



# Telenor Group – Fourth Quarter 2013

**Jon Fredrik Baksaas, CEO**



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2013

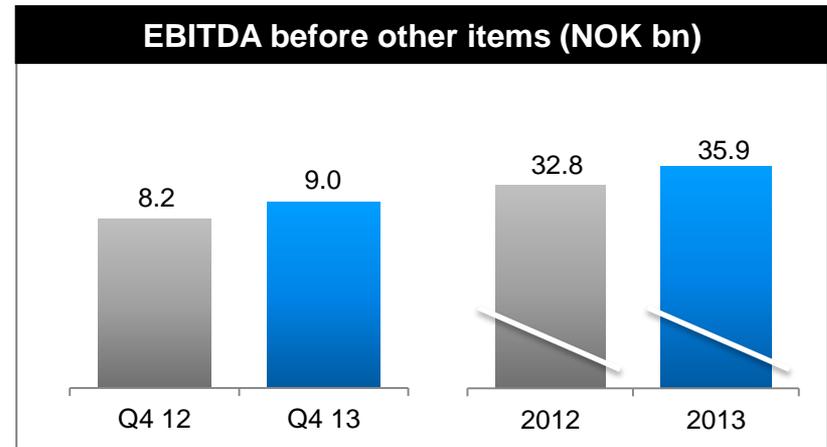
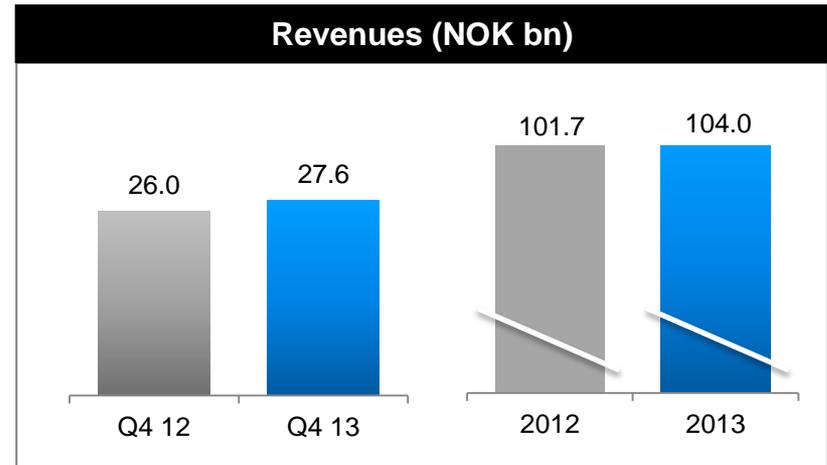
# Record-high EBITDA and positioned for future growth

## Fourth quarter

- 5 million new subscribers
- 1% organic revenue growth
- 32.6% EBITDA margin

## Full year 2013

- 17 million new subscribers
- Revenues of NOK 104 billion
- EBITDA of NOK 36 billion
- Operating cash flow of NOK 21 billion
- Proposed DPS of NOK 7.00



# Good execution on strategy in 2013

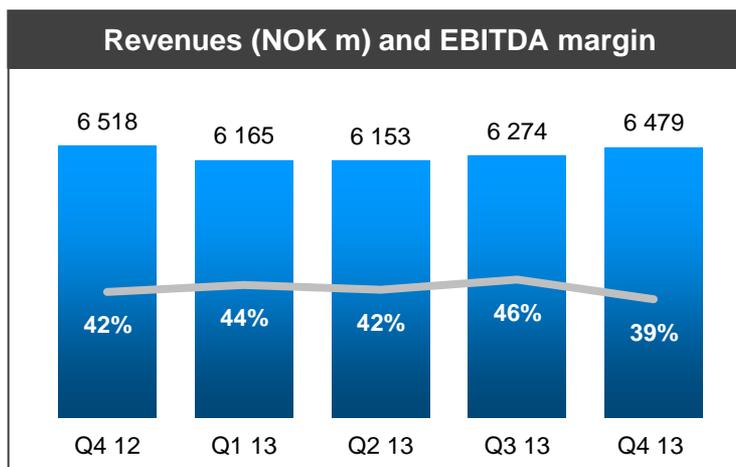
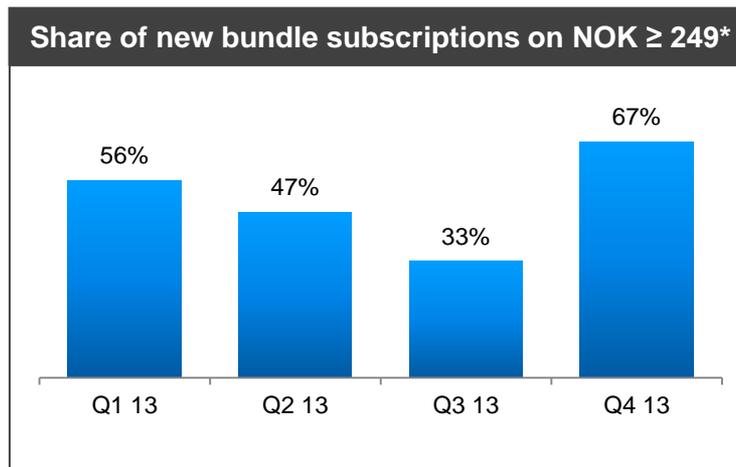
- Increased or maintained revenue market shares in all key markets
- Good progress on Internet for All strategy in Asia
- Ability to grow revenues while maintaining flat opex
- Leveraging on regional experience by adding two new markets



## Q4 2013

# Subscriber growth and improved sales mix in Norway

- Continued subscriber growth on mobile and fibre
  - 15k mobile subscribers added
  - 8k new fibre connections
- Stable total revenues excl one-time effect
  - 2% decline in mobile service revenues excl. IC
  - 6% growth in fixed Internet & TV revenues
- Improving sales mix in mobile consumer segment
- Secured spectrum for nation-wide 4G rollout

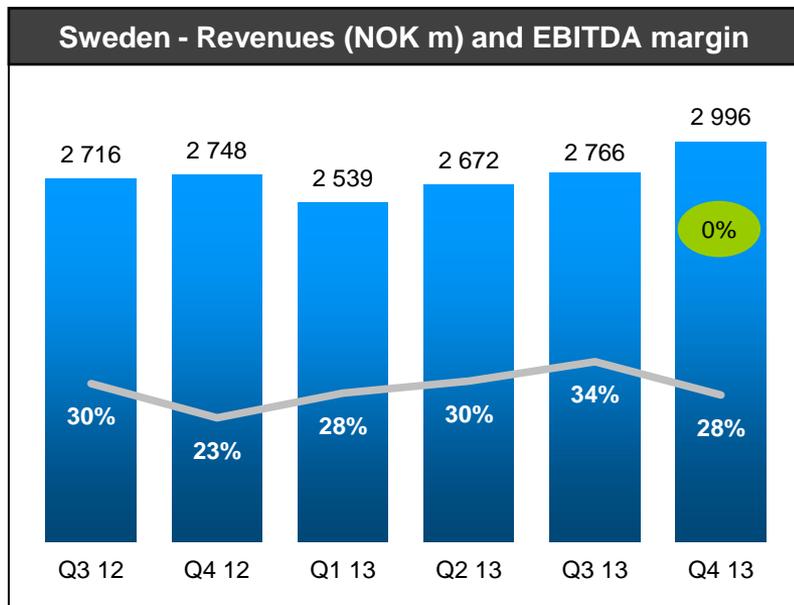


\*Consumer segment

EBITDA margin before other items

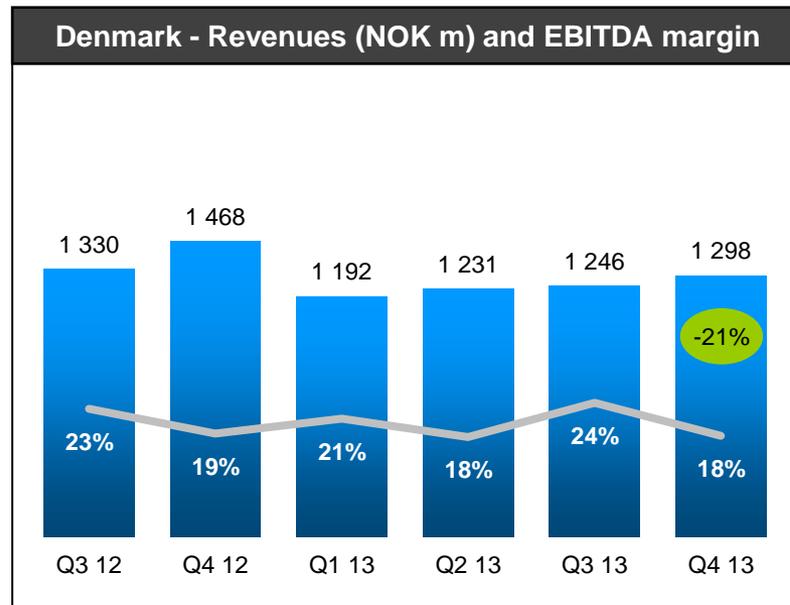
## Q4 2013

# Continued strong performance in Sweden, stabilising ARPU in Denmark



- 11% mobile service revenue growth excl. IC and handset-related discount

 Organic revenue growth

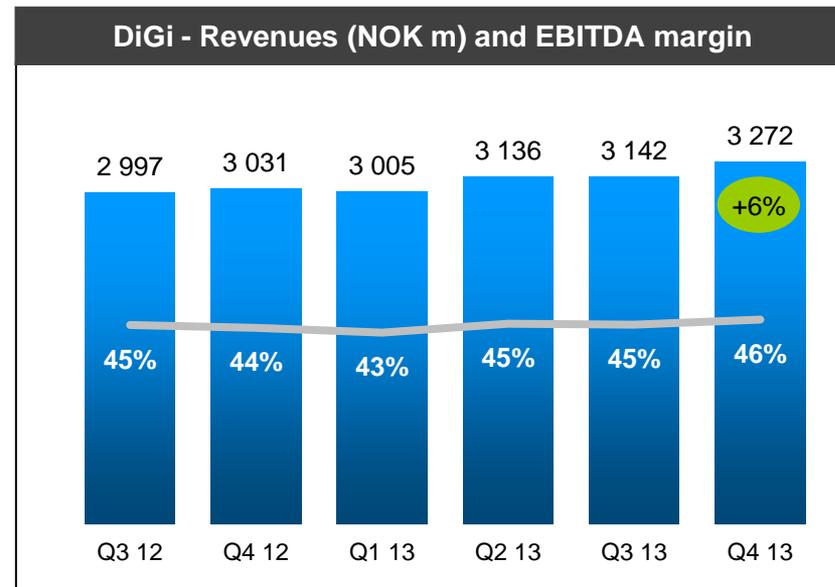
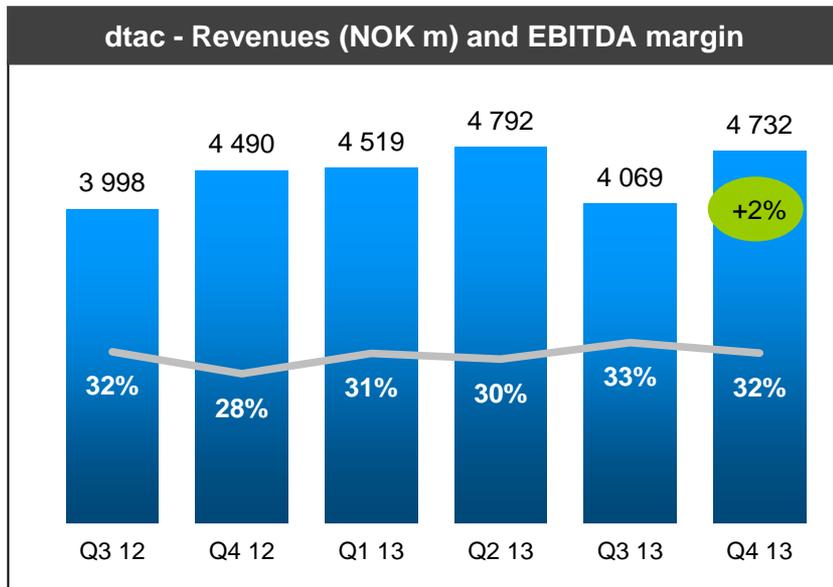


- 9% decline in mobile service revenues excl. IC
- Stabilising trend in mobile ARPU and postpaid subscriber base

Organic growth assuming fixed currency, adjusted for acquisitions and disposals. EBITDA and EBITDA margin before other items. Capex excl licence fees

