Company: **Telenor ASA**

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Marianne Moe: Good morning and welcome to the presentation of Telenor Group's results for the first quarter. My name is Marianne Moe, I'm head of investor relations and I have the pleasure of guiding you through the presentation here today. The results will be presented by group CEO Sigve Brekke and group CFO Jørgen Rostrup. There will also, as usual, be a Q&A session after the presentations, and in total we expect to finish here in about one hour from now. So, without much further ado, I will now leave the floor to Sigve Brekke to present the highlights for the quarter and operational performance.

Sigve Brekke: Thank you, Marianne, and good morning to all of you. The first quarter is characterised by stable organic revenue, EBITDA margin expansion and an increase in free cash flow. I am happy to see that there's a solid revenue growth in core part of our operations. In the emerging Asia cluster, we have double-digit revenue growth coming from data monetisation. In Norway and Sweden, we see that we are monetising our efforts on fibre rollout. In the developed Asia cluster, we see a continuous pre-to-post migration, resulting in a double-digit post-paid revenue growth. That also made very challenging prepaid developments. And as we talked about in the capital markets day in February, we have making progress on our strategic agenda, having taken several steps towards simplification of our companies, and I will come back to that. So all in all, Q1 is in line with our expectations.

Let me start with Norway. Overall I want to say that I am satisfied with the trends in Norway. On the mobile side, we have total mobile revenues which are stable when they adjust for the data rollover. On the fixed side, this is the first quarter in a very long time where the growth in fibre and TV is more than compensating for the decline – the decline in the legacy of fixed business. And Norway is also continuing its focus on cost efficiency. So, if we adjust for the one-offs and also for the data rollover, you will see that Norway have a stable EBITDA margin year-on-year. Norway also took out around 180 FTs in the first quarter, and we will see the effect of that in the coming quarters.

Going a little bit more into each of the business lines. For mobile, we see a continuous good uptake of the upsell efforts that we have. We have now upsold around 60% of the post-paid base into packages which include Roam Like Home, and we see our increased ARPU development coming out of those upsold packages. We will also include Roam Like Home for all the subscriptions with effect from June 15th. We see that the introduction of the data rollover for the main customer plans have an 85 million effect both on revenues and EBITDA in this quarter.

We earlier in the quarter also launched a new concept for a new segment, and so far we have received very good feedback from the market. We continue the handset swap programme in Norway. This is a programme which is very well received by the customers. It has a negative revenue effect with taking down the departure to [inaudible] that came from the previous subsidy programme, but it has a very positive EBITDA contribution. And we also see then an underlying ARPU growth driven by the continuous increase in data consumption. We also see that we are able to keep our position in the valuable customer segment. However, we see that we have some disconnection of data cards, and we also have lost some customers in the low-end, price-sensitive, price – prepaid market.

On the fixed side, we continue our rollout. We have added 12,000 new households on fibre this quarter, giving us a 5% growth on the ARPU – sorry, upselling, not only adding. And we also see a supporting growth in TV subscription of 6%.

Moving to neighbouring countries, Sweden and Denmark. In Sweden, we have a very positive revenue development supported by a positive one-off in this quarter, but the underlying revenue growths are also very healthy – 3% – also driven by consumer post-paid performance. We see that in the quarter added 20,000 new fibre connections. We have continued the fibre rollout programme, also then supported by fibre growth in – through open networks, resulting in a 5% growth in the fixed revenues in Sweden. Based on competitors' reporting, we also now see a slight increase in the revenue market share during the first quarter, both in mobile but also in fixed broadband.

In Denmark, our focus is on improved efficiency in our operation. As you can see from the figures, we have a significant reduction in OPEX year-over-year. However, that is mostly due to last year high cost on implementation of a new business report system. We are also pleased by 9,000 new net adds in the mobile subscription.

Moving to the Central and Eastern Europe cluster, we see that in this cluster, market development, industry development and also our own performance is in line with the previous quarters. In the cluster, our focus – it's on continue to strengthen our network position, and we are continuous – continuing to build out our 4G network. Independent speed tests shows us that we actually are having the fastest mobile network now both in Bulgaria and in Hungary.

