



## **Telenor Q1 2025 Results**

### **May 6, 2025**

Frank Maaø:

Good morning and welcome to Telenor's first quarter earnings call. My name is Frank Maaø, head of investor relations, and I'm joined here by our Group CEO Benedicte Schilbred Fasmer and our Group CFO, Torbjørn Wist. Before we kick off, a couple of things to mention, on this call, all numbers are in Norwegian kroner and growth rates are referred to on an organic like-for-like basis unless otherwise stated. And for simplicity, comments relating to EBITDA on this call are referring to adjusted EBITDA. For those who wish to ask questions after our prepared remarks, please limit yourself to one question and a related follow-up. So without further housekeeping, we'll jump straight into the CEO section of today's agenda. Benedicte, the floor is yours.

Benedicte Schilbred Fasmer:

Thank you so much, Frank and good morning to everyone participating on this call. We really appreciate you taking the time to join us today. In a time with geopolitical turbulence and with trade and tariff policies evolving almost daily, our stakeholders have substantial need for basic elements of stability and security and as a provider of critical infrastructure, that's actually Telenor's key priority. With that as a backdrop, I'm pleased to say that Telenor Group continued its steadfast execution in Q1. While far from immune, the telecom industry is more resilient than most to tariff shocks and other forms of increasing protectionism. As the focus on stable, resilient and secure national infrastructure is on the rise, we keep developing the quality and robustness of our critical digital infrastructure.

We are also noticing an emerging demand for sovereign and mission-critical solutions enabled by new technology. And technology is also a prerequisite not only to secure the digital infrastructure that makes our societies tick, but is also a key element of our transformation agenda in the group. These efforts continued to bear fruit in the first quarter enabling us to launch new services such as split in the Nordics, which have been appreciated by our customers. At the same time, transformation was also a strong contributor to OpEx decline of 1% for Telenor Nordics. Combined with mobile service revenue growth of 3.9%, this was key in driving a bit of growth to 5.8% for our largest business area, the Nordics.

We also made good progress in other business areas as Asia infrastructure and for service revenues also for Amp, which I'll get back to a little bit later. All in all, Q1 was a good financial quarter for us. We generated a free cashflow before M&A of 3 billion and with this, we are reaffirming our financial outlook for the year. Then let me move to some business area highlights. In the Nordics, I'm proud to say that we have world-class networks which we leverage on to offer excellent and secure customer experiences. As a testament to this, Telenor's four Nordic mobile networks were awarded best in Nordics in all six categories in Opensignal's global award. In Norway, [inaudible 00:04:06], once again recognized Telenor as the fastest mobile network overall as well as the fastest 5G network.

And we have modernized our networks over time, making them not only best in class in terms of customer experience, but also operationally more efficient. This positions Telenor well in terms of performance and we continue to pursue areas of improvement. In the first quarter, this enabled a service revenue growth of 2.3% year-on-year. And without a provision related to a news channel's VAT case, this growth would have been 3.1%. And this was supported by mobile service revenue growth of 3.9%. And as mentioned, our transformational efforts across the Nordics continue to yield results. The mentioned OpEx decline of 1% in the quarter reflects our relentless focus on efficiency. Given this focused execution, we saw a bit of growth of 5.8% and note that this would have been 7.5% in the absence of the mentioned VAT case in Norway.

Then I'll give a couple of points on our Asian businesses where we have a bit more of a mixed picture. Starting with the positives, we saw encouraging progress in Grameenphone in Q1. Although still negative year-on-year growth climbed from negative 7.6% in Q4 to negative 2.2% in Q1. True in Thailand and Telenor Pakistan also performed well, quite strongly actually and for the periods that we report. True gave... Grew, sorry, a bit by 12% in Q4 and upgraded its midterm ambitions. And I remind you that they lag or we report a little bit differently time-wise, so they're one quarter behind us in reporting.

True's leadership team is further strengthened with Sigve Brekke's appointment as the new CEO. And then over to the more challenging aspects in Asia, the macro environment in Bangladesh remains challenging, a situation not helped by the uncertainty around the tariffs. And while we remain hopeful, it would be premature to talk about a recovery. In Malaysia, continued tough competition led to somewhat soft quarter for CelcomDigi, we are working with the company as owners to ensure that the appropriate measures are taken. And finally, a word on Pakistan, obtaining the necessary regulatory go-ahead for the planned divestment has taken more time than we anticipated.

We are engaged with the authorities to resolve this and considering the strong merits of the case for all stakeholders, we still anticipate receiving approvals in the coming months. With these ticked off, we would be in a position to close the transaction during the second half of 2025. Despite unrest also in this area, Pakistan's macroeconomic situation has been on an improving trend. And we were very pleased with Telenor Pakistan's business performance in Q1. And then I'll take you back to the topic of evolving customer needs. In this moment, customers turn to Telenor as a trusted provider and for us, it's second to nature really to provide the infrastructure for a secure and digitalized society.

And I'd like to give you three examples from Q1 that actually illustrate this. A recent survey showed that 67% of consumers in Norway worry about their pictures being stored abroad. In this context, we merged our Norwegian B2C cloud storage business, MinShi with Jotta Cloud, a local provider. And this will provide the scale needed to build a secure, locally controlled and profitable alternative. But it's actually not only the consumers who are thinking where critical information ought to be stored and handled. We now see an accelerated demand for business solutions that enable critical data processes to stay within local borders.

