

CMD2017

FINANCIAL PRIORITIES

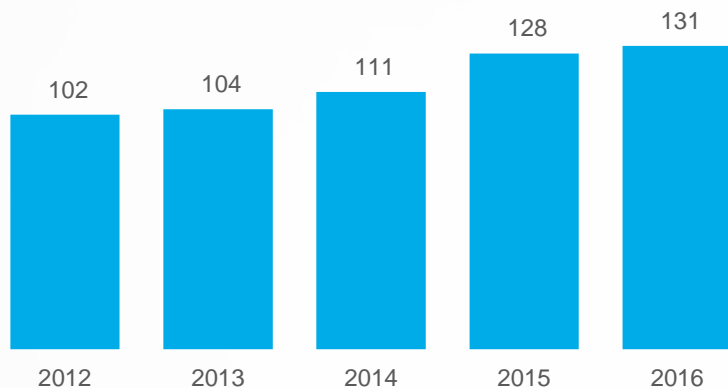
Jørgen C. Arentz Rostrup, Group CFO

AGENDA

- Financial development and performance
- Key drivers for value creation towards 2020
- Financial priorities and ambitions

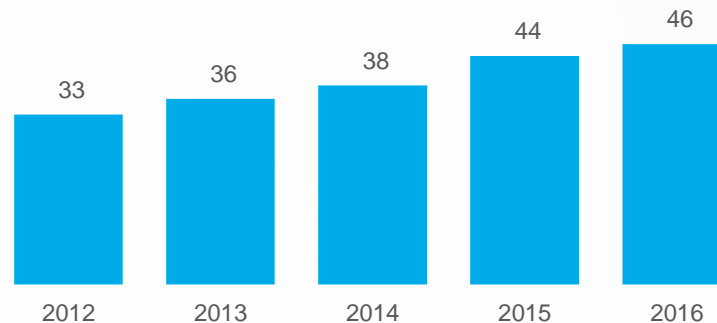
REVENUE GROWTH HAS TRANSLATED INTO SOLID EBITDA GROWTH

Revenues (NOK bn)



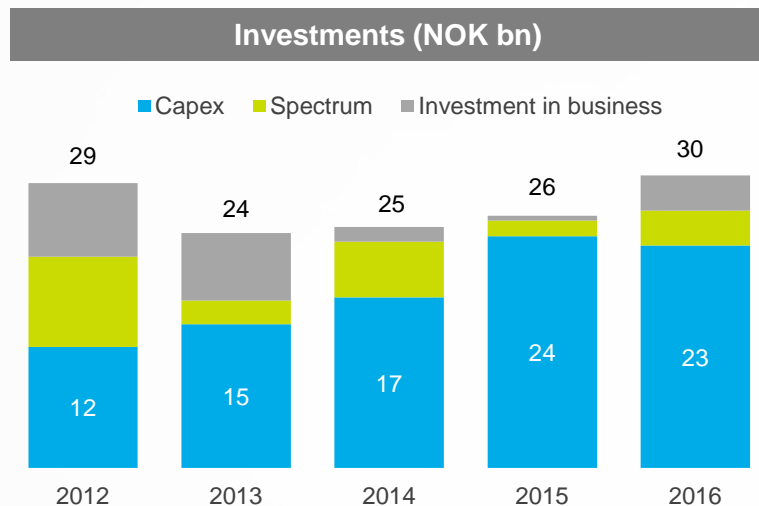
- Mobile service revenues key growth driver
- Growth in fixed high-speed broadband

EBITDA (NOK bn)



- 3pp EBITDA margin improvement 2012-2016
- EBITDA growth driven by subscription and traffic revenue growth

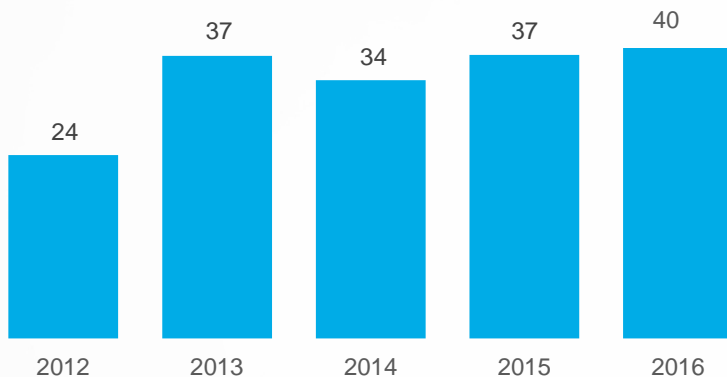
SIGNIFICANT INVESTMENTS IN RECENT YEARS TO MAINTAIN POSITIONS AND CAPTURE GROWTH



