MOODY'S INVESTORS SERVICE

CREDIT OPINION
15 April 2019

Update

Rate this Research

RATINGS

Telenor ASA

Domicile	Norway
Long Term Rating	A3
Type	Senior Unsecured - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Carlos Winzer +34.91.768.8238
Senior Vice President
carlos.winzer@moodys.com

Ivan Palacios +34.91.768.8229
Associate Managing Director
ivan.palacios@moodys.com

Pilar Anduiza +34.91.768.8220
Associate Analyst
pilar.anduiza@moodys.com

Telenor ASA

Update following offer to acquire DNA

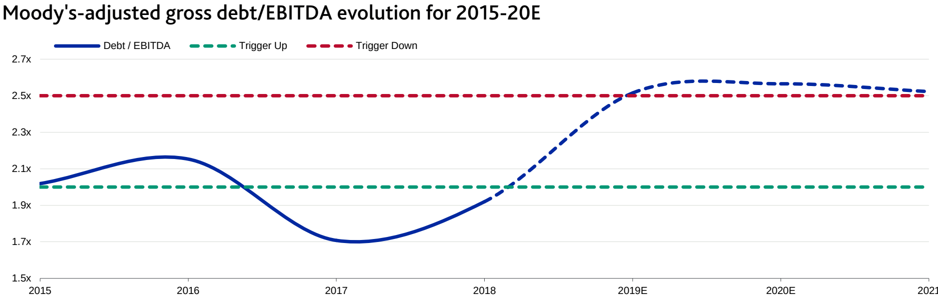
Summary

Telenor ASA's (Telenor) A3 rating reflects (1) its moderate scale; (2) its position as the incumbent integrated company in Norway (Aaa stable); (3) its leading mobile telephony operations in Asia; (4) its geographical diversification in the Nordics; (5) the company's expected stable operating performance in 2019; (6) its sustainable strong cash flow generation; (7) management's focus on maintaining solid credit ratios in the range of 1.5x-2.0x reported net debt/EBITDA; and (8) the expectation that financing for the DNA Oyj (DNA) transaction will be put in place in the coming months so that Telenor's liquidity is not compromised.

Telenor's rating also reflects (1) its high exposure to emerging market volatility, which is partially offset by management's track record of executing its international diversification strategy, including the acquisition in Finland; (2) intense competition in some markets, including Denmark, Thailand, Malaysia and Myanmar; (3) spectrum payment needs in and outside the Nordic region; (4) the group's complex ownership structure, with a number of subsidiaries that are fully consolidated but not fully owned; and (5) a degree of structural subordination risk (which will decline after the DNA's acquisition because of the increase in debt at the holding company to fund the deal) because of substantial third-party debt raised at the subsidiary level.

Telenor qualifies as a government-related issuer (GRI) because it is 54% government owned. The A3 rating benefits from a one-notch uplift because of the implicit government support and reflects the combination of the following GRI inputs: (1) a Baseline Credit Assessment (BCA) of baa1, (2) the Aaa stable local-currency rating of the Norwegian government, (3) the low default dependence between Telenor and the government, and (4) the low expectation of support from the government.

Exhibit 1
We expect Moody's-adjusted leverage to peak at 2.6x after the transaction
Moody's-adjusted gross debt/EBITDA evolution for 2015-20E



Forward view pro forma for the acquisition of DNA Oyj, assuming Telenor acquires 100% of DNA shares.
Sources: Moody's Financial Metrics™, Moody's Investors Service estimates

Credit strengths

- Moderate scale, integrated business model and broad geographical diversification
- Leading market positions in most of its markets
- Good progress in delivering cost-efficiency measures, which supports its higher-than-peer EBITDA margin
- Conservative financial policy and liquidity management
- Management's focus on maintaining solid credit ratios in the range of 1.5x-2.0x reported net debt/EBITDA
- Expected stable operating performance in 2019

Credit challenges

- High exposure to emerging market volatility, partially offset by management's track record of executing its international diversification strategy
- Intense competition in some markets, including Denmark, Thailand, Malaysia and Myanmar
- Spectrum payment needs outside the Nordic region
- Increased leverage following announced acquisition of DNA Oyj
- Degree of structural subordination

Rating outlook

We expect (1) the group to report adjusted retained cash flow (RCF)/debt in the low 20s in percentage terms; and (2) its debt/EBITDA to peak at 2.6x (assuming full ownership of DNA), and then remain within the 2.5x threshold for the A3 rating.

The stable rating outlook reflects our expectation that while Telenor's ratios will be initially weakly positioned, with no headroom for operating underperformance or additional debt-financed shareholder remuneration plans, we expect management to continue to execute a well-designed strategy, pursue a conservative financial policy and maintain adequate liquidity.

Factors that could lead to an upgrade

We would consider upgrading Telenor's rating if the group's credit metrics improve such that its (1) adjusted RCF/debt is sustained in the high 30s in percentage terms, and (2) adjusted debt/EBITDA drops consistently and remains comfortably below 2.0x.

In addition to the factors listed above that affect Telenor's BCA, the group's rating could be affected by changes in the rating of the supporting government or changes in our assessment of default dependence and government support.

