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Presenter: Meera Bhatia
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Operator: Good morning, and welcome to Telenor Group's Fourth Quarter Results Presentation. I believe the sound level has woken up everybody in the audience so we are sure we have the attention this morning. My name is Meera Bhatia and I have the pleasure of driving you through today's presentation. Our CEO Jon Fredrik Baksaas and CFO Richard Aa will give the financial updates today. There will be as usual a Q&A session after the presentation, firstly from the audience, then from the phone and then from our webcast participants. We plan to end the session around 10 o'clock and for media present there will be the opportunity to speak to our executives afterwards.

Fredrik, if I can ask you to come on stage please?

Jon Fredrik Baksaas: Thank you Meera and good morning to you all. 2014, another eventful I'd say but also a very another strong year from the Telenor Group. We have stayed the course on our strategic ambitions which are to stimulate data usage and availability through our Internet-for-All initiatives and this really resonates in our markets for the time being. We have also tried to both build and strengthen the customer relationship deeper and wider in all our markets as well and as usual tried to improve efficiency in all our operations. We have in 2014 where we deliver on our financial goals both in terms of organic growth, EBITDA margin improvement from 2013 as well as the investment level. In Q4 we added 7 million new subscribers and 20 million for the year as a whole coming then to the total customer base of 186 million customers at year end. This is a solid figure, it's positively impacted of course by the entry into Myanmar late last year – I'll come back to that. The organic revenue growth improved to 5.3% in the quarter despite challenges in some markets and highlights the quality of the overall portfolio. The strong handset sales but with an increased subsidy element impacted the year EBITDA margin negatively in Q4 in particular in Thailand. We sold as many as 1.7 million smartphones in this

quarter alone and we believe this will stimulate data consumption going forward. However we must make sure that the subsidies are reasonable and rational.

Based on the performance during this year Telenor plans to pay a total dividend of NOK 7.30 per share in 2014 of which NOK 3.80 shall be paid in June and NOK 3.50 will be paid in November 2015. We now see growth ahead, we have some guidance for you in 2015 and we are stepping up the revenue growth target for the coming year and Richard will take us through these details in some moments.

Let me then move to the different operating entities and I will start with the Norway as usual. Telenor Norway delivered a very, very strong quarter following trends from earlier in 2014. The growth is as for previous quarters driven by strong underlying growth in data in particular combined with also very targeted upselling activities. Around 70% of our mobile subscribers are now active data users and the medium data usage among our active users have more than doubled throughout the year. 43% of our customers now have a 4G enabled phone and the 4G network coverage is now at 84% of the population. The number of 4G phones surpassed that of 3G handsets by the end of the year and this shows that the appetite for data surely is there. Also on fixed internet and TV we see good upselling trends. We increased the number of high speed connections, fiber and ADSL and customers migrate to products with higher speed. However as usual again the traditional DSL lines continued to decline and we need still to strengthen our efforts to stabilise the fixed broadband market share going forward. But I want to take this opportunity to both thank and congratulate the management in Telenor Norway for this performance which is as I would say better than expected one year ago.

Moving then to Europe and some words on the operations there. A common characteristic in the Q4 is that they all delivered organic revenue growth but we also see temporary margin dilution in several of the operations from both high device sales in particular in Hungary and Sweden; and the launch of new services. In Sweden we had over 1% organic revenue growth within the mobile segment. We reported the stable ARPU and 2% service revenue growth. We had a very solid revenue performance in Sweden both in 2012 and 2013 but in 2014 we've seen a gradual slowing down and improving mobile growth is a priority for us in 2015. In Bulgaria Globul was rebranded to Telenor in November and the network renovation that we have

initiated is now progressing according to plan and is expected to be completed in first half 2015. In December as you know we agreed with TeliaSonera to combine our respective Danish operations and this is a deal that we believe will offer significant efficiency gains and bring benefits for customers by being a strong challenger to the incumbent. For this reason we now don't disclose financials for Denmark but I am pleased to see Telenor Denmark performing reasonably well in a tough market and showing good subscriber growth within both consumer and business and I want to give praise to our colleagues in Denmark after some periods of the opposite. Before we move to the Asian operations I would like to mention that our broadcast division continues to deliver steady performance. Broadcast is now preparing for the launch of the new satellite Thor-7 which is expected in second quarter 2015.

Moving then to Asia I will start with Thailand which has come out as a more challenging year for us in 2014, so very solid results in Thailand in 2012 and '13. The competitive environment in Thailand and dtac's performance has been a key concern for us in 2014. The Q4 results show that we have stopped the subscriber losses that we saw in Q2 and Q3 and we are attracting new subscribers again both within prepaid and post-paid. This has however come at a steep price and we still see service revenues declining at -4% and EBITDA margin being under pressure coming particularly from the high sales of smartphones. The EBITDA margin development deserves this explanation. dtac has very strong handset sales in this quarter both from iPhone 6 and dtac branded phones, as much as 625,000 in total. Negative margin on handset revenues, -3 to -4 percentage points gives an impact to this year-on-year and combined with somewhat higher sales and marketing costs to secure the market position also impacts the margin negatively and more than offsets the lower regulatory costs that we have in Thailand. The smartphone penetration is now close to 50% and this will help stimulate data usage going forward. We must however make sure that we strike the right balance between stimulating data demand through handset subsidies and campaigns and a healthy pricing structure. We're working on this on several levels. We are not satisfied with the present results in Thailand and the changes that we have taken on board for 2015 concentrate on the following: a key priority is to improve the network position. dtac is aiming to have the best data network in the key cities both on 3G and 4G. We're delivering on the network improvement programme which includes adding 6,500 new sites in Q4 and Q1 this year, although roughly half has been done as we speak.

