Company: **Telenor ASA**

Conference Title: **Telenor Group Q3 Results**

Moderator: **Hanne Aune**

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Marianne Moe: Good morning, everyone, and welcome to the presentation of Telenor Group's Results for the Third Quarter. My name is Marianne Moe. I'm head of Investor Relations and I have the pleasure of guiding you through today's presentation.

As usual, the results will be presented by our Group CEO, Sigve Brekke, and Group CFO, Jorgen Rostrup. I hope you all have the presentation material available. And as you know, as usual, there will be a Q&A session after the presentation today, and we will then start with the audience here present at Fornebu and after that open up for questions from the conference call participants. We expect to finish the session in about one hour from now.

There will also be an opportunity for media present here at Fornebu to ask question to the CEO and the CFO in separate media sessions taking place after the presentation.

And then, without much further ado, I will leave the floor to Sigve Brekke to take us through the operational highlights for the quarter. Please, Sigve.

Sigve Brekke: Thank you, Marianne. And good morning to all of you and also those of you that are following us on the video streaming.

I am pleased to present the third-quarter results. We have a third quarter that is characterised by improved growth in our core revenues, a 3% growth in subs and traffics and also an all-time high EBITDA NOK13 billion and an all-time high 42% EBITDA margin.

We also have a quarter behind us where we have seen progress on our strategic agenda. On our growth agenda, we see that our emerging Asia units are having a very good revenue development. And again, Grameenphone is coming out with a stellar performance, impressive growth.

We see in developed Asia, Thailand and Malaysia, a double digit growth on the postpaid and we see in Scandinavia a good data growth in Norway and also that we are getting back the investments we are having and the focus on the fiber both in Norway and in Sweden.

On our digital and efficiency agenda, we see that this quarter 11 out of 13 units are delivering a lower OpEx year-on-year. And on the simplification agenda, in this quarter, we completed our VEON sell-down.

Let me then go through some of operational result in the business units. Starting with Norway, and I have one slide on revenues in Norway and one slide on the efficiency side. We see another quarter with robust and stable revenue growth in our Norwegian operation. Starting in mobile, we said a year ago that we are going to speed up the 4G rollout and put 4G on all our 2G base stations. And we have 7,500 base stations in our Norwegian operation and now we had a 4G on 99% of the population. So, we have a very, very broad 4G coverage. And the latest Ookla test shows that we have the best and the fastest 4G network in Norway. And as a result of that, we see our customers starting to use more and more data. And we have seen an increase of 65% in the data consumption with our customers that bringing our Norwegian customer now up to 1.4 gigabyte per month. Starting to be a little closer to what we see with the customers we have in Sweden.

And a result of that is that we are continuing to growing the domestic ARPU. And the growth in domestic ARPU is then more than offsetting the lower revenues we get from including free roaming in the European area.

We have a slight decline on the overall subscriber base. However, on the value subscribers the contract subscribers, postpaid subscribers both on consumer and in the business segment, we have an increase; so, the decline is then coming from price sensitive prepaid customers and also people stop using data cards and rather using their main subscription.

On the fixed side, we started a year with increased investments in the fibre rollout, and that is paying our internet and TV revenues are up 9%. And that’s again more an offsetting the decline we see in the fixed legacy business. We have now a fixed internet sub-base of 860,000 customers whereby 70% of them are high speed data customers. And we are going to continue our focus on the fibre rollout.

On the efficiency agenda, we are continuing then with a clear ambition of making the Norwegian operation even more efficient than it already is. And we are seeing this quarter that we have a 5% underlying OpEx reduction, that is coming from reduced OpEx on operation and maintenance, on digitalised service, sales and marketing and also digitalising the customer care or the call centre communication have with our customers.

And to give some examples of that. The My Telenor application is now becoming more and more popular with our customers. 72% of all the upsell now of the data packages, so when the customers want to increase or change the data bundle, 72% of them are doing that digitally through our Telenor app. And we also see an increasing move to digital sales rather than physical sales as we have used in the past.

Another example is that over the last two years, we have an almost 40% – sorry, 30% reduction in the call volumes at our call centres. And in addition to that, we also see now that what we do on optimisation of the sales channels are paying off. The installment programme, the SWAP programme alone gave us a 45 million posted[?] impact in this quarter.

And that's then showing that the personnel costs are now starting to come down and we see a clear effects of the work force reduction. We will have to continue that right sizing process as our customers are becoming more and more digital. All in all, a very strong and solid quarter for our Norwegian operations with a 2% EBITDA growth and a margin of 46%.

Let me move to Sweden and Denmark. Both in Sweden and Denmark, we see a revenue growth this quarter and we also see a margin improvement in both the two operations. Starting with Sweden, the Swedish mobile revenues are growing 2% and it's even more impressive to see that the sub-growth, we now had the sub-growth for nine consecutive quarters, and we continue to do that. So, year-on-year, we have 4% increase in the subscriber base in Telenor Sweden. We also see a high demand on fibre. We have added 14,000 new fibre connections the last quarter and 60,000 year-to-date. The majority of the growth in fibre it's in open network where we act as an ISP.

As we do in Norway, we are also focusing on efficiency in the Swedish operations. And in this quarter, we had a 3% OpEx reduction bringing the EBITDA up with 10% and a margin improvement up to 35%. In Demark, we see the competition remaining being very intense. However, in the midst of that, we have been able slightly improve our revenue and the revenue trends and we are having a stable ARPU.