Factors that could lead to a downgrade

Negative rating pressure could develop if Telenor's (1) adjusted RCF/debt were to deteriorate to the low 20s in percentage terms on a sustained basis, or (2) adjusted debt/EBITDA were to increase significantly above 2.5x. Furthermore, significant investments in emerging market assets would also strain Telenor's current rating, even without considering the effect of such investments on the group's credit metrics.

Key indicators

Exhibit 2
Telenor ASA

Telenor ASA

NKRONE Millions	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Proj-2019	Proj-2020	Proj-2021
Revenue	99,138	111,443	128,175	125,395	112,069	110,362	119,647	120,833	121,357
Debt / EBITDA	1.9x	2.1x	2.0x	2.2x	1.9x	1.9x	2.5x	2.6x	2.5x
RCF / Debt	38.7%	23.3%	24.5%	26.4%	31.7%	29.4%	20.1%	19.6%	19.8%
(EBITDA - CAPEX) / Interest Expens	7.9x	9.4x	8.0x	7.1x	8.4x	8.1x	7.3x	7.2x	7.4x
Net Debt / EBITDA	1.5x	1.8x	1.7x	1.7x	1.3x	1.5x	2.4x	2.5x	2.4x
RCF / Net Debt	46.9%	27.3%	28.8%	34.2%	41.9%	36.9	20.9%	20.4%	20.6%

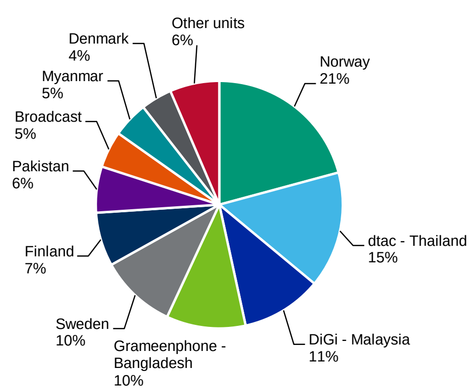
Projections pro forma for the acquisition of DNA Oyj, assuming Telenor acquires 100% of DNA shares.
All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's Financial Metrics™

Profile

Telenor ASA (Telenor) is the leading integrated telecommunications provider in Norway. The company delivers a full range of services and products, including mobile and fixed-line telephony, broadband and datacom services for residential and business customers, and a broad range of wholesale services. Telenor is also a leading provider of television and broadcasting services in the Nordic region. In addition, the company is one of the leading international providers of mobile services, with around 174 million mobile subscribers worldwide as of December 2018. The company's activities outside its home market include mobile and fixed operations in Sweden and Denmark, and mobile operations in Thailand (dtac), Malaysia (Digi), Bangladesh, Pakistan and Myanmar. In March 2018, the company announced the sale of its Central and Eastern European assets (Hungary, Bulgaria, Montenegro and Serbia) to PPF Group for €2.8 billion. Telenor is majority owned by the Government of Norway, which holds a 54% stake in the company.

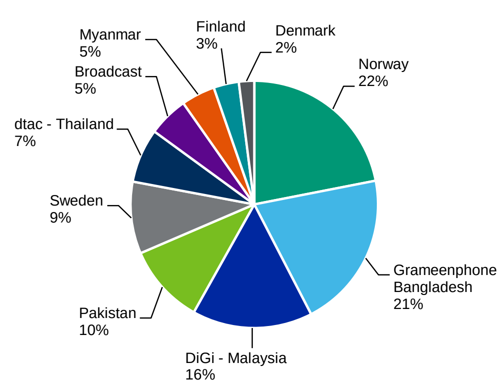
On April 9, 2019, Telenor announced the proposed acquisition of a majority stake (54%) in DNA Oyj (DNA), the third-largest integrated telecommunications provider in Finland, from the two largest shareholders, Finda Telecoms Oy (Finda) and PHP Holding Oy (PHP), which own 28.3% and 25.8% stakes, respectively. Telenor proposed a consideration of €20.9 per share in cash, in total €1.5 billion (around NOK14 billion), which implies a multiple of 11.1x its adjusted EBITDA for fiscal 2019.

Exhibit 3
Norway and Thailand are the largest contributors to Telenor's revenue
Revenue breakdown by geography pro forma for the acquisition of DNA (12 months ended December 2018)



Before eliminations
Source: Company reports

Exhibit 4
Norway, Bangladesh and Malaysia are the largest contributors to Telenor's cash flow (EBITDA minus capital spending)
EBITDA minus capital spending excluding spectrum breakdown by geography pro forma for the acquisition of DNA (12 months ended December 2018)



Before other units and eliminations.
Source: Company reports

Detailed credit considerations

Reduced financial flexibility after the transaction

On April 9, 2019, Telenor announced the proposed acquisition of a majority stake (54%) in DNA from Finda and PHP, which own 28.3% and 25.8% stakes, respectively. Telenor proposed a consideration of €20.9 per share in cash, in total €1.5 billion (around NOK14 billion), which implies a multiple of 11.1x its adjusted EBITDA for FY2019. Completion of the transaction will trigger a mandatory public tender offer for the remaining outstanding shares in DNA by Telenor.

