

Telenor Group Q2 Conference Call

Thursday, 18th July 2024

# Telenor Group Q2 Conference Call

*Participants*

Sigve Brekke – CEO

Kasper Kaarbø – Acting CFO

Frank Maaø – Senior Vice President Capital Markets and Investor Relations

**Frank Maaø:** …Sigve Brekke, our CEO, and also acting CFO, Kasper Kaarbø. As usual, within the presentation material today, all the references we make to growth rates are made on an organic like-for-like currency basis. So today Sigve will give an update on how the Nordics transformation process is going and also give a few comments on progress in Asia. And after this, Kasper will go through our financials and outlook. Then Sigve will sum it all up and open up for questions.

Now, on an especially hectic earnings day with overlapping calls, we'll try to keep the session today a bit shorter and make sure everyone has a chance to ask their questions. So given this, we would really appreciate if you could limit yourself to one question today please, restraining yourself to clarification only follow-ups.

So, Sigve, the floor is yours.

**Sigve Brekke:** Thank you, Frank. And thanks for tuning in, everyone. I'm pleased with the performance of the second quarter. We continue to deliver on our strategy, and this quarter's growth on top line EBITDA and at NOK 2.2 billion free cash flow, I see that as yet another proof point that our strategy works. In the Nordics, it is encouraging to see how the Nordic transformation is progressing in line with our ambitions. We are delivering yet another quarter with flat OPEX, and now the transformation programme is approaching an inflection point. And I will come back to this in a few seconds.

Cash flow in Asia is a key part of our strategy. Both Grameenphone and Celcom Digi already have solid cash flows, but to reach our ambition, True in Thailand will be the key. I visited True a few weeks ago, and meeting our colleagues there, I continue to be impressed by how far they have come since the merger last year. True has really been gaining traction, with growth picking up as well as synergies being ahead of plan. In line with our strategy, and we have talked about this before, on focusing on their core services and what we call [inaudible] connectivity services, we continue to focus on strengthening our offerings and capabilities within digital security. By the products we have developed, both in the B2C segment and in the B2B, we have been able to build a leading market position across the Nordics on the growing security demand for our customers.

This quarter, we successfully launched a new security offering to our customers in the business market in Norway. Hence, to further build on our capabilities and serve our business customers, we are also setting up a new cybersecurity company in our business area, Amp.

Then coming back to the Nordics, as you know, June was marked by the tragic passing of Jørgen Rostrup, our leader of the Nordic business area. I miss him deeply, but in Jørgen’s spirit, we continue to focus on business.

And as I mentioned in the first quarter, we would, in this quarter, give an update on the Nordic transformation. So let me turn into that. I'm very pleased that Jon Omund Revhaug has taken a new top role acting as the new head of Nordics. We have a strong pool of experienced and passionate employees and senior leaders in Telenor. And Jon Omund Revhaug is one of them. His team, together with the business units, are planning and executing on what I call fairly radical improvements in terms of customer benefits and operating efficiencies. We are driving this within the four functional areas you see on this slide, and also across the four Nordic operations. It's within network and IT, within shared services, in the commercial area, and when it comes to working capital. So let me now, in this quarter, give a few examples and showing you some tangible results of what they have achieved so far, starting with network and IT.

In this domain, we have an AI-first and cloud-first strategy. We are now migrating operations to the cloud, shutting down legacy platforms and systems, and planning to scale up the use of generative AI. For this year 2024, we have set an ambition to shut down 200 legacy systems, and so far we have done 98 of them. We are also building a common Nordic platform within areas such as cloud enablement[?], analytics and software-defined networks, SDx, which will provide the basis for use of AI and transform customer experiences going forward.

Regarding the shared services, we are off to a good start, but we have just started in this area. A new shared services hub in Portugal has been established, and we are now lifting transactional activities within finance, enterprise IoT and HR functions into a common Nordic organisation. We have captured so far this year around NOK 100 million in OPEX savings, and we have a full year ambitions of almost NOK 200 million for this year. We plan for this effect to ramp up significantly in the coming years. In the commercial area, unified Nordic organisations have been set up within TV, managed services and also large enterprise sales. This would be a key area for us both to capture cost efficiencies, but also to enhance the customer experience over time.

