



Company: Telenor ASA
Conference Title: Q1 2015 Results
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Date: Wednesday 6th May 2015

Participant: Attention please. This is a safety announcement. In case of an emergency please use the exits that are marked with green exit signs. There is one on the right side of the stage and one in the back of the auditorium.

[Video introduction]

Meera Bhatia: Good morning and welcome to Telenor's First Quarter Results Presentation. A bit of a different start this morning and congratulations to THOR 7. My name is Meera Bhatia and I have the pleasure of guiding you through today's presentation. Our CEO Jon Fredrik Baksaas and CFO Richard Aa will present the results today. There will be a Q&A session as usual first from the audience and then from our online and webcast participants. There will also be the opportunity for media present to have a brief discussion with our executives afterwards.

Fredrik, could I ask you on the stage please?

Jon Fredrik Baksaas: Thank you Meera and also good morning to you from me. First quarter 2015 we consider a very, very strong start of the year. We can positively say that it's been a promising start I'd say. The Telenor Group keeps growing. We've added 20 million new subscribers in the past year and 6 million new customers in this quarter alone. Organic revenues are up by 8% year on year, backed by the higher subscriber base and strong sales as well as device bundles in both the European as well as the Asian markets. EBITDA grew 5% last quarter. The business mix, including significant device sales explains the difference between the top-line growth and the EBITDA growth and we do see a 5% on EBITDA growth as also a very strong figure.

With mobile operations now in 13 countries there will always be markets that stand out, both in a positive and more challenging context. I will try to cover some of these in more detail in my



presentation here today. All in all the Telenor Group had a very strong start in 2015, actually its all-time high both on revenues and EBITDA. This proves the growth dimension and also it continues on top of 2014. This we now also reflect into our revised and improved financial outlook for the year which Richard will go into more detail later on.

Let's move over to the business entities and I'll start with Norway. Here in Norway we report 6% total revenue growth and a stable EBITDA margin compared to the first quarter last year. The strong trends continue within the mobile segment with 9% service revenue growth. As you know we invest heavily in our networks to give our customers the best data experience and we now have 86% 4G population coverage and we're also investing to grow the geographical coverage. Our customers are adopting 4G handsets at an impressive rate, with penetration already getting close to 50% in our base. This is also reflected in the overall median data consumption which is up 116% compared to last year and the usage amongst our 4G users is significantly higher than the average usage. Telenor Norway has been a leader within mobile data monetisation the past quarters and continues the trends into the first quarter this year, although the comparison will be harder as we move into later in the year. We will continue to focus on offering high quality services and drive ARPU through upselling on the back of very solid demands in the overall Norwegian market.

In the fixed segment, the total number of customers are declining but we're continuing to grow our high-speed Internet customer base of fiber, cable and VDSL which is supporting the internet ARPU. This combined with our efficiency agenda will be the key priorities going forward in the Norwegian market.

In the other European operations we see organic revenue growth across the entire footprint and it's quite a while since it's been like that. Q1 has been a strong quarter in terms of device bundles – attractive bundles stimulate data demand but also add some margin pressure short term. In Sweden we report stable service revenues and strong device sales and we have an underlying ARPU improvement in the consumer segment. Competition has intensified in the last few months, especially in the mid to high-end segment. Our key priority is to secure the long-term data monetisation potential in Sweden which is one of the most advanced markets when it comes to data consumption.



In Hungary, the trends are improving on the top line, backed by the migration to data. More data centric bundles are taken up in the consumer segment, while EBITDA margin is declining due to high device sales and higher licence fees. Telenor Bulgaria completed its network swap in March allowing Telenor customers to benefit from significantly improved coverage and better 3G capacity and speeds. As expected the EU Commission decided to move to phase 2 of the merger with Telenor and TeliaSonera in Denmark. Our aim is to create a robust player in Denmark and that both consumers and businesses will benefit from improved network connectivity, higher speeds and better performance. We believe that the merger will be approved during 2015.

Moving then to Asia, I will start in Thailand. In Thailand, the competition remained intense and profitability continues to be under pressure. This comes from a high level of subsidised smartphones sold in the prepaid segment, only partly offset by lower regulatory costs. However we are executing on our turnaround plan and are starting to see results from that. Our customer base increased by 419,000 during this quarter and we have adjusted our tariffs. We removed the unlimited offers and we see some early signs of improvement in the market from these actions. We are strengthening our distribution through the implementation of a cluster-based operating model, the same model that has proven successful in our other Asian markets. We've also improved our network position significantly during the last six months and we intend to step up our investment both in 3G and 4G network coverage aiming to take a strong market position in the mobile internet market, then also seeing Thailand being a very quick learner and a very strong pick-up for data consumption.

Moving then to Myanmar, this is still early days, but what a start. The first few months of operation has established a strong foundation for us in a long future of an exciting marketplace. It's really been a kick start. We continue to face very strong demand both in voice and data. During the first quarter, we expanded into new geographic areas, added 3 million subscribers and ended the quarter with a total of 6.4 million subscribers. This we expect gives us a current market share of around 30%. 58% of our customers are active users of data, indicating significantly higher thirst for data than originally anticipated and this is actually a percentage which is at par with both Thailand and Malaysia when it comes to data consumption. ARPU



continues to be driven by early adopters with high usage of both voice and data. We should prepare though to see ARPU declining as we enter into more rural areas.

