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Presenter: Sigve Brekke

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Marianne Moe: Good morning everyone and welcome to this Second Quarter Results Presentation. My name Marianne Moe, I'm Head of Investor Relations and I have the pleasure of taking you through today's presentation. The results will be presented by our CEO Sigve Brekke; and acting CFO Morten Karlsen Sørby. As usual after the presentation there will be a Q&A session, first with the questions from the audience here at Fornebu and then with the conference call participants. After that there will also as usual be opportunity for the local media to have the short one-on-ones with Sigve and Morten.

So then without much further ado I'll leave the floor to you Sigve for your presentation.

Sigve Brekke: Good morning to all of you on a beautiful summer day in Norway. We have a strong second quarter and it’s following the trends we saw from Q1. 4% revenue growth on subscription and traffic is not bad knowing that we are still facing top line challenges in three of our bigger markets: Norway, Thailand and Malaysia. However that's more than compensated by a very good growth in Pakistan, Bangladesh, Myanmar and also in Sweden. I'm also satisfied with a quarter where the EBITDA is growing faster than our top line revenues. As some of you know that has been the ambition for the group in the last year, to have a focus to grow EBITDA more than revenue and we actually grew now EBITDA 1.5 percentage points year over year. Because of this as Morten also will talk about later, we are going to update our guidance for the rest of the year.

Let me start with Norway, our biggest and most important market. Mobile revenues declined 2% year on year – that is due to interconnect and also due to our phone roaming going down. In the quarter, the roaming revenues went down approximately NOK100 million. This of course is the cost initiative that Norway took on implementing the Roam like Home in the EU area. We did that a year before this is going to be forced upon us from the regulator to take a market position. Despite that, I see some very positive underlying trends which I am now going to comment on.

Norway, in relation to implementing the Roam like Home concept also introduced new packages, new data bundles. The plan has then been to upsell existing customers and new customers to higher ARPU level packages with this roaming included. So far, we have upsold 250,000 approximately customers to these new packages. What we see now is that most of these customers are coming in on the NOK399 packages and above. We also see now that the data consumption is increasing with our customers. The median data consumption within the consumer segment in Norway now is 740MB per customer which is an increase of approximately 18%. However, we need to do more than the 250,000 upsold customers to be able to fully compensate for the lack of roaming revenues from the European area.

We also see now that the focus on fixed is starting to pay off. We have been focusing on the high-speed broadband customers, meaning cable, fiber and VDSL. In this quarter we added 16,000 new high-speed customers, and most of these customers are coming in on fiber connections. That leaves us now with total 570,000 high-speed fixed line customers in the consumer market. We have been quite successful now with upgrading customers from legacy fixed solutions into high-speed solutions and with that also been able to lift the ARPU. So overall the rest of the year is also going to be challenging in Norway on the top line due to then implementation of the Roam like Home, but if we are able to continue with that aggressive upsell logic, we foresee that the second half of the year should compensate somewhat for the loss of roaming revenues.

On the cost side, EBITDA margin flat year on year, 41%. It's however down 3% if you look at Q on Q, and again this comes from high margin revenue components like the lack of roaming revenues. Despite the pressure on gross profit, that's partly compensated by an aggressive cost reduction programme and Norway reduced year on year 4% of its opex, and this is partly personnel costs but it's also another opex element. However, there is more to be done on the cost agenda in Norway and I know that Norwegian management continues to focus on that.

On capex, we have now 4G equipment on 4,000 of our 7,700 base stations. As we have announced before, the plan is now to put 4G equipment on all our 7,700 base stations within next year. We see that's going to give us a significant advantage on the 4G network. We are focusing on the quality and speed in our network, also trying to tighten all the blind spots and also improve the indoor coverage. Overall I see the Norwegian market being more competitive than we have seen in the last year. However, Telenor is able to keep its premium position and using its fighting brand, Talkmore, to fight among the price-sensitive customers.

Moving to Sweden. I'm very satisfied with the development in our Swedish operations. That being on the revenue side, 2% traffic and subscription revenues in a fairly competitive market; but also the turnaround we have seen on the fixed business. We have added 13,000 new high-speed fixed customers, also being on fiber. That's approximately 10% year-on-year growth. We see still high demand for fiber connections in the Swedish market. That's why we are ramping our SDU activities and the plan is to increase the homes passed connections from currently around 1.5 million up to 2 million in the years to come. On EBITDA I'm also pleased with how the Swedish operations are developing. An 8% growth in local currency and EBITDA and actually a 4 percentage point margin improvement. That's coming from the top line growth of 2%, but also a very impressive cost focus on opex elements.

Moving on to the European markets, Denmark is still very challenging. We see some improved headline prices, however below the line the price competition is still very, very aggressive. In the quarter we have implemented a new business support system in our Danish operation, that's a new IT system, which is a radical simplification of the legacy system that we had. That has been challenging in the implementation phase but we are now almost through that. We hope that this new platform is something we can scale into some of our other European operations and with that take a position on bringing down both IT legacy and IT costs moving forward.

I also want to comment on Bulgaria. We entered the Bulgarian market in 2016 as a number two operator and with the main position in prepaid and also with a low quote in the network. After three years we are now number one measured in revenue-market share. We have taken the data position on being first with launching 4G. We are number one also on profitability and on also net promoter score; and we have moved our prepaid business into taking a leading position on postpaid. I'm quite satisfied seeing that we have been able to do that in a shorter time than actually three years.