And the fourth area, on the working capital, as mentioned last quarter, we have a common programme in place focused on improving capital tie-up. This programme has already started to yield some results and Kasper will come back to that later.

So I will say we have taken a systematic approach to structuring and executing these initiatives, which will yield progressive benefits over the medium term and beyond. And as you can see from this illustration, on the left-hand side of the slide, we have the roadmap of both short-term and long-term initiatives. The majority part of the impact in the beginning is coming from the four individual business units, but over time, more impact will also be generated from the common Nordic activities.

The continued modernisation and digitalisation of the way we work have also led to FTE reductions, averaging 4% in the Nordics over the last eight years. And as an example, we reduced FTEs by 8% in Norway last year. Given the scope of the transformation efforts we now are currently doing, I expect that the level of workforce optimisation in the years ahead will be at least on the level that we have seen historically.

So when you take all this together, how will this affect our OPEX? Well, for several quarters now, we have been very clear on our ambition of having a stable OPEX for 2024 and then a reduction going into 2025. However, as I mentioned initially, we have now delivered yet another quarter with flat OPEX in the Nordics, and we see additional effects from the transformation will come in later this year. We do therefore expect now to see a slight reduction in OPEX that could be reached already within this year.

Then moving to Asia. In the last quarterly report, True reported a continued pickup in growth and synergy realisation. We are even more confident now that we will receive payment of dividends from True in 2025.

Celcom this year is also well on track with synergy realisation, and the company recently announced that around 50% of the new integrated and modernised network has been completed. This is on plan. This being said, I see room for further financial improvements in Malaysia, especially on the revenue growth, and we also expect a transparent process for the dual 5G network structure that Malaysian authorities have initiated.

Moving to Bangladesh. In Grameenphone, we had a, I would call relatively slow start of the year. However, growth is now slowly picking up, and I do expect an improved performance into the second half of the year. Although the country was severely hit by extreme weather in the second quarter, Grameenphone added 2.3 million customers during the quarter.

We also expect a closing of our Pakistan divestment towards the end of the year, although there is some uncertainty around the exact timing, which could also slide into 2025.

And with this, I hand over to Kasper to take us through the financials.

**Kasper Kaarbø:** Thank you Sigve, and good morning all. So we grew Group service revenues by 4.5% and EBITDA by almost 4% in the second quarter. Group CAPEX to sales was 50%, while we generated NOK 2.2 billion in free cash flow, adding up to NOK 5.5 billion year-to-date before M&A. I'm happy that we once again are able to report a set of numbers that supports our medium-term ambitions.

Let's take a closer look at how we are performing at the Group level. In Q2, service revenue growth was quite in line with the trend from recent quarters. Nordics is the main driver of growth due to its size, but Asia also contributes with more than 6% growth.

Then let's take a look at Group operating expenses. OPEX was up 3.7% year-over-year on the back of continued energy cost increases in Asia, which reached 25% this quarter. Higher energy tariffs in Pakistan continues to be the main issue. We saw broad-based increase in sales and marketing expenses after a bit of a light first quarter. On an overall regional level, Nordics continued to deliver on flat OPEX, which they also did in Q1. The mentioned increase in sales and marketing expenses were offset by continued strong performance on the operations and maintenance side due to our operational efficiency and technology agenda.

Moving to Group EBITDA, we continue to see Nordics being the main contributor, with 4% organic growth. Asia’s EBITDA growth was held back by inflation, particularly in Pakistan, as well as growth costs this quarter, while infrastructure was stable. The soft trend of Amp continues, causing a 0.8 percentage points drag on the Group level. Amp is facing gross margin headwinds and growth costs in several business units. While we expect a similar EBITDA in Amp in the second half of the year compared to the first, I expect a relative drag on the Group growth to diminish over the next few quarters.

