

Telenor's First-quarter Results Call

Monday, 29th April 2024

# Telenor's First-quarter Results Call

**Frank Maaø:** Hi everyone, and welcome to Telenor's first-quarter results call. I'm Frank Maaø, Head of Investor Relations at Telenor, and with me today I have Sigve Brekke, our CEO, and our CFO Wold Kaarbø.

I would like to note that within today's presentation, references to growth rates will be as usual on an organic like-for-like currency basis. On today's agenda, we'll kick off with six highlights of the quarter and then update on the progress in three of our business areas.

The next tuna will go through our financial results and outlook before Sigve sums it all up. And then finally, as always, we will open up for questions. Then let me turn it over to Sigve.

**Sigve Brekke:** Thank you, Frank. And a very good morning to everyone. I am very pleased with our performance in this first quarter. We deliver high and profitable growth, we deliver a strong cash flow, and we continue to execute on a strategy that works. As the Capital Markets Day back in 2022, we set out to reshape Telenor, and we outlined both the direction for operations for organization, and the way we are looking at ownership together with our financial ambitions through 2025.

We are now halfway there in the strategy period, and the results we are announcing today are another demonstration that we are on track to reach our ambitions. We are showing strong and profitable growth in the Nordics. We actually know all the business units in the Nordics, contributing to both revenue and EBITDA growth. And in Asia, the synergies are beginning to come through both in Malaysia and in Thailand.

Together this will give us a strong foundation for our long-term value creation. In Q1, we grew our service revenues with 6%, we achieved a 7% EBITDA growth, and in addition, we generated a total free cash flow of 5. 4 billion in the quarter. We did this by driving revenue growth and cost discipline in the Nordics and through our cash flow focus in Asia.

The Nordic operation delivered even stronger numbers in the first quarter than what we had expected, and in Asia, we are ahead of our plans in synergy realization in the two merged entities. With this, we are well on track with our full-year and mid-term financial ambitions. Now, let me zoom in on the Nordics, our biggest contributor to the group top line and EBITDA growth and you see that on this slide.

Nordics had a very strong start of the year. Our ambition in this region is to generate profitable growth and focus on revenue market share and capital returns. And Q1 was just another quarter where we delivered mobile service revenue growth or in this quarter even above the 5% level you have seen now several quarters in a row.

But this time, we also delivered a 5% total service revenue growth. We achieve this by monetizing on our strong networks and service capabilities through our more-for-more pricing strategy. This approach that we have talked about now for several quarters is how we do pricing adjustments. It's enabled by our continued focus on improving the customer experience and meeting our customers communication and service needs.

For example, in the first quarter alone, we have stopped more than half a billion attempts of digital criminal activities for our customers in Norway alone. We have taken then a leading security position in the Norwegian market, in addition to the network position that we already had. And we continue now to see increased demand for security-related services.

The benefits of having world-class network were also visible on the cost side, as we were able to bring down fault handling costs quite substantially in Norway. In addition, we benefit now from a very strong cost discipline across the Nordic businesses. These factors contribute to a flat opex, enabling us to reach an EBITDA growth of 8% in the quarter.

As we know are executing on our transformation programs. The focus is on common Nordic shared services, common Nordic network, and IT operations. And we have also started to address the commercial area, in particular the B2B segment. However, the performance you see in this quarter is driven by the momentum we had from efficiency measures we took in 2023, in addition to overall cost discipline and some timing effects.

There are also some positive regulatory news from Norway in this quarter. I will say, finally, on the fixed side, the regulators updated position and analysis suggests further deregulation for our fiber business in Norway. And on the mobile side, the regulator communicated the first step into what we hope will be a full deregulation of the wholesale market within the coming three years, after 20 years now of heavy regulations.

So, while the first quarter was indeed a good one in the Nordics, I'm even more happy about our attractions on the transformation programme, which is building a strong foundation for where we will be in the medium term and at the end of this decade. I'm convinced that our agenda for cross-regional synergies evolving towards a cloud-native technology stack, as well as using AI to completely change our customer journeys, will be a foundation for long-term performance.

This brings me to our digital infrastructure. To succeed with our transformation, we need to continue our development to become a digital, cloud-based, and AI-enhanced telecom. To do this, we have to rely on public cloud partners for many IT workloads. Some of the more critical and sensitive workloads, however, will require a different setup with sovereign cloud governance. In practice, this means that data processing and storage will need to be done on local soil with a high degree of security and sovereign control.

To meet this, we need a modern, green, and secure data centre as a foundation. We have therefore formed a joint venture named Skyguard. Together with two other Norwegian-owned partners. The plan is to launch the first out of three data centres in the Oslo region during the first half of 2025. Skarsgard has strong focus on energy-efficient operations and meeting customers high security and sovereignty requirements. It is estimated that the modern data centres will reduce energy requirements with up to 50% when compared to traditional ones.