## Q4 2013

# Migration on track in Thailand, all-time high cash flow in Malaysia



- 12 million subscribers on 2.1 GHz network end of 2013

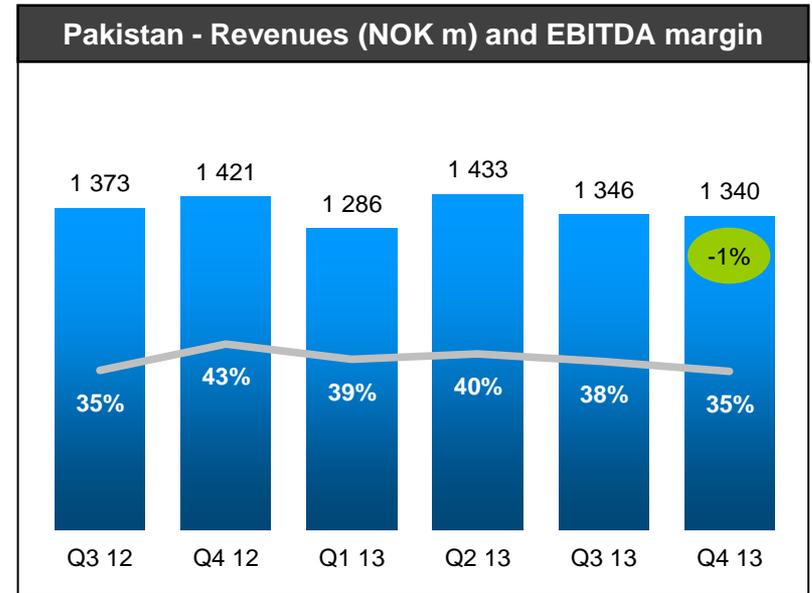
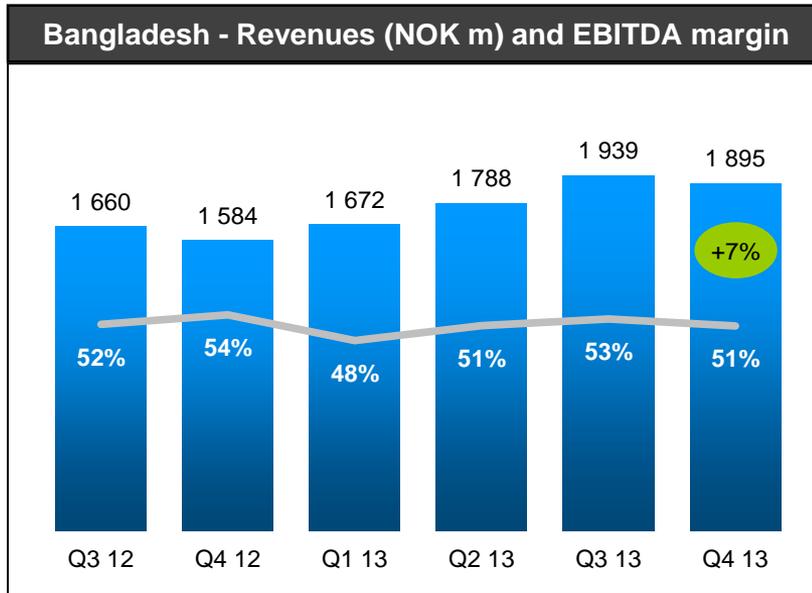
- Successful Internet for All strategy
- Operating cash flow of NOK 1.3 bn in Q4

 Organic revenue growth

Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA and EBITDA margin before other items. Capex excl licence fees

## Q4 2013

# Political unrest and regulatory issues slowing growth in Bangladesh and Pakistan



- 34 days of hartals in November and December

- Continued pressure from regulation and weak macro
- 3G auction expected in 1H 2014

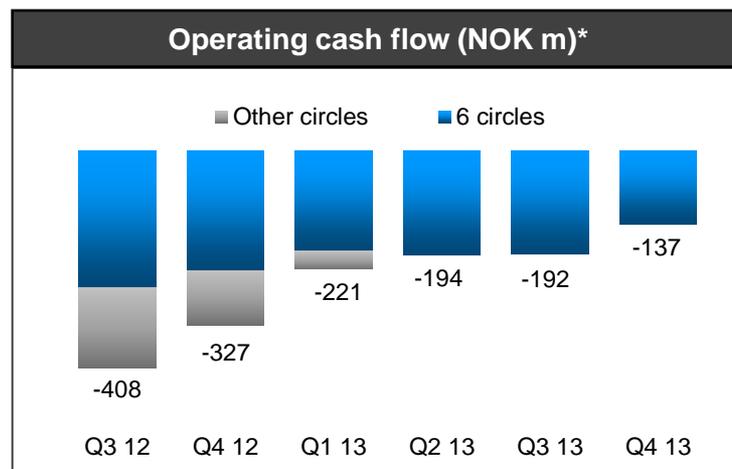
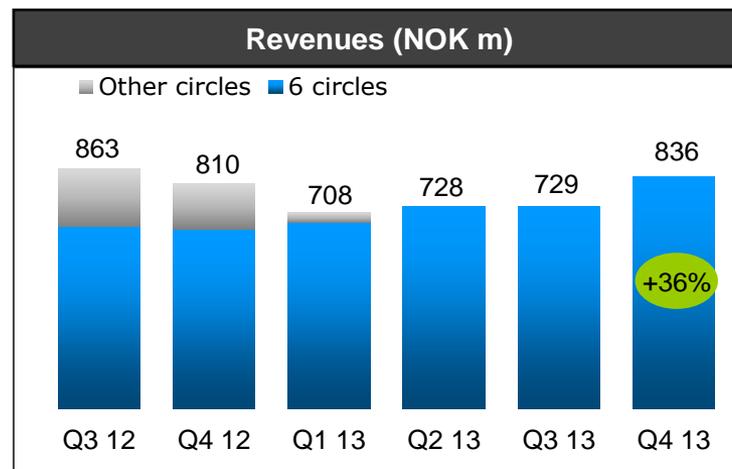
 Organic revenue growth

Organic growth assuming fixed currency, adjusted for acquisitions and disposals.  
EBITDA and EBITDA margin before other items. Capex excl licence fees

# Strong revenue momentum in India

- Operating model yielding results
  - 2 million new subscribers in Q4
  - Further churn reduction
  - 36% organic revenue growth
  - Promising step into data
  - Extreme cost efficiency
- Taking the leading challenger position
- Business transfer to Telewings completed
- Redeploying 5,000 sites to accommodate geographic expansion in existing circles

 Organic revenue growth



\*) Excl bonus pay-out in Q4 2013

# Myanmar – an untapped growth opportunity

- Licence award in February 2014
- Leverage on our Asian experience and reuse of concepts
- Strategy based on mass market approach and low cost operations
- EBITDA break-even within three years
- Peak funding of around USD 1 billion, of which USD 500 million licence fee



# Priorities for 2014

Improve efficiency

Monetise data

Internet for All





# Telenor Group – Fourth Quarter 2013

**Richard Olav Aa, CFO**



## Q4 2013

# Full year performance in line with outlook

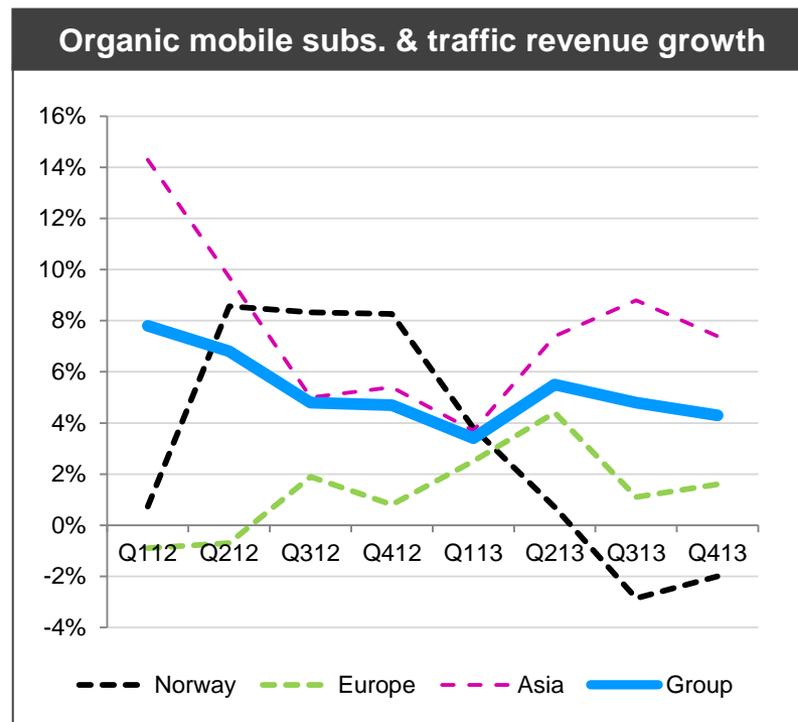
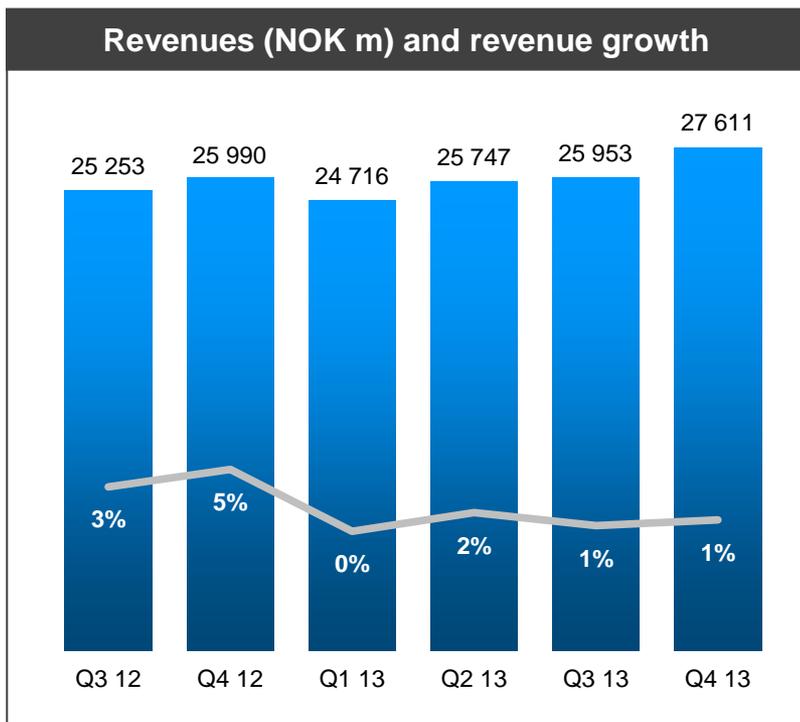
	2013 Outlook	2013 Actual
Organic revenue growth	1%-2%	0.9%
EBITDA margin	Around 34%	34.5%
Capex / sales	13%-14%	14.1%

### Issues impacting Q4 performance:

- Lower than expected handset sale in several markets
- Severe political unrest in Bangladesh in November and December
- Increased capex in Thailand to cater for migration to 2.1 GHz network

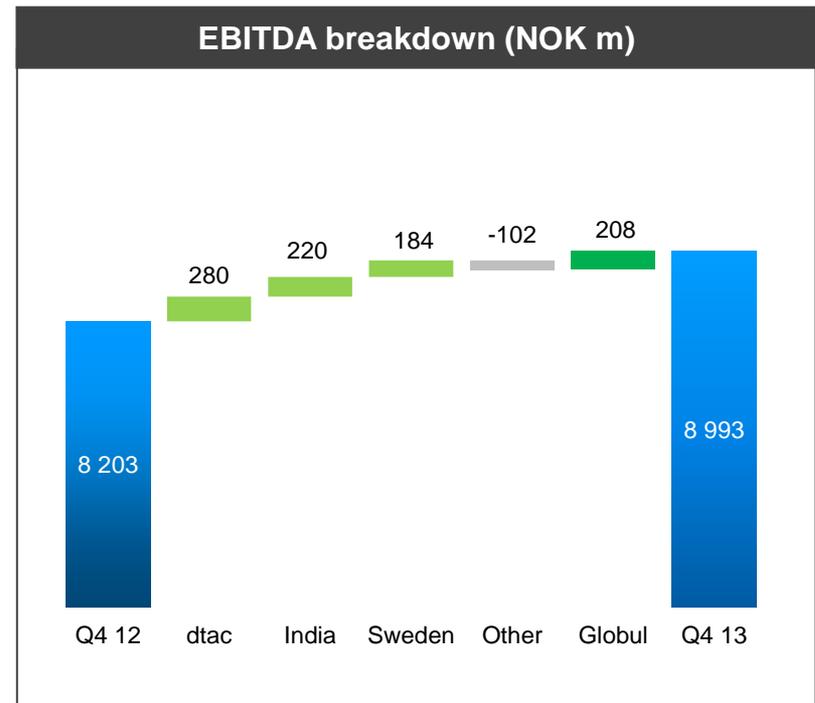
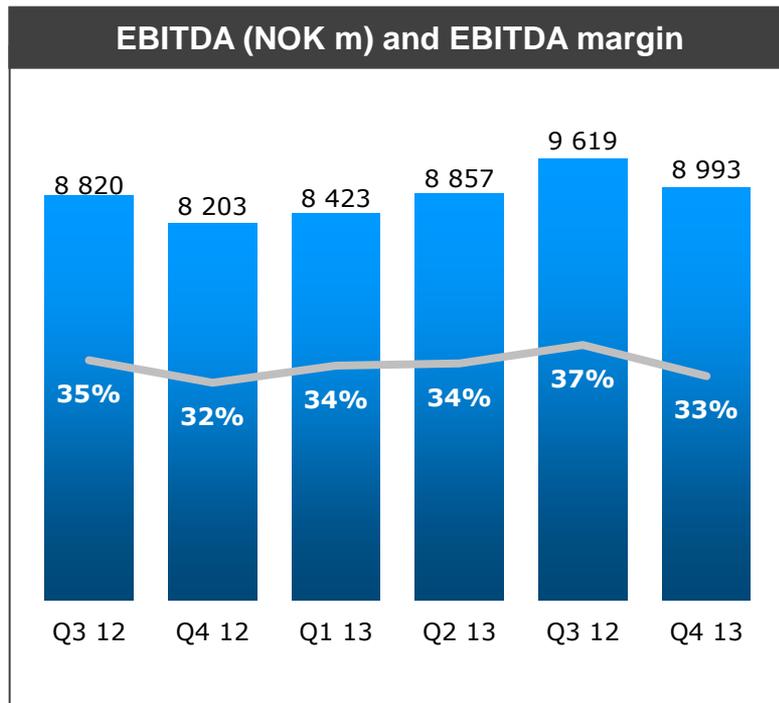
## Q4 2013