Lastly, we see that Other and Eliminations had an unusually large contribution this quarter. This is mainly explained by increased revenues coming from Telenor Procurement Company, now also providing service to Celcom Digi and True. This sums up to an overall growth of 3.8% for the Group.

Zooming further in on the Nordics, we see solid top-line performance across all business units. The growth of 3.7% was mainly driven by consumer mobile and RPU growth coming from our more-for-more price increase execution. DNA was again the main contributor to the top-line growth, delivering another strong quarter and mobile service revenue growth of 10%. In general, we see that the small enterprise segment as a contributor to the growth within B2B. However, we see increasing competition within the large enterprise and public segment in Scandinavia, with some RPU erosion in the quarter. That being said, as you heard Sigve mentioning, we are establishing a common Nordic B2B product efforts and sales organisation. This will strengthen our resource pool and ensure that we are commercially set up to meet the demand of large enterprises. All this led to an EBITDA growth of 4% this quarter. As you can see, the strong top-line results in DNA trickles through to EBITDA, giving modest cost growth and fuelling an EBITDA growth of 9%. In addition, Denmark posted 10% growth. However, note that this was largely due to improved gross margin following the lower handset sales and somewhat lower energy costs.

Then a few words on Asia. Overall, we continue to see progress on growth in Asia, as well as on the synergy realisation in the two associated companies that are result of the two large mergers in 2022 and 2023. We continue to see headwinds from energy subsidy cuts in Grameenphone and Telenor Pakistan in line with what we talked about in previous calls this year. Inflation remains an issue in these markets. Grameenphone grew its customer base nicely in Q2, but performance was held back by energy outages related to the Cyclone Remal and increased supplementary duties. EBITDA grew only by 1.5% due to a bit of a catch-up effect on cost inflation in Pakistan, following two years of high price growth in the country. In Bangladesh, full effect of lower energy subsidies in Q1 and increased costs relating to the solid subscriber growth of 2.3 million weighted on EBITDA.

As to our associated companies, which we report with one quarter lag, we were quite pleased with True, which saw continued strong effects from its synergy and integration efforts, as well as a nice return to top-line growth in Q1. With EBITDA growth of 21%, I see True as well placed to deliver on this ambitious full-year and medium-term goals.

For the Celcom Digi, the dividend continues to be paid on a quarterly basis. As for performance, we expect the company to work actively on revenue growth and get improving net benefits of the synergies, post integration costs, going forward.

Next, let me highlight the most notable items affecting the profit and loss statement as well as our balance sheet and cash flows. Looking at the P&L, we have a quite clean quarter with only a few items to comment on. The EBITDA before other income and expenses landed at NOK 8.8 billion in Q2. On the net financial income and expense line, you have a loss of NOK 0.4 billion this quarter. This was positively impacted by a change in the fair value of the funding arrangement related to the indirect part of our investment in True Corporation, which had a strong share price development in the quarter. For the same reason, we saw an impairment on the second quarter last year, which was also affected by interest costs related to the legal disputes in Bangladesh. Royalties per share came in at NOK 1.83 this quarter, which is more than three times higher than for the comparable period last year when EPS was unusually low. With our Nordic transformation and synergy benefits in our Asian associates said to have significant effect over time, we continue working to improve also this metric going forward.

We generated free cash flow of NOK 5.5 billion in the first half of the year, with NOK 2.2 billion in the second quarter. Although we will still see variations between quarters, also, going forward, we continue to work to obtain a more balanced cash flow profile through the year. As we talked about last time, we have seasonally higher interest payments in Q2 and Q4 and lower in the two other quarters.

On the working capital side, we saw a NOK 0.8 billion improvement in the quarter, with around a quarter of this coming from third-party handset financing and some net structural improvements, but the majority is other timing effects, with some major payments happening in July, [inaudible] and June. We also saw later-than-usual CAPEX payments where there was a similar phasing into Q3. Of course, it's hard to know precisely how much, as in theory, that could be similar effects towards the end of Q3.