Thailand, still very tough competition. We have seen the competition being quite brutal for the last three years. It started on the postpaid, now we have moved to prepaid. The main competition now is handset subsidies on the prepaid segment. Of course this is without any binding, any lock-in at all. So it's basically to fuel the market with free prepaid handsets. We are very carefully participating in that, carefully meaning to trying to reduce as much subsidies and costs as possible, but at the same time stay competitive. We have also launched a new prepaid brand in the Thai market. However I see now that the two years' focus on changing some of the main elements in the way we compete is starting to pay off. Firstly, that the 4G and the 3G network is now up to a competitive status with our two competitors. Secondly, we have revamped the distribution and especially the service part of the distribution, which is important for the postpaid customers. We see also that the several cost initiatives that have been taken have started to pay off. Lastly also the focus we have had on building contextual marketing, both in terms of platforms but also building competencies in the team enabling us to go for a personalised segmentation and enabling us to go for digital products. That's the reason why I am very satisfied that we now are taking market share on the postpaid segment. Postpaid accounts for around 42% of our overall revenues in Thailand and now we are able to grow that segment. We added 200,000 new postpaid customers in the second quarter and that's a 10% revenue growth year-on-year.

I also see that despite the aggressive competition on prepaid and then fuelling the market with the handset subsidies, we are able to keep the EBITDA margins, and that is better than we forecasted when the year started. In the future we will find that right balance of continuing to take market share on postpaid and to compete in a prepaid market and at the same time make sure that we are protecting profitability.

Malaysia, also a very competitive market and it continues. However, in this brutal competition DiGi is able to both maintain and actually they took significant market share in the first quarter. The focus areas are in Malaysia, it's (1) take a leading position on data network. We have now 91% population coverage on 3G, we have 76%, the population coverage on 4G and we are probably a little bit step ahead of the competitors on this data position. We are also continuing to share network with the number two operator, Celcom; that being fiber and that being shared towers. The second part is that we have repositioned DiGi as a brand, repositioned it from a traditional prepaid brand into a brand now also addressing all the different segments in the markets. That's the main reason why also in Malaysia we have been able to grow the postpaid revenues quite significantly, 10% growth year on year on postpaid. We're taking market share there the same way as we do in the Thai market. Thirdly on the focus areas, cost initiatives. The EBITDA margin is flat year on year but it's up from the last two quarters. Again, that's a payoff from some of the cost initiatives that we are working with in the first half of this year.

Bangladesh and Pakistan. These two markets are the star markets in this quarter: 10% revenue growth in Bangladesh and 11% revenue growth in Pakistan. This revenue growth in both these two markets, is coming from the data. In Bangladesh, we added 1.9 million new data customers in the second quarter alone. That's a 59% growth in data revenues year by year. Close to 40% of our customers, 57 million customers in the Bangladeshi market are now active data users. We also added 400,000 new data users in the Pakistani market. So we see now that these two growth markets finally start to pay off the investments we have done in the data networks. Secondly, we are able to keep the cost efficiency in these two markets. Grameenphone with now an EBITDA margin of 54%, if you look at the absolutes, it's only Norway that are generating more EBITDA to the Telenor Group than Grameenphone in Bangladesh, so it's becoming a sizeable operation in our portfolio. Same in Pakistan. 42%

EBITDA margin, 11 percentage points growth year by year, that's coming from a reduced marketing spend but also from the removed SIM tax that has been an important part of the discussions we have had with the government for the last few months. The strategy in these two markets going forward is to continue to build a leading position on data networks. 90% 3G coverage now in Bangladesh and we just bought some new 850 spectrum in Pakistan enabling us to use that spectrum to cover rural areas with both 3G and 4G. We paid $395 million for that spectrum, quite a reasonable price if you compare it with some of the other spectrum prices we have seen in other Asian markets.

The other strategic point is to continue to focus on data offerings, not only data access, but also offerings like financial services, like they have in Pakistan, financial services which we also are now scaling up in Bangladesh; health services, but also messaging data applications. Lastly, on the distribution. We see now that the distribution has always been a strategic advantage for us in these growth markets. We see that if we are now able to move our physical distribution into digital distribution, that can give us an additional advantage moving forward. In both these two markets now we have implemented biometric verifications. That was done in Pakistan last year and we are doing that in Bangladesh this year. Out of the 57 million customers we have now biometrified 53 million customers in Bangladesh. That gives us another advantage in the distribution, that we are able to do this transition better and quicker than our competitors.

Myanmar, still a star in the portfolio, but we see now that the revenue growth. It's not flattening out, but it's not growing as much as we have seen in the last few quarters. However, we continue to add new subs into new territories. We added 1.4 million new subscribers in the second quarter. We believe that our market share, subscriber market share, is around 38%, 39% in the market. We rolled out 800 new sites, bringing it up to now 5,800 sites and the plan is within this year to take that number up to 7,000 sites. That will then significantly increase our population and geographical coverage into new areas. We have also launched 4G in the capital Naypyidaw.

When we do this, we are able to keep our low-cost operating model. That's why you see that the EBITDA margin continues to be very high, 46%. We continue also to deliver a positive free cash flow. However, the competition is increasing and we see quite aggressive offers now from both our two competitors on net traffic. We are responding to that and I see that we now have a premium position in the market, both with our network presence but also with our brand. It also seems like the entry of the fourth operator is taking more time than we thought some time ago and we don't see that to come to the market before the first half of next year.

Then in India, data uptake is still very low in the mass markets where we operate in India. The reason for that is that the smartphone penetration is very low. 4G smartphone penetration is 7%, 8% in the mass market and even the smartphones that you see there are supporting 2G, not 3G. That's why you see that we are continuing to be quite successful in adding both subscribers and also revenues in this mass market segments where we are competing; 13% subscriber increase and also about the same increase year on year on revenue. This is also the third quarter where we have stayed positive on EBITDA with a 9% EBITDA margin. However, as we have communicated several times, we need more spectrum in India to stay competitive long term. We have then decided not to participate in the upcoming auction. That's an auction that is planned to happen in September. It has been delayed from July to August or August to September, but we assume it will happen in September. The reason why we are not participating, it's the price levels that we see, that the regulator has proposed. Those are price levels that we cannot see that we can create any profitability out of going forward. As we have told our investor several times, we are going to be rational and value creative in the Indian market. So in the meantime we will continue to fight for market share and to take our fair share of the market growth and then we will continue to evaluate our options and seek to find a long-term solution.