For the past few quarters dtac has not been able to increase data revenues sufficiently to offset the decline in voice. An initiative aimed at improving this is the new data centric offerings in post-paid similar to those we know from Europe and we also see that the market in general is moving in that direction. We are in a period of very strong growth in data usage and with high investments the industry must understand the need also to monetise and the very best reference for this is actually standing in Telenor Norway within the Telenor Group in 2014.

We've also implemented a cluster based operating model in Thailand. This is an approach that we've had success within several other Asian operations and it would enable us to measure and evaluate performance at a more detailed level and allow for a more dynamic approach to investment and go to market activities. We should expect to see improving trends in dtac's performance during 2015.

In the other established Asian operations we see good performance this quarter both in terms of revenue growth and profitability both DiGi and Malaysia and Grameenphone in Bangladesh continued to show solid growth combined with high margins. DiGi once again demonstrates its ability to monetise on data usage especially in the prepaid segment; and Grameenphone crossed the 50 million subscriber mark this quarter. In Bangladesh the current political situation with unrest, blockades and frequent hartals is a concern. In Pakistan, we expanded our 3G network with 1,700 sites this quarter to support further data growth. In January this year, the Pakistani authorities ordered the mobile operators to implement biometric re-verification of all customers within 90 days and this re-verification programme is now ongoing in the whole industry, Telenor Pakistan including. In India we added 2.3 million subscribers in the fourth quarter and we're now at a market share of 11% in the fixed circles that we're present. During the quarter we also completed the redeployment of the 5,000 sites, an initiative that has increased population coverage in our six circles from 42% to approximately 50% during 2014. Going forward we have to make sure that our customers' increasing demand for data translates into ARPU growth, but we also see that on the 2G service offering that we have, we already see a fairly high data usage in our customer stock.

Myanmar came up as our new country throughout 2014 and in just one year people in the cities of Myanmar have leapfrogged from the very limited connectivity to broadly available mobile services. We are contributing to the rapid development of the country by providing essential infrastructure that will drive connectivity and opportunities for Myanmar. After just one quarter of commercial services and with the launch in three largest cities, we ended the year with impressive 3.4 million subscribers and this figure continues to grow into January this year.

ARPU is standing higher than we've originally seen, so we do see a more rapid growth in mobile services in Myanmar than we originally envisaged. Growth is coming in fact faster than expected and there is a pent-up demand both for voice and data services. The biggest challenge remains network rollout and the speed of it. We expanded to six new clusters in January and are currently around 1,300 sites on the area.

I want to also to take this opportunity to mention a bit about our initiative within digital and adjacent services. We have over the past year strengthened our digital capabilities and expanded into new adjacent positions and we are gaining momentum. Within mobile Internet of things, Connexion, a Swedish company of Telenor have customers in particular in the core industry has grown to become a 0.5 billion revenue company with good profitability.

Within financial services, we're expanding our footprint and building on existing operations. Easypaisa in Pakistan is already contributing to 9% of revenues in Pakistan and we've recently launched online banking services in Serbia called Telenor Banka and other launches are in the pipeline.

A year ago we joined forces Schibsted and Singapore Press Holdings in the online classified market. In the fourth quarter we strengthened this position by striking a very important deal with Naspers for development of online classified platforms in four key markets: Brazil, Indonesia, Thailand and Bangladesh. Combining our expertise and sharing costs within these online classified operations will bring significant benefits and open up for synergies within our existing businesses.

Closing then in on my final remarks for 2014, we believe we have reported a quarter with solid organic growth and that we also have delivered a full year on our financial goals. Entering 2015, the Telenor Group's strategic direction is focused on profitable growth and efficient operations. We expect the good upselling trends on increasing data usage to continue in particular in Norway and Malaysia translating into a healthy growth. As we continue to invest in high-speed data networks, we also need to see similar trends in other markets. Myanmar will contribute significantly to our growth in 2015 and probably at a higher speed than originally envisaged when we started. We continue to expand our network and offer affordable voice and data services in a market with a pent up demand. A key task for 2015 would be to turn the trends in Thailand and to get back to profitable growth. Finally, we must continue to work on improvement or efficiency, a cluster based operating model is a key initiative both in terms of growth and efficiency. We see somewhat stronger top-line growth towards the end of 2014 and we believe this can continue into 2015.

Now I will leave the floor to Richard who will take us through both financial status as well as guidance for 2015. Thank you.

Richard Olav Aa: Yes, thank you Fredrik and good morning to everybody from me as well. In addition to what Fredrik mentioned I will also say a few more words about dividend. But let's start with a recap of 2014. From a financial perspective it's been a record year with record high sales and record high EBITDA for Telenor. We also delivered on all our guiding parameters, we actually strengthened regarding throughout the year and we came in as we guided in total. Also from a financial perspective to see that we can grow profitably in two key operations, two of the largest operations measured in value: Norway and DiGi both on post-paid and on prepaid, that really cracked the code how to monetise data in those two operations has been a key achievement on for the future of Telenor; while we have been struggling in Thailand which Fredrik mentioned and also I will come back to from a financial perspective. The cost programme, 5 billion gross cost saving in the period 2012 to 2015. We delivered '14 according to plan and we have clear plans also for '15 to come in line and maybe somewhat better than what we laid out in 2012. We are investing heavily in spectrum and networks in '14. We have acquired important data spectrum in Pakistan, in Hungary and also added more spectrum in India. On the networks, we see a big demand for data and investing more heavily in LTE networks and also 3G

networks in Asia. Finally also '14 was a good year on the M&A front. We executed in total 10 M&A projects. The most important ones were probably the online classifieds, the joint venture with Naspers and the joint venture with Telia which were both executed in the fourth quarter.

Before I go into the details on revenues and EBITDA, some remarks on the currency. The Norwegian krone weakened considerably to many of the Asian currencies and as you know approximately half of the revenues in Telenor comes from Asia which you see on this slide. A sharp drop in the oil price appreciated the value of currencies in Pakistan, Bangladesh, India which all are oil importing countries and the Norwegian krone came under pressure; and this of course has a very positive effect on revenues and EBITDA for the group since half of the group now is positioned in Asia.