On spectrum, we paid NOK 0.5 billion in Pakistan and some smaller payments in Bangladesh and Denmark. There was a minority leakage of NOK 0.7 billion in Bangladesh, as we repatriated about 50% of the 2023 net profits as dividends in Q2. Note that for Q3, Grameenphone has declared interim dividend of close to 100% of its net profit for the first half of 2024. This will cause a total cash outflow of NOK 1 billion in the third quarter. This sums up to the total of NOK 2.2 billion in free cash flow.

The balance sheet of the Group remains strong, with NOK 83 billion in net interest bearing debt and a net leverage ratio of 2.3 times. Leverage was impacted by the payment of NOK 6.9 billion in dividends and the completion of the 2023 share buyback programme, where we bought back the government's portion, amounting to NOK 1.9 billion and cancelled 31 million shares. On the other hand, we saw favourable effects impact of NOK 2.3 billion on the net debt due to the NOK strengthening quarter over quarter and the NOK 2.2 billion free cash flow generation we talked about. As always, macro effects and seasonality factors can lead to net leverage fluctuations between quarters, including to a level above the leverage range, as happened in Q2 last year.

This brings us to the financial outlook. After a solid first half, we remain confident in our overall outlook. Based on service revenue growth of 4.5% for the full period, we slightly raised our 2024 service revenue outlook to low to mid-single digit growth from low single digits previously. This being said, we do expect a continued tapering of service revenue growth in the Nordics, with lower year-over-year numbers in the second half as we meet tougher comparables. We reconfirm the other elements of the 2024 outlook as well as the mid-term financial ambition that we provided at the Capital Markets Day almost two years back.

We continue to expect mid-single digit EBITDA growth for the Group despite continued headwinds in Amp, as we expect performance in Grameenphone to improve in the second half. On free cash flow, we reiterate the NOK9-10 billion target, this despite the announced interim dividends in Grameenphone that I mentioned earlier, where we repatriate dividends early, leading to a near NOK 1 billion minority leakage that we did not have last year and which was not in the original outlook assumptions.

With that, I hand over back to you, Sigve, for some concluding remarks.

**Sigve Brekke:** Yeah. Thank you Kasper. And I will just would like to conclude with saying three things. First, we continue to deliver constantly in line with our strategy, and our operational and financial performance is the proof point that our strategy really works. And based on this, we also continue to deliver on both our growth ambition and the ambition of increased cash flow.

Second, despite changes in management, the whole organisation is systematically working to deliver on our strategy and to meet our financial targets. This is also backed by our Board of directors.

And thirdly, we have, over the nine last years, worked successfully on transforming Telenor for the future. I think it's fair to say that we have a solid track record for CAPEX discipline and OPEX reduction, and the ongoing Nordic transformation is another proof point of our focus, approach and execution capabilities. This is now also coupled with a continued top-line growth in the Nordics, which is a solid foundation for a stronger company with better customer experiences and services and a significant, leaner cost structure.

So with that, Kasper, I think we are ready for questions. So, operator, please let in the first question.

**Operator:** Sure. Thank you. If you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. Please limit yourself to one question and follow-up question for clarification today. We will take the first question from line Andrew Lee from Goldman Sachs. The line is open now. Please go ahead.

**Andrew Lee:** Good morning, everyone, and just wanted to offer our condolences for Jørgen. He is really respected by all of the financial community, so just wanted to send our condolences to all of you at Telenor.

I have a question and a follow-up. Just a question, Sigve, on your comments towards the end there that you continue to execute on the strategy of the company, and obviously that's borne fruit in results today. But one key question remains around where you go with your Asian ownership. And you've obviously talked about looking to find partners and to do different things in terms of your ownership structure there. I wonder if that's still an ambition that you could shift that ownership position within 2024.

And just as a follow-up question, obviously you've adjusted your free cash flow guidance this year, still the same range, but you've included a Bangladeshi cash outflow within that. Given consensus still clearly doesn't buy into the NOK 13 billion free cash flow guide for 2025, are there any other kind of one-offs or puts and takes in terms of risk factors to that free cash flow that the market should be aware of, similar to Bangladeshi cash repatriation? Thank you.