Furthermore, surplus heat from the new data centres can be utilized into the district's heating network. You may ask, why should Telenor's do this? What is our edge in this business? Well, I firmly believe that Telenor's ownership, the scale of our business, the workloads we bring, as well as the competence and trust we have provide us with a competitive edge in the sovereign data centre market.

The data centres we are building will have only Norwegian owners, will be governed by the Norwegian security law, and fulfil sovereign requirements. This is why we announced also our AI collaboration with Nvidia in March this year. We will bring in their cutting-edge technology into our data centres, AI and cloud solutions built on the Nvidia ecosystem, as well as technology from other partners, will be the cornerstone of Telenor Nordics' transformation program going forward.

Then let me turn to Asia. Our associated company, True in Thailand, posted a strong fourth quarter report in February as they stated in their report. True is on an accelerated track with regards to capturing merger integration benefits. Synergy momentum enabled True to provide a 2024 outlook of 9 to 11% EBITDA growth and a positive normalized net profit, which was previously indicated for next year.

This is also supported by growth now coming from the return of tourists to Thailand and from a more rational market. All of this support our ambition for True to resume dividend payments in into 2025. Telecom [inaudible] in Malaysia has communicated a progressive dividend policy in line with the ambitions when they closed this merger. As a result of that, we continue to receive quarterly dividends as he also did in this quarter from Celcom, Digi.

And on the sustainability side, we are pleased to see both True and Celcom Ditches' commitment to setting a long-term net zero emission targets supporting Telenor's overall ambition. Grameenphone in Bangladesh. In the country, we see an improvement in the political stability following the January election. We will continue our efforts to mitigate political and macro risks going forward. EBITDA growth in Grameenphone in Q1 was held back by rise in energy costs. They take away some of the subsidies which we expect will remain a headwind also for the remainder of 2024.

While Grameenphone grew positively in the quarter, I also believe that potential is even higher, and I expect the company's performance to improve now that the political and economic environment is more stable. Finally, as you know from our strategic review of Telenor Pakistan, we have concluded with an exit. While the divestment process is ongoing, I continue to be very impressed with the management teams and their ability to not only carry on business as usual but keep improving already strong operational and financial performance in a very challenging market.

And summing up in Asia, our focus is synergy realization and cash repatriation. I believe we are well on track to deliver the 5 billion in free cash flow from Asia in 2025, in line with what we said at our Capital Markets Day. And with that, I hand over to Tonne.

**Tonne Hegland Bachke:** Thank you Sigve, and good morning, everyone. This quarter represents a strong start to the year. The financials we deliver for Q1 are supportive of the outlook we have provided for the year and our ambitions towards 2025. We now start to see that service revenue growth, gross margin improvements, and tight operational execution flow through as operational leverage in our business. For the group, service revenues grew by 5. 6% and for EBITDA, the 6. 9% growth was particularly supported by the Opex discipline and strong results in the Nordic.

Free cash flow before M&A ended at 3. 3 billion and 5. 4 billion when including the sale of Telenor satellite. Now let's start with taking a look at the two largest business areas. Starting with the Nordics, all four business units contributed positively to the service revenue growth of 5%. We also continue to generate strong growth in mobile service revenue, now reaching 7% coming from RPU growth, and despite that, we do see some subscriber headwinds in Norway and Denmark.

DNA in Finland was the star performer this quarter, with mobile service revenue growth reaching the double digits and overall service revenues growing 9%. Growth across the region is the result of our more for more strategy and adding value to our subscription portfolios over the last years. B2C RPU was the key contributor across the Nordics, but also in Sweden, we see net adds on the B2B side, leading to noteworthy growth. Based on the revenue growth, improved gross margin, and Opex discipline, Nordic EBITDA grew 8. 3%. We work systematically with identifying and realizing improvement opportunities for both the fixed and the variable parts of the cost base.

A couple of words on the gross margin, which was up 3. 3 percentage points year over year. The improvement is partially explained by lower handset sales, It's also lower energy costs, but also a wider improvement agenda in the Nordics. Finally, the more =for-more strategy also has an aggressive impact. The habitat expansion in the quarter was somewhat helped by EC comics in Denmark and some energy tailwind. The PPA in Norway, the energy agreement, as we talked about before, came in from the month of March this year.

The overall EBITDA trend is positive and still EBITDA in the mid-single digit even if we adjust for these single elements. Again, DNA had the most significant contribution to the EBITDA in the Nordics with their 16% growth. They did this through the powerful combination of generating double-digit mobile service revenue growth, combined with limited Opex growth. It's also worth noticing our Danish operation, which continues to deliver impressive results in a very challenging market.