We started a year ago, we started turnaround process in our Danish operation. I mean we also start seeing some result coming out of that. And 83% EBITDA increase, most of that, however, is coming now from the ramp down on the large IT project that implemented last year. But we are also turning every costs down to make the Danish operation in the midst of a tough competition more efficient and profitable.

Central – the cluster in Central Eastern Europe. In all the four operations we have in Central and Eastern Europe, we are focusing on keeping the value customers. And we do that with the actively migrate prepaid customers to post-paid. And we also do it with continuing to invest in our 4G network. And we have a leading position in all the market when it comes to data network.

Just to give you some numbers, we are now having a 99% population coverage of 4G in Hungary, 91% population coverage of 4G in Bulgaria and 81% in Serbia. We are also focusing on operating cash flow in all the four markets. And in this quarter all our four operations manage to reduce OpEx. Serbia, Montenegro took down the OpEx with 11% and Bulgaria took down the OpEx with 6% resulting in a cash-flow margin of around 30% across Central Eastern Europe.

It's also worth mentioning that after several quarters with flat revenue growth in Hungary, we have now managed to actually get into a positive territory again. So, Telenor Hungary grew subs and traffic revenues with 3%. I am very pleased to see the development.

In our developed Asia cluster, Malaysia and Thailand, in both the two markets, we are – we see both the two markets in transition and the transition from being traditionally a very price-sensitive prepaid market going into more postpaid data bundle type of market like we are used to have in Europe. And in midst of that we are repositioning both DIGI and DTAC; repositioning them to become a more postpaid type company with focus on data delivery, strong networks and all services. And with that, moving away from the promotion-driven very high-churn prepaid market. And we do that with trying to digitalise the customer journeys as fast as we can. And the outcome of that is that we see now a double-digit revenue growth in postpaid both in DIGI and in DTEC. And in the midst of that, we also see a very solid cost control resulting in high EBITDA margins, despite then challenging environment on prepaid and on the prepaid revenues.

Dig a little bit more into each of the two operations. Starting with the Thailand and DTEC. A 16% postpaid growth in this quarter. And this is the quarter were actually we having more postpaid revenues than we have on prepaid. And we have now the market a 28% postpaid revenue market share. And this despite a very challenging prepaid market, where we still see handset subsidies and we had then focused on not participate in that but rather focusing on migrating prepaid customers in to being postpaid contract customers. We are continuing to invest in the network in the 4G network in Thailand and both in coverage but in densification. And in one year, we have moved the 4G population coverage from 55% up to now 83%.

On the efficiency agenda, we have moved EBITDA margins up significantly in the last two quarters to 41%. That's coming partly from reduced regulatory costs but is also coming from shifting sales and marketing over to digital channels.

In Malaysia also a healthy revenue growth on post-paid, 14% in this quarter. And on the prepaid segment, we see early sign of stabilisation. And take it even one level below, we are satisfied to see now an 8% increase in prepaid internet revenues in the quarter. On the efficiency agenda, in Malaysia, gross profit is on the pressure from weak prepaid development but we are despite that able to deliver 46% margin with a 2% cost reduction. Also worth mentioning in Malaysia is that we now have got access to the 900 megahertz spectrum that we got half a year ago which enable us to both improve our indoor 4G coverage and also bring up the outdoor coverage to now 87% of the population.

Moving to emerging Asia, the cluster with – we have with Bangladesh, Pakistan and Myanmar. In all these three companies, we see higher revenue growth coming from new subscribers. In Bangladesh alone, Grameenphone, we added 2.3 million net new subscribers in the quarter. In all these three markets, our estimate is that the real penetration is that just for the multiple SIM-cards is between 50% and 60%. So, there is still growth of customers that never had a mobile connection before.

The other part that is driving revenues is that people starting to be data users. And again, in this quarter in Grameenphone alone, they added 2.9 million new data subscribers. And again, the same development you see in the other markets. We are still below 50% of our customers using data. And what is driving this, it's an increased smart-phone penetration.

In addition to there, the focus then on taking our fair share of the market and growing the revenues, we also have a solid cost position and ambition in all these three markets. And we are competitive in the market, we take our fair share of the new acquired customers and we also continue to rollout network and with that hedge[?] cost. What we have done in these three markets then is trying to be smarter in the way we benchmark operating costs, and with that taking down both the cost we have on traditional sales and marketing but also starting to move into digital ways of communicating with our customers.

Then going into each and one of the operation. Grameenphone 15% growth on subs and traffic and we have now 47% of our customers are data users. And as I said, there is a long way to go still. Only 29% of our customers in Bangladesh are having smartphone and we see now that there is a tight link between a smartphone and data usage. 59% EBITDA margin, quite impressive, and the company is continuing to focus on being more and more efficient. And as I said, we are starting to see also now some early signs of our effort to digitalise sales and marketing and also customer care in Bangladesh.

Telenor Pakistan, revenue growth of 6.5%, 29% of our customers in Pakistan are having a smart phone and that's why 28% of them are data users; again, a long way to go before we are connecting all our customers also to data services. EBITDA increase of 14% and the same as we saw in Bangladesh, we also early sign of digitalisation of the customers' journeys and sales marketing and also care.