**Sigve Brekke:** Yeah. Let me start with thanking you for your concern and condolences. He will be dearly missed, Jørgen, as a friend and a colleague.

Let me try to address the first one, and then you can take the cash flow question, Kasper. Well, we think our main focus in Asia now is to deliver on the synergy ambitions we have in Malaysia and in Thailand, and then to finalise the exit in Pakistan. In addition, as I said, to play in the data growth we see in Bangladesh. So that is what we are focusing on now. But as we also talked about, we are also looking for structures in Asia which can increase our optionality going forward. So we continue to have dialogues with the potential partners that we can combine our assets together with. We are also looking at potential of bringing in partner to what we have ourselves, and this could potentially lead into an IPO in Asia going forward, to increase the optionality for us in the years to come. So that is not stopping up, and I'm spending quite a significant time on that myself. But, as you know, this takes time to figure out what is the right value creation for us. So I don't have any more updates on that, but you will be the first one to know when we have something more concrete.

**Kasper Kaarbø:** Yes, thanks. And as to the cash flow, so you are right, we are maintaining the cash flow outlook for the year despite this NOK 1 billion additional leakage to minorities in Bangladesh. Seeing the NOK 5.5 billion we have now year-to-date in cash flow, we are obviously much more comfortable with the outlook for the year, and we believe we have sufficient momentum to reach that full-year target. But also into 2025, I think we have a fairly good line of sight into the ambition of having a dividend coverage in 2025. It's really three key elements to that. It's the CAPEX ambition that we have been very explicit about on reducing the Nordic CAPEX by NOK2 billion in the next year. It is really about maintaining the momentum that we see in the Nordics, both on top line, but also with the transformation effects that Sigve talked about, but also continued EBITDA growth in the Asian entities. And then, as also Sigve mentioned, we have the dividends coming from True, which will be another important element into the 2025 cash flow.

**Andrew Lee:** Thank you.

**Operator:** Thank you. We will take the next question from line Siyi He from Citi. The line is open now. Please go ahead.

**Siyi He:** Hi, and thank you for taking my questions. My question is really focused on Norway. I think at the beginning of this year, you indicated that when we look at Norway, we should expect more nuanced growth, especially coming to EBITDA. But I think year-to-date, you do show 2 to 3% EBITDA growth for the first half. I just wonder if you can elaborate why Norway is performing better and they do expect this kind of performance to continue for the rest of this year.

And also, I wanted just a small follow-up on the free cash flow guidance. I think the free cash flow guidance in Q1 results, you mentioned that you expect that to compensate the NOK 500 million outflows in Pakistan spectrum but which could actually recoup once you sell the business, but now with potentially the Pakistan sales could move to a first half of 2025, I'm just wondering how should we think about the impact on your free cash flow guidance, this NOK 500 million. Thank you.

**Sigve Brekke:** I think we do the same. I take the first one, and you take the cash flow.

**Kasper Kaarbø:** Sure.

**Sigve Brekke:** I'm very pleased with the performance in our Norwegian business units. They are doing exactly what we planned to do when the year started, which is twofold. One is to continue to grow revenue on a more-for-more concept. We really now see that not only we are differentiating ourselves on the network quality, we also do it when it comes to security. And we have built up a position here where we can play on both two strengths, and that's why we are then moving prices up, but at the same time giving customers more. And we did that in the in the second quarter as well, both in the main brand but also in Talkmore[?], which is the more price sensitive market that we have.

At the same time, we are transforming the business. And that's why you see that we continue to take out cost. So that's a combination of those two things that you will now see into the first quarter, second quarter, and I expect to continue in the quarters to come.

**Kasper Kaarbø:** Good. On the cash flow question, so if I understood correctly, the question was about the impact from Pakistan into the target for the year. So, as we have said before, the cash flow contribution from Pakistan is included in the 2024 guidance. So that's part of the NOK 9-10 billion[?] that we have indicated. For 2025, as I think we also said before, the contribution from Pakistan is fairly limited. So the closing of the transaction will not make a lot of difference to what we have communicated previously in terms of the 2025 cash flow.

