. Just on the internet and TV revenues within Norway, the trend earlier this year was negative. You, I think managed to reach parity in the quarter versus Q3 of last year. Is this a trajectory which you think will continue to Q4 and into early next year and should be expecting low to mid-single digit revenue growth to come back to effectively[?] your internet and TV business? Thank you.



Morten Karlsen Sørby: I had some problems really catching the question.

Sigve Brekke: The revenues of – where we are also from TV [inaudible] packages. Will that continue?

Morten Karlsen Sørby: I think, well, as you have seen in the third quarter, as we have discussed earlier, they are good uptake on fibre, we made some price changes during spring and the summer which will have positive impacts going forward. And we also see more fibre customers taking the TV packages which they're offering. So in that respect, I think if you look into the figures, you will see a positive trend during the third quarter and that will – that should continue going forward.

Meera Bhatia: Thank you very much for – to you both. This was the final caller. Sigve, any closing remarks or we're done?

Sigve Brekke: No, the only thing is that I am eagerly waiting – to see you back in February when we have our Capital Markets Day, because there's a lot of questions here that I would like to go into much more depth about – the more strategic questions – and that's the aim we have for that day.

Meera Bhatia: Thank you very much.

Sigve Brekke: Thank you.