As a result of the stronger than expected subscriber growth and usage trends, our operation in Myanmar has already reached positive EBITDA which is quite impressive and very unique. In the coming quarters we plan to ramp up our network investments to cater for the strong demand for digital services and based upon that target to take a strong market position. Also while increasing these investments we still expect to stay within our communicated peak funding of \$1 billion. I can only add that Petter-Børre Furberg and his team and the rest of our colleagues in Myanmar are working very hard on this and they also see great results from their efforts, so congratulations at this stage.

Then some words on the other operations in Asia. In India we continued to see strong subscriber growth this quarter translating into solid double-digit revenue growth. A significant part of the revenue growth is coming from the network expansion that we did in 2014. Profitability improved, following the reduced mobile termination rate from March 1 and we now expect positive EBITDA going forward.

In Malaysia DiGi continues to demonstrate its ability to monetise on increasing data usage. The EBITDA margin remained strong despite the high device sales and increased competition, as well as price pressure in the migrant segment. In Bangladesh the current political situation with blockades and strikes impacted growth in the first quarter. In addition, competition intensifies with price pressure on voice-only partly offset by increasing data revenues. However with the significant investments in 3G, we expect to see an even stronger growth in internet penetration and data revenues going forward. In mid-January all mobile operators in Pakistan were required to implement a biometric re-verification of the total customer base, deemed to be an impossible task in such a short while. At the first phase deadline on April 12, Telenor had verified more than 27 million SIM cards. The Minister of Interior has extended the deadline of the second phase till 15th May after which unverified SIM cards will be blocked for use until verification is completed. This is an enormous logistical operation that has been carried through in a very strong way in the Pakistani market and it gives future possibilities when you have a fully biometrically-verified customer base as such for digital purposes later on.



As we summarise the full year 2014 we still see some clear trends and priorities for us in 2015. The data growth is for real. We enable, we stimulate and we invest. Then we also need to manage to upsell. The efficiency agenda stands as high as ever. It's a daily task. We have a 5 billion target over the three years '13, '14, '15 and cluster-based focus, IT operations, to mention a few contributes to this. We also need to return to growth to Thailand. We see some promising signs in that direction. It's a turnaround exercise. The network perception is building up and improving and the overall marketplace is hungry for data services. Then finally to capture the strong position in Myanmar. This is a very strong start. It exceeds our expectations. We now increase the speed and the rollout and we maintain our peak funding target of \$1 billion in this timeframe.

Then to conclude, this year we have taken a different step to communicate with investors, analysts and others by taking more focused topics up for presentation. The subject of Telenor Norway will be presented in a seminar in London in June; whereas on May 12th already we will host a sustainability seminar in London. As a provider of communication services, Telenor becomes an integral part of the society we invest in and it's fundamentally important to us that we commit to operate responsibility in all aspects of our operations. We focus on sustainable initiatives that create long-term shared value both for Telenor and for our customers and society at large. Sound corporate governance including execution of a solid compliance system implemented in all our operations is critical for Telenor's business integrity and to maintain confidence in our brand and our company. This seminar in London will focus particularly on what we've done in Myanmar and Bulgaria in that respect as well as also touch on aspects of human rights. Hope to see some of you there in London, 12th May.

With these words I hand over to Richard who will take us through the financials. Thank you.

Richard Olav Aa: Thank you Fredrik. Good morning from me as well. I will start right with revenues as those are the numbers where we have the largest change and what a start of the year on the revenue side. We have for the first time passed NOK 30 billion in one quarter in revenues: that's an increase of 19%, a NOK 5 billion increase from same quarter last year. Of course we're helped by the currencies. The Norwegian currency has plunged on the back of the



drop in the oil price while we have the opposite effect for the Asian currencies. So that explains more than half of the increased revenues, but still we have 8% organic revenue growth and show me another European telco that can show an 8% organic revenue growth.

On the right chart you see how the break-up of the revenue growth is and mobile subscription and traffic revenues are growing 3.8% which is a very good number. Of course we're helped by the start in Myanmar but also very good numbers in Norway are the main explanations. Devices contributes 2.4%. We have sold a record-high number of devices in this quarter which I will come back to when I explain the margin development. Also worth noting is the fixed, where we also this quarter due to upsell on fixed internet to higher speeds like Fredrik talked about are able to compensate a drop in telephony and ADSL customers. So also a strong quarter on fixed and in total that adds up to close to 8% organic revenue growth.

To explain the growth further which is really important to us is this chart that we show every quarter both internally and externally. As you see from this chart the blue line is the imperative line. It fluctuates around 5% every quarter – that is the consolidated organic mobile subscription and traffic revenue growth of Telenor Group. This quarter being no exception, you see Norway coming in at around 9%, still very strong, lifted by a higher ARPU on the backdrop of an explosion of consumption. We see Asia picking up around 7% mainly due to the pickup in Myanmar; early signs of a turnaround in dtac but still pressure on the top line in dtac. Europe, around zero this quarter. The main growth engine in Europe has been Sweden. Growth on ARPU has stalled somewhat in Sweden but we're sure that Patrik and his team which you know from the broadcast area will be able to buck the trends in Sweden going forward. But again this chart shows the strength of the consolidated group of Telenor of the various regions as stable 5% organic mobile subscription traffic revenue growth quarter by quarter.

Then to the margins. I would like to point your attention to the right chart which is the number of smartphones sold in the quarter. We thought the fourth quarter would be a record with the Christmas campaigns but the demand for iPhones has not stopped. We have sold also a record high number of iPhones in the first quarter, mainly in the European market and in Malaysia. In addition a record-high number of low-end smartphones have also been sold in Thailand. We believe those smartphone sales are wise moves going forward. We have seen how the



smartphone bundles in Europe and Malaysia and also Thailand on the iPhone has helped us to drive revenue. Where we have a small question mark is the low-end smartphone subsidies in Thailand. We think that should come to an end. It's been an industry issue up to now but we will certainly try to reduce that trend going forward as we think the subsidy levels are on the high side.