Let me end with a slide talking about our main priorities. The first one is to continue the cost focus, the efficiency focus. We are scrutinising all costs in all the business units as we speak. That's why we are coming out better now on EBITDA than what we talked in the beginning of the year. This in addition to taking the low-hanging fruits, we have also initiated several structural initiatives, like digitalising the core customer journeys. I've already talked about digitalising distribution and I can also add digitalising the service part of the customers' journeys. We are also continuing with several network initiatives to cooperate and select the assets better in the different markets where we operate and also introduce more standardisation. The second part is to continue the data growth. As you now can see from especially Thailand and Malaysia, we are quite successful in migrating prepaid customers into postpaid bundled data packages, and when that happens we are able to increase the ARPU. So our customer goes from pre to post-ARPU increase and then it increases further when you go from a feature phone into a smartphone and even a little bit more than that when you get your first 4G phone. So this is a focus we have in all the Asian markets and that's definitely a focus we also have in the Scandinavian markets. That's exactly what the Norwegian management is doing right now, trying to migrate customers into more high-value data packages.

On top of that we are also focusing more and more on contextual marketing, trying to give more personalised offers for the customers, also growing the data revenues. Thirdly, on the technology, we have several IT initiatives trying to simplify our IT legacy and with that more cloud-based and the right solutions, which we hope can yield both into cost efficiency but also a better speed in go to the market on new products.

So that ends my presentation and Morten, can you enter the stage?

Morten Karlsen Sørby: Thank you Sigve and good morning to all of you. Before I go into the details on the second quarter financials, let me quickly touch on the highlights for the quarter. Like Sigve said, I believe we have delivered a strong second quarter despite continued competitive pressure in some of the key markets. We delivered 4% growth in mobile subscriptions and traffic revenues, and the organic EBITDA growth was 6%. EBITDA less capex amounted to NOK6.3 billion and normalised net income was NOK4 billion. Our balance sheet remains healthy and, despite dividend pay-outs this quarter, the net debt to EBITDA ratio remained at a comfortable level.

If we move to the next page, looking into the details of the quarter, let's start with the revenue. Reported revenues for the second quarter was NOK32.5 billion, an increase of3% from the same quarter in 2015. Of the increase of NOK1 billion in reported revenue, currency effect continues to be an important element and explains around NOK0.7 billion of the increase in revenue. The total organic revenue growth was 0.6%. A key factor in explaining growth, it's again the lower handset sales impacting revenue. As we can see from the graph to the right, the mobile subscription traffic revenues are growing at a healthy rate of 4% on organic basis. This is supported by solid trends in Myanmar, Pakistan, India and Bangladesh and these revenues are key to drive our gross profit, both this quarter and going forward. The fall in handset revenues explains around two percentage points of the deviation between mobile subscription and traffic and the total organic revenue.

Moving on to EBITDA, continued growth in our mobile revenues and overall focus on cost and lower device sales contributes to an EBITDA of 36%. This is a clear improvement from last year. The key reason, as I touched upon earlier, is our ability to increase gross margin and we saw a gross margin improvement of two percentage points year over year. On a reported basis, EBITDA increased 8% compared to the quarter last year and, adjusted for currency, the organic EBITDA growth was 6%. The key contributors to the Group's EBITDA growth were again Myanmar, Pakistan and Grameenphone. I'm also pleased to see that Sweden contributed positively this quarter. On the negative side we see EBITDA decline in Norway and Malaysia, as Sigve explained. But, all in all, our portfolio has delivered solid improvement in profitability this quarter. If we look into the net income to equity, despite an EBITDA growth of NOK853 million reported net income to equity holders, a general decreased by NOK2.3 billion compared to second quarter last year. However, the decline is primarily and largely explained by the NOK2.5 billion impairment loss related to VimpelCom which is due to the accounting treatment of the decline in VimpelCom's share price, as well as the impairment in India of NOK223 million, which is a consecutive -- which is a consequence of the current accounting treatment of capex in India, where capex is immediately impaired. If we adjust for these impairments and other items of NOK290 million approximately, primarily restructuring costs in Norway, Thailand and Bangladesh, the normalised income for the quarter is NOK4 billion, which is -- which implies a normalized EPS of NOK2.69. And just for comparison, Q2 2015 was a very clean quarter with no big-time effect, so the reported net income was close to identical to normalized net income. If we do some calculations on this, we see that this means that normalized net income increased by around 15% compared to the second quarter last year.

A few comments on investments. Capex to sales for the Group was 16% in the quarter indicating that we are still in a heavy phase of network investments to improve our 3G and 4G coverage and roll-out of fixed broadband services in Norway. Capex was NOK5.3 billion in Q2. The capex this quarter was however NOK1.5 billion lower than last year and the key reason for this is the fact that in Q2 last year we booked capex of NOK1.4 billion related to the satellite THOR 7, which was launched at that point in time. I think it's fair to say that we are spending capex according to strategy. 60% of our investments are currently going to the Asian operation, especially our operations in Myanmar, Bangladesh and Thailand have made significant network investments during the quarter. In Norway we invested NOK1.2 billion to maintain our premium market position, both in mobile and fixed. As Sigve said, all in all we will invest more than NOK4 billion in Norway this year.

If we take a brief look at the cash flow development, we see the following. The net cash flow from operating activities this quarter is NOK8.9 billion. The main effect in addition to the reported EBITDA are income taxes, paid over NOK1.9 billion and positive changes in the working capital of NOK0.6 billion. The net cash outflow from investing activities this quarter is NOK6.4 billion and consists mainly of paid capex of NOK5 billion and the license payment of NOK1.7 billion for the license in Pakistan, and this is partly offset from the sale of the Amedia stake of NOK0.2 billion. In total, this gives a net cash flow from operating and investing activities for the second quarter of NOK2.5 billion, which is up from NOK1.8 billion the second quarter of 2015. I think there is a reflection worthwhile mentioning that the cash flow development so far this year reflects that we are in a heavy investment phase as we have already communicated on several occasions. Going forward managing capex and improving our cost efficiency will be high on the agenda.