Telenor said that as a result of this deal, leverage would increase to 1.3x pro forma for 2018. This is below its target reported net leverage of 1.5x-2.0x. The transaction is subject to approval by general meetings in Finda and PHP. Certain shareholders in Finda and PHP have (through irrevocable undertakings) agreed to vote in favour of the transaction in the Finda and PHP general meetings. The deal is also subject to customary regulatory review and is likely to close in the third quarter of 2019.

We expect Telenor's adjusted debt/EBITDA to increase to 2.6x from 1.9x in 2018 after transaction closing and assuming the acquisition of 100% of DNA's shares after the mandatory tender offer. We assumed that the debt financing for the DNA transaction plus shareholder distributions of around NOK19 billion in 2019, including dividends of NOK12 billion and share buybacks of NOK7 billion, will reduce Telenor's financial flexibility and its Moody's-adjusted leverage will be close to the maximum leverage threshold for the A3 rating category of 2.5x. We also estimate that the company's RCF/adjusted debt will weaken to around 20% after the transaction from 29% in 2018.

From a financial perspective, Telenor follows a balanced financial policy between shareholders and creditors. The group's capital allocation priorities are to (1) maintain a solid balance sheet, and (2) aim for annual growth in dividend per share. However, we noted that the company has recently narrowed its reported net leverage target from below 2.0x to 1.5x-2.0x to optimise its capital structure.

In connection with Telenor's increased leverage, the company announced its intention to sustain its share buyback programme of 3% (around NOK7 billion per year) in addition to the debt-financed DNA deal. This follows a share buyback programme announced in June 2018 on the back of a solid balance sheet and proceeds from the sale of its Central and Eastern European assets (NOK22 billion).

Additionally, the company has announced its intention to pay a dividend of NOK8.4 per share for 2018 (4% increase compared to 2017). In 2018, the company paid an ordinary dividend of NOK8.1 and a special dividend of NOK4.4 per share (around NOK6.5 billion) with the proceeds from the sale of its Central and Eastern European assets.

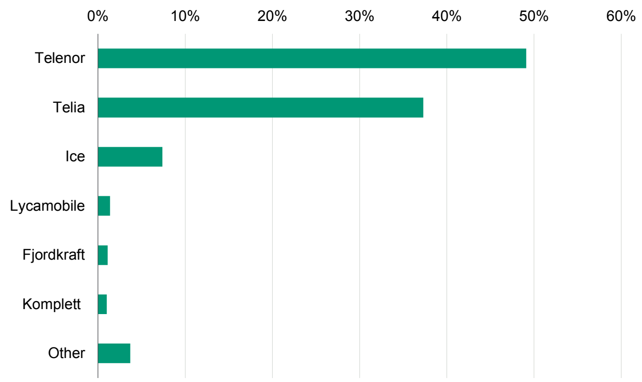
Scale, integrated business model and broad geographical diversification strengthened by the DNA acquisition

Telenor's rating reflects its moderate scale, with revenue of NOK110 billion in 2018 and a good geographical diversification. DNA's acquisition will increase Telenor's FY2018 revenue and EBITDA by NOK8,750 million and NOK2,734 million, respectively. We believe Telenor's entry into Finland gives it exposure to a growing mobile market that complements its existing operations in the Nordic region. We support the strategic rationale of the acquisition because it strengthens the company's footprint in the Nordics while allowing it to gain a solid position across the fixed and mobile segments in the Finnish market.

Telenor's well-diversified revenue stream has been beneficial for the group, allowing it to offset slightly the weaker revenue growth in its domestic market in Norway with the group's strong performance in emerging markets in Asia despite high exposure to currency depreciation.

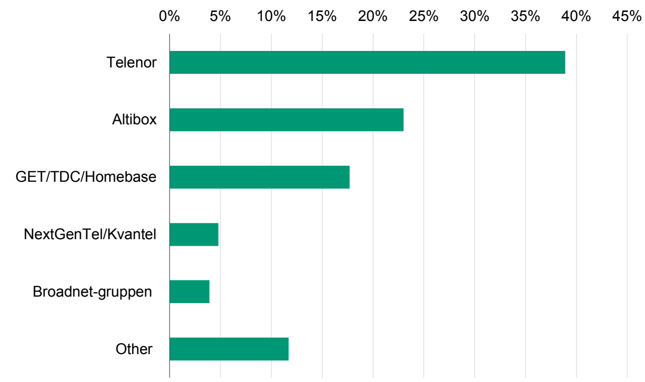
Telenor holds strong market positions in a number of countries: Telenor is the dominant company in Norway, where it operates an integrated business model, and is ranked number one or two in all the other countries where it operates in Europe and Asia, except Thailand (where it is ranked number three).