- Maintenance capex to maintain both market and network positions
- Growth capex focused on strengthening 3G/4G coverage and Myanmar entry
- Spectrum acquisitions to support data growth
- Investment in business: Bulgaria, Tapad, Online Classifieds

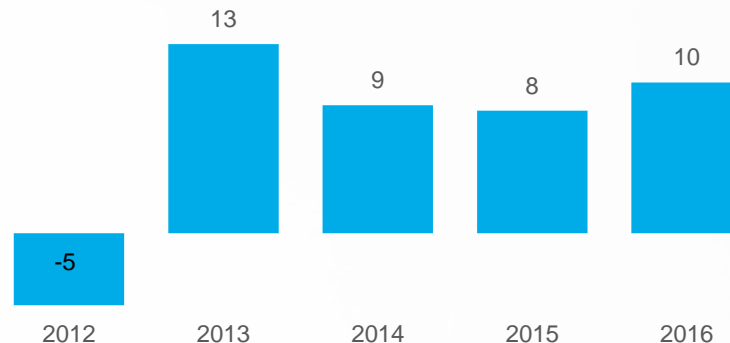
SOLID CASH FLOW FROM OPERATIONS WHILE FREE CASH FLOW IMPACTED BY HIGH INVESTMENTS

Cash flow from operating activities (NOK bn)



- Cash flow from operations reflecting the strong EBITDA growth

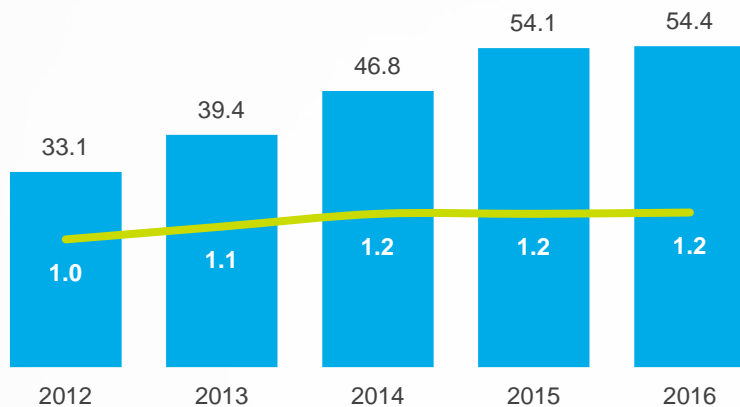
Free cash flow to equity (NOK bn)



- Free cash flow impacted by increasing investments
- Cash flow improvement a key priority going forward

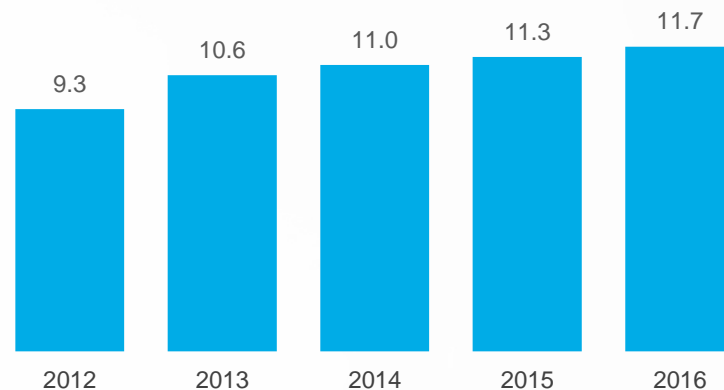
OUR BALANCE SHEET REMAINS STRONG AND WE HAVE DELIVERED GROWING DIVIDENDS

Net debt (NOK bn) and net debt/EBITDA*



- Net debt/EBITDA well below ceiling of 2.0x
- Access to debt funding at attractive terms

Dividend payout (NOK bn)*



- 7% annual average growth in dividend last 5 years
- Competitive dividend yield around 6%

CFO REFLECTIONS ON VALUE CREATION POTENTIAL

- Strong development and performance - good potential for improved cash flow
- Continued revenue growth, but at a lower level and within selected areas
- Balance growth with improved efficiency and reduced cost



Prioritization and simplification required

VALUE CREATION TOWARDS 2020



REVENUE
GROWTH



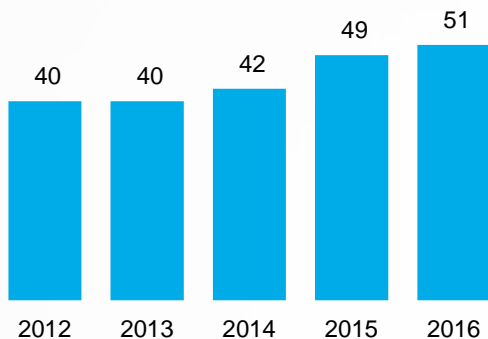
EFFICIENCY



CAPITAL
ALLOCATION

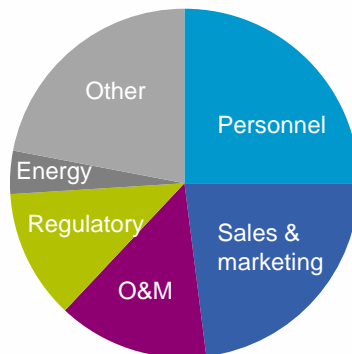
SIGNIFICANT EFFICIENCY OPPORTUNITIES FROM ADDRESSING THE COST BASE

Opex (NOK bn)