This also of course then takes an impact into the margin. We are improving the gross profit by NOK 3 billion year on year as you see from about NOK 18.8 billion to NOK 21.7 billion, but the margin is under somewhat pressure from 74 percentage points first quarter last year to 72 percentage points this year: two percentage points down. That's only related to handsets. The 1.9 million handsets this quarter compared to 900,000 handsets the similar quarter before. So to monetise on the back of these subsidies are crucial. If you look at the margin excluding handsets it's stable at 81%, so the margin pressure is entirely from handsets.

Then moving on to the EBITDA and with this strong growth in revenues which will require more base stations, more points of distribution, more handset subsidies, it's vital that we execute well on the opex programme. As you know we have the NOK 5 billion opex programme for '13, '14 and '15 and we're well underway to deliver on that programme no matter how we cut it by currencies or organic. So to fulfil that programme is vital and that's also why we have not a same drop in the margin, EBITDA margin as we had in the gross margin, you remember two percentage points drop, on the EBITDA we only have a one percentage point drop. This is also of course helped by currencies and the strong start in Myanmar. From the right chart you see the EBITDA change from the various units in the group and you see our EBITDA growth; it comes mainly from Asia and including the strong start in Myanmar and of course the strong growth in Norway. Total improvement in EBITDA is NOK 1.5 billion, a very strong improvement in EBITDA and also a record high EBITDA. Not only record-high revenues but also record high EBITDA despite handset subsidies and the start-up costs in Myanmar.

Then to capex, this growth does not come without significant capex. This quarter we invested NOK 4.5 billion in capex which is 15% capex to sales. The bulk of the capex as you see from the chart goes into Asia, but also capex into 4G networks and fiber investments in Norway. I would like to point to the purple pie there which is dtac which is now the highest capex consumer in



the group. This capex was used to secure our network positions in Bangkok and the biggest cities in Thailand – that is now secured and we have a very strong data network in those areas.

We have now also developed a new network strategy which was publicised by dtac a little over a week ago for how to attack the rest of Thailand and also indoor coverage. So we're going to utilise the concessionary spectrum, the 850 to improve indoor coverage and also rural coverage; and we're going to use the 1,800 concessionary spectrum to take a position on 4G. We believe by doing these network investments smart now we can really become a market leader on data in Thailand.

Then to the cash flow. Despite record high investments we're also able to improve the cash flow by NOK 600 million. The main contributor is of course the revenue growth. We see the gross profit improving by NOK 3 billion. Opex is increasing due to Myanmar and currencies and we have the high investment levels. But despite an investment level of around 15% we delivered NOK 6 billion cash flow. So I would say with a more normalised investment level we would now have been very close to the target of NOK 28 billion which we launched a few years ago but that we reconsidered on the backdrop of the high data investments necessary in Asia.

I'd also like to make a note that despite the high capex, the return on the capital employed in the group is very strong. From consolidated units these numbers translate into approximately 18% return on capital employed after tax. So yes, we're investing heavily, but yes, the return on capital in the group is also very strong these days.

Then to the reconciliation of the P&L, fully between first quarter last year and first quarter this year. We already commented on the revenues and the EBITDAs again at a record level. Then more normal items before we come to associated companies, but there you see a quite big shift from first quarter last year where we had a big loss. This year we have a small gain of NOK 650 million, contribution from VimpelCom, sale of our Evry shares and we also have the write-up of some of our online classified assets in connection with the transaction with Naspers of NOK 275 million, so total contribution from associates of NOK 653 million. Nothing abnormal on net financials, taxes at NOK 1.9 billion, that's accrued taxes. I think the payable taxes are at the lower pace than the accrued taxes now for various tax planning efforts we have done.



Discontinued operations, that is Denmark and then nothing abnormal in the non-controlling interests either, so a relatively clean net income back to Telenor of NOK 4 billion and then also a relatively clean EPS of NOK 2.70 per share to the Telenor shareholders in this quarter.

Moving on to the balance sheet and also here we see like we saw on organic revenue trends a stable profile. The net debt to EBITDA has been around 1x, 1.1x for the last six quarters and this quarter no exception despite big currency movements. We have been able to reduce the debt this quarter by approximately NOK 3 billion on the backdrop of the strong EBITDA. I don't think I will go into item by item on the reconciliation on the change in net debt as there are not any real major issues and we can take questions on that directly to the IR Department later. Then I want to reiterate the key development trends and priorities for 2015 that Fredrik went through before I go to the guiding, because this is an important backdrop to understand our guiding.

First, to monetise on the data growth that we see now exploding in all our markets including also a very new market like Myanmar. We need to capture those positions. We need to explore how we invest in new industries on the backdrop of this like financial services and online classifieds, and of course like we have done in Norway upsell on the increasing data usage. That should guide our revenue ambitions going forward. Like I said this growth does not come without the cost, so to deliver on our efficiency programmes, the take-out costs we're able to maintain and hopefully grow our margins going forward is crucial. This is also the backdrop of what we do with the margin guidance; the efficient operations. Then we have two very special units or units that are in a very special situation this quarter and for the rest of the year and that is Thailand and Myanmar; Thailand being our largest mobile operation and to invest wisely now in the network on the various bands we have available and capture the internet position both on 3G and 4G is crucial going forward in Thailand.