In Malaysia, revenue growth of 9%, very competitive voice market especially on the on-net pricing. However, we see continuous demand on data. We also see now that after we implemented SIM verification processes, we see some consolidation on the number of SIM. Strong EBITDA margin in the Myanmar as well, 43%, despite then continuing to rollout our network. We are now having 8,000 sites on air in Myanmar.

Those of you that listened into the Capital Market Day we had in February this year recognise this picture. We have said that for some time now that we believe that we can create more volume with focusing on this three value drivers. It is growth, is efficiency and simplification. And we continue to show progress on this agenda. And I will take you through some examples and some initiatives that we have within each of these three areas.

Starting with our growth agenda. Innovation; in the mix of the cost focus we have, innovation is very important for Telenor, both service innovation but also in product innovation. And this drive to constantly improve our offers and services. And also do that to differentiate ourselves in the markets and also try to target new market segments.

Starting with example to the left from Norway. In Norway, we implemented a short while ago what we call Telenor family bonus. What that means is that if you are in a family or a group of friends and in that group you have at least three subscription by Telenor, it can be fixed, it can be mobile or it can be a SWAP or handset relationship, then you get a bonus, a data bonus; and then we can manage and award that bonus between – in that family group with using our Telenor app.

On top of that, we have also implemented a My Family app, which managed you to – which allow you to manage the family's agenda and the calendar and then also tie that to third party services like for example your kid soccer practice. So, now you can have all this is one app. This has been received very, very well with our customers and [inaudible] doesn't allow me give you the number how successful this has been but we have really seen a good uptake.

And on the digital agenda, it's interesting to see that 90% of the families and the group that signed up on this digitally through the Telenor app not physically as we are used to.

Moving to the middle picture here, that's from Pakistan, Bangladesh and Myanmar, we call it wall box. What wall box is, it's – it acts more like a portal where you bring in local content for these three markets. And it's a portal or an app which gives you an easy access to that local content and bring down the barrier of starting to access internet in the first place. You can do your prepaid card top ups in within that app or portal. So far, we have 13 million active customers using this. It's another example of a very popular service which is driving date of the month, and, in addition to that, also digitalising the customer journeys.

The third example to the right there is from Thailand. In Thailand, the most popular internet service is actually Line, it's not Facebook. Line has more than 40 million subscribers. It's way above all the communication tools like WhatsApp, for example. So, we decided to team up with Line and introduced Line Mobile, utilising the very, very strong brand that Line has. So, Line Mobile is a fully 100% digital mobile service, everything is digital. And we do that to lower the costs but also to target a digital native customer segment that we think will be the future of mobile communication in Thailand.

They are also testing out the centre concept now in Sweden with a fully digital service called Vimla, and they're also – tested it out in a couple of the markets to see can we take the digital all the way to only focusing on the digital communication.

These are examples on how we now are developing digital services and products and still stay very close to the core when we are testing result.

On the efficiency agenda, those of you that have followed Telenor for some time have heard me and Jorgen, the CFO, talking about ambition we have to create a leaner Telenor. And we have been talking about digitalising the core as a tool to do that. So, let me give you some examples. The examples is very much about digitalising customer journeys. And let me start with the one to the right.

This is the development of the My Telenor app. I talked about that in Norway, and you see now that 800,000 of our customers are actively using this app in Norway. We have implemented this app now in all our business unit.Denmark was the last one to start using it. And you also see that in Malaysia, of course, with the biggest subscriber base, people are also using this. And we see this is a tool to then move the physical distribution contact or the physical care contact we have through call centre into digital relationship; both to reduce our costs but also to increase the engagement we have with our customers and utilising that to be smarter on how we use customer data.

And if you then go, as you see that there is 3%[?] growth year-to-date on the customer starting to use this app. And this is one of the main focus we now have on the customer journeys.

Moving to the middle, I already mentioned that we see a dramatic fall on the number of calls to our call centre in Norway. Over the last two years, the number of calls are reduced by almost 30%; the last year alone – ’17 over ’16 is an 18% reduction. The reason for that it’s that we have worked systematically now on taking away reasons to call. The network is improved and the pricing complexity has been simplified. So, there are a few reasons to call. But of course on top of that is also that people now checkout things through their digital tool on My Telenor app rather than making a call.

The same we see in the emerging Asia or in – also in developing Asia. So, if I show to you same picture from Myanmar, you will see that the number of calls so far this year is reduced with 60% compared with a year ago. And that brings me over to the left hand side there, which is then a reduction in our workforce. So, far this year, we have taken out 1,900 full time employees. As a result then, all our customers are going digital.

In the midst of that, we have also now started focusing on rescaling of the competencies we need for the future. And we have picked some areas where we now are having programmes with our employees trying to then upgrade the competence to what we think are the future needs.

But in addition to what I'm showing on this picture, we are doing the same on the distribution side. We have implemented a retail app that the retailers can use. And in digital for example in Malaysia 100% of the retailers are now using that app, in Thailand almost 50%, again that allows us to bring down the commission and make the relationship we have with distribution more efficient.

The third area, it's making Telenor a simplification effort. That has continued in the third quarter. We have divested our Telenor Banka in Serbia. We have sold off some office properties in Norway, in Oslo, and we have completed then the sell-down in VEON. We are remaining – having 257 million shares in VEON that will be kept such that we can use that as a settlement for the extension of bond that will be due in September 2019.