Moving from Nordics to our consolidated businesses in Asia. As for the performance in Grameenphone and Telenor Pakistan, organic service revenues grew 6%. While data continues to be a significant growth driver in this region, its impact of growth has diminished somewhat compared to previous quarters. However, going forward data growth increasing the subscriber base and RPU continues to be important levers for us.

EBITDA grew 5. 3% and was negatively affected by the Opex increase from energy price hikes. Then moving to the group level, we see that service revenue remain on a positive trend from the 3% growth we saw in Q1 last year to the nearly 6% growth we see this quarter.

Nordics remain the main contributor to the group, but Asia is also contributing solidly with their 6% growth. Then a quick look at group costs. Telenordics delivered a flat Opex in Q1 on the back of the new Nordic operating model. Three main elements are contributing to this. First, we see full effect of cost efficiencies and FTE reductions made through 2023. Second, we had lower fault handling costs in Norway. And third, the general cost discipline was strong. And finally, there was also an element of temporarily lower marketing costs due to the timing of the launch of our new mobile subscription portfolio in Norway in the quarter. And we expect market spending from an overall basis to normalize in the current quarter.

The group Opex was up 4%, affected by 25% increase in energy costs driven by Asia, where energy is, as you know, booked on the Opex line. About 75% of this energy cost increase was related to higher energy tariffs in Pakistan. Solid top-line growth across the businesses of the group coupled with strong management of both fixed and variable costs, led to the EBITDA growth of 6. 9%.

Next, let me highlight the most notable items affecting the PNL leverage and cash flow before I move to the outlook. Reported EBITDA closed at 9. 8 billion, an increase of 1. 9 billion from last quarter. The main contributor to this nominal growth is the gain from the sale of Telenor satellite of nearly 1. 4 billion. This is booked under other income and expenses and then, for the avoidance of doubt, this is excluded from the EBITDA [inaudible] figure we focus on throughout this presentation.

On the Associated Companies line, there is a 7 billion positive effect related to True, and reversal of close to the entire impairment we made in Q4. This is based on the share price of True Corporation as per the end of the first quarter. In addition to this, on the net financials line, we booked another reversal related to True and a fair value adjustment of the joint venture shareholder loan amounting to 1 billion NOK.

Following this, there will not be any adjustment to the carrying amount of our direct ownership in PRU besides the quarterly net results, unless there is a significant or prolonged decline in the share price of True. As such it will only be going forward the shareholder loan that will be on a quarterly mark to market valuation in our books from here on. And please refer to note four in our report for further details on this.

The balance sheet of the group remains strong, with $79 billion in net interest-bearing debt and a net leverage of 2. 2. The leverage ratio will continue to be subject to fluctuation between quarters caused by macro factors such as FX volatility and also cash flow fluctuation. In addition, our leverage will be affected by the semi-yearly dividend payments. Also, during the summer, we will complete the government's portion of the 2023 Share Buy program, amounting to 1. 9 billion kroner. All these factors could lead to leverage fluctuation between quarters like we saw in the second quarter last year.

Staying on the cash flow topic. In Q1, we generated a strong free cash flow of 5. 4 billion of which 3. 3 billion was before M&A. We provide further cash flow details on this slide as you see. Starting with the EBITDA, the growth of 7% was a significant contributor to the improved cash flow. Our net working capital improved by 7. 9 billion, driven by structural improvements, somewhat favourable phasing effects, and a minor portion of third-party handset financing.

On the other side, paid CapEx was a bit high this quarter where we had some spillover from the CapEx in the fourth quarter last year. On the topic of seasonality. Interest paid was relatively low in Q1 due to quarterly differences in bond interest payments. Our regular interest payments related to bonds are typically around twice as high in Q2 and Q4, compared to the first and the third quarters.

As Sigve said, we continue to receive dividend from Celcom Digi in Malaysia on a quarterly basis and in this quarter, we also received dividend from Alinta. Contribution from M&A was mainly related to the sale of Telenor Satellite. All in all, we deliver yet a quarter with solid free cash flow both organically and including M&A. We expect fluctuations in free cash flow between quarters, although not as pronounced as we experienced last year. For example, in Q2, we do expect some periodic payments related to net interest, as I just mentioned. Spectrum in Pakistan and licenses and minority dividends in Grameenphone. As a reminder, this year we might also be faced with late payments related to the legacy cases. we settled in Bangladesh last year.

