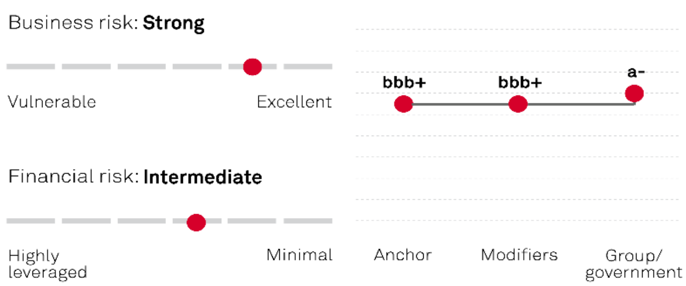
Telenor ASA

June 21, 2023

Ratings Score Snapshot



A-/Stable/A-2

Issuer credit rating

Primary contact

Thierry Guermann
Stockholm
46-84-40-5905
thierry.guermann
@spglobal.com

Secondary contact

Xavier Buffon
Paris
33-14-420-6675
xavier.buffon
@spglobal.com

Credit Highlights

Overview

Key strengths	Key risks
Geographically balanced portfolio in four resilient and wealthy Nordic markets and in four less mature Asian markets.	Exposed to country, regulatory, and economic volatility risks in Asia, although less than before following two mergers in Malaysia in November 2022 and in Thailand in March 2023.
Large scale with 10 million Nordic and 127 million Asian mobile subscribers and annual revenue that we estimate at Norwegian krone (NOK) 78 billion for 2023, excluding revenues from Malaysia and Thailand that are now deconsolidated.	Fierce price competition in the still-predominant prepaid segments in most Asian countries, and severe competition in the Nordics, particularly Denmark.
Leading position in four of its eight markets, including a dominant position in Norway, a strong position in the Nordic fixed-line, TV, and mobile telecommunications markets, and a leading position in three of its four Asian markets.	Currency mismatch between cash flows generated in various countries and group debt structure.
Solid free operating cash flow (FOCF), supported by strong profitability with an S&P Global Ratings-adjusted EBITDA margin of about 45%, and moderate capital expenditure (capex). Will be temporarily weaker in 2023-2024 on deconsolidation effects.	Complex structure with only partially owned subsidiaries, some consolidated and others not. Constrains cash circulation and distorts fully consolidated numbers.

Supportive financial policy targeting reported net debt leverage of 1.8x-2.3x, translating into S&P Global Ratings-adjusted leverage of below 2.8x.

FOCF prospects in the Nordics are improving.

After organic service revenue growth of 3.3% in the first quarter of 2023, and faster mobile service revenue growth since the second quarter of 2021 (to about 5% in the last two quarters), we expect Nordic revenues to rise by 2%-4% from 2023. This turnaround from previous years, particularly in Sweden and Denmark, is being supported by Telenor ASA's focus on connectivity and modernization of its portfolio. The company now reports growth in all Nordic countries. We think new products and services (for instance, insurance and security services) and upselling initiatives will drive growth in its business-to-consumer (B2C) and business-to-business (B2B) segments.

Support for Norway's revenue growth continues to come from Telenor's leading position and superior networks, particularly in mobile. Within the fixed segment, revenues were affected in recent years by the decommissioning of its legacy copper networks. This is because legacy customers have gradually moved to more modern alternatives, for instance fiber or fixed wireless access (FWA), where Telenor is less dominant than in copper. The decline in Telenor's fixed legacy business was not fully offset by growth in fiber and FWA. After copper decommissioning ended in late 2022, we expect Telenor to expand its fixed domestic operations from 2023.

In Sweden, Telenor has turned around its top line, after its organic revenues declined between 2019 and 2021. This follows the modernization of its product portfolio, and competitive product offerings as part of its fixed-to-mobile convergence strategy for both B2C and B2B.