Our AI factory is the first sovereign and secure platform in Norway that enables this as a service for AI use cases. We have recently signed and onboarded the first customers and we plan to scale this further, based on a recent shift in demand amid rapid geopolitical and technological development. So while we continue to take a prudent milestone-based approach, we have decided to expand GPU capacity further. And we see clear potential for the Telenor AI factory to support our customers most critical AI workloads going forward. And the third and last example today is Telenor Amp's business subsidiary KNL, who recently signed a breakthrough contract with the Finnish and Swedish defense forces. What we offer here is proprietary and ultra-secure tactical defense communication.

KNL solutions are built to withstand extreme disruption and signal interference, and we see significant scaling potential both within the Nordics and more broadly within NATO. KNL has the potential to carve

out a leading position in a high-value and rapidly expanding niche market, and this will help to spearhead our growing capabilities within mission-critical services in the defense segment. Finally, we do more within defense across the Nordics and we see many opportunities both in this segment and mission-critical more broadly in the years ahead. And of course, the scaling of all these efforts, Telenor will be driven... The scaling, sorry, of all these efforts across Telenor will be driven by visibility of demand and the ability to drive the return on capital over time. So next, I will leave to Torbjørn to guide you through the financials.

Torbjørn Wist:

Thank you, Benedicte, and good morning everyone. Let's jump straight into the Q1 financial highlights for the group. In Q1, the service revenues of the group came in at 16.1 billion, which is up 2.1% year-on-year. EBITDA came in at 8.6 billion, which is growing 2% year-on-year. This growth was mainly driven by Telenor Nordics, while the macro setback in Bangladesh continues to weigh on our numbers. The VAT case in Norway as mentioned by Benedicte and which incidentally we dispute, is also a slight drag on the numbers. In the absence of the VAT case and a minor reversal of a provision in Pakistan, the growth in EBITDA would have been around 3%.

From this quarter, we have also introduced adjusted EPS as a new alternative performance measure, allowing investors and analysts to track our EPS development on a more comparable basis. In Q1, the adjusted EPS came in at 1.96 Norwegian kroner. This is 4% higher than the same period last year, and the growth is lower than we would have liked, owing to the VAT case impact in Norway as well as the macro headwinds year-on-year [inaudible 00:12:38] just mentioned. The free cashflow before M&A came in at 3 billion, which is a solid start to the year. Our CapEx-to-sales ratio was 12.8%, which is lower than in previous quarters.

This is in line with our full-year outlook for the Nordics and reflective of the prudent approach to investments we have taken in Asia. The leverage ratio ended at 2.2 times within our target range. This was down from 2.4 times in the previous quarter, supported both by the free cashflow generation as well as favorable end-of-quarter currency movements. As you know from what Benedict and I have said previously, we are highly focused on return on capital. Our key external metric for this is a return on capital employed, which came in at 8% for the last four quarters.

This was six percentage points lower than the number we reported in Q4, and the reason for this decline is that the rocky number we reported in the previous quarter included a 7 billion positive impairment reversal for True that was reported in Q1 2024. It is a fact that the inclusion of our associated companies within this metric caused a little bit of noise. And just for your information, if we were to strip out the associated companies, the return on capital employed of our controlled entities would have been 12%. Then let me move to the 16.1 billion in group service revenues.

Nordics achieved growth according to plan and served as the main driver for overall group growth. Asia swung back to positive growth on the back of a strong performance in Pakistan. Amp also grew service revenues, but its contribution remains relatively small. Overall, the group demonstrated solid performance leading to a service revenue growth of 2.1%. Turning to OpEx, this quarter, group OpEx increased 1.9%. This was mainly driven by increased costs in Amp and Asia. In terms of category, the main cost driver was sales and marketing, which increased both in the Nordics and in Asia.

As for the Nordics, however, OpEx came down 1% on the back of our transformation efforts and overall efficiency improvements and these more than offset the sales and marketing cost increases in the Nordics. Turning to EBITDA, our EBITDA was up two percentage points in Q1, as always on an adjusted organic basis. Excluding the VAT case and the Pakistan reversal, this number would have been around 3%. This growth was driven by the strong performance in the Nordics while Grameenphone and Amp

affected growth negatively. As I will come back to in a minute, we saw the strongest contribution from Norway, Finland, and Pakistan. Amp's performance drag on the numbers is mainly due to the performance in Telenor Linx due to the structural decline within the A2P messaging business.

In addition, there was a particular year-on-year headwind owing to a provision reversal north of 50 million in Q1 last year. Also, within the other category, year-on-year growth was impacted by an updated cost allocation in the group and somewhat increased HQ costs. In addition, we had a minor one-time positive revenue effect relating to a brand-free from CelcomDigi in Q1 last year. Then turning to the Nordics, our backyard. In the Nordics, we grew service revenues by 2.3%. And again, this number would have been 3.1% in the absence of provision for the news channel VAT case in Norway. Based on our more-for-more strategy, we were able to grow mobile ARPU across the region and notably 5% in both Norway and Denmark. In Norway, fixed ARPU also saw an improved growth compared to recent periods reaching six percentage points in the quarter.

Torbjørn Wist:

... reaching six percentage points in the quarter. This being said, we also faced some commercial headwinds in Q1. While we were able to add subscribers in Sweden and in Denmark, we did lose some customers in Norway and in Finland in the quarter. But all in all, we continued the trend of growing our mobile service revenues in the mid-single digits, led by Denmark and Finland.