Before I then leave the floor to the CFO, Jorgen, let me summarise this quarter. I'm pleased to deliver a strong quarter. It's a quarter where we see continued revenue growth of 3% subs and traffic, is a quarter with all time high EBITDA margin of 42% and it's a quarter with a very strong cash flow.

We have seen the start of our transformation and some of the results are coming out even quicker than what we expected that's why in this quarter, we had taken down our cost with 400 million, and already then meeting our full year target of 1 billion. But there is a long way to go and that's what we also are going to focus on in the quarters to come.

Thank you. And please, Jorgen.

Jorgen Arentz Rostrup: Thank you, Sigve. And that I guess allow me to skip this page and go straight on the next one.

Before I go into the numbers, I would like to remind you all about currency, currency fluctuations and how it impacts Telenor financials. As you know, there has been currency movements for this quarter. We have around 70% of revenues coming from currencies and operations outside Norway and this is, of course, exposed then to currency fluctuations on the P&L and also the debt is impacted by this.

In a way, you might say that our diverse portfolio represents in itself a hedge towards currency fluctuations. In addition to that, our policy is to use a combination of foreign currency debt and financial derivatives to hedge net investments in foreign operations.

Most of our American currencies have also a strong correlation to US dollar and therefore we use US dollars as a hedge instrument when local currency is not easily available. And as you can imagine, we have a few of those situations.

So, that means that the most significant debt currencies for Telenor Group is euros obviously, US dollar then mentioned, Swedish krona is important, Thailand baht and Malaysian ringgit, those are the most important ones.

During the third quarter, Norwegian krona has more or less strengthened towards all of these functional currencies, especially the Asian ones and also against the US dollar. The currency impact for the quarter has been approximately negative 0.9 billion on the revenue side and in range of negative 0.4 billion on the EBITDA side.

And then the strengthening of the Norwegian krona has also led to currency gains on foreign debt position, foreign currency debt position. Most notable obviously than on the US dollar side, which in total has reduced net debt by around 1.3 billion for the quarter. So, part of the reduced net debt position that we are reporting is then due to currency strength of Norwegian krona to a dollar by approximately 1.3 billion. We also then on P&L under net financials reporting again on the currency of 1.7 billion.

Revenues for the quarter is 30.7 billion, approximately down 500 million on a reporting basis, but on an operational organically basis, 1% increase in revenue. It's driven by the elements that Sigve alluded to, high margin development in our core revenues mainly from a healthy 3% growth in mobile subscription and traffic revenues, but also a decent 9% increase in fixed broadband and TV revenues in Norway and Sweden.

Looking at mobile revenue development from a segment perspective, the main positive contribution to reported revenues are once again emerging Asia and Grameenphone leading that group on this development. And then as Sigve alluded to, a developed Asia operations in Thailand and Malaysia show a solid double-digit postpaid growth, while as we know prepaid revenues remained under pressure.

We also have a negative effect of 160 million declining global wholesale revenues in this quarter; however, with a very, very slim margin on these volumes and almost negligible EBITDA effect. Organic growth in the quarter is also in line with the growth rate so far this year, around 1%.

While the reported gross profit is flat year-over-year, the organic growth in the quarter is 3%, fuelled by the already mentioned growth in the mobile subscription traffic, the fixed broadband and TV revenues in Norway and Sweden. The gross margin in the quarter was 76%, which is 1 percentage point higher than the same quarter last year.

Cost efficiencies keep going on. I'm pleased to see that we have maintained a good momentum on this in the third quarter. If you look at this at an FX-adjusted basis, OpEx is down 4% or 0.4 billion in the quarter and the total savings so far this year is hence 1 billion year-on-year, which means that we have already delivered on the full year upgraded OpEx ambition as we communicated it in the second quarter.

If we look at development per cost area, we see lower cost in all main categories in this quarter but especially within sales and marketing with some 250 million.

In Norway, we see – and I think Sigve alluded to it, we see reduced commission spend followed both the move towards our very popular handset instalment programme to SWAP and also increased share of SIM only subscriptions sold.

In Thailand, the lower spend is partly driven by lower volumes but also significantly supported by a shift towards lower cost channels and mark on optimisation.

Within advertising, we have reduced our presence in some traditional advertising channels, some on the outdoor side both on TV and radio and shifted more our efforts towards digital channels and we see good results from this. We have also prioritised fewer but bigger impact campaigns in the period.

Then we have a couple of times talked about this and exemplified by what is going on in emerging Asia. We have a very tight and close cooperation in emerging Asia within sales and marketing focused on significant and very detailed benchmarking and sharing and taking on board best practice within this area. That has not to the same extent been done before. This has started to drive sales and marketing efficiencies, and in this quarter we see those effects on the Pakistan numbers.

Also, personnel cost decreased in third quarter supported by FTE development of 1,900 year-to-date. And towards the end all third quarter, we started to execute on our ambition to reduce staff cost and staff also in the headquarters.

And then we are not giving an updated OpEx ambition for 2017, but we still expect to see some improvements for the rest of the year securing necessary speed into 2018. That is our concern right now.

EBITDA came in at NOK13 billion in the quarter, which is 5% improvement, higher compared to Q3 last year on a reported-number basis and 9% better on organic basis. The EBITDA margin was 42%, that is 3 percentage points higher than we had in Q3 last year and is reckoned as an all-time high.