# Stable underlying mobile service revenue growth of 4%



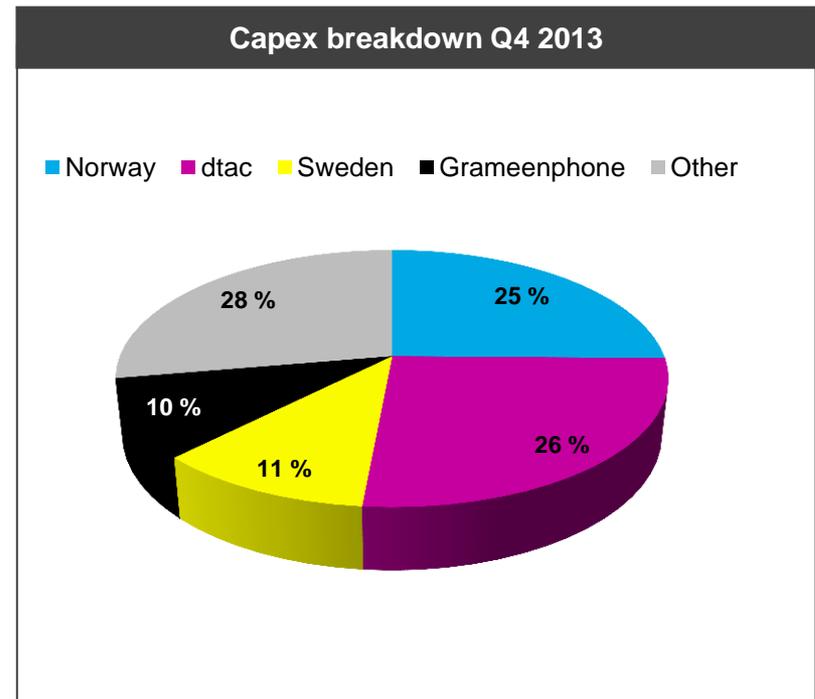
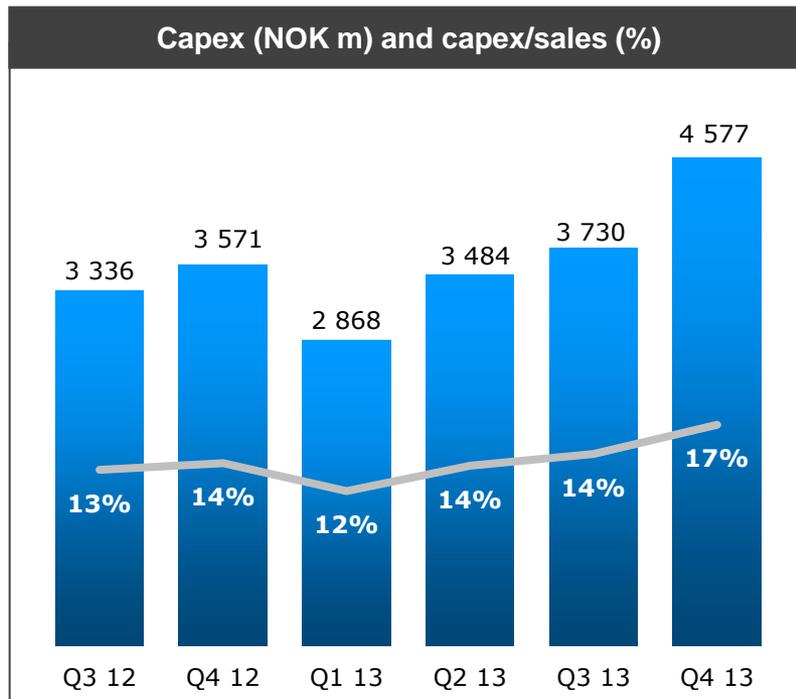
## Q4 2013

# 33% EBITDA margin and 3% organic growth in EBITDA



Q4 2013

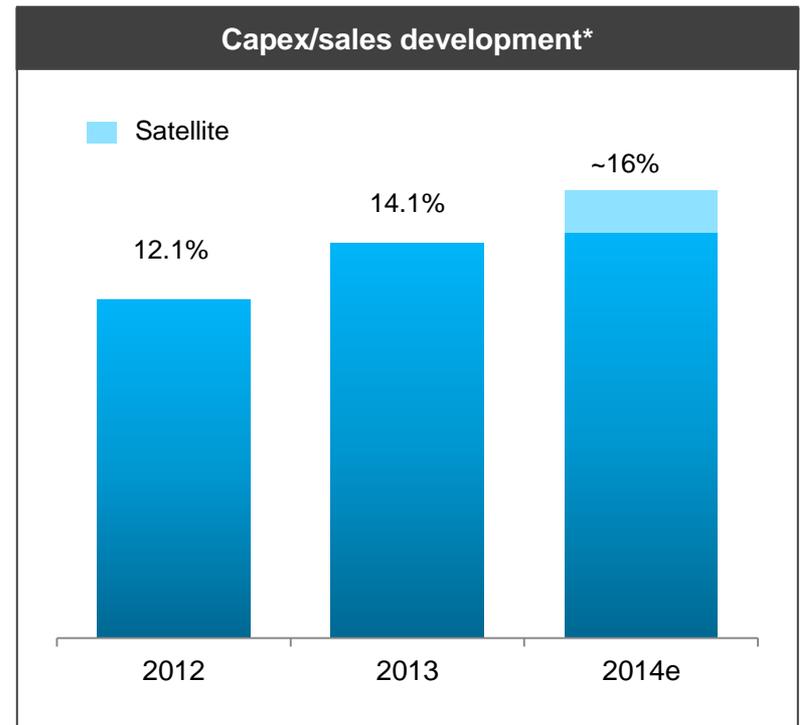
# Capex of NOK 4.6 billion



## Q4 2013

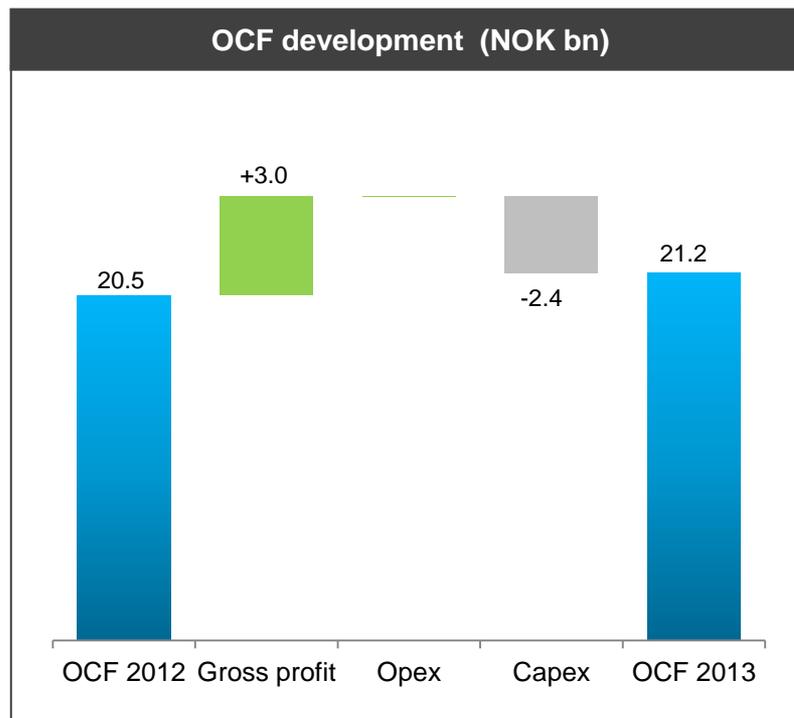
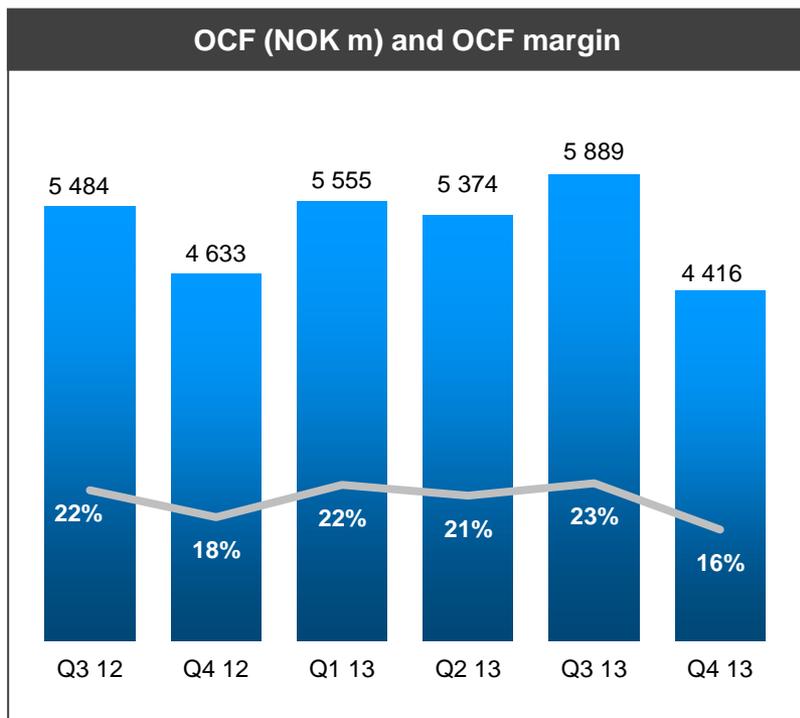
# Significant infrastructure investments to continue in 2014

- Thor 7 satellite (NOK 1.5 bn)
- Continued roll-out of 2.1 GHz network in Thailand
- Network swap in Bulgaria
- Redeployment of 5,000 sites in India (NOK 300m)
- Continued investments in 4G and fibre in Norway



## Q4 2013

# Operating cash flow of NOK 4.4 billion



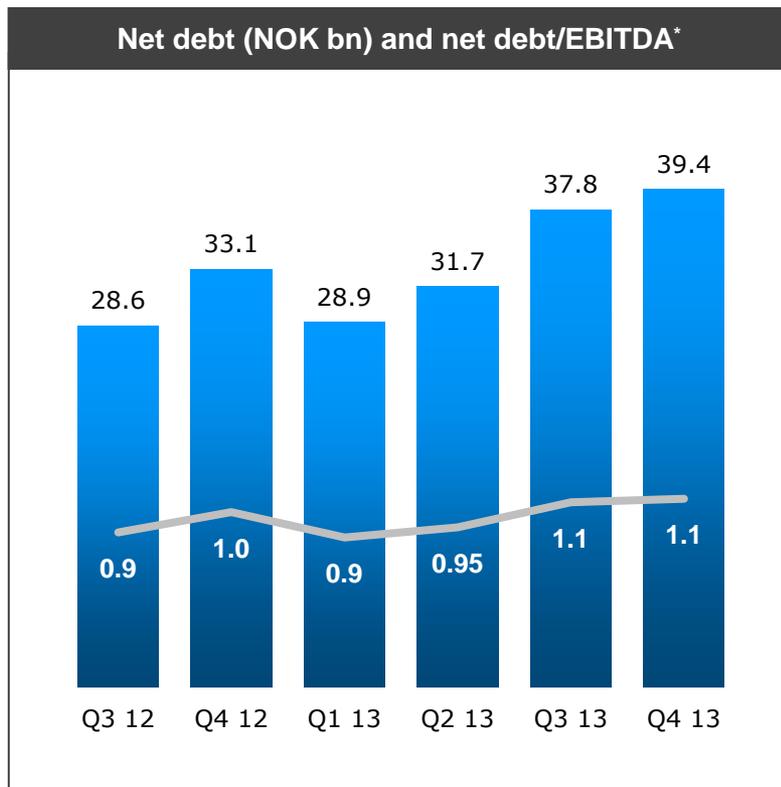
## Q4 2013

# NOK 2.4 bn net income and normalised EPS of NOK 2.00

NOKm	Q4 13	Q4 12	
Revenues	27 611	25 990	
EBITDA before other items	8 993	8 203	• Norway (-49m), Grameenphone (-36m), Pakistan (-35m), Telenor ASA (-29m)
Other items	-165	-277	
EBITDA	8 828	7 926	
Depreciation and amortisation	-3 564	-3 681	• Write-down of goodwill in Denmark
Impairment losses	-26	-3 960	• Incl proportionate share of impairment in Evry (-160m)
EBIT	5 237	285	
Associated companies	392	367	• Incl a one-time item related to VimpelCom (-681m)
Net financials	-560	-367	• Incl net one-time items of +238m
Profit before taxes	5 070	286	
Taxes	-1 204	2 657	• Telenor ASA (+2,517m), Sweden (+406m), Pakistan (+996m)
Minorities	-1 436	-435	
Net income to Telenor	2 430	2 508	• Incl one-time non-cash item of related to bus. transfer in India (-660m)
Earnings per share (NOK)	1.61	1.62	