Then turning to EBITDA for the Nordics. Here we saw close to 6% growth this quarter, which would actually have been 7.5% excluding the VAT case. Norway and Finland were the main contributors to this number. Telenor Denmark lagged the other units somewhat, with a 3% EBITDA growth due to higher OpEx growth. For Denmark this was mainly related to the ongoing BSS transformation, as well as sales and marketing spend. And with that, let me move to Asia.

In Asia we generated service revenues of 4.4 billion, representing 1% growth. The swing back to positive growth was driven by improvement in Grameenphone and even stronger performance in Telenor Pakistan. With a 53% margin, Asia EBITDA came in at 2.6 billion, which was down 1% for the year. Telenor Pakistan continues its successful monetization strategy, generating solid revenue and EBITDA growth of 14 and 19% respectively. As Benedicte said, the top line growth in Grameenphone improved quarter over quarter.

Still, high inflation remains a challenge in Bangladesh, and OpEx increased 8% leading to an 8% EBITDA reduction. In Thailand, True delivered a strong 4th quarter and is due to report Q1 on Friday this week. In Q4, True also notably upgraded its medium term targets and posted a one turn reduction of the leverage ratio. We continue to expect True to be in a position to declare a meaningful dividend in the second half of this year.

We also received the quarterly dividend from CelcomDigi during the quarter. However, the recent performance in Celcom has been below our expectations, and we believe there is more potential to be unlocked in the company.

Then moving back up to the group level and let us take a look at the P&L cash flows and leverage, and starting with some details around our earnings. Looking at the P&L, it's fair to say that Q1 was a fairly clean quarter, especially compared to last year where a couple of material items impacted the figures. The main effects back then were the gain from the satellite divestment, as well as the positive True valuation reversal effects.

For Q1 this year, we had two effects that I would like to highlight. First, we had a negative impact of 282 million from the quarterly fair value adjustment of the shareholder loan, provided to our JV, which is

funding the indirect ownership of our shares in True. This similar impact was a positive one billion last year, and this materialized as a fair value adjustment on the financial items line.

Second, the VAT ruling that we have talked about, not only lowered the service revenues and EBITDA numbers in Norway, but it also hit another element for the down in the P&L. We made a provision for 182 million NOKi's on the discontinued business line. This is also related to news channel VAT, but for Canal Digital's TV business in Norway, which was merged into Allente in 2020.

The two mentioned items in Q1 '25 however, did not affect our adjusted EPS of 1.96 Kroners. Adjust EPS was up 4% with the development in Grameenphone being the main drag. Then to free cash flow. The cash flow in Q1 was driven by strong operational performance both in the Nordics and in Asia. This was supported by positive working capital timing effects, particularly in Asia, as well as seasonally low interest payments in Q1. Please note that from this quarter's report, we also provide a breakdown of the free cash flow by business area.

But let me just briefly explain the main moving parts here, given the keen interest in understanding our performance on this metric. CapEx, both paid and booked, were lower than last year because of lower capital intensity, and in accordance with typical seasonality. Operating working capital contributed positively by half a billion, mainly driven by less than 0.2 billion of handset financing in the Nordics. And 0.3 billion in working capital inflow in Asia, caused by backend loaded recharging due to EAD, VAT and other payables. We also made the usual first quarter spectrum payment for Norway, during the first quarter.

Lease payments total one billion, a figure quite consistent with the average level we have talked about for this year. A quick word on other cash items, which was half a billion this quarter. This broad category typically includes things like restructuring payments, pension payments, as well as part of commission payments that deviate from the level we charge against EBITDA. All in all, this led to the free cash flow coming in at three billion in the first quarter of the year, quite in line with our ambitions.

Then moving to the main highlights from the balance sheet. Our financial position remains strong. We had 81.5 billion in net interest bearing debt as of Q1, of which 91.2 billion in gross debt, excluding license obligations, as well as 9.7 billion in cash. Our leverage ratio was 2.2 times, helped by the 3 billion in free cash flow, as well as favorable end-of-quarter FX movements of 2.3 billion Norwegian Kroners. This represented a slight reduction of financial gearing compared to year-end of '24, bringing it back within our target range.

I can tell you, given the recent market turmoil, we were extremely pleased with the timing of our 750 million euro bond issue, under our EMTN-Program at the beginning of April. This seven-year bond was priced tightly with a fixed coupon rate of 3.4%. With this, we have pre-funded the 650 million Euro bond maturity later this month, and we have also repaid the 250 million DNA bond in March. Note that in June we will pay the first tranche of our dividends for 2024, of 6.8 billion Norwegian Kroners.

As we have mentioned in the past, our leverage ratio may fluctuate between quarters, depending on seasonality of dividend payments, currency fluctuations, and other factors. Then moving on to our outlook. As Benedicte mentioned initially, we are pleased to reiterate our outlook for the year. As you can see from this slide, the Q1 actuals broadly support the guidance we have provided. The Nordics capex-to-sales ratio of 12.4% is a bit below our full-year level, but this is mainly due to seasonality.