Also the EBITDA number itself is record high this quarter, driven by the combination then of higher gross profit and OpEx reductions, and only partly offset by foreign exchange effects. The biggest FX effects on EBITDA this quarter is related to Bangladesh, Malaysia and Myanmar, and are influencing those numbers as we have talked about.

And then as we said, almost all business units were able to increase their EBITDA margin also this quarter and we see that as an indication that we are able to run our programmes both for growth and also for efficiency and for simplification across the complete business portfolio; and that is, of course very important for us. So, very strong EBITDA performance in the third quarter, revenue growth and improved efficiency.

CapEx was 3.8 billion for the quarter and the CapEx to sales ratio is 12%. The investment activity in the quarter were lower than we planned for and anticipated. This is primarily due to the heavy flooding in Bangladesh. I have personally only see some films and picture from that, but it's quite clear to us that we cannot carry out the CapEx programme while that flooding and rain situation continued. We also had some rollover to Q4 especially in Pakistan for other reasons.

Investments in Norway and Thailand has constituted more than 50% of our CapEx spend in the quarter. Norway the same as previous quarters, it is fibre and 4G rollout, which are most CapEx-intensive, and we have the ambition to have 4G rolled out to all sites by year end.

Thailand investment is still mainly ongoing into network densification programme to the already-licensed 2.0 gigahertz network, an expansion of 4G networks. Year-to-date, CapEx is 16% lower than the same period last year. Then bear in mind that we start communicating on this already at Capital Markets Day; the reason for this being lower except that we have done some rollover from third to fourth quarter is that we had significant investments in mobile networks last year, and naturally are supposed to come down this quarter. In particular, the Greenfield rollout in Myanmar, the intensive 3G investment programme in Bangladesh and also heavy lifting the major part of network densification in Thailand, which has been so important for us.

So, we expect CapEx to pick up somewhat in fourth quarter and we maintain our guidance on the CapEx sale of 15% to 16% for the full year.

The P&L, and if I may use the word, it's probably not the financially correct word to use but it's a pretty clear overview this quarter. It reflects strong operational performance and focus. We have been through the revenues and EBITDA before other items. We should mention on the reported EBITDA side a sales gain of 616 million for the office property in Oslo. Restructuring cost of around 200 million predominantly related to workforce reductions, predominantly regarding Bangladesh and headquarters. And then there is a non-cash loss of 131 million related to the announced disposal not yet executed, of Telenor Banka in Serbia.

The associated company's line is close to zero this quarter following the sell-down of VEON and also the online classified transactions in Q2. Then we have a net positive financials of 1.2 billion for the quarter, predominantly then explained by the strengthening of the Norwegian krona. And this means that net income to Telenor equity holders for the quarter is 5.8 billion equalling an earning per share of NOK3.84.

So far then, we have a cumulative net income of 9.8 billion. And if we focus on continued operations, they're coming at a net income for third quarter is approximately 2 billion higher than it was for the same period year-to-date last year.

If you take a look at the cash flow development, we see that free cash flow to equity this quarter is very solid at 9.4 billion. The main reason then is obviously solid operational performance, relatively low CapEx and the proceeds from the disposals that we have talked about, VEON proceeds are 2.8 billion, and that property is 0.9 billion for the quarter.

Compared to Q3 last year, the cash flow this quarter is 0.3 billion higher. If we had just for all the proceeds from VEON, that was actually higher last year third quarter than it is this quarter. And we have free cash flow improvement of 1.8 billion in the quarter. So far this year, we have generated cash flow of more than 21 billion. We just doubled the cash flow for the same period last year.

Solid cash flow and then the strengthening of the Norwegian krona results in reduction in net debt of close to 11 billion for the quarter. The net debt-to-EBITDA ratio is now 0.9, which is solid and obviously below our ceiling[?] off two times EBITDA. Balance sheet remains strong.

Then we have payment of second tranche of the 2016 dividend coming up in November and we also are continuing as planned, and we had – buying back shares according to the programme that was decided and announced in July. When it comes to debt majority profile, we are in a comfortable situation with excess cash at hand. In January 2018, we have a maturity on EUR500 million and we have another one on the USD500 million in May I believe. And we haven't decided yet to what extent we are going to the capital markets to refinance this.

With solid cash flow generation and a strong balance sheet, we are obviously very concerned about returning cash to shareholders in line with our dividend policy, in line what we have communicated. Temporary events or developments are not changing this programme and these plans.

The second tranche of 2016 dividend was approved by AGM in May and will, as we know, be paid out 7th November, with x-dividend date being 27th October.

In July, we announced a 2% buyback programme totalling around 30 million share of which 13.8 million shares will be repurchased in the market and the rest from the Norwegian state according to their holdings in Telenor.

At the current share price, these buyback programme returns approximately 5 billion to the shareholders, implying that total payout in 2017 is close to 17 billion. 17 billion makes 2017 a record year in terms of payment payouts to the shareholders for Telenor.

Then to the financial outlook for the year. Instead of fine-tuning the outlook which we of course could do, we have kept it unchanged for the remaining of the year. This means 1% to 2% organic revenue growth, 38% to 39% EBITDA margin and 15% to 16% CapEx to sales excluding spectrum. When it comes to the EBITDA margin, as usual, fourth quarter comes with somewhat higher uncertainty than the other quarters. Historically, we see that fourth quarter normally comes in somewhat lower on the EBITDA margin than the year-to-date numbers before fourth quarter should indicate.