Exhibit 5
Telenor has a dominant position in its domestic market
Norwegian mobile market share based on subscribers



Data as of H1 2018.
Source: Norwegian Communications Authority

Exhibit 6
Telenor has a dominant position in its domestic market
Norwegian fixed-broadband market share based on subscribers



Data as of H1 2018.
Source: Norwegian Communications Authority

A highlight of Telenor's expansion in Asia is its business in Myanmar, which was launched commercially in September 2014. The company rapidly gained scale, with over 17 million mobile subscribers as of December 2018. However, the number of subscriptions decreased by around 12% in 2018, while organic subscription and traffic revenue decreased by 11.3% in Q4 2018, weakened by aggressive competition after the entry of a fourth competitor in 2018. The new entrant was allowed to price below the price floor set by the regulator until September 2018, which has increased price competition further. We expect competition to continue to implement aggressive offers to build market share, although all companies compete under the same regulatory conditions now. The sharp reduction in average revenue per user (ARPU), which was NOK26 as of December 2018 compared with NOK52 as of Q1 2015, is a clear indicator of this underlying trend.

Telenor to benefit from Finland's stable operating environment although intense competition in key markets remains; strong growth in emerging markets

We believe Telenor will benefit from DNA's strong operating performance (+3.1% net sales in FY2018) and Finland's stable operating environment, which supports a rational pricing environment. Market growth in Finland has been higher than that in other European markets, with service revenue growing at a compound annual rate of 4.8% over 2016-18, and ARPU has been increasing over the past five years. In addition, average prices are relatively low by European market standards, leaving little room for discounted offers by mobile virtual network operators, which only have 1%-2% share of the market.

In 2018, Telenor exhibited lower revenue growth trends, with organic revenue growth of 0.2% (2.4% in 2017). Solid top-line growth in emerging markets in Asia was offset by fierce competition in Myanmar and subscriber losses in Thailand. Particularly in Bangladesh, subscription and traffic revenue grew by an estimated 7% in 2018 in local currency (11.3% in Q4 2018). Pakistan also reported solid growth, despite intense competition, with subscription and traffic revenue (organic) up around an estimated 7% in local currency in 2018 (12% in Q4 2018), driven by mobile subscriber base growth of 4.5% and ARPU growth of around 2.4% in 2018 (+6% in Q4 2018). However, Myanmar's organic subscription and traffic revenue declined by an estimated 6% in 2018 (-11.3% in Q4 2018) as a result of aggressive competition.

In Telenor's core market, Norway, subscription and traffic revenue declined by an estimated 1% in 2018 (-2% in Q4 2018) because fixed-broadband revenue remained under pressure as growth in the number of fibre customers was offset by the declining legacy revenue. Norway's mobile subscription and traffic revenue was stable in 2018, while the total number of mobile subscriptions decreased by 1% and mobile ARPU remained stable as growth in subscriptions with higher data bundles was partly offset by the effect of the three- or five-digit number regulation. Total revenue in 2018 was stable, weakened by the effect of regulation and the migration of Phonero to Telia Company AB (Baa1 stable)'s network, which together amounted to around NOK600 million.

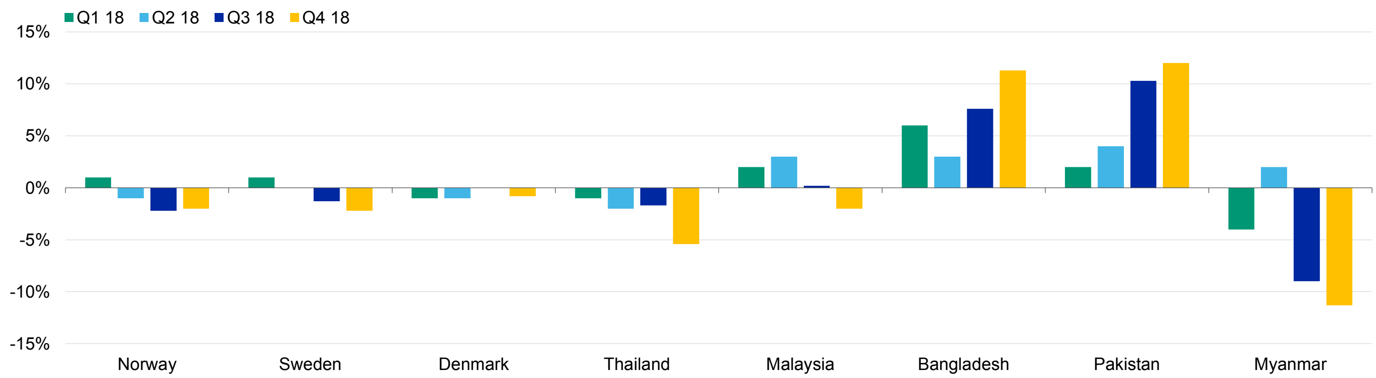
In the mature market in Asia, which includes Thailand (dtac) and Malaysia (Digi), performance has been weak because intense competition in the prepaid segment is resulting in subscriber losses. However, Telenor is taking steps to reverse this trend by shifting both brands towards the postpaid converged market, characterised by higher ARPU and less-aggressive device discounts. In Thailand, subscription and traffic revenue decreased by an estimated 3% in local currency (-5.4% in Q4 2018) as a result of subscriber losses. Management believes that the company will be able to return to growth in 2019 in Thailand by focusing on growing the top-line and improving network quality. In Malaysia, subscription and traffic revenue increased by 1% in 2018 as a result of continued data growth and higher postpaid subscriptions. However, the number of subscribers declined by 1%, driven by prepaid subscriber losses.