In Finland, we think Telenor will continue to benefit from a stable three-player market and report growth. In Denmark, the most challenging Nordic market, Telenor will likely increase revenue, even after Telia's sale of its Danish business to electricity and internet provider, Norlys, in the first quarter of 2024.

In addition to revenue growth, FOCF will be supported by growing profitability and lower capex. Profitability in the Nordics could increase because of Telenor's constant focus on cost efficiencies with a track record of annual personnel reduction. By 2025, the company targets to reduce its operating costs by 1%-3% annually through further network and IT modernization (for instance in Finland), and better optimization of shared functions.

Furthermore, the end of copper decommissioning will have a positive impact on EBITDA by NOK0.7 billion. Still-high energy costs will somewhat offset this in 2023, although less than in 2022. Mitigation will come from 10-year power purchase agreements in Norway and Denmark, with significantly lower prices, starting late 2023 or early 2024.

We also anticipate gradually lower capex in the Nordics after the completion of 5G investments (Telenor aims to cut capex by NOK2 billion in 2025, from 2022 levels). This will support gradually growing Nordic FOCF.

Mergers in Asia will affect 2023-2024 reported numbers, but Telenor will maintain its geographic footprint.

In our opinion, its consolidated cash flows will rebound. Telenor closed its merger in Malaysia in November 2022 and that in Thailand in March 2023. In Malaysia, it now holds 33.1% of No. 1 operator, CelcomDigi, versus a 49% stake in previously No. 2 Digi. In Thailand, it now holds 30.1% of No. 1 operator, True Corp., versus a 56% stake in previously No. 3 dtac. As a result, Telenor no longer fully consolidates its operations in Malaysia and Thailand. This will have a large impact on reported revenues in 2023 (including an approximate 30% revenue decline from pre-merger levels).

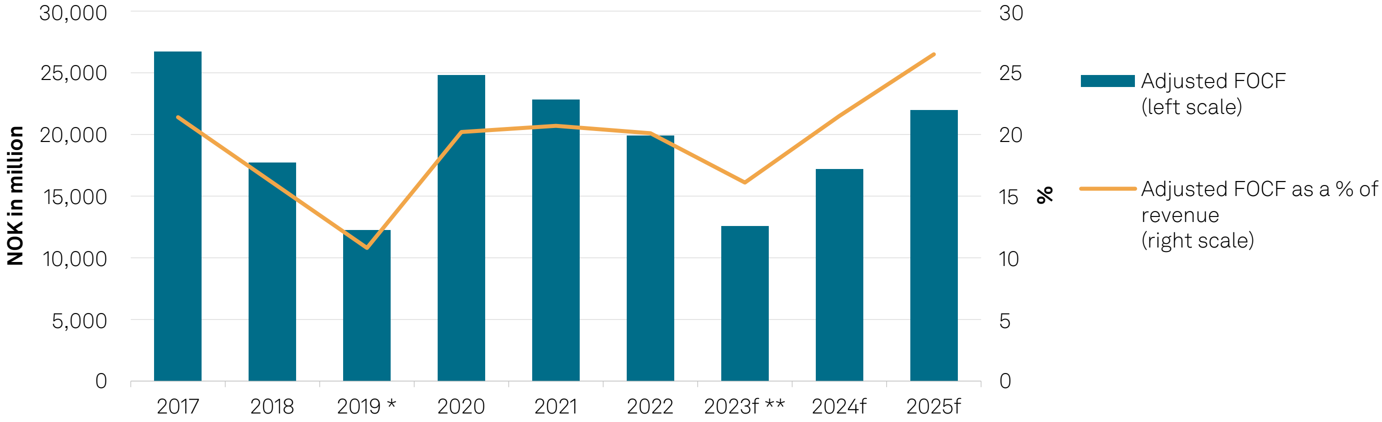
However, Telenor's geographic footprint has not changed. It remains present in eight countries. CelcomDigi and True are also much larger than Digi and dtac. They aim for revenue and cost synergies of NOK20 billion-NOK25 billion by 2025. Therefore, we expect CelcomDigi and True to pay higher dividends to Telenor over time. Telenor received a first dividend payment of NOK271 million from CelcomDigi in the first quarter of 2023. We will add the dividends received to our S&P Global Ratings-adjusted EBITDA, in line with our criteria. This will gradually offset the immediate deconsolidation effects on EBITDA and FOCF from Malaysia and Thailand.