## Q4 2013

# Net debt/EBITDA of 1.1x

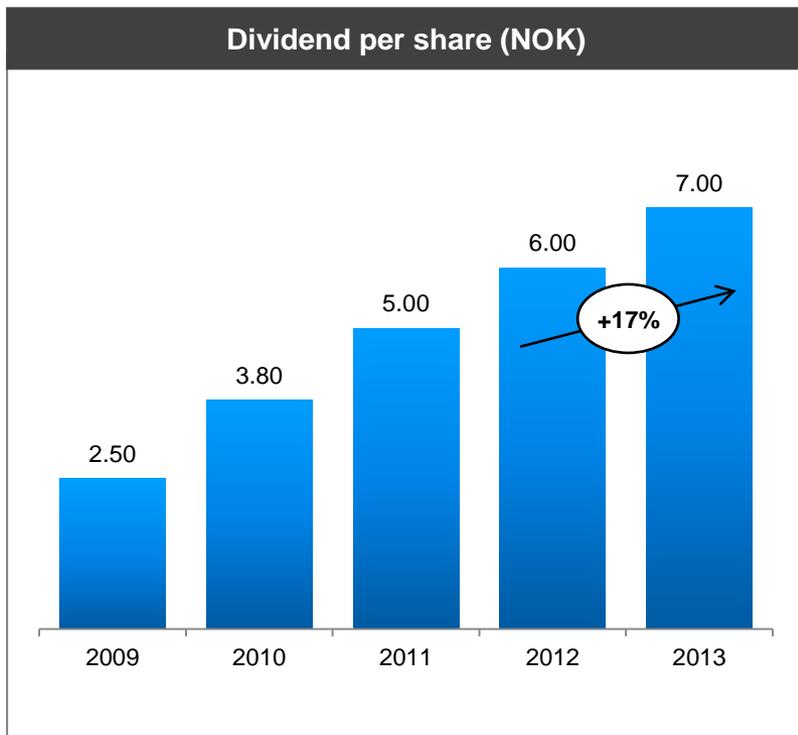


**Change in net debt (NOK bn)**

<b>Net debt 30 Sep 2013</b>	<b>37.8</b>
EBITDA	(8.8)
Income taxes paid	0.7
Net interest paid	0.2
Capex paid	5.6
Dividends from associated companies	(1.6)
Acquisition of companies	1.6
Dividends paid to minorities	0.6
Net revenue share in DTAC	2.6
Currency effects	1.2
Other changes in working capital	(0.6)
<i>Net change</i>	<i>1.6</i>
<b>Net debt 31 Dec 2013</b>	<b>39.4</b>

\*) 12 months rolling EBITDA. Excl licence commitments

# Proposed dividend for 2013 of NOK 7.00 per share



- Proposed dividend in line with dividend policy
  - 73% payout ratio
  - 17% DPS growth vs 2012
- 23% average y-o-y growth last 5 years
- Total payout of NOK 10.6 billion
- Payout on 29 May, following AGM approval on 14 May

Q4 2013

## Outlook for 2014

	2014	2013
Organic revenue growth	Low single digit	0.9%
EBITDA margin	In line with 2013	34.5%
Capex / sales	Around 16%	14.1%

Group structure as of 31 December 2013, excl Myanmar

Organic revenue growth in fixed currency, adj. for acquisitions and disposals.

EBITDA before other items. Capex excl. licence fees.

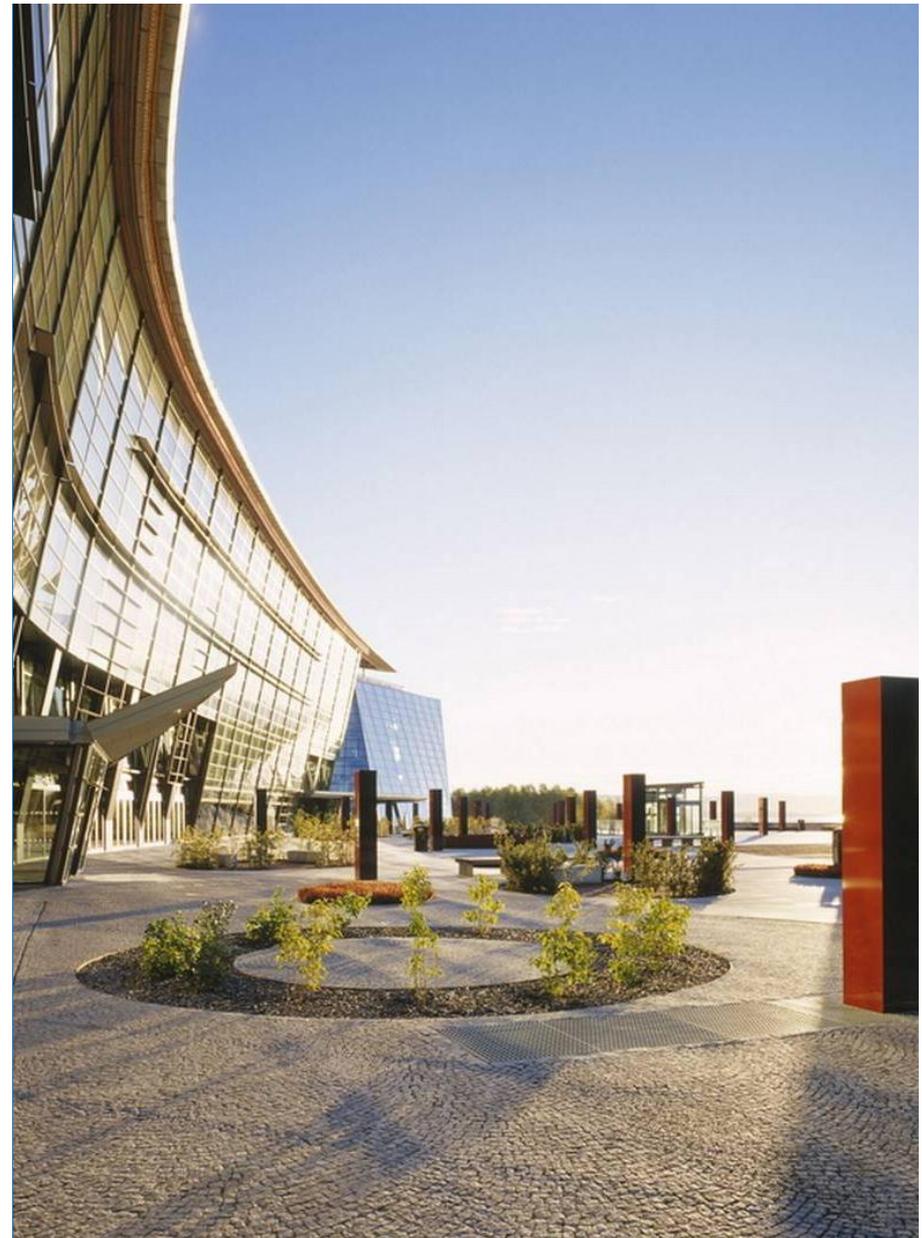
Exchange rates as of 31 December 2013

# Summary

**Stable underlying revenue growth and record-high EBITDA in 2013**

**Dividend for 2013 of NOK 7.00 per share (+17% yoy)**

**Priorities for 2014: Internet for All, monetise data and improve efficiency**





Q&A





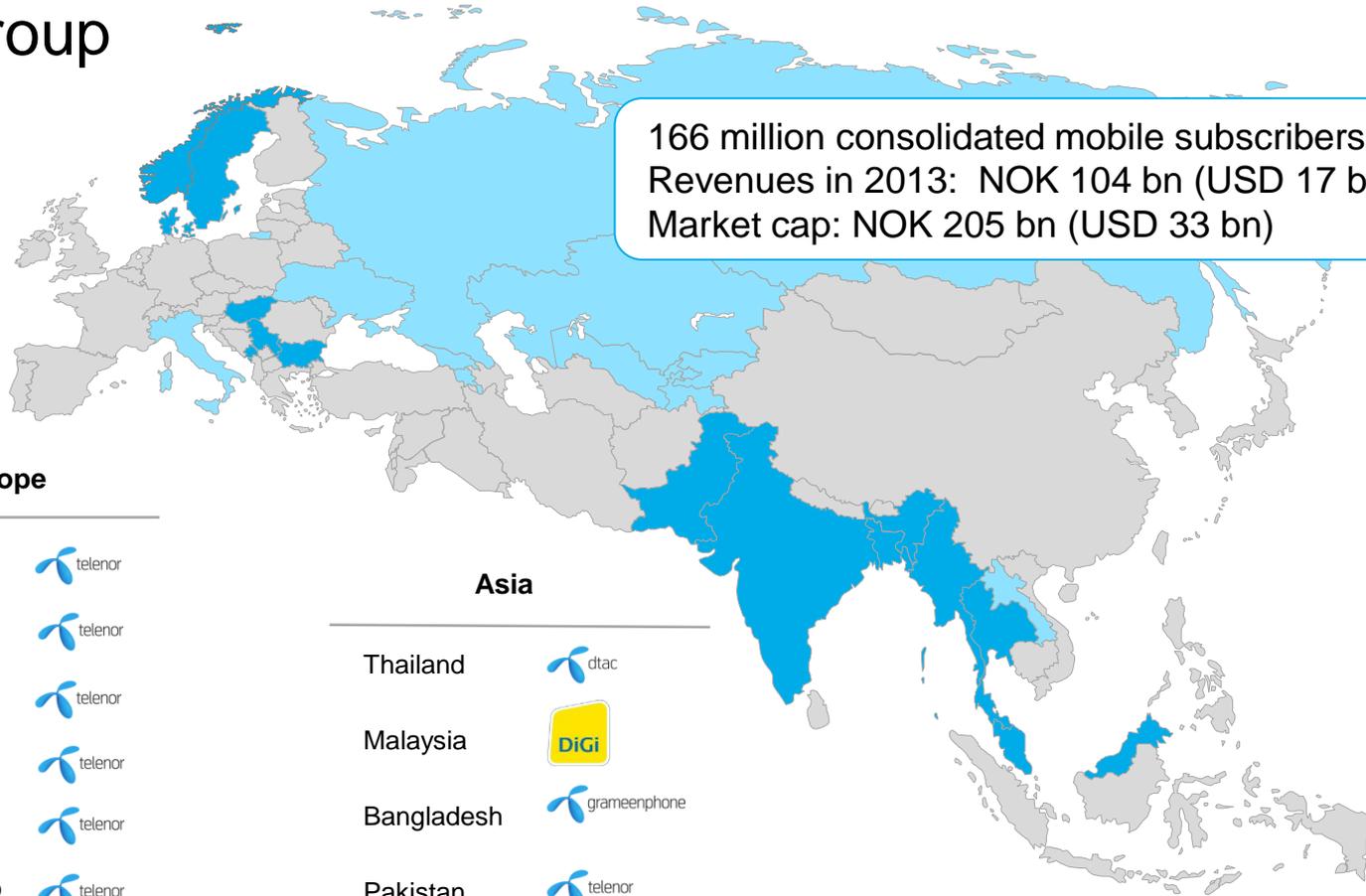
# Telenor Group – Fourth Quarter 2013



## Appendix



# Telenor Group



## Europe

- Norway 
- Sweden 
- Denmark 
- Hungary 
- Serbia 
- Montenegro 
- Bulgaria 

## Asia

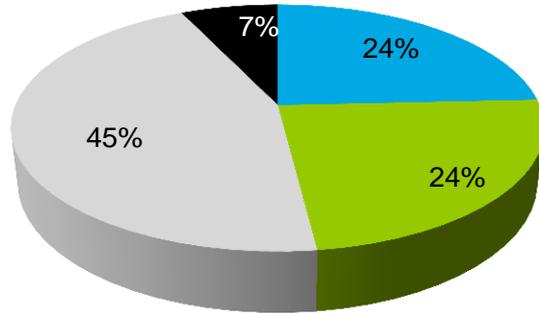
- Thailand 
- Malaysia 
- Bangladesh 
- Pakistan 
- India 
- Myanmar 

## VimpelCom Ltd.

Telenor Group holds 33.0% economic and 43.0% voting stake in VimpelCom Ltd.

