

Telenor Quarterly Report

Q4 2022

# Telenor Quarterly Report Q4 2022

*Participants*

Sigve Brekke

Tone Hegland Bachke

Peter Nielsen

Frank Maaø

Ondrej Cabejsek

Maurice Patrick

Luis Lecaroz

Nick Lyall

Andreas Joelsson

Usman Ghazi

Adam Fox-Rumley

Andrew Lee

Francesca Schild

**Sigve Brekke:** Good morning, and welcome to the Q4 results. Let me start off with a value creation strategy we presented at our Capital Market’s Day back in September, and the direction we have for each our four business areas. Firstly, to be a leading Nordic telco with profitable growth. This means growing both core connectivity and new services with a sharp focus on margin expansion through modernisation. Secondly, to develop a strong and more independent Asia, focused on realising synergies, driving operational efficiency and delivering cash flow. Thirdly, to crystallise values in a leading Nordic infrastructure company, to mean further operational improvements and transactions to visualise and monetise the values in these operations. And finally, to continue developing the Telenor Amp portfolio, our adjacent businesses, true organic growth, partnership and transactions. On the ESG side, just this week, we had an opportunity to host and share our experiences from setting and implementing science-based targets without the [indistinct] companies. We are happy to work together with industry as well as with our stakeholders in establishing ways to address scope [indistinct] emissions. Throughout Q4, we also continued to focus on energy efficiency. PPA sourcing process was initiated in Finland and is expected to conclude during this year. This adds to the PPAs already secured in Denmark and in Norway.

Then to the quarter. The Q4 results shows that we are well underway on executing on the strategic agenda I just went through. I’m very pleased to see the growth in the Nordics is continuing with a mobile revenue, service revenue growth of 5% in this quarter. And as you may remember, we had a 4% mobile growth in the Nordics in the last quarter. Profitable growth will also require continued modernisation and efficiency improvements. We have now reached an important milestone as we have shut down the last copper-based subscriber in Norway. This makes us the first legacy free incumbent in the whole of Europe, ready to move forward with our modernisation program. We have, as you know, also completed to large M&A transactions to visualise true value true value of our assets. The closing of CelcomDigi merger in Malaysia market a successful outcome of a process that started almost two years ago. Yesterday, we also completed a sale of a 30% of our Norwegian fibre assets. In the transaction, that will benefit that future fibre rollout in Norway. Combined with healthy earnings in 2022, the CelcomDigi transaction contributed to a record high net income of 45 billion. Overall, I’m satisfied with this quarter. The investments we have done and the modernisation programs we have been running now for several years are starting to really yield results. Despite the high investment level last year, we were generating 11 billion in free cash flow. And in a year of volatility, the good underlying EBITDA performance is driven by efficiency program and strong operational performance.

Let me then move to Malaysia. Almost two years have passed since we announced that we are in discussions about a merger of Digi and Celcom in Malaysia. These merger processes takes time, but we have used the time well for our integration planning. Now, all the pieces are finally moved into place, such that we can close as a section, and we did that on the 30th of November last year. This last transaction positioned a new company, CellcomDigi as the leading telco operator in Malaysia and as the largest tech company at the stock exchange in Malaysia. This should position us well as a market leader to take part of the future growth in the Malaysian market, with the current market capitalisation of around 150 billion Norwegian krones. Telenor’s one third of the company is valued to around 38 billion, and as a result of the transaction, our assets were revaluated, generating a gain of 33 billion Norwegian krones. In the merger process, we and our merger partner identified synergies of around 18 billion Norwegian krones on a hundred percent basis, and the company has now taken on the work to realise these synergies. We expect this to create significant value in the years to come. For the shareholders of Telenor, this transaction should be dividend accretive from 2024 and onwards.

Moving to Thailand. After finalising the merge in Malaysia, there is more to come, as we have talked about before. As we know, we’re closing in on completion of the merger also in Thailand. A major step forward was made by the board of directors in both True and dtac by calling for a joint shareholder meeting on the 22nd of February to conclude on the final matters. As earlier communicated, we expect closing before the end of this quarter. In many aspects, this transaction is two to three times larger than the Malaysian merger, and it is in fact, the largest ever telco M&A transaction in South-East Asia. As in Malaysia, we therefore expect significant synergies coming out of combining these two assets into the new company. We are, as we also are doing in Malaysia, here also creating a clear number one player in this market, with 55 million customers, with the scale and capabilities to be at the forefront of the digital shift we see for consumers and businesses. For dtac, this means a transition from a mobile only operator into a full-fledged service provider. The new company will have a leading market position on both mobile, on fixed broadband, on TV and on digital services. This is, as we call it, a merger with a spirit of equals, with an aim for both of the principle shareholders to retain around 30% ownership in the combined company. And on this background Telenor and the CP Group will have a balanced representation on the board and also a balanced representation in the top management team, including strong candidates from both dtec and from the Telenor group.