Moving on to the development in net debt. Telenor Group continues to be in a solid financial position and we continue to stay well below our net debt to EBITDA ceiling of 2.0. Our net debt excluding license commitments increased by NOK5.4 billion this quarter and net debt to EBITDA increased slightly from 1.2 to 1.3. The increase is explained by the payout of the semi-annual dividend to our shareholders in June. The rest of the net debt reconciliation, which you see on the right side of the slide, should be fairly straightforward and is partly -- not partly, but is mainly covered by the walk-through I did on the previous slide when it comes to cash flow from operating and investing activities. In addition to the net debt shown on this slide we have license commitments of NOK5.1 billion. This is an increase from NOK3.6 billion in the first quarter and the increase is explained by this acquisition in Pakistan where 50% of the price were paid in second quarter and the rest will be paid in five-yearly instalments.

Then moving on to the outlook for 2016. Based on the performance in the first half of the year and our expectations for the rest of the year, we have decided to adjust the full-year guidance somewhat. The organic revenue growth for the first half-year is 1%. Handset sales has so far been significantly below last year and has diluted the growth rate by two percentage points so far this year. Roaming and interconnect effects are also contributing negatively on the revenue growth. Even if we expect somewhat easier year-on-year comparables in many of our key markets in the second half of this year, that includes Thailand, Malaysia and Norway, we find it prudent to adjust the full-year growth rate down from the previous guidance, 2.4%, to 1% to 2%. When it comes to the EBITDA margin outlook, I said a quarter ago that we were likely to end up in the higher end of the 33% to 34% guidance, which we gave starting this year. The target, we said, was to deliver even better than that. Based on this and the solid 35.5% EBITDA margin so far this year, we lift the margin expectations to around 35% for 2016 entire year. When it comes to the capex outlook we are at the high level and continue to invest heavily both in fixed and mobile networks as we see this as key to maintain our market position and our ability to monetize rapidly on the increasing data demand. However, the capex to sales ratio so far is 16.5%. I think we are seeing results of our efforts to increase capex efficiency. We see somewhat lower equipment prices from our ability to leverage on scale and we have been working with the dynamic capex allocation model, which we have described in earlier quarters. This has given effects and leads us to adjust the capex to sales ratio for 2016 down to 17% from 17% to 19%.

Before we go on to the Q&A, I would like to remind you about our Capital Markets Day, which will be held in London on September 22. At the Capital Markets Day, we'll aim to give you an update on the strategic direction and financial ambition, as well as an update on some key initiatives within the marketing and our technology area. In connection with this we also aim to give you some flavour on our cost and capex profile in the coming years. As usual, local management from several of our operations will attend the event and will be available in the break-out session. More information about the event will be provided later, but I will just ask you to reserve the date and look forward to seeing you all in London on September 22nd.

That concludes the formal presentation. I would like Sigve to come back to participate in the Q&A.

Operator: As a reminder, to ask a question, please press *1.

Marianne Moe: Please state your name and company, I kindly ask you to limit yourself to one to two questions each.

Fredrik Thoresen: Thanks. Fredrik Thoresen with SEB. First, I'm not going to ask you about long terms plans and strategy in India, but if you look at shorter term capex, in Q2 you still had like 16% capex to sales. Can you give us some more colour on the second half outlook and how you intend to conserve capex given your statement with regards to the upcoming spectrum auction? Then secondly on Thailand, last year we saw some saturation in the market with regards to these lower priced or these very subsidised handsets within the prepaid segment.

Do you expect to see the same seasonality this year as that would perhaps taper off in Q3-Q4? Thank you.

Sigve Brekke: Your first question was also related to India, was it?

Fredrik Thoresen: Yes.

Sigve Brekke: We are also now going to be trying to keep now on profitability in India on the EBITDA level, as I said, 9% now and this is the third quarter in a row. Most of the investments that we need to do in the network to keep this operation now rolling has already been done in the first half. So we're trying to be as…how shall I call it, as carefully as possible with additional capex investments in the months to come due to the uncertainty we have with a more long-term solution in India.

On the second question, it's a little bit difficult to answer because in Thailand things are not normal any more. It doesn't follow the usual seasonal trends. Again, this is very much due to the very, very aggressive prepaid handset subsidies out in the market. So I basically don't know. But sooner or later, I think this handset subsidy war started with the number three operator trying to take advantage of the number one operator losing the last auction, such that they have 7 million, 8 million customers without a spectrum, so they tried to aggressively go after them, and then the number one operator responded. So how long in time that will go on, I don't know. But sooner or later, I hope that both our two main competitors will come down to a little bit more rational behaviour again on the subsidies, because this, to use a little bit popular language on this, it really doesn't make sense to give away free handsets to prepaid customers in the mass market. So that's why I'm saying that we are going to be very restrictive on not throwing too much money into those handsets. At the same time, participating such that we are keeping our competitive level, but more focusing on the more advanced customers, meaning the postpaid customers and continue then to focus on the migrating prepaid customers to postpaid; and also trying to then take advantage of the investments we have done in network and also in the distribution model.

Marianne Moe: Thank you Sigve.

Morten Karlsen Sørby: If I may just add in there more general terms, not being specific to Thailand as such, of course the device revenues going forward in the second half was partly dependent on the success of the anticipated iPhone 7. You can judge that as well as us whether that will be a success or not, but we have seen in earlier quarters that when new handsets are introduced, that stimulates handset sales.

Marianne Moe: Thank you, Morten. Any further questions here from the audience at Fornebu?

Håvard Nilsson: Hi, Håvard Nilsson for Carnegie. Could you provide some more colour on what kind of options you see in India for the long term? I'm also curious as to why you chose to announce that you are not participating now ahead of the spectrum auction instead of waiting to potentially get sold, for example?