Telenor still fully consolidates its operations in Bangladesh and Pakistan. In Bangladesh, Telenor' subsidiary, Grameenphone, ranks No. 1. It has a good operating performance, despite temporary restrictions on the sale of new SIM cards imposed in July 2022. Sales remained affected in the second half of 2022 but the measures have since been lifted, in early January 2023.

Telenor's reported numbers in Pakistan have been hit by a 22% depreciation of the Pakistani rupee against the NOK since January 2022. Furthermore, Pakistan is the company's only market in Asia where the company is not No. 1. As a result, while Telenor will likely remain in Bangladesh, it may consider strategic options In Pakistan, including a merger or an exit, in our opinion.

The Asian mergers have not affected our assessment of the business risk profile of Telenor. This is because Telenor's smaller stakes in the two enlarged operators with better cash flow prospects do not materially change its long-term cash flow in Asia. That said, their deconsolidation will affect reported FOCF in 2023-2024, as dividends received from CelcomDigi and True will be smaller initially. Coupled with growing FOCF in the Nordics, Telenor will gradually improve its consolidated FOCF. By 2025, its cash flow may at least return to historical levels, after temporary weakness in 2023-2024.

Cash Flows Will Rebound To Pre-Merger Levels After Temporary Weakening In 2023



f--forecast. * NOK7 billion outflow on settlement in Thailand, license deposit in Pakistan, and tax payment in Norway relating to India. ** dtac (Thailand) deconsolidated in March 2023 and Digi (Malaysia) in November 2022. Source: S&P Global Ratings.

Leverage will remain within our rating band.

Telenor's financial policy includes reported leverage in the 1.8x-2.3x range. Including our standard adjustments, this translates into S&P Global Ratings-adjusted leverage of 2.1x-2.6x. (We expect the difference between S&P Global Ratings-adjusted leverage and Telenor's reported leverage to narrow to 0.2x-0.3x from 2023, from about 0.5x previously when it fully consolidated operations in Malaysia and Thailand).

Despite the mergers in Malaysia and Thailand, we continue to think the reported accounts slightly distort ratios. This is because Telenor fully consolidates its 56%-owned Grameenphone in Bangladesh and 70%-owned passive fiber assets in Norway (Telenor Fiber AS). As these two subsidiaries have no or less debt (but more EBITDA) than Telenor, pro-rated leverage gives a more accurate measure, in our view, than fully-consolidated leverage.

We estimate the pro-rated leverage is about 0.2x higher than the consolidated leverage. A maximum threshold of 3x for our 'bbb+' stand-alone credit profile (SACP) for Telenor is the same we have for other telecom operators with similar business risk profiles (including Vodafone, Telia, and Orange). However, because of the slight distortion caused by the two subsidiaries (not fully owned), we only tolerate a maximum S&P Global Ratings-adjusted leverage of 2.8x for Telenor, based on full consolidation.

We expect Telenor to maintain high reported leverage in 2023-2024. This is because of the deconsolidation of the less-leveraged subsidiaries Digi and dtac. However, as the difference between S&P Global Ratings-adjusted leverage and Telenor's reported leverage will likely decline to 0.2x-0.3x from 2023 (we add dividends received from CelcomDigi and True to EBITDA), Telenor's S&P Global Ratings-adjusted leverage will remain well within our rating band, peaking at 2.5x-2.6x, with the S&P Global Ratings' pro-rated leverage peaking at about 2.8x.