Then back to the Nordics, and also in line with our strategy. Yesterday, we delivered on the plan to crystallise values from our infrastructure assets. This was done through the sale of a minority part of our Norwegian passive fibre assets to KKR and Oslo Pensjonsforsikring. The transaction values the business to 36 billion and goes to illustrate the values we have built up in our fibre investments over the last ten years. The minority sale of 30% of the fibre business yielded the proceeds of 10.8 billion. This will strengthen the balance sheet of Telenor and also support further investment into fibre network in Norway. In addition to the value crystallisation, as we communicated at our Capital Market’s Day, in the infrastructure business, our ambition is also to create more value out of our digital infrastructure. The fibre deal confirms the value of our assets and we will now continue to create value both within fibre and our towers. And in addition to that, we are also exploring opportunities with our data centres.

Let me then turn from transactions to our daily operations. At the Capital Market’s Day, we highlighted growth in the Nordics as a key strategic priority in the three years’ plan that we presented. And looking at this graph, I must say I’m pleased to see that the decision we have made of the last year is now translating into a solid mobile service revenue growth of 5% in a quarter, and with this, we have a good growth momentum also going into 2023. The growth you see here is driven by three key elements. First, for several quarters, we have talked about the increase we have in our value added services, such as security and insurance. These services have been and continues to be a solid growth contributor. Revenues from these services are now growing in the range of 12-13% year on year, and in Norway is contributing to around half of the ARPU growth we see in this quarter. The other growth elements are growth in 5G connectivity and the selective price adjustments we have implemented across the markets and across most customer segments. Growth is, however, only part of the ambition, and to improve profitability, we also need to keep modernising ourself. In Q4, we saw on EBITDA in our home market in Norway decline by 3%. Part of this can be explained by higher energy costs, but the main headwind continued to come from the effects of the copper decommissioning. The EBITDA growth of 6%, excluding copper energy, is representing a material improvement compared with the 2% growth we had in the last quarter.

We have done significant modernisation programs the last year in Telenor, and we are not done yet. We took the decision to move away from copper network already back in 2018, and the last years, this has been one of the biggest project we have been running in Telenor. As you can see on this graph to the right, this has cost us around 3 billion Norwegian krones in lost EBITDA from 2019 through 2022. The upside, however, is that we now can move forward with a legacy free future-proof network as the first incumbent, as I said, in Europe. The last POTS and DSL retail lines were closed in December. And as you can see from the graph, we expect a significant lower EBITDA headwind from copper in 2023 and going forward.

The last quarter, I talked about the plans we have for continuing our modernisation of Telenor Norway. Digitalisation is driving constant change and it’s fundamental to stay relevant for our customers. [indistinct] operations, you have heard me talking about that several times before, and that is continuing to be an ambition and focus for us, how we digitalise, to simplify and automate processes, to improve quality for our customers but also to reduce costs. We believe that we are in the forefront in the industry when it comes to [indistinct] operations. 75% of our technology operations in Norway are not [indistinct] with a network being more than 90%. These proactive technology shifts enable us to move onto the next phase of modernisation and to focus on resources and new initiatives. In Norway, we are simplifying our organisation and the processes and changing the way of work. As a part of this, we have just announced that we are merging two divisions, two customer divisions, into one customer division. In addition to that, we built one customer service to serve all our customer at one Telenor across the different commercial lines that we have. This frees up resources, and we therefore recently announced a downsizing of around 400 FTEs in Norway. This has come from a reduction of around 200 fixed employees and another 200 from fewer external consultants’ turnover and structural initiatives. In total, this is estimated to reduce the number of FTEs in our Norwegian operation and consultants within in the rage of 10-12%. As you know, we have now also gathered all the [indistinct] Nordic units under one Telenor Nordic management. With that, we are strengthening the collaboration across the Nordic region, and we are developing a Nordic operating model to support speed and agility in the local markets and at the same time, taking out cost synergies through shared and common solutions. Focus is on the technology and IT domain, as well as support functions like HR and finance. The financial impact of these initiatives, mainly OpEx and CapEx, are now, as we discussed at the CMD, expected to come within the three year period.

Summing up. We are well on our way to fulfil the ambitions we set out for the first 12 month when we had our Capital Market’s Day in September. We have closed a merger in Malaysia. We have closed a sale of 30% and visualised values of our fibre assets in Norway, and we have completed the decommissioning of the copper network. We are moving thoughts at closing of the larger merger in Thailand also during this quarter.

Entering 2023 my and my management teams’ key focus will continue to be profitable growth in the Nordics. We have, as you can see, got off to a good start with the mobile revenue growth we saw in the last quarter, strengthening position and realising synergies in Asia. We will also continue to work with our structure agenda in Asia. Our plans are to contribute to crystallise values in our infrastructure portfolio, and we will continue to oversee and contribute to positive development in our Amp portfolio.

And with that, let me welcome Tone, our CFO, on the stage.

**Tone Hegland Bachke:** Thank you. You have heard from Sigve on the main points in the quarter, with the large M&A transactions and the positive trends we see in the Nordic mobile business. 2022 has been marked by volatility and unknowns. Our main focus has been on strategic development and our operational performance. And I’m pleased with the execution capabilities in the organisation and how we have been able to deliver this year. Overall, we showed 2% organic growth for the Q4 and stable EBITDA. This means that we end the year with 2% organic revenue growth and 1% growth in EBITDA, in line with our guidance. We also deliver within the guidance for CapEx at just below 17% CapEx for the full year. Free cash flow was close to 11 billion for the year, despite high investments in 5G and fibre. And this cash flow is somewhat higher than the level we outlined at the CMD in September.