For full-year 2019, management has guided for organic subscription and traffic revenue growth (excluding Thailand) of 0%-2%. In the medium term, management aims to grow annual revenue in the low single digits in percentage terms. We expect organic revenue growth of 0.5%-1% per year excluding Thailand, supported by (1) growth in data demand in emerging markets in Asia on growing real smartphone penetration and more affordable smartphones; and (2) continued upselling in mobile in Norway on growth in data usage.

Exhibit 7

Subscriber and traffic revenue growth in Bangladesh and Pakistan offset by fierce competition in key markets

Organic subscriber and traffic revenue growth by region (Q1 2018-Q4 2018)



Source: Company reports

Cost-savings programme to support EBITDA margin expansion

Telenor's solid organic EBITDA growth of 3% in 2018 was mainly driven by operating spending savings. In Q1 2017, Telenor announced an ambitious cost-saving programme that aimed to reduce operating expenses by 1%-3% annually between 2018 and 2020. Improved cost efficiency will stem from (1) workforce reductions, as the company shifts its customer service to digital channels; (2) lower marketing and sales spending; (3) a decrease in regulatory costs in Thailand because of the shift from a concession regime to a licence regime; and (4) lower operating spending stemming from IT system simplification, among others.

Telenor has so far demonstrated its ability to deliver on its strategy, having met in 2017 its NOK1 billion operating expenditure savings target in the first nine months of 2017. In total, operating expenditure savings in 2017 amounted to NOK1.6 billion. The company also met its full-year 2018 target of 1%-3% reduction in operating expenditure and accounted for NOK1.2 billion in savings in 2018.

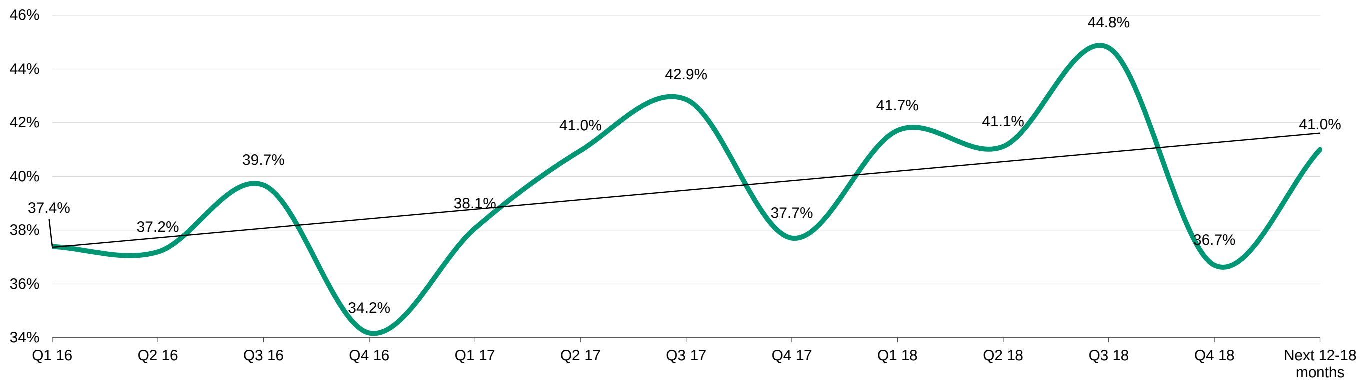
Management expects this momentum to continue into 2019 and has guided for organic EBITDA growth (excluding Thailand) of 1%-3% for the full year. While there is uncertainty regarding the sustainability of operating spending reductions in the medium term, Telenor remains confident that lower sales and marketing spending (accounting for 22% of the operating spending reduction) will not compromise the company's market position in countries with intense competition.

We expect EBITDA margin to increase slightly to around 41% in the next 12-18 months from the current estimated pro forma EBITDA margin of 40.5%, a level that remains above the European telecom companies' average of around 35%. However, we note that although DNA's EBITDA margin is improving, it is slightly below that of its European peers at around 31%, which has a dilutive effect on the company's margins. We expect DNA's EBITDA margin to improve to around 34% in 2019, in line with the company's guidance.

Exhibit 8

Telenor's cost-saving programme drives EBITDA margin expansion

EBITDA before other income and other expenses and EBITDA before other income and other expenses margin evolution



Forward View pro forma for the acquisition of DNA

Source: Company reports

Lower capital spending intensity to support cash flow generation, while spectrum-related risks in Thailand have faded away

Over the past few years, Telenor made substantial capital spending investments, including (1) the rollout of 3G and 4G coverage in Norway and Thailand, (2) capital spending in Myanmar to expand its network coverage and enhance its capacity to cope with the strong demand for voice and data, and (3) investments in its backhaul capacity.

In Norway, Telenor has reached 99% population coverage on 4G and is ranked the fastest network in the country, with an average speed of 72 megabytes per second. Additionally, the transaction will allow Telenor to consolidate a fully integrated operator with third, second and first positions in mobile, broadband and cable TV in Finland, respectively. Heavy investments in the past to improve 4G mobile and the quality of cable networks have allowed DNA to become the leading operator in pay-TV and the second- and third-largest operator in broadband and mobile, respectively.