The other focus is that we continue to focus on the valued customers, the pre-to-post migrations, the post-paid upselling, compensating them for pressure on the prepaid segment. But also we are continuing to offer competitive customer offers. We also have cost efficiency focus, and it is starting to yield some small results. And as you can see from the EBITDA growth here, we are able to demonstrate a higher EBITDA growth than revenue growth in the cluster.

Moving to the developed Asia cluster – Thailand and Malaysia. In the cluster, we see that the market continues to shift from a typical prepaid, price-sensitive competition into more post-paid packages with the data and device bundles. I am happy to see in both the two companies that we have a very solid post-paid growth. In dtac we grew 20% year-on-year on post-paid revenues, and post-paid is now counting for approximately 50% of the total revenues in dtac. And the same happens in DiGi – 12% post-paid growth, and post-paid is now counting for 36% of the overall revenues in DiGi.

We also see that we continue to focus on positioning ourselves in the post-paid segments with new, innovative offers. In Thailand, we introduced a speed-based pricing in the quarter and then also introduced a new brand platform to better position ourselves for the change in the market – in the industry or the market. We are continuing also to roll out our networks. In Malaysia now, as one example, we have 85% population coverage on 4G. And we continue also to take position in post-paid distribution, being the service points, but also starting to introduce digital sales and marketing.

Then go a little bit more into detail on the two companies. In dtac, their revenue shows a minus 9% year-on-year, mostly due to lower handset sale in this quarter compared with the quarter last year. And the main reason for that is that we have chosen to stay out of the very competitive prepaid subsidy programme that our competitors have had. We then see that if you adjust for the handset revenues, we have now almost a flat [inaudible] traffic development – minus 1% year-over-year. And I'm happy to observe now that it seems like the prepaid decline in revenues is starting to flatten out. And we also see that, despite the intense competition, we are able to protect our EBITDA margin in Thailand. In Malaysia, as I said, post-paid, it's growing – 12% growth in that segment. And the minus 6% of the revenues is then mostly coming from an intense competition in the prepaid segment. In the prepaid segment, DiGi is the largest player, but when the competition is more incentivised, of course, we are being hit harder. In addition to that, we are also having the highest position in the migrant base. And we see that there are fewer migrants coming to Malaysia than it was in the past, and we also see pressure on the international traffic for the migrant workers.

Moving to the emerging Asia, which is a growth star of this quarter. In the cluster, we see that we added 10 million data users in the last year. This is coming from improved data networks, and they are continuing to roll out 3G in Bangladesh, 4G in Pakistan, and also starting to roll out 4G in Myanmar. And for example, we have now moved up the population coverage on our network in Myanmar from 62% to now 90% coverage in the end of the first quarter. We also see that the data increase is driven by smartphone – more smartphones out in the market. You get now a decent smartphone to a US$30 price in these markets. That is a 20% reduction in the smartphone prices year-over-year. And we see that the smartphone penetration, especially in Bangladesh and Pakistan, is still low, so we foresee a continuous growth in the data segment in this cluster.

We also see that the growth on data, of course, is giving us a better margin than the voice, and that is the main reason why we are able to grow the EBITDA way above the revenue growth. Plus, of course, also a continuous focus on cost efficiency, despite also adding costs on the increased network rollout.

Then go a little bit more into the details again. In Grameenphone, 11% revenue growth coming from both new customer additions and an increase in ARPU. And I am happy to see that we are able now to not only reach more customers, but actually also grow the usage with the customer base. And again, we see that the data growth gives us a very high EBITDA margin growth at 17% EBITDA growth year-on-year.

In Pakistan, 10% revenue growth. And all this growth is not coming from the mobile business. In this quarter, we had moved financial services down to other units as of this quarter. In Myanmar, at 13% revenue growth coming from, again, increased rollout and then reaching more subscribers. And as I've said, we have 90% population coverage now in Myanmar. And I'm happy again to see that despite now going into the most rural areas – out into the villages – we are able to have a stable ARPU development. In the quarter, we also introduced SIM registration in Myanmar, similar to what we have done both in Pakistan and in Bangladesh. And 88% of the SIMs are now registered, which covers 98 to 99% of the revenue-generating SIMs.