**Sigve Brekke:** Okay, please, next one.

**Operator:** Thank you. We will take the next question from line Nick Lyall from Bernstein. The line is open now. Please go ahead.

**Nick Lyall:** Yeah. Good morning everybody. Just again on the cash flow, if possible, Sigve, I'm surprised you've not raised the cash flow guidance for the full year. You've done – I mean, your guidance at the moment implies about NOK 4 billion for the second half versus NOK 9 billion last year. And I understand the point about the Bangladesh dividend, but at the same time, that's quite a big gap. So could you help us a little bit with the effects on things like timing with tax, working cap and the CAPEX into third and fourth quarter, just to explain that big gap to last year, please? Thank you.

**Kasper Kaarbø:** So let me point to some elements. So I mean, as you said, we have already seen NOK 5.5 billion in the first half of this year. That is significantly up from the same period last year. And as both me and Sigve said, we have been fairly focused on this year having a more balanced profile of the cash flow during the year. So that's one important element.

And then I also mentioned some of the timing effects on both CAPEX and working capital. We see fairly significant effects of that in the first half. We believe that will be phased into the second half, both in terms of working capital and also CAPEX being more heavy in the second half than the first half. And then there’s some smaller also items, both on lease payments and tax payments, more at the back end of the year compared to the first half.

**Sigve Brekke:** Let me just add one comment to what Kasper said. I appreciate all the cash flow questions here, because that is exactly what we are focusing on with our business units as well. Cash flow is what we want to have back from Asia, and cash flow is what we are asking our Nordic business units to do as well. So the focus in the company has really shifted from revenue EBITDA down to the cash flow part in the P&L. So, it's good that that is realised.

**Nick Lyall:** So, sorry to push you on the on the numbers though, if possible. But I think you've mentioned about NOK 0.5 billion of CAPEX timing I think into Q3 possibly, if I've not misunderstood that. We've got NOK 1 billion from the Bangladesh division[?]. What's the effect on tax and working cap as well for the second half? Because it looks like tax was very low for second quarter, and also the work that you've mentioned, working capital as well. So could you maybe give us a little bit of an idea of the size of those numbers, please?

**Kasper Kaarbø:** So just to add a bit on the CAPEX part, so what I said was that there is some timing effects from the first half that will go into Q3, but also the fact that we are still maintaining the 17% capital sales in Nordics means that will be more CAPEX booked and paid already also in the second half in addition to some of these time effects as mentioned for the first half. So that's also an important element which will weigh[?] on the cash flow in the second half. I won't put any, call it, precise numbers to the tax[?] and these payments, but what I can say is that there will be slightly more of these payments in the second half than the first half.

**Nick Lyall:** Okay. Okay. Thanks very much.

**Operator:** Thank you. We will take the next question from line Jakob Bluestone from Exane BNP Paribas. The line is open now. Please go ahead.

**Jakob Bluestone:** Hi. Thanks for taking the question. I had a question on your Nordic guidance. You raised your revenue guidance from low single-digit to low to mid-single digit. And you also said during the call that you expect OPEX to be down this year versus your previous expectation of flat. So my question is why didn't you change the EBITDA guidance for the Nordic business? Thank you.

**Kasper Kaarbø:** Yeah. So what we said on the Nordics is that on the EBITDA, we maintain the mid-single-digit guidance. So that's still what we believe is the outcome, and we will probably be more precise than that later in the year. But I mean, given also the trends that we see on revenues, as I said, coming slightly down in the second half, but then supported by the OPEX effects that we talked about, we are even more comfortable now with that mid-single-digit range on the EBITDA.

**Jakob Bluestone:** So you were maybe at the low end and you should move to the high end, is that the way to think about it?

**Kasper Kaarbø:** Sorry, I didn't get that.

**Jakob Bluestone:** So I mean, just mechanically, the fact that you haven't changed the guidance, does that just mean that you were bottom end of mid-single digit and you've moved up? Is that the way to interpret it?