So Fredrik mentioned that we had an organic revenue growth of slightly more than 5%. The reported revenue growth was 11%, double the organic. So total revenue growth of NOK 2.8 billion this quarter, half of it came from currencies, 1.4 billion so that's important to note and it also had a significant impact on the EBITDA growth because many of the operations in Asia like Pakistan, Bangladesh, also Thailand and Malaysia has a solid EBITDA margin that translates into better EBITDA. It's also worth noticing that this has also increased our debt or debt is in foreign currency and I'll come back to how this reconciles into the total debt.

As the krone goes up and the krone goes down, we see this morning as all the krone is strengthening again so we to be consistent over time and to measure performance in a consistent way, we focus on organic parameters and organic revenue growth stands as high as 5.3 percentage points this quarter. As you see from the right hand chart here most of it comes from mobile subscription and traffic revenues and that's where we make the money. So that's very important and a strong contributor to that growth of 3.4 percentage points comes from Myanmar. But we also see devices grew heavily in this quarter by 1.3 percentage points putting pressure on the margin, I will also come back to that.

This slide will show every quarter and it's very important slide both for external measures and internal measures to track how the subscription and traffic revenues are growing over time per region in Telenor and for the group as a whole. This is what delivers profit to the Telenor Group

and its shareholders. As you see the blue line, that's the group consolidated, it fluctuates typically between 4% and 6%, this quarter we were as high as 5.6%. This is slightly different from the total revenue growth because this is only the growth in mobile subscription and traffic revenues. You see the big, big impact from Norway which now two quarters in a row has been about 10% service revenue growth and we also strong trends in Norway into 2015. We also see an uptick in Asia that's mainly driven by Myanmar, but also good growth trends in Pakistan and Bangladesh. dtac should have been better. If dtac had performed at a good level we would have probably seen Asia in the more 9-10% range than we see here and also the group maybe a percentage point maybe 1½ up from where we are today. So excluding dtac it's really a good quarter growth wise.

Maybe a little bit going to weak side is Europe, the growth in Sweden has come down from very strong growth in '13 and '14 and management in Sweden now is really on the growth agenda for 2015 to see if they can bring Sweden and action in Sweden closer to what we have executing in Norway, it's a key task for the Swedish management into 2015. We also see some promising trends towards the end of the year in the European portfolio and also the rest of the European portfolio have higher growth targets for '15, as close to zero growth over time is not where we should be in Europe.

Then solid growth puts margin under pressure and here we need to spend some time to explain why our margin is under pressure. It can be easily explained by the graph to the right, where we have sold 1.7 million handsets this quarter and there is a clear correlation between these sales and the record high profits of the Apple Group. We have sold a lot of iPhones and that comes with a certain subsidy. We have good control over that subsidy and we think these are profitable investments but it clearly puts a dilution effect on our margins. So if you see the gross margin in Q4, it's down to 17% on a total gross profit of around 20 billion, that's two percentage points lower than the gross margin in a similar period last year, you have to compare Q4 with Q4 due to the Christmas campaign on the iPhones and so on. Two percentage points on the gross margin, that is close to NOK 400 million, so that's the key reason why the EBITDA is under pressure is the drop in the margin. If you look at the gross margin excluding the handsets, it stands stable at around 80%. So the pressure on gross margin comes purely from handsets and mainly from two areas, the iPhone and the strong device sales in dtac. I think we are fairly okay

with what we are doing on handsets in Europe and most of Asia but we are concerned about the heavy subsidies in the Thai market and Thai industry now competing away a lot of the regulatory cost saving. So we have to work on how to get out of that in 2015.

Now on EBITDA, we see also strong growth in the EBITDA year-on-year. If you exclude the growth cost in Myanmar of approximately 200 million, the EBITDA grows around 600 million but also there's pressure from handsets. So really the reason why the EBITDA margin is dropping from 33% to 31% year-over-year is again the pressure from the handsets and that we are now ramping up in Myanmar. Other than that, the other trends in other units are more or less in line with what we have seen earlier in 2014.

Then to the capex, fourth quarter record high capex, NOK 5.6 billion we invested in the fourth quarter, up NOK 1 billion year-on-year. I think we are doing the right things. We are investing heavily still in Norway, in high-speed networks on the mobile and the fixed with good profitability. We are executing the 6,500 base stations in Thailand to capture back a good network position in Bangkok and the big cities. We are swapping the network in Bulgaria to a data centric network. We are rolling out 3G services in Pakistan and of course we are launching in Myanmar. So those six initiatives are driving the capex levels. So we are at 19% capex to sales in the fourth quarter – that is not the level that we continue into '15, it's really driven now in the fourth quarter with very high capex in Myanmar and Pakistan in particular, but the six areas I mentioned are the key drivers of capex right now.

So given the high capex even though we have a solid improvement in EBITDA, the cash flow for the quarter is down to 3.6 million, but I would like to point your attention to the chart to the right hand side there which is the reconciliation of the cash flow development from '13 to '14 for year as a whole, and the green box is really important there. We are able in Telenor by the healthy growth in service revenues, subscription and traffic revenues to grow our gross profit by 3.8 billion year-on-year and that's really the core of the value creation in Telenor; and by also controlling opex, that translates into solid EBITDA growth. There are currency effects in these numbers, on opex it's around NOK 0.5 billion of currency effects and then we are investing more which you see from the capex side there which we believe are profitable investments. Then there are the net of the two new units to the right, Bulgaria and Myanmar and that's mainly that

we have invested 1.7 billion into Myanmar in opex and capex, net of the revenues we have so far in Myanmar. So with solid growth investments we're still able to grow the cash flow over Telenor positioning the group for the future.