Then closing up with what we talked about in capital markets day. What we focused on, what we told you about then was that we are going to step up our cost efficiencies, utilising the digital opportunities to digitalise our core business, but also to leverage scale across our footprint. We also talked about, in capital markets day, that we want to prioritise and simplify our portfolio. And during the quarter, we have taken several steps in that direction. We have, as you know, recent agreement with Bharti to exit India, and as we said when we announced that, we estimate the closing of that within 12 months. And we are now in the process of getting the necessary approvals.

We have also launched a new cluster-based organisation, basically clustering our 12-plus India operations into four clusters. That is to get more focus on these clusters and also to have a potential of developed co-operation and efficiencies in the clusters – among the business units in the clusters. We are also, as you know, taking next steps of exiting Veon, or previously VimpelCom. We are now down to 19.7% ownership in Veon. Our intention remains our having a complete exit out of this company. Although minor, we have also sold Startsiden, which is a Norwegian internet portal. I am using that also here as an example of our efforts of focusing our portfolio.

So, to summarise the quarter, I am pleased that we are delivering organic EBITDA growth and we see solid revenue trends. I am also pleased by seeing that our efforts on efficiency focus will lay a good foundation for strong operations in the quarter to come as well. So with that, I will ask Jørgen to come and go through the financials. Thanks.

Jørgen Rostrup: Thank you so much, Sigve, and good morning to all of you. As Sigve showed you, we are reporting a quarter with stable revenues, with increasing EBITDA margin and increasing cash flow. On the cost side, we are starting to sign off our efficiency initiatives. We continue to stabilise OPEX this year and prepare for our gradual reduction next year. And then, following our announcement in the February of exiting India, our financials are now presented with India as discontinued operations. My comments on financial performance and the outlook for 2017 will therefore be made on the basis of the current group structure excluding India.

We have reported revenues for the quarter of NOK 30.5 billion, which is down 3% year-on-year due to negative currency effects in the range of 1 billion. Adjusted for these currency effects, revenue are stable year-on-year. Then last year, we had a positive one-time effect in the range of 0.2 billion from a settlement in the broadcast division. You will see it influencing the numbers in broadcast quite significantly. But also, adjusted for these on a group level, organic growth was around 1%, i.e. in line with the trend from last year where we had 0.8% growth if you exclude India from the number in '16 in total.

Looking in more detail on the revenue and development, the main positive contribution to reported revenues are coming from emerging Asia operations, as Sigve was talking about, which all delivered double-digit growth numbers or approximate an effective 0.4 billion on their top-line revenue increase. Then Thailand and Malaysia both contributes negatively in this slide. Reported revenues in Thailand, in particular as Sigve said due to lower device sales, which accounted for two thirds of the drop. And in Malaysia, due to prepay development and also negative currency movements, as we have seen in Malaysia for some time. The decline in [inaudible] cost again is mostly explained by the possibly one-time effect last year and a little bit currency effects.

As you know, it is our ambition to break the trend of increasing OPEX in 2017. This we talked about at capital markets day in February. We are looking both at initiatives to lower cost base long term, but obviously also everyday cost control is very high on the agenda in Telenor these days. In Q1, we reported an OPEX decline of 3%, or NOK 0.04 billion, with lower marketing and also regulatory cost being the key drivers, in addition to currency movements. Among other things, we have continued our rightsizing activities during the quarter, and we are approximately 600 full-time employees less at the end of this quarter than at the end of quarter four. And then also, obviously, OPEX are fluctuating quarter to quarter, but when we measure it on a rolling – four-quarter rolling basis, we see stabilisation of OPEX, as has been the ambition for the year.

EBITDA came in at 11.5 billion in the quarter, equal to an EBITDA margin of 38%, which is one percentage point higher than the same quarter last year. The EBITDA margin improvement is predominantly coming from a higher gross margin, as the OPEX sales ratio were fairly stable. Organic EBITDA growth was 3%, and then, if you adjust for the broadcast effect, growth was 5% for the quarter.

Looking at EBITDA again contribution per operation, the trends are similar to the revenue development – profitable data growth in Bangladesh and Pakistan translating into solid EBITDA growth contributions from these countries. In Norway, EBITDA was down approximately 200 million in the quarter. Then remember what Sigve said – that data rollover in Norway during the quarter had a negative effect of approximately 85 million. There were also a positive one-time effect related to our Star project in Q1 2016 of 50 million. And adjusted for these two elements, EBITDA margins for Norway is at comparable levels. And then, as previously mentioned, settlement in broadcasts also impact EBITDA.