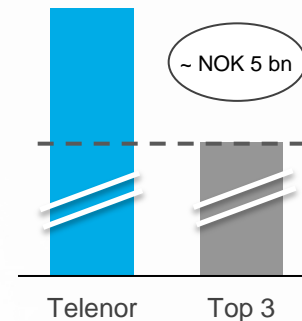
- Opex increase driven by network expansion and new growth areas (incl Myanmar)

Opex split 2016



- Total opex base of NOK 51 bn
- Sales & marketing and personnel largest cost areas

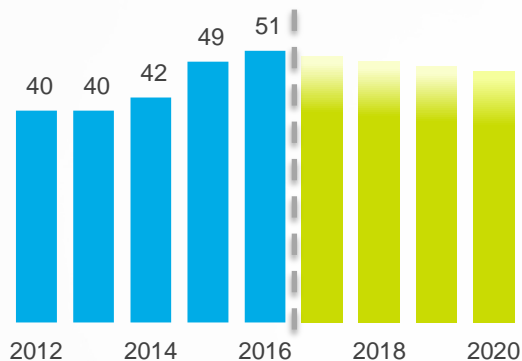
Gap vs benchmark



- Cost gap vs top 3 in sector representing approx. NOK 5 bn
- Largest addressable potential within customer interactions and network operation & maintenance

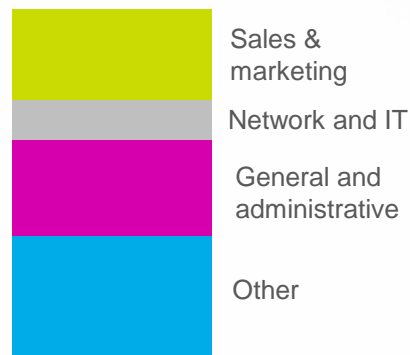
TARGETING ANNUAL NET OPEX REDUCTIONS OF 1-3% TOWARDS 2020

Opex ambition



- Breaking increasing opex trend in 2017
- Substantial parts of required initiatives identified

Cost reductions by function



- Digitizing customer journeys
- Automating customer service operations
- Integrating and optimizing network assets and delivery centers

Cost reduction by operation



- Majority of cost savings from 5 largest operations

CAPEX EXPECTED TO HAVE PEAKED IN 2015

- STRICT PRIORITIZATION REQUIRED

15% capex/sales mid-term

Capex to come down after a period of high investments

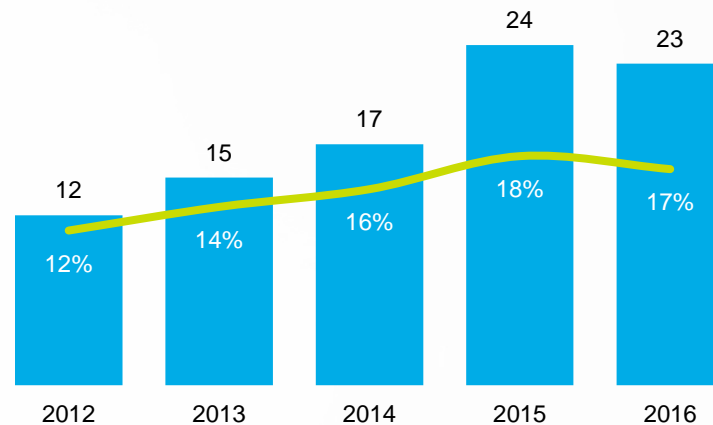
- Entry into Myanmar
- 3G/4G coverage and capacity
- Investments in backhaul capacity

Investments to shift from mobile to fixed

- Fibre step-up in Norway and Sweden
- Selective fibre deployment in emerging Asia

➤ Scrutinize capex spend to ensure efficiency and right prioritizations

Capex excl. spectrum (NOK bn) and capex/sales



IMPORTANT SPECTRUM PROCESSES AHEAD

Key spectrum renewal processes in Asia

- Thailand 1800 MHz (2018)
- Malaysia 2100 MHz (2018)
- Pakistan 900/1800 MHz (2019)