Outlook

The stable outlook reflects our anticipation that Telenor's organic EBITDA and FOCF (excluding spectrum) will gradually increase in the coming years. We also expect the company to sustain its S&P Global Ratings-adjusted debt-to-EBITDA ratio at or below 2.6x , and a ratio of FOCF (excluding spectrum) to debt of above 12%, over the next 24 months.

Downside scenario

We could lower the rating if Telenor's adjusted debt-to-EBITDA ratio exceeds 2.8x or ratio of funds from operations (FFO) to debt declines and stays below 25%. This could follow waning performances in several markets, alongside reported leverage staying at the upper range of, or exceeding, Telenor's target.

In addition, if we believe that the likelihood of extraordinary government support for Telenor had lessened (for instance, the Norwegian government reduced its stake in the company to below 50%), we could lower the rating by one notch.

Upside scenario

We could raise the rating if Telenor reported sustainable growth and profitability in all markets, while maintaining a ratio of adjusted debt to EBITDA of less than 2x and a ratio of FFO to debt of more than 40%. We view this as unlikely, given the parameters of the company's current financial policy.

Our Base-Case Scenario

Assumptions

- Revenue decline of 30% over 2022-2023 on the deconsolidation of Malaysia and Thailand. Reported revenues to decline by about 20% in 2023, reflecting the deconsolidation of Thailand (still consolidated in 2022), after a 10% decline in 2022 from the deconsolidation of Malaysia. Average organic revenue growth of 2%-4% in the six remaining consolidated markets.
- Gradually increasing annual dividends from Thailand and Malaysia.
- Capex (excluding spectrum) at about 17% of revenue in 2023-2024, driven by 5G rollout in the Nordics.
- Annual spectrum outflows of a few billion Norwegian krone in 2023-2024.
- Modest annual dividend increases and no share buybacks in the coming years.

Key metrics

Telenor ASA--Forecast summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025
(Mil. NOK)	2019a	2020a	2021a	2022a	2023f	2024f	2025f
Revenue	113,666	122,811	110,241	98,953	78,126	80,051	82,909
Revenue growth (%)	3.0	8.0	(10.2)	(10.2)	(21.0)	2.5	3.6
EBITDA	50,657	56,678	49,831	43,010	36,302	38,883	42,300
EBITDA margin (%)	44.6	46.2	45.2	43.5	46.5	48.6	51.0
Funds from operations (FFO)	35,481	45,744	41,083	34,029	27,812	32,379	34,960

Telenor ASA--Forecast summary

Capital expenditure (capex)	21,986	19,000	19,447	19,298	14,018	14,005	12,080
Free operating cash flow (FOCF)	12,236	24,820	22,825	19,924	12,563	17,210	21,967
Debt	138,632	139,527	124,242	118,386	90,584	99,113	103,360
Adjusted ratios							
Debt/EBITDA (x)	2.7	2.5	2.5	2.8	2.5-2.6	2.5-2.6	2.3-2.6
FFO/debt (%)	25.6	32.8	33.1	28.7	30.7	32.7	33.8
FOCF/debt (%)	8.8	17.8	18.4	16.8	13.9	17.4	21.3

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. f--Forecast. NOK--Norwegian krone.

Company Description

Telenor is a Norway-based globally diversified telecom operator. The company has 10 million mobile subscribers in the four Nordic countries and 215 million in four Southern and Southeastern Asian countries (including subscribers in associated companies). We estimate it will have proforma revenue of NOK78 billion in 2023, after deconsolidating its operations in Malaysia and Thailand. The company is the leading Norwegian provider of fixed-line and mobile telecom services. It has a portfolio of mobile and fixed assets in Sweden, Finland, and Denmark. In Asia, it provides mobile services only. All in, about 80% of its revenue comes from mobile services and 20% from fixed, including television broadcasts, information technology, and internet services in the Nordic region.