The service revenue growth of 2% mainly reflects strength in Nordic mobile, Bangladesh and strong growth in Telenor Maritime and connection. Sigve highlighted a growth of around 5% for the Nordic mobile business, and as you can see, we saw growth rates from 3–7% across the Nordic businesses, when we exclude the significant 1% group [indistinct] from copper. Grameenphone in Bangladesh deliver 4%, growth despite the SIM sales ban. That was lifted in the beginning of January. We are now back to normal business here. Finally, we saw positive momentum in Telenor Maritime, mainly owing to the return of cruise traffic and double-digit growth in our IoT business of connection. Both of these had good contribution to the 2% growth rate.

As you know, Digi is deconsolidated and dtac will be consolidated once the merger closes. This will materially change the revenue composition, and these companies accounted for around one third of the revenues in 2021. For reference, we would have seen organic revenue growth of close to 3% if we had excluded dtact also in 2022.

And now, to OpEx. We report an 8% or 620 million OpEx increase in Q4, compared to the same period last year. 250 million of the increase reflects higher energy cost and adjusted for this, the increase was around 5%. Another 175 million was driven by one-time effects impacting Bangladesh and other units. And as you see in the graph to the right, the cost increases for more regular items, such as personnel, sales and marketing and operations and maintenance we more moderate. In the graph to the left, you see the cost increase split by country, and by the looks of it, OpEx decreases by 10 million in Bangladesh in the quarter. That needs to be seen together with the high increase in other an elimination, and underlying cost in Bangladesh increased around a hundred million. For 2022 as a whole, we see OpEx increase of around 5% driven by energy and sales and marketing cost in particular.

At the CMD and Q3, we highlighted the uncertainties regarding the outlook for energy cost. As it turned out, Q4 prices ended somewhat lower than Q3 prices and by this we also saw lower level than what we outlined on the CMD. Nevertheless, the energy cost levels were still around 40% higher than in the fourth quarter of ’21. And for the full year, we saw energy cost increase with around one billion NOK to a total of 3.9 billion.

Looking into 2023, we have around 80% of the Nordic energy exposed to spot prices and around 20% on hedged prices. As we stand now, our best assessment given the prices we currently observe, is that energy prices in the Nordics will have a fairly neutral impact on the EBITDA from 2022 to 2023. However, the phasing during the year may naturally be different. As you know, we have PPA agreements that will come into effect in Norway towards the end of this year, and in the second half of 2024 in Denmark. These agreements have pricing more in line with historical averages, as we have talked about before.

Moving to EBITDA. The organic EBITDA was stable in the fourth quarter, with a negative impact of 5 percentage points from energy and copper. In Norway, the reported EBITDA is down 3% compared to the negative 9% we reported last quarter. Sigve gave you more insight into this. In Sweden and Denmark, we continue to see EBITDA growth from improved top line momentum while EBITDA in Finland continued to be impacted by increased group charges and energy cost. In Thailand, we see continued headwind from reduced affordability in the market as the COVID recovery is still to materialise. Despite this, we see strong cost control and lower sale of handsets, resulting in less solid EBITDA growth of 3% in the quarter. As mentioned on OpEx, the figures from Bangladesh include some special elements this quarter and a strong positive EBITDA contribution from Bangladesh is on the group level partly of offsite by an opposite effect under eliminations. Other items on the other eliminations were positively driven by improvements in the Amp portfolio. Pakistan continues to be tough with macroeconomic putting pressure on the financial performance and result in a 17% reduction in EBITDA which is mainly driven by both lower revenues but also the high energy cost, in particular.

When entering 2022, we knew we would have negative impacts from copper and project cost which took down the EBITDA with around 1.1 billion and the high energy cost has taken the EBITDA down with another one billion or equivalent to 3%. On the positive side, we have had one-offs of around 1.2 billion this year and a strong operational performance has contributed with 1.2 billion to the EBIDA. Summing up, we ended the year with organic EBITDA growth of 1% to 42.4 billion Norwegian kroner. This is in line with the EBITDA guiding we presented at the beginning of last year.

Both for fourth quarter and 2022 as a whole, we see record-high net income to equity holders of Telenor. This comes mainly from the closing of the merger in Malaysia, combined with ordinary result and tax effects result in net income of 38 billion in the quarter and 45 billion for the full year. In line with our strategy to reshape Telenor, we organised mobile businesses in Asia in a legal entity under Telenor Asia. As part of this process, a deductible tax loss of Norwegian kroner 14 billion has been realised. These losses have already been incurred and recognised in the financial accounts in previous periods, but the tax impact of the previous accounting losses are now realised. It is worth noting that closing of the transaction in Thailand will generate similar type of effects in 2023.

As Sigve mentioned yesterday, we closed the sale of the 30 percent of the fibre business in Norway. This will contribute to 10.8 billion in cash flow and have a positive impact on equity in the first quarter.

CapEx in the quarter came in at 4.5 billion or 18% of sales. For the full year, CapEx to sales ended at 16.8%. With regards to the leverage ratio, we are adjusting the calculation to account for dividend for associated companies following the deconsolidation of the assets in Asia. Based on the adjusted definition, the leverage ratio at year end stood at 2.2 times.