All in all, we believe we have expanded the margin and delivered healthy, organic EBITDA growth, even in times with less top-line growth in the numbers. CAPEX in the quarter was 4.5 billion, decreasing from the high levels that we saw both in Q1 and also in Q4 of 2016. Investment in Thailand and in Norway constitute of half of the CAPEX that we have spent in the quarter. In Norway, as Sigve talked before, it is fibre and it's 4G rollouts which constitute most of the CAPEX in Norway. And this quarter, fixed and TV investments is the key reason for the increase in Norway's CAPEX, and it constitutes around 30% of the CAPEX spent in Norway in the quarter.

In Thailand, investments are still focusing on network densification, both on 3G and on 4G, and dtac in Thailand almost doubled its 4G sites in the last year. The CAPEX to sales ratio for the group is approximately 15%. That is comparable to the 17% level that we held in 2016. There were no spectrum or licence investments in the first quarter of 2017.

The income statement shows a net income to Telenor equity holders of 4.2 billion this quarter, representing an earning per share of NOK 2.78. I have already talked about the revenue line, about the EBITDA line, and as depreciation, net financials and also taxes are approximately the same level as Q1 in last year, I would only comment on a couple of other items on this overview. Other items of minus 178 million include restructuring costs related to workforce reduction, primarily in Norway with approximately 165 million in the quarter. It also includes a gain of 65 million resulting from disposal of stocks that Sigve commented on.

The effect on associated companies and net financials are related to the change in market value in the period of Veon and the exchangeable bond – the Veon shares – that has the Veon shares as their underlying security. If you look at the other line, in Q1 '17 we have a marginal effect from continued operation – discontinued operations in India. And then bear in mind, according to the IFRS accounting principles, the profit from discontinued operations includes only external transactions, hence it is not fully comparable to a stand-alone business overview.

Free cash flow of 2.2 billion in the quarter. Net cash flow from operating activities this quarter is 9.2 billion. The reported EBITDA of 11.3 is then partly offset by taxes paid of 1.1 billion and net financial interest payments of 0.5 billion and operating capital increase of 0.4 billion. Net cash outflow from investing activities is 5.4 billion in the quarter, predominantly consisting of 5.3 billion in investments paid in the quarter, heavily influenced by the high investment level that we saw in Q4 of '16 having the cash effect now in the first quarter of '17. In addition to the cash flow from operating and investing activities shown on this slide, the free cash flow reconciliation also had some effect from financing activities. This quarter it includes 0.3 billion paid in dividends to non-controlling interests of DiGi in Malaysia, and also 1.1 billion related to the supply chain financing arrangement in Norway, which is actually a working capital element.

In total, this gives a free cash flow of 2.2 billion in the quarter, as I said. Telenor is in a solid financial position, which also is a key priority for us to maintain. As you can see from this graph, the net debt decreased by 0.7 billion in the quarter, while the net debt to EBITDA ratio remains stable at 1.2 times. And then the net debt reconciliation that we have put up on the right-hand side of the slide should be fairly straightforward. The negative currency effects of 1.2 billion this quarter comprise translation effects of debt held in other currency than Norwegian krone due to the weakening of Norwegian krone in the period. And then we have capital – changes in working capital and other of 1.9 billion, which is including the supply chain financing model that we talked about from Norway.

We continued, as Sigve said, to sell down our position in Veon in first quarter. We sold 70 million ADS, American Deposited Shares, comprising around 4% of the total share capital in Veon, and this resulted in proceeds – net proceeds for us of 2.2 billion. It took, as Sigve said, our ownership down to 19.7%. And the transactions followed the transaction we had in September where we sold shares and also established an exchangeable bond based on the Veon shares. Following the transaction in April, Veon will no longer be treated as an associated companies with us; we will treat it now as a financial investment in our financial reporting. This also means that all previously recognised currency translation differences, a total of 7.5 billion effect, which has been accounted for directly to the equity on the balance sheet, will now have to be reclassified to the profit and loss statement with no net effect on the balance sheet equity, and the cash – and this will happen in second quarter. Also the cash effect from the sale, the proceeds of 2.2 billion will be accounted for and registered in second quarter. And then as Sigve said, we will continue with the aim to sell down, but the timing of this we have no comments to, and we have the time we need.