We expect the three remaining quarters of the year to have more of a back-end loaded tilt, particularly for group EBITDA and free cash flow. In the Nordics in Q2, we expect to pay roughly 300 million related to the VAT case permissions. In Asia, we had a very strong cash flow quarter generating 1.9 billion in Q1. This was boosted by the mention of working capital inflow in Asia of about 300 million, modest CapEx,

as well as the absence of spectrum and payments to non-controlling interest. In essence, the minorities we have in Grameenphone.

In the second year quarter of this year, on the other hand, we expect that Grameenphone will pay dividends to its shareholders, as a result of which we will see an outflow of about a billion to the minorities in Grameenphone, as well as a 10% withholding tax reduction for our portion. The mentioned working capital inflow in Asia in Q1, was in large part relating to phasing between quarter one and two. We will also make the usual spectrum payments in Grameenphone in Q2, and please also note that we expect to receive dividends from True in the second half of '25. With that, I hand the word back to you Benedicte, for the concluding remarks.

Benedicte Schilbred Fasmer:

Thank you, Tobias. So in conclusion, we've had a quarter with stable execution and sound performance, despite an increasingly turbulent geopolitical and macro environment. Some of these changes come with risks, but also with opportunities for us, because we need a resilient, robust, and local digital infrastructure, and the need for that has never been higher.

Even though competition in our markets remain tough, we continue to see the Nordic region as a good place to operate, enabling profitable growth and good returns. And we also see potential still to be unlocked in Asia. And with this wrap up, I'll hand you back to Frank.

Frank Maaø:

Thank you. Thank you, Benedicte. As Benedicte said on my previous call, 2025 is the year of execution and evolution for Telenor. And with regards to the latter point, please save the date for a CMD, a capital markets day in Oslo on the 11th of November. And an invitation with full details will come in due time. So with that, we are now ready for questions from our audience. So Operator, please go ahead?

Speaker 1:

Thank you. At this time, we invite those analysts wishing to ask a question to click on the raised hand button, which can be found on the bottom of your screen. When it is your turn, you will receive a prompt to be promoted as a panelist. Please accept, wait a moment, and once you have been introduced, you may unmute yourself, turn your video on, and ask your question.

As a reminder, we are allowing analysts one question, and one related follow-up today. We will wait one moment to allow the queue to form. Our first question comes from Andrew Lee with Goldman Sachs. You may now unmute your audio, turn your video on, and ask your question.

Andrew Lee:

Yeah. Good morning everyone. Thanks for taking the question. I had two questions. The first was just trying to understand your guidance being reiterated for Nordic EBITDA growth. You obviously delivered an underlying 7.5% growth in Q1, and on a headline basis just below 6%. I think you've talked about how you should see progression through the year, in terms of easier cost comps and greater benefits of cross transformation program.

So just wondered why you decided to stick at the mid-single digit rhetoric, for the full year? And wondered if there's anything going on in terms of the balancing of costs, given your other and corporate costs were materially higher, at least than consensus expected for Q1? If you could just help explain the cost balancing between Nordic and other? And if that contributed to your decision not to raise guidance at this early stage in the year?

And then the second question is much more straightforward. Benedicte, you were quoted in the press a couple of weeks ago, just talking about the potential to pursue consolidation. I wondered if you could just talk, or update us on your thoughts about why you'd pursue consolidation? And what gives you the confidence to pursue consolidation, given we haven't had anyone test the new EU competition regime yet? Thank you.

Benedicte Schilbred Fasmer:

Thank you so much. I wonder if I should just do the consolidation first, and then maybe you-

Torbjørn Wist:

Yeah.

Benedicte Schilbred Fasmer:

... could help-

Torbjørn Wist:

Sure.

Benedicte Schilbred Fasmer:

... me with the cost question? So I take it in the reverse order, if that's all right. As you, I think all players in the telco space agrees, particularly the European market has a structure that is with more than 100 players in a quite limited market, and there is a need for scale. Particularly now, when we see that the need for larger investments and better networks. And that bides for opportunities to actually do some in-market consolidation.

And to the extent that those opportunities arise, we will certainly try to be active in that space. And for us in the Nordics, it's particularly in Denmark and in Sweden, where we would see those opportunities potentially coming up. And, sorry. And with regard to the approval from the authorities, which you asked about, I think we have seen some positive signals both with the deals in the UK, as well as in Spain.

Deals or in-market consolidation would have to be approved both by local authorities in each country as well as on a EU level, when it comes to the Nordic countries. And we think that there might be more a positive climate for those type of in-merger constellations now, than there has been before. And to be fair, if we choose to do or at least try to approach this, the worst thing that can happen is, that we are back to square one where we actually are today.

Andrew Lee:

Thank you.

Benedicte Schilbred Fasmer:

Okay. And as far as the guidance on Nordic's EBITDA... Look, it's still early in the year and as usual, there's fluctuations throughout the year. So we continue to stick to the mid-guidance there, at this point. And we will of course reverse that as we continue. Or sorry, revert to that question as we move through the year. But obviously at this point we remain confident of our ability to guide for mid, and then we will adjust accordingly later as the situation develops.

In terms of the balance of the cost and the other category, this is essentially just a reallocation of costs between headquarter, as well as the business areas in the Nordics and in Asia. In addition to the absence of the brand fee from CelcomDigi that I mentioned in my presentation. So that kind of explains the main reason for the development in other costs in Q1.

Andrew Lee:

Is that just a Q1 thing, or is that going to be a consistent feature now through the rest of the year, i.e., this kind of shifting of costs out of... Maybe a little bit out of Nordics, and into other?