Sigve Brekke: On the options, I don't have more to say about that than what we have said over the last half-year, that long-term solution needs more spectrum and if that is not possible to get a return on then we need to look at other options. So I have no more to say than that. To your second question, the reason why we are announcing that now is that we are fairly certain on the reserve price levels, that's what we see from the regulator and also from what we understand the telecom industry is going to support. The only outstanding issue now is the so-called SUC, the licence fees, but that is not that important going into this auction. So based on those prices, reserve prices we see, we are not able to actually have any business plan justifying any return on that. Then rather to wait a couple more months with uncertainties, we decided to take it out, such that it's clear with you, so it's also clear with operations in India that they need to further reduce the costs and further keep on competing with what they have.

Marianne Moe: Thank you Sigve. More questions here at Fornebu? No, we are then ready to open up for questions from the conference call participants.

Operator: We will now take our first question from Dominik Klarmann from HSBC. Please go ahead, your line is now open.

Dominik Klarmann: Yes, thank you. First question on capex, your lower capex sales guidance on the lower revenue guidance is a pretty significant cut in absolute capex terms, so maybe you can give us a bit more colour on what's driving it and whether that's a temporary thing, or whether we can really read it as an indication that the capex peak is behind us? What's the capex outlook beyond 2016? Then secondly on your mid to long-term ambition to grow revenues mid-single digits, you're currently running at the lower end with about 4%. If you assume an exit out of India, it's even less. If we think about Myanmar which will slow down, it's even less. So where do you see growth coming from longer term? Is it mainly recovery in Thailand and Malaysia? Do you still think Norway can grow again any time soon? What's the incremental growth driver from here? Thank you.

Sigve Brekke: I can address the second question and Morten can take the capex. Now, the growth moving forward, I assume that we will be able to grow in the Norwegian market again. The Norwegian market has been quite healthy in the last few years as you know and it still is. Yes, the competition is tougher, but I still see that there is a relative rationalised competition in the Norwegian market. If the Norwegian team now is actually able to compensate for the lack of roaming revenues with then the upscaling or upselling of current customers to more valuable packages, I don't see why we shouldn't be able to continue to grow in the Norwegian markets as we see in the Swedish market now. The 2% subs and traffic growth in the Swedish market has been like that now for several quarters. In addition to that I also talked about before that still the median data usage per customer in Norway is relatively low. As I said in my intro, it has increased. It's now in the 700 megabytes per customer per month. But it's still way behind Sweden for example. So we see that there is a potential to grow also the data usage with the right set of packages with our Norwegian customers. Then I foresee that we will be able to continue to grow in the emerging markets, as in Pakistan, Bangladesh, Myanmar. That's why I'm quite optimistic today or quite satisfied today that we see that data monetisation is starting to happen in these markets. So that's where the growth should be coming from. So we maintain the long term view that we have had that we want to have a revenue growth in the range of 4-6%.

Morten Karlsen Sørby: Yes, your question was about the capex outlook after 2016 and the implications for the rest of this year. I think I would say, and we started the year with a guidance of 17-19%, we also saw that this is a phase of high investments. Through the first half of this year, we have been actively managing the demand on capex and we have introduced new procedures on the capex allocation. That with the achievements on the efficiency and also taking benefit from somewhat lower prices, from sourcing activities, utilising the scale of the group, we see benefits coming forward. We have not postponed capex in the first half and pushed that into next years to come. We have executed on what we have planned for. So that is the picture. I think as I've said, we are in a high investment phase. We are rolling out 3G and 4G coverage in many markets and that is explaining the capex level. When it comes to the outlook for 2017, 2018 etc, I don't think I will give more specific guidance than I have just said, but we will try to give some more flavour on this at the Capital Markets Day in September.

Marianne Moe: And moving onto the next question please?

Operator: We will now take our next question from Roman Arbuzov from UBS. Please go ahead, your line is now open.

Roman Arbuzov: Thank you for taking the question, it's Roman Arbuzov from UBS. I just wanted to follow-up on India. Previously you were talking about that you have fairly limited time in terms of how long you can keep going with the current spectrum position and that the situation needs to be fixed. So could you just please update us in terms of how long you think you can keep going with the spectrum that you have? Also I'm comparing the situation in India to the situation in Thailand where you've also decided not to take part in the auctions, but at least in Thailand you had a relatively good visibility for the medium term in terms of your spectrum position through the concession regime. But in India, clearly, you don't have this visibility. So can you please provide more colour whether you expect more spectrum auctions to come for example in the near future, beyond the one that is scheduled for September?

Sigve Brekke: Yes, let me take India first. I don't want to give any specific timeline on that. The reason for that is that there are a lot of uncertainties in the Indian market. We don't know how fast the 4G penetration in India is going to be penetrating in the mass market. We are still awaiting for GO, the entrant, to launch and to understand how that will change the industry dynamic. In the meantime, we are just focused on taking our fair share and more than that among new customers and also in the voice market. However that's of course not a sustainable long-term solution and that's why we have to look at other alternatives.

Then there's a big difference between the auction in India and the auction in Thailand. In Thailand we decided not to participate just because we were of the opinion that the prices were way too high. However, we participated up to a certain level in both the 1,800 and 900 auction. Our current spectrum for the following in Thailand, it's okay. We have the 10 megahertz on 850; we have our license on 2.1, and we also have 50 megahertz on 1,800. The best news that can be said about the regulatory development in Thailand the last year, it's one that an auction actually took place. Our worry has been that the concessions just keep on being extended. But now I think it's very clear that we will have an auction in 2018 when our 1,800 and our 850 concession is expiring. Secondly, it's good news that we did not see any successful fourth entrant into the Thai market. As you know, the fourth entrant had to give back the spectrum, they were not able to pay for that. So when we come to 2018, it should be more than enough spectrum for us also to participate in an auction. Also remember that the very high price you saw in the last auction was on the 900, not on the 1,800. The 1,800 had a reasonable realised price, and if that's what is going to meet us in 2018, I think we have an absolutely fair chance to get back what is needed and to continue to compete.