DNA owns a fully invested 4G mobile network and holds a strong spectrum portfolio. This, coupled with the low population density in Finland, allows the company to have more spectrum per capita than other European operators. Additionally, DNA's cable network covers around 85% of the country.

In Thailand, the company has reached 94% 4G population coverage. In April 2018, dtac signed an agreement with the Telecom Organization of Thailand for using the latter's 2.3-megahertz (MHz) spectrum; dtac will make around NOK1.1 billion annual payments to the Telecom Organization of Thailand. Telenor believes the deal will significantly strengthen its network position in Thailand through greater speed.

Moreover, dtac's concessions for the 1,800 MHz and 850 MHz bands expired on September 15, 2018. dtac has agreed to pay to CAT Telecom Public Company Limited a consideration of settlement of around NOK2.4 billion for the disputes that arose during the concession period. However, the company has been able to acquire 2x5 MHz in the 1,800 MHz band for around NOK3.2 billion and 2x5 MHz in the 900 MHz band for around NOK9.5 billion in the auctions held in August and October, respectively.

Management believes capital spending peaked in 2015 and is guiding for capital spending, excluding spectrum licence fees, of NOK16 billion-NOK17 billion in 2019. In the medium term, management expects capital spending (excluding spectrum) to account for around 15% of revenue, with investments focusing on fibre rollout in (1) Norway and Sweden to strengthen Telenor's market position; and (2) selective markets in emerging Asian markets, such as Myanmar.

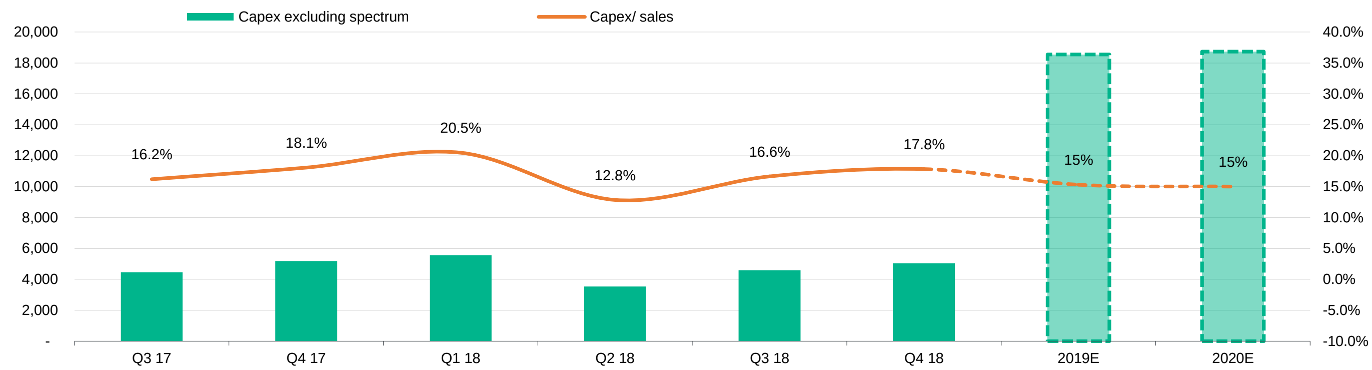
In March 2018, Telenor announced the sale of its Central and Eastern European assets (Hungary, Bulgaria, Montenegro and Serbia) to PPF Group for €2.8 billion. The sale was completed in Q3 2018, improving the company's free cash flow (FCF) by NOK22 billion. The remaining €400 million of the total proceeds will be paid over the next couple of years.

FCF generation (excluding M&A activity) was NOK11.7 billion in 2018 compared with NOK16.4 billion in 2017. In the next two years, we expect healthy Moody's-adjusted FCF (after dividends) of around NOK3 billion-NOK4 billion per annum, driven by EBITDA growth, dividend payments of around NOK12 billion and capital spending (excluding spectrum)/sales of around 15%.

Exhibit 9

Capital spending is likely to remain at around 15% in the next 12-18 months after reaching its peak in 2015

Capital spending (excluding spectrum, in NOK millions), and capital spending/sales evolution, Q1 2016-20E