Peer Comparison

We think Telenor has a somewhat weaker business risk profile than Deutsche Telekom, given its exposure to riskier countries and smaller scale. We view its business risk as in line with that of Telia and Telefonica, with Telenor's superior profitability, larger geographic diversity, and strong mobile and fixed positions in its home market of Norway offsetting higher country risks in its diverse portfolio.

Compared with operators with 'bbb+' SACPs, Telenor has weaker leverage, based on our pro-rated calculations. But this is offset by stronger fully consolidated FOCF (in absolute terms and relative to revenues) and FOCF-to-debt ratios.

Telenor ASA--Peer Comparisons

	Telenor ASA	Telefonica S.A.	Deutsche Telekom AG	Telia Co. AB	Orange S.A.
Foreign currency issuer credit rating	A-/Stable/A-2	BBB-/Stable/A-3	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Local currency issuer credit rating	A-/Stable/A-2	BBB-/Stable/A-3	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2022-12-31	2022-12-31
Mil.	NOK	NOK	NOK	NOK	NOK
Revenue	98,953	455,640	1,202,401	85,843	457,714
EBITDA	43,010	129,214	419,671	27,822	150,715

Telenor ASA--Peer Comparisons

Funds from operations (FFO)	34,029	115,231	350,487	23,562	128,577
Interest	2,857	20,437	60,227	3,324	11,050
Cash interest paid	3,004	13,014	59,687	2,812	11,261
Operating cash flow (OCF)	39,222	124,824	379,219	22,559	125,450
Capital expenditure	19,298	66,860	252,585	14,910	90,298
Free operating cash flow (FOCF)	19,924	57,963	126,635	7,649	35,152
Discretionary cash flow (DCF)	4,079	37,410	90,993	(5,815)	11,235
Cash and short-term investments	10,196	102,017	60,774	8,676	61,554
Gross available cash	10,196	102,460	79,980	14,356	108,935
Debt	118,386	522,059	1,526,309	75,110	403,259
Equity	64,375	289,123	919,409	73,375	354,054
EBITDA margin (%)	43.5	28.4	34.9	32.4	32.9
Return on capital (%)	11.3	5.3	5.4	6.6	8.1
EBITDA interest coverage (x)	15.1	6.3	7.0	8.4	13.6
FFO cash interest coverage (x)	12.3	9.9	6.9	9.4	12.4
Debt/EBITDA (x)	2.8	4.0	3.6	2.7	2.7
FFO/debt (%)	28.7	22.1	23.0	31.4	31.9
OCF/debt (%)	33.1	23.9	24.8	30.0	31.1
FOCF/debt (%)	16.8	11.1	8.3	10.2	8.7
DCF/debt (%)	3.4	7.2	6.0	(7.7)	2.8

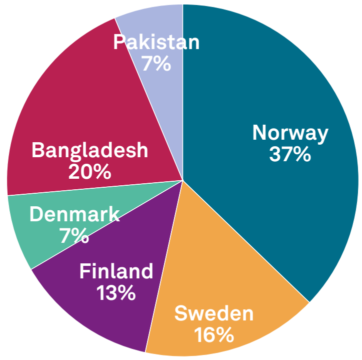
Business Risk

Telenor's business risk profile is supported by: (1) the company's broad geographic diversity and scale; (2) operations in wealthy Nordic markets and several emerging markets in Asia; (3) strong market positions in nearly all markets; (4) solid and rising profitability, and robust FOCF. Exposure to high country risk and severe competition in most markets offset these.

Telenor is geographically diversified. It has broad geographic reach with a presence in four Nordic countries, complemented by four Asian countries (including controlling stakes in Bangladesh and Pakistan, and minority stakes in non-consolidated joint ventures in Malaysia and Thailand).

Telenor ASA's Geographic Revenue Diversity Remains Broad

Based on 2022 revenues excluding Malaysia and Thailand



Source: Company reports.