Benedicte Schilbred Fasmer:

Well, as long as you have the other costs on a different allocation in the... And I'm not sure from which quarter that adjustment will drop out. But in previous quarters in the comps, it will be included in group and not in BA. And as long as you're not comparing apples to apples, you will continue to see some delta. But of course that will keep-

Torbjørn:

Comparing apples to apples, you will continue to see some delta, but of course that will even itself out over time.

Bjørn:

Yeah, so it's basically a change from this year and we'll continue at this type of cost allocation structure going forward.

Andrew Lee:

Thank you.

Moderator:

Thank you. Our next question comes from Keval Khiroya with Deutsche Bank. Please turn on your video, unmute your line, and go ahead with your question.

Keval Khiroya :

Thank you for taking the question, everyone, please. So you highlighted that the KPIs in Norway and Finland were a bit weaker this quarter. Can you elaborate a bit more on what's driving that and what the strategy will be to turn that around? Thank you.

Benedicte Schilbred Fasmer:

Yes. We do not see a big change in the markets in Norway or Sweden. We have a bit higher churn in Norway in Q1, as we alerted of back book changes. And in Denmark and Finland, rivalry is a notch tougher compared to most of 2024. And we also see an increasing competition within the B2B market. We have done our back book price changes as we said and included a wider array of services into our products and that has resulted, we've gone out broader than we've done usually and that's resulted in a little bit of a downturn in the number of subs, but the top line looks good despite that.



Torbjørn:

I can also just say that the first quarter tends to also be a little bit softer quarter due to all the campaigns et cetera that are running through the fourth quarter, with Black Friday, Black November, Christmas campaigns, et cetera. So that kind of is in part explaining the numbers. And then of course, we had the VAT effect that we mentioned, which impacted the service revenue growth.

Keval Khiroya :

And just to follow up, was there a big change in sales and marketing costs year-on-year in Q1?

Benedicte Schilbred Fasmer:

Yes, we had some increased sales and marketing costs both in Nordics and in Asia.

Torbjørn:

Yeah.

Keval Khiroya :

that's clear. Thanks.

Moderator:

Thank you. Our next question comes from Joshua Mills with Exane BNP Paribas. Please turn on your video, unmute your line and go ahead with your question.

Joshua Mills:

Hi guys, hopefully you can hear me. My question is related to the defense contracts you referred to on slide eight of the presentation. I'd love to get a bit more insight into that area, something that's coming up a bit more across the Nordic space. So perhaps if you could give some color on how much of a growth contributor this could be to service revenue and also what kind of margin these defense contract revenues are coming in at. That'd be very helpful. And then related to that, given it's an area of the business we have less detail on historically, are you bidding mainly against other telcos for that kind of business or are you also competing against specific defense players? It would be great to get a bit of detail there. Thanks.

Benedicte Schilbred Fasmer:

I'm sorry I didn't quite catch the second half of your question.

Torbjørn:

Are we bidding against other defense players?

Benedicte Schilbred Fasmer:

Defense players, all right. You can fill me in, Torbjørn. It's a bit premature to say how much this will contribute to service revenue growth and it's early days yet and the contract I referred to in Finland is very small amounts to date. However, we do have as of today quite significant relationship with the armed forces particularly in Norway where we are the incumbent. I'm not allowed to go into any detail unfortunately, but we are having a close relationship and we are doing research together with the

defense and with the current situation, we foresee that there will be increased activity and opportunities as we go forward. I'm sorry, but we have to come back to you with more details further down the line.

Torbjørn:

And maybe just a quick word on KNL. It's small, but we think this is quite an exciting area and in my book or in our book I should say, any interaction with players in the defense side is a good thing because one service tends to evolve into other service opportunities. As it relates to KNL, the performance there, their revenues tripled last year to approximately 60 million, so still relatively small, but those growth rates have potential, particularly if you start expanding the sale of their products into, call it, other defense forces in the Nordic region. So this is a very good margin business. But clearly with the ongoing geopolitical situation and the tremendous investment that is now going into European defense, we see this as quite an exciting area in the years to come.

Joshua Mills:

Great, thank you.

Moderator:

Thank you. Our next question comes from Siyi He with Citi. Please turn on your video, unmute your line and go ahead with your question.

Siyi He :

Hello, thank you very much for taking my questions. I just have two follow-ups actually to your answers earlier on. The first question is on the KPI development, especially the net ad trends in fixed broadband in Nordic countries, it seems like across the board it has weakened and obviously, there are some infrastructure investments in both Norway and Finland. Just wonder if you could elaborate on the competition and whether you think it could lead to a different thinking around your infrastructure investment.

And the second question is on your comments in consolidation. I think you mentioned that if the regulation remains tough and you're back to square one, but if we look at the previous consolidation cases, there are cases that the synergies are not delivered, even the deal gets passed. I'm just wondering if you can talk about how could you ensure that potential benefits of consolidation not will not be offset of potentially worse market dynamics? Thank you.

Benedicte Schilbred Fasmer:

I can take the second one.

Torbjørn:

Okay. I'll start briefly then on the fixed development. Yes, you're right, this was a fairly tough first quarter, but again, like other things, this is also a seasonal business. In Norway, as you know, we do have a cable infrastructure, HFC cables, which lost subs throughout the quarter. In addition, we had a little bit downturn in fiber as well as fixed wireless, mobile fixed wireless. We saw similar developments in Finland where there is now a fairly aggressive rollout of fiber which has affected, call it, the subscriber based on fixed mobile access. So a little bit tough trends there.