Projections pro forma for the acquisition of DNA
Source: Company reports

Liquidity analysis

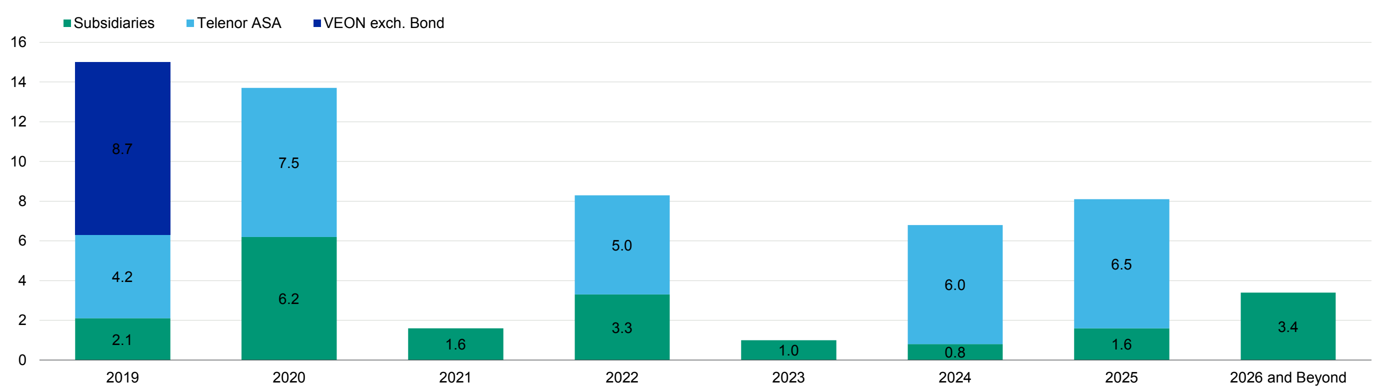
We expect Telenor to fund the DNA acquisition in the market within the next few months before closing to sustain its adequate liquidity. Telenor's liquidity includes (1) cash and cash equivalents of NOK18 billion as of December 2018; (2) annual funds from operations (defined as cash flow from operations before changes in working capital) of around NOK36 billion-NOK37 billion; and (3) full availability under its €2.0 billion committed revolving credit facility maturing in April 2021. This compares with debt maturities over the next 12 months of around NOK6 billion (excluding VEON's exchangeable bond), dividends of NOK12 billion, share buybacks of around NOK7 billion as well as significant expected spectrum payments.

In 2018, Telenor announced the sale of its Central and Eastern European assets to PPF Group for €2.8 billion. The company also disposed of its Indian operations to Bharti Airtel Ltd. (Ba1 Negative) in May 2018. On March 27, 2019 the company sold 100 million shares in VEON Ltd. (Ba2 stable, formerly VimpelCom Ltd.) as part of its simplification strategy, reducing its total share of capital to 9%.

Exhibit 10

Telenor's debt maturity profile over the next 12-18 months is well covered by its existing liquidity sources

Debt maturity profile as of December 31, 2018 (NOK billions)



Source: Company reports

Rating methodology and scorecard factors

Methodology grid

In assessing Telenor's credit quality, we applied our Telecommunications Service Providers rating methodology. The methodology grid outcome of Baa1 is in line with the BCA of baa1.

Exhibit 11

Rating factors [1][2][3]

Telenor ASA

Methodology: Telecommunications Service Providers	FY 2018		Moody's Forward View Next 12-18 months (as of Apr-19)	
Factor 1: Scale (12.5%)	**Measure**	**Score**	**Measure**	**Score**
a) Business Profile	$13.6	Baa	$15	Baa
Factor 2: Business Profile (27.5%)				
a) Business Model, Competitive Environment and Technical Positioning	Aa	Aa	Aa	Aa
b) Regulatory Environment	Ba	Ba	Ba	Ba
c) Market Share	A	A	A	A
Factor 3: Profitability and efficiency (10%)				
a) Revenue Trend and Margin Sustainability	A	A	A	A
Factor 4: Leverage and Coverage (35%)				
b) Debt / EBITDA	1.9x	A	2.5x	Baa
c) RCF / Debt	29.4%	Baa	20%	Ba
d) (EBITDA - Capex) / Interest Expense	8.1x	Aaa	7.0x-7.4x	Aa
Factor 5: Financial Policy (15%)				
a) Financial Policy	A	A	A	A
Rating Outcome:				
a) Indicated Rating from Grid		A3		Baa1
b) Actual Rating Assigned				A3
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa1			
b) Government Local Currency Rating	Aaa			
c) Default Dependence	Low			
d) Support	Low			
e) Final Rating Outcome	A3			

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.
[3] Forward view metrics are pro forma for the acquisition of DNA assuming Telenor acquires 100% of DNA shares.
Sources: Moody's Financial Metrics™, Moody's Investors Service estimates

Telenor's status as a Government-Related Issuer (GRI)

Telenor qualifies as a GRI under our methodology because it is 54% government owned. Our A3 rating for the company reflects the combination of the following GRI inputs: (1) a BCA of baa1, (2) the Aaa stable local-currency rating of the Norwegian government, (3) the low default dependence between Telenor and the government, and (4) the likelihood that the government will provide a low level of support to the company if needed.

The low level of default dependence between Telenor and the government reflects the weak correlation between the company's credit profile and Norwegian economic trends, which is mainly a result of the group's strong liquidity and increasing market diversification. More specifically, our assessment that there is a low level of default dependence between Telenor and the government is based on the lack of financial and operational links between the two. Telecom operators generally have a fairly low level of correlation with the sovereign. In particular, we observe that direct and indirect fiscal transfers and government telecom spending represent a low proportion of Telenor's revenue. More generally, the company and the government are not exposed to the same revenue base and do not share the same credit risks as demonstrated by the fact that 77% of Telenor's revenue in 2018 was generated outside Norway.

Our assessment of a low level of government support available to Telenor in the event of stress is based on the following observations: (1) there is no explicit support from the government, (2) we are not aware of any formal verbal or written confirmation that the government will support the company in the event of a default on its financial debt, and (3) the company does not have any special legal status that would suggest a closer link with the state or an implicit form of support.