Turning to cash flow. Free cash flow from operations in Q4 came in at 2.4 billion whereas cash flow from M&A was negative 1.6 billion. The negative contribution from M&A is a result of the deconsolidation of Digi and cash outlay in relation to closing of this transaction of 700 million kroner. For the full year 2022, free cash flow ended at 10.6 billion of which 9.9 billion was from operations and before M&A activities. This cash flow is slightly above the level that we outlined for 2022 on the CMD in September. Going forward, the free cash flow outlook, excluding M&A, remains unchanged from the CMD. The cash flow before M&A for 2023 is expected to come in below 2022 as the deconsolidation of the cash flows in Malaysia and Thailand will only be partly offset by dividends received. From 2024 and 2025, we expect to see a ramp-up in dividends from Asia which over time will make these transactions dividend [indistinct] to the shareholders of Telenor.

We expect to realise large synergies in both Malaysia and Thailand. The CelcomDigi transaction in Malaysia is expected to have a shorted integration period than Thailand before we reach the full run rate of synergies. In the Nordics, we expect to see improved free cash flow contribution throughout the period, supported by both EBITDA growth and a nominal CapEx reduction of around 2 billion in the period 2022 to 2025.

Our results cash flow and strong financial position enable us to deliver in line with our dividend policy. For 2022, shareholder remuneration will include both ordinary dividends and share buybacks. The share buyback is based on the sale of the 30% of the Norwegian fibre business. Following the EGM last week, the board intends to use 35% of the proceeds from the sale for share buybacks. The buyback program will start now in February and an agreement is in place to redeem a proportionate share of the Norwegian state’s shareholding. The proposed ordinary dividend is 9.4 kroner per share which is in line with the policy to have a nominal increase in dividend per share. The proposal is subject to approval by the AGM in May, and the pay-out is planned in two tranches of 5 kroner per share in May and 4.4 kroner per share in October.

Then let me round off with a view on the outlook for 2023. From Q1 this year, we will change the reporting structure to reflect the new business area structure. In line with a strategy as outlined on the CMD and based on the changes we are making to our portfolio, our guidance for 2023 is related to the Nordics’ operation. In the Nordics in 2023, we expect low to mid-single-digit growth in both organic service revenue and EBITDA, and we expect a CapEx to sales ratio of around 17%. Looking further ahead, we see a mid-term outlook for low to mid-single-digit growth in revenue and mid-single-digit growth in EBITDA. This is unchanged from the mid-term outlook we presented at the CMD.

We are now also able to add some more flavour on our expected CapEx profile in the Nordics, and this is showing our ambition to cut CapEx in nominal terms by around 2 billion in the period from 2022 to 2025. These ambitions are consistent with the cash flow outlook we have presented our capital allocation priorities and our stated dividend policies. With that, I would like to thank you for your time and welcome Sigve on stage.

**Sigve Brekke:** Yeah. Thank you Tone, and then we are ready for questions.

**Tone Hegland Backe:** Yes.

**Sigve Brekke:** So please open up the line.

**Operator:** Thank you. Ladies and gentlemen, to ask a question today, please signal by pressing star 1 on your telephone keypad. That is star 1 for your questions today. And our first question comes from Peter Nielsen of ABG. Please, go ahead.

**Peter Nielsen:** Thank you very much. Good morning, and congrats on the completion of the decommissioning In Norway. It’s obviously been a long-term project. It’s been fascinating to follow. One question, please. Sigve, as you said initially, [indistinct] has been aided and supported by OpEx reductions, and you have an ability of reducing your OpEx by 1–3% going forward. So my question is, do you think it has become more difficult in this environment, but also, do you think that you will become less dependent on OpEx reductions going forward, given that we have a [indistinct] improved growth profile in the Nordic countries with [indistinct]? Will that make you less dependent on the OpEx reductions from [indistinct] growth? And then just a quick follow-up if I may. Sigve, you highlighted at the beginning a new ambition for the infrastructure business to continue to crystallise value as you’ve done with the fibre transaction with [indistinct] fibre [indistinct]? Do you think, Sigve, in the new environment, higher interest rates, this has become more difficult to crystallise those values in line with what you had anticipated in your ambitions? Thank you.

**Sigve Brekke:** Thank you for the question, Peter. To the first question. What we said at the Capital Market’s Day, we are not going to change that. We talked about a revenue growth but we also talked about continued cost reduction, 1–3% as you mentioned it. So we are going to continue with that, and that’s why we are so focused on the modernisation programs that we have both in Norway but also throughout the Nordics. So that’s why we maintain the same guiding on low to mid-single-digit revenue growth, and mid-single-digit mid-term EBITDA growth. Which means that for us to achieve that, we need to continue the cost focus that we have. So no change to that. On your second question, what we also said at the Capital Market’s Day was that we will look at our towers, our Nordic tower infrastructure. And I think we said, Tone, that within a period of 12–24 months, we will look at crystallisation alternatives. And that’s exactly what we are doing now. I cannot comment on the interest environment or the macroenvironment, but we are quite happy with the closure of the fibre deal also in the midst of all the uncertainties. We got, as far as we see it, a good deal and a good [indistinct].