Roman Arbuzov: Can I just follow-up quickly on the India one, so the fact that you have a relatively weak spectrum position, do you think this potentially pushes you into a weak bargaining position or do you think there will be plenty of demand for your assets should you decide to exit?

Sigve Brekke: You're trying from different angles to get me to answer something concrete on India; but no, you are going to be successful on that, because I basically don't want to say much more than what I have said. We have communicated that we are going to make a rational decision on India. We are in India to make money to our shareholders. That's why we have decided not to participate in the upcoming auction. That's why we also keep our focus on taking our fair share in the market now. At the same time, we are continuing also to evaluate and explore different options and I don't want to go into more speculation than that.

Roman Arbuzov: Thank you Sigve.

Marianne Moe: Next question please?

Operator: We will now take our next question from Jakob Bluestone from Credit Suisse. Please go ahead, your line is now open.

Jakob Bluestone: Hi, good morning. I've just got one question on the change in your guidance. Could you maybe just talk through how much of the change to your revenue and EBITDA guidance, how much of that relates to expectations of lower handset sales; and how much of it is more organic, so relating to changes in your expectations for traffic revenues? Thank you.

Morten Karlsen Sørby: I think we have already said that we are lower on device sales this year than we anticipated. Compared to last year, we are down two percentage points and of course that impacts the revenue guidance. In addition, there are roaming effects and especially in Norway, but we also have interconnect regulations taking down revenues in several of our markets. So I think that's the main driver on the revised revenue guidance. Then, when we say

1-2% for the year as such, of course we have made some assumptions for the revenue development in the second half, including the fact that we are seeing some easier comparables in our three main markets.

Jakob Bluestone: Can I just check one thing: the Roam Like at Home tariffs, was that already baked into your previous guidance or is that new, because it sounds like some of the changes explained by Cuts in termination rates and roaming which I would have thought was in your original guidance? Thank you.

Morten Karlsen Sørby: I would put it this way without going into too much details, I think we can say that these packages were developed in the first and second quarter of this year and was not fully reflected in the original guidance.

Jakob Bluestone: That's great. Thank you very much.

Marianne Moe: Next question, please.

Operator: We will take our next question from Terence Tsui from Morgan Stanley. Please go ahead, your line is open.

Terence Tsui: Yes, good morning everyone. I've just got one question on Myanmar please. Obviously the EBITDA margin is strong at 46%, but I noticed that the cash generation was quite a bit lower than in Q1. Do you expect to be cash-flow positive in the foreseeable future given the continued network rollout? Thank you.

Sigve Brekke: The short answer to that is yes. We plan to be cash-flow positive going forward. As I said, I think the low cost operating model we deployed in the beginning is scalable. We see that the same model can be used even when we load more customers and when we get into new territory. You can assume that we will stay positive on the cash flows moving forward, even though we have more capex investments also to be made.

Terence Tsui: Thank you.

Marianne Moe: Next question please.

Operator: We'll take our next question from Peter Nielsen from ABG. Please go ahead, your line is now open.

Peter Nielsen: Thank you. Just a couple of questions on your Nordic operations please. Firstly in Norway, you see an improved momentum on the fiber rollout, and you definitely sound more encouraged about what you're seeing on the high-speed broadband side in Norway than you've done for some time. Could you tell us please what is driving this? Have you increased your efforts in terms of marketing and selling fiber in Norway? Are customers becoming more receptive? Have you changed pricing etc? That will be good please. Secondly on Sweden where you continue to perform very well, as you say. We are seeing among your competitors in Sweden some pressure on the business side, the enterprise side of things, of revenues, etc. You're not really talking about this group. Could you talk a bit about what you're seeing on the business side of your business in Sweden, please? Thank you.

Sigve Brekke: Yes. On Sweden first, yes, you are right. The competition on the business segment, it's very tough, and we don't really see any change on that. It's very price competitive. Our strategy however would be to try to move from a price competition into a more integrated solution with our corporate customers on the business side. We hope also that our competitors will follow that. But the main growth we have in Sweden now is then coming from the consumer segment, not the business segment. As you know Tele2 acquired TDC, which would give them a stronger position. There are also some smaller players in Sweden that may be consolidated, also smaller players on the business segment that may be consolidated. So moving forward, we hope that we can as an industry, go back to a more healthy growth on the business segment. On Norway I will say that this is very much the effort from Telenor Norway to really focus more on taking share on the fixed segment. I think this is something that both I have been talking about, but also Berit, the CEO of Norway has been talking about now for the last year. This is coming from implementing a cluster model where we try to get very close to where the customers are. You are looking then at a cluster base combining what we have of the mobile position, what we have on a more legacy fixed position, and also that opportunities we have then on building fiber. This cluster model which is also a result or a reorganised effort from the organisation is now starting to pay off. I'm very happy to see now that also comes out in numbers. So the new additions we have had in this quarter and also the revenue growth we see from these new additions and not least also our ability to now migrate legacy fixed customers into more high-speed packages gives me a good hope that in the coming few quarters we will see now that this area is both growing and that we are also taking back some of the lost market share that we have seen over the last couple of years. We are probably now stabilising that market share loss we have seen, but the aim is definitely to take some of that back also.

Peter Nielsen: Okay, thank you.

Morten Karlsen Sørby: If I may just add on the Swedish business market, I think there are two different answers in your questions. That is, of course, in the large corporates we see a case-by-case pricing and offer. That is dependent on the customers and the situation, but we have seen some very aggressive offers from our competitors in that respect. When it comes to the small and medium-sized segment, I think we have been quite successful, due to the fact that we have been able to increase our efforts and also utilize third-party distribution to a larger extent than we did a year ago. So I think analysing the Swedish business market you have to divide between the two segments.

Peter Nielsen: Okay, thank you.

Marianne Moe: We have still have a lot of analysts in line for asking questions, so we will most likely continue for another 10-15 minutes. May I have the next question please?