These numbers, as we have said before, could be quite significant and are, as you already know, not included in our free cash flow outlook for the year and the target range we gave last quarter. This brings us to the outlook for the year. The year started on a strong note for us, perhaps even stronger than we had expected three months ago. This makes us even more confident in the 2024 outlook we provided last quarter. That said, we will likely continue to see variation between quarters not only on free cash flow but maybe also on service revenue and EBITDA growth. We make no changes to the 2024 guidance.

In the Nordics, we keep the low single-digit service revenue outlook and mid-single-digit EBITDA outlook. And although CapEx was on the low side in Q1, we still expect 2024 to be a year of significant investments at around 17% of sales. On the group level, we also maintain our mid-single digit EBITDA outlook, as well as our free cash flow ambitions for 2024.

As this is my final quarter as Telenor's CFO, I'm glad to say that I'm leaving a company that is well on course to deliver on the strategy and fulfil the ambitions we communicated in September 2022, and also a company that is in good shape to continue to create value both for customers, shareholders, and the society at large. Thank you. And with that Sigve, I hand the word back to you for some concluding remarks.

**Sigve Brekke:** Thank you, Tonne. And it was well said in the end there. You are definitely leaving a position in a very strong company. And I think that also rewards some few comments in the end here. Like you said, this year has started on a good foot, and we are in a good shape. And summing up, I will say that I am impressed by the Nordics' ability to push revenue growth while keeping Opex flat. We have talked you through the main drivers for the quarter, and we intend to get back to you on how we are working with the transformational activities in the Nordics when we come to our Q2 call.

And in Asia, we are on track with the synergy realization and cash flow focus. The synergy momentum and growth potential in True even exceeds our expectations. And as I said in Grameenphone, we see potential for a step up in performance in the coming quarters. Like we said in the beginning, we are now executing on a strategy that works. We believe there is more to come, as our ambitious transformation agenda, particularly in the Nordics, will make Telenor a more technology-driven, a leaner, and more capital-efficient company. So, with those concluding remarks Tonne, I think we should open up for questions. Yes, please, operator.

**Operator:** Thank you. If you would like to ask a questions on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. Please limit to only one question with one follow-up. Our first question comes from Andrew Lee from Goldman Sachs. Your line is open, please go ahead.

**Andrew Lee:** Good morning, everyone, and I just wanted to extend our best wishes to Tonne for your future pursuits. Best of luck. Had a question and a follow-up really just based on your remarks Sigve just about your driving growth while keeping Opex flat. Just wanted to just test the underlying nature of that philosophy inflation as played with trends a little bit and continues to do so this quarter.

So, if we think about the Nordic price rises, they may not be able to be as high in 2024 as they were in 2023. But are you continuing to see any price rises you do, such as the recent fixed broadband price rises in Norway? Are you continuing to see those land as well with customers and with respect to churn, have you seen any change in competitive behaviour or customer behaviour related to price rises you're putting through today?

And then just as a follow-up on the on the cost side, specifically the flat topics you saw in the Nordics. Tonne, I think you mentioned around weaker or lower marketing cost this quarter. Do you think underlying trends in Opex control can continue in the second quarter despite those marketing cost headwinds were likely to see in the second quarter? Thank you.

**Sigve Brekke:** Thanks for your question. I can take the revenue part and then you take the cost part over. On the price adjustments. I think the word I used in our Q4 presentation was that we are a bit cautious on how this will develop into this year, how our customers will react to furthermore for more pricing adjustments.

And it is important for us to underline the more for more because we are not only increasing prices, we do that in also bringing additional services or benefits to the customers. So, what we have done in the first quarter, we as you said, we have adjusted the fixed prices both in Norway and in Sweden. We have done back book price increases in Denmark, we have also done some bucket price changes in Sweden, we have done changes in the B2B segment in Finland.

So, we are continuing to do this across the Nordic portfolio and also across the different segments that we have. The reaction to that, we have not seen any churn reaction. Actually, the churn is slightly less than it used to be. So, the customers are staying on with us and they are appreciating extra value we give to them. However, there is a competitive market, and we need to stay competitive also when it comes to them taking our fair share of the new subscribers. And that's also some adjustments that we do.

And the most recent one is in Norway In March, we launched a new offer and unlimited offer there, which has got a very positive feedback from our customers. We have increased the uptake of new customers, on the back of that. So, so, so this is what we have done, and this is what we also are going to, to continue to do. But as I said, we are a little bit cautious on how this will work out in the rest of the of the year.

**Tonne Hegland Bachke:** Yes. Thank you, Sigmund. And to the Opex. As we said at the fourth quarter, we had an ambition of having a flat Opex this year, but back end loaded towards the end of the year with the transformational, impacts coming through, starting to come through towards the end of the year.