Outlook for 2017 – to us it is still very early in the year, so we have simply made one basic adjustment to the outlook, and that is a technical adjustment due to the fact that we are taking India out of our financial core communication around our development of the business, so it reflects the current structure – group structure, excluding India. And excluding India from group numbers improve EBITDA margin, we believe, by around one percentage point, while the impact on the revenue and CAPEX to sale is estimated to be marginal. Hence this means that for 2017, we still remain 1-2% organic revenue growth. We are saying that EBITDA margin around 37%, which is up from around 36% when India was included, and CAPEX to sales ratio excluding spectrum licences in the range of 15-16%, i.e. that is unchanged.

To summarise the quarter, we are reporting, we believe, solid revenue growth in several of our core areas and are working actively to strengthen performance in areas where we see potential for improvement. For the group as a whole, we delivered a quarter with stable, organic revenues with the margin expansion and increased free cash flow in the quarter. All in all, I would say that the performance in first quarter was in line with our own expectations. Our approach to value creation that we talked about also in February when we met focused on innovative and customer-friendly offerings, efficient operations and simplification. These are the themes that goes through the group and through the discussions on a regular basis. Although still in an early phase, we believe that the activities we are ramping up within these areas will continue to take us to a – in the wanted direction and shape the future of the group. So with these words, maybe it is time for Q&A.

Marianne Moe: Thank you, Jørgen and Sigve. We will as usual start the Q&A session by taking questions here from the audience presently at Fornebu before we open up for the conference call participants.

Operator: If you would like to ask a question over the telephone, please press star one and please limit yourself to one question. Star one to ask a question.

Speaker: – the likes of your dividend policy presented in February, from what I can calculate, net debt to EBITDA is now adjusted for this 2.2 billion, close to one. And on data rollover, can you also provide some insights into how we should think, model around deferred revenues with regards to seasonality patterns and also churn in Norway. Thank you.

Jørgen Rostrup: Yes, on the proceeds, the thing I want to say about that it is to repeat what we said at the capital markets day. Our financial policy is to continue to have a very healthy and strong balance sheet, and it is to deliver on an increased actual dividend payout in the years to come. And that is something that everything we do is going to building up against, because we really want to deliver on that policy. And on top of that, we are going to the annual general meeting next week to ask to get an approval for a potential shares buyback. But more than that, I don't think we will want to go into to, to comment on the proceeds. You want to add something to that?

Sigve Brekke: No.

Jørgen Rostrup: On the data rollover, I think that is too early to say. We need to see how our customers are adjusting themselves to a very customer-friendly data rollover package. So we need another quarter, I think, before we can be specific on where we see this developing and what type of effect it will have. However, I think the 85 million effect we saw in the first quarter – I think that is on the higher side. We don't expect that to continue.

Marianne Moe: Keep in mind that this is an accounting effect with no cash flow impact. Next question, please. I don't think we have more questions here from the audience present at Fornebu, so I will then ask for the first question from the conference call participants.

Operator: We will take our first question from Roman Arbuzov from UBS.

Roman Arbuzov: Oh, hello, thank you very much for taking my question. My question is on cost. With your renewed focus on cost production, can you just first please clarify whether – when you were talking about flat OPEX for the year, were you talking in organic terms or reported terms? And I was also wondering if you could just give us a little bit more granularity in terms of which cost line items perhaps you'd expect to increase during the year, and where is – where do you see a lot of room for improvement? Thank you.

Jørgen Rostrup: We were – we haven't been very precise on the organic versus the reporting because following every effect on that is going to be very challenging. So basically we are relating to the reported numbers in this. When it comes to giving more information, we have been through this in capital markets day, and at the capital markets day we said we will get back to it during the year, and that is probably going to happen in the third quarter. But it is within the large cost bracket, so to say, and in all parts of our organisation and in all business units. So it is a large effort, both with the short-term measures for this year in order to curb the trend that we have pointed to and then with longer-term measures in order to get the different development going further.

Roman Arbuzov: Thank you.

Marianne Moe: Next question, please.