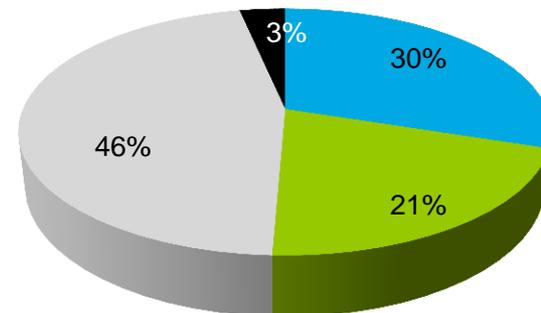
# Geographic split of key financials in 2013

## Revenues



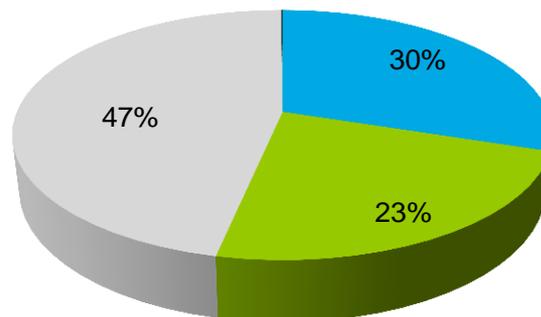
■ Norway ■ Europe ■ Asia ■ Other

## EBITDA



■ Norway ■ Europe ■ Asia ■ Other

## Operating cash flow



■ Norway ■ Europe ■ Asia ■ Other

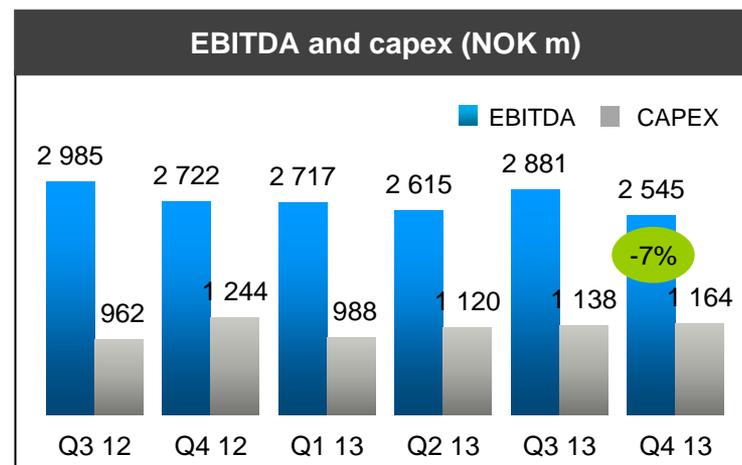
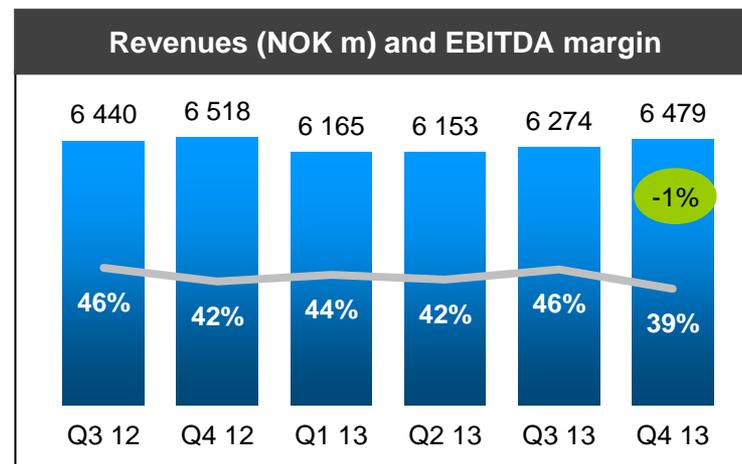
# Priorities for capital allocation

1	Maintain a solid balance sheet	<i>Net debt/EBITDA below 2.0x</i>
2	Competitive shareholder remuneration	<i>50-80% dividend payout of normalised net income Aim for YoY growth in dividends</i>
3	Disciplined and selective M&A	<i>Value driven, within core assets and regions</i>

## Q4 2013

# Norway

- 15k net mobile subscriber growth, mainly in consumer segment
- Fibre subscriber base increased by 8k to 81k
- 2% decline in mobile service revenues excl. IC
- 6% growth in fixed Internet & TV revenues
- Secured 800/900/1800 MHz spectrum for NOK 453 million
- 4G coverage above 50% at year-end

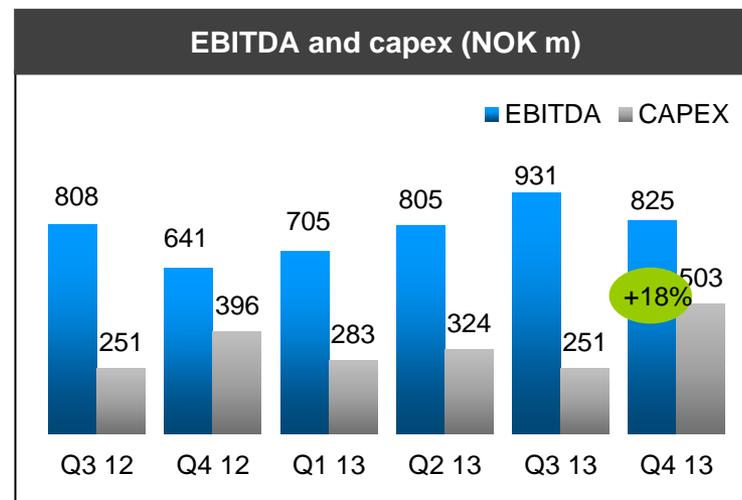
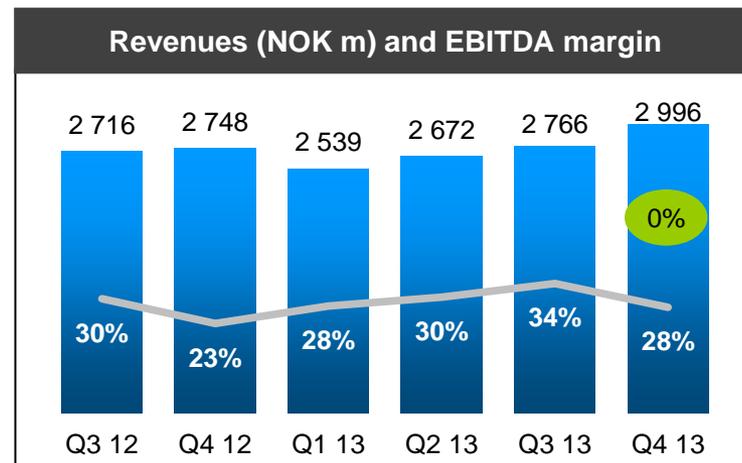


● Organic growth

## Q4 2013

# Sweden

- 51k net mobile subscriber growth
- 11% mobile service revenue growth excl IC and handset-related discount
- 4 pp EBITDA margin increase from improved gross margin and lower opex
- Capex increase due to 4G site transfers and 3G swap
- Acquisition of Tele2's fibre and cable business completed on 2 January 2014

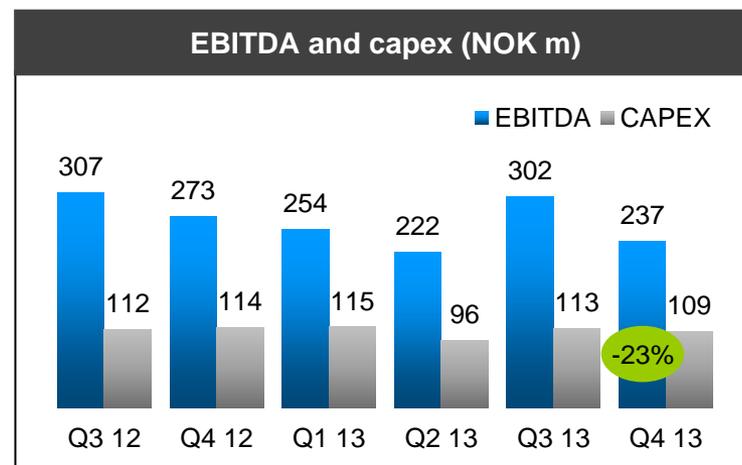
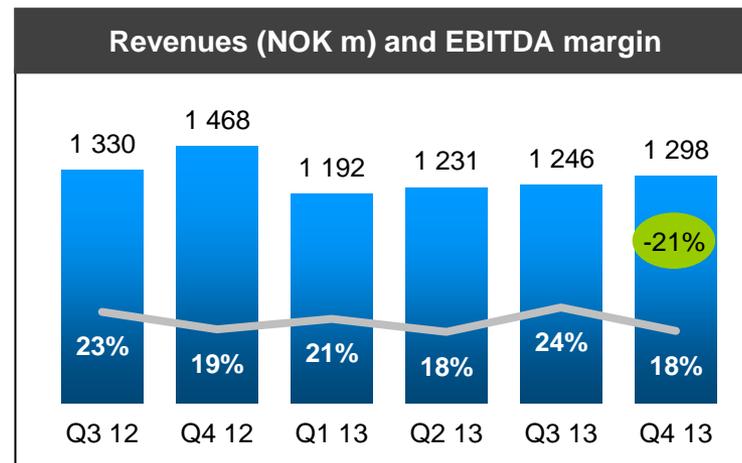


Organic growth

## Q4 2013

# Denmark

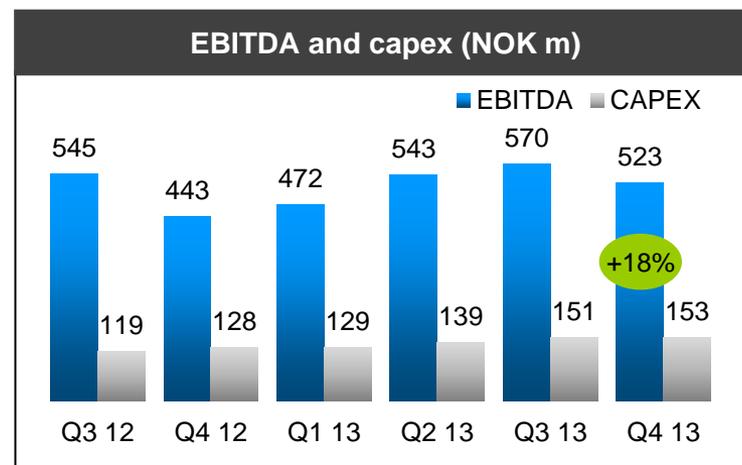
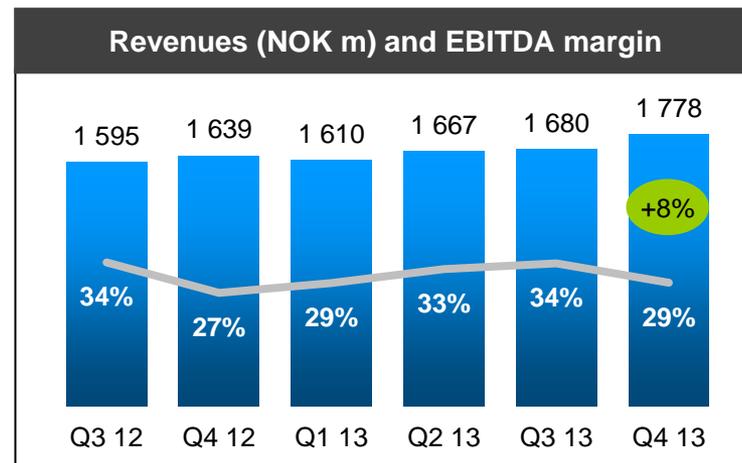
- 12k postpaid subscriber growth
- 40k prepaid subscription loss, primarily scratch cards
- Encouraging ARPU stabilisation last four quarters
- 9% decline in subscriber and traffic revenues
- EBITDA margin impacted by seasonal offers incl. handset subsidies



● Organic growth

# Broadcast

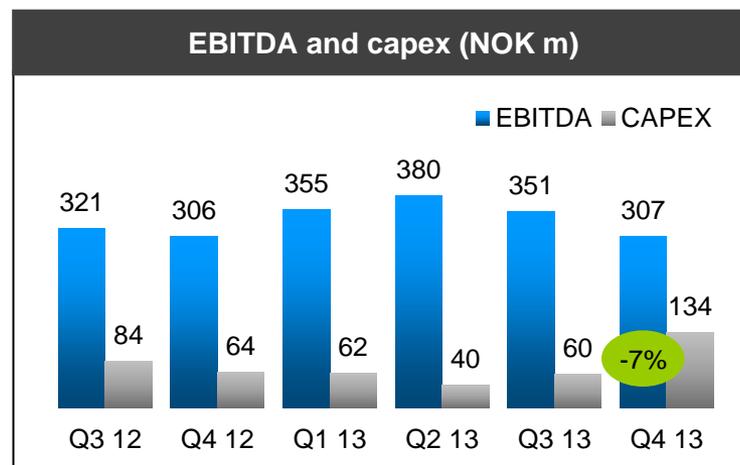
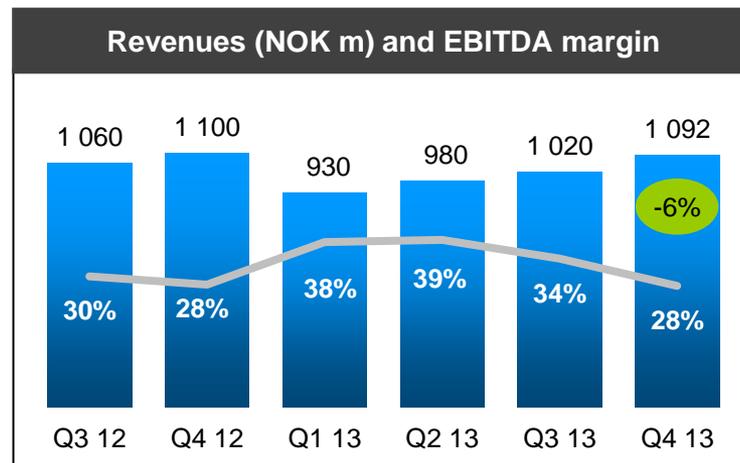
- Strong performance in all divisions
- 2k DTH subscriber loss offset by ARPU growth and currency
- 14% revenue growth and 33% EBITDA growth in Conax
- 14% revenue growth in Norkring from DAB and installation revenues
- Capex increase mainly due to Thor 7 ground investments and DAB roll-out
- Thor 7 launch expected 2H 2014