The uncertainty relates especially around handset sale and market spend for the quarter. That's very much decided of – actions in the local markets and what others are doing and what opportunities arise.

On the other hand, of course, the good progress on our cost agenda has contributed to a solid margin for the first three quarter. And we expect some further cost efficiencies to come through in the fourth quarter. So, this gives us at least confidence that the EBITDA margin most likely will end up in the high end of the guided interval[?].

From an operating cash flow perspective, delivering on this full year guidance should imply a significant improvement from 2016 and securing good momentum into 2017.

So, I think I'll leave it there. We are pleased with reporting strong set of numbers and we continue, as Sigve said, on our ambition to build the future of Telenor. Thank you.

Marianne Moe: Thank you, Jorgen. We are now ready for the Q&A session. And as usual, we will start taking questions from the audience present here at Fornebu before we open for questions from the conference call participants. I think there is a question in the middle here. Please pass the microphone.

Chris Roth: Thank you. Chris Roth from DNB. A few questions. Could you say something about why you chose not to suggest an extraordinary dividend in light of the lowered leverage situation, understanding that you are doing record high shareholder renumeration but still the leverage situation would suggest that you still have more to go on with respect to that?

Secondly, could you give us an update on the India divestment situation – on the India divestment situation?

And thirdly and lastly, why is it that you're not willing to give us an update in terms of the OpEx cuts that you now suggest? Is it because you're less certain in terms of how much you can take out in Q4 or you're seeing good progress and you're just trying to be cautious?

Sigve Brekke: Jorgen, you can start with the dividend.

Jorgen Arentz Rostrup: I can start with dividend. So, first of all, we have tried to – what we did Capital Markets Day, let me recap a little bit. What we did on Capital Markets Day, we, in a way, simplified and tried to make even clearer the dividend policy by simply stating that over the next period, a number of years, we will pay an increasing dividend per year. This is the building block we have. And we felt that was an opportunity we had based on what we plan to do, and a strong balance sheet. And then we set to more things. At point in times, when the board and Telenor feel that is natural, we will consider to buy back shares and/or give extraordinary dividend.

Then, based on the development that we had seen partly in 2016 as starting to execute on the VEON sell-down and partly on the traction we saw business-wise and our other plans, the board decided already in the second quarter of this period to announce that they wanted to utilise the opportunity to buy back shares. That was not based, if I understood the board correctly, on one single event, i.e., selling out a part of the VEON share. It was based on what we had been doing over time, what we have said and that we believe in traction on this and also what we saw could happen down the road a little bit.

And I don't think – I don't believe you should read the board that way that every time we do a move and a shift, there will be a kind of a distribution. But I think you should understand the board so that they have this high on their agenda and they would very much like to really show the shareholders that we are also increasing distribution to the shareholders when that is natural. But I don't think we plan to have this as a quarterly issue; you might, but I don't think we plan to have this as a quarterly issue, but I believe the board will consider this down the road when they feel it's natural.

We have a lot of things moving, we have uncertainties, we have plans, we have a lot of things. So, paying dividend, et cetera, we will do, but we are putting 95% of our concentration on our programmes.

Sigve Brekke: On the two other questions, India is progressing as planned. And as we said when we announced this, we expect that the deal to be closed within third quarter next year. And so far, we have got all the necessary approvals and it's progressing as we told.

On the OpEx question, I think Jorgen already talked about this. In the fourth quarter, you have holiday campaigns, you have higher handset campaigns. So, normally the OpEx is a little bit higher in the fourth quarter than in the third quarter. And I don't think it is right for us to again give some almost decimal guiding on how much we think in the fourth quarter. When the third quarter started, both of us said that we may not be able to do the same in the third quarter as we did in the second quarter, but we came out better and, of course, that's positive. And we are on the ball on this together with our business units every day and there's a lot of hard work being done in both the digitalised journey that I talked about, but not least also on the technology side. We are doing several things on also streamlining our technology cost. So – and that we will do in the fourth quarter also, and then we will meet again in February and we will show you the numbers.

Jorgen Arentz Rostrup: Yeah, if I just may see that. So, this is a touch of uncertainty but not the uncertainty that you are asking for. We are not uncertain about the programme, we are not uncertain about the energy that everybody spends on this, and we are quite confident on the programme. What we are uncertain about is this quarterly effects, when does it kick in.

And in particular, remember, this is a new programme and a little bit of a new momentum. So, we aren't certain now in a start-up, which we are really still in, when does it kick in. And some of the effects that we thought would kick in, in fourth quarter, we already now got the third quarter. I said we believe we still will have effects in fourth quarter, and then we will try to avoid to guide on this on a quarterly basis for obvious reasons.

Marianne Moe: Any further questions from the audience here at Fornebu? If not, then I think we'll open up for questions from the conference call participants, please.

Operator: Peter Nielsen of ABG. Please go ahead.

Peter Nielsen: Yeah, thanks a lot. Just one question on the OpEx reductions please, if I may. Still, despite your comments, how much of the – I think in Q2 results you told us the OpEx auctions the next 400 for second half would mainly materialise in Q4; and, as you say, some of them have materialised earlier. AFT reduction you've made, et cetera. How much of it would you say have come early of these 400 million in Q4 earlier than expected or how much of it is incremental please, if you could comment a bit on this?