Roman Arbuzov: I have a follow-up related to cost. For Norway, did you expect your cost and margin to normalise or broadly normalise from next quarter already?

Jørgen Rostrup: Was it for Norway?

Sigve Brekke: Yes.

Jørgen Rostrup: Well, Norway has shown over several quarters an impressive development in taking down cost – in particular, obviously, on its legacy business. This quarter was flat and there was no further reduction in cost this quarter. But at the same time, Norway has this quarter again increased efficiency by taking out full-time employees according to our general development. And that will continue, and we will get effects from the action taken this quarter next quarter, we believe, and then there is a significant programme in Norway that still is rolling quite well. But we shouldn't be prepared for every business unit to see these effects every quarter. We have to see these over time, but the programme is going forward with full force.

Marianne Moe: Thank you, next caller, please.

Operator: The next question comes from Peter Nielsen from ABG.

Peter Nielsen: Thank you, question on Norway please. ARPU, as you highlighted, underlying ARPU trends are positive, if we adjust for the sort of data rollover etc. I assume part of this underlying ARPU improvement is due to the simple fact that you have been losing low-end mobile customers. Don't know if you could comment on that – how much of an impact that has – and also how long, how deep your tolerance levels are for continued loss of mobile customers in Norway, please. Thank you.

Jørgen Rostrup: Yes, I can comment on that. I think the main effect behind the ARPU increase in Norway, it's that we are able to upsell our customers – post-paid customers to richer packages. And as I have said, so far we have upsold around 60% of the post-paid base are now on packages which includes more data and also includes Roam Like Home. I don't have a number on the ARPU increase of that, but all those packages would be – the ARPU effect of that is quite significant, higher than the ARPU effect of the previous packages. So that is the main way that we are driving up in Norway, and it is all coming from an continuous increase to multi-data.

On your second question, yes, we disconnected some data card users, so in the numbers, the 40,000 numbers you will see in the report, a part of that is actually a data card. We are not selling that actually in the market any more, so this is disconnecting old customers and moving them into more normal data packages. And then we are also losing some customers in the price-sensitive segment. But this we have seen for some time, and yes, there is a competitive market in Norway. I wouldn't say that that is getting worse than what we have seen over the last few quarters, but of course this is something that we are actively monitoring. We also are fighting this with our fighting brand in Norway, Talkmore, which I think is very competitive in this segment, whereby the model brand Telenor is then making sure that we continue to help keep our market share in the value segment.

Marianne Moe: Next question, please.

Operator: We will now take our next question from San Dhillon from Exane BNP Paribas.

San Dhillon: Hi, guys. Just one question. A lot of the OPEX simplification and reduced CAPEX you just discussed, it kind of strikes me as a business that isn't particularly fussed with delivering top-line expansion – is happy with a stable revenue outlook. Would love to get your thoughts on that statement. And also would like to know if you expect to reinvest any of the efficiencies you expect to deliver in the coming year back into the business to deliver revenue growth?

Jørgen Rostrup: Yes, so thanks for that question. So we believe that, based on the very successful growth period that Telenor has been through for many years, that there is also a scope for adjusting the cost base without harming the growth top-line. We also believe that an investment level of 15%, 15-16%, is more than adequate to also foster growth where we have good growth opportunities. So we are very careful about doing something that will harm profitable growth for the group. That is a very key element in our discussions. But, as I said, we still believe there are rooms to improve efficiency and adjust how we work and how we prioritise in some areas, simply as a very natural consequence of having a fantastic growth period behind us and still stimulating the growth that we see we can have on our portfolio going forward. If these impressions change, we will have to discuss that, but we are not there at all now. The 15-16% CAPEX is a relatively high level CAPEX-wise historically, and we see that we are still fuelling significant network expansion, 4G and 3G expansion in Asia and also the fixed development in Norway and Sweden.

San Dhillon: OK, just a quick follow-up if I may, and possibly I could look at your annual report to find this out – is any of your shareholder remuneration linked to revenue growth, or is it more free cash flow expansion?

Jørgen Rostrup: You say shareholder, but do you mean management?

San Dhillon: Sorry, management, yes.