**Peter Nielsen:** Thank you.

**Operator:** Thank you. And we’re now moving on to Frank [indistinct] of D&B. Please, go ahead.

**Frank:** Yes, and congrats on a fairly strong result. My question would be really on the customer additions or subscriber additions in Norway. They were a bit lighter than we had been looking for and down some 60,000, I think year on year. How do you see the consumer in Norway now reacting to the consumer, the pressures that are going on? How do you see that as affecting the more price sensitive segments of your customer base? Is that something that you are observing during the quarter and what are your concerns or lack thereof going forward in that respect? Thank you.

**Sigve Brekke:** Thank you, Frank. Let me answer with a general answer first, and then I will be a little bit more specific. We have done price adjustments across all our four Nordic markets and also across most of the customer segments that we have. I think my general observation is that we haven’t really seen a challenge when it comes to affordability across our four Nordic markets so far. So they’re reacting well to the price adjustments that they have done, and the reason or the way they’re doing, it’s trying to follow the more for more when we do these adjustments. I think that the network quality and also quality of the products and services that we have, it’s well received by our customers. So, so far, no real price sensitivity in relation to more the macro or inflationary interest rate environment. Then to Norway. Yes, you are correct. We lost some customers in Norway during the year. This is mainly prepaid customers and customers coming from the price sensitive segments. The Norwegian market has been, is and will be competitive. However, we don’t see that competitive intensity is changing a lot. We were the first one that adjusted our prices in Norway. It took some time for our competitors to do the same, and that could have been some of the effects that we have seem when some of their price sensitive customers have turned out.

**Frank:** Thank you.

**Operator:** Thank you. And up next, we have Andre [indistinct] of UBS. Please, go ahead.

**Andre:** Good morning. Thanks for taking the question, and congratulations on the strong results. I had one follow-up on EBITDA and then a question on CapEx [indistinct]. So on the EBITDA, ‘cause if you look at the building blocks and in terms of energy, for example, [indistinct] maybe a stable over year development. On a net basis the copper legacy [indistinct] the cost takeout should be again roughly neutral. I’m just wondering in terms of the top line growth feeding in the EBITDA, is EBITDA expectations largely a function of the top line growth next year or is there some cost takeout beyond the structural things that we’re aware of, i.e. primarily the legacy takeout? And then a question on CapEx, please. So you’re guiding for a 2 billion decrease which is a pretty big number [indistinct] your full year Nordic CapEx. So where is that exactly coming from, and can you confirm in terms of the fibre rollout funds that you had about half a million [indistinct] as you mentioned at the CMD. Is this entirely covered by the 30% stake sale that you’ve just finished, and how long do you expect to cover, how long do you expect it to take to cover these half a million [indistinct]? Thank you.

**Sigve Brekke:** Wow. A lot of questions there, Tone.

**Tone Hegland Bachke:** Yep. On the EBITDA for 2023, we are guiding on a low to mid-single-digit growth on EBITDA. This of course encompass all the effects of what we are doing, including the effects on EBITDA of the copper decommissioning. And as you saw, we will continue to have some year over year impacts on that. At the same time, as Sigve said, we are executing and continue to execute on the modernisation agenda we have for the Nordics and the plan we have towards 2025 remains unchanged. So there will be mixed effects in the EBITDA development in 2023, as we see every year. And energy is, correctly as you say, one of these key elements. So then to the CapEx. Yes, we are giving you more flavour to how we see the CapEx into 2025. In 2022, we had very high investments throughout the portfolio, and it is of course linked to the 5G rollout and the fibre rollout. We are now around 65% coverage in Norway which is the biggest investment that we’re making, and towards the period 2025, we expect the 5G rollout to ease off, as well as there might be less investments in fibre when we reach that point of 2025. So it is related to the Nordic CapEx and it is both related to 5G and other network related investments but also the fibre. And then, I must admit, I was a bit struggling on your question on the fibre, but it is fact that we are splitting up out the fibre now into a separate company, and 30% of that is then what is being entered into the agreement with KKR on, and the intention is that this split out covers the full portfolio related to the consumer fibre.

**Andre:** Thank you, Tone. And just to confirm the sale at 30%, the question was if the 30% covers in terms of CapEx the goal that you have, which you presented at the CMD which was covering an additional [indistinct] half a million [indistinct] with fibre [indistinct]. Is that fully covered by the divestment, was really the question.

**Tone Hegland Bachke:** Yes. If I understand you correctly, the CapEx we use for fibre is within the guiding and it’s also within the guiding going forward, and it is also, we are now realising 10.8 billion of investments and that is a key element of also our investment in fibre going forward.

**Andre:** Thank you very much.

**Operator:** Thank you. And now we’re taking a question from Maurice Patrick of Barclays. Please, go ahead.

**Maurice Patrick:** Good morning, guys. Thanks for taking the question. Just from my side, just on the monetisation of potential in towers and data centres. So you were very clear earlier talking about a 12–24 months process at the Capital Market’s Day. Do you think you will do all of those as infrastructure assets all in one go, or do you think you will split them into different elements? And I just noticed that Telia yesterday hinted that they’re pushing back the rooftop monetisation timeframe. So they indicated the high rates environment was pushing down prices from potential bidders. Does the recent environment impact your thinking of timing on that? Thank you.