We continue to invest where we think it makes sense. If you look at the sort of fixed broadband market, the MDU market, i.e., call it the housing associations, it is a tougher market. Hence, the focus is more, I would say, on the SDU, Single Dwelling Unit where the potential is higher. We're very mindful of avoiding a massive contribution to overbuild of fiber infrastructure. So it's done on a very prudent and targeted basis where we see potential for our services.

Benedicte Schilbred Fasmer:

And with regard to your follow-up question on the consideration, of course we would never enter into anything that we didn't think would make sense from a business perspective. So the synergies on an operational level would have to make sense and we believe they would. And then as you alluded to, you might have some reactions in the market and in the market dynamics, but learning from other markets, the markets where you have up to three players actually makes a lot of sense. Then you have enough competition, so it's good for society and it's enough competition that we compete and fight for the customers. At the same time, there is also profitability enough in order to be able to invest in robust and good networks. So hopefully, there will be a good balance between the two, but of course you never know that until you've actually done it, right?

Torbjørn:

If I could just add to what Benedicte has said, look, if you are entering into a discussion like that and you suddenly have potential remedies, for example, requiring the entrance of a new M&O, as we say in Norway "Vinning, I'll go to office spinning," which is another word of saying it doesn't make sense. So of course, the potential remedies in any consolidation is something that will be closely watched and included as part of any assessment.

Siyi He :

Thank you.

Moderator:

Thank you. Our next question comes from Fredrik Lithell with Handelsbanken. Please turn on your video, unmute your line, and go ahead with your question.

Fredrik Lithell :

Thank you very much. Thank you for taking my question as well. I will stay with one question. I would like to come back to the OpEx development and you said in front of Q1, you also talked about this and said we shouldn't expect too much of you taking out costs in the beginning of the year. So it would be interesting to get a little bit of an update on where you are, what you see, if you have unfolded anything more that you can do in terms of taking your OpEx lower during the rest of the year and into 2026 as well. So a little bit of a discussion around that topic would be interesting. Thank you.

Benedicte Schilbred Fasmer:

You can fill me in again, Torbjørn, but I think it's fair to say that we have set our ambitions for the full year and we are very pleased with the development on the cost side and the transformation side within Telenor in Q1. Having said that, our ambitions for the full year are still the same. And I guess that's the answer to your question that the backend loading that we alluded to initially has been coming a bit earlier in the year than we anticipated. So there is no material change.

Torbjørn:

And I guess just covering your sort of beyond that, for example on the FDE side, we've had about a consistent reduction of about 4% year-on-year since 2016. We believe doing it that way is better than the sort of one-off big adjustments and it will continue as we continue to deploy technology, takeout legacy and it's of course an important part of driving results and cash flows and return in the years to come.

Fredrik Lithell :

Thank you very much.

Moderator:

Thank you. Our next question comes from Ajay Soni with JP Morgan. Please turn on your video, unmute your line, and go ahead with your question.

Ajay Soni:

Hi, there. Thanks for taking my question. Mine is just around the free cash flow guidance of 13 billion. So I just wanted to understand what could potentially create a miss here. I think previously you had highlighted that Asian dividends could be an issue, but then also earlier you just stated that you expect a pretty meaningful dividend from True. So just wondering what your thoughts are on this guidance of what could be the potential headwinds for the rest of the year. Thank you.

Benedicte Schilbred Fasmer:

Would you like to cover that, Torbjørn?

Torbjørn:

Sure, yeah. Now look, we remain committed to the outlook of around 13 billion. We have been very clear that we expect a meaningful dividend from True for the rest of the year. In terms of their Q4 results, they demonstrated solid performance. They also reiterated their commitment to pay more than 50% of their earnings in dividends. But of course, this is ultimately a board decision in True later on in the year. So our view has not changed. As you would imagine, in any group, there will be levers pulling up and down throughout the year. But overall, given the sensitivity analysis we run internally, we feel comfortable and reiterate our free cash flow guidance for 2025.

Ajay Soni:

Okay, great. Thank you.

Moderator:

Thank you. Our next question comes from Adam Fox-Rumley with HSBC. Please turn on your video, unmute your line, and go ahead with your question.

Adam Fox-Rumley :

Thank you very much. I had a question and a follow-up. So the first one I was wondering if you could talk a little bit specifically about how Telenor can improve performance in CelcomDigi, given the group's structure. Does that mean more board meetings at the Telecom Asia level, for example? What specific steps can you drive as a joint venture partner there? And then the second question, the follow-up on

slide eight, the question I suppose is to what extent are you thinking about the potential to step up investments in these spaces? You mentioned more GPU investment, but lots of companies are spending enormous amounts here. I'm sure defense could also encompass more spend. Is there any appetite to think about higher levels of overall CapEx spend within the business potentially for these opportunities? Thanks.

Benedicte Schilbred Fasmer:

To start with CelcomDigi and your question about how we work with them in order to help them improve on their performance, obviously, as you say, it's a joint venture, it's a listed company. We have board seats and we also support with competent people to different roles within the company in order to help them also operationally. And we are taking measures, which they will have to kind of communicate the details of obviously both on the top line as well as on the cost side for improvement and the merge plan and the synergies, they stand at the level that they were communicated at the time of the deal. And then, would you like to do the defense one?

