

The experience of privatisation : Telenor ASA.

The company

Telenor ASA is a publicly listed international telecommunications and communications company with its head office in Oslo. Before being established as a public corporation in 1994, it was formerly known as Norwegian Telecom (Televerket), a nationalized public enterprise with origins dating back to 1855. At the end of 2001, the Telenor group had 22 050 employees. Revenues were NOK 46.0 billion. 70 % of the employees work in Norway and 79 % of the revenues are from the company's activities in Norway.

Telenor is Norway's largest provider of fixed and mobile (analog and digital) communication networks. Telenor has a substantial international portfolio of mobile operations in Europe and Southeast Asia. Furthermore, the company is one of the world's largest suppliers of mobile satellite communication, and the leading satellite broadcaster within the Nordic region. At the end of 2001, Telenor was positioned in mobile companies in 14 countries, it was the world's third largest supplier of satellite services through the Inmarsat system, and one of the two leading TV distributors in the Nordic region. The group was present in more than 30 countries at the end of 2001.

Telenor was listed on the Oslo Stock Exchange (TEL) and Nasdaq in New York (TELN) on 4 December 2000. At the end of 2001, Telenor had 56 405 shareholders, the Norwegian State being the majority shareholder, holding 77.7 % of the shares. Foreign investors owned approximately 10.7 % of the total amount of shares. The company's market value as of 31 December 2001 was NOK 69.6 billion, which made it the third largest company on the Oslo Stock Exchange. At the close of 2000, Telenor's share price was NOK 38.40. In comparison the share price at the close of 2001 was NOK 38.60, which represents an increase of 0,5 %. Simultaneously, the Morgan Stanley European Telecom Index dropped 28 %. The Telenor share was among the 10 most frequently traded shares on the Oslo Stock Exchange in 2001.

Telenor has just completed its first year as a publicly listed company and has presented the best results in the company's history. Despite tough competition, they have, to a large extent, managed to maintain their market shares in most of their activities after the remaining privileges as a monopoly business were removed as of 1 January 1998. They have provided Norwegian consumers and companies with telecom services that are among the cheapest and best in Europe.

Internationalization

Through the purchase of Pannon GSM in Hungary and DiGi.Com in Malaysia, Telenor made important moves to ensure further growth. Immediately prior to this, Telenor had realized over NOK 21 billion in gains through sales of their shares in the mobile operations VIAG Interkom in Germany and Esat Digifone in Ireland. As part of their strategy to focus more strongly on core activities Telenor sold their catalog business in 2001. Through this sale gains of NOK 5 billion were realized. The acquisitions and disposals are part of Telenor's strategy for taking control of activities where possible, and selling out where it is not possible to gain controlling positions. Their long-term strategy is to take positions in markets with continued strong growth within GSM, in order to use their technological expertise and their knowledge of markets and consumer behavior to create excess values in the companies and for Telenor's shareholders. In Greece, Telenor have contributed to creating one of Europe's most successful mobile companies, Cosmote.

Outlook

2002 will be a year of consolidation, not only for Telenor, but for the entire telecom sector. The development of the next generation in mobile systems is not taking place as quickly as anticipated. As Telenor has limited UMTS obligations, this gives them the opportunity to capitalize more on current GSM technology, both at home and abroad. Limited inflow of capital has reduced the industry's rate of investments, which in turn has resulted in weaker markets for their activities aimed at the business sector. Telenor have made substantial manpower reductions in this part of the activity. Further measures will probably need to be taken in order for them to adapt to weaker market developments. Strategic takeovers have to a large extent been financed through controlled sales of minority shares and related activity. Telenor's further growth and cultivation of the activity can take place without new equity financing and within the framework of the current rating of the foreign capital. This puts Telenor at an advantage over other telecom companies that are still weighed down by high debts.

Financial results

Telenor's profit after taxes and minority interests for 2001 was NOK 7,079 million, or NOK 3.99 per share. The corresponding figures for 2000 were NOK 1,076 million and NOK 0.75 per share. Telenor invested NOK 18.8 billion in 2001. At the end of 2001, Telenor's total balance was NOK 83.0 billion and the equity ratio (including minority interests) was 55.3 %, which is an increase from 40.8 % in 2000. Net interest-bearing liabilities totaled NOK 13.2 billion, which is a reduction of NOK 27.3 billion during the year.

Tormod Hermansen

President and CEO of Telenor ASA

Tormod Hermansen was born in Botne in Vestfold on April 23, 1940. He was appointed CEO at Telenor, at the time known as Televerket, in the autumn of 1990 and took up the position in January 1991.

Hermansen holds a degree in economics from the University of Oslo (1964). In the years up to 1973 he held various positions within research and education, including work at Asplan, at the Institute of Transport Economics, at Agder University College and at the University of Bergen. From 1967 to 1970 he worked as researcher at the United Nations Research Institute for Social Development (UNIRISD) in Geneva.

From 1973 to 1991 Hermansen worked in public administration; initially as deputy director and deputy secretary at the Ministry of Social Affairs, and after 1980 as secretary general at the Ministry of Local Government and Labour. From 1986 to 1991 he was secretary general at the Ministry of Finance until he was appointed CEO of Televerket, now Telenor.

Tormod Hermansen has led numerous national committees and panels in areas such as public administration, government and leadership, social research and finance. He worked as parliamentary secretary in the Labour government of Oddvar Nordli in 1979. From 1992 to 1999 he was a member of the board of Statoil. Hermansen was chairman of the board of Postbanken from 1994 until 1999, when Postbanken was merged with the Norwegian bank DnB. Hermansen has been chairman of the board of the Government Bank Insurance Fund and he also sat on the board of the Government Bank Investment Fund during the banking crisis in the early 1990s. He has also been a member of the Swedish banking legislation committee. Today he is chairman of the board of the Norwegian State Investment Company, and he also sits as a member of the board of both DnB and Bravida.

Hermansen will remain available to Telenor one year from the time of his stepping down. After this he will be receiving normal retirement pension in accordance with the terms in his contract.