● Organic growth

# Hungary

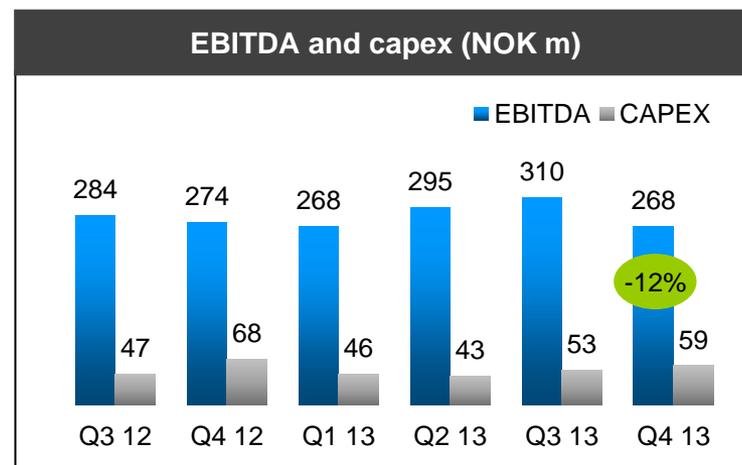
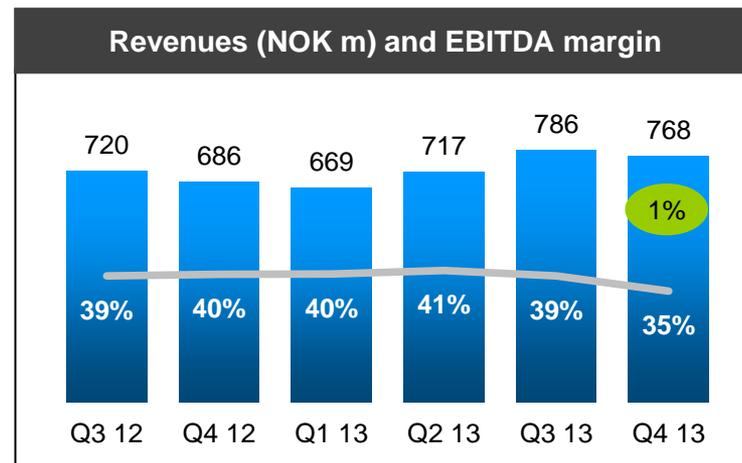
- Stable subscriber base
- 4% decline in subscription and traffic revenues
- Introduction of unlimited voice tariffs by all operators
- Telecom tax impacting EBITDA margin by -10 percentage points
- Capex increase due to 3G and 4G roll-out



● Organic growth

## Q4 2013 Serbia

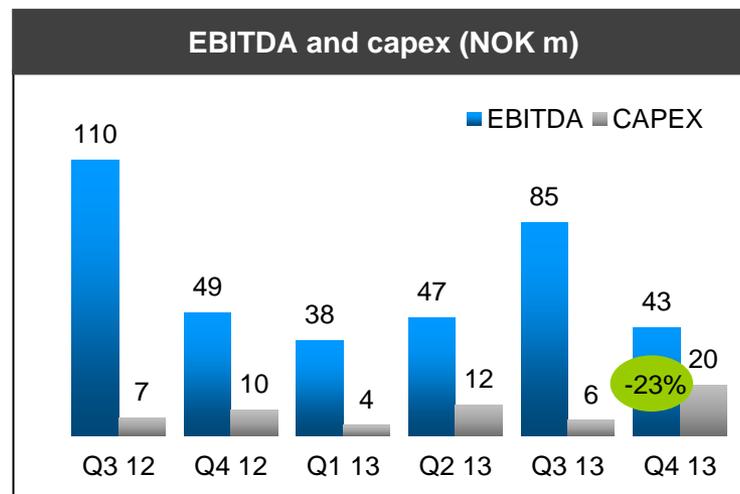
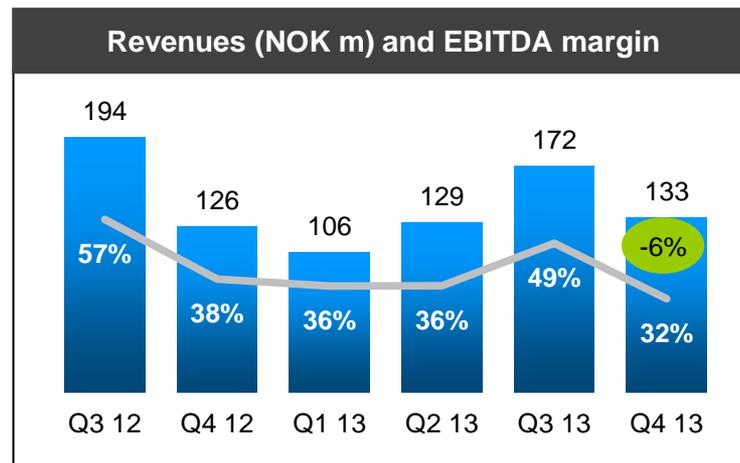
- 67k net subscriber loss due to seasonality in prepaid base
- Stable ARPU as prepaid price pressure is offset by migration to postpaid
- EBITDA margin decreased by 1pp adjusted for one-time effects in Q4 13 and Q4 12
- EBITDA margin decline mainly due to increased smartphone sales



● Organic growth

# Montenegro

- 69k net subscriber loss due to seasonal churn
- 6% lower subscriber base vs 2012 due to reduced SIM penetration in the market
- 3% revenue decline excl interconnect
- EBITDA margin decline from lower revenues and increased sales of subsidised handsets
- Continued challenging macroeconomic climate

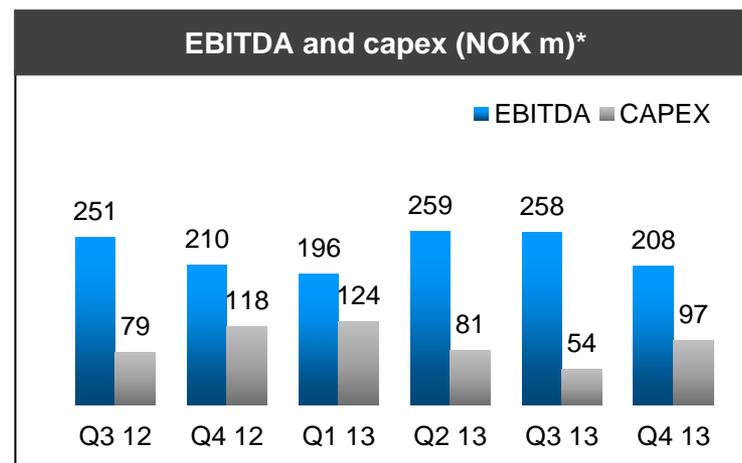
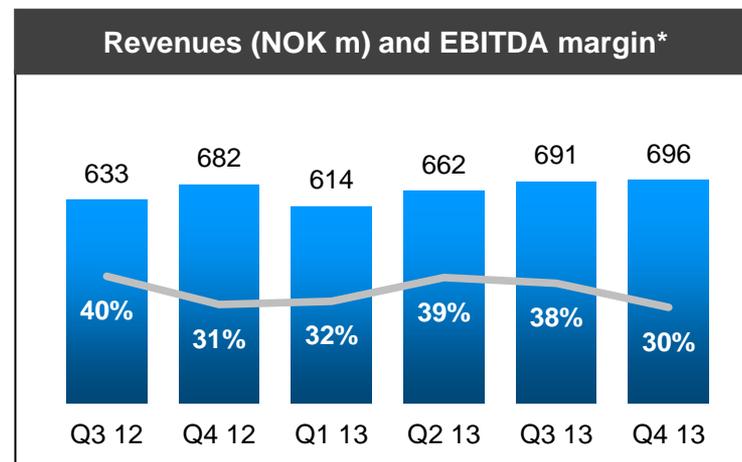


Organic growth

## Q4 2013

# Bulgaria (Globul)

- 51k net subscriber growth
- Revenues impacted by MTR reductions from 1 January and 1 July 2013
- Stable subscription and traffic revenues in local currency
- Planning for network swap in 2014



## Q4 2013

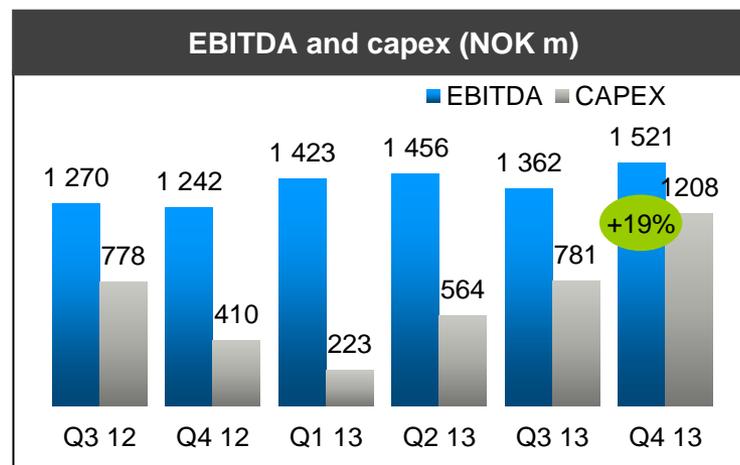
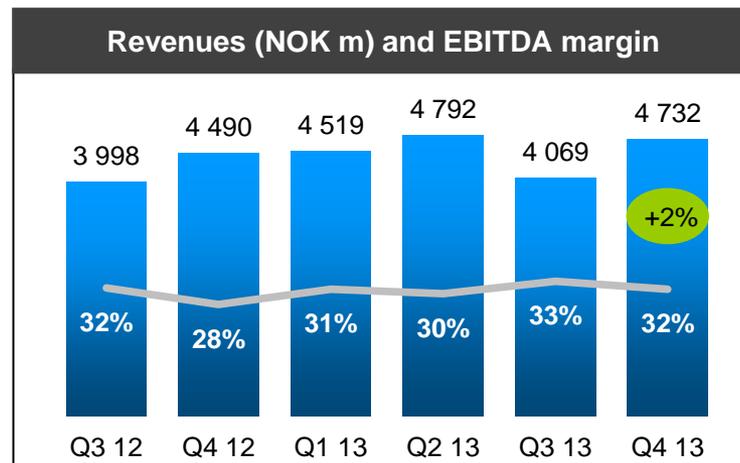
# Thailand (dtac)

- 471k net subscriber growth
- 5% subscription and traffic revenue growth
- Total revenues impacted by 55% reduction in MTR from 1 July
- 12 million customers on 2.1 GHz network
- Capex related to expansion of 2.1 GHz network

### Outlook for 2014\*:

- 3-5% revenue growth
- 35-36% EBITDA margin
- Capex of minimum THB 13 bn

\*) In local currency



● Organic growth

## Q4 2013

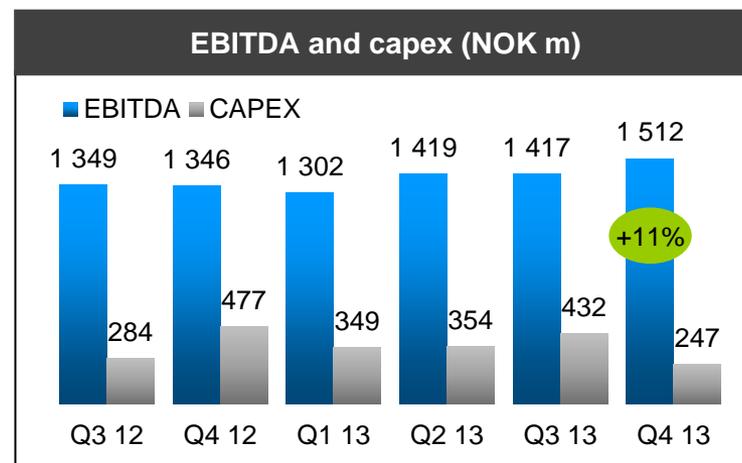
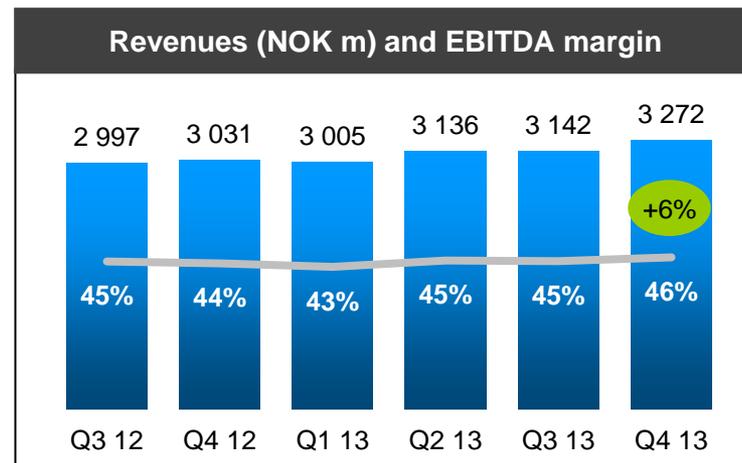
# Malaysia (DiGi)

- 168k net subscriber growth
- 7% growth in subscription and traffic revenues
- Outperforming market growth
- New efficient network driving growth and lowering costs
- 39% operating cash flow margin

### Outlook for 2014\*:

- 4-6% revenue growth
- Sustained EBITDA margin
- Capex/sales slightly higher than in 2013

\*) In local currency

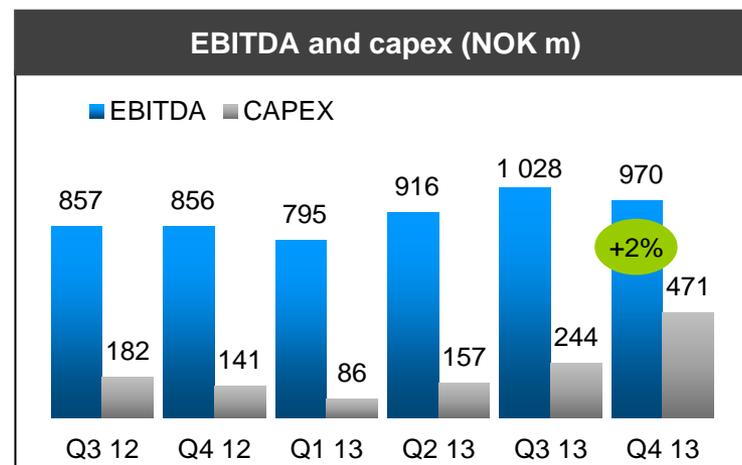
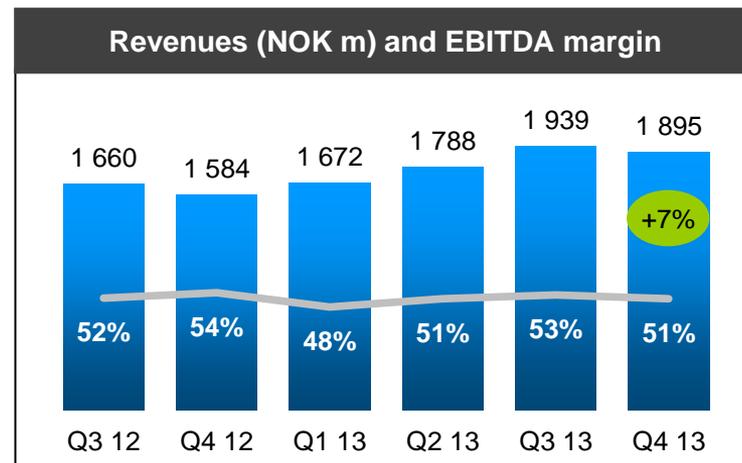