And then just a question related to this strong performance in broadband and TV in Sweden and Norway, what is mainly driving the good growth in TV? And are you seeing any negatives when such as cable cutting, et cetera, in the Norwegian and all this Swedish operations?

If I may just squeeze in, one third on the Danish business, you won a public sector contract and you've lost one in Denmark, could you talk a bit about the net impact on – from this, please? Thank you.

Jorgen Arentz Rostrup: Can I stick to cost?

Sigve Brekke: Yeah, do that. Then I'll do –

Jorgen Arentz Rostrup: You stick to business, yeah. So, I fully respect and understand the question. And as you probably prepared for, I'm not going to give you very much insight here. As I said, some of the facts that we thought would come in in fourth quarter, we have seen in third quarter. And again, then remember, we are in the start-up of this, there are some uncertainty to it or some uncertainty also to the spend level for campaigns and so on. So, we believe still in effect[?] in fourth quarter. And what we are more concerned about and what we believe stronger in is that the momentum and the energy in the organisation is definitely continue full speed in fourth quarter, and that is much more important.

Sigve Brekke: And let me just add to what Jorgen is saying because I think soon the question is going to be, 'Is this sustainable?' When the year started, we said that our aim for the coming years is to take down the OpEx with 1% to 3%. That is still the aim and that is what we started the efficiency programme and the transformation programme on.

And of course, in a group like Telenor, the 12 units and 30,000 employees and also having to stay the daily fight to make sure we take all fair share, it takes time to get all this together. And fortunately, we have been able to take them out some more costs in Q2 and Q3 than we thought when the year started. But this is a long programme and it's a transformational journey which we are on and which we will continue to do.

So, in that sense, this is sustainable, and we are not trying to make any short term wins here or do things that is hampering our business. It's the other way around. What we do is to form our business into becoming a more efficient and a digitalised company.

Then to your question; yeah, in Denmark, yeah you win some and you lose some. Overall we are very happy that the ARPU is stable and that we see some positive revenue development. And in Norway and Sweden, we see that we are getting paid now for the increased role out of fibre and we also see that customers continue to demand data, and we done the super network we have in both these two market, we see that we are able to monetise that.

Peter Nielsen: Okay. Thank you.

Marianne Moe: Okay. Next caller, please. Can we have the next caller, please?

Operator: Jakob Bluestone of Credit Suisse. Please go ahead.

Jakob Bluestone: Hi. Good morning. I've a got question on your revenues. You showed on slide 19, around two-thirds of you cost savings are coming from lowering your sales and marketing and you reported a roughly 1% slowdown in your organic revenue growth this quarter. Could you comment a little bit on how do you see your revenue trajectory as you continue to reduce costs? Do you see scope for revenue growth to continue to slow, obviously at the bottom end of your revenue guidance? So, any comment you can make about the link between cutting costs? And your revenue outlook would be very helpful. Thank you.

Jorgen Arentz Rostrup: I already think commented on that. We are not cutting cost on the expense of growth opportunities. So, we have a good balance on that. And I think you see that in the emerging Asia portfolio both in Bangladesh and in Pakistan and also in Myanmar; we are able to reduce cost but at the same time we are able to be very competitive out in the market both when it comes to new customers but also when it comes to data monetisation. So, that's the relationship between cost and revenues.

So, on the revenue side, we keep the guiding that we have. We are very satisfied with the growth we see in the three emerging markets that I said, and we're also satisfied now with the ability we have to take a very good position on the postpaid growth in Asia. And when it comes to the Nordics, it's the same, the continuous demand from all customers for more and more data which we then are pouring[?] with a very, very good network and then it's also up to the – our initiative when it comes to making sure that we are giving new innovative offers to the customers. That's why it took a little bit time this morning to talk about what we had done in Norway. And I could have had several examples for Sweden as well.

But we see that there are revenue potentials in these markets if we done it right. And 3% organic or 3% growth on the call revenues is something we are happy with; but this goes up and down depending on the competitive environment in the various markets.

Sigve Brekke: And we even do it in Hungary.

Jorgen Arentz Rostrup: Yeah, in Hungary was 2% revenue. So, it's about focus, it's about customer – being close with the customers and having relevant services.

Marianne Moe: Can we have the next question, please?

Operator: Irina Idrissova of RBC Capital Markets. Please go ahead.

Irina Idrissova: Hi. Good morning. Just on Pakistan; could you just give us more colour on the reversal provision this quarter, what are they related to, and is there more impact we should expect in Q4?

And then my second question is on Myanmar, it looks like another competitor is coming in, the market could potentially get a lot more competitive quite quickly. And, of course, you have already seen competitions stepping up meaningfully in other markets in the past. What are kind of the key lessons that you can apply from your mature Asia footprint to Myanmar, to make sure the operation is kind of more resilient to an increased level of competition longer term?

Jorgen Arentz Rostrup: Short on the reversal. One is related to SIM tax in Pakistan where we had the ruling in our favour and therefore we have taken out north of 200 million I believe in total on EBITDA split 25%-75% on the revenue and OpEx. So, that is not something we should anticipate will come again and it's a positive adjustment. Then we have charged the P&L this year for something we are very pleased with and that is a bonus system related to our employees buying shares in a company and dependent on development in the share price, they get extra shares. And we are very pleased with that cost increase. By the way, it's covered within the OpEx savings programme. So, we will find a way to cover for it.