Telenor has strengthened its market position in Malaysia and Thailand, and has strong positions in nearly all markets. Compared with most European peers, the company has a stronger domestic mobile and TV position. This reflects a concentrated mobile market with two large operators (Telenor and Telia) and one smaller player (ICE). In Finland, DNA is the largest cable operator and the leading pay-TV provider. It ranks No. 3 in mobile in a three-player market, with a 29% market share. In all markets, Telenor is one of the top three. Its joint ventures in Malaysia and Thailand (with minority stakes) are the leaders in their markets.

However, Telenor faces severe competition in many markets. Asian markets are experiencing heavy pricing pressures in the prepaid voice segment, typically still a large part of the mobile market. Telenor's focus on extending its high-speed data network coverage and higher value-added and less volatile post-paid contracts, together with ongoing cost optimization, should mitigate the pressures on its top line in those Asian markets. In Denmark and to some extent in Sweden, we think the company's ability to monetize mobile data consumption and increase revenue is more limited than in Norway and Finland, given a very competitive environment.

Telenor ASA--Market Position

Country	Products	Mobile position and subscriber market share (in 2022)	Main competitors	Fixed position and subscriber market share (in 2022)	Main competitors (broadband/TV)
Fully-consolidated operations					
Norway	Mobile and fixed	No. 1 (43%)	Telia (35%), Ice (13%)	No. 1 broadband (29%), No. 2 Pay-TV (25%)	Altibox (31%/26%), Telia (18%/18%)
Sweden	Mobile and fixed	No. 3 (20%)	Telia (32%), Tele2 (27%), Hi3G (16%)	No. 3 broadband (16%), No. 4 Pay-TV (9%)	Telia (29%/23%), Tele2 (23%/50%)
Finland	Mobile and fixed	No. 3 (29%)	Elisa (39%), Telia (31%)	No. 1 broadband (34%)	Elisa (28%), Telia (25%)
Denmark	Mobile and fixed	No. 2 (19%)	Nuuday (38%), Hi3G (18%), Telia (15%)	<5% broadband	Nuuday (36%)
Bangladesh	Mobile	No. 1 (44%)	Robi (30%), Banglalink (22%), Teletalk (4%)	N/A	N/A
Pakistan	Mobile	No. 3 (21%)	Jazz (38%), Zong (28%), Ufone (12%)	N/A	N/A
Associated companies					
Thailand	Mobile	No. 1 (53%)	AIS (46%),	N/A	N/A
Malaysia	Mobile	No. 1 (42%)	Maxis (20%), U Mobile, YTL, Telekom Malaysia	N/A	N/A

N/A--Not applicable.

Telenor remains exposed to high country risks. The company's significant presence in emerging Asian countries translates into meaningful country risks, including potential volatility tied to economies and currencies (for instance in Pakistan), as well as regulatory risks. Telenor's policy of maintaining only partial ownership and partnering local shareholders in several markets, such as Bangladesh, mitigates those risks, although this is negative from the standpoint of cash circulation.

Financial Risk

We expect leverage to be within our 'bbb+' SACP threshold, with support from a relatively conservative leverage target. Telenor has a target range of 1.8x-2.3x for reported net debt leverage. This translates into adjusted leverage of up to 2.6x and pro-rated leverage of up to 2.8x. The company has some currency exposure, given its debt in the euro and U.S. dollar (about 53% of total interest-bearing liabilities after swaps by end-2022), while it only generates a modest portion of cash flows in those currencies; and the negative impact on cash circulation from only partially owned subsidiaries, although this is limited to Bangladesh (56%-owned) following the mergers.

Strong cash flow generation offset the above. FOCF is supported by stronger profitability and relatively modest capex on Telenor's procurement scale, and mobile network sharing agreements with Tele2 in Sweden and with Telia in Denmark (the agreement appears intact despite a future change in ownership once Telia exits from Denmark). Capex will be temporarily a bit higher in 2023-2024 in the Nordics to support 5G investments. We expect FOCF to rebound to above NOK20 billion from 2025, after declining to about NOK12 billion-NOK17 billion in 2023-2024.