**Sigve Brekke:** Yeah. I’m not able to answer your question, Maurice, because we are looking at different alternatives. We are looking at doing this on the Nordic level. We are looking at doing it on a country level. So that is the evaluation we are in the midst of. And that’s where we need some time here to do that. In the meantime, we are not rushing this, and that is not because of the macroenvironment. That is because we want to create an even better profitability of those infrastructure that we have. We are focused now on efficiency in the way we are running our tower infrastructure. We have now set up, as you know, infrastructure tower companies in all the Nordic countries, and we’re also focusing on getting more external revenues to lift the EBITDA here to have a better position when we potentially are monetising or crystallising this. So that’s what they are looking at. So the outcome of this could be various type of structures, and we will have to come back to that when we have finalised the view we have on this. Or the process we have on this.

**Maurice Patrick:** Thank you, Sigve. Thank you for that. Just as a quick follow-up, have you disclosed how many data centres you have or any data points regarding that? Maybe you have and I’ve missed it.

**Sigve Brekke:** What, the data centres you asked about or the towers?

**Maurice Patrick:** Yeah. Data centres.

**Sigve Brekke:** We have 18 data centres across the Nordics.

**Tone Hegland Backe:** Large data centres.

**Maurice Patrick:** 18 okay.

**Sigve Brekke:** The big ones.

**Maurice Patrick:** Okay. Thank you so much.

**Operator:** Thank you. And now we’re taking question from Luis Lecaroz of Credit Suisse. Please, go ahead.

**Luis Lecaroz:** Hi. Good morning. Thank you for taking in my questions. I have two, please. The first one is trying to understand a little bit better the competitive dynamics in both Sweden and Finland. I’ve seen an acceleration in terms of service [indistinct] news, and from what I can see, there has been a push in terms of marketing and sales into Q4 but also in Q3. How should be thinking about the 2023 dynamics? And specifically in Sweden, we heard from some of your peers different market sentiments in terms of consumers. Are you seeing any decline on consumer’s willingness to spend or not? The second one would be, you can give us an update on the Thailand merger? Have you more clarity now understanding potential remedies specifically on the price caps and the tower decommissioning? Thank you.

**Sigve Brekke:** Thanks for the question. When it comes to the competitive intensity, we don’t really see any change. All these markets are competitive. In Finland, we see the market leader it’s leading the pack, and it’s a healthy growing market. We still continue to migrate 4G customers over to 5G, and that’s an important part of the revenue growth and the EBITDA growth we see in Finland. So I don’t really see any change there. In Norway, I already commented on. In Sweden, it’s the same. The competition on the B2B segment has been and is still quite tough, and that’s why we see that we have less of a growth on the B2B segment than we have on the B2C. And we are quite happy with the EBITDA growth we actually saw in Finland also after the price adjustments that we had. So of course, I cannot rule out that we will have some more macroeffect or price sensitivity effects in Sweden going forward, but so far, we haven’t seen, the same as we have heard from our competitors. Then to Thailand. As I said, we are now in the final stage. We have called for a shareholder’s meeting to get the final approval, and that’s why I’m quite confident now that we will be able to close that transaction within this quarter. And I’m not able to give more insight or details than that.

**Luis Lecaroz:** Thank you very much. If I may follow on Finland and Sweden. Are you willing to pursue a similar strategy as in H222 to drive more [indistinct] and sales investment to achieve more service revenue growth into 2023? How should we be thinking about your marketing and sales study? Thanks.

**Sigve Brekke:** You should be thinking about it from what we have said, that we want to generate profitable growth across the Nordics. That’s on the revenue side, but that’s also on continue with our modernisation programs to reduce cost. That is something we have been working on now for several quarters, and I’m very happy to see that this is exactly what is coming true going forward. So it’s a mix. Of course, then on how much are you fuelling the market versus what are you getting back. But what we are measuring our management teams on, it’s actually cash flow included, also the investment part of it, but it’s very much the EBITDA growth because that’s the best measurement we have on what you call profitable growth. So we will be as aggressive as the market competition allows us to be and as aggressive as we see that a profitable growth will result in.

**Luis Lecaroz:** [indistinct] and thank you very much.

**Operator:** Thank you. And from Société Générale, we have Nick Lyall with our next question. Please go ahead.

**Nick Lyall:** Morning everybody. Can I ask two questions, please? Firstly, on the true business, true corporation. What visibility do you have on that dividend there? Because you’ve got a company that’s potentially very highly geared after the merger. So could you maybe update us on what you think the dividend policy might be or at least anything that you might have on dividend policy there? And second, just to go back to Andre’s question as well on these fibre homes, what’s gonna be the cost of the 500,000 extra homes on fibre do you think? Is it gonna be more of an overlay of fibre on the cable network or is it new homes that you’re doing with, 500,000 homes with new fibre? Thanks very much.