What we see now in the first quarter is that we do start to see also an increased operational leverage and opportunity to maneuver within the cost base. However, it is not so that it's going to be a flat Opex going forward by definition following this. But we will continue to work both on the bigger and more deeper transformational agenda, while we are also continuously focusing how to maneuver and improve on a more operational improvement agenda. And this will be our ambitious going forward, but I will not give any further guidance to what we've said on OpEx for the year.

**Andrew Lee:** Okay. Thanks very much.

**Operator:** Thank you. Our next question is from Andrei Cabeza[?] From UBS. Your line is open. Please go ahead.

**Andrei Cabeza:** Hi. Good morning, everyone. Thank you for the presentation and also best wishes. So, I wanted to maybe a quick follow-up on the operating leverage side. It sounds like well, first of all, looking at the EBITDA trends of those service revenue trends in the Nordics, even if you x out the kind of Denmark, base effect as well as energy, it seems like there's positive or more than 100% operating leverage in the business. And you're talking about potential for higher efficiencies for the second half of the year.

Can I just clarify, does that mean that you will be basically reinvesting all of that excess operating leverage back into growth? Is that the correct way to understand it? And then if I have one question just separately on working capital, please. So, you launched net working capital program and you've already had almost a billion of positive impact on 1Q, but you also say that that is partly timing. So, could you maybe give us more colour on what that is or how that breaks down into phasing and how do the targets look, maybe within the networking operating program for this year and in the next couple of years? Thank you very much.

**Frank Maaø:** Yeah, I can take the first one, Tonne. I don't want to exactly answer your question if you are reinvesting operational leverage into growth, but what I can say is that we are investing where we see a good return on that investment. So, we are investing into our networks. As you know, we have come a long way now on investing into 5G networks. We are investing into the fiber opportunity in Norway, and we are not letting growth opportunities stay without looking at profitable investments into it. At the same time, we want to drive a profitable growth. And that's why we are very much looking at both the EBITDA growth but also the cash flow growth.

**Tonne Hegland Bachke:** Yes. Net working capital, as you say, we launched the program last quarter or worked on it during last year. And we see solid results. However, you know that, and we know that working capital will fluctuate between quarters. And what we see this quarter is that there are some phasing effects, but there is also underlying good results of what we do.

And then there is a minor portion in relation to handset financing. It is impossible, and as we also said last year, to guide on a specific number, because there are a lot of things that are moving in this area. But we are very pleased with the results we see from our initiatives so far.

**Andrei Cabeza:** Thank you, Tonne. Is it possible to at least say maybe; is it a couple of hundred million per year, for example? That is a rational assumption in terms of the working capital program or no comment at all.

**Tonne Hegland Bachke:** No, I don't think it will give any additional value to provide, to speculate in where we will end at year-end. What you can be confident in that we worked very structurally in this area and over time that will give good results.

**Andrei Cabeza:** Thank you very much.

**Operator:** Thank you. We'll take our next question from Maurice Patrick from Barclays. Your line is open. Please go ahead.

**Maurice Patrick:** Yeah. Morning, guys. Thanks for taking the question. Also, from my side. Good luck Tonne, for the next challenge. Just if I could make a ask a question on the infrastructure unit. So, I think in the text you refer to, 14% external revenue growth at Tennessee ratio, I think was flat at 1. 6 gross profit minus 4%, EBITDA minus 8%. Just curious to understand a bit around the structural growth outlook for the division and maybe also touch on your plans to monetize it at some point if that's still the case.

If I could just sneak in a very small follow-up. You made the point on the OpEx, and I know you don't want to give quarterly guidance on opex, but you did make the point about lower sack and marketing in the first quarter. Maybe you can give an order of magnitude of that would be helpful just to help us in modelling. Thank you.

**Tonne Hegland Bachke:** Yes. So, starting with the EBITDA expansion in infrastructure. We do work to grow the external revenue as you allude to. And that is, of course, the parameter of how successful we are beyond the internal tenants. We do see a slight increase in tenants, however, the 2. 6 ratio is, of course, based on very many tenancies. So even though we are able to increase it slightly it doesn't really show up. It's behind uh the decimals.

So, it is a result of increased customer uptake and price increases. And also, we do get more tenancy. The ratio is 1. 6. Yeah. Sorry. And there is nothing new on the monetization plans in relation to this. We are constantly focusing on improving the business as such. And we are also evaluating and monitoring the external market. We still of course see that there is great interest in this asset generally, but we will continue to see what is the best strategy for Telenor going forward on this.

On the marketing cost in the second quarter and in Norway, no, in the first quarter ad in Norway it is, it is a number that is big enough that we that we mention it, but it's not what's driving the opex, really. But we do expect it to come back. And this is what I said, the fluctuations between the quarters. But we found it prudent since we launched this portfolio at the very end of Q1, it is natural that you spend a little less on marketing ahead of that, and then that we have a strong focus now.