Then Myanmar, yes, it's early days, off to a good start but we need to spend capex to really solidify our position and capture the growth in Myanmar.

So I wanted you to have this backdrop before I go to the guiding. On the guiding, starting with the top line, we are increasing the guiding from mid-single digit up to 5-7% on the backdrop of the strong start of the year and what we see now for the rest of the year and the need to



capture growth from the data growth we see. Then on the margin, we guided earlier 33-35% on the EBITDA margin and you will remember well from the Q4 presentation how we explained that by the uncertainty related to Myanmar and the big uncertainty how many handsets we were going sell. Yes, we're still selling a record high number of handsets, but yes, we're even more confident now that we will deliver on our opex ambition and yes, Myanmar is off to a very good start. So on that backdrop we have been courageous enough to increase the EBITDA margin guiding up to 34-36% and I would really hope that we can also prove this guiding to be somewhat on the conservative side, but it's still early in the year.

On the capex to sales, last year we spent approximately 16% capex to sales. Last quarter we said we'd spend approximately the same plus the satellite, but then we were unsure whether the satellite would go up or not and now it's gone up and now the main risk is to get it to the right position and when it's there I think it's pretty safe. So now we have included the satellite into the guiding. That's a little bit more than 1 percentage point, 1.2 percentage points. So like for like, 15.8 plus 1.2, we're at 17% including the satellites. So why are we then increasing further from 17% to 19%? It's mainly two factors behind that and that is the exceptional growth we see in Myanmar that we need to cater for with capex; and it's to take the data position in our biggest mobile market, in Thailand, where we think we can take a very good position on both 4G and 3G. There's a lot of growth capex into this capex figure. You have the satellite. You have the Myanmar. You have Thailand. You have 4G and fiber in Norway. You have 3G in Pakistan and Bangladesh and altogether this adds up to at least 5-6 percentage points on capex to sales, so we're really in a strong growth momentum both on top line and also growth capex.

So then to sum up and also to reiterate, a very strong start to the year, record high growth on top line and also record high EBITDA; continued strong performance in Norway from Berit and her team. The turnaround plan in Thailand shows early signs of improvements and I'm so glad that we now have a smart network strategy in Thailand; and of course the fantastic start in Myanmar – it's still early days.

So a very promising start to the year and that's also a promising start to the Q&A.



Meera Bhatia: Thank you Richard. We're opening up to the Q&A first from the audience present and then we'll move on to our conference call participants. Any questions from the audience?

Maurice Morrison: I have a question about your guiding on revenue. It seems like you're arguing that the data growth is the reason behind this. Is there anything else that you foresee or is there anything else that is the reason behind this increase and are there any markets in particular that you think will drive this?

Richard Olav Aa: Well, the main drivers we have seen so far this year are both Norway and Myanmar. Those are the strongest growth drivers in the first quarter. But generally we see a good opportunity to monetise data growth across the board in the Telenor Group.

Meera Bhatia: Thank you. Any further questions?

Håvard Nilsson: Hi, Håvard Nilsson from Carnegie. Firstly congratulations on the good results in Myanmar. I wonder if we may consider the current EBITDA level run rate or do you see opex increase as you invest for growth going forward? Thanks.

Jon Fredrik Baksaas: Do you mean Myanmar particularly? Well, to see an EBITDA margin at this level that early is something that we haven't seen before. Let's be clear on that. Obviously the Myanmar economy has more money in circulation than we originally thought of. So here the ability and the willingness to step into a future looking infrastructure on communication is something that was really a demanding factor. Whether this is the same case when we move out of city areas, that remains to be seen. It's also more challenging to...it was challenging to get base stations in place in city areas but it is actually more logistically challenging to get base stations and coverage into the rural areas of Myanmar, so we will have to see that. So it's a good start. Let's keep it at that. It's difficult to say whether we will see dilution on the margin as such, but we do expect to see dilution on the ARPU going forward. So we'll see. But I should add that the long-term ability here is above present levels of course.

Christer Roth: Christer Roth from DNB. Again congratulations on the good numbers. Just two quick questions from me: in terms of dtac, the removal of unlimited tariffs, how should we see that



impact the numbers on an isolated basis? Second question on Norway, with the removal of Tele2 subs throughout the quarter, how is Q2 looking sequentially when we look at the Tele2 subs and also factor in the price increase we saw on May 8th of last year? Thank you.

Jon Fredrik Baksaas: The unlimited concept of telecoms is a short term mean that has been used in several markets. But the experience is also that a market should not work very much on unlimited until it becomes a problem. Sweden is a neighbouring example of that. I think this is also a phase that we are in in Thailand these days where also competitors are no longer offering in new sales an unlimited concept and of course it takes some time until this works out in the customer base as such. It happens actually faster in a prepaid setup than in a postpaid setup. So we expect to see improvements of this in the quarters going forward. Then to your second question about Norway, last year we had the wholesale agreement with Norway, with Tele2 here in Norway with a contribution of roughly NOK 500 million and with the growth momentum that we do see in the market right now and all things equal, we should be able to more or less compensate for this going forward in 2015. But then we also need to remember that there will be a different competitive setup in Norway in the second half-year, after TeliaSonera get their arms around their combination as well as the third operator coming forward with their offerings to be expected. But the underlying fact is that the Norwegian consumers overall ask for more connectivity, ask for more data consumption and the price levels in Norway need to reflect the big investments that both we and other operators are putting into this in order to realise this growth, including the coverage aspect of the Norwegian geography which is one of the more complicated ones in Europe.