Then to the income statement, I've already been through the revenues and the EBITDA and quickly go through some of the other special items in this quarter. On other items we have some redundancy costs in Norway, we have written off an IT system in Sweden and we have provided for some legal claims in India, not paid, 100 million. On the associated companies, still weak results from VimpelCom only contributing 160 million – this is the Q3 results of VimpelCom as they report later in the February; Evry, strong share performance on the back of the bid from Apax has made us reverse the goodwill provision in Evry; and we're investing heavily in market activities in the online classifieds. Our contribution to that was 173 million in the fourth quarter both in South America and Asia.

Other net financials, we have a currency loss of 221 million in the quarter – that is on internal transactions non-cash pure accounting issues. On taxes and non-controlling interest, nothing abnormal there and the net income stands at 1.8 billion for the quarter.

Then to the debt, like I said currency is the main impact to our debt level. I will not go through the reconciliation of the net debt which you see on the right hand side there other than comment on the currency effects. The net debt increased 6.7 billion in total for this quarter which of currency effects for 5.6, which were the weakening of the krone towards the currencies we have our debt in. Still our net debt to EBITDA ratio only increased from 1 to 1.2 in the quarter and we are still comfortably below our self-imposed ceilings of net debt to EBITDA of two times. So even through extreme currency movements and weakening in the Norwegian krone, this parameter is well under control and not a concern for the group.

Then to the dividend, Telenor plans to pay out a dividend of NOK 7.30 per share and that is dividend ambition to deliver as we have said in our policy a growth in the dividend year-over-year. That will represent a payout of NOK 11 billion. The plan is to pay out the dividend in two tranches, one of NOK 3.80 in June and one NOK 3.50 in November, and why are we doing this? Well, a total payout of NOK 11 billion at one particular point in the year is not aligning the

underlying cash flow of Telenor with the dividend payout, so when dividends has come as high as NOK 11 billion, we found it prudent to align the cash flow profile of the group better with the dividend payout and split the dividend in two tranches. It also puts pressure on the financial markets and our lending institution to pay out NOK 11 billion in one go, so also from that perspective to ease the pressure on the funding, it's smarter to pay out in two tranches and it should benefit all Telenor shareholders. So the mechanisms around the new system of paying out in two tranches will be pending AGM approval which then will give the board an authorisation to handle the dividend in this way if approved at the AGM on 20th May.

Then to the guiding, as Fredrik mentioned and also I mentioned we see solid growth now in the Telenor Group at least coming in from Myanmar which is growing faster than we expected originally. So last year we ended the year of 3.4% revenue growth and we now guide mid-single digits. I must say that we're early in the year, so you should take that range as a quite wide range at this stage and there are really two factor that makes us say that it's a wide range is Myanmar: it's very early, we see solid growth, if that continues we can come very high in that range but it's still early. The other ones are handsets. We see enormous demand for smartphones in Asia but also in our European operations and we see smartphone prices dropping considerably, making smartphones available for the big masses. How much handsets we sell will also of course impact the top-line growth considerably. So those are the two jokers on the top-line growth, but we're still confident that we will grow at the higher ratio in 2015 that we did in '14. These factors on Myanmar and handsets are of course directly related to our margin. So we're guiding also quite a wide range on the margin: 33% to 35% which is somewhat down from 2014. Be aware that we will lose the wholesale contract with Tele2 in Norway which has a direct impact on our EBITDA margin, so that's a factor that will take everything else equal '15 lower than '14. The two main drivers why the EBITDA margin has such a wide range are the same why we're guiding quite wide on the top line; and that is Myanmar, the growth there, that will come in strong revenue growth but Myanmar is still a loss-making mode on EBITDA margin, so the more we grow in Myanmar, the more pressure we'll have on the EBITDA margin. But that is for the good, and then it's on the handsets, the more we're able to sell handsets and grow the data availability and consumption particularly in Asia, the more pressure we'll put on the EBITDA margin and I think this is well under control in all our markets with the exception of Thailand right now. So you can rest assured that we follow this closely on the profitability side and the

worry is Thailand. But those factors makes us so early in the year be quite wide on both the top line and the margin.

So you can say in a way if you sum up '15 and we're being extremely successful in Myanmar and put pressure on the margin I think it's still been a very good year, if you're being extremely successful on handsets with very high subsidies you can maybe argue and really scrutinise what is the profitability on that and particularly in Thailand.

On the capex side, we see strong demand for data and we need to secure our positions especially in Asia. So we're guiding a capex in line with last year excluding the satellite which I think is prudent given the strong data growth, the satellite will come in with approximately 1.4 billion in capex. So to follow the profitability now of these heavy investments we take in data networks and particularly in Asia with the same scrutiny as we followed the heavy investments in the data networks in Norway in 2012 and 2013 it's key for the group that we really are able to monetise profitably on the high investments in spectrum and data networks in Asia.

That brings me to the last slide before the Q&A. To sum up, yes, we delivered a record high 2014 in line with our guidance. Service revenues are growing nicely but to secure profitable growth from the shift to voice and data and to continue our efficiency programs in 2015 are the key focus areas that both Fredrik I mentioned this morning. Thank you.

Meera Bhatia: Thank you, Richard. Could I ask Fredrik back on stage please. We'll take questions from the audience first. No? Then we'll take one question from our online participants before I'll open the phone lines, they have question on our Indian operations. What is Telenor's outlook on the Indian operations in 2015 and in the long-term, if you could comment on that please?

Jon Fredrik Baksaas: Sorry, I didn't follow your question. I was concentrating.

Meera Bhatia: A question on the Indian operations, what is our outlook on India in 2015 and in the long term?