And as Sigve said, this portfolio has been really well received in the market. And we see actually a 10%, growth in customer uptake on it. So, we're really pleased with that.

**Maurice Patrick:** Thank you.

**Operator:** Thank you. We will take our next question is from Jakob Bluestone from BNP Paribas. Please go ahead.

**Jakob Bluestone:** Hi. Thanks for taking the question and a follow-up as well. So firstly, you talked a bit about the Sovereign data centre investment. Interested, if you could maybe give a little bit more colour on what is the size of the revenue opportunity and the CapEx required. Also given this is a very different cash flow profile t other activities, does it make more sense to do this off-balance sheet instead of on balance sheet?

And then just to follow up just on the; you mentioned that you had weak ads in Norway, and I think you lost 20,000 this quarter, 20,000 mobile subscribers in Norway, 50,000 over the last year. And I appreciate that's more than compensated by very strong RPU growth. But are those subscriber losses concerning or is this low value subscribers you're losing? Do you think that's going to improve just any sort of colour on the fact that you are starting to run not-insignificant customer losses in your Norwegian business? How should we think about that? Thank you.

**Frank Maaø:** Yeah. Thanks for your question. On the data centre. We don't have those numbers. The partnership we have here. It's one-third, one-third, one-third partnership. So, we will then bring in our own data centre as an anchor customer. And with that, we get a one-third ownership in the setup. And the two other partners are then having the rest. So, I don't have the number on what this will mean in terms of needed balance sheet effects, nor the revenue potential.

**Tonne Hegland Bachke:** But Sigve, maybe I can just allude. This is of course, given that we own a third, it's not on our balance sheet. It is a separate setup with separate external financing where we are a shareholder with one-third. So, it will not materially impact our balance sheet going forward. This structure. So just for the avoidance of doubt.

We go in with a very small equity and then at some point hopefully we will get some cash back. But we believe the strategic perspectives related to Norway's data centre needs, and this market, in general, is the key elements of this setup.

**Frank Maaø:** On the customer loss in Norway. I think in the report we say around 20,000 customers in the quarter. But if you then look into that 20,000 number, around 7000 of it was loss of B2B customer with very low margins. And then around another 8000 of it was data cards and prepaid cards. So, it's the whole 20,000 numbers are low price sensitive, also low margin customers. So, while in the more profitable segment, we are gaining.

I'm not so worried about the subscriber loss that we talk about here, because the market is competitive, and we are using our low-cost brand talk more to fight in the price-sensitive segments. And over time, these data cards will disappear. And probably also some of the prepaid cards. So, it's a little bit of a cleanup I will call it.

**Jakob Bluestone:** Thank you. Just on the data centres, you said you're only contributing a small amount of equity, but obviously, there's huge growth in these businesses. Do you think you could put more equity into that business, or is this kind of the extent of your contribution before you expect eventually to get cashback?

**Tonne Hegland Bachke:** No, we start now with one data centre, which has just started the construction ambition to come on stream in Q1. We are and the data centre organization as such is currently working on the marketing, getting a lot of positive feedback in the market. And then we will see if there is potential to build more. We believe we will be part of that as well, but it will be on a gradual step-by-step basis and a prudent approach together with the partners we have today.

**Jakob Bluestone:** Thank you. Very clear.

**Operator:** Thank you. We will take our next questions from Nick Lisle[?] From Bernstein. Your line is open. Please go ahead.

**Nick Lisle:** Thanks very much. Morning. could I ask a couple, please? Firstly, on the free cash flow and the free cash flow guidance, why have you not raised free cash flow guidance today? It looks as if you're running about 12. 3 billion for the last 12 months or so, sort of on a run rate. I get the point, Tonnie, about phasing of things like coupons and grameenphone minorities. But what's in the next couple of quarters that makes you shy away from raising, guidance today? What are the sort of one-offs or larger items that you're expecting that really aren't in normal seasonality?

And can I just get a quick follow up as well on the links number? Tonnie, I think you said last quarter links was expected to fall off, but it's back up to about 65 million EBITDA today. So, has the fall-off not started in links yet, or is this where you expect the business to carry on in terms of the EBITDA run rate? Thanks very much.

**Tonne Hegland Bachke:** Yes. So firstly, free cash flow. Maybe, unfortunately, it's not the linear trend. We have worked a lot to have a much more stable cash flow this year, and that is actually the result you see in the first quarter. We also say that there is payments to come in the second quarter, which will materially impact, I believe the totality of those could be in the range of 1. 5 to 2 billion Knox. Then there will, of course, be swings in other elements as we go along.