Operator: We will now take our next question from Sunil Patel from Bank of America. Please go ahead, your line is now open.

Sunil Patel: Thank you, good morning everybody. Just one question from me on VimpelCom. There's been no real mention of that in your presentation. You started an exit process, I think, in October of last year. Can you just update us on what's your latest thinking around the stake that you hold and what's the timeframe for any exit? Thank you.

Sigve Brekke: There is no change in our intention. We communicated as you said October last year that we want to exit. That's still the case. We are still preparing and finding the right time window for doing that. I don't want to be more specific on the timing, but we are still looking to execute on that intention.

Marianne Moe: Okay. Next question please.

Operator: We will now take our next question from Maurice Patrick from Barclays. Please go ahead, your line is now open.

Maurice Patrick: Hi guys. Sorry to ask another question on India, but in the scenario where you were to sell your spectrum, could you help us understand how much it would cost to actually exit India? I think from your annual report you have about NOK6 billion of commitments towards tower vendors and I think there's an outstanding NOK2 billion or so of spectrum payments, but presumably there are other costs as well, so perhaps if you could help us understand how much it would cost you to exit India that would be very helpful. Thank you.

Morten Karlsen Sørby: I think this is a hypothetical question, but to try to give you some flavour, if you look into this from an accounting point of view, we have already disclosed that we apply a fair value less cost of disposal approach related to the recording of the value in India. This led to an impairment loss of NOK2.3 billion in the first quarter. The recoverable amount of the intangible assets which are still in the books is NOK4.4 billion. This is of course as I said anticipated fair value less disposal costs, which is the direct costs, so when you look into this and I'm not able to give you specific guidance, you should look into what you think is the spectrum price and the contractual obligations related to the business as such. For example, cover obligations are not included in the impairment exercise, just the directly related costs.

Marianne Moe: Thank you for the clarification Morten. Next question please.

Maurice Patrick: Thank you.

Operator: We will take our next question from Ulrich Rathe from Jefferies. Please go ahead, your line is open.

Ulrich Rathe: Thanks very much. This is actually two follow-ups to earlier questions. In Norwegian mobile you now have -3.5% end-user mobile service revenue decline which is obviously quite a deterioration compared to last quarter and that excludes mobile termination. I assume this is mostly from the roaming. Now you explained that there are certain upselling activities going on, but in the net-net is there a possibility that Norway gets worse before it gets better on mobile end-user service revenues? The second question I have is on the capex guidance again. Is it fair to say that all of the cut is essentially increased efficiencies or are there actually areas where you have decided to spend less than you originally planned at the beginning of the year? Sorry, this is not the right way of saying it. You're obviously spending less, but that you're doing less in terms of the actual assets that you are looking to put into the ground? Thank you.

Sigve Brekke: Now on Norway, no, you are right, the main reason for the revenue decline, it's introduction of the Roam Like Home packages for the EU area. On the full-year basis, that's about NOK500 million. That's the revenues we get from roaming in the EU area. This is what we hope to compensate with then moving customers up to the higher value packages, where this is included. Remember that it's not included for in your current packages. You need to change package to be eligible for this Roam Like Home concept. However, this is a very strong value proposition. So it's relatively easy then to convince customers to go into another package. As I said most of the customers we see now coming in on these new packages, come in on the packages NOK399 and above. That is now becoming the most popular price points, whereby in the past the price points had been lower. So you can then estimate that when you move people into the packages, you also get an ARPU effect on top of that. We hope that the momentum we now have on upselling will continue. As I said the overall aim here is then we compensate for that NOK500 million loss on the roaming side. It's a little bit early to say, because it's now when Norwegians are on vacation and we see how the elasticity in these packages plays out. I hope people are going to use this and roam more, or increase their data volume. We'll have a better answer on that in some few months' time. But I hope that is not getting worse before it's getting better, and that's again putting hope into the upselling logic. Your second question was on capex. No, there is nothing we have stopped doing, prioritization. We are continuing to invest according to the strategy as Morten said. The reason why we are doing a little bit better than when the year started, it's basically better prices using our scale; and it's also been very, very focused on putting the money where we see that we can yield a return.

Ulrich Rathe: Thank you very much.

Marianne Moe: Next question please.

Operator: We will now take our next question from Stefan Gauffin from Nordea Bank. Please go ahead, your line is open.

Stefan Gauffin: Yes, hello. Looking at the EBITDA margin in Myanmar, you have previously warned a little bit for the margin impact from entering rural areas, despite this you have continued to see margin expansion. Can you say a little bit of what you expect going forward in Myanmar given rural expansion and the competition level?

Sigve Brekke: I'm more worried about the competition level than I am actually about the rural rollout. We are now quite deep into some of the villages and into some of the areas. We see that the marginal customer is also coming in on a fairly satisfying ARPU level. A little bit lower, of course, than they was living in the cities, but there's still absolutely a mobile demand. We also see the data demand in the market continues to increase. The worry now I think is more on the competitive level. As I've said in my intro, the competitors are now also quite aggressive on net offers, that are of course trying to build up market share without paying interconnect fees. If that develops also into much more competitive tariffs on off-net, then there is of course a risk that will take down the entire market growth. However, it's all a bit too early to say on how this is going to develop. But that is, if I have been a little bit cautious in the previous quarter, that's the cautious point I will leave also here that we may see that there will be some pressure on top line and with that also EBITDA margins going forward.

Stefan Gauffin: Okay, thank you.

Marianne Moe: Thank you, Sigve. We have time for three to four more questions before we close this session. Next question please.

Operator: We will now take our next question from Thomas Heath from Danske Bank. Please go ahead, your line is now open.