● Organic growth

## Q4 2013

# Bangladesh (Grameenphone)

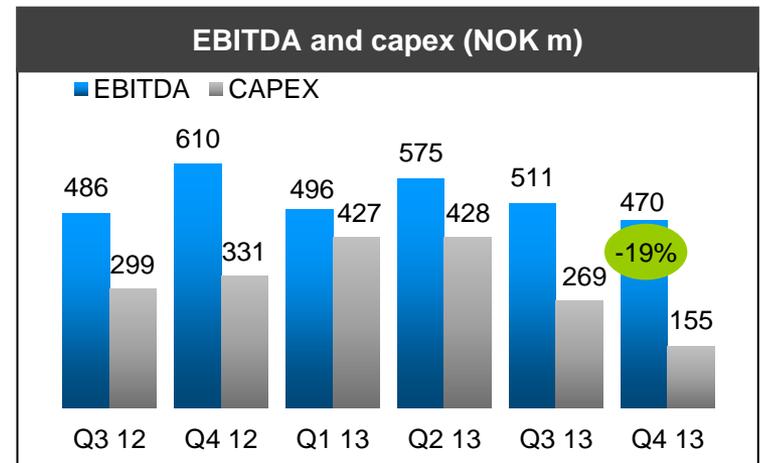
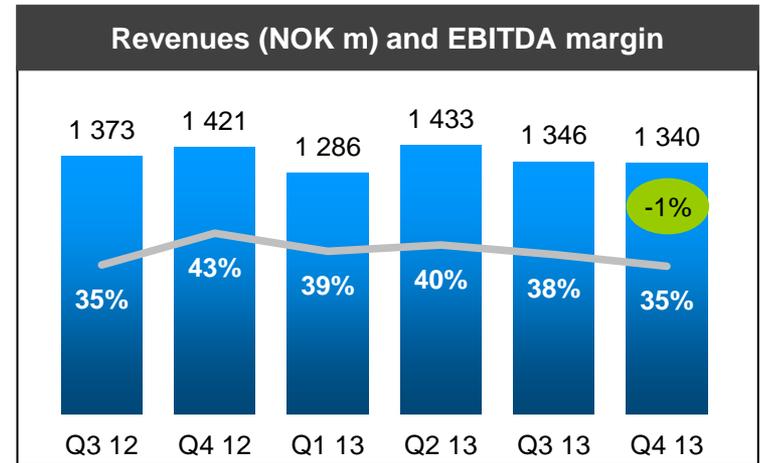
- 1.1 million net subscriber growth
- 7% organic revenue growth
- Political unrest severely affecting industry growth
- 3G services launched in October
- Capex related to 2G and 3G network rollout



● Organic growth

# Pakistan

- 1.1 million net subscriber growth
- 2% organic growth in subscription & traffic revenues
- Industry focus on on-net offers
- Continued government enforced network closure impacting revenue growth
- Decline in LDI revenues due to cannibalisation by grey traffic
- 3G auction expected in 1H 2014

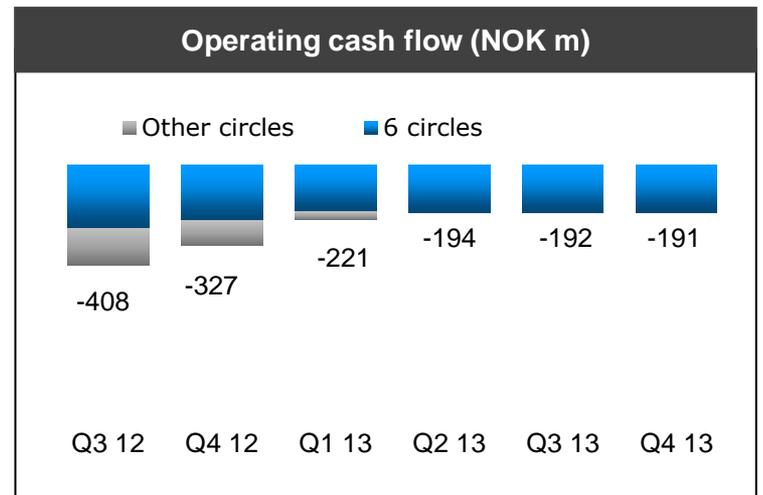
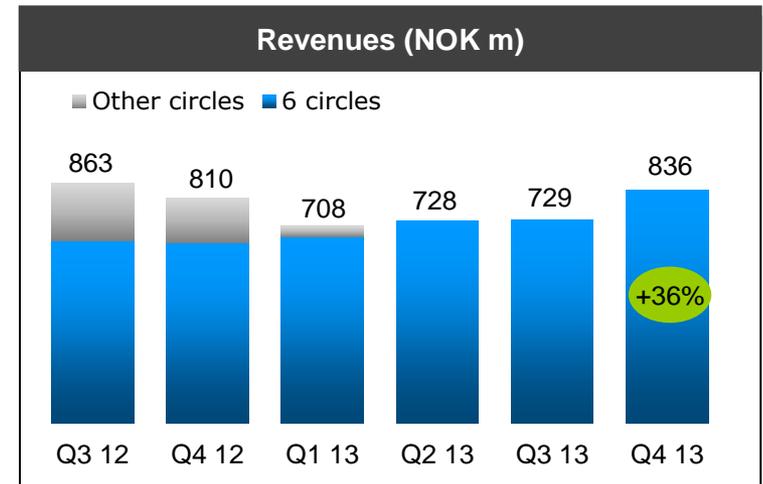


● Organic growth

## Q4 2013

# India

- 2.0 million net subscriber growth
- Monthly churn down to 4.5%
- 17% ARPU growth in local currency
- 36% organic revenue growth in 6 circles
- EBITDA of NOK –52 million excl breakeven bonus
- Accumulated operating losses of INR 143 billion



● Organic growth 6 circles

# Changes in revenues and EBITDA

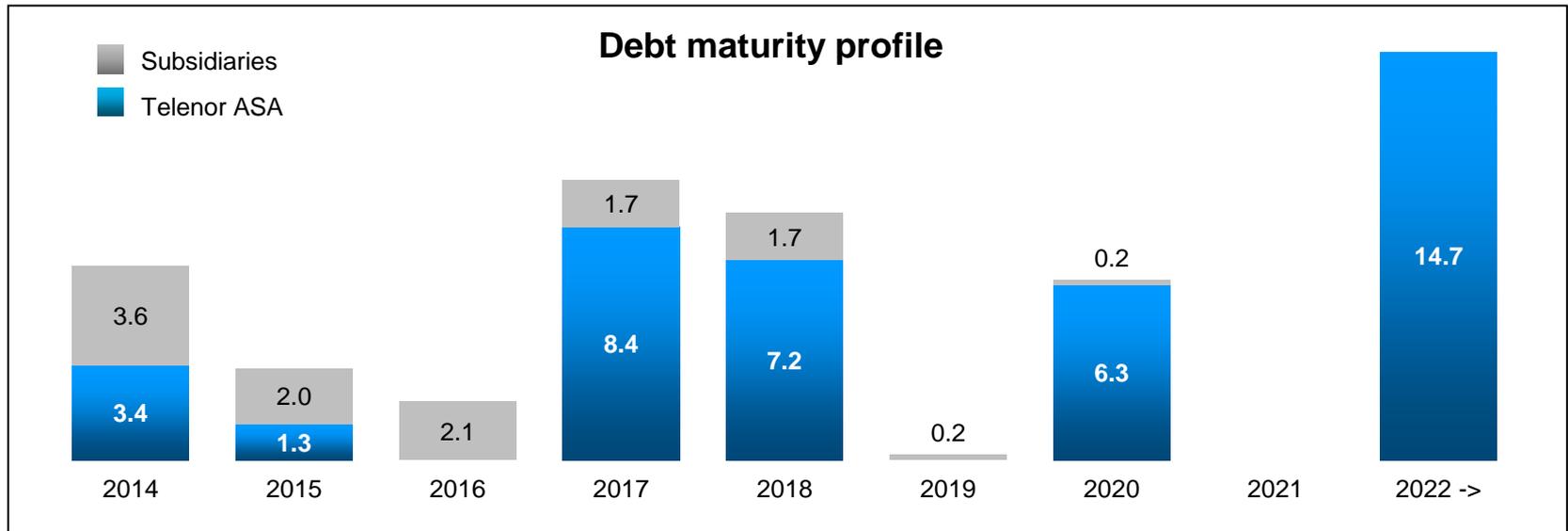
	Revenues		EBITDA	
	Reported	Organic	Reported	Organic
Norway	-0.6 %	-0.6 %	-6.5 %	-6.5 %
Sweden	9.0 %	0.4 %	28.7 %	18.1 %
Denmark	-11.6 %	-21.0 %	-13.2 %	-23.2 %
Hungary	-0.8 %	-6.4 %	0.5 %	-6.6 %
Serbia	11.8 %	0.9 %	-2.1 %	-12.3 %
Montenegro	5.6 %	-6.4 %	-11.0 %	-22.6 %
Thailand	5.4 %	2.3 %	22.5 %	18.8 %
Malaysia	8.0 %	6.4 %	12.3 %	10.7 %
Bangladesh	19.6 %	7.3 %	13.3 %	1.7 %
Pakistan	-5.7 %	-1.3 %	-23.0 %	-18.8 %
India	3.2 %	35.8 %	67.3 %	
Broadcast	8.5 %	8.5 %	18.1 %	18.1 %
<b>Telenor Group</b>	<b>6.2 %</b>	<b>1.0 %</b>	<b>9.6 %</b>	<b>3.4 %</b>

## Q4 2013

# Net debt in partly owned subsidiaries

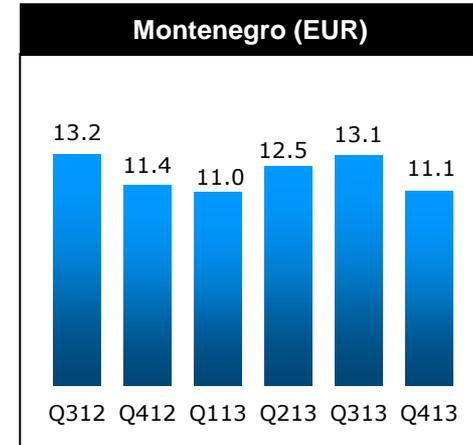
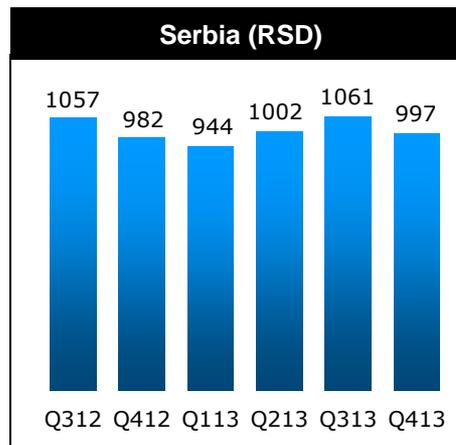
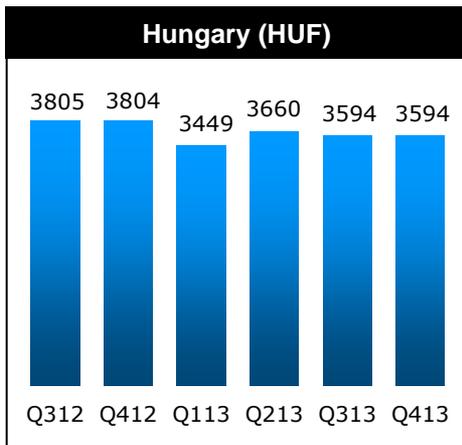
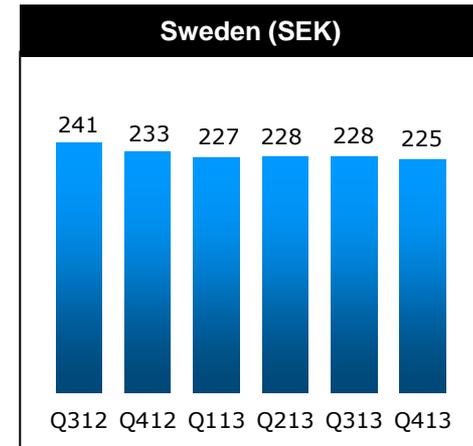
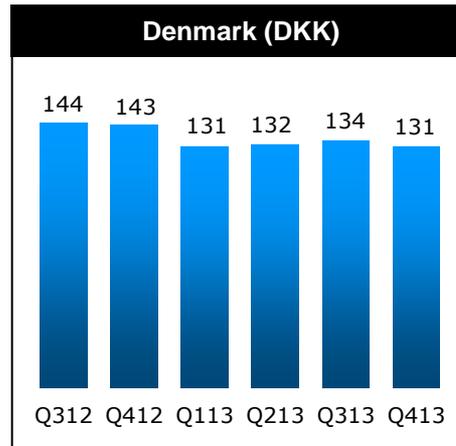
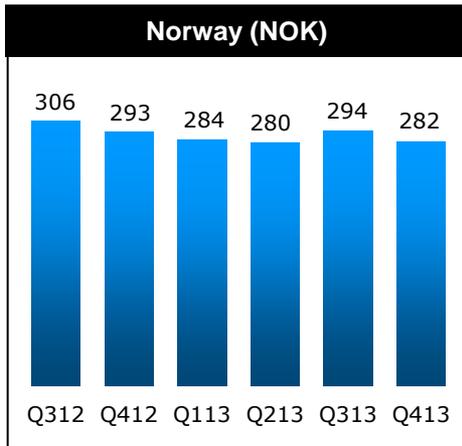
(NOK m)	Q4 2013	Q3 2013	Q4 2012
DiGi	656	766	705
DTAC	4 811	2 054	4 572
Grameenphone	1 547	1 996	637
India	204	512	1 113