So, we have the 9 to 10 billion guiding. We remain confident in that. We started the year well, but it's not a point to raise that guiding based on a slight outperformance in this quarter. We would like to see continuous improvement in this area.

Lynx is fighting hard in a tough market. There is also a lot of efficiency and transformational efforts going out in the Lynx organization. We do see that Lynx will contribute with lower free cash flow and also that there is a lower EBITDA trajectory. At the same time, the company is managing this situation quite well as we see it at the moment.

**Nick Lisle:** Thanks, Tonnie. Under 1. 5 to 2 billion, how much of that is the spectrum in Pakistan and how much is - I mean, the rest of it is that sort of abnormal size payments to Grameenphone, the larger minority payments expected or larger coupons what a bigger size than expected for normal stuff?

**Tonne Hegland Bachke:** Yeah. So, the spectrum payment in or license and spectrum payments in Pakistan is $50 million around that in the second quarter, which we will get back later after the transaction closes. Then Grameenphone declared 50% of their net profit for 23 as dividend. And that is what will go out. I believe it is around 7. 5 billion taka. So that is around 750 million.

**Nick Lisle:** Great. Thanks very much. All the best. Thank you.

**Operator:** Thank you. Our next question comes from Kelvyn Correa from Deutsche Bank. Your line is open. Please go ahead.

**Kelvyn Correa:** Thank you. I've got two questions, please. So firstly, last quarter you said you'll watch to see what the remedies in Spain will be like and we now have that consolidation deal approved. What are your latest thoughts on scope for consolidation in markets like Sweden and Denmark? And do you think it's even needed given your organic performance appears robust?

And then secondly, lastly, you said roughly one-third of your Norwegian fiber footprint was overbuilt. Can you update us on the level of overbuild and how much overbuild you expect in the Norwegian market overall? Thank you.

**Frank Maaø:** Yeah. To your second question, we estimate that one-third not to be around 40%. So, there is more overbuilt now than it was a year ago. So that's our latest estimate. In the 40s somewhere.

On your consolidation question, yes, of course, we have studied the Spanish decision. We don't think that that is changing a lot our ability to do a potential consolidation in Denmark. What we are doing now, we continue to operate and generate cash flow in the Danish market. And then we will wait and see until we see a new commissioner and a new commission in place, and then we will potentially look at that once again, if there are some more positives coming into regulations or policies from the European Union.

**Kelvyn Correa:** That's clear. Thank you very much.

**Operator:** Thank you. We will take our next question from Ajay Soni from JPMorgan. Your line is open. Please go ahead.

**Ajay Soni:** Hi, guys. I just wanted to ask a question on the fixed market deregulation. So, you previously said that this would open up around 400,000 homes, which you were not currently able to market to. So, has this number changed and when do you expect these households to open up to you? That's it.

**Frank Maaø:** Yes, it has slightly changed. As you know, in the past there was a national regulation. The country is now broken into 22 regions. And out of the 22 regions, the first proposal was that Telenor should be regulated in four of them. Now they have taken that down to only two. So out of 22 regions we will be regulated in only two.

So, it has been a further deregulation of this. The way this works is that the regulator has said that they foresee a kind of voluntary opening up during the year, and we have seen that some of the fiber operators are already doing that. And if it doesn't happen by itself, then they will force it to regulation in the end of this year.

So, I will say the 350,000 to 400,000 homes that then will be coming available to us will then gradually happen over the years and then over this year and then going into next year. And we will look at this as a great opportunity for us to sell our security products, our TV products, and other products on other fiber connections.

**Ajay Soni:** That's great. If I could just have one follow-up. So, you said some players have already started to open up their network, have you started to market to those areas, and have you seen much of a take-up yet, or is that number still quite small?

**Frank Maaø:** No. That number is still quite small. So, we haven't started really that. This is something we are looking at now.

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

**Operator:** We'll take our next question from Oliver Pisani from Carnegie. Your line is open. Please go ahead.

**Oliver Pisani:** Thank you. I think most of my questions have been taken, but perhaps one on Grameenphone. So, you touched upon expecting improved performance there in the coming quarters. Could you elaborate a bit on sort of the drivers behind that expectation?

**Frank Maaø:** Yes. The main driver behind that is that it actually took us the whole of last year and even going into this year to fully recover from the SIM ban we had. We lost almost 4 million customers when one and a half year ago, we were not allowed to sell new Sims and participate in the market. And now we have taken back those customers and now we start getting effect on them. But that effect was still a little bit drag on us in the beginning of the quarter. So that's the main reason.