Jon Fredrik Baksaas: India is growth market for the future. It's a huge population, the new government has created good expectations for new economic growth momentum in the economy and of course expectations are one thing, real growth is one thing, but we do see the very right indicators for these investments in the country are growing. So we believe India is a long-term, very interesting market in telecoms. The country is going to modernise into becoming an advanced consumer of mobile services in particular because that's the main infrastructure. The Telenor position through Uninor is that of servicing customers which are early users of mobile services, voice and SMS, despite we also see this part of the population being initial users of data services. My point here is that the future of India depends on access to spectrum long-term and in that sense the upcoming spectrum auction will be considered by us to participate from the areas and from the circles in which we already are. It's upcoming, it's right around the corner and we will take a very close look on how to participate in that one. We're positive to India long-term but it's all about spectrum and access to that natural resource which enables us also to serve the future needs of the big customer base that we consider that we already have and that we have to build from where we are.

Meera Bhatia: Could I now open the phone line please and open up for the first question?

Operator: We will now take our first question from Peter Nielsen from Kepler Cheuvreux.

Meera Bhatia: Please go ahead and ask your question.

Peter-Kurt Nielsen: Hi there, thank you. Peter-Kurt Nielsen, Kepler Cheuvreux in London. Just two questions firstly if I may Fredrik. We've obviously very recently had the regulatory approval of the consolidation in the Norwegian mobile market. Just a question for you, is there anything in the terms and the remedies etc of that transaction which makes you concerned about the market? You just gave us some very positive comments and indicators for the Norwegian market also in 2015, is there anything here in what you've seen to date that concerns you on that side? Secondly if I can just return to the Danish market, Fredrik, your comments were for the first time I guess in a long time fairly positive about the Danish market. You talked about positive subscriber trends etc. Can you give us any hints on how things are looking on the revenue side for Telenor in Denmark given you have recently won some major sort of property

contracts and seem to have been fairly active in the market and also how that has impacted the profitability? Thank you.

Jon Fredrik Baksaas: Let me begin with the first part. I think that the consolidation that has been done, obviously TeliaSonera sees that as okay given the remedies that they have thrown into the deal in order to get it done. There will be a lot of work on their side to put these things together of course but that is sort of business as usual when you do these things and we will have the same kind of work hopefully to be executed in Denmark after an acceptance has been taken there. So the aspects of the authorities in Norway then have stimulated from their perspective sufficiently enough parameters in order to maintain the third operator is quite obvious. How this will evolve and how this will develop into actions in the marketplace, it's too early to say, so it's difficult to envisage how this new three operator structure from being three also last year but then becoming a new kind of three player structured market will play out towards and into 2015 is difficult, but I do believe that throughout 2014 that we've shown that the need for monetisation of the tremendous increase in data volume being consumed over the mobile phones is a very good feature to note also in this market as well in other markets because with this strong investment that we do feed into the systems, not only in Telenor, the increased take-out from these systems will also require increased monetisation and we have showed that in Norway throughout 2014 and we hope to continue that trend in 2015. In Denmark, yes, we have been able to take in more customers. We have stopped the leakage that we had in a period of time in 2013 beginning 2014, so we're doing better. The ARPU levels in Denmark have still being under pressure this year, but all in all we're quite okay and satisfied given the situation we were in say a year ago in Denmark. So I limit myself with that kind of commentary.

Peter-Kurt Nielsen: Ok. Thank you.

Meera Bhatia: Next question please.

Operator: Thank you. The next question is from Georgios Ierodionou from Citi. Please go ahead.

Georgios Ierodionou: Yes, hello, I've got two questions please. The first one is on the capex guidance. Yesterday in the dtac call there was some explanation around their capex guidance being low with a potential for more investment if there's no agreement on network sharing with other partners in the market. I was wondering whether as part of your guidance you can share perhaps a bit more investment that has to go in than the 14 billion in local currency and if that is something we'll see in 2015 or maybe it's going to be something for 2016? My second question is on Myanmar, very positive commentary and very strong KPIs so far. So what I would ask is do you think there is significantly more potential than we initially envisaged? Is there a point where the peak funding could be adjusted in order to reach the full potential? Thank you.

Richard Olav Aa: Hi, good morning. On the dtac side, we are in a very important moment of time in Thailand, we are coming up towards the end of our concession in a few years and we also have that very strong data growth in Thailand and we need to position ourselves from that. We have made it clear that we would like we have done in European markets like to exploit sharing opportunities which have been very successfully done in Denmark and Sweden and also to some extent here in Norway. To us it makes more sense to take a longer term view in the Asian markets and try to utilise sharing opportunities. So far that has been with limited success in Thailand and we are little bit in a crossroads, so if not we are able to find good sharing opportunities we of course have to invest to protect our market position. But of course then you have the risk that the Thai market becomes over-invested, so preference would obviously be to do sharing activities, but make no mistake about it, we are not giving up the market position in Thailand if the sharing opportunities will not come and then we probably have to revise the capex guiding up if that is not happening. On Myanmar, it's very important for the peak funding like it was in India is a very important parameter to guide towards, but Myanmar is developing much faster than expected, but our aim is to turn that into profitable growth. So we have no reason to believe that we should change the peak funding target at this stage and that is a target that places a lot of emphasis and is definitely not likely to move.

Meera Bhatia: Next question please. Could we try to limit ourselves to one question please?

Operator: The next question is from San Dhillon from RBC Capital Markets. Please go ahead.

San Dhillon: Hi guys. Just one question to follow up on the earlier India one, I would like to get your views on Telenor's ability to compete in India in the mid- to long-term I guess versus other larger operators who all have nationwide coverage and already 3G coverage approaching 90%. Do you believe Telenor will have to increase coverage presence and scale in the future to compete?
Thanks.

Jon Fredrik Baksaas: The Indian market is not necessarily a national market, so we are quite okay with the circles in which we operate right now. So from that perspective I think we're okay. In first circle we are now seeing that the Uninor operation is still climbing the statistics on free incumbents. So the performance that we've had and the ability to go to market and to capture customers, 2.3 million in the fourth quarter alone, is a kind of a proof on that. But the longer term picture is that also the Uninor operation needs access to data spectrum because the market is obviously moving in that direction and it will even increase later in the medium-term when we expect the handsets of 4G phones to come down to affordable levels for the bigger part of the population. So this combination needs to be addressed. I think in the short term it is quite okay, but in the medium- to long term these kinds of questions needs to be addressed and find new solutions.