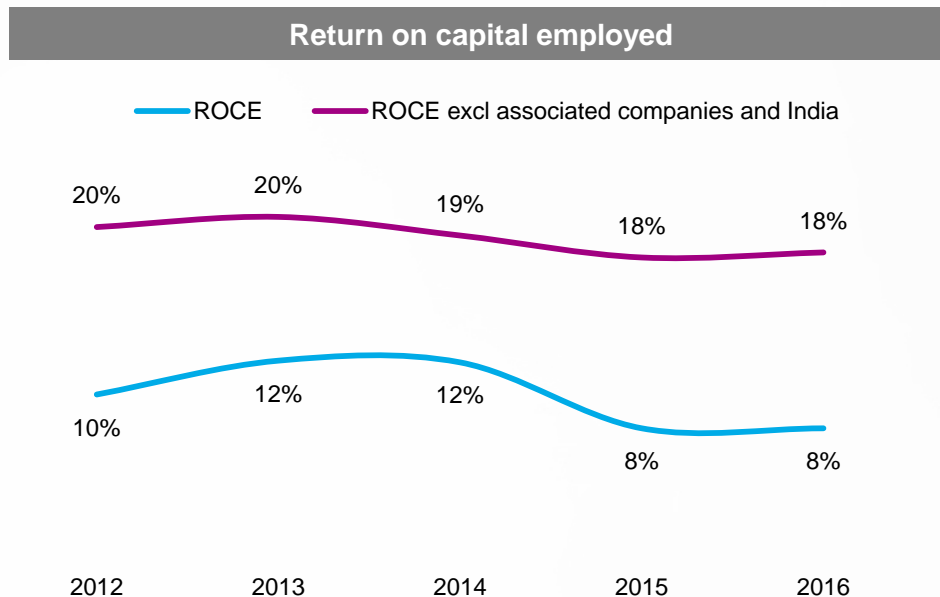
Several new frequency bands to be released

- Low frequency bands, including 700 MHz
- High frequency bands, including 2.3 and 2.5 GHz

Prioritizing and focusing on value creation will become more important than ever going forward

ENSURING A HEALTHY RETURN ON CAPITAL

- Strong capital discipline
- Prioritization of investments required to deliver on strategic ambitions and maintaining market positions
- Case by case evaluation of investments in spectrum and new businesses



EXECUTION AND CLOSE FOLLOW-UP TO DRIVE PERFORMANCE

Overall KPIs linked to strategic ambitions

- Profitable growth and margin improvement
- Efficiency, simplification, prioritization
- Net cash flow approach

Frequent performance reviews with CEOs

- Holistic follow-up
- Financial and operational KPIs adapted from Group KPIs
- Summary and status discussed by Group management
- Risk assessment input to agenda

Staging investments and opex spend

- Dynamic capex allocation
- Business case follow-up
- Deliver on milestones
- Stop/go decisions

VALUE CREATION TOWARDS 2020



FINANCIAL
PRIORITIES



FINANCIAL
OUTLOOK 2017



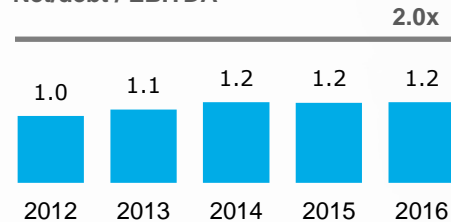
MID-TERM
FINANCIAL
AMBITIONS

OUR FINANCIAL PRIORITIES REMAIN FIRM

Solid balance sheet

Net debt/EBITDA below 2.0x

Net/debt / EBITDA

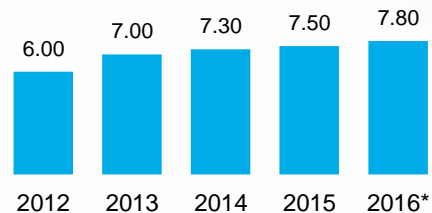


Competitive shareholder remuneration

Aiming for year-on-year growth in ordinary DPS

Buybacks and special dividends to be considered as supplement to the ordinary dividend on a case by case basis

Dividend per share (NOK)



FINANCIAL OUTLOOK FOR 2017 AND MID-TERM AMBITIONS TO SUPPORT CASH FLOW GENERATION

Outlook for 2017

- 1-2% organic revenue growth
- EBITDA margin around 36%
- Capex/sales ratio around 15-16%

Mid-term financial ambitions (2018-2020)

- Year-on-year low single-digit organic revenue growth
- Net opex reductions of 1-3% per year
- Capex/sales ratio around 15%, excl. licenses
- Year-on-year growth in dividend

SUMMING UP – SET FOR VALUE CREATION TOWARDS 2020

- Cash flow generation from continued revenue growth and step-up in efficiency
- Increased focus on capital allocation, prioritization and portfolio optimization
- Continued commitment to competitive shareholder remuneration

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