**Sigve Brekke:** I can answer on the Thailand question, and then you take fibre, Tone. I cannot give you all the details here of course, but as I said, these processes have taken time. In Thailand also about two years’ time, and that time we have used to detail out our business plan going forward together with our partner. And going forward, we now have an agreement on how about dividend policy should be. We have an agreement on that go to the market strategy. We have agreement on how to take out the cost synergies. But more in detail what that is, you have to wait before we can announce that. We have not announced any cost synergies in the Thai transaction, but we will do that if and when that transaction is closing. So the only thing I can say about that is what Tone already said. That both in Malaysia and in Thailand, our ambition is that this will be a dividend [indistinct] for Telenor going forward.

**Tone Hegland Backe:** And then to the fibre question.

**Nick Lyall:** Okay. Thanks.

**Tone Hegland Backe:** Yeah. As we said, we aim to take our significant share of the remaining homes to be connected on the fibre in Norway. We have talked about several times that we are going from a greenfield buildout to a more diverse buildout, and we see that also going forward. There are still greenfield areas which will be in the scope, but there is also and has been an increasing degree of densification. So going forward, this will be a mix of these two elements.

**Nick Lyall:** Okay. But there is no cable overlay in that as well, these new areas for Telenor fibre. It’s not covering existing fast broadband businesses like Cable or [indistinct] but it’s only cable areas?

**Tone Hegland Backe:** Yeah. It’s obviously not black and white, but we don’t see a big overbuild tendency in the Norwegian market yet. So we expect there to be limited overbuild, and there will maybe be some overbuild of old technologies, but it’s not a material part of the strategy going forward that is impacted by this.

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

**Operator:** Thank you. And up next, we have Andreas Joelsson of Danske Bank. Please, go ahead.

**Andreas Joelsson:** Good morning all, and thanks for taking my question. Turning to maybe the other parts of Asia, if you could give us an update on Pakistan. You mentioned, Tone, that it’s still tough. Is that what we should expect also for ’23 and maybe also your view on Bangladesh now when the SIM ban is being dropped? And secondly just a clarification. The guidance that you give for the Nordics, I think we should assume that that includes that you lose Fjordkraft to one of your competitors. Thanks.

**Sigve Brekke:** I think I can answer that. Yes to the last question. Of course. It’s assume that as a fact. In Pakistan, yes, we are still in a challenging environment in Pakistan. That being both interest rates, that being energy, that being currency and all the macro facts that we see. How it’s going to develop this year, it’s too early for us to say. In the midst of that, we are also then continue our strategic review, as I have talked about now in the last two quarters. In Bangladesh, we see the growth is coming back after COVID. It took much longer time to recover from COVID in Asia, also in Bangladesh, than what we expected. Now we are back. The markets are open there. The consumers are back in doing business, and we see that normality in a way has come back. The issue we’ve had in Bangladesh over the last half year, as I guess you know, is the SIM ban. We were not allowed to cell SIM due to the regulator’s view on our [indistinct] service, meaning the network quality. Fortunately, we have now been able to agree with the regulator on that, so we are back full force also on the sales side. So that’s why you see that we were affected both in the third quarter and in the fourth quarter due to the SIM ban but now we are back in a more normalised also situation when it comes to take our fair share of the subscriber [indistinct].

**Andreas Joelsson:** Very clear. Thanks.

**Operator:** Thank you. And next, we have Usman Ghazi of Berenberg. Please, go ahead.

**Usman Ghazi:** Hello. Thanks [indistinct]. I just have a question regarding a comment in the report about [indistinct]...

**Sigve Brekke:** You have a, sorry. You have a very bad line. We cannot hear you. It’s impossible to hear you.

**Usman Ghazi:** Ah, okay.

**Tone Hegland Backe:** Better now, Usman.

**Usman Ghazi:** Is it better now? Okay, great. In the report, there is a mentioning [indistinct] that you received in January. It says the exposure is 800 million [indistinct] interest charges. Could you perhaps [indistinct] what [indistinct] exposure will be [indistinct] in January [indistinct]. And just related to this, what impact has this ruling have on the broader exposure you have in Bangladesh [indistinct]?

**Sigve Brekke:** Could you hear that?

**Tone Hegland Backe:** Usman, it’s a very bad line, but are you asking about the 2G VAT case in Bangladesh?

**Usman Ghazi:** Yes. [indistinct] what your exposure is [indistinct] and what does [indistinct] ruling means with the [indistinct] exposure that you have in Bangladesh [indistinct].

**Tone Hegland Backe:** Yes. I believe I understand your question. So we make the provision we do, as you point to now, based on that generally oral confirmation from the government. We believe that the provisions we made are, as always, in line with our expected outcome of the case. Then we will have to evaluate once we get the written paper from the government whether there are needs to do adjustments. This case is an old case. It’s part of the overall picture that we have in Bangladesh, and sometimes these go in our disfavour and sometimes they go in our favour. As you recall, in the third quarter, we had a big positive impact from a case in Pakistan that went in our favour. So going forward, we continue to maintain provisions in line with our expected outcomes of these various cases, and then we are adjusting as new information or as there are final confirmations from the legal system or the authorities on these cases.