Jørgen Rostrup: Because the shareholders should be rewarded for everything we do, I hope. But management has a balanced scorecard, which means that the board has a clear expectation to management both on foster growth and also to work on efficiency and to work on portfolio together with working on how we behave in the society and how we develop the leadership development agenda in general. So it is a balanced scorecard which is deciding the bonus for management. The ambition to the board is quite clear, along the lines that we have discussed at capital markets day, a balanced approach.

Sigve Brekke: Maybe just add to that, but I think in addition to what Jørgen is saying, I think it is fair to say that we are putting more focus on cash flow generation now than only keeping the top-line growth. That is a clear message from the board, and also then reflected in the scorecard that the management has. And that is also, of course, as a result of what I said – that we really want to make sure we are driving shareholders' value. And that is why it is so important for us to make sure that we are generating enough cash flow to keep a healthy, strong balance sheet and deliver on the dividend policy that they have communicated.

Marianne Moe: Thank you both. Next caller, please.

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

Andrew Lee: Thank you. Good morning, everyone. First question is just on Sweden, I just wonder what your – on your early thoughts are about the – Kinnevik's taking a stake in Com Hem. I guess it makes it more likely Com Hem will get an MVNO from Tele2. I just wonder if you would now think about offering Com Hem a competitive MVNO. And more importantly, what does this do to market dynamics and your view of your Swedish strategic positioning? And then the second question was just, I guess, following on from San's comments on growth, particularly on Norway. Can you just give us a bit more colour on the competitive intensity in Norway, and when and how do you get back to growth in your home market – top-line growth in your home market? Thank you.

Jørgen Rostrup: I can obviously not comment on what our competitors are doing in the Swedish market, but I think we are very satisfied with the position Telenor has in Sweden. As I said, it seems like we actually took market share, relative market share, both on mobile and fixed in the first quarter. So we are continuing then to drive top-line growth, both mobile, but also so you know that we are able to monetise our fixed position in the Swedish market. So that solid position we have, I think we can continue to grow based on. Your second question was on the –

Marianne Moe: On the competitive situation in Norway.

Jørgen Rostrup: Yes, I think I already answered that question. I will say that the competitive situation remains. Yes, there are three aggressive players in Norway, and that we have seen for some time. So I wouldn't see that we see any change of that in this quarter. And we stay competitive, and we have lodged several offers for the youth segment, we are focusing on delivering value to our customers with [inaudible] to the month. We have the [inaudible] handset and so on and so forth, so I think we are well positioned.

And to your question on the growth in Norway, I think we are very satisfied with the growth we see in fibre and TV which is supported by that. And we also hope that we can continue with upsell logic, and we see that there is still data demand in Norwegian markets that we would like to deliver on. That is why we also have – as you also know, have taken a decision to invest on 4G even faster than original plans. So, during the year, we will have 4G on all our 2G base stations, covering basically the entire population. And with that network, I think we are in very good competitive position.

Marianne Moe: Next question, please.

Operator: We will now take the next question from Ulrich Rathe from Jeffries.

Ulrich Rathe: Thank you. I would use my question on Pakistan, obviously the deconsolidation of the financial business sort of changed numbers, but still, the first quarter margin looks exceptionally high compared to the restated numbers for last year. At the same time, you have somewhat slower intake. I am just wondering whether there is a new balance to be struck now that the ID sort of systems are in place, or whether this is just a quarter with slightly slower growth and higher margin, or how this is sort of going to pan out in terms of, you know, the balance between intake, costs and margins in Pakistan. Thank you.

Sigve Brekke: I think both me and Jørgen commented on the main reason for the margin development, of course, is that when you grow double-digits on data growth, you get a better margin than the traditional voice business. So that is why you see a significant EBITDA growth. I think this is also a competitive market even though it has now been consolidated down to a few player. So in this market, competition is seasonal factors, and that is the reason why you see the quarters going up and down. But I think that what we see in the Pakistan market is that we are now well positioned with our data network, we are well positioned with our customer offers, and we see that the smartphone penetration is still relatively low. And that is why we foresee a continuous significant growth on data customers in the quarter to come.

Marianne Moe: Next question, please.

Operator: We will now take the next question from Thomas Heath from Deutsche Bank.