Richard Olav Aa: I would just like to add to the question from Christer that the price increases we did last year had a quite small impact on the total ARPU growth, that's probably around NOK 3 or something. The major part from our ARPU growth comes from the very, very strong customer demand from data and like Fredrik says 116% growth in data while we're showing 9% growth in ARPU on the backdrop of that.

Christer Roth: Thank you.



Meera Bhatia: Any further questions from the audience here? No? Then, I will take one online question from Morgan Stanley, Terence Tsui, on Thailand. The question is that you mentioned that there is need to improve your network but one of the characteristics of the Thai market is that all the operators have a lot of base stations given the population sites. The question is what do you think are the prospects for potential site-sharing amongst operators in Thailand?

Jon Fredrik Baksaas: There is already agreements in place for site-sharing of new sites to be built, so that part of the equation is underway. Site-sharing is coming in in most markets as a normal means in order to both create efficiencies as well as beautify, purify the geography. So site-sharing is there to stay and this will take a stronger hold and be more visible in Thailand as well.

Meera Bhatia: Thank you. We'll open up now for the Q&A on the conference call. Could we please open up the line?

Operator: We will now take our first question from Jakob Bluestone of Credit Suisse. Please go ahead.

Jakob Bluestone: Hi there, good morning. I've got a question on Myanmar please on the ARPU. You obviously reported very strong ARPUs of about \$7 and you mentioned earlier that you expect to see those ARPUs coming down. Would you be willing to venture whether those ARPUs will end up at the \$2 or \$3 ARPUs that you see in your other lower income Asian markets or do you think ultimately you can achieve ARPUs that are higher? I take your point that you've yet to roll out in the rural areas but at the same time you do have 6 million customers, so it's not a small sample that you have achieved such a high ARPU on.

Jon Fredrik Baksaas: These will be reflections really, but penetration in the city areas is not that bad or that low after these few months. There are three players there. We anticipate that we have a market share of around 30%, so penetration is not that low in the areas in which we have coverage already now. Does that mean that the ARPU will fall? ARPU will fall when you cover the whole population, no doubt about that, but whether we can maintain a little bit of this because the data hunger in the population seems to be that high, that's an open question and an opportunity if you ask me. Also in order to cater for this data demand to be met there needs



to be quite significant investments to be done. So let's follow this closely. One thing is for sure: when we said that Internet access and voice and SMS would go in parallel, that was a clear and correct observation. Here we are. It does happen in parallel, not sequential as we have seen in other markets and that requires a different set of investments to be done as well.

Meera Bhatia: Thank you Fredrik. Moving on to the next question please.

Operator: We will now take our next question from Andrew Lee of Goldman Sachs. Please go ahead.

Andrew Lee: Thank you, good morning everyone. Just a couple of questions on Sweden. Telia keeps threatening to push with a convergent offer, we haven't really seen that bite in the market yet but how are you preparing for this and could you steal a march on Telia by launching a more aggressive convergent product yourself first? Any thoughts here would be helpful. Just finally on Sweden, could you remind us of your fiber to the home network expansion plans there? Thank you.

Jon Fredrik Baksaas: Could you clarify what you mean by a convergent offer? There are so many convergences out there.

Andrew Lee: So pushing either through price discounts or increased value in the bundle, fixed and mobile quad play offers to try and lock in your customers and lower quad play in the way that we're seeing across most of the rest of Europe, but admittedly to a limited extent across the Nordics.

Jon Fredrik Baksaas: This is a very heated question in Europe for the time being as we observe in the industry. In the Scandinavian countries it's Telenor's clear position that bundled between fixed and mobile basically and television for that matter basically is a discounting effort that has the potential to rather than create value, take value out of the market, and the efficiency of this from an operational point of view, it puts a lot of strain to existing players' IT structures in order to be able to deliver this in a one-packaged solution. However if – and Telenor could not do this in Norway because we are regulated as a dominant player in the Norwegian marketplace and



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we'd be stopped by regulation – so obviously it needs to come from another angle. In Sweden Telenor we're positioned to do this because we have, if we need to, because we have a good footprint on broadband in the Swedish market, more or less at par and at level with the market leader TeliaSonera. So this is our position on this question. We don't see this as a very strong feature in the Scandinavian market or we don't see it as a feature in the Scandinavian markets right now.

Andrew Lee: Ok, thank you. The second question on your plans for investing in your network in Sweden, could you give us any kind of insight into penetration of fiber to the home or where you're spending your money in the network there, on the fixed side? Thanks.

Jon Fredrik Baksaas: We did a step-up in investments there when we acquired the structure from Tele2 which included a deal sale base, so the overall combination of what we now have is as I've said more or less at par market share-wise with Telia and we want to follow and keep that kind of balancing act in the Swedish market.

Andrew Lee: Thank you.

Meera Bhatia: Thank you. Next question please.

Operator: We will now take our next question from Ulrich Rathe of Jefferies. Please go ahead.

Ulrich Rathe: Yes, thanks very much. On Thailand, just philosophically I'm wondering how you think about the following question: you are increasing investments now and you're saying you want to reach a leading position in data, but obviously there are quite a number of unsettled questions there from a regulatory perspective, I think earlier the site-sharing was debated. So I'm just wondering why would you invest now in particular in the concession spectrum rather than wait a bit and simply have a clearer view of how the future looks before you invest? What drives the big ramp investments now before these issues are settled? So it's not the investments as such, it's the timing before clarity is there. Thank you.