# Debt maturity profile



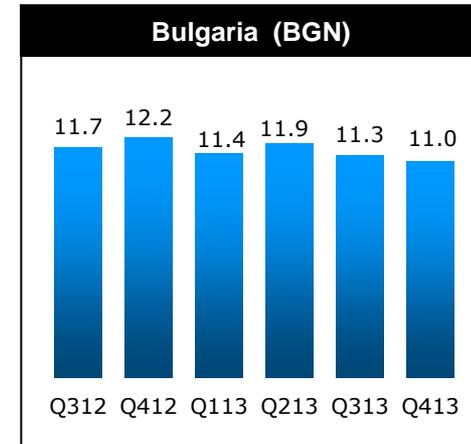
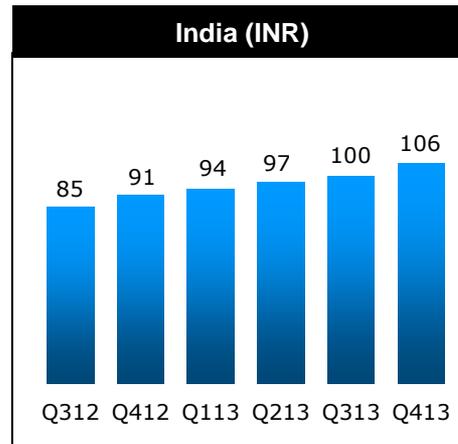
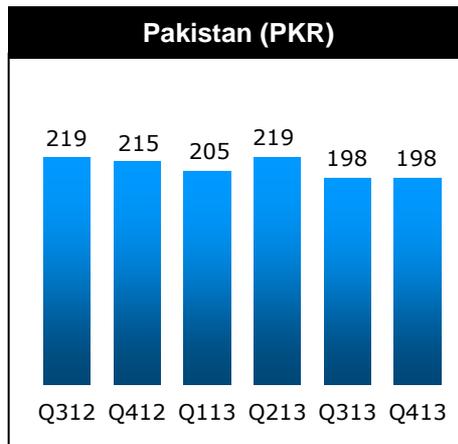
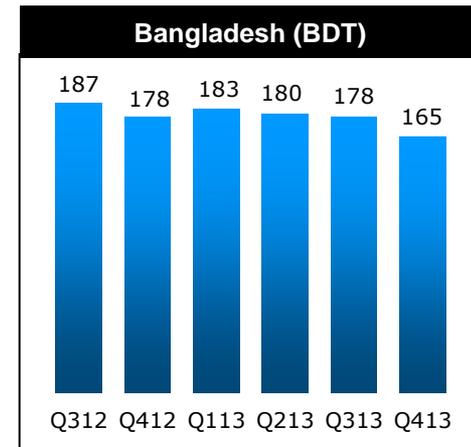
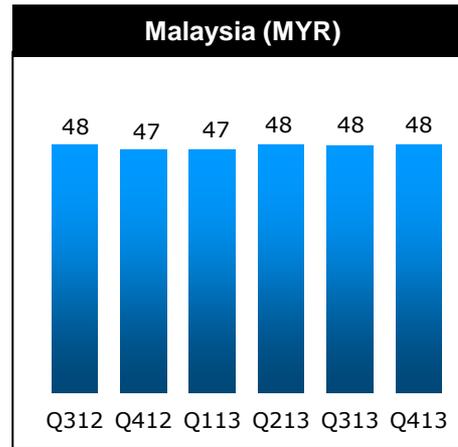
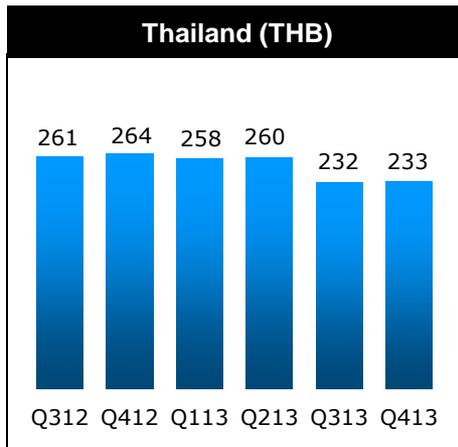
## Mobile operations

# ARPU development (local currency)

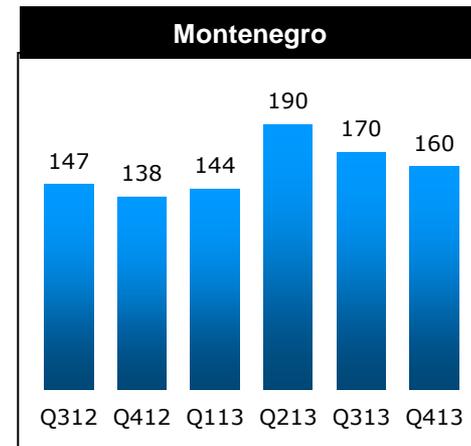
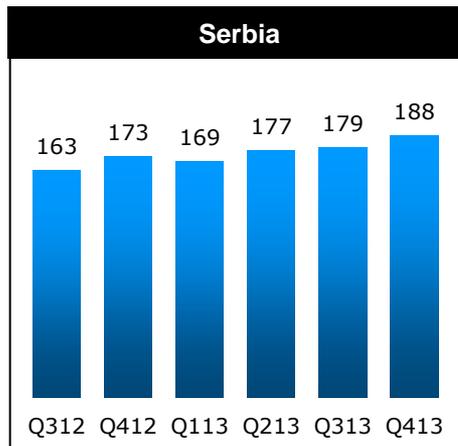
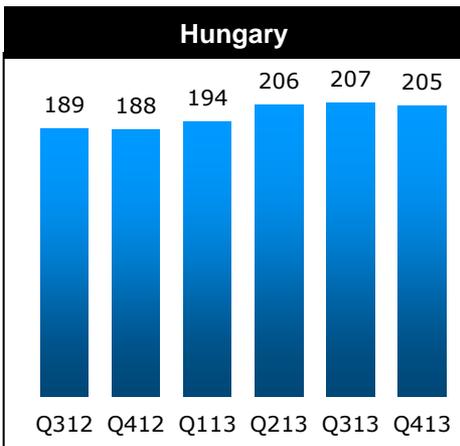
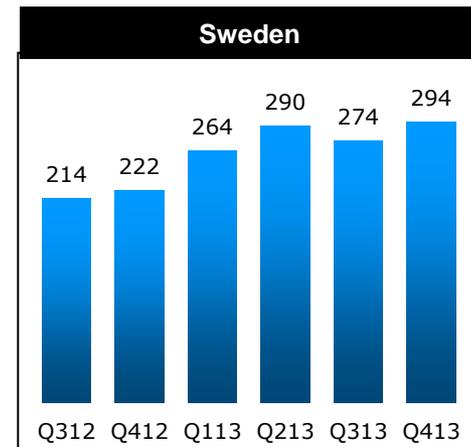
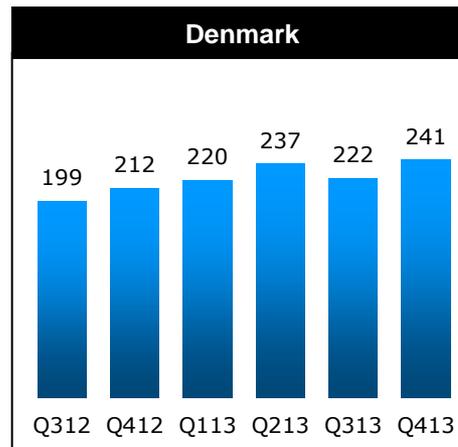
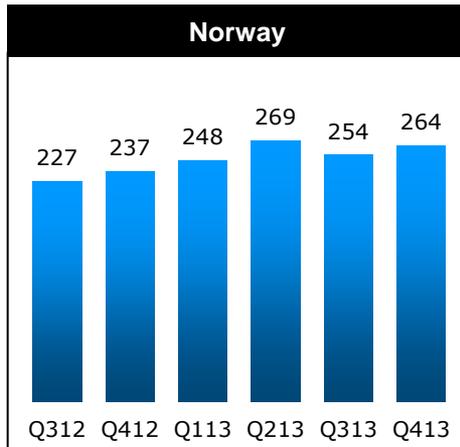


## Mobile operations

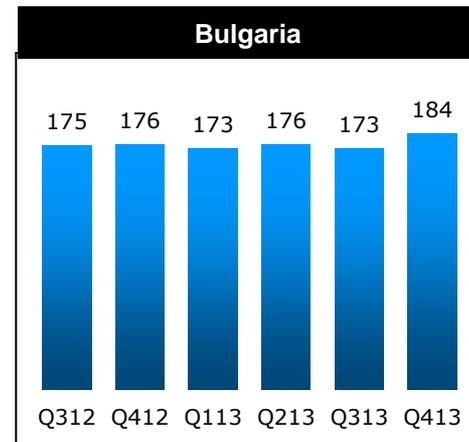
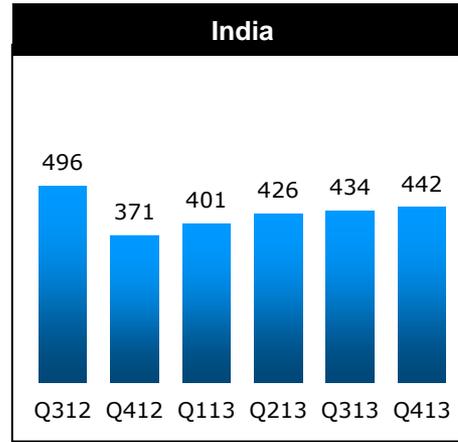
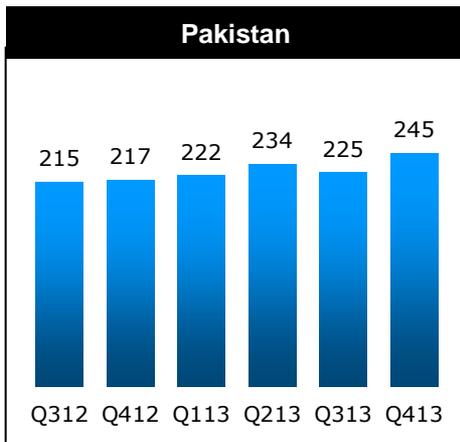
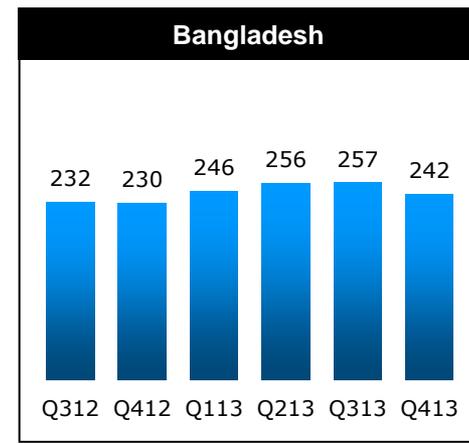
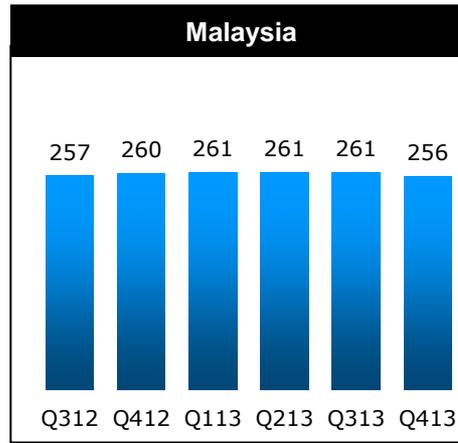
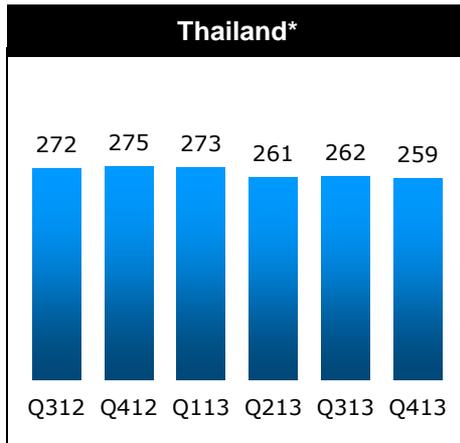
# ARPU development (local currency)



# Mobile operations AMPU development



# Mobile operations AMPU development



\* Restated from Q1 2012