Sigve Brekke: Yeah, your question the Myanmar. The learning we have from all markets is that if you're able to build the leading market position, you will always be better off when a new comer is entering the market with, most cases, price aggressive moves. So, what we are doing in Myanmar is exactly that because we see that in Norway, we see that in Bangladesh also, we see that in Pakistan where markets really have that leading position.

So, what we are doing in Myanmar, is then to continue to roll out our network. As I said in my presentation, we have now 8,000 sites on air, that's 90% population. So, we have a very, very wide network. We are rolling out our distribution, we have now more than 95,000 point of sales in

Myanmar alone covering all the villages, and we are building our brand. So, we are not 100% sure of where we are on the revenue market share because the figures from our competitors are not available. But on SIM market share, we are now having a 39%. So, we are about to be there number one in the market. So, it's that position we are trying to build, then preparing ourselves for the fourth entrant, which as we understand will come somewhere in 2018.

Irina Idrissova: Okay. Thank you.

Marianne Moe: I believe we have time for two more questions. May we have the next question, please?

Operator: Nick Lyall of Societe Generale. Please go ahead.

Nick Lyall: Yeah. Morning, everybody. Two questions, please. One a bit of a spotty one on numbers and also then on TV in Norway, please. Just on numbers in other units, it looks like the corporate function numbers in EBITDA have shot up, and also other units is a big beat for the quarter. Could you just explain what's going on in the corporate function business, please, and the clean EBITDA and whether that's sustainable?

And then secondly, a bit on Peter's question, I thought the Norway TV numbers looked a little bit slow. I think you lost a 1,000 subs in TV and I was expecting with the increase in high speed subscribers, you'd start to have some big boost in TV numbers by now. So, could you just explain what's going on in your TV sub numbers in Norway as well, please? Thank you.

Sigve Brekke: The line is not too strong but I believe you asked about improved performance in what we could call the other segment or the last business segment. And that consists as you know of some businesses, not the core telcos but other businesses, and group cost. And I believe high level, there are two elements making up that improvement in particular and that is that in 2016 we experience some special projects – we were running some special projects initiatives and in general we had a very high activity level across the board.

This is also then attached to the simplification element in our strategy going forward to adjust that kind of activity level, and we are working on that. So, you see effect of lower activity but not low activity. And then it's also that the cost programme that we are run also are run towards both companies in this operating reporting segment and also to the group functions. So, from that perspective, it should be sustainable.

Jorgen Arentz Rostrup: I'm not 100% sure I understood your second question about TV in Norway. But if – I think I said this morning that we are growing internet and TV revenues in Norway 9%, that's a quite impressive growth number. And, of course, that's coming from a good TV content but it's also coming from the increased number of connections we have on high – on fibre and high speed broadband. And we are continuing to do that .We up-scaled our rollout programme on fibre in the start of this year and they are continuing to have a speed of that going into next year. So, we see that as a healthy trend and a healthy revenue growth.

Marianne Moe: And we also see that the maturity of the new fibre connections.

Nick Lyall: Sorry, was there anything specific about the --

Marianne Moe: I was trying to –

Nick Lyall: So, was there anything specific about the – is fibre and high speed rows[?] and are starting to rise quite nicely, but I was surprised TV was weak. Was there anything specific going on there in Norway, please?

Marianne Moe: No, I don't think there is anything specific, but we can dig into this with you after this session. We still – we continue to see the same trend with the majority of the new further connections of taking a TV subscription. So, I don't see any big changes to what we have talked about in recent quarters.

Nick Lyall: Okay. Great. Thank you.

Marianne Moe: May we have the final question of the day, please?

Operator: Robert Slorach of Handelsbanken. Please go ahead.

Robert Slorach: Yes. Thank you very much. I was just wondering competition in Bangladesh, we – it's been a year now since [inaudible] operation. So, I was just wondering if you're starting to see them coming back into the market more forcefully, and if that could kind of dent the very strong growth that you have currently. Thank you very much.

Sigve Brekke: Yeah, we – I think the Bangladesh market has been competitive all along, even knowing that one of our competitors have consolidated the other one. But so – I don't really see any change in the competitive landscape. It's competitive out there when it comes to acquiring new customers, and it's also competitive there when it comes to price. But I think we have a very solid position.

We rolled out 3G on all our base stations last year. That's why we have a quite high CapEx in Bangladesh last year; and we ended the year with now having 90% something of 3G coverage. Nobody is even close to that. And that's why we now see we are able to take a position on the data growth. And we will continue to do that and also continue to make sure we stay very competitive on other type of offers. And I mentioned wall box today. That's just one example on new type of digital offers that we are introducing in the market to make sure that we are not only competing in the price game but also in other type of services for our consumers.

Robert Slorach: Okay. Thank you very much.

Marianne Moe: And that was the final call. And that ends the session here today. For those of you not getting through with your questions at the conference call or having follow-up question, don't hesitate to contact the IR team.

And as for previous quarters, there will be a separate media session for media present here at Fornebu and that will take place in a room next to the auditorium. Meera and Sabreen will take you to that session.

For the rest of you, thank you all for attending the third quarter conference call. Thank you.