**Usman Ghazi:** Thank you.

**Sigve Brekke:** Okay. Next caller.

**Operator:** Thank you. And up next we have Adam Fox-Rumley of HSBC. Please go ahead.

**Adam Fox-Rumley:** Thank you very much. I just had two quick follow-ups, really. [indistinct] Pakistan, I just wondered if I could push you a bit more, because local press, I think I’ve seen this week, is suggesting the sale is getting pretty close, so if there is anything more you’re able to say, whether or not that is reported. [indistinct] That would be helpful. And then secondly, I wanted to ask about your conversations with credit rating agencies in light of the restructuring of the group. It strikes me that your adjusted net debt EPITDA calculations a little unusual, taking the contributions from dividends but then deconsolidating the debt which presumably is not the way that the rating agencies are going to be looking at it. So if you could just talk about how those conversations are evolving, that would be helpful. Thank you.

**Sigve Brekke:** Yeah. On Pakistan, I think there have been rumours for the last almost a year after we announced that we are going to do a strategic review. We are not commenting on rumours, so I cannot comment on the report or the media article that you are referring to. What I can say is that we are looking at all different options for Pakistan going forward. After we hopefully are concluding also the merger in Malaysia, we will have number one positions in three of our markets in Asia, and that’s why we also see what can we do in Pakistan. But all options are on the table, and we are still in the midst of reviewing our strategic alternatives. I cannot say more than that unfortunately.

**Tone Hegland Backe:** Yes. And on leverage, we are correctly as you say, given that we no longer control Digi, we are deconsolidating both the EBITDA of Digi and the debt of Digi. So that means that if you take both of those out, there is no impact from Digi on the leverage ratio. However, we of course have the financing of the asset in our debt base, the group debt of around 7 billion euros. So then it is natural to also include some debt servicing capacity for that asset, and then we have ended on the definition where we include the dividend received from associates in the net debt to EBITDA calculation. From our view and from our discussions with the credit rating agency, this is fully in line with also how they consider this kind of assessment related to associated companies. So this is a dialogue we have had with them for a period as we’ve worked on this transaction for a long time, as you know, so we believe that this is fully in line with the way they also are assessing this from their perspective.

**Adam Fox-Rumley:** Okay. Thanks very much.

**Operator:** Thank you. And our next question comes from Andrew Lee of Goldman Sachs. Please, go ahead.

**Andrew Lee:** Good morning, everyone. Just had a couple of questions on M&A and portfolio management. I just wondered if you could update us on the potential timeline and your ambitions for a secondary listing in Asia. Has anything changed on either of those since your Capital Market’s Day? And then just secondly, a few questions and invested attention around the Swedish spectrum auction that’s coming up at some point this year. Sigve, in the past, you’ve suggested that you might be open to pursuing in market consolidation in a couple of your Nordic markets, and we’re seeing attempts elsewhere in Europe on that front. Any change or acceleration in timeline or additional incremental thoughts that you can add on the justification or ability to go for a market consolidation [indistinct] to that Swedish spectrum auction? Thank you.

**Sigve Brekke:** Now, to your first question, there is no update on this different from what we said at our Capital Market’s Day. We are pursuing now, we wanted to close those two or the remaining merger in Thailand. We are, as I already talked about, reviewing Pakistan, and on top of that, we are also reviewing what we could do in Asia as a whole also more on the regional level, but I have no news on that. On the Sweden and Denmark, of course we are following the merger processes that is going on in Europe. We are following what the competition authorities in the EU, how they will look at that, if that is different from when we try merge with Telia in Finland now six years ago, but I have no updates on our plans or our observations or our thinking around it.

**Andrew Lee:** Okay. Thank you.

**Operator:** Thank you. And up next is Francesca Schild from BNP Paribas Exane. Please, go ahead.

**Francisca Schild:** Great. Thanks very much. I’ve just got two questions, please. Firstly on working capital. So in your report, you referenced positive changes in working capital contributing to [indistinct]. So could you please just elaborate a bit more on this and the moving parts within that, including any headwinds that we should look out for in 2023? And then the second question is just on guidance, and so getting from your Nordic EPITDA guidance for low-mid-single-digit growth this year to your medium [indistinct] guidance of mid-single-digit growth. Could you just explain the drivers of the improvement and also any headwind we should look out for here? Thank you.

**Tone Hegland Backe:** Yes. Let me start with the working capital. We in 2022, fell in neutral on working capital compared to 2021. However, we saw in the first half of the year that we had a somewhat negative development, and we have been focusing on this, as we always are, but it has been one of the key focus areas in 2022. And we saw the trend turning, as we also said in the second quarter. Then of course, there are different elements, and as you allude to, different parts in this portfolio, but overall, we believe it is a good status of a year end 2022. When it comes to the guidance, this guidance reflect the outlook as we see it for the Nordics. It is that we are in market environment. We are macroeconomic, and that is also impacting our perspective. We have talked about the energy impact that we’ve seen in 2022, and we’re giving you the indication of what we see now, where we stand today for 2023. And we have also given you the detailed information on the copper decommissioning and the impacts that has had and also the impact that it will have in 2023. So I believe that is kind of providing the framework around the guiding that we are now giving to the market.

**Sigve Brekke:** And with that Tone, I don’t think there are any more callers, so thank you very much for listening in, and thanks for your questions.

**Tone Hegland Backe:** Thank you.

**Sigve Brekke:** Thank you. Have a good day.