Thomas Heath: Thank you, Thomas Heath here with Danske Bank. A question on strategy and perhaps tying into India nonetheless. You've previously preferred full ownership and control of all subsidiaries really, both in India where you bought out minorities, but also elsewhere with a lot of governance troubles in any assets where you've owned less than 50%. So just wondering on a general basis, you're thinking about control in subsidiaries and JVs, and applying this to India. Of course if you're unwilling to pay the reserve price for spectrum and trading arguably shouldn't give any lower price, then it's either an exit or a merger with someone else which would be the only options left and hence any thoughts on JVs from a structural strategy point of view, very appreciated. Thanks.

Sigve Brekke: I can answer in a general way to your question, but I don't want to be specific on India. That general answer to your question is that we still maintain the overall strategy that we want to be in majority control of our assets. The reason for that is that -- partly that we want to do things our own, but of course also operationally but also that we need to be in control of compliance issues and the more non-financial issues in these very challenging markets. So don't expect us to change the learnings we have had from our minority position in VimpelCom or our strategy for quite some time now on staying in majority moving forward.

Thomas Heath: That's very helpful. Thanks.

Marianne Moe: Next question, please.

Operator: We will now take our next question from Nick Lyall from SocGen. Please go ahead, your line is now open.

Nick Lyall: Morning, it’s Nick at SocGen. Could I ask firstly on the capex again, could you just give us a bit more detail on which markets in particular there are cuts in? It seems a little bit at odds with the dtac guidance which seems to be 20 billion not just this year, but ongoing and also DiGi raising their guidance slightly. So whereabouts does that come in? Is it maybe just purely Myanmar cuts versus consensus? Then secondly, just on your comments on Thailand earlier. You mentioned a lot about 1,800, but is your expectation that you get access to 850 megahertz in the 2018 auction or is it just 1,800 that you think you'll get access to in the auction process? Thank you.

Sigve Brekke: Yes, I can take Thailand first. On the 850 I don't know and for two reasons. One it's not 100% sure that they are going to put 850 out in an auction. There are discussions in the government if they want to reserve at least part of the 850 band to railway. They're building a railway from China through Laos, through Thailand. However if it comes to an auction, of course the pricing for that 850 is going to be similar with what we have seen on the 900, so that's going to be extremely costly. The bets we are making as of now is the 50 megahertz we are having on the 1,800. That should be more than enough for also our competitors if they want to pick up some additional 1,800. However if the 850 comes available and if it comes available at a reasonable price, of course that also will be of interest.

Morten Karlsen Sørby: When it comes to the capex, you asked for more details on the different Bus and I don't think I will give you that. But in general, the way it's constructed is that when you start a roll-off programme, you define that as a programme and you try then to run that as efficient within a period of time. I think it's the combination of how that is working. You will see that GP for example have concluded a major upgrade in the first half of this year. You will also see that there are some seasonal issues due to the monsoon seasons etc in Asia. I just wanted to highlight that as Sigve said earlier I think the reason why we are able to bring down the guidance to 17% is a combination of efficiency and smarter thinking. We are not postponing the capex into projects in the next years to come. We have been doing what we have been planning to do and that is also what we are doing for the second half.

Nick Lyall: Okay, that's great. Thank you.

Marianne Moe: Thank you. We'll take two more questions.

Operator: We will now take our next question from Keval Khiroya from Deutsche Bank. Please go ahead, your line is now open.

Keval Khiroya: Thanks, I've got two questions both on Malaysia please. Firstly, when will we learn how much you need to pay for the spectrum in Malaysia? Secondly, how concerned are you around the competitive environments in Malaysia, it does seem like Telekom Malaysia and also Yes are being a little bit more active and I would presume that U Mobile could be a little bit stronger once they get the spectrum allocation as well. Thank you.

Sigve Brekke: Yes. On your first question, we had hoped that we would have had some clarity on that, the payment, the re-farm the spectrum that we got, a couple of months ago. This seems to be dragging out, so we don't really know when and how much. However, we hope that the Malaysian government is going to follow the policy they have had for several years and then to be reasonable on spectrum prices. So that's our assumption, but we don't really know. Hopefully, this is something we will have much more clarity in the coming couple of months. On the last question, that's a worry. You are right; the market is already very competitive with U Mobile taking a leading price position; and now with Telekom Malaysia and also YTL under the name Yes is coming to the market. However, Telekom Malaysia is also owned by Khazanah, their sovereign fund which also have the same owner as Celcom, so it's a little bit hard to see that the same owner will allow Telekom Malaysia to be very disruptive to its Celcom assets. The YTL go-to-market strategy is very unclear for us. So I would be much more worried about what Maxis is going to do, because they have also been very aggressive on the prepaid segment and if they now go back and start focusing a bit more on profitability, I think that can send some signal at least for a market transformation on the more-high end in the market, the postpaid customers. Then it's we just wait and see what's the long term strategy of U Mobile. So I'm more worried about the current players than I am about the two newcomers.

Keval Khiroya: That's clear. Thank you.

Marianne Moe: Last question please.

Operator: We will now take our last question from Usman Ghazi from Berenberg. Please go ahead, your line is now open.

Usman Ghazi: Hello, thank you for taking the question. I just wanted to ask about Sweden. Could you update us on where the plans are for the SDU expansion? Some of your competitors have indicated that there's just not enough subcontracting capacity in the market to be building a greenfield fiber infrastructure there. Thank you.

Sigve Brekke: Yes, the question was about SDU development in Sweden. I think you are correct; there are a lot of players, including Telia, ourselves and Com Hem which have given statements on ambitions in that segment. I think the pilots which we have been running have been fairly successful. So far we have been able to work through the issues with capacity with the installation force etc, so we see there is a tight market but so far we have not been constrained by the capacity to build out when we have been able to sign up customers in an area for development.

Marianne Moe: Okay? Thank you Sigve and Morten. That concludes the session here today. Thank you all for participating. I wish you all a nice and well deserved summer vacation and I'm hoping to see you in London in September at our Capital Markets Day, and as usual for media present here today there will as usual be the opportunity to have quick one-on-one interviews with Sigve and Morten. Those requests will be coordinated by Otto from the Communications Team.