Debt maturities

As of Dec. 31, 2022:

- 2023: NOK8.9 billion
- 2024: NOK14.6 billion
- 2025: NOK12.5 billion
- 2026: NOK11.6 billion
- 2027: NOK8.0 billion
- Thereafter: NOK35.7 billion

Telenor ASA--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	NOK	NOK	NOK	NOK	NOK	NOK
Revenues	124,756	110,362	113,666	122,811	110,241	98,953
EBITDA	52,136	48,167	50,657	56,678	49,831	43,010
Funds from operations (FFO)	42,390	38,304	35,481	45,744	41,083	34,029
Interest expense	3,664	3,254	4,625	4,006	3,155	2,857
Cash interest paid	3,645	3,264	4,664	3,539	2,635	3,004
Operating cash flow (OCF)	45,073	38,729	34,222	43,820	42,272	39,222

Telenor ASA--Financial Summary

Capital expenditure	18,361	21,011	21,986	19,000	19,447	19,298
Free operating cash flow (FOCF)	26,712	17,718	12,236	24,820	22,825	19,924
Discretionary cash flow (DCF)	10,747	(9,567)	(10,326)	5,180	6,679	4,079
Cash and short-term investments	21,865	18,103	13,628	20,749	15,540	10,196
Gross available cash	21,865	18,103	13,628	20,749	15,540	10,196
Debt	78,962	82,003	138,632	139,527	124,242	118,386
Common equity	62,335	54,455	43,340	43,918	31,500	64,375
Adjusted ratios						
EBITDA margin (%)	41.8	43.6	44.6	46.2	45.2	43.5
Return on capital (%)	19.7	18.6	16.1	14.5	13.7	11.3
EBITDA interest coverage (x)	14.2	14.8	11.0	14.1	15.8	15.1
FFO cash interest coverage (x)	12.6	12.7	8.6	13.9	16.6	12.3
Debt/EBITDA (x)	1.5	1.7	2.7	2.5	2.5	2.8
FFO/debt (%)	53.7	46.7	25.6	32.8	33.1	28.7
OCF/debt (%)	57.1	47.2	24.7	31.4	34.0	33.1
FOCF/debt (%)	33.8	21.6	8.8	17.8	18.4	16.8
DCF/debt (%)	13.6	(11.7)	(7.4)	3.7	5.4	3.4

Reconciliation Of Telenor ASA Reported Amounts With S&P Global Adjusted Amounts (Mil. NOK)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2022									
Company reported amounts	91,893	60,138	98,953	43,117	17,346	2,640	43,010	39,222	15,818	19,298
Cash taxes paid	-	-	-	-	-	-	(5,977)	-	-	-
Cash interest paid	-	-	-	-	-	-	(3,004)	-	-	-
Lease liabilities	31,091	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	826	-	-	749	749	42	-	-	-	-
Accessible cash and liquid investments	(10,186)	-	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	61	-	-	-	-	-	-

Reconciliation Of Telenor ASA Reported Amounts With S&P Global Adjusted Amounts (Mil. NOK)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Dividends from equity investments	-	-	-	575	-	-	-	-	-	-
Asset-retirement obligations	4,762	-	-	-	-	175	-	-	-	-
Nonoperating income (expense)	-	-	-	-	58	-	-	-	-	-
Noncontrolling/ minority interest	-	4,237	-	-	-	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(1,492)	(1,492)	-	-	-	-	-
D&A: Impairment charges/ (reversals)	-	-	-	-	2,502	-	-	-	-	-
Total adjustments	26,493	4,237	-	(107)	1,817	217	(8,981)	-	-	-
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	118,386	64,375	98,953	43,010	19,163	2,857	34,029	39,222	15,818	19,298

Liquidity

The short-term rating on Telenor is 'A-2', reflecting the long-term issuer credit rating and our assessment of the company's liquidity as adequate. Our view of Telenor's liquidity reflects our projection that the company's sources of liquidity will cover uses by more than 1.2x over the 12 months from April 1, 2023. Furthermore, we think the company has a generally satisfactory standing in credit markets, sound relationships with its banks, and generally prudent risk management. We based our assessment on a group-wide approach.