In addition to that, we see now that data picking up is increasing. So, more and more customers are now moving from voice to data. And our network, we have a very good data output in our network. So, we're trying to leverage our network position to take those data customers. So, it's a combination of those two things, which is behind my comment. And in the coming quarters, I expect an even better performance in Grameenphone than what we saw in the first quarter.

**Oliver Pisani:** Very good. Thank you.

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

**Usman Ghazi:** Hello. Thank you very much. First of all, I just wanted to echo my best wishes for Tonne. I have two questions, please. The first one was just on the free cash flow target from Asia. Will you confirm that at 5 billion, which was a CMD message as well? Is this assuming any meaningful dividends from true already in 2025?

And then the second question was just around the mobile service revenue growth, which is very strong at 6%, as you mentioned. From the outside, is there any way to determine best-case, worst-case scenarios? Obviously, you've indicated there is some uncertainty related to acceptability of price increases. But let's say in a worst case, the 6% where does the step down to if, let's say the price initiatives you're taking now are you have to roll back? Thank you.

**Tonne Hegland Bachke:** Do the free cash flow target? Yes. So, as you said on the CMD in 2022, we target 5 billion. We keep that ambition. We know that Pakistan is out of the portfolio. We've said that that was not an important contributor, but we do expect to contribute into that 5 billion. And then we are very pleased with the performance we see in CelcomDigi. And we also see a strong cash flow performance in Grameenphone. But we are also focusing on an ambition that we will resume dividend into 2025 and that that will be part of this 5 billion, as they said.

**Frank Maaø:** On their mobile service revenue growth, I assume the question was about the Nordics. I will say that the best case and worst case you find in our guidance range, I cannot be more specific than that.

**Operator:** Thank you. We will take our next question from [inaudible] from Citigroup. Your line is open. Please go ahead.

**Speaker:** Hello. Good morning. Thank you for taking my questions. I just have a follow up on the housekeeping questions. The follow up is on the Norway deregulation in both mobile and fixed. I just want to get your thoughts on how should we think about the mobile deregulation, could it change? Should we expect some upside risk to your revenue generated on your towers or some potential cost savings?

And on the fixed side, just wondering the deregulation, how does that impact your fiber plan and that you already have in place? Do you see that there could be a lower need to roll out fiber in the areas that they already have competitive fiber? And also, your thoughts on potential upgrade of your own coax network for the next step.

My housekeeping question is that; you mentioned that your free cash flow could be impacted by the Pakistan spectrum, which is part of your free cash flow definition. But once you get back the payment from the purchaser of your Pakistan business, should we expect the repayment as part of your free cash flow excluding M&A, or it will be part of your M&A free cash flow? Thank you.

**Frank Maaø:** Yeah. You take the last one? I will try the first one.

**Tonne Hegland Bachke:** Very good question, [inaudible], it should be part of the original free cash flow of the business because probably it's coming as part of the proceeds. So, it would probably be some accounting discussions around exactly the timing of it, but I will have investor relations to revert to you to confirm that. And then it will, of course, depend on the closing, which we ambition towards the end of the year.

**Frank Maaø:** On the regulations in Norway, on the fixed side, of course, there will be then less beneficial to build the overbuilt. So, you will rather than go wholesale in areas where there is a fibre connection already. So, we think this will then change a little bit the market dynamics with less new builds and more wholesale business.

There are, however, still Greenfield places in Norway. And we think for the coming two, three years, there will still be a need also to continue to roll out. If I recall it right, I think our connection now, the home path is around half of the Norwegian market.

We will then figure out where does it make sense for us to continue to roll out new fibre, and where does it make sense more to focus on wholesale. On the mobile side, we'll take on the tower side first. The regulation today is that we are regulated with a cost-plus regulation, which means that if our competitors use our towers, they pay less than if we are using their towers where they are charging market prices. So, the regulation says that this needs to be equalized compared with what it is today.

So, either the competitors are taking down their prices similar to what we currently have, or we take our prices. So that's what that regulation is all about.

And on the other one on the mobile side, they have taken away national roaming regulations and that basically on the mobile side. And then, as I said, I hope that during the coming three years they will completely take away the margin squeeze wholesale regulation, but that that will continue for at least a while. Was that the last one?

**Tonne Hegland Bachke:** Yes, I believe it's the last one.

**Frank Maaø:** It was the last one. And then you have got several thank you already from the investors and analysts. Let me also give you a thank you, Tone. Thank you for fantastic, years in Telenor. And you have your very part of the strategy execution that works. Thank you, Tonne.

**Tonne Hegland Bachke:** Thank you. Thank you for your leadership. Bye-bye.

**Operator:** This concludes today's call. Thank you for your participation. You may now disconnect.

[END OF TRANSCRIPT]