San Dhillon: Thank you very much.

Operator: The next question is from Nick Lyall from Société Générale. Please go ahead.

Nick Lyall: Yes, good morning, it's Nick from SocGen. Can I just ask one then, please? On the dividend policy and not so much the splitting of dividend, but just the absolute level of dividend, why is the dividend increase quite small this year at 7.3? It's quite a bit below consensus. Should that signal to us your expectations of cash flow growth are weak or possibly more M&A or concerns about licences, could you just expand on why the small increase in dividend please?
Thank you.

Richard Olav Aa: Thank you for the question. We have a dividend policy in Telenor where we aim to grow the dividend year-on-year but we also have another part of the policy where the dividend should be within 50% to 80% of normalised net income. The recommended dividend

level of 7.3 is close to 100% of normalised net income, so you can say it's actually higher than the ceiling on the policy. Why we recommend, the board of Telenor recommend also to go higher than the policy is that we are embarking on significant growth investments in India, online classifieds and not at least Myanmar that put pressure on the normalised net earnings. But we found it not prudent to go higher than 100% of normalised net income, meaning that we're actually paying out the full normalised net income for 2014, that's the reason.

Nick Lyall: I know you're talking about net income Richard as opposed to cash flows, presumably this is going to stay the same in terms of your prudence with all the license auctions and margin investment you are having to make coming up. As I say, it's more a cash-flow investment rather than P&L at the moment, but does that have a heavy weight on dividend policy in future as well, because it doesn't look a great outlook?

Richard Olav Aa: Well, that of course depends how good we are able to grow the normalized net income over time, how good we are transferring in our investments in classifieds Myanmar and so on into amortisation of data, so I cannot give any particular guidance on that asset now. But given the growth profile of the company.

Jon-Fredrik Baksaas: Our aim is of course as we grow the underlying cash flow figure overall and so the prospects to keep the dividend policy I evaluate as being very strong.

Richard Olav Aa: I hope I was not clear on that, that part of the dividend policy that aims for a growth in dividend year-on-year that stands very firm.

Meera Bhatia: Thank you. Next question please.

Operator: Thank you. The next question is from Thomas Heath from Handelsbanken Capital Markets. Please go ahead caller, your line is open.

Thomas Heath: Thomas Heath here with Handelsbanken. Two questions if I may, firstly on online classifieds, since Richard, you mentioned it in the previous question. Should we expect the same amount of cash and P&L burden going ahead as we've seen before, even despite the

consolidation in those markets which you participated in? Then secondly a technical question on your margin guidance, is it fair to assume that you're using today's spot currencies or do you take any extra room for currencies rebounding in your group margin assumptions? Thank you.

Richard Olav Aa: Well, on the online classifieds, we are in partnership with other publicly listed companies so we should limit I'll be very carefully on what to comment on the future on the online classifieds without full alignment with our partners. I am not prepared to do that at this morning. On the margin guidance, it's of course it could be some mix effects on the margin depending on the currencies, but typically the margin stays fairly neutral on currencies because the top line on the EBITDA is more or less the same depending on the way currencies are moving, so that should not have a significant effect on the margin.

Meera Bhatia: Thank you. Next question please.

Operator: Thank you. The next question is from Erik Pers from Danske Markets. Please go ahead.

Erik Pers Berglund: I was just curious about the margin evolution in a couple of the Asian units, India to start with. You had an EBITDA without too much improvement from say Q1 before you started the relocation of the 5,000 base stations. Could you help us out there, what is happening with the cost side and how much did the remaining base station relocation cost in Q4? Then on Myanmar, you say you keep the peak funding which is great news but what will the trajectory look like here, when will the cash flow losses peak please?

Jon Fredrik Baksaas: Let's start on the second question. I think it's difficult to say what kind of peak we will see in the speed of building up revenues and customers in Myanmar and the reason for that is that we started in three cities: Nay Pyi Taw, Mandalay and Yangon; and now we are starting to escalate from those three cities and into more rural other cities and more rural like areas. Whether the pent-up demand is as strong on let's say the country side compared to cities: that remains to be seen. So it's too early to say what kind of growth factor we can there, but the overall comment is that we've been received very well, the services have been adopted very rapidly with the existing customers that have come on board, so the speed in the market and the availability of financial resources with our customers seems to be higher than we expected.

So, so far so good but it remains to be seen on how we're going to see the trends to the question. As to your first, give me a hint on the first question again? India. The performance through 2014 is very good, though we had expected to be able to deploy the 5,000 base stations a bit earlier than we did because of the monsoon season. So we still carried out commissioning of the last part of the 5,000 base stations in the fourth quarter and that put some pressure on opex in that period. So you could say that where we're now, we should be breakeven on the volumes when we have got sort of up to speed in the new footprint that these 5,000 base stations has given us, in the same way as we were more or less at the beginning of the year before we started to launch these services, these new base stations sorry.

Meera Bhatia: Thank you, next question please.

Operator: The next question is from Ulrich Rathe from Jefferies. Please go ahead.

Ulrich Rathe: Thanks very much. I have a question, you are of course making the very valid point that your margin outlook depends quite significantly on the handset sales also in 2015. So I'm just wondering what we can expect there? Obviously you're not going to give us specific guidance but is it fair to say that we had quite major product cycles in the form of the iPhone 6 in 2015 which may not repeat in 2016 and therefore one could even argue that at least in the more developed markets volumes could actually go down or is this totally the wrong way of thinking about it when we try to model out the handsets and the margin impact? Thank you.