**Kasper Kaarbø:** Yeah, I [inaudible] guide[?] within the range. I think that's – the mid-single-digit range is where we see the outcome. And then we'll just have to come back later in the year with a more precise estimate on that.

**Jakob Bluestone:** Okay. Fair enough. Thanks.

**Operator:** Thank you. We'll take the next question from line Ajay Soni from JP Morgan. The line is open now. Please go ahead.

**Ajay Soni:** Hi there. Thanks for taking the question. I had a quick one on the Nordics and specifically Norway. So obviously outside Norway, I think we're seeing pretty good trends, pretty stable, I think. Within Norway, there was maybe a slight slowdown in the service revenue and EBITDA growth in Q2. And they'd both be accelerating nicely over the last year. So, what drove this maybe change in momentum in Q2? And should we expect these growth rates to maintain at this level within Norway specifically? Thank you.

**Sigve Brekke:** Yeah, I think I can address that one. They're – most of the change in the Q2 versus the other quarters is driven by IoT revenues. So if you look at the mobile revenues as such, we had a very healthy RPU[?] growth in the main brand. We also are quite happy with how our Talkmore companies are doing in the lower band. So I don't see any change in competition landscape here. It's quite competitive in the enterprise segment. SME, we are also doing quite well with RPU growth, but other than that, I don't see that that is changing a lot. And 6% RPU growth in the mobile, I think we are very pleased by that. So it's mainly explained actually with IoT revenues that changed during the quarter.

**Ajay Soni:** Yeah, that makes sense. And then just on that mobile, I think previously you've mentioned you're doing a forced migration to unlimited bundles, and you've obviously talked about security quite a lot. So how has that forced migration – how is that forced migration going? Because I think previously you said there's been a pretty benign impact on your churn. So do you continue to see those trends in Q2?

**Sigve Brekke:** Yes, we did a quite large forced migration in Q2, I think we migrated 800,000 customers in that range. That went even better than what we planned for. So we see again that our customers are appreciating the security and the network position we have in the market. We also did some price increases in our lower-end[?] segment, in the Talkmore[?] segment. So – and which is also appreciated by our customers. But, of course, in the price sensitive segment, there is a competition – has been, is and will be – so we need to stay competitive there as well.

**Ajay Soni:** Thank you very much.

**Operator:** Thank you. We will take the next question from the line Usman Ghazi from Berenberg. The line is open now. Please go ahead.

**Usman Ghazi:** Hello. Thank you very much for the opportunity. I just wanted to ask with regard to the two pieces of potentially regulatory upside for you in Norway, one related to the regulation of computing fibre networks; and then the second one on the equalisation of lease charges on the towers. I was just wondering if you're in a position to perhaps give an update on what's happening there, and then the financial upside, over what time frame would you expect this to materialise? Thank you.

**Sigve Brekke:** Yeah. On the tower, the change in in tower charging, I don't have any upside[?]. And that is going to happen. And as I've said before, I don't really know how that is playing out. It's either playing out that we can start charging higher rental prices when people are using our towers, or that we will be charged lower when we are using others. So either way, it's going to be positive for us. But the financial impact of that, I don't know.

On the fibre side, that regulation is also ongoing. It may slip into the first quarter of next year. I think the original timeline was end of this year, but it could take some more months. And now we are looking at what does that really mean when it comes to could it reduce our[?] build-out[?] in more remote areas? And also what is the opportunity for us then to sell our products and others[?] fibre. But we don't have any financial impact on that. We are preparing ourselves for what it really means.

**Usman Ghazi:** Great. Thank you.

**Operator:** Thank you. It appears there’s no further questions at this time. I'll hand it back over to your host for closing remarks.

**Sigve Brekke:** Okay. Then I think we are through[?], Kasper, a good first quarter. Thanks to all of you for listening in and also for good questions.

**Kasper Kaarbø:** Thank you.

**Operator:** Thank you for joining today's call. You may now disconnect.

[END OF TRANSCRIPT]