Torbjørn:

I will do, and just let me add on to... Look, it is a quite competitive market in Malaysia. We have a partner here which is equally focused on the development of CelcomDigi. So there's a strong, what do you call it, common thread between the owners to ensure that one bucks the trend and shows that the company delivers more on the cost side as well in order...

Torbjørn:

... ensures that the company delivers more on the cost side as well in order to drive the performance of the business. Now, I don't have the slide in front of me, but I assume the eighth slide was the one that talked about K&L, AI factory, et cetera. On the CapEx side, we're definitely beyond, call it the sort of peak cycle on the big core components of our core network. We have, as Benedicte went through, world-class networks in the Nordics. We're pretty much built out. So it's kind of that big slog is over. We do however see that there are opportunities for isolated investments where we see the opportunity to strengthen our service offering, based on customer demand and of course return on capital employed and other parameters, are important to assess as part of that. So I wouldn't take it as a signal of massive increased spend, but we see developments within our customer base for new services that builds on our real strength of core connectivity. Those are of course opportunities that we will follow.

Frank Maaø:

And if I may tag on, you mentioned Adam, the high price of GPUs and so on. So we're starting at a very modest level, we've onboarded the first customers. I think there are seven customers now, and scaling this very prudently. So while the number of GPUs will probably be the fourfold towards the end of the year than what we have today, it's kind of scaling quite prudently. And again, we're not aiming to build a new LAMA model or anything like that here. It's very specific use cases that actually can be run on quite a lot lower and more limited amount of GPUs are kind of more niche, critical workloads.

Adam Fox-Rumley:

[inaudible 00:53:11].

Frank Maaø:

Thank you.

Moderator:

Thank you. Our next question comes from Christopher Bjornsen with DNB. Please turn on your video, unmute your line, and go ahead with your question.

Christopher Bjornsen:

Yeah, thanks for taking my question. Yeah, so first on the working capital, quite an impressive performance in the quarter, so I was wondering if you could help us understand how to think about that for the rest of the year. I think you said there will be some tailwind to the cashflow this year as a whole from working capital, although a tad lower one than last year. So that's the first question. And then on just coming back to that issue with declining subs in the fixed broadband, in the different Nordic markets. So is that kind of reflecting a kind of an unwillingness to invest in fiber, to kind of convert those HFC based customers, or are you thinking more along the lines that changes to the regulatory environment, especially in Norway will allow you to go after those customers over other people's fiber or infrastructure? Just if you could help us understand the rationale behind that, would be helpful.

Torbjørn:

[inaudible 00:54:16].

Benedicte Schilbred Fasmer:

Yeah, would you like to do the working capital one?

Torbjørn:

Yeah, sure. I think we've highlighted also in the analyst mail that went out this morning in terms of, call it some of the working capital effects that we have highlighted on this presentation, in terms of know getting a little bit of benefit from pre-sale in connection with Eid, et cetera. We were helped significantly by working capital last year. We do expect that to be a bit lower this year. And as we've highlighted, we think it'll be a reversal of some of the working capital benefits we saw in Q1, moving into Q2 for the year. Do you want to talk about the [inaudible 00:55:00] Nordic or should I?

Benedicte Schilbred Fasmer:

Sure, we can fill each other in there too. I think as we've elaborated on earlier on the call as well, we are consistently investing in fixed as well as in mobile, but we will do that with caution and where we think that it will be profitability longer term. Whether or not the change in regulations in Norway, which was your specific question, will change our strategy and approach, we will have to come back to you on when we have a little bit more line of sight, how it will actually pan out.

Moderator:

Thank you. Our next question comes from Oystein Lodgaard with ABG sandal collier. Please turn on your video, unmute your line, and go ahead with your question.

Oystein Lodgaard:

Thank you very much for taking my question, and good morning, I have two questions. First, as some other analysts have touched upon the OPEX development, last quarter you had a new outlook statement that you expected a flat development at the start of the year, and then for that to progress positively throughout the year. Now I see that you removed that. I just wanted to see, should we think

that there is a possibility for further accelerating the OPEX reductions throughout the year, or do you now expect more around the -1% level for the year as a whole? The second question is on ARPU changes. We've seen that some of your listed pairs have seen a slowdown in organic ARPU growth in a quarter. Do you still think that you're able to increase prices through a More for More structure, or is that more difficult now?

Torbjørn:

Shall I start with the OPEX development then? The OPEX development, as we said, would be more backend loaded. I think it got some earlier delivery in the first quarter, but as OPEX develops through the year, we still expect this to have a little bit more variation through the year, with more effects coming out towards the tail end of '25, rather than consistent from the beginning of 25. ARPU?

Benedicte Schilbred Fasmer:

Yeah. If you look to our strategy, the More for More strategy has been extremely successful for us, and continues to be. And as we adjust the pricing, it also includes new services. And I'll give you just some example with the security or [inaudible 00:57:58]. I was showing you numbers that may be fraudulent, is one thing that is included. You can have an extremely good insurance product, we have the, as I mentioned also briefly, the cloud services for picture that are included. So for those customers who value that, it's actually very well received and it's good packages. And don't forget, we also have, what do you call it, like Talk More and those... where you have just price-

Torbjørn:

Fighter brand.