Richard Olav Aa: Yes, thank you for that question. What we see in Thailand now is an explosion in data consumption. We see YouTube consumption in Thailand being the highest in the world after the US. We need to take part in that growth and we have been lagging on our network position. We have then the opportunity to use the concessionary assets that have still three years' lifetime. But as the question points to, that does not come without some risks. There are really two main things for us; it's how we resolve the tower and transmission situation with CAT. Those discussions are progressing well but they have no impact on how we invest and whether we invest now or in the future. That needs to be resolved anyhow, so you can kind of park that on the side from whether we do A or B on the investment side on the concessionary assets. What we're doing now is we're utilising both the 850 band and the 1,800 band, the 850 primarily for 3G and the 1,800 primarily for 4G. The risk in this strategy is that we need to secure low frequency spectrum to replace the 850 when that expires three years from now and also to replace the 1,800. There is a lot of spectrum available in Thailand and we think it's not probable that governments are not going to auction out spectrum bands, whether it's the 850, 900 or 700 in the future and not at least 1,800 which is an ample resource in Thailand. We already now see that there is a spectrum auction aimed for the fourth quarter this year where 20 megahertz or 900 seem to be available which is a start. We also think that there are more frequency bands that should be included in there and more 1,800 spectrum, but we take the calculated risk that there will be prudent spectrum auctions in Thailand the next three years, and with a new network strategy we're only talking about building another 2,500 towers, so we're much less dependent upon any big network sharing with competitors. Those 2,500 towers will all be shared because we have sharing agreements in place for these kinds of volumes and of course sharing towers is a fraction of the cost of building a tower on your own.

Meera Bhatia: Thank you Richard.

Ulrich Rathe: Thank you very much.

Meera Bhatia: Moving on to the next question please.

Operator: We will now take our next question from Roman Arbuzov of UBS. Please go ahead.



Roman Arbuzov: Good morning, thank you for taking my questions. Two questions on Myanmar please. So a lot has been said about the strength of the Myanmar margins and rightly so, but I also understand that some of the capex in Myanmar is being brought forward, so I just wanted to check, is it possible that some of the costs perhaps have been capitalised and this is boosting the EBITDA figures and also causing the capex increase in the brought forward? Also in the ARPU, again you've talked a little bit about this already, but then just looking at the big picture you have acquired already a very large number of subscribers, you operate in a large number of areas, so do you think it's prudent to assume the ARPU dilution that you've been talking about from the next quarter already? Thank you.

Jon Fredrik Baksaas: To the first question, I can clearly say no. The capex rules and how the capex rules up against opex rules are so clear in this group, so I can say clearly no to that and Richard is nodding next to me here, so I think we're in agreement on that. Can we see dilution already next quarter? I think we should be as cautious to that specific figure as I was in my previous comment. We will do our best to not of course see that dilution but on the other hand we want to build and move forward. We're committed to coverage requirements here. We've seen a tremendous reception. We believe this is a way that needs to be worked at and utilised and there is a potential, so we're in the midst of that exciting growth phase in the country and it's to our genes basically to both fuel it and get the best market position for the longer haul.

Meera Bhatia: Thank you Fredrik. Next question please.

Operator: We will now take our next question from Thomas Heath of Handelsbanken. Please go ahead.

Thomas Heath: Thank you, Thomas Heath here with Handelsbanken. A few questions if I may. Firstly in Myanmar, do you have any sense of how you're stacking up versus competition in terms of network quality, given that the market has taken off so quickly? You mention a 30% SIM card market share. Also related to that, do you have any sense of how multi-SIM usage is developing in Myanmar? Secondly on India, some of the bigger competitors you have in India are reporting declining voice ARPU. Do you see a risk that you'll have declining ARPU given that you're more voice centric and any updates on how to resolve the spectrum issue longer term in India? Then



thirdly if I may in Denmark, do you have any plans to resell the TDC cable product to have a more complete offer there? You have some DSL reselling I believe, but I haven't seen much on cable. Thank you.

Jon Fredrik Baksaas: Well, that was a whole set of questions, that's for sure. Multi-SIM in Asia is an outstanding feature, so that's there. That's in Myanmar as well. Are we the primary SIM? I think that's too early to say. Traffic analysis need to be a bit more mature before we can have an opinion about that. But it's of course our target to become primary SIM and we also want to offer services in the business segment here. Being positioned in a neighbouring country, Thailand, we should be able to have the most efficient bridge in communications between the two markets as well. So I think there are some levers here also for postpaid customers naturally in the corporate segment that we can handle very efficiently and hopefully more efficiently than competitors.

The quality side, I think we have improved quality. We had a very stressful start-up in particular in Yangon area where connectivity at peak hours were quite challenging. We were there ourselves experiencing that so in a way it was not an acceptable service at that point in time and particularly in peak hours in the evenings after 5 o'clock. This has improved so we are better off. We have got more base stations in. We have been able to increase or improve the seamless service delivery to customers, so it's better. That doesn't mean that we have reached the overall top quality level that we need to have longer term.