The government's 54% ownership of Telenor and its willingness to act as a rational shareholder suggest that the government would not be the sole provider of support under a stress scenario. Instead, the government would likely only consider providing support jointly with other shareholders in the form of a capital increase. Although Norway's parliament has approved a possible reduction in the state ownership of Telenor to 34% in the event of a strategic transaction, we are not aware of any plans for further privatisation.

We consider the Norwegian government to be non-interventionist, despite holding significant ownership stakes in several companies. In our view, it is unlikely that the government's solid reputation would be damaged in the event of default by Telenor. The company's economic and social importance in Norway has diminished over the recent years. This reduction is a result of the increasing presence of viable, privately owned competitors with significant market shares and the group's presence in emerging markets.

Appendix

Exhibit 12

Peer snapshot (December 2018)

Telenor ASA

	Telenor ASA			Swisscom AG			Telia Company AB			Elisa Corporation			Proximus SA de droit public		
	A3 Stable			A2 Stable			Baa1 Stable			Baa2 Stable			A1 Stable		
(in USD millions)	FYE Dec-17	FYE Dec-18	FYE Dec-18	FYE Dec-17	FYE Dec-18	FYE Dec-18	FYE Dec-16	FYE Dec-17	LTM Sep-18	FYE Dec-17	FYE Dec-18	FYE Dec-18	FYE Dec-16	FYE Dec-17	LTM Sep-18
Revenues	$13,566	$13,571	$13,571	$11,850	$11,976	$11,976	$9,846	$9,362	$9,714	$2,020	$2,163	$2,163	$6,450	$6,484	$6,868
EBITDA	$6,168	$5,873	$5,873	$4,445	$4,488	$4,488	$3,235	$3,128	$3,320	$749	$817	$817	$2,026	$2,104	$2,253
Total Debt	$11,614	$10,577	$10,577	$10,700	$10,777	$10,777	$12,640	$11,280	$10,621	$1,581	$1,565	$1,565	$2,813	$3,504	$3,274
Cash & Cash Equivalents	$2,794	$2,136	$2,136	$539	$481	$481	$3,140	$4,213	$3,724	$53	$92	$92	$314	$400	$276
EBITDA Margin	45.5%	43.3%	43.3%	37.5%	37.5%	37.5%	32.9%	33.4%	34.2%	37.1%	37.8%	37.8%	31.4%	32.4%	32.8%
(EBITDA-CAPEX) / Interest Exper	8.4x	8.1x	8.1x	7.7x	8.5x	8.5x	2.8x	2.5x	3.6x	12.7x	12.9x	12.9x	7.6x	10.4x	10.0x
Debt / EBITDA	1.9x	1.9x	1.9x	2.4x	2.4x	2.4x	4.2x	3.5x	3.3x	2.0x	2.0x	2.0x	1.5x	1.6x	1.5x
FCF / Debt	6.3%	0.4%	0.4%	5.4%	2.3%	2.3%	-6.5%	-2.1%	3.2%	0.5%	1.2%	1.2%	1.9%	-1.3%	-3.6%
RCF / Debt	31.7%	29.4%	29.4%	27.7%	26.2%	26.2%	10.6%	21.9%	18.6%	25.2%	23.4%	23.4%	44.0%	37.0%	39.5%

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 13

Moody's-adjusted debt breakdown

Telenor ASA

(in NKRONE Millions)	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18
As Reported Debt	**58,292.0**	**68,587.0**	**76,428.0**	**86,361.0**	**74,297.0**	**71,666.0**
Pensions	2,736.0	3,563.0	2,424.0	2,585.0	2,565.0	2,819.0
Operating Leases	9,135.0	13,678.1	15,314.8	13,978.3	15,132.9	14,955.1
Non-Standard Adjustments	146.0	1,236.0	2,605.0	2,061.0	3,002.0	2,144.0
Moody's-Adjusted Debt	**70,309.0**	**87,064.1**	**96,771.8**	**104,985.3**	**94,996.9**	**91,584.1**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 14

Moody's-adjusted EBITDA breakdown

Telenor ASA

(in NKRONE Millions)	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18
As Reported EBITDA	**32,729.0**	**36,722.0**	**35,894.0**	**42,459.0**	**42,659.0**	**41,139.0**
Pensions	408.0	442.0	0.0	64.0	52.0	60.0
Operating Leases	3,045.0	3,653.0	4,808.0	4,378.0	4,344.0	4,217.0
Unusual	370.0	-2,708.0	161.0	3,378.0	4,427.0	2,264.0
Non-Standard Adjustments	1,226.0	3,798.0	7,070.0	-1,517.0	-531.0	81.0
Moody's-Adjusted EBITDA	**37,778.0**	**41,907.0**	**47,933.0**	**48,762.0**	**50,951.0**	**47,761.0**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Ratings

Exhibit 15

Category	Moody's Rating
TELENOR ASA	
Outlook	Stable
Senior Unsecured	A3
Commercial Paper	P-2

Source: Moody's Investors Service

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