Thomas Heath: Thank you, Thomas here. Just a question on [inaudible] being moved from other to Denmark. Does this mean that this will only service Denmark with the new IT platform? And then on fibre CAPEX, is there any way to quantify how much installation of residential fibre impacts CAPEX and EBITDA in Sweden and Norway? Thank you.

Jørgen Rostrup: On the first question, we now have launched our IT solution, VSS solution [sound slip].

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

Jakob Bluestone: I had a question on the outlook, please. I mean, the revised outlook is basically indicating that you expect EBITDA margins to be flat to slightly up in 2017, which I guess is pretty consistent with what you have delivered during Q1. However, Q1 was impacted by the rollover effect, the base effect in broadcast, and the later quarters should benefit from some of the OPEX reduction you outlined, including the reduction of headcount of about 600 full-time employees. So, can you maybe comment on is there – are there any sort of particular headwinds later in the year that we need to bear in mind, or is this guidance perhaps a little bit conservative given that presumably your margin trends should accelerate later during the year? Thank you.

Sigve Brekke: Thanks for that question. It is as simple as I pointed to. We have simply made a technical adjustment for India in this quarter. Normally we would expect very, very clear signals on a particular development. If we were to adjust our forecast as early as first quarter, then it had to be something very, very significant. So, you know, some people would view that one of these are on the south side or the north side of what they believe in, but simply we have just made technical adjustment for India and we will follow this. This is our best estimate.

Marianne Moe: Next caller, please.

Operator: We will now take the next question from Dominik Klarmann from HSBC.

Dominik Klarmann: Thank you. Sigve, [inaudible] how far you are ready to go with your [inaudible].

Marianne Moe: Dominic, it is very difficult to hear you. Could you please try to –

Dominik Klarmann: Yes, so, just an update on how you think about your ambitions to simplify [inaudible] to go on [inaudible] Russia [inaudible].

Marianne Moe: It is very difficult to hear you, Dominic. So I hear you're talking about simplification, but could you please try to shorten the question, so we can try to answer it? The line is of very poor quality.

Dominik Klarmann: So what assets are core assets for you? Are you happy with [inaudible] what are your discussions around Eastern European [inaudible]?

Marianne Moe: It seems to be a question about the simplification and the next step on simplification. I guess there are no precise answers.

Sigve Brekke: No, as we talked about in February, we want to simplify and we want to make sure that we have a prioritised portfolio, and that is why you see that we take action on India. That is why you see we take action on VimpelCom, and that is also why we are clustering or grouping the business unit into clusters to make sure that we also try to take out synergies in these clusters. And I also mentioned the [inaudible] as a smaller example. So we will continue to do that, as we also said on the capital markets day. We will look through our non-core assets, and all this will be done in the light of how can we make sure that we are driving sales value and how can we make sure that both management efforts, but also the model deployed, are then giving us shareholder's value or yearly results. So, more than that I cannot say. It is a direction which we are starting to deliver on, and when we have more to announce, we will announce.

Marianne Moe: Thank you, Sigve. We have time for one more question, final question.

Operator: We will now take our last question from Keval Khiroya from Deutsche Bank.

Keval Khiroya: Thank you. I've got a question on Denmark, please. Obviously saw a very strong margin improvement in Q1. Do you see scope for further margin improvement in Denmark? And if so, does it improve your organic case in the country, or do you still feel the Danish market needs some kind of structured solution towards consolidation? Thank you.

Jørgen Rostrup: Yes, the Danish market stays very, very competitive, so in that sense there is no real change. And as you know, we have been evaluating different alternatives. Right now, we think the best alternative for us is to increase the efficiency and improve the profitability of the Danish operation, and that is the main focus that we have right now. Of course, we will have our ears and eyes open, but in the meantime, to improve the bottom line and efficiency is the main focus that we have. I cannot give you any guidance on what that means in practice, but that is the focus and this is what we hope that we can demonstrate in the quarters to come.

Keval Khiroya: That is clear, thank you.

Marianne Moe: And that ends the presentation on the first quarter results here today. Thank you, Sigve and Jørgen and all of you participating. If there are any further questions regarding results, the investor relations team is as always happy to take your questions after the session. And there will also now be an opportunity for media present here at Fornebu to ask questions to the group CEO and the group CFO. That will take place in the room next to the auditorium, and Meera [inaudible] will follow. So please, follow media – Meera to that room. Thank you.