Benedicte Schilbred Fasmer:

Fighter brand. Thank you. Sorry. And we have the fighter brands also in each of the countries. So for those customers who are more driven by price, we also have very good alternatives.

Torbjørn:

And just to tag on her comment there, when we look at what causes our customers to choose Telenor, it's very much driven by the products that we have included in our More for More strategy. It's no secret that in today's geopolitical situation, in today's market with AI, simulated voice of grandparents, fraud, et cetera, the security awareness of customers has increased tremendously. So our security products is very much some of the key reasons why our customers choose Telenor. So as long as we continue to add services or products that our customers want, that is of course an important fundament of the whole principle of a More for More strategy.

Benedicte Schilbred Fasmer:

Can I just do a little commercial at the very last minute of our call? And just as an example, this is also service innovation, right? And in this quarter we've launched in Norway something called Split, which is actually a flexible financing for customers who want to have a new handset. And with either a 24 or 36 month payment schedule, and it's interest free. And what we've done there is to combine sustainability goals, and the fact that people actually tend to keep their phones for longer, with very good proposition for financing and giving the customers freedom of choice. So we are constantly trying to approach the market with new initiatives and it's actually picking up quite well.

Oystein Lodgaard:

Okay, thank you very much.

Moderator:

Thank you. Our next question comes from Ulrich Rathe with Bernstein. Please turn on your video, unmute your line, and go ahead with your question.

Ulrich Rathe:

Yeah, thanks very much. So Benedict, my question would be, after your first hundred days now, you're focusing very much on the steady course, and I think the bigger backdrop in the world makes this quite understandable. Still, it raises the question a little bit where you actually do see areas where you really do want to change things in Telenor. Is it really the deal making now that's that you mentioned for Denmark and Sweden, and then also there's Pakistan to be closed, and further deals potentially in Asia as you have highlighted in the past? Or are there other topics on your agenda where you really do think that you have to change the course that you observe in Telenor? And then, very quick follow up, only for [inaudible 01:01:39], could you just quantify this cost allocation change? What's the order of magnitude? Is there tens of millions, is it hundred of millions? It's a bit unclear. You highlighted the issue, but you have not talked about numbers there. Thank you very much.

Benedicte Schilbred Fasmer:

I think I'll do the a hundred days [inaudible 01:01:58] question first. I think we've had to earn our trust and to maintain our trust with our stakeholders. It's been extremely important for us and for me to deliver on the promises that we've... and the current strategy throughout 2025. So that's been kind of very high on our agenda. And if you ask me what we would like to change, we are in the midst of a strategy process just now and that's what we're going to communicate when we come back to the market in November. However, we do see, albeit for the very wrong reasons, that there are some pockets that might be interesting for us to pursue. For instance, the mission-critical. And we also see that we have competence and technology that may be applicable in different ways, going forward.

So what we're looking for is pockets of growth, close to core, and with a good discipline when it comes to capital and return on capital projections. I also hope that we will be recognized to be an even more customer orientated company and that we actually really bring the customers in our everyday business. And last but not least, I also see that we have extremely competent people that have... That's one of the things that it has really impressed me since I started, that we actually can get all people on deck and deliver on a very exciting future for Telenor, going forward. And when it comes to the M&A agenda, we will pursue opportunities in both the market areas where we are in Asia where we actually have some things ongoing like in Pakistan, and also other opportunities in both regions.

Torbjørn:

And just briefly on the other side, the sort of moving parts are in the tens, but I think in around 100 million is, call it cost allocations. And bit too detailed to go into that here, so for any follow-ups, I suggest you just reach out to IR.

Moderator:

Thank you. Our next question comes from Felix Henriksson with Nordea Securities. Please turn on your video, unmute your line, and go ahead with your question.



Felix Henriksson:

Hi guys. Thanks for squeezing me in. My question or questions, are on Finland, actually. I think you mentioned a bit more just competition in the market and I think we've seen all the market participants reporting negative mobile subscriber net app. So just wondering what do you think is driving this sort of competition? And as a quick related follow-up to that, could you remind us on the size of the subscriber base you have for your fighter brand Moi in Finland, given that you now have this new nationwide cooperation with the [inaudible 01:05:06] in the country? Thank you.

Benedicte Schilbred Fasmer:

Would you like to pick up on that, Frank, and do the last question today?

Frank Maaø:

Yes, I can do that. And it's very simple, because we don't break out the Moi subscriber base. So...

Torbjørn:

Do you want to talk about the-

Benedicte Schilbred Fasmer:

[inaudible 01:05:27].

Frank Maaø:

Yeah, and the competition part, it's basically down to mobile broadband, as we had 11,000 negative net ads in Finland, that was mainly explained basically, or completely explained by mobile broadband, which is affected by the basically fixed rollout in the country, leading people to cancel some of those subscriptions. But apart from that, it's tough competition but fairly stable in the smartphone market.

Benedicte Schilbred Fasmer:

But our Finnish business had a very good performance in Q1. We had stellar growth of 9%. So I think despite a little bit tougher competition, they are performing extremely well.

Felix Henriksson:

Thank you.

Moderator:

This concludes the Q&A. Thank you for your participation. I will now hand back to Telenor for closing remarks.

Frank Maaø:

I think that concludes our call. So thanks everyone.

Benedicte Schilbred Fasmer:

Thank you very much.