Jon Fredrik Baksaas: I think you are pointing to a very important factor. We used the word pent up demand and that's the demand also surely pent up in the case of the iPhone 6 coming because it came later than previously thought and so the market was waiting for it and the reception to it was also extraordinarily strong and then it's again no wonder that Apple comes out with their very best quarter ever in fourth quarter 2014. So I think you have a point there. Whether the market will be as responsive to that specific equipment in the coming months at the same level, that is something I'd ask you to evaluate as we are, but in my thoughts would at least be that we should not expect the same speed on Apple alone. Then again what kind of new handsets we might see from other vendors and how these are thinking, so let's have a look at that question

after the mobile congress and see whether there are some news there coming out that potentially can compete in this phase.

Meera Bhatia: Thank you, next question please.

Operator: Thank you. The next question is from Jakob Bluestone from Credit Suisse. Please go ahead.

Jakob Bluestone: Hi, Jakob here from Credit Suisse. I just had a question on fixed line in Norway, it seems like both KPIs and financial trends were a little bit softer this quarter; retail revenue growth went from about +2% to -1% and your broadband subscriber base shrinking. Could you maybe just provide a little bit of extra colour on what's happening there? Is that competition picking up and if so is it the fiber companies, is it all of the above? Thank you.

Jon Fredrik Baksaas: The DSL lines are still in reduction and we now have a population of roughly 700,000 lines I believe. The fall in number of subscriptions is slower now than it was previously but remember, we're coming from the peak number which was 2.4 million so it's quite considerable. Our task here is to reduce the cost base associated with the fact that the number of lines have come down that much. The problem with this customer base is that these are long access lines and other alternatives for broadband connections through cable is actually quite limited. So the need for this is quite strong. Now the mobile side comes up with better connectivity through the deployment of 800 based 4G services, so there is a bit of complementary technologies coming around, but still we expect that part of this DSL lines subscriber base will survive longer term, so then our target is to reduce and establish a cost level that can go with a lower satellites. On the other side in more rural areas both cable and fiber is coming up driven both by us and by the electrical sector, so the country being of the geography nature that we have, we will see still have combinations of these technologies in order to cover homes with the needs for access to Internet.

Meera Bhatia: Thank you. Next question please...

Richard Olav Aa: Jus to add Jakob that underlying trends on the high speeds are very solid also this quarter, that we are upselling to 50MB and 100MB on the cable and the fiber and also we're up selling DSL lines to VDSL. So the ARPU growth on high speed fixed network is very solid. The problem is what Fredrik pointing to is that we have been losing subscription market share consistently now for a few years and that trend needs to be turned in 2015 and going forward but combined with a growing ARPU as we have on the mobile.

Jakob Bluestone: That's very helpful, thank you.

Meera Bhatia: Next question please.

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

James Britton: Good morning. I've got a few related questions on spectrum, please. Theoretically do you feel you need to have a proportionate share of spectrum in line with target market share in your markets? And then could you just update us on where you would expect to invest in spectrum in 2015, but also just give us a sense of when you expect the 700 megahertz spectrum to be released in the Nordic markets, which of course are very advanced data markets and will probably need the more capacity sooner? Thank you.

Jon Fredrik Baksaas: The spectrum position long-term is important whether there are exact correlation with market share and spectrum balance that's kind of another question, but if there is two big differences between the two then of course there is a long-term challenge there. On 700 I think that it will take a little bit longer time before than 2015 before at least Norway we will be able to release 700. We should have liked to get 700 but also I think there are others that have their fingers into that spectrum and it will take longer time to free it. The overall ITU decision will probably come this year that 700 will be allocated to commercial purposes within the mobile sector, so there will be a clear pointer from ITU in that respect that this is going to happen. And traditionally, the Nordic countries has been early out when it comes to release spectrum for commercial usage, but when and how speedy it cannot be certain year-to-date.

Richard Olav Aa: Also James on your question on what happens this year I think there could be several very important spectrum situations coming up in 2015 and probably the very most important one is in Thailand in the transition from concession to license and all the industry is building out a data network largely based on 2.1 gigahertz which is not very economic in a way in the long-term, so there needs to be liberalize more spectrum in Thailand under license regimes so we really hope that that auction will happen in 2015 and then we've been to India in numerous times on this call, more data spectrum is needed for all the operators in India and we urge to Indian Government to auction enough spectrum at the reasonable prices for growing connectivity for the Indian population. Those two probably the most important ones we also hear rumours about spectrum in Bangladesh and there is a small spectrum allocation coming up in Serbia, but clearly Thailand and India being the most important ones.

James Britton: Is there anything available in Malaysia this year?

Richard Olav Aa: Yes Malaysia is different system for spectrum allocation, but we certainly also hope in Malaysia that there'll be an auction on the low frequency spectrum bands any more comments from...

Jon Fredrik Baksaas: And there is an imbalance between the three operators on 900 which have been a long-term headache and since this 900 comes closer and closer to an end, there is hopefully a rebalancing of the imbalance between the three operators as I mentioned sort of...

Meera Bhatia: Thank you. Next question please.

Operator: The next question is from Stefan Gauffin from Nordea. Please go ahead.

Stefan Gauffin: A couple of questions, first of all, you commented that Sweden has showed fairly low growth and you are underperforming on service revenue growth versus the peers. You stated that it will be main priority to turn this around and I wonder if you can give some indication on your plans here. Secondly, just a clarification on India, you stated something about EBITDA breakeven given your investments there, but can you say anything on when you should reach EBITDA breakeven and operating cash flow break-even after these tower investments?

Richard Olav Aa: Well on Sweden, yes we have been growing less than our peers in the second half like we see it now. And but the key focus obviously this organization is really lift the ARPU going forward in the same way as we have been able to do in Norway. It's not matter of a growth this is a matter of delivering better quality, better services more data volumes to our customers and embark on the same journey as we have done in Norway on focusing on upscale on existing customers and growing the ARPU from giving better value to the customers. On the India side, we will not guide quarter-by-quarter for India for 2015 but it's clearly an ambition for 2015 as a whole to be the EBITDA break-even that's the target for Indian organisation.