India declining voice ARPU, well, the smallest player will have a benefit from the reduction in interconnect rates so I anticipate that part of the decline is to a great extent explained by the lowering of interconnect rates. Being the smaller player, that falls into the smaller better, in relative terms into the hands of the smaller player than the bigger player. Denmark, do we want to resell cable? The Danish market is special to the extent that TDC controls and commands that high market share in broadband services of the fixed line. A full maximum utilisation of a bundle of fixed and mobile here would be a very strong package. On the other hand it would also in the same case as Sweden as we discussed just previously mean a debate structure that you would include the Danish market. As we know, their pricing structures in the Danish market is the lowest in Europe, so whether the market leader will go hard in that direction, that remains to be



seen. So we're following this but we don't have an action plan on this. We're focusing on creating and preparing for a combination of the two and believe that we can get approval in the EU by the end of this year.

Meera Bhatia: Thank you Fredrik. Could I kindly ask you to limit yourself to one question so we get a few more in? Next question please.

Operator: We will now take our next question from San Dhillon of RBC. Please go ahead.

San Dhillon: Hi guys, just the one question on Myanmar. First of all congratulations on a great set of results there. I know you kept your peak funding requirement of \$1 billion. Is there any change on when you expect to reach that peak funding? Is it brought forward a lot sooner and when can we expect for you to reach that? Is it in a few years' time? Is it in eight years' time? It would be good to get a guide there. Thank you very much.

Richard Olav Aa: Yes, than you. We have already spent \$500 million of the peak funding on the licence and also a significant part on the start-up costs, on opex and capex, so we don't have that much headroom up to the \$1 billion already but we hope we can finance most of the capex going forward by the operating profit. So exactly when we will reach the \$1 billion will depend a lot on the EBITDA development and the capex going forward and like Fredrik said, these are early days and we don't really know exactly how this will charter when we go into the rural areas.

Meera Bhatia: Thank you Richard. Next question please.

Operator: We will now take our next question from Erik Pers Berglund of Danske Bank. Please go ahead.

Erik Pers Berglund: Thank you, just a question on Norway, the costs came up a little bit year over year in relation to the increase in service revenues; that caught my eye a little bit. Could you comment on that? Apologies if I missed any comments you've made on it already. I'll stop there. Thanks.



Richard Olav Aa: In Norway we also have some growth costs in various areas and we also have fault and repair costs but I would like also like to add Erik that we are perfectly on track on reaching the NOK 800 million gross savings target in Norway so there's not anything abnormal in the quarter.

Erik Pers Berglund: So can I conclude that the savings are maybe slightly back-end loaded into this year, yes.

Richard Olav Aa: I don't want to comment neither/nor on that Erik.

Erik Pers Berglund: Ok, thank you.

Meera Bhatia: Next question please.

Operator: We will now take our next question from Dominik Klarmann of HSBC. Please go ahead.

Dominik Klarmann: Yes, thank you. Just on the outlook beyond 2015, Richard, you sounded quite comfortable that you can deliver the NOK 28 billion operating cash flow mid-term target soon or the old mid-term target, rather sooner than later, so how should I think about capex beyond '15? Is that likely to fall to the 12-13% capex sales we've seen historically immediately and with this see the NOK 28 billion already in '16? Is that the right way to read your comment or any colour on that would be helpful. If I can just a second question maybe on Sweden and the pricing of Tele2 and what do you think about that approach towards how to monetise data? Thank you.

Jon Fredrik Baksaas: Let me start with the first one and Richard can think of...on the first one and I'll start on the second one, sorry. Pricing on Tele2, to unbundle the handset and the contract in Sweden, then you take an initiative which is contrary to market practices in the Swedish market where contracted terms are allowed for 24 months. So in a way you open up the customer base. This might give a short-term positive effect to the extent that you don't have the subsidies on your P&L for a period of time and you can probably attract some customers but on the other



hand the bulk of the market is sitting in a contracted relationship already and if you should be able to build up some customers responding to an unbundled service, then you expose this customer base for a contracted offer in the next sequence when there is a handset renewal or things like that. So given the structure and the story on how the Swedish market has been operating, I more see these as a short-term initiative rather than a long-term initiative. Let's see. Richard?

Richard Olav Aa: Yes, but just to follow up on that I think we have also looked what the Swedish customers really want. The Swedish customers, they really want a handset bundle, so we don't really see the logic in this move and we're staying with the bundles. Then to the cash flow, if you look at our EBITDA, the pace of the EBITDA growth now, we're at a rate well above NOK 40 billion per year and growing like we have demonstrated today. But we're also in a very interesting, what shall I say, decade in telecom where data explosion came early in the Scandinavian and in the Western countries and we now see that enormous growth coming also to the Asian countries. We need to participate in that growth and make smart investments in spectrum, in capex and also business development initiatives in Asia. So we left the NOK 28 billion target for this year because we saw it would be too much restraining our growth potential coming out of the data explosion in Asia. How good we can monetise on the data growth in Asia remains to be seen. We have a very good story in DiGi. We had a very good story in dtac which we're now turning around. We have a very promising start in Myanmar and you know our very strong market positions in Grameenphone and Pakistan that we need to build into our data. But for how long we will be in this investment phase to capture these positions is too early to say. But I assure you that to go through these investments and really scrutinise them and really do smart things like we do in dtac now and what we have done, how we invest in Myanmar, that will deliver great returns for Telenor. But it would be an omission not to make these investments now, but to exactly say when they will taper down again to a more normalised level I don't think would be too prudent because the growth is there now and we have to seize the opportunity. We're also very aware that we have to demonstrate to our owners every quarter that we're able to monetise and give good returns on these investments.

Meera Bhatia: Thank you Richard. Next question please.



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

Peter Kurt-Nielsen: Thank you. If I can just return to Richard's comment on the discontinued operations, i.e., the Danish business, where you've seen quite a significant positive swing in the result contribution here. Where's that coming from please? Have you seen an improved EBITDA from the Danish business and if so from where? Is it related to the public sector contracts you won last year or what else? Thank you.