Principal liquidity sources

Our estimates of Telenor's main liquidity sources for the 12 months starting April 1, 2023, include:

- Cash and cash equivalents of about NOK14.4 billion;
- A €1.8 billion undrawn committed long-term revolving credit facility (NOK21.2 billion) maturing in April 2025; and
- Funds from operations of about NOK22 billion-NOK26 billion.

Principal liquidity uses

Our estimates of Telenor's main liquidity uses for the same period include:

- Debt maturities of about NOK10.6 billion over the next 12 months;
- Annual capex of about NOK14 billion;
- Seasonal change in working capital of up to a few billion krone;
- Dividends of about NOK15 billion, including dividends to minority shareholders in partly owned subsidiaries; and
- Annual spectrum outflows of a few billion krone.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors are an overall neutral consideration in our credit rating analysis of Telenor. This is despite social factors like regulatory risks in Asia, where it generates about half of its revenue, falling to about 27% of revenue in 2023. Management has mitigated these exposures through partial ownership structures and partnerships with local shareholders, for instance, in Thailand, Malaysia, and Bangladesh.

Power sources in Asia are also typically associated with higher emissions, but Telenor's ambitions for its Asian operations include a 50% reduction in carbon emissions by 2030 compared with 2019. For instance, the company is substituting diesel generators with solar solutions at base stations and exploring other renewable electricity options. In the Nordics, Telenor aims to be carbon neutral by 2030, focusing on energy-efficiency measures in network operations, including the decommissioning of copper lines, purchasing renewable electricity, and offsetting residual emissions by way of high-quality carbon credits.

Government Influence

We rate Telenor 'A-' because we apply a one-notch uplift to our assessment of its SACP, at 'bbb+'. This is because we consider there is a moderate likelihood of the company receiving extraordinary timely and sufficient support from Norway (AAA/Stable/A-1+) in the event of financial distress. We base this view on Telenor's:

- Strong link with the Norwegian government, which owns a 54% stake in the company. The Norwegian government could potentially propose to parliament a reduction in its ownership in Telenor. We could consider the company's link with the government as having weakened if the government reduced its stake to below 50%; and

Limited role in Norway's economy, compared with the other Norwegian government-related entities, and the sizable proportion of Telenor's assets located outside Norway.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of year-end 2022, Telenor's capital structure comprised all senior unsecured debt issued at the parent level. Debt issued at Telenor accounted for about 95% of the group's total reported consolidated debt.

Analytical conclusions

We rate the senior unsecured debt issued by Telenor the same as the long-term issuer credit rating, because we see no significant elements of subordination risk in the capital structure.

Rating Component Scores

Foreign currency issuer credit rating	**A-/Stable/A-2**
Local currency issuer credit rating	**A-/Stable/A-2**
Business risk	**Strong**
Country risk	Low
Industry risk	Intermediate
Competitive position	Strong
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb+**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb+**
Related government rating	AAA
Likelihood of government support	Moderate (+1 notch from SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings Detail (as of June 21, 2023)*

Telenor ASA	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	A-
Issuer Credit Ratings History	
09-Sep-2019	A-/Stable/A-2
10-Apr-2019	A/Watch Neg/A-1
19-Nov-2014	A/Stable/A-1
Related Entities	
DNA PLC	
Issuer Credit Rating	BBB+/Stable/--
Senior Unsecured	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.