Operator: The next question is from Barry Zeitoune from Berenberg. Please go ahead.

Barry Zeitoune: Hi, sure. I will leave it to maybe two questions if that's okay. The first is just on your margin guidance. Do you feel that you're being conservative with the guidance and also then in terms of your old op free cash flow target, which you were previously forecasting at NOK 28-30 billion, is that completely ripped up or do you feel that it's simply delayed a couple of years given the requirements for investment? I'll leave it there for now, thanks.

Jon Fredrik Baksaas: Guidance is what it is at this stage, whether it's a conservative or something else. I don't think we will give new dimensions to that, that guidance stays but of course we have issues around dtac which we have then shifted into the guidance and if we and get around the challenges that we have in dtac, clearly the prospects of and the consequences to the margin should be positive. As to the 28 target, given the growth profile of the Telenor Group and if we have had dtac on stream in 2014 we would have not been very far away actually if the capex levels had normalised at say 10% to 12%, but we are running at a higher capex level driven by what we see in all markets that internet and data usage is coming at us at a higher speed and usage at that point in time. So in the longer term we should be able to grow top line out of these trends and as a consequence we should be able to drive also the cash flow in the group.

Meera Bhatia: Thank you. We are running a bit over time. I would like a few more questions. Next question please.

Operator: The next question is from Terence Tsui from Morgan Stanley. Please go ahead.

Terence Tsui: Thank you, good morning everyone. I've just got one question please. Can you talk a bit more about Norwegian mobile? Obviously the service revenue trend growth is really strong there at 10%. I just wondered how sustainable that is and maybe you can also remind us about the quantity of the wholesale revenues that you're going to be losing from Tele2 in the coming quarters? Thank you.

Jon Fredrik Baksaas: I think that the underlying trend in Norway is very strong, we believe it will continue to but it will not continue with the high growth factor that we have in the last two quarters in Norway as such. So it's our ambition to grow from where we are and to take it further. On the wholesale side, the fact that there is a consolidation going on and the fact that Tele2 is then moving their traffic from our network to the incoming network of theirs that will be completed by end of this quarter and it has started and that constitutes roughly NOK 500 million almost with a direct effect also to the EBITDA with an underlying growth factor in mobile service revenues as such we believe we shall be able to compensate this throughout the growth factor that we see in the market in general.

Meera Bhatia: Thank you. We'll take two more question and then end the session today. Next question please.

Operator: The next question is from Russell Waller from New Street Research. Please go ahead.

Russell Waller: Just on the capex-to-sales guidance just a quick clarification please: is that off the organic revenue growth or NOK revenues? NOK revenues could be up 10%-plus year over year; and so are you saying capex is going to be up 10%? Then just very quickly, just thinking about how much you might spend in India. Previously you've talked about INR 155 billion cumulative spending cap and is that still valid because my understanding was that that did include spectrum and you're pretty close to that? Thank you.

Jon Fredrik Baksaas: Yes, starting off with India, the 155 billion cap is very important to us but if you look at the net or everything we've been through in India we still have some headroom up to the 155; and as you know also spectrum in India you pay in instalments. But we have not made up our mind yet if we want to participate in upcoming spectrum auctions or not. We are in the planning phase, annualisation phase for that right now. On the capex guiding, there are no big effects on the currencies, really the same comment as I had on the EBITDA earlier, it's a margin guiding.

Meera Bhatia: Thank you. We'll take the last caller now please, if we could limit ourselves to one question.

Operator: The last question is from Andrew Lee from Goldman Sachs. Please go ahead.

Andrew Lee: Good morning everyone, thanks for taking my call. The question was just on M&A. I know you've made a few comments around it on the call, you said your criteria was within core assets and regions, but I was wondering if you could give us some more colour on which regions you think are more likely to see M&A from you guys, either because you think they're greater opportunities or because there's actually something for sale? And are there any Greenfield opportunities you can see that perhaps we're not aware of? Thank you.

Jon Fredrik Baksaas: I am not aware of all that many Greenfields left but if you have some please show them to us. On the Greenfield side I think opportunities have taken and Myanmar was the in way we operate the last Greenfield of significance and we like what we see so far having said that. M&A in general, I don't think it's right for us to point in other directions than what we said before. We are a player in the regions where we are. We have good positions if there consolidation possibilities in these markets that could benefit the future, we will of course address and have a look at them and I think that is...we will concentrate on core and develop ourselves in digital and adjacent services. So I think that limits in a way our comment to that question.

Richard Olav Aa: Maybe we should also add to that on the dividends against M&A.

Jon Fredrik Baksaas: I'll come back to that later.

Meera Bhatia: Any follow-up question, otherwise this was the last question.

Andrew Lee: Yes, so just to be clear. It doesn't appear like there's any major opportunity for M&A in your Nordic regions anymore for you. Is that how you see things?

Jon Fredrik Baksaas: The structures as they stand in the three Nordic countries in which we operate is probably more as said the end of what we can expect as a regional consolidation. Does that mean that nothing will happen in Sweden? Who knows but where we are right now I think the structure in Norway has been set, the structure in Denmark has been set, as long as we can get it in Brussels and then we are where we are, that's in a way why my comment to that.

Meera Bhatia: Thank you very much. That was the final question.

Jon Fredrik Baksaas: Then I want to thank everyone for having follow Telenor throughout 2014 and I hope to see you and follow you also in 2015. We have a very strong year behind us in 2014. We have developed the group in the right direction and let there be no doubt about the underlying ambitions of the group. We're a growth company. We want to see competitive yields to our stock. We believe we've done that through the existing dividend policy also for 2014 and despite the fact that the growth factor of dividends in that year is not as strong as it was in 2013; and the dividend policy, there is no change to that, it stands firm. We want to grow it nominally year by year and we want to have a competitive yield on the Telenor stock. Thank you.