Richard Olav Aa: Thank you for that question. You have to be a little bit careful with that number on discontinued operations because eliminations are not done there due to the IFRS. So you cannot really say that that number is really the underlying profitability in the Danish market, but what I can say is first quarter given that Denmark is our least profitable European market, it was a reasonable start to the year – that I can say.

Peter Kurt-Nielsen: And where's that coming from, Richard, please?

Richard Olav Aa: Well, we have good customer statistics in Denmark now for the last, I would say, 12 months, a good customer uptake. The price pressure in the Danish market is still very, very heavy. We see ARPUs dropping and we also had less opex in this quarter. So well-managed customer acquisition and lower cost but still a lot of ARPU pressure are the main explanations.

Peter Kurt-Nielsen: Ok, thank you.

Meera Bhatia: Thank you Richard. Next question please.

Operator: We will now take our next question from Barry Zeitoune of Berenberg. Please go ahead.

Barry Zeitoune: Hi, good morning, just a question on Thailand and what I'm particularly interested in is what you think the CAT is looking to gain from negotiations with Telenor? So obviously last quarter you mentioned that you may need to step up capex in Thailand if you were not going to come to an agreement with the CAT and I would imagine that the CAT risks losing revenue from you in the longer term as you move away from the concession, so do you see the potential to



effectively migrate the concessionary arrangement into a more stable and a longer-term network sharing arrangement that can provide a stable revenue for the CAT and is that where you think the negotiations are heading as well? Thank you.

Jon Fredrik Baksaas: I think you more or less gave the cue to the answer yourself because there are short-term interests and long-term interests here and the longer-term interest is, of course, that the concessionary frequencies are moving towards the end of its duration. After that, new spectrum is to be licensed. So in that sense, in the medium to long-term perspective the new model will give levers to both sides of this negotiation in order to find solutions, both short term and long term.

Barry Zeitoune: And what do CAT have to offer you in terms of...clearly if you're going to move on to a non-concessionary spectrum, they have to offer you something from a network perspective that will benefit you. So do you see the potential to significantly ramp your current network presence using their towers?

Jon Fredrik Baksaas: Clearly here, if there is no deal, dtac will be in need of coverage and to get coverage you need base stations. Their need, they have base stations and when base stations are there, it would be pretty sub-optimal to build new base stations next to the ones that are already there. So already there you have a kind of arbitrage to find the balancing position between the two.

Barry Zeitoune: So just to follow up, longer term should we expect some of the cost savings from moving away from concession to effectively be partly replaced by actually moving to network sharing costs?

Jon Fredrik Baksaas: In the longer-term perspective when the transition from concession to licence takes place, part of what is coming up as margin expansion on the licence side needs to go into the coverage issue and the coverage issue is then linked to CAT assets again.

Barry Zeitoune: Very clear, thank you so much.



Meera Bhatia: We'll try to take two or three more questions before we close this session today. Next question please.

Operator: We will now take our question from Stefan Gauffin of Nordea.

Stefan Gauffin: Yes, hello. I would like to focus a little bit on Pakistan where we saw a big margin uplift. I know some of it was one-off but even excluding that, it was a really good margin uplift. Why did we see this right now and what could we expect going forward? Then just a very quick question. There has been talk about a fourth entrant in Myanmar. What's the situation there at the moment?

Jon Fredrik Baksaas: Can you repeat the last part, the question on Myanmar?

Stefan Gauffin: Yes, it's been some talk about a new entrant in Myanmar. Just any information about that.

Richard Olav Aa: Well maybe I'll start with Pakistan and you can maybe take Myanmar, Fredrik. I would say that Pakistan has developed very good for us since our troublesome 2013 and the execution of the cluster-based operating model in Pakistan has been very, very strong. That's what we see driving growth figures in Pakistan very nicely since the turnaround in 2013. But you also have to remember, when you look at the margin for the first quarter that we have been in the midst of the biometrical verification process and then gross add activities have been lower hence there has been less customer acquisition costs, so that's also helping the margin picture in Q1. What to expect going forward? We're very curious on the numbers coming now out of Pakistan after the biometrical verification because there's no doubt that the number of customers, registered customers from the industries have gone down massively for all the operators. But we believe that the traffic has then concentrated itself on the fewer SIM cards in the market so we really hope that it should not have any material impact going forward. But we now need to increase again the gross add activities with some costs related to that, but what we have seen in other markets after this registration process has taken place and become much more stricter which we very much welcome as a group is that churn and SAC costs are improving



quite well after these processes. So we have good hopes for our Pakistani operations going forward.

Jon Fredrik Baksaas: As to the new entrant question in Myanmar, there is talks about this still. We don't see material activity with the issue so whether this will happen or not or when, we cannot give light to that question right now.

Stefan Gauffin: Thank you.

Meera Bhatia: Thank you Fredrik. We'll take now the final question please.

Operator: We will take the final from Johanna Ahlqvist from SEB.

Johanna Ahlqvist: Hi all. Actually my question has been answered, it was related to capex and what you believe beyond 2015, but I think you already answered that. Thank you.

Meera Bhatia: That concludes our session today.

Jon Fredrik Baksaas: Ok, thank you all and thank you also for your questions. I hope we answered them to an accepted level. There are many questions here, it's a big group with many dimensions. We are lucking to deliver and serve customers that are in growing demand. It